

PRACTICAL POLITICS

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REGIME CHANGE

Her Majesty's new Government will seek recovery by getting an early grip on the nation's deteriorating financial position following years of unwise overspending. As the Budget made clear, higher taxation will not make up the main thrust of its response. The outcome of the spending review will be announced in October, when we shall learn the nature and extent of the cuts to be applied in the public sector. We should then be able to see and judge the economic policy of the Coalition.

Meanwhile, what do we say of the 13 years of Messrs. Blair and Brown? The pair came to power as recovery from the crash of 1992 was completed. This period of "new" Labour has ended by handing over a new crash to its successors. It is not much of a record. From our perspective, Labour leaves office with two significant achievements behind it and six black marks, in all of which Gordon Brown, first as Chancellor of the Exchequer and then as Prime Minister, played the leading rôle or had or could have had a significant input. On the credit side, he kept the U.K. out of the euro and he collected £22,500,000,000 by auctioning 20-year licences for use of part of the radio spectrum by third generation mobile phone services (≠). Against that, (1) he sold half the nation's gold reserves at the bottom of the market, and (2) pursued a series of studies into variations of the long discredited development charges that began with the Town and Country Planning Act, 1947 (readers will recall Kate Barker and the ultimately discarded proposal for a planning gain supplement). (3) The stamp duty land tax is a million miles from a systematic land tax, let alone a land value tax, being a transaction tax on real estate dealings such as house sales, which simply discourages moving home and clogs up the market. (4) Despite inquiries by Lyons (England), Burt (Scotland), and the Northern Ireland Executive, and a study in Glasgow (all of which, be it remembered, had some kind words to say about LVT), the council tax has remained untouched since being introduced in 1991 and has not even been subjected to a revaluation. (5) The boom/slump cycle which Brown claimed to have abolished, came, as we have repeatedly pointed out, as no surprise (see also Issue No. 182, page 1). (6) In fact, spurning LVT has been Labour's big error. In an article on an entirely different subject in the "Daily Telegraph" of 23rd. June, Des Lynam wrote, "Gareth Southgate...quoted Einstein's definition of insanity, 'continuing to do the same thing expecting a different result'. Bright lad our Gareth." Is the Coalition taking notes?

(≠) In our Issue No. 182 (June 2010), during the course of the article on page 4 on India, we referred to this sum as the equivalent of £1,125,000,000 per annum on simple linear division. We added, mistakenly, that "it has worked and is bringing in money still." In fact, the receipts from the auction were a capitalised sum of £22,500,000,000 which went at the time to reduce the National Debt. To the extent that this reduced Debt has implied lower interest payments over the years, the auction did not continue to bring money in so much as avoid its going out. The key point of the article, that the radio spectrum is Land in economic terminology, and that the Chancellor's auction was a form of LVT (whether he was aware of it or not) remains valid.

COASTAL PROTECTION, TRANSPORT, AND LAND VALUE

(i) At Lyme Regis, stability works are being planned, as "the final stages of a much bigger (sea and cliff) protection programme in which £21m will be spent shoring up the eastern part of the old town...In the past 15 years more than £40m has been spent on major coastal protection works" [a]. Some of this outlay has provided improved public spaces, but much has been a straightforward gift to private commercial undertakings and to homes which now profit from the valuable improvements to the location of their properties. It is not Lyme Regis that thrives on this, but its lucky landholders.

(ii) If the building of a high-speed London to Birmingham rail link does go ahead, it "could put Solihull in London's commuter belt and lead to a 'boom' in the property market" [b]. New projects like this need subsidy, yet passive local landholders reap the benefit. Where is the commonsense in that?

(iii) "The Mayor of London's office has forecast Crossrail, due to begin service in 2017, will boost the economy in each London borough it passes through by at least £14 million" [c]. Will the Mayor be calling for LVT, then?

(iv) A new Underground route is pushing up property values in previously poorly served areas of London. This time it is the East London Line extension from Dalston Junction via Docklands to Croydon. Next year it will be extended northwards to Highbury, and there are plans to build a southern spur westwards via Peckham from 2012. In Dalston, "the addition of a station provided huge opportunities for capital gain"; at Brockley, transport is considered "a big factor when people are looking at where to buy"; in South Norwood, "the Underground line is a big selling tool" raising prices "nicely"; and the sophisticates of Croydon ("the town already has lots of transport links") are aware that "history shows that where there is a new link prices go up faster than they would have done" [d].

HOUSING AND LAND VALUE

(i) "The price of building homes fit for humans comes mostly from paying less for land" [e]. Well, now: consider this. If LVT were operating fully and properly very close to 100%, land would for practical purposes have no buying/selling price. The cost of acquiring a home, 'new-build' or existing, would be only the open market value of the house itself and of other improvements in and on the surrounding plot. The homeowner, in his capacity as landowner, would pay the LVT, which would by then have replaced contemporary taxes. After all, no man ever made the land, which came as a free gift from God or Nature. Furthermore, landowners are dependent on the presence and level of activity of the population as a whole, not just to create the land value but – crucially – to maintain it: landowners are powerless to do that for themselves. There is no good reason we should continue to expect our fellow citizens to live cooped up in tinier and tinier flats and houses costing more and more [f].

Footnote: – Few landowners are owners of land without also performing some form of labour and/or supplying capital. As labourers or capitalists, they fulfil a

positive function in wealth creation, whereas as landowners they just charge to get out of the way and let others get on with the job. In any case, our quarrel is with neither individual nor corporate landowners: rather it is with the unjust system which tolerates and even encourages the private appropriation of the Rent of Land.

