# PRACTICAL POLITICS

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The General Election of 5th. May did not inspire. Mention of "Europe" seems to have been taboo, yet "Europe" has dominated the stage ever since. Iraq provided pervasive background noise, but occasional reference to the origins of the invasion was not matched by evidence of hard thinking over practical objectives and withdrawal. Constitutional arrangements within the United Kingdom also went unaired, yet we have a semi-dismantled House of Lords with no policy programme for its future rôle and powers, let alone who its members are to be and how they are to be appointed or elected. Add to this the inept handling of Northern Ireland; the unsatisfactory devolution provisions for Scotland, Wales, and Greater London; the failure to present anything attractive to North of England regions; the raspberry accorded the concept of directly elected mayors; the gamut of voting systems from first-past-the-post via party-list proportional representation to the hugely superior single transferable vote enjoyed in Northern Ireland for all but House of Commons elections; and the largely unnoticed creep all over England of unelected regional bureaucracies. It is impossible to avoid the conclusion that the political party leaderships and their acolytes collectively lack coherent plans, capacity for cogent exposition, and sense of the public mood.

For the first time in "Practical Politics", we have strayed outside the remit formally proclaimed (again) in our last Issue. The object has been to underline that the dissatisfaction with public policy and the concomitant distancing of the electorate from the political process, do not stem solely from economic questions, from matters of public revenue, from rising levels of taxation, or even from how public funds are disbursed. It is about the superficiality, tinkering, and knee-jerk pointlessness of what is being offered.

Now that we have brought ourselves back on course, we are pleased to record, not without self-deprecating humility, that the taxation of land values *did* figure during the nationwide Election campaign – not *in* it but *during* it, on a BBC Radio 4 transmission of the PM Programme, "Ideas You Won't Be Able To Vote On!" In the couple of minutes available to him, Dave Wetzel noted, "Land values are created by all our activities – social and economic, public and private…Land has no cost of production as it is a free gift from Mother Nature…Shouldn't we be asking the question: If we all create this rising land wealth, where is it going, who is getting it?" Well, shouldn't we?

## PAYING FOR USE OF SPACE

The latest wheeze to come from the government's department of kite flying ('delay announcement until after general election' division) is an all-singing, all-dancing, whistles-and-bells – wait for it! – IT system, a black box in every vehicle linked to a satellite in the heavens to track journeys on our roads mile-by-mile, hour-by-hour. The stated purpose is not surveillance (although with ID cards as well, it will be welcomed by the Thought Police and by professional trackers of errant spouses and of bereaved grandchildren who have confused the golf course with the crematorium). It is all about congestion charging. It will take years and years to put in place (assuming it goes ahead at all) and, given the record we have for introducing new technology based on computerisation, will over-run substantially on both time and budget and is very likely to have prolonged teething problems or worse. With the fingerprints of several administrations all over it, an inquiry is sure to reveal that the fiasco will have been nobody's fault in particular.

In outline, the proposal has a sensible look to it. The charge will be set low, at 2p per mile, where and when road use is minimal and will rise by stages to £1.34 per mile at peak times on heavily used routes. It is intended to be 'revenue neutral' and will replace road tax and automotive fuel duties (although probably only part will go – not VAT, for instance, or the 'royalty' element in the crude oil price, so no loud cheering yet!). On the face of it, this benefits remote rural areas at the expense of the large conurbations, no bad thing really. New suburban 'rat runs' could stir N-I-M-B-Y breasts, though.

There are a few snags. Is the owner of the vehicle the one to be made to pay? What of stolen vehicles? What of vehicles coming in from abroad (including the Republic of Ireland) without black boxes (how many GB badges will you expect to see in Northern Ireland then?). Are all signals from all vehicles in all conditions to be individually ascertainable and incorruptible? How long will it take 'experts' to interfere 'creatively' with the black box without anything so crude as a blow torch? Who believes in fairies and the perfectibility of IT?

