PRACTICAL POLITICS

March 2012 Issue No. 196

DECLARATION OF AIM AND PURPOSE

Every citizen has equal right to the land surface of the United Kingdom, to its waters, rivers, and lakes, to the territorial waters around it, and to the air space above it, and shall have an equal share in the natural resources thereof. This is to be secured by requiring all who wish to have the privilege of exclusive occupancy of any portion of the national territory to compensate the remainder of the community by annual payment to the Crown of a sum assessed as representing the full site location rent for the land in question. The total yield of such rents is to be the first source of revenue for the public administration, and any surplus is to be disbursed to all citizens per capita*.*

LITTLE BITS FROM THE EUROZONE

(i) In Issue No. 192, we noted that **Belgium**, **France**, and **Luxembourg** were involved in rescuing Dexia, a bank exposed to Greek debt and other toxic assets, and lender to thousands of French local authorities. Dexia has since posted "a net loss of €11.6bn for last year". It is "being broken up following the nationalisation of its Belgian banking arm. The rump will become a 'bad bank' holding little more than a bond portfolio" [a]. These are not Greco-Latin peripherals, but core EEC founder states.

(ii) In **France** still, Crédit Agricole bank "posted a record €3.07bn quarterly net loss…due to the cost of shrinking its balance sheet and losses on Greek debt…Although Crédit Agricole is less dependent on investment banking than other big European rivals, it has been burned by its purchase of local Greek bank Emporiki and the cost of shuttering risky activities after the 2008 financial crisis" [b].

(iii) "Standard & Poor's warned that the exclusion of the European Central Bank from negotiations over debt haircuts, or losses, could further weaken prospects for **eurozone countries** and raise borrowing costs across the region. The ECB will avoid haircuts on its bonds as it has been given seniority over private investors" [c].

[a] Peter Edwards, "City A.M.", 24th. February [b] Harry Banks, "City A.M.", 24th. February [c] David Oakley, "Financial Times", 25th. February

CIL – AND BEYOND

The "Estates Gazette" of 25th. February carried a Policy View by Liz Peace (Chief Executive of the British Property Federation) on CIL (the Community Infrastructure Levy), which appeared under the heading, "We must slay the monsters in the CIL to avoid a horror movie ending". Those of our readers wishing to delve into the implementational shortcomings of CIL must go to the article itself, for here we concentrate on points of principle and economic analysis we think the author might have skated around.

Already in the opening paragraph, we are plunged into uncertainty. "For as long as I have been involved with property, the BPF and the government of the day have grappled with the problem of how to extract fair contributions from developers. This has always been difficult, especially for Labour politicians, who always suspect that landowners make a killing without having to do much other than bank the fruits of a planning permission." First, a distinction seems to be drawn between developers and landowners. Neither here nor later is there an explanation of that; but there is one, and, as we shall show, it is vital. Secondly, there is that word, fairness – there is nothing about ethics in the article, so presumably the usual interpretation, something between 'rotten, but we can just about put up with it' and 'good grief, I never thought we'd get away with that!', will have to do. Thirdly, we note that, once again, only the increase in land value resulting from the grant of planning approval is under discussion.

"Over the past decade we have considered everything from a Henry George-style land value tax (now enjoying a rather surprising resurgence) to Lord Falconer's tariff, the optional planning charge, Kate Barker's planning gain supplement – which we all saw as a thinly veiled development land tax – until finally under the last administration we arrived at CEL". The differences between LVT and all the others she lists are themselves "rather surprising", but have been missed nevertheless. Perhaps that surge has been unsettling.

At this point, it is useful to have a description of CIL. "We in the development industry supported the concept of CIL and were instrumental in its design. And in principle I still think it's a good idea: a local authority works out in advance its infrastructure needs and then divvies up the cost across future development." After this admirably succinct summary, Mrs. Peace moves on to raise issues of application which need not detain us here.

Neither in ethics nor in political economy is there any justification for the absolute private ownership of land. The property business, as the term is widely understood, is not about movable personal property. It covers that which is regarded as fixed, immovable – houses, factories, offices, shops, farms, mines, warehouses, airports, for example, together with their underlying and surrounding ground. ‘The property business’ in fact is a catch-all expression, lumping together at least four groups of participants.

