

PRACTICAL POLITICS

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HOW NOT TO DO IT

On 6th. July, local authorities were authorised to issue Empty Dwelling Management Orders under the Housing Act, 2004. There are said to be 280,000 private homes standing empty in this country. Councils which have tried to contact the owners and persuade them to bring their property into beneficial use, will now be able to ask a tribunal to issue an order permitting the authority to enter and take over a property (including fixtures and fittings, and furniture), renovate it as necessary, and let it for up to seven years. Holiday homes, “second homes”, inherited homes for six months after grant of probate, and other homes which are on the market at what are deemed realistic prices or have what are accepted as valid reasons for remaining empty, are exempt.

Why are so many private homes lying empty for so long? One reason is ingenuously provided by the “Daily Express” in its edition of 12th. July, where an enraged leading article proffers this gem of civic consciousness: “If, for example, a person inherits a property in an area in which prices are forecast to rise over the next few years, there is no reason at all why that person should not hang on to the house until he or she wishes to sell.”

This proposition bears examination. Purportedly a proud call to respect the sanctity of inheritance, it is nothing other than a defence of private speculation at the expense of the wider public interest. As it happens, we can de-construct the declaration in such a way as enables us to support it, though in doing so we may not be making the leader writer any happier. Let us see...

Property is an imprecise word, a trap in economic analysis. It consists of land (the ground, the site) and of buildings and other developments. Buildings depreciate, that is to say they need constant maintenance and eventually wear out and become obsolete. Land does not depreciate. Its value changes with time, reflecting the level of general economic activity; it thus nearly always rises. Land is different! Land is not man-made. Buildings, which have been made by man and are true wealth, add something to what was there before. Those who build them and maintain them are performing a useful function and are individually entitled to enjoy the rewards of their efforts. Mere ownership of land, however, adds nothing. Legislation needs to align public law with morality and recognise the distinction.

Thus we agree that “there is no reason at all why that person [who “inherits a property”] should not hang on to the house until he or she wishes to sell”; but we stress “house” and only the house plus its contents; and we definitely exclude the land. Provided the annual rental value of the land is captured to fund public revenue requirements in place of existing taxes, we are happy for the owner to allow the house to stand empty and lose value. We vouchsafe he will not do so! He will want an income from which to meet the land-rent charge (pay the land value tax).

In this way – a national land value tax properly applied – that which is man-made and private remains so; but the value of God’s Earth, called forth and maintained by the level of economic activity of the community as a whole and by its social preferences, is never to be privately appropriated. Just like a house, an economy has to be soundly grounded.

LAND AND CAPITAL

“Land is a simple concept in political economy. It is the earth’s surface and resources minus man-made improvements, the whole of the material universe outside of man and his products. Land is a gift from Nature. A landowner is thus one who arrogates to himself a portion of land and converts the rent (the share of wealth the land commands) to his own personal use” (“Practical Politics”, Issue No. 21). Wealth is produced by human endeavour working on land and using resources from land. Some of the goods produced go to meet consumer demand, but others, termed capital, are diverted back to the productive process and add immensely to wealth-creating potential – tools, machinery, factories, farm buildings, offices, shops, storage depots, intermediates, components, stock-in-trade, means of transport, and the entire infrastructure of modern civilised life. “In prevailing circumstances it is difficult for those who earn their living by work to accumulate sufficient wealth to enable them to become significant owners of capital. It is the landowners who are more likely to have wealth in surplus and thus become the suppliers of capital too. Because the same people and corporations often fill the roles of both landowner and capitalist, there is a tendency for some observers to obscure or ignore the difference. Thence spring errors of economic analysis and faulty political programmes.”

Unlike land, capital is manufactured wealth, and, if more is required, total output can be raised or resources diverted from consumables. Outright ownership of land is a moral affront, entrains doleful social consequences in practice, and is utterly unnecessary. It is sufficient to offer unchallenged right of occupancy on a perpetually renewable lease, subject only to annual payment to the exchequer of a sum equal to the current site rental value.

