

PRACTICAL POLITICS

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INFRASTRUCTURE

Infrastructure is being widely touted as the way out of this slump. The Government, however, already finds itself struggling to hold down the budget deficit and cut back on public sector spending, and is not looking for ways of disbursing more money right now, even though there are pot holes in the roads and ruts and cracks on the pavements that demand urgent and better-quality attention. Transport offers almost limitless opportunities for the improvement of road, rail, and air facilities. Where the private sector does have the means, it has little incentive to take on risk in the short term. Why is this so? Why is construction languishing? The answer, all too often, is that there is little profit in it. Bridge a water course to connect two communities – where is the income to come from to pay for the work? Tolls are unpopular. Build or improve a road – who pays? Tolls are unpopular and rarely applied. Build or improve a railway line – who pays? Probably receipts from the fare box barely cover train operating costs. What is there to entice private companies to rush in and build? If subsidy is the answer, forget it in a time of austerity – and why should subsidy be needed anyway?

Instead of asking "who pays?", ask "who gains?". In these three cases, gains will be conferred on the locations affected, domestic, industrial, office, retail, possibly agricultural as well. Incomers could be attracted later too. It is the landholder who will pocket all these benefits by systematically raising his rents or capitalising them and selling them off for another to enjoy or lease out. Assess and collect land values (not just in specific development cases, but throughout the nation) and the rental income will be assured in perpetuity to meet public revenue needs in place of existing taxes. Oh, yes!...Given recent concerns over prolonged heavy winter rains, proper flood defences will pay for themselves in the same way. All it takes is implementation of LVT.

VAT v LVT

VAT evasion owing to fraud, "the difference between the amount of tax HMRC expects to receive and what it actually collects, is reckoned to have reached £3.3bn" a year [a]. LVT cannot be avoided or evaded. Each plot of land is known and registered, as is its owner. Land cannot be carried away or hidden. A fixed asset like this is the perfect source for public revenue.

RADIO SPECTRUM

Shortly before the prorogation of Parliament in 1997, the Conservative government was contemplating collecting land value for public revenue purposes. The radio spectrum is classed as land in economic analysis, the air being part of the natural order outside of man and his products. The scheme to auction the air waves "is compelling... Few means of cash-raising, after all, can be so easily defended on economic grounds" [b].

In 2000, the Labour government brought this prospect to fruition. After an auction spread over 8 weeks, 5 companies, from a starting list of 13, each won a 20-year licence to use part of the radio spectrum. The proceeds totalled £22,500,000,000. The winners were able to offer so-called third generation (3G) mobile phone services: "With internet, television, video, music, financial services and e-commerce to be available via handsets, the network operators will be a business conduit" [c]. The auction receipts were not a windfall, nor were they a sell-off. They were a legitimate rent, indeed a **land rent**, capitalised in this case over 20 years, for the right to enjoy exclusive use, over that period, of a natural resource – a small part of the radio spectrum. Thus did the principle of LVT become within three years the bipartisan policy of both the Conservative and Labour parties. The Treasury used the money sensibly at the time, to reduce the national debt.

Against this background, then, the Conservative and Liberal Democrat coalition government is about to oversee a further auction of the airwaves. Ofcom, the market regulator, has said that 4G (the fourth generation of mobile telecommunications services) can make use of that part of the spectrum that becomes available "as a result of the decision to end analogue TV broadcasts in a switch to digital transmissions" [d]. "Ofcom chief executive Ed Richards... admitted that slicing up the spectrum was a 'fiercely contested area' as the airwaves were 'strategic assets for the market for the next 20 years' " [e]. Reports suggest that this will hand the Treasury between £2bn and £10bn, a range vague enough to raise quizzical eyebrows. The Chancellor of the Exchequer included an allocation of £3.5 billion from the auction in his Autumn Statement. Surely something thought by Ofcom to be fiercely contested and determining the use of a strategically significant asset for the next 20 years should do better than this?

