PRACTICAL POLITICS

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RETIREMENT PENSIONS

There are three main providers of pensions in retirement – the state, employers (occupational pensions), and assurance companies (personal pensions). The basic state pension is paid out of current taxation in recognition of "contributions" made earlier in life by those at work and by their employers. In effect, an occupational pension or a personal pension to which an employer contributes, is a deferred wage. A personal pension funded entirely voluntarily by the beneficiary out of income during his or her working life, is a form of saving selected in preference to, say, a deposit account at a bank, or an investment made directly in property, the stock market, bullion, or works of art.

As noted in Issue No. 113, Labour is all human exertion, mental or physical, directed towards the production of wealth, and Wages are the share of wealth that is the return for labour. In political economy, the term, Wages, covers not only what is called a wage in common parlance, but also all other forms of remuneration – salaries, fees, honoraria, bonuses, tips, perks, payments in kind, and that portion of what was due that was diverted (by the employer) to fund a pension payable at retirement. Current discussion of pensions policy ignores that this is at root a Wages question, and that Wages are at root a function of resolution of the Land question – as examined in our Issues Nos. 12 and 21. Whatever arrangements need to be made to cover those in or nearing retirement and those too far into their working lives to be expected to start from scratch, the common good depends on securing for the commonalty the value of the land. This raises wages in three ways. First, the withholding and under-use of land (whether for speculative reasons or out of sloth) are penalised, the margin of production is no longer artificially depressed, and a greater share of wealth goes to the wage earner. Secondly, the income stream from land becomes the basic source of public revenue, so that taxes come off the returns to labour and off the goods and services that wages buy. Thirdly, employment opportunities are opened up, as access to land is made easier and cheaper, and as the untaxing of wages turns marginal activities in to profitable ones. Almost all will then have the wherewithal to provide for their futures, and may not need to be directed how to do so.

PASS THE PORT: LAND BRINGS FORTH RICHES

Back in Issue No. 17 (March 1991), writing of the Forth Ports Authority, we underlined the attraction of exploiting the land assets for building projects: “Running a seaport seems to have as much to do with the shore and the hinterland as with the water”, we said. Now we learn that Forth Ports has been given planning permission “to turn 22.5 hectares [1 hectare = 2.471 acres] at Granton into a mixed residential, leisure and office zone as part of its masterplan for the development of Western Harbour, Edinburgh Harbour, and some smaller sites” (Guy Dixon, “Scotland On Sunday”, 26th. May). “It was also confirmed that Forth Ports will team up with…property developer Bellhouse Joseph for the regeneration of Leith.” All this is “to take advantage of increasing demand for office, residential and retail space in the capital.”

These initiatives are to be applauded. Those who organise and carry out the construction work deserve their rewards, as do those who supply the capital employed (machinery, equipment, materials). That demand for “space”, though, is a collective, public one, fuelled not least by the advent of political devolution. Such demand is for room on our planet, which was not, in any sense known to political economy, ever formally made at all, except aeons ago by the Creator who never took up the estate agency business but provided a stream of Land Rent and left it all up to us to sort out. So far, we have rather botched it, have we not? Meanwhile, go, Forth, and multiply!

CLYDE

In Issue No. 100 (November 2000), we noted the whirl of redevelopment activity that was about to strike Glasgow. Bett Brothers, the housebuilding and property group, acquired a 10-acre site along the Clyde in 1995, “paying between £2m and £3m” (Kristy Dorsey, “Herald”, 1st. May). It has just sold the last 4.2 acres of that to Barratt Homes “in a £6.3m deal”. Barratt “intends to build 180 flats there.”

Bett has put part of its profits to increasing the land bank from 3,000 to 4,500 plots, “a move which should deliver strong growth” (Mark Williamson, “Herald”, 8th. May). This is clearly another well managed, go-ahead business. The returns on its productive effort and enterprise deserve to be untaxed. Instead, the exchequer should move methodically to collect the national land rental value.

WESTWARD SHIFT

Paisley, the Renfrewshire town once renowned for its cotton mills, “was held back by a poor reputation in the 1990s” but “is now seen as increasingly attractive by people unable to find a home in the west end or south side of Glasgow” (Tom Gordon and Valerie Hannah, “Herald”, 1st. June). Paisley “is to become the latest beneficiary of Glasgow’s overheated property market. In recent months the area has seen a leap in the number of homebuyers escaping the spiralling house prices in its larger neighbour”. The manager of the public-private partnership which promotes the town centre “said the area was now seeing the financial benefits of shaking off its crime-ridden image”. This is good – but who in the area is now seeing those financial benefits? Not the new arrivals, who are having to pay to enjoy them. Not the present tenants, either. It is the owners of land who win, by increased trade from more valuable sites, by being able to raise property rents, and by being able to borrow more by offering the lender more valuable collateral. It will be progress, but only for some – and with continuing poverty for others.

THE WRONG INCENTIVE

When landowners have expectations of higher site values in the future, they are willing to forego present income and allow their land to lie vacant, or, more often, under-used or under-developed. Thus regeneration is deferred, perhaps even for decades. If Government were to set out with the deliberate aim of provoking decay, it would design a tax system much like the one we have to-day.

A couple left their semi in Wallington, Surrey, in 1994, and have not been seen there since. It is abandoned, unkempt, smelly, messy, rotting. The local authority can do nothing: “unless the building becomes a public health risk or is virtually falling down, there are no powers to intervene” (Tom Rowland, “Mail On Sunday”, 21st. April). The owners, who moved to Tooting in south-west London, are reported to have commented that they “don’t want to do anything too hasty”.

It is alleged that, “The house is worth an estimated £215,000 and…has increased in value by at least 60 per cent” since the couple left. That is obviously incorrect. On the facts presented, the house must have lost value over eight years of complete neglect. What has risen spectacularly is the value of the ground the house stands on and in. Until that crucial distinction is made, policy makers will continue to flounder in their search for solutions.

ONE, AT LEAST, WHO KNOWS – NOW, IF NOT BEFORE!

The Deputy Prime Minister “has been told that he will not be able to buy the union-owned flat he has rented as a London base for more than 30 years” (Andy McSmith, “Daily Telegraph”, 1st. May). “The Rail, Maritime and Transport union has decided that it will benefit from rising property values if it holds on to the flat in Clapham”. Given that the Land was made for the People, Mr. Prescott can, if he helps bring in LVT, literally get some of his own back.

WHAT THE PROFESSIONALS KNOW…

(i) “Successful distribution is fundamentally a question of proximity to good motorways and freight termini” (estate agent, quoted by Noella Pio Kivlehan, “Estates Gazette” supplement, April).

(ii) “One location agents feel is going to get a lot of attention in the coming years is the area surrounding Britain’s first toll motorway, the Birmingham Northern Relief Road, or M6 Toll as it is now known, which is due to open in 2004” (Stacey Meadwell, “Estates Gazette” supplement, April). One agent quoted, said, “Land around the BNRR will be the next exciting space to keep an eye on”.

…and seemingly do not yet know

(iii) “With the workforce in place, infrastructure improving and the land available, enabling Yorkshire to capitalise further on offering an alternative to the Midlands needs only a helping hand to move development along – either with the help of [EU] Objective 1 funding or by speeding up the planning process” (Noella Pio Kivlehan, “Estates Gazette”, 1st. June). “To get the private-sector developers foaming at the mouth, they will have to create demand”. May we suggest that landowners are waiting until those Objective 1 euros are sloshing around and the desired planning consents have been granted, so that they may bank yet more of the lovely loot? Let LVT operate, and see those owners rush to make profitable use of land they can no longer afford to mis-use!

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