PRACTICAL POLITICS

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When the Chancellor of the Exchequer rises to make his delayed interim statement on the nation's finances, he will have at the back of his mind the utter waste of opportunities over the last 30 to 35 years. The huge revenues from North Sea oil and gas have disappeared into the current account without trace. So have the receipts from the programme of privatisations, together with the proceeds (£22,500,000,000) from his own beautifully conceived auction of 20-year licences for use of just a small part of the radio spectrum. Whatever happened to the "peace dividend" that followed the collapse of the Berlin Wall? Where have the savings gone from cash that used to prop up the loss-making nationalised industries? Why, the Chancellor will wonder, did he sell half the nation's gold reserves at the bottom of the market (an average price of $285 an ounce) when it is $397.75 as we write?

That licensing of air rights apart, we seem remarkably good at giving away our natural resources. As we have frequently noted, in political economy Land is defined as the material universe outside of man and his products. The sea and its resources of wild fish are properly classed as Land (formal fish farms, on the other hand, are the products of Labour and Capital). The Common Fisheries Policy, to which the U.K. adhered in 1973, is a polite term which masks our having thrown Land away, or, at best, our having sold it short. A more appropriate policy would have been to make a competitive charge for access to our territorial waters for fishing purposes, treating foreign and domestic applicants on an equal basis. This, after all, is broadly what has happened in the case of offshore oil and gas exploration and production –

– Which brings us to perhaps the nastiest shock Land give-away. As with the CFP, "Europe" is involved. This time the Chancellor has a Foreign Office oversight to thank. "Draft Article III-157 of the EU constitution…gives Brussels power to decide over energy policy" (Ambrose Evans-Pritchard, "Daily Telegraph", 7th. November). "A confidential Department of Trade and Industry analysis…gives warning that the proposals could threaten Britain's control over oil licences, the tax regime for exploration and development, pipelines, treaties, and strategic stocks, which can be used to modulate prices. By dictating the rate at which reserves are depleted, Brussels could determine tax revenue…The Government has not listed the energy clause as a no-go 'red line' in its White Paper on the constitution."

The public, and the media that purport to serve it, need to lift their heads from pop, porn, and celebs, for just long enough to notice the downhill course on which this nation is set. Re-assertion of sovereignty is not enough. Birthright and citizenship imply equal sharing of Land-Rent through its collection and use for the public revenue in place of existing tax exactions. May the Chancellor so determine!

BITS AND PIECES

Here is a further selection of illustrations of some of the varying factors which lead to the rise, maintenance, and occasionally fall of land value.

(i) The 2010 Winter Olympics have been awarded to **Vancouver** and the ski resort of Whistler, 75 miles to the north. "C$600m has been promised to upgrade the twisting Sea-to-Sky highway" that links them. "The upgrade, which should shave 30 minutes or more off the two-hour drive, is already pushing up property prices in communities along the route" (Ken Warn, "Financial Times", 9th. August). Vancouver's population "has been steadily growing while physical barriers to expansion – mountains, ocean and an agricultural green belt – mean that development land is in increasingly short supply." There is, however, "the drug-ridden Downtown Eastside, Canada's poorest urban area", described as "one place where inner city regeneration seems like the remotest of dreams". Heroin has ravaged "what was once a bustling, prosperous area."

(ii) "Las Vegas started out as little more than a dusty rest stop for railroad labourers and passengers en route to California" (Lauren Foster, "Financial Times", 15th. November). There is more to **Las Vegas** these days than razzle and dazzle, though: "it is one of America's fastest growing cities, with more than 7,000 people arriving every month and 35m visitors a year. It is also one of the most popular areas for investing in real estate." What that means is made clear by the owner of a property business: "The real story about what is going on is in the dirt – the availability of the land".

(iii) The accession of this country to the ECM (later EEC, EC, and EU) did no favours to Glasgow, Belfast, Liverpool, and Bristol, whose ports had traded with the Commonwealth and the wider world. Felixstowe and other small ports in the south-east were handed the advantage. Now with the planned expansion of the EU in to eastern Europe in 2004 and the economic growth of Poland and the Baltic states, the hour may have come for the **Humber ports**. "The low cost and high availability of land and labour in the region provides plenty of opportunities for businesses" (Jon Neale, "Estates Gazette", 30th. August). That may be, but if it does start to happen, we shall assuredly see land rents and prices rise to siphon off much of the benefit.

