PRACTICAL POLITICS

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TINKERERS TWO

Every Londoner knows you can wait 25 minutes for a number 11 'bus and then two come along together. It was rather like that on 21st. of this month when both the Lyons Report and the Budget were unveiled.

(i) Lyons had been much the longer in gestation. This was an inquiry into the rôle of local government and the raising of local government finance in England (although, curiously but not atypically, the second came first with the extended terms of reference being brought in later). In the compilation process, poor Sir Michael and his team were several times kicked into the long grass by their political masters. To call the final report an anti-climax is to exaggerate its importance. It contains almost nothing significant, and the little that there is has been consigned to the medium term and even to the long term. Indeed, by the time a revaluation of domestic property and the addition of new council tax bands have been achieved, we could have had a National Land-Rent Charge (land value tax) in place – and why not? The report does mention LVT, and we shall return briefly to this in our next Issue.

(ii) In our Issue No. 72, we passed in review the new Chancellor's first Budget speech, delivered on 2nd. July 1997. What can be said after 10 years and 11 Budgets? Tinkering and stealthy manipulation have been hidden under brave words defiantly pronounced. The achievements most readily recognised have been the establishment of an independent monetary policy committee to set Bank of England base rates, and the Chancellor's clear and determined resistance to ditching sterling for the euro. Less recognised, but for us Mr. Brown's potentially trail-blazing success, was his auctioning in April 2003 of five bundles of 20-year licences for the use of part of the 3G radio spectrum, realising £22,500,000,000 for the public revenue, described in our Issue No. 123 as "a legitimate rent (a land-rent, in fact) capitalised over 20 years in return for the right to enjoy, over that period, exclusive use of a natural resource, a thin slice of air spectrum." Unhappily, that income has disappeared without trace into the current account, as have the offshore oil and gas revenues. What moment of *hubris* induced the Chancellor to sell half the nation's gold reserves at the bottom of the market (an average price of $285 an ounce)? It stood at $659.10 at the close of the London bullion market on 20th. March, the eve of what was presumably his last Budget.

RUSSIA

Russia “taxes away most of the revenues made by oil companies above $40 a barrel. The proceeds – about an accumulated $400bn now – are salted away by the government” (Tom Stevenson, “Daily Telegraph”, 13th. March). Laudable as this is, the mechanism has flaws. New investment will be deterred by a policy of much risk with limited reward; and why would producers pump out more oil in a scarcity when the return is capped? The system depends on *de facto* state control of company operations, and adds to the threat of risk. Right end, conceptually sound – but sub-optimal means.

BULGARIA and ROMANIA

“Underpinning the surge in interest for property here is, of course, the billions of euro being poured into the country to improve its infrastructure” (“Just Bulgaria”, March 2007). The region is a major beneficiary of EU structural funds. Business and private investors have been moving in fast too. In the Romanian capital, Bucharest, prime retail “land values have doubled over the past 18 months”, whilst from Bulgaria comes the advice to speculate, “buying land to take planning risks” (locally based agents cited by Claire Robson, “Estates Gazette”, 3rd. March). Development aid is but the transfer of funds from the poor in rich nations to the rich in poor nations.

U.S.A. and URUGUAY

Telluride, Colorado, is to-day a thriving ski resort in the Rockies. In 1960, it was almost a ghost town. Even 30 years ago, it was a sleepy village. “Slowly, the investments arrived” including “vast improvements to the ski area, mansions…for dotcom millionaires or well-heeled baby boomers” (Bill Briggs, “Financial Times”, 24th. February). “Empty lots are rare”. Prices are high. The workforce cannot afford to live there and commutes daily from “tiny settlements that dot the dark forest below…almost an hour away.” Owners of land do well out of it; but there’s nothing new in that. Instead of working, they just take money off those who do, and who want a little space for recreation.

By contrast, Punta del Este in Uruguay attracts sun lovers, but they too must be well-heeled. “Social butterflies from all over the world flutter in” (Benedict Mander, “Financial Times”, 10th. March). “Long favoured by Argentina’s rich as a refuge from the oppressive summer heat of Buenos Aires,” there are now “increasing numbers of Brazilians and Chileans”. As a result, “Prices of properties in prime locations have soared”. Mercifully, the place “is quite unlike the rest of this modest and unassuming country”.