Much more importantly from our point of view, what could the practical effects be, supposing everything were to go to plan? There is no plan for expansion of public transport services. Even if there were, it could not possibly be anything but a subsidised, loss-making business. First, most such undertakings already run at a loss, and require support by the general taxpayer. This is because much of the benefit of road and rail services is absorbed in land value, and lines the pockets of landholders in the neighbourhoods served. Governments do not believe in the systematic collection of land values for the public good, preferring to make generous presents of public money to privileged private individuals and companies. Secondly, peak demand for, say, commuter rail services, involves high investment in rolling stock, lines, signalling, platform capacity and station facilities generally, which are unnecessary for the rest of the 24 hours and at week-ends. It does not pay now, and it will not pay to shovel in still more commuters calling for more unremunerated investment.

The urge to move to general three-shift round-the-clock working, or at least to two shifts, could grow, thus spreading the load on existing facilities. Alternatively, large conurbations could gradually lose their appeal, as countervailing domestic and commercial pressures induce businesses to move out to where costs are lower. Regional regeneration enthusiasts will rejoice; but green belt die-hards will not like it, nor will the N-I-M-B-Y brigade. As people and their activities move, they take their land values with them.

On a smaller scale, we see the same phenomenon. Demand for housing in cities and big towns that is within easy *walking* distance of the best schools will rise, for there will be some reluctance to pay peak road tolls to ferry offspring to and fro. Location values will rise more, but in fewer, more restricted areas. Readers will be able to think of many comparable examples.

Since it is clear that everything comes back to land and land value in the end, would it not be as well to *start* there instead? With land value taxation in place and well under way, and with contemporary taxes progressively replaced, we may all be amazed at how many of our problems solve themselves or become amenable to widely acceptable solution.

## TSUNAMI IV

“Even as a ramshackle yet romanticised backpacker haunt, Phi Phi was a cash cow, especially for landowners” (Amy Kazmin, “Financial Times”, 7th. May). “Though a few landholders are now trying to sell…powerful elites see Phi Phi’s current misfortune as a chance to grab their valuable assets. Up and down Thailand’s affected coast, land battles have emerged in the wake of the tsunami. Battered fishing communities have been refused official assistance to rebuild their beachfront villages, after developers claimed ownership of the property.”

## LAND MATTERS: coal, a shop, beer, and a hospital

**(i)** "UK Coal shares surged 9pc yesterday after the country's largest coal producer confirmed it had received a bid approach" (Yvette Essen, "Daily Telegraph", 7th. April). "Losses at UK Coal rose to £1.2m last year after geological problems, mechanical breakdowns and work-place disputes… Stock market traders speculated that a private equity firm was attracted by the group's property assets". An analyst noted: "The property assets are probably undervalued, because people think of it as a coal business." Land matters.

**(ii)** Asprey & Garrard has sold its flagship New Bond Street store after 168 years on the site. "It will use estimated proceeds of £55m to help fund an international expansion programme" (Peter Smith, "Financial Times", 16th. April). Asprey's customers need not fear for their jewellery supplier, however, because a long-term lease-back has been agreed. The shop was renovated recently, but, given its prime location in the West End of London, a big slug of those proceeds just has to be for the site. Land matters.

**(iii)** "For decades now, property developers have gawped at Young's piece of fine real estate as they crawled round Wandsworth's infamous gyratory system, salivating not at the prospect of the company's fine ales, but at what they could do with the site of the brewery" (City Comment, "Daily Telegraph", 6th. May). Land matters.

**(iv)** "Plans for a huge new hospital in West London have collapsed after years of wrangling over the deal" (Alice Miles, "The Times, 1st. June). "The £1 billion site in the Paddington Basin was to house the existing hospitals of St. Mary's Paddington, the Harefield and Royal Brompton" currently "housed in decaying Victorian buildings." The new "state-of-the-art facilities were going to be built on prime, crowded land", but not now. It seems the land will be used for housing. Unfortunately the article proceeds to sound off against sales to foreigners from the likes of Hong Kong, Singapore, Ireland, and South Africa, as if the tenants would pay less if a U.K. citizen were owner! The real point is that the land market in to-day's conditions is too constrained, not just in its effect in one location but everywhere. LVT would loosen it up, reduce access costs, and penalise under-use and withholding of valuable sites. Planners might care to consider whether a top hospital needs to be in the centre of a city, or conversely whether such a development would raise land values more overall, in its immediate vicinity and indeed beyond. Only experience with LVT will provide first class predictive data. Land matters.

