PRACTICAL POLITICS

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CONTEMPLATIONS PRIOR TO THE BUDGET

(i) Between July 1999 and March 2002, the then Chancellor of the Exchequer sold 395 metric tons of the nation's gold at the bottom of the market at an average price of $274.90 an ounce. On 3rd. March this year, the price touched $992 an ounce. Still, it does save time counting what is left.

(ii) Having disposed of gold at give-away prices, Government taxed, spent – and borrowed. The National Debt had been reduced to £315.5 billion in 2002, but "in the past five years has more than doubled to about £650 billion including the Northern Rock bail-out" (Toby Helm, "Daily Telegraph", 13th. February). That is £11,000 of National Debt for every man, woman, and child. Even before Northern Rock, Debt interest stood at "more than £31 billion a year…almost as much as the entire defence budget" of £32 billion.

(iii) "Tolley's Yellow Tax Handbook" is the practising accountant's bible. It "ran to 5,952 pages in 2001, spread across two volumes" (Tom Stevenson, "Daily Telegraph", 6th. September 2007). Now, however, "rules and guidance have mushroomed every year and the 2007 four-volume set weighs in at 9,866 pages…[It] would have been almost 10,500 pages long, had [the publisher] not made the book taller and wider with narrower margins…The size of the guide…has become an informal measure of the complexity of Britain's tax regime. In six years, the doorstopper has grown by almost 80pc."

(iv) Norway, Alaska, and the Shetland Islands are among those who have provided for the future or for a rainy day, out of their oil and gas revenues. While the U.K. central government has spent the lot, another nation has joined the ranks of the prudent: "In the past decade, when prices for Russian energy exports were low compared to present-day prices, the government had to borrow abroad. It has since paid its debts, and accumulated 'surplus' export revenues into a 'stabilisation fund', now worth some $150bn" (Vyacheslav Shironin, "Russia Beyond The Headlines - Rossiyskaya Gazeta", 28th. February). Such royalties are a rough-and-ready form of LVT.

(v) The Crown Estate owns the rights to the seabed, and collects an annual rent from offshore wind farm operators, which it hands to the Exchequer. Has the Chancellor not thought of applying the principle onshore as well, with a national land-rent charge to replace to-day's harmful taxes?

HOW ARE THE MIGHTY FALLEN!

25 of the 27 EU finance ministers have “backed new European laws to crack down on continental tax havens” (Philip Aldrick, “Daily Telegraph”, 5th. March). Andorra, Liechtenstein, and Monaco are being targeted in particular. German intelligence agencies have used paid informers, and “HM Revenue and Customs…is said to have also paid for information about dozens of Britons”. France, Finland, and Sweden are amongst others thought to be on the prowl. Although avoiding tax by arranging one’s affairs so as to keep one’s liabilities down, is lawful, tax evasion is not. Confiscatorily high taxation does, however, place temptation in people’s way…

A policy shift, away from taxes upon the person (taxes on work performed, on the provision of capital, on trade in goods and services) and on to the collection of the annual rental value of land, would ensure that all who have such a tangible stake in a country, whether formal residents or not, whether citizens of a EU country or not, whether individual persons or bodies corporate, make their appropriate contribution to the public revenue. Land is highly visible, can not be moved, and its ownership can, as a last resort, be rendered forfeit in the event of non-payment of the due land-rent charge.

It is unedifying to see a body like the EU (extravagantly wasteful as it is in the way its conducts its business, and incapable year after year after year of producing accounts that pass muster with its auditors) lending itself to harrying its neighbouring statelets. The covert passing of cash by member governments to gain information from bank employees who are or were being paid to protect it, is, to say the least, undignified – particularly when we recall recent instances of how carelessly one of those governments has been guarding confidential information pertaining to millions of its own citizens. The rush to cast the first stone is fast becoming indecent.

LITTLE BITS…FROM HOME

(i) A once-imposing house in St. John’s Wood, London, was bought by a developer from the last owner-occupiers in 2005 “for around £11 million” and sold a year later to another developer “who is thought to have paid £17 million” (Mira Bar-Hillel, “Evening Standard”, 15th. February). Planning permission was obtained to knock the house down and build two detached houses on the site. Last year the land changed hands for £31 million. An agent said the houses, if built to the highest specifications, “should sell for around £38 million”. At £31 million, the land price alone increased £20 million in three years with the previous house demolished. The two new properties will be worth £7 million. The land value is thus 81.58% of the composite value (land + buildings).

