

PRACTICAL POLITICS

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A BIG IDEA

“A fragile truce over Europe and a few pence off the basic rate of income tax will not be enough to convince the electorate that [the Conservative] government is worth re-electing. It is asking too much of Mr. Major to produce a big idea” (“Financial Times” leading article, 4th. March 1995, cited and discussed in “Practical Politics”, Issue No. 51). Ten years, two General Elections, and three leaders in the House of Commons later, that indictment of what since 1997 has become the Opposition, not only remains true – it is true with knobs on: “As yet, no specific tax cut pledges” (Brendan Carlin, curt observation on contemporary Conservative preparedness, “Daily Telegraph”, 5th. January 2005). “The Tories need a cutting edge on taxes to prove their worth” (City Comment, “Daily Telegraph”, 30th. December 2004). “What the Conservatives lack, above all else, is an ideological framework from which to launch their challenge to a governing party growing stale and ever more profligate after eight years in office” (leading article, “Daily Telegraph”, 5th. January 2005).

We are non-party, editorially impartial. We just like to help where we can. The policy of a national land-rent charge to collect the annual site value of all land is a vote winner. It takes nothing that has been brought about by individual human effort. It is a liberating replacement for taxes on production, trade, goods and services, earnings, and savings. So, tax cuts galore, then! Those who provide their labour or supply capital are no longer cheated of their full reward (capital being wealth created previously and devoted now to further production – tractors, store-rooms, offices, machine-tools, and such).

This is a policy which fits well with modern Conservative aspirations. Revenue is collected efficiently in a way which, far from producing adverse side effects, positively benefits the economy. Distinguishing land from capital, purges capitalism of taint. The slogan could well be, “Honest Capitalism” [¶].

[¶] That said, we do not see LVT as necessarily a single-party issue. After all, it is not likely that other parties would want to oppose it. Labour has writhed for 60 years in unavailing quest for a viable alternative land policy. Liberal Democrats will recall that LVT was enshrined in the constitution of the old Liberal Party. Scottish Greens are already actively in favour. ‘Local’ parties in Scotland, Wales, and Northern Ireland will see that disadvantaged areas pay little in a LVT régime – that is the point of a charge on location value! UKIP will note that a proud nation may, if it wishes, stand confidently and prosperously on its own. Harmony through fiscal justice, then?

OF RUNWAYS

Conventional wisdom has it that building or subsequently expanding airports lowers property values in the vicinity. There is no evidence for this. Those who have other motives for not wanting to see runways built, simply add it to the complaints list, and have rarely been challenged at the time. New or extended airports need office workers, air traffic controllers, check-in staff, aircraft fitters and mechanics, loaders, storemen, security personnel, cleaners, provisioners of in-flight meals, staff to run the cafés and shops, car park attendants, hotel staff. All these, and more, have to live somewhere, and many will be pleased to move close to their place of work. Thus villages and small towns expand, new shops and places of entertainment open, schools are built or enlarged, infrastructural investment goes in, and property values, almost without exception, go up.

The growth of Stansted airport in Essex “is boosting the local economy and making it one of the most sought-after places in the country to live” (Dave Ward, “Brentwood Gazette”, 17th. November). “Postcode sectors closest to Stansted airport have mostly outperformed Essex as a whole”. The price of an average house in the vicinity appreciated in the last year by 19.2%, against 11.7% for Essex overall, 11.5% for the South East overall, and the East Anglian average of 13.5%.

“International travellers are snapping up properties near airports” (Tom Lynch, “Financial Times”, 11th. September). Advice on “rural idylls” well placed for access to the airports of Glasgow, Manchester, and Birmingham, shows how the property growth phenomenon is not limited to Stansted.

