

PRACTICAL POLITICS

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TROUBLED WATERS – GOVERNMENT STEPS IN

The Government is flying a kite over flood-prone areas, announcing a possible annual duty of £60 to contribute to the cost of better flood defences. “The Government already spends £400 million a year on flood protection schemes” (Tessa Thorniley, “Daily Telegraph”, 16th. February). Do nothing, and location value drops; buyers risk costs from flood damage, and face higher premia for insurance or even refusal of cover; but they do get cheaper property, because the land is worth less. Construct flood-water barriers, and land value rises; buyers pay more, but have greatly reduced flood risk and thus lower insurance premia to meet. Although the Government is on the right lines here, the proposed annual flood-area tax is an imprecise and minimal gesture, touching only increment value. Worse, subsequent public expenditure would be an outright gift to those with a beneficial interest in land, who already, leech-like, suck the benefit of general economic progress. The Government should apply the principle everywhere, fully and properly. We know it as LVT.

THE AL-QA’EDA CONNECTION

“Demand for properties in Cornwall and Devon has never been stronger. Since the September 11 terrorist attack on the U.S., many buyers are keen to relocate to the safety of the South-West” (a Helston estate agent, quoted by Liz Phillips, “Daily Mail”, 15th. February).

DISFIGURING THE BODY POLITIC

“One of the main problems for people looking to build their own home is finding a plot of land with planning permission, without it costing an arm and a leg” (“Daily Mail”, 15th. February).

JAPAN

“For ten years, Japan’s refusal to confront its entrenched structural problems has prolonged, and deepened, the longest post-war downturn in the industrialised world” (Lea Paterson, “The Times”, 26th. February). In the course of an article totalling 45 column inches of text accompanied by 35 column inches of graphs (in colour), plus space for headings, the article discusses causes, effects, and cures. Despite its obvious significance, there is only one substantive reference to land – but it is a telling one: “The banks invested heavily in land and stocks at the peak of the boom – and the collapse in land values (still falling by 6 per cent a year) and persistent under-performance by Japanese shares have severely weakened their financial standing.” As we mentioned in our comment on Japan in our last Issue, the banks favoured the shares of companies that themselves had substantial land holdings, thus extending