"The auction will add up to 250 MHz of mobile spectrum to 333 MHz in use today" [f]. "Spectrum is... a widely available 21st century 'resource', akin to land... and... widely regarded as the 'real estate' of the mobile industry... 4G is the name given to a type of mobile service that allows super-fast internet access via smartphones and tablet devices" [g]. The 'Big Four' companies in the business are Vodafone, O2, EE (Everything Everywhere, already the owners of T-Mobile and Orange), and Three [h]. "The other three bidders are

more likely to use their spectrum to provide mobile internet to businesses and institutions...BT, via a subsidiary called Niche Spectrum Ventures, is expected to boost broadband services to rural areas and to serve business clients. Little-known network operator MLL, backed by several private equity groups, is also bidding and hopes to sell spectrum to existing clients, including the major telecoms companies. HKT, a subsidiary of Chinese group PWWC, was cagey about why it wanted UK spectrum" [j]. "The results of the 4G auction...will be known in March" [k]. This is just in perfect time for the Government to announce with its presentation of the budget that the policy of collecting land values for the public revenue is to be extended to *terra firma*.

HOUSING IN PERSPECTIVE

It is instructive to do a calculation to see how much land is needed to house everybody comfortably. The population of England, Scotland, Northern Ireland, and Wales was declared to be 62.6 million in 2011. Let us assume that the average household consists of 4 persons, and that the housing density is to be just 8 to the acre. The resultant acreage is converted to square miles, and the area visualised as a circle whose radius is determined by the full calculation:

$$\text{radius} = \text{the square root of } \frac{62,600,000}{(4 \times 8 \times 640 \times 3.14159)} = 31.192 \text{ miles}$$

Thus one could, if one wished, house the entire population of the United Kingdom very decently within a circle having a radius of not much more than 31 miles, leaving the whole of the rest of the land area available for agriculture, industry, commerce, and leisure. There need be no foolish talk of over-crowding, but a rational land use policy is not going to come about without a thorough application of LVT.

Incidentally, were the population to rise to 70,000,000, the radius of the notional circle required for housing would still be only 32.984 miles. The total area of the United Kingdom is 94,600 square miles.

IN THE CART

"Markets only have faith in currencies to the extent that they have faith in the countries backing those currencies. Keep that in mind and take a look at the UK. We have a vast national debt we have no good way of paying down. We have a huge deficit (the amount by which the debt rises every year) too...We should have lost our triple-A credit rating years ago – and this year we probably will" [m].

THE HEART OF THE MATTER

"Improvements belong rightly to those who make them; but land which Nature has provided belongs rightly to the people as a whole, and they should not be required to purchase either its surface or its ungoten minerals. Instead of the people having to purchase the land from the landlords, the landlords should have to pay fair rents for it to the people. But they should have secure possession of it so long as these rents are paid, and there should be no taxation nor rating of improvements or of the processes or products of industry" [n].

PARTING SHOT

To him who hath shall more be given, or so it seems for so long as we allow this rotten system of private appropriation of the Rent of Land to continue. Most of those who work for a living have subsistence incomes or little more than the reasonable modern comforts. They cannot build any significant holdings of Capital. Landholders can also perform work and thus are in a position to acquire Capital. They may in this way become recipients of Wages, Interest, and Rent, and are able to choose whether to give up working or to go on building up the Capital investments or indeed add to their Land holdings. The big Rent recipients, be they persons or bodies corporate, thus become also the big Capitalists. This is the root of society's inequalities. Sort this, Good Masters, or Carry On Tweaking. Which would you rather be remembered for? Give us that National Land-Rent Bill (LVT in its fullness)!

[a] Harry Wilson, "Daily Telegraph", 7th. January [b] Lex Column, "Financial Times", 22nd. March 1997, cited in "Practical Politics", Issue No. 70 (April 1997) [c] Robert Lea, "Times", 11th. April 2000, cited in "Practical Politics", Issue No. 97 (May 2000) [d] Sean Poulter, "Daily Mail", 23rd. March 2011, cited in "Practical Politics", Issue No. 189 (April 2011) [e] Simon Duke, "Daily Mail", 23rd. March 2011, cited in "Practical Politics", Issue No. 189 (April 2011) [f] Matt Warman, "Daily Telegraph", 26th. July 2012 [g] "Daily Telegraph", 22nd. August 2012 [h] Katherine Rushton, "Daily Telegraph", 19th. October and 6th. December [j] Rob Davies, "Daily Mail", 21st. December [k] Jon Rees, "Mail On Sunday", 23rd. December [m] Merryn Somerset Webb, "Financial Times", 19th. January [n] James Dundas White, "Nature's Budget", cited in "Practical Politics", Issue No. 7 (February 1990)

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