Landowners sell or lease out the site. Financiers organise the funds to support the land acquisition and construction costs. Constructors bring men and equipment to the site and organise and direct the building work. The professionals are those who actually carry out the work - the architects, surveyors, engineers, skilled craftsmen, general labourers, and, when all is done, the property managers. The financiers, constructors, and professionals all perform work, by hand or brain. In the terms of political economy, they provide Labour. Some, from the plumber with his own specialised tool kit to the great civil engineering company with its cranes and bulldozers, will also provide Capital, which is to say goods previously manufactured not for direct consumption but for use in further Wealth creation. Finance comes from private savings via banks and from the resources of such as insurance companies, trusts, and pension funds. The money thus supplied is a Wealth token, representing its owners' temporary denial of gratification through consumption so that it may be used in investment, in the business of making and furnishing a building. Labour is work. Capital is a form of stored and re-circulated Labour. For all their differences and their internal divisions, financiers, constructors, and professionals represent current and past Labour.

What of the landowner? Land was not man-made. It was provided free by God or by Mother Nature. The distinction in economics between Land and Capital is crucial. If Land is withheld, Capital, as well as Labour, is locked out, and can produce nothing. Each plot constitutes a monopoly location: Land is fixed in quantity and is not transportable from place to place. Of course we know that one person or one body corporate may perform more than one function or indeed all three (a man may own Land and provide his own Capital and perform his own Labour) but in political economy the functions are distinct, and require to be considered differently and separately. Capital and its value are private, and so too are the rewards of Labour. The value of Land comes from the economic attraction of the location, which in turn stems from natural advantage and the general presence and activity of people.

Only incidentally are land values historical. They must be renewed on a daily basis, and generally they will depend too on perceptions of future economic activity and the maintenance of political and social order. Twice in the last century, the taxation of land values was put on the statute book (frustrated first by World War I and then by the Great Depression), and land taxes of various sorts have scarcely been out of public debate since World War II. Land transactions do not occur in a political or moral vacuum.

No one's land is to be seized and no title deeds taken away. No landowner (rural or urban, individual or body corporate) is to lose anything he himself produces – indeed, the income landholders earn from their labour and the provision of capital goods will be tax-free. What is envisaged is a national land-rent charge to return to the community that which belongs to it.

Land value is public. Mrs. Peace, and presumably the BPF as a body, seem to miss that. The nearest the article comes to understanding why LVT is so significantly different (*sui generis*) is the expression, "We in the development industry". There is nothing industrial or industrious in just holding a land title.

The BPF has yet to accept that it has to make its mind up whether it speaks for landowners or for those who do the work of financing, building, and managing property. The activities of this latter grouping benefit society. Landowners live off society. Their contribution consists of no more than getting out of the way and letting others get on with their work – for which kindness they are allowed by politicians and civil servants, with the connivance of most academics, to trouser very handsome rewards indeed. These can be collected in LVT with economic consequences wholly benign.

We close by reminding ourselves of the definitions bequeathed to us by the classical economists. Anyone wanting evidence of the damage wreaked by ignoring them, has but to look around at the state the world is in to-day.

Land: All the material universe outside of man and his products. Land thus includes rivers, lakes, the sea, and the air, as well as the land surface and what lies beneath it. In most applications, though, land will obviously equate with *terra firma*, with site and location.

Labour: All human exertion, mental or physical, directed towards the production of wealth.

Capital: Both wealth used in the production of more wealth, and wealth in the course of production and exchange. Capital thus includes intermediates and stock-in-trade, as well as such items as tools, machinery, buildings, and vehicles used in the productive process.

Rent: The return that is due to land when wealth is distributed. The share of wealth that is attributable to the superiority of any piece of land over marginal land (the poorest land in use).

Wages: The share of wealth that is the return for labour.

Interest: The share of wealth that is the return for the use of capital.

It follows from the above, that a landowner may be an individual person or group of persons or a body corporate. A landowner need not be the freeholder: anyone with a beneficial interest in land (a land holding capable of being sold or let at profit) is to that extent a landowner. As individual people or as entities, landowners may not just hold land, but may also provide their labour and/or provide capital. The three factors of production are distinct, however, and, in economic analysis, it is particularly important to distinguish land from capital (and therefore rent from interest).

Our dispute is not with landowners, but with landownership, with the system which permits the private appropriation of the rent of land, which we hold to be rightfully public. The returns to labour and capital are rightfully private.

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Published by the Land Value Taxation Campaign,
54, Woodway, Hutton, Brentwood, Essex, CM13 2JR,
and distributed free to selected members of both Houses of Parliament, of the European Parliament, of the Scottish Parliament, the National Assembly for Wales, and the Northern Ireland Assembly.

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