Let us look more closely at these appreciating property values. Airport expansion and its off-shoots lead to demand for more space, more land. Improvements to road access also require land – fire, ambulance, and other services can not use country lanes, especially in emergencies. Demand for accommodation by workers bids up house rents and prices, and scarcity leads to demand for land for construction of new homes. It is the story of the march of economic progress throughout the ages. The quantity of land is fixed. Its location is fixed. When demand for land rises, the price of land rises. As demand increases further, so prices go relentlessly higher, no doubt bolstered – at this stage – by deliberate withholding of choice parcels for speculative purposes. The actual houses themselves will go up in line with the house rebuilding cost index (itself, in recent times, broadly in line with the index of retail prices). In fact, of course, while land mostly *appreciates*, the house *depreciates*, requiring constant maintenance and moving constantly towards obsolescence. In the terms of the student of political economy, the ground on which the house stands, is Land. The house itself (including such man-made improvements as walls, fences, driveways, paths, and the

cultivated garden) is Wealth. If the owner is a local authority or a housing association or a business or a person who lives elsewhere and lets the house, the house is said to be that sub-division of Wealth called Capital.

For our present purpose, the focus has to be on the crucial factor, Land. People, *collectively*, and the work they perform, create *and sustain* that land value. The holder of land (individual or corporate entity, title deed notwithstanding), has no means of creating, sustaining, or, for that matter, destroying, land value. He is at the mercy of the population as a whole – yet, in our sick society built on economic hallucination, the population as a whole finds itself obliged to pay tribute to the beneficial holders of land for a little bit of space on Planet Earth. The Earth-Lords did not make the Earth, did they? They do not create or sustain its value, either, do they? Interestingly, most landowners probably do do work and do provide capital, in which capacities they suffer the depredations of their own class, and are probably unaware of how much they stand to gain as individuals from an end to landlordism.

OF HERITAGE

What does conservation of historic buildings and places do to land values? It has generally been felt to depress them. The argument runs that the listing of a particular building or the designation of an entire zone as a conservation area, deprives a landowner of the opportunity to make higher economic use of his land. Proponents of LVT have countered that, if this is so, the lower site assessment recorded by the valuer and incorporated in the official public valuation, acts as compensation to the owner, whose LVT demand is below what it would have been without the limitations imposed on development or redevelopment. This is fair, and as it should be.

Evidence is appearing that land values are not always depressed, however. “A study in the State of Maryland...found that over a period of 18 years properties in the historic districts increased in value faster than those in the rest of the area” (Stephen Brown, “Estates Gazette”, 4th. September). “Property values in local historic districts are positively affected by their locality...In the US, the film industry seeks historic ...backdrops”, and “conservation areas are perfect for small business incubation” and for “heritage tourism”. Local heritage districts have a local preservation commission to review and approve proposals for change. So far as we are concerned, LVT assessments will always be on the basis of optimum use within existing planning and other relevant constraints.

Listed buildings, probably more than new constructions, deteriorate without constant attention and expense. Land, though, almost always rises in value – sometimes, it now seems, even underneath a listed building.

THIS IS WHERE WE CAME IN...

“Wealth distribution has actually become less equal under Labour, in part due to rising property prices” (leading article, “Daily Telegraph”, 14th. January). We repeat that ‘property’ is an imprecise term in economics. Property, in the real estate context, consists of two factors, Land and all the man-made developments in and on Land. These factors are quite distinct in key respects, and behave differently. Labour land policy, as repeatedly made clear in our Issue No. 135, is utterly unbecoming a party that vaunts ideals of social justice. Taxation bites deeper into the rewards of enterprise and endeavour while the benefits of advancing economic activity are sucked away by the landed interest – not the country estate owner so much as the beneficiaries, corporate and individual, of the really valuable landholdings in our great cities, and even the lucky homeowner in the “hot spots”. Now the Conservatives have the opportunity to tackle the maldistribution of wealth and solve it at source by fiscal means. Honest Capitalism: anyone up to it?

TSUNAMI

First came the terrible tidal wave. Then came the death, maiming, destruction and disease. Then came the giving, and the aid workers. Then came the murmurs and the realities of the graft and the greed and the callousness of the powerful. And then...and then...and then?

Who will gain from the clearance of the bodies and the mud and the débris? When all traces of the disaster have been swept away, the landholders have their pristine shores back, and their future livelihood from collection of land rent will have been restored, unsullied, to them. Fewer people need less space, so maybe the ample belt will be tightened a notch while awaiting the next generation of supplicants. Who, though, will be there to defend the poor, help settle their debts, rebuild their boats and their market stalls? Who will educate the newborn and ensure their health?

Is nothing to change as the water recedes? Does Hope ebb with it? Have our alms ended in the wrong pockets, again? Eyes tear-blurred, we know they have.

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