PRACTICAL POLITICS

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LAND, LANDOWNER, LANDOWNERSHIP

The image conjured by the word, landowner, is often of a portly, tweedy personage, gun or rod in hand, lording it over his vast estates and casually acknowledging the tugged forelocks of his tenants – by turns, a figure of fun and of hatred. From time to time, we need to remind ourselves that, in political economy, the most valuable (and therefore significant) land ownership is commercial and urban, and that the owners and most of the tenants are corporate bodies.

We aim to use a small number of words in the precise meanings attributed to them by the classical economists:-

Land: All the material universe outside of man and his products. Land thus includes rivers, lakes, the sea, and the air, as well as the land surface and what lies beneath it. In most applications, though, land will obviously equate with *terra firma*, with site and location.

Labour: All human exertion, mental or physical, directed towards the production of wealth.

Capital: Both wealth used in the production of more wealth, and wealth in the course of production and exchange. Capital thus includes intermediates and stock-in-trade, as well as such items as tools, machinery, buildings, and vehicles used in the productive process.

Rent: The return that is due to land when wealth is distributed. The share of wealth that is attributable to the superiority of any piece of land over marginal land.

Wages: The share of wealth that is the return for labour.

Interest: The share of wealth that is the return for the use of capital.

It follows from the above, that a landowner may be an individual person or group of persons or a body corporate. A landowner need not be the freeholder: anyone with a beneficial interest in land (a land holding capable of being sold or let at profit) is to that extent a landowner. As individual people or as entities, landowners may not just hold land, but may also provide their labour and/or provide capital. The three factors of production are distinct, however, and, in economic analysis, it is particularly important to distinguish land from capital (and therefore rent from interest).

Our dispute is not with landowners, but with landownership, with the system which permits the private appropriation of the rent of land, which we hold to be rightfully public. The returns to labour and capital are rightfully private.

AFRICA: A TO Z

"A ceasefire intended to end one of Africa's bloodiest and longest-lasting civil wars was signed yesterday between the Angolan army and the rebels it has been fighting almost constantly for 27 years" (Tim Butcher, "Daily Telegraph", 5th. April). The rebel defeat is credited to military assistance the government had from Israel. "A recent covert agreement to allow Israeli diamond dealers to sell the produce of Angola's extensive diamond mines allegedly led to the arrival in Luanda of military advisers from the Israeli Defence Force." Now, "Without the spectre of war hanging over **Angola**, [the] government will come under pressure to alleviate poverty in what remains one of Africa's poorest nations in spite of billions of pounds it receives each year from Western oil companies." There is oil and there are diamonds. Once again we see a country rich in natural resources but sunk in poverty. There are persistent tales of corruption: "Up to 40 per cent of the country's £3 billion annual income from oil disappears into secret bank accounts."

We have commented on events in **Zimbabwe** in Issues Nos. 16, 44, 74, 95, and 97 (in an article headed, "Two Wrongs And No Rights"). Even if carried out with sensitivity instead of arbitrary brutality, the government's land policy would remain conceptually flawed and morally untenable. Here is a country destroying itself in economic error and breakdown of social order.

Africa's problems are political, as a Tanzanian politician pointed out (see Issue No. 55, "Africa's Dying Millions"). The solution too has to be political, and it has to be based on stimulating work and investment by not taxing earned incomes, and equally by not allowing anyone (black or white, native or foreigner) to walk off with any portion of the national wealth attributable to the locational advantage deriving from the presence of natural resources and people's collective demand for living and working space.

BITS AND PIECES

Sometimes we come across a sentence or two within an article which more or less make their own point, with little prompting. A recent selection follows.

(i) "Preston has direct access to the M6, M61 (Manchester), M55 (Blackpool) and M65 (East Lancashire). It is a principal station on the rapidly improving West Coast (London to Scotland) Main Line. Over 170 destinations across 5 continents are served by Manchester Airport, which is 45 minutes away and linked directly by rail. The airport and nearby Port of Liverpool offer companies a complete freight solution" (glossy advertisement, "Estates Gazette", 26th. January, enticing "switched on companies").

