PRACTICAL POLITICS

July 2005 Issue No. 141

“Things justly disliked, and ascertained to be so, ought to be disliked more and more until we put an end to them…We have always to beware of getting used to evil, no less than of forgetting good” (John Ruskin, ‘Modern Painters’).

“Georgia Railroad and Banking, founded in 1838, owned at least 162 slaves…Bank of Charleston, founded a year later, accepted more than 500 slaves as collateral” (“Daily Mail”, 3rd. June). Wachovia, the successor bank to these two, recently reported the occurrences and issued its regrets, “to comply with a Chicago ruling that requires companies that do business with the city to disclose whether they profited from slavery, which ended in 1865.”

Chattel slavery is the ownership of a person by another (the master). It is the treatment of a human being as a tradeable object and gives the slave owner the recognised legal right to take for himself the product of the slave’s labour (the goods the slave makes or helps to make, and the services he renders). The slave is owned outright, and is treated as a possession, to be pawned at the bank as security for a loan if needs be. In the owner’s books, he is not a labourer to be paid a wage, but a capital investment from which the owner pockets the ‘interest’.

If ‘advanced’ societies had listened to the strident voice of custom and to the urgings of long-established legality, chattel slavery would, to this day, be respectable and widespread. Happily, the appeals of reformers to morality and natural justice have prevailed.

A further deep injustice remains to be remedied. There is no ethically sustainable case for the private ownership of land, and therefore no moral justification for the private appropriation of the income stream that derives from it. The universe, our planet, our own country, were none of them made by man. Custom and usage, the passage of parchments for good money, can not legitimise alienation of what was freely given by God (or Mother Nature). We do not call for retribution or even for restoration in respect of past malfeasance: no one is to have his land taken from him. We demand only the future collection for the public revenue of the annual site rental value of all land. That way, all share equally in the bounties of nature; and man-made wealth is progressively freed from tax. The freed slave is now the free man.

“Things justly disliked, and ascertained to be so, ought to be disliked more and more until we put an end to them…We have always to beware of getting used to evil, no less than of forgetting good”.

DONCASTER

An estate agent cited by Antony Adshead in the “Estates Gazette” of 4th. June, says of Doncaster, “There aren’t many places in the country that can boast such ready access to ports, an airport and a plethora of motor-
ways” A spokesman for the council added, “Initially, the town centre didn’t see much investment in office and retail space, but that began to change when the success of industrial development began to feed through.” The reporter calls Doncaster a boom town, and notes that “since 2000, £0.75bn has been invested in property, 636 acres of land taken up and more than 15,000 jobs created”.

Well done, people of Doncaster – but Doncaster’s landowners will have done very well, and all without the least effort. Mere landholding had nothing to do with building, maintaining, and operating those ports, the airport, or the motorways; nor has landholding anything to do with industry or its development, or with the subsequent growth in offices and retail outlets. Mere landholding does not create a single job, let alone 15,000 of them (although under-use or withholding of valuable land can and does inhibit job creation). The landholder did not make his land in the first place, yet he is enriched by the economic activity of those who provide their labour and supply the capital (wealth, like machinery and tools, previously created by human effort, and now devoted to the making of further wealth). The landowner may, as a person, perform some work and he may furnish capital, in which case he is rightly remunerated for his input in the form of wages and of interest; but, in his capacity as an owner of land, all he does is sit back, wait, and watch, as land value rises and rises, to fill his undeserving coffers.

LITTLE BITS

(i) “The EU’s working time directive, which came into effect in March 2005, and which restricts lorry drivers to a 48-hour week, could affect the relocation of **distribution facilities**” (Noella Pio Kivlehan, “Estates Gazette”, 4th. June). Was Brussels aware it was parcelling out land values along with its clocks?

(ii) In the “Daily Telegraph” of 12th. July, Malcolm Moore recorded that, according to the Office of the Deputy Prime Minister, the average **price of a house** was now £182,651. Elsewhere in the 'paper, Ian Cowie reported that the House of Commons public accounts committee had spotted that, whereas “Average house prices in London were less than half the threshold for IHT [**inheritance tax**] in 1997”, they “now exceed the starting point for this tax” [£275,000 – ed.]. Location is a major element in the big variations from the average. The government seems happy to collect differential location value, but why do it erratically from IHT rather than systematically with LVT?

(iii) A “small, scruffy, sandblown plot of land…278ft by 52ft” has “one of the most expensive addresses in the country…It has been sold for £2.2 million because of its location, location, location on the **Sandbanks Peninsula** in Poole, Dorset” (Bill Mouland, “Daily Mail”, 14th. May). It offers views of all five islands in Poole Harbour. “There will be room for a deep water jetty” and “just half a minute’s walk away are ten miles of white sand beaches. It is totally untouched and offers an idyllic lifestyle with the warmest temperatures in Britain.” Other residents are among the rich and famous. How many of these attractions were made by the plot’s vendor? How easily can you, dear reader, make your next £2.2 million? The price comes to over £6,625,000 per acre.

(iv) “Developers want the government to release 1,200 acres of green belt land so that they can fund and build a town of 14,000 new homes in the heart of the **Thames Gateway** growth area” in south Essex (Roger Blitz, “Financial Times”, 25th. June). To obviate the need to ask for government funding of the “schools, hospitals, link roads, crossings, train station upgrades, utility supplies and sub-surface power lines” required to sustain the housing development, the consortium wants “to buy the land at the going price for agricultural land, about £2,500 an acre. Once planning permission was secured, the vastly increased value of the land – up to £1.25m an acre – would enable Thamesgate to invest hundreds of millions in infrastructure, and provide a return for landowners and consortium members.” Notice first the funds that land value can provide. Notice too that in the ordinary way this goes largely straight to landowners. When LVT is fully operating, developers will need to borrow only for the construction work. The national exchequer will already be collecting the existing annual land value and can, if it wishes, issue bonds to build the infrastructure, secured on the revenue stream the enhanced land value will bring in.

STUBBING ON THE ROCK

“Gibraltar is taking legal action against the European Commission, opposing a ruling in Brussels that it should not be allowed to offer a more favourable tax regime than the UK” (Yvette Essen, “Daily Telegraph”, 4th. July). HMG is also litigating against the Commission. The EU case seems to pre-suppose that Gibraltar is a region of the UK, which clearly it is not. The wrangle centres on the low rate of tax on companies. Gibraltar aims to replace its corporation tax with a payroll tax and a profits tax for financial services providers. A blend of these measures will approximate to an overall 10% rate on companies. If that is all Gibraltar needs, why should it be obliged to match the 30% corporation tax levied in the UK? Naturally, we should like Gibraltar to raise its revenue from land values and throw that in the faces of the Commission. If the EU member states did likewise, the whole fiasco of taxing productive work would disappear – not before time!

COUNCIL TAX TO COME TO NORTHERN IRELAND (but with a twist)

There are plans for the reform of local government finance in Northern Ireland. The government has proposed changing the system there, so that homeowners pay “in exact proportion to the value of their property” (Andrew Sparrow, “Daily Telegraph”, 20th. June). It could be that the assessment will be made on the capital value of the whole property, which is to say on the buying/selling price of the land plus the building and other developments on it. Composite value is the current practice in Great Britain, but use of capital value instead of annual value would be an undesirable innovation. Annual value at least represents use value at the date of valuation. Capital value is liable to be much more volatile, since buying/selling prices are influenced by current and anticipated future trends in interest rates and inflation forecasts; by elements of land speculation, “hope” value, the prospects (adverse as well as favourable) following planning permissions and infrastructural developments; by booms and slumps in the housing and housing land markets; and by the perceived consequences of potential political, economic, social, and environmental changes (perhaps even upheavals).

“A tax rate of 0.78 per cent applied to the capital value of a home would result in a £390 a year bill for someone living in a house [+ land – ed.] worth £50,000, £1,170 a year for a house worth £150,000, and £3,900 a year for a house worth £500,000.” The system of course will collect nothing from a vacant house plot, and will tax good quality developments much more highly than poor and run-down buildings standing on land of equal value. Do we really want to reward the bad and penalise the good? Do we not recognise the comparative ease, speed, and cheapness of a valuation of site alone?

Footnote. Leakages and the flying of kites remind us that Sir Michael Lyons is due to report to the Deputy Prime Minister later this year on his inquiry into local tax reform. It seems there could be a proposal “to take the pressure off five million [families and individuals] who live in council or social housing and another two-and-a-half million in privately-rented homes” (Steve Doughty, “Daily Mail”, 13th. July). “They would pay less than homeowners living in properties in the same council tax band.” It is argued that owners “benefit from house price rises [i.e. land value rises – ed.] while tenants do not.” True – but why play silly games instead of going for site value rating?

****

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.

Internet http://www.landvaluetax.org.uk