

PRACTICAL POLITICS

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GETTING THERE? MAYBE – OR MAYBE NOT!

“Landowners could face a new tax to pay for major transport developments...under proposals being examined by John Prescott, the deputy prime minister” (Jonathan Leake, “Sunday Times”, 22nd. December). “He has commissioned a study into the way new public transport systems raise the value of land...with a view to clawing back some of that increased value...to help to repay the capital costs of building the system...Prescott’s move is a reflection of the growing interest in land taxes.” Ay, there’s the rub!

Land taxes are not land value taxation. Land, in legal parlance, includes fixed hereditaments such as buildings, which, in economic analysis, are man-made wealth, being either goods in the hands of the consumer (an owner-occupied house) or capital (a shop or hotel, for instance, or a house owned by a housing association and let out to tenants). Proponents of LVT argue for collection of the location value (site value) of all land, with concomitant removal of current taxes that fall on labour and capital and their products. A national land-rent charge of this sort, levied on all land and excluding the value of all buildings and other improvements, picks up, as a matter of course, extant land value and all increases, however they are brought about – there is no logic in limiting this just to better transport! – and simultaneously lowers charges on any land whose value happens to drop. Coincidentally this policy stimulates regeneration of unused and poorly used land, and rewards hard work and enterprise – truly a virtuous circle.

“Homeowners whose properties rise in value...could be clobbered with a windfall tax” (Ben Leapman, [London] “Evening Standard”, 20th. January) and “businesses whose properties increase in value would also face higher rates...Land along the route [of the Jubilee Line extension through south-east London] was estimated to have risen in value by four times the cost of building the new track.” The principle underlying the case for a national land-rent charge (LVT) is here clearly illustrated, but the surrounding thought is confused. “Properties” couples man-made improvements and land, though the two are distinct and behave differently. “Windfall” really means without effort of any sort on the part of the recipient landholder – will those who begrudge additional annual payment forebear to on-sell at a higher price or to pledge the newly valued land for a loan; and will piggies fly? LVT is a simple concept, easily understandable and acceptable, and awaiting only the political will for its implementation.

HOUSING

(i) According to the Association of British Insurers, house rebuilding costs rose over the first half of 2002 by 5.7%. Nationwide Building Society indices of U.K. house prices rose in the same period by 11.9%. The difference emphasises the significant rôle played by land as a component of what are to-day being referred to sloppily as “house prices”. Housing land must have risen by about 18% in the six months to produce these figures.

(ii) “The economics of housebuilding produces a whole raft of problems” (Sir Stuart Lipton, Chairman, Commission for Architecture and the Built Environment, quoted by Philip Aldrick, “Daily Telegraph”, 27th. December). “Quality is not what it should be – the market is controlled by land supply.”

(iii) “Tucked behind the Georgian gems of Cheyne Row and the studio homes of Glebe Place, Chelsea, is a rare plot of land with planning permission for a contemporary house” (Homes and Property, “Evening Standard”, 20th. November). “The plot has a footprint [i.e. area, in estate agents’ jargon – ed.] of 3,600 sq ft ... The asking price for the plot is £3.75 million”. This is the equivalent of £45.4 million per acre.

(iv) “Pressure on Scottish ministers to axe the right of second-home owners to a 50% council tax discount” has been intensifying (Helen Puttick, [Glasgow] “Herald”, 20th. November). These second homes are usually in “picturesque, rural areas”. We do not think anyone should pay any duty on any dwelling, whether it is his first, second, third, or hundredth home. We do, however, think that anyone wishing to have exclusive use of any plot of land should pay annually, by way of compensation to the rest of us, a sum as close as practicable to the full site (location) value of that plot. The principle applies not just to rural land and not just to residential land. It is universal.

(v) “Last week in the “Ullapool News”, there was an advert under the title ‘Land Wanted’. It ran: “Still looking – just a wee bit of land on which to build a small house is all we want”. The “UN” sells in the local shops next to racks of postcards, all showing glorious stretches of empty land” (Alex Bell, “Herald”, 9th. December). “One of the country’s greatest assets, its land, is left untapped as rural economies collapse...[and] have no room to develop”. The writer sees that “The answer, surely, is to build more houses” and that “What stops more houses being built is a shortage of land on the market, because much of it is controlled by big estate owners”. He also recognises that the Land Reform Bill (which the Scottish Parliament has just passed) “will do little to affect the property market. It won’t free up land, allowing more investors to come in”. He would like to see big landowners “forced to either develop existing ruins, or release land for new homes.” Alas! he does not say how this is to be achieved. To resolve the riddle of the “UN”, we confidently offer LVT.