(ii) "The town also has good transport links. The A421 – the primary trunk road in the Eastern region – connects the A1 to the M1. The Clapham bypass to the north of Bedford is under construction and the Great Barford bypass to the east of the town is scheduled in the government's road programme" ("Estates Gazette", 26th. January). As at Preston, Bedford landowners receive princely reward for doing nothing whatsoever.

(iii) "Optimising the planning consent…can have a totally disproportionate effect on development profits and/or land values…This briefing is…for all… owners of land with development potential" (glossy brochure for one-day conference, end April, price £522.87 per person).

(iv) "A National Audit Office report says that NHS trusts must do more to identify and dispose of surplus property. The NHS has one of the largest estates in Europe, valued at some £23 billion" (Nigel Hawkes, "Times", 21st. March). Land hoarding is bad, whoever does it; but why not let the land and collect the rent?

(v) "Government plans to prevent hospital 'bed-blocking' will be inadvertently scuppered by its own tax laws" (Nicole Martin, "Daily Telegraph", 11th. March). Long-term residential care homes pay only council tax, rebated by up to 50%, if they are classified as a domestic property under the Local Government Finance Act, 1988; but homes which are wholly or mainly used for the provision of short-stay accommodation, pay the very much higher u.b.r. (business rate) in full. "The Department of Health said it was investigating the problem." We prescribe LVT.

(vi) "Measures to reduce nitrate pollution are set to affect more of the country, threatening land values and cropping patterns" following the latest interpretation of the EU's Nitrates Directive of 1991 (Catherine Paice, "Estates Gazette", 26th. January). Capital grants for waste handling facilities have been available for the much smaller land area affected hitherto, but the NFU President believes he knows that "farmers will end up picking up the bill". No, actually, they won't. However foolish, ill-advised, or unscientific the Directive may be, its cost penalties will be borne by the beneficial owners of agricultural land.

(vii) The Oxford Farming Conference on 3rd. and 4th. January heard German and U.S. speakers argue that the majority of farm subsidies should be redirected to a “green box”, so that the taxpayer would see them as environmental measures, not as subsidies. Really? A hand-out by any other name… Perhaps genuine farmers have neither the time nor the money to spare for meetings, for “This year, barely 20% of delegates were farmers, the majority being advisers, bankers and lawyers specialising in the rural land-based businesses” (Catherine Paice, “Estates Gazette”, 26th. January). Elector, beware!

PROPERTY AND THE DEFENESTRATION OF PRINCIPLE

“The Government sees property as an asset fixed in supply with no productive role, which can be heavily taxed with no adverse economic consequences” (report commissioned by the British Property Federation, cited by Sarah Marks, “Evening Standard”, 9th. April). Pick the bones out of that!

Property is not in fixed supply. Certainly the land element is; but buildings can be put up, altered, or pulled down. Work performed in buildings is part of the productive chain in wealth creation, whether it is invoicing, retailing, or staff administration. Taxing buildings assuredly does have lamentable consequences, especially when bare land (however valuable) is left untaxed, as is the case with the u.b.r. Good development is taxed more highly than inferior construction on a site of equal value. Decay is rewarded by being granted a lower assessment.

The report does politicians and civil servants little favour. They cannot not know the deficiencies of the policies they advocate and administer. They get away with doing little or nothing about it because there is no rigour at the top. As for the BPF, it has yet to accept that it has to make its mind up whether it speaks for landowners or for those who do the work of financing, building, and managing property. The activities of this latter grouping benefit society. Landowners live off society. Their contribution consists of no more than getting out of the way and letting others get on with their work – for which kindness they are allowed by politicians and civil servants, with the connivance of most academics, to trouser very handsome rewards indeed. These can be collected in LVT with economic consequences wholly benign.

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