(ii) In the popular seaside resort village of Abersoch, Caernarvonshire, is a dilapidated shed, “sandwiched between two taller houses [with] no view of the coastline or countryside” (Laura Clout, “Daily Telegraph”, 20th. February). “The shack is connected to electricity and water and sits on a plot measuring 35ft by 18ft [but] the new owner would need planning permission before using it as a home”. It is for sale at £150,000, has had three offers above that price, and “may eventually fetch £175,000”. That looks to us like 100% site value and fingers crossed for full redevelopment permission!

(iii) “Almost £6m” were paid at auction last year “for a 2.8 acre plot of residential land outside Carrickfergus”, Co. Antrim (Elaine Cavanagh, “Estates Gazette”, 23rd. February). With devolved self-government and confidence in a bright future, land values are really climbing now!

(iv) “It was the railways that opened up Inverness and the northern Scottish Highlands to Victorian sportsmen. Today it is low-cost airlines that bring house-hunters in search of that 21st century holy grail: quality of life” (Alastair Robertson, “Financial Times”, 23rd. February). “Fed largely by a stream of early retirees cashing up in the south, prices in Inverness and its Highland hinterland have risen steeply…Flights to London take one hour and 30 minutes.” Unsurprisingly, younger couples are being “eased out” by rising prices “into the now increasingly desirable surrounding towns and villages of Strathpeffer, a former Victorian spa, Dingwall, the old county town of Ross-shire, the village of Avoch, Rosemarkie and Cromarty”. Future expansion is expected in the main to be “to the east towards Nairn” where the airport is, “with its new business park and the planned University of the Highlands and Islands campus.” Glory years stretch ahead for effortless landholders to bag the loot. The remedy is before our eyes, but not yet in our collective minds.

(v) “Cornwall is enjoying something of a renaissance thanks to the Eden Project ecology centre, the Lost Gardens of Heligan, the National Maritime Museum in Falmouth, the Tate Gallery in St. Ives and the proliferation of posh nosh – the county has more than 30 restaurants listed in the 2008 Good Food Guide” (Graham Norwood, “Financial Times”, 9th. February). “Perhaps more importantly for the seriously wealthy, Cornwall has become more accessible. Flights from Newquay to Stansted and Gatwick airports near London take just over an hour and Truro is less than five hours away by train from the capital.” Maybe, as with the Costa Smeralda developments in Sardinia in the 1960s, some of the yokels will be kept on, for local colour.

LITTLE BITS…FROM ABROAD

(i) Jafza, owned by the Dubai government, is investing $600 million in South Carolina, “to set up a manufacturing and distribution complex” to serve as “a major logistical hub for North America” (Harvey Morris, “Financial Times”, 12th. January). The eventual aim is “to take advantage of a new generation of larger merchant ships passing from Asia through the soon to be widened Panama Canal and docking at ports such as Charleston and Savannah”. Jafza has begun by buying 1,300 acres of land in Orangeburg County. 75% of the U.S. market place is east of the Mississippi, and Orangeburg conveniently straddles Interstate 95, the chief “Atlantic coast highway from Maine to Florida.” The area is currently one of high unemployment, so the jobs will be welcome. Landholders will love it too.

(ii) “It has become difficult to find even a small area of land in densely populated western Taiwan”, and that, plus a desire to escape the hectic rhythm of life in Taipei, has pushed city dwellers to move “and buy property, mainly agricultural land, to build villas on” on “the sparsely populated east coast” (Kathrin Hille, “Financial Times”, 26th. January). The trouble was that the central mountain range took many hours to cross, on narrow, winding roads. Two years ago, though, the move east was boosted by “the opening of a freeway tunnel between Taipei and Ilan”, drastically cutting travelling time. Prices for land in Ilan, and hence for houses, “are now approaching those of properties on Taipei’s outskirts”. Further south, in Hualien, “groups of speculative investors…are buying up large lots of agricultural land…with plans to re-sell to developers once prices rise even further.” Sounds familiar?

DEPRESSION

Readers will, we think, understand that we cannot keep chronicling the path to a slump in detail. Land is key. When the frenzied speculative bubble bursts, the effects are first noted in the panic of the over-borrowers and the over-lenders, and in the construction industry, whence the problems ripple out: look to Spain next, we suggest. Expect too to see the fall of many commodity prices – who stockbuilds when economic activity is shrinking? As for our own dear Northern Rock, we note that the nationalisation measure was written in general terms which permit more of the same; that we, the public, now own a costly failed business that is protected from inquiry under freedom-of-information legislation; and that the position of Granite, Northern Rock’s £45bn securitisation vehicle, needs watching. Oh! – and try counting how many times the excuses are accompanied by pledges to learn lessons.

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