HOUSING: THEY AIN'T MAKING LAND ANY MORE

"According to Halifax, Britain's biggest mortgage lender, the average house price jumped by £3,407 during February [to exceed £192,200 – ed.]. That's nearly £122 per day or equivalent to more than £40,000 a year" (Ian Cowie, "Daily Telegraph", 9th. March). "By contrast, the average wage is less than £24,000 gross." These effortless gains spill over "into a second-home property boom in Spain, France and wherever you can reach reliable sunshine on cheap flights."

The site of the old Bowater House, One Hyde Park, "close to the Royal Albert Hall with views over the Serpentine" (Robert Mendick, "Evening Standard", 7th. February) "was bought for £150 million…Westminster council gave planning permission for 86 flats in four blocks." The penthouses on top of the blocks are going for £84 million each, a London record. Even allowing for excellence in design, construction, and service, there is a lot of land value in that price; and it does not end there – 82 other apartments are involved. The two brothers carrying out the development deserve full entrepreneurial reward for the project, but the land value ought to have been captured for the public revenue. As for the brothers, "They now live in tax exile in Monaco."

Meanwhile, but still in London, we learn that "According to the Greater London Authority's planning and partnerships directorate, 129,958 homes have been given consent since 2003 but only 45,430 have been built to date" ("Estates Gazette", 3rd. March). A GLA member, mindful of the capital's housing shortage, has noted the failure to build, especially at a time of rising prices, and "is demanding an inquiry into why more developments have not begun". We can help. There is no holding charge on undeveloped land. If LVT were in operation, owners would receive a sharp stimulus either to develop their land, in order to bring in an income from which to meet the land-rent charge, or to give way to others who would be prepared to build.

"The average price of an acre of land in England and Wales is now £4,200. There are many areas in which that acre of land with planning permission would be worth probably £1,000,000 – paid by a willing developer who could sell the resulting houses to willing buyers, to everybody's benefit. This available and costless creation of almost £1,000,000 of wealth per acre is a measure of the unacknowledged destructive effect of restrictive planning. There are plenty of areas of green belt that have no claims to beauty or amenity where this wealth could be created" (excerpt, letter, "The Times", 27th. February). It is not correct that everybody benefits. The landowner becomes a millionaire for doing nothing at all. The general public, responsible for bringing that location value into being, is the big loser. Land value is the natural, logical source of public revenue, in place of existing harmful taxes.

THERE IS AN ECONOMIC ENVIRONMENT TOO

"There are growing question marks over ethanol and biodiesel. They are hungry for land, which would otherwise be used to grow food, and they can encourage deforestation, adding to the CO_2 problem they are supposed to address" (Tom Stevenson, "Daily Telegraph", 13th. March). "Land of opportunity or not?" ("Estates Gazette" book advertisement, 24th. February). "Landowners could take advantage of their key asset…In seeking to meet its commitments on climate change, the UK government has already encouraged the development of wind power and is now focused on biomass and biofuels – which all depend largely on one essential ingredient: land." No argument from first principles, ethical or economic, supports the private appropriation of the Rent of Land. Unless the economic and political relationship between man and his planet is corrected, green politics are certain to be a botch. Landowners are already focused. Are ecologists?

LAND AS PROPERTY IN COMMON

Free access to land suited hunter-gatherers and migratory herdsmen, but arable farming and the growth of industrial development and urban living require settlements and security of tenure. There is no inherent difficulty in reconciling this with access to land for everyone on equal terms. Different parcels of land, whether town plots or rural spreads, have, for any of the myriad reasons we are familiar with from daily life, differing attractions; and the occupier is free, within the law, to enjoy them and to exploit them. Location values can readily be assessed and updated. A rental payment by the landholder to the public exchequer is at once a due payment for benefits received and a compensation to the rest of the community for the value it foregoes in agreeing to be deprived of access to the land in question. What confers the right of private ownership is work – the production of wealth (capital goods as well as goods for consumption) by physical labour, mental effort, and human ingenuity. No land owner or predecessor in title ever made the land, nor is a land owner responsible for the creation and maintenance of the revenue stream that enriches him.

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