(iv) "The **M6 Toll** – formerly known as the Birmingham Northern Relief Road – will open in January 2004. And the property industry cannot wait" (David Thame, "Estates Gazette", 19th. July). "The privately owned M6 Toll will bypass the notoriously congested section of the M6 between junctions 4 and 11…Combined with the impact of the new A50 link road, which opened up Staffordshire's east-west connections from the M6 to the M1 at

Nottingham, the M6 Toll should propel the county into the property premier league…The new toll road is a magnet for deals.” We warrant that the wages paid have been and will continue to be essentially the same as those elsewhere in the region, and that the interest rates on capital are likewise indistinguishable from those on offer anywhere else. It is land that is absorbing the advantages, and only land prices are going up into the premier league. All of this is in response to road congestion, which itself is a result of the rising economic activity of the population as a whole – this is through-traffic, long-distance, not local. If no toll were payable, land values would rise even higher and even more quickly. With LVT in full operation, all of the infrastructural benefit can be recouped and used for the public good – in place of to-day’s noxious imposts.

(v) “Long-term bets include areas that will benefit from proposed transport improvements, gentrification or major urban regeneration initiatives” (estate agent, quoted by Caroline McGhie, “Financial Times”, 15th. November).

Banbury’s strengths “lie in its strategic position in the heart of the Midlands close to a web of motorways, and the fact that it is a poor man’s Oxford” (McGhie, *op. cit.*).

Barry “has the necessary economic drivers in the form of regeneration projects – the docks are being reclaimed…a £25m urban redevelopment project…is giving a lift to the waterfront, a further £6.5m [is] for smartening up the town centre and links to the waterfront. In the 12 months to June, prices rose by 27 per cent” (McGhie, *op. cit.*).

Dundee, “with miles of as yet undeveloped river frontage, is ripe for the picking” according to an estate agent (McGhie, *op. cit.*). “The bio-tech industries have doubled the numbers they are employing and there is £9m of investment going into two motorway and trunk road schemes.”

GREAT! BUT…

Letchworth, Hertfordshire, is marking its centenary as the first of the garden cities, the brainchild of Ebenezer Howard. “Letchworth (pop: 33,000) has succeeded…because the community controls the land through a heritage foundation” (Peter Hetherington, “The Guardian”, 21st. July). “' Uniquely, every penny we make stays in the community' , said…the foundation’s director general.” Later new towns no longer control their assets. Of course we applaud Letchworth’s achievement, but this little community does not live in isolation. It prospers in, and because of, the vibrant south-east of England. Let Letchworth share with London, Linlithgow, Larne, and Lampeter! The whole nation benefits when its land value goes to the public exchequer.

THE LIMITED ALLURE OF THE CONTEMPORARY TAX

(i) "The US tax code makes companies do strange things" (Gary Silverman, "Financial Times", 1st. November). Citigroup, the biggest bank in the **U.S.A.**, seeing its profits eroded by a tax rate of 31.3%, "pledged that it would do the right thing by its shareholders – invest more capital outside the US…Policymakers would be well served to take a fresh look at the rules that produce such behaviour." Quite! They could stop laying penalties on profitable activity and collect location value instead. Land cannot get up and cross international frontiers, as people and their money so easily can!

(ii) "**Planning gain** was invented to make sure that anyone building a new structure paid for any new service that it required, such as a drain or a road. But developers rapidly spotted that they could use these 'Section 106 agreements' to buy planning permissions…Planning gain is a stealth tax on development" (Camilla Cavendish, "The Times", 18th. November). "A tax on development is socially inequitable…However you link cash to planning permissions, you are effectively institutionalising a form of bribery." We set out our views in some detail in our Issue No. 107 (July 2001).

(iii) In our Issue No. 114 (May 2002) we drew attention to the new tax of £1.60 per metric ton on the **quarrying** of sand, gravel, and rock. The tax has been undermined in **Northern Ireland**. "It has led to a surge in small, illegal quarries" (Philip Aldrick, "Daily Telegraph", 21st. November). "There has also been an increase in untaxed sand and gravel for construction projects coming over the border from the Republic of Ireland, where there is no aggregates levy." The established quarrymen in the North, and of course the Government itself, are the losers. Moves are afoot to cut the tax back to, it is rumoured, 32p. Enter the Commission of the EU. Because the change is to be limited to Northern Ireland alone, it "will need state aid clearance", the lower tax rate being considered a regional subsidy. The sick joke is not over yet. "The industry is also taking the Government to the European Court of Justice because secondary products such as slate and china clay are exempt from the tax. The British Aggregates Association claims the arrangement amounts to state aid." What Northern Ireland needs is not European Courts and Commissions and not U.K. taxes on production, but a land value duty related to the market-determined annual location value of land, to stimulate work, not to suppress it nor to test Northern Irish ingenuity in tax matters!

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