## TAXES ON MEDICINES

The campaign to get essential medicines to the poor in Africa is only partly successful. Western governments have increased aid and the drug companies have lowered prices, but "Governments receiving essential medicines (donated or cut price) are loading on taxes before pharmacies sell them to patients" (Roger Bate, "Daily Telegraph", 30th. May). In South Africa, "a month's supply of antiretroviral triple therapy is likely to cost R586. Of this, R72 is a sales tax…The financial burdens that some countries choose to impose in taxes and tariffs are substantial: Kenya (38pc); Tanzania (37.5pc); Uganda (31pc); India (20pc); Nigeria (28pc); Brazil (27.6pc); Morocco (37.5pc) to name a few." Until recently, the figure for India had been "a breathtaking 61pc" but Kenya and Tanzania have of late actually raised their import tariffs. If African treasuries need funds, LVT seems a wiser option.

## CRUSHING THE SLUMS and the slum dwellers

In Zimbabwe we note that a 'caring' government is now 'cleansing' undesirable townships in Harare. In our Issue No. 138, we recorded news that in India the Bombay slums were about to attract attention. Now we learn that the progress of the bulldozers there has been halted, but not before 400,000 people have been "thrown on to its choked streets by the demolitions" (Peter Foster, "Daily Telegraph", 13th. May). "For all their squalor and unsightliness, the "bustees" [slums] house almost 60 per cent of the city's 16 million residents…The slums are home to the taxi-wallahs, auto-rickshaw drivers, cooks, maids, hotel bellboys, cleaners and street hawkers that keep affluent Bombay on the move." Most earn £1.25-£2.50 a day and "could never afford to rent a proper house in the city's exorbitant property market where even the most modest , one-room suburban apartment costs £50 a month."

Bombay has ambitious redevelopment plans "for which the World Bank has informally pledged a billion dollars (£535 million)." Doubtless Bombay does require new expressways, malls, and tower blocks; but it could make progress more expeditiously, and avoid civil disorder and disruption to its commercial life, if it were to recognise now that what it really faces is a land problem. Those slum dwellers are not a liability. Their labour underpins the life of the city. Their economic activity in fact contributes hugely to the city's overall land value. Unhappily, as the landowners grow effortlessly fat, the landless are forced to accept low wages and vile conditions. Land matters.

## WATER: A CASE STUDY

The murder in France of the 10th. Earl of Shaftesbury has had unexpected repercussions in Northern Ireland. Lord Shaftesbury's family owns Lough Neagh, the 180 square mile lake which supplies 40% of the country's water requirements. It seems "the family may be forced to sell Lough Neagh to settle death duties" (Tom Peterkin, "Daily Telegraph", 29th. April). The 10th. Earl did not charge for the water, but "the Northern Ireland Water Council, a Government advisory body, has said that the lake, believed to be worth several million pounds, could be lost to another private landlord, who would charge for water…An interdepartmental government e-mail…appears to back up claims that a private owner would have the legal right to draw water from the lough." Ironically, water charges are due to be introduced in Northern Ireland "for the first time in April next year." To us, it is also ironic that the problem of selling off the water stems from having to meet a contemporary tax which, along with all the others, the Land Value Taxation Campaign seeks first to abate and ultimately to replace.

Unsurprisingly, there have been calls to bring the water into public ownership, but that would amount to an unnecessary buy-out. Let us deploy some reasoning. The rainfall that stocks the lough is a free gift of Nature. The lough itself is a feature of the terrain provided by Nature. So far there is no case for private appropriation of value, for nothing has been man-made. Pipes, machinery, and equipment manufactured to draw and treat the water, and deliver it via water-mains to the commercial user or domestic consumer involve the intervention of human labour and man-made capital. Thus the value of water in the lough is, in the terminology of political economy, land value, and belongs by natural justice to the community as a whole and should be collected to fund public revenue needs. The difference between the water in the lough and the water at the tap goes by rights to remunerate the labour and capital employed and should bear no tax. In the case of piped water there is, of course, the minor complication that it is a monopoly or near-monopoly undertaking which will probably be either a regulated private company or a public utility; but this merely means that there is a price to the customer set by administrative fiat instead of in the open market.

LVT will solve the riddle of Lough Neagh as neatly as it will everything else. If that lake with its water is indeed "worth several million pounds", the potential annual rental (using the presently applicable conversion factor of capital value to annual value) is 5¾% of that sum. Why should we give it away and be taxed on our earnings instead? Land matters, even when wet.