LAND MATTERS – Home (Wales, Scotland) and Abroad (the EU, U.S.A.)

(i) “The CAP [European Union’s Common Agricultural Policy] costs us about 1½ pc of our GDP (some £15 billion a year), which we cheerfully hand over to French and Dutch peasants, or more accurately to their rich landowners” (Prof. Patrick Minford, “Daily Telegraph”, 30th. December).

(ii) “There seems little doubt that many Assembly members will...push harder for more public sector driven property investment to be focused on the poorer west and north of Wales” (“Estates Gazette”, 14th. December). “The fear, however, is that the Assembly, via the Welsh Development Agency, will be persuaded to build factories and office blocks in areas that are least favoured by occupiers. The problem was highlighted with the collapse in May 2002 of ITV Digital. This has left empty a 110,000 sq ft call centre building at Pembroke Dock...with little hope of finding a major occupier.”

Disadvantaged and geographically peripheral areas are areas of relatively low land value. Many activities at or close to the economic margin cannot operate profitably whilst also required to sustain the burden of current taxation on labour, capital, and their products. Replace these taxes by a charge on land value alone, however, and, because the levy is by definition low in such areas, prospects at once alter for the better – with no subsidy!

(iii) Californians have been warned that their state is “broke and more than £14 billion in debt” (Oliver Poole, “Daily Telegraph”, 11th. December). “Under its constitution California is not allowed to run a deficit. Democrats want tax rises, but Republicans insist the aim should be to attract new businesses, not tax them, and want services cut further.” California has some of the most luxurious, expensive, and sought-after real estate in the world. Instead of levying state and local taxes on earnings from beneficial economic activity, legislators should look at the valuable ground under their feet, and collect the revenue from land values, produced and sustained by the collective presence and activity of the populace. California was discovered, not manufactured. Its land may become a private plaything only if compensation is made to fellow citizens by handing over the appropriate land-rent.

(iv) “Many are deeply concerned that the walls of the river [Clyde] are crumbling and with the advent of new-build housing this could be catastrophic” (Sandra White, M.S.P., letter, “Herald”, 25th. November). “The Clyde rises and falls 16 ft twice a day with the tide” (Tom Gordon, “Herald”, 20th. November). “A barrage could stabilise the water level, but as with the quay wall problem, no one is rushing forward with any money”. With LVT in operation, this would be a case for public expenditure. Proper defences against the river would raise neighbouring land values and be recouped automatically for general public benefit through land-rent charge adjustment.

THE ETHICAL STANCE

Although, understandably enough, we concentrate in “Practical Politics” on practical issues with but passing reference to the moral case for remission of existing taxes and their replacement by revenue collected from the location value of land, we consider it appropriate periodically to be reminded that the question is also one of right and wrong.

This planet was not made by man. In the terms of political economy, it is not a product, not merchandise. What, then, can possibly be the ethical claim to outright private ownership and control of land? It is at least as feeble as the case for chattel slavery. If it is right that some may own the Earth to the absolute exclusion of all others, it must equally be morally right for everyone else to be born landless. Did the Creator so intend? Or are all men to be deemed born with equal rights, with the equal opportunity to exercise their admittedly unequal personal gifts, qualities, and inclinations? The origins of private appropriation of land lie in force and fraud, aggravated when apparently sanctioned under a civilised veneer.

In most of the world to-day, those who provide their labour (and those who provide capital, which is no more than goods previously produced by labour and now recycled to assist in the productive process) must pay landowners for the right to use of a little plot of Planet Earth as living, working, and recreational space – the very space on which they must toil to create the wealth from which the land-rent is drawn. Then the state, needing revenue and having thrown away the rental value of land, turns to tax the fruits of labour, so that labour pays twice, once to the landowner and again to the state. People expect to pay for the benefits, natural and social, afforded by the sites they choose to occupy to the exclusion of their fellow men, but paying once is enough!

Land values reflect collective current demand for access to what Nature has provided free, together with current levels of, and trends in, the economic and social activity of the community as a whole. Only incidentally are land values historical. They must be renewed on a daily basis, and generally they will depend too on perceptions of future economic activity and the maintenance of political and social order. Twice in the last century, the taxation of land values was put on the statute book (frustrated first by World War I and then by the Great Depression), and land taxes (though not LVT) have scarcely been out of public debate since World War II. Land transactions do not occur in a political or moral vacuum.

No one's land is to be seized and no title deeds taken away. No landowner (rural or urban, individual or body corporate) is to lose anything he himself produces – indeed, the income landholders earn from their labour and the provision of capital goods will be tax-free. What is envisaged is a national land-rent charge to return to the community that which belongs to it.

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