(ii) Bovis Homes is loading as much land as possible into its larder "in preparation for what housebuilders have warned will be a restrictive planning market under the coalition government's policy of handing more powers to local authorities" [g]. There is an uneasy feeling implied here that localism might tend towards descent to rule by N-I-M-B-Y negativism. LVT will not prevent this, but it will induce forethought. N-I-M-B-Y folk want schemes that add to or at least preserve the location value of their homes. If N-I-M-B-Y negativism pushes up N-I-M-B-Y land values, N-I-M-B-Y must be asked to pay up accordingly. Whether and where to allocate land for development, is a planning matter. The designation of planning authorities is a matter of public administration. LVT encourages development and redevelopment when either is being held back for speculative or anti-social reasons, but it prevents the over-development that can result from to-day's chaotically restricted and over-priced land market (e.g. tower blocks or estates of tiny, cramped homes with barely any garden). LVT itself is no foe to amenity. Essentially, LVT assessments reflect the myriad public and private decisions affecting our lives, of which allocation of land for housing is but one.

(iii) "A businessman who had £600,000 wiped off the value of his home when a 100ft [electricity] pylon was put up next door has threatened to take revenge by selling land to travellers" [h]. In fact, his house as such is unaffected. It is the land, the site, the location that has lost value. LVT brings automatic financial compensation in the form of a reduced land value assessment.

(iv) In the exclusive suburbs surrounding Poole Harbour in Dorsetshire, affluent residents are suspected of targeting mature trees protected by preservation orders, because the trees were "obscuring valuable vistas. The right view can add tens of thousands to property values in the areas of Sandbanks, Canford Cliffs and Branksome Park, where homes can sell for more than £1 million" [j]. Trees in neighbours' gardens are being sawn down or poisoned so that other residents may enjoy a sea view. To us this is a new form of land conflict, as well as an illegal one.

(v) The Lake Vyrnwy estate in Montgomeryshire, Wales, is for sale by Severn Trent Water Authority on a 125-year lease. "The views are spectacular, the tranquillity unparalleled [and]...at more than 23,315 acres...it's about twice the size of Manhattan...The price tag is £11 million...It has its own reservoir, woodlands and wildlife...The estate is dotted with 14 leased farms, plus 31 cottages, private or commercial buildings" [k]. It includes "conservation areas, a nature reserve and several sites of special scientific interest associated with a magnificent Victorian dam." Not much prospect for housing there, then. Hence the modest price per acre.

[a] Nicola Venning, "Financial Times", 19th. June [b] Spokesman for the local Chamber of Commerce, cited by James Hall, "Daily Telegraph", 29th. April [c] Rob Virtue, "The Wharf", 22nd. April [d] Gareth Rubin, "Financial Times", 22nd. May [e] Peter Bill, "Estates Gazette", 3rd. April [f] "Practical Politics", Issue No. 124 (July 2003), pages 3 to 7, carries an essay on the implementation of LVT leading in a series of deliberate steps to collection of what may then better be called the National Land-Rent. The essay examines some of the questions that are met along the way. [g] John O'Doherty and Ed Hammond, "Financial Times", 10th. July [h] James Tozer, "Daily Mail", 22nd. June [j] Luke Salkeld, "Daily Mail", 24th. June [k] Paul Harris, "Daily Mail", 6th. July

A TALE OF TWO CITIES

(i) "After hurricane Katrina had devastated New Orleans five years ago, a small swathe of land was dubbed 'the sliver by the river', a flood-free zone of higher ground hugging the Mississippi. It included not just the French Quarter but also... the Marigny and the Bywater...[The latter two] districts have become some of the city's hottest real estate markets...The Bywater is imminently likely to be rezoned, from low- to medium-density usage – an economic dose of steroids" [m]. So, while in the city's poorest wards Katrina's victims still toil, with little help, to re-establish their shattered lives, the well-heeled landowners in an up-and-coming 'sliver' are facing the promise of a bonanza. Once again, public land value will find its way into private pockets. What a tragic disgrace it all is!

(ii) "Between 2000 and 2009 economic growth in Cambodia averaged 8 per cent ...The real estate sector was suddenly awash with money...Between 2005 and 2008 the cost of property in some areas of Phnom Penh rose from \$550 per square metre to \$5,000...Speculators bought up land for better roads, more shopping malls and larger office blocks...Then the bubble burst...Building works ground to a halt and land cleared for work remained empty...The Cambodian economy contracted...Property prices in the city centre fell by up to a third...The losers in the evolution of Phnom Penh from backwater to international city are the citizens evicted from property that was sold to developers with minimal compensation" [n]. In fact it is worse than that. While landowners ride the boom/bust/boom/bust cycle , mostly consolidating their economic power and political influence, everyone else (not just the dispossessed) is fleeced by taxes on wages, trade, saving and spending. How hard is that to see and understand?

DEPRESSION

Germans in particular are opening accounts in Switzerland as a precaution against what might happen to the euro in a sovereign debt crisis. Hungarians, Austrians, Poles, Lithuanians, Latvians, and Estonians who "borrowed in francs" to take advantage of low interest rates for mortgages and such, now find that "If there is any further tension in the EMU banking system, the franc will immediately rise further" [o]: dearer repayment on top of negative equity spells misery. In the U.K. meanwhile, "there is approximately £300bn of banking loans outstanding to the British commercial market...Banks have been waiving [loan to value] covenant breaches and extending facilities to avoid forced sales" [p]. So - still on the cusp.

[m] Mark Ellwood, "Financial Times", 19th. June [n] Elaine Moore, "Financial Times", 22nd. May
[o] Ambrose Evans-Pritchard, "Daily Telegraph", 22nd. July [p] Jeremy Warner, "Daily Telegraph", 22nd. July

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