IT'S IN THE AIR

- (i)** Irish multi-millionaire Dermot Desmond bought London City Airport in Docklands from the constructors and initial owners, Mowlem, in 1995 for £23,500,000. Now he is expecting to sell it for “at least £300m” (Alistair Osborne, “Daily Telegraph”, 16th. May). “New transport connections, via a direct link to the Docklands Light Railway, its proximity to Canary Wharf and the return to boom times in the City have underpinned rapid recent growth... Traffic jumped to just under 2m passengers in 2005, a far cry from the 550,000 only 10 years before... Now the 2012 London Olympics is looming”. It does not appear to us that Mr. Desmond contributed much to any of those factors.
- (ii)** Scottish Enterprise Ayrshire notes that “Ayrshire has been successful at securing aerospace and air cargo companies, attracted by the presence of Prestwick airport, north of Ayr” (Colin Baker, “Estates Gazette”, 24th. June). The landowning beneficiaries will be pleased at that. Of course, the fact that the county is “something of a Mecca for golfers” may have played a part too.
- (iii)** As matters stand, “British Airways and Virgin Atlantic of the UK and United Airlines and American Airlines of the US... under a bilateral agreement between the US and the UK, alone have permission to fly from Heathrow, a key hub airport for Europe, to the US hubs” (leading article, “Financial Times”, 24th. June). Changes are currently under discussion. “It does not help that hugely valuable landing slots at Heathrow are, through accidents of history, enjoyed by incumbent airlines for free.” The air above the ground is, in political economy, classed as land (it is part of the material universe outside of man and his products). The right to fly in to and out of an airport has a value which can be realised by charging a competitive rental for the slots. Airlines unwilling to pay the going rate would have to fly elsewhere. Planners would know the worth of adding to existing facilities. The principle is to let the market operate and the exchequer collect the rent.
- (iv)** While airlines, with or without huge oligopoly privileges, want “low landing fees and rapid movement of happy passengers” (Carl Mortishead, “The Times”, 31st. May), airport owners want “rack rents and fees and the imprisonment of passengers in vast shopping malls... where the landlord dips into the retailer’s turnover.” Full liberalisation of the industry would be welcome. Furthermore, with LVT operating too, and with valuation of the whole airfield site to include the value of the take-off and landing slots and the sites of retailing and of other non-airport activity, the travelling public and the non-travelling public would alike get their entitlement.
- (v)** “At Heathrow, landing rights can change hands for £10 million” (Mortishead, *op. cit.*).

BOLIVIA

“Evo Morales, the populist Bolivian president, has moved to a new stage of his radical reform agenda by giving away almost 10,000 square miles of land to indigenous peasants. The land...was owned by the state, but the president has already begun eyeing farmland belonging to the country’s rich elite...who trace their origins back to the Spanish conquistadores” (Jeremy McDermott, “Daily Telegraph”, 5th. June). The president “aims to redistribute 77,000 square miles of farmland before the end of his five-year term” in a drive recalling similar initiatives taken or contemplated in Africa.

Seizure and redistribution are no solution. Reallocation of land is arbitrary even in this generation, is grossly unfair to future generations, and, if limited to farm land alone, leaves the urban landless to their plight. On top of this, alienating land to selected indigenous people is as morally flawed as leaving it with those of Spanish descent: how is a field hand better off if he has to pay his rent to a fellow indigene, or if he comes to depend on an indigenous landowner for his wages? Seizing land from Peter to give it to Paul does nothing for Tom or Dick or Harry – but collecting the land value does. Coupled with remission of existing taxes, this enables the whole population, without discrimination, to come into its inheritance.

A QUESTION FOR BUDDING ENVIRONMENTALISTS

What is more profound than establishing the correct economic relationship of man to his planet?

NEEDS MUST.....

This being our Issue No. 150, we thought it not inappropriate to go back to our Issue No. 1, and reprint our closing comment from eighteen years ago. “Thought for the day. What will Nigel Lawson’s successors do to balance the Budget when North Sea oil runs out, and when there are no more assets to privatise? Maybe they will be forced to look to land values for revenue!”

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