## For the first time ever: MONEY FOR DOING PRACTICALLY NOTHING!

This piece, as the title might perhaps suggest, is about the EU. “From today, farmers will be paid a subsidy for owning their land. It is as strange and straightforward as that…This new money from the Common Agricultural Policy is nothing but a reward for ownership. The only condition is that the fields must not be let go to wrack and ruin. Farmers will have to keep them a little tidy, but they certainly don’t have to grow anything on them. As long as they look nice when the government inspector comes round, the cheque will be in the post” (Adam Nicolson, who himself farms in the Weald, “Daily Telegraph”, 17th. May). “Farmers have become ‘farmers’, people whose main function in life is not to farm but to own a farm.”

“For all the woes of British farming over the past few years, the people with money have continued to pour it into land. The price of farmland has risen by 20 per cent over the past two years. It will now cost you on average £4,000 an acre. And those new acquirers of land are not farmers…Because of the technicalities of these new changes, about 13 per cent of the CAP money is now moving from the poorer northern regions to those very southern and eastern ones where the rich lifestyle buyer is king. Can this really be what the tax system is for?” We leave that question hanging.

When subsidies (or tax concessions, for that matter) are on offer, the activity targeted for favour becomes more attractive. Taking the present case of agriculture as an example, a subsidy to a farmer who owns his own land freehold, goes straight to his bank account. A farmer with a leasehold interest benefits similarly, until the time comes to renegotiate the lease, at which point the landowner raises the price, to grab the subsidy (or much of it) for himself. Land prices have risen, making it harder for would-be entrants to farming to get started. Farm labourers, of course, get no advantage at all.

## WHAT SHOULD REPLACE FLAWED COUNCIL TAX?

“Replace both the council tax and the uniform business rate with a land value tax (LVT) or what really is a location rent, since it is not so much a conventional tax as a charge for the space that we occupy” (Jerry Jones, “Morning Star”, 27th. April). “The value of land is created not by landowners but by what nature provides and by its position in relation to public utilities, communications and population. In other words, it is created by society, and therefore it should be society as a whole that receives the benefit.”

## ABOUT THE HOUSE

**(i)** In 1972 the Royal Borough of Kensington and Chelsea sold an end-of-terrace council house for £15,300, retaining the freehold on the land. In 2000, the present government having given homeowners the right to buy the freehold, the son of the original purchaser acquired the land for £50,000. After refurbishment, including conversion of the attic to a fourth bedroom, the house was sold, later that year, for £750,000. Now it is going for £895,000. The reason is “its location, a stone’s throw from the Fulham Road and not far from the homes of [four ‘celebs’]” (Sinead McIntyre, “Daily Mail”, 14th. April). It is also “handy for the Tube”. Ex- council house – but what a great site!

**(ii)** The latest version of that repeat failure, the development land tax, is the roof tax, “to be paid by developers at a rate of about £20,000 for each home they build” (Lech Mintowt-Czyz, “Evening Standard”, 12th. April). “The plans are being piloted in Milton Keynes…The tax does not require legislation and can also be applied to commercial developments.” Exactly why taxing the building of new houses is thought to be a good idea, is not explained.

**(iii)** “The Deputy Prime Minister has met huge criticism for his plan to flatten houses in the North and Midlands and build a smaller number of modern homes” (Joe Murphy, “Evening Standard”, 20th. May). He has only himself to blame. He should know by now that neither he nor anyone else in government need intervene. LVT will do the job, unaided. Faced by the annual demand for the land value duty, the landholder will set about appropriate re-development to secure tenants and thus an income from which to meet the tax bill; or he will sell out to someone else who will.

**(iv)** In his budget the chancellor raised the threshold for paying SDLT (stamp duty, as was) on house sale/purchase from £60,000 to £120,000. Sellers will benefit as prices creep up in the newly exempt range: but “Even at the new level, the threshold is still…below the average price of £130,000 paid by first-time buyers” (Becky Barrow and Ben Fenton, “Daily Telegraph”, 17th. March). The chancellor (left hand, right hand!) will recoup his loss by abolishing some SDLT exemptions granted on commercial property. SDLT is a silly transaction tax that discourages mobility. It will go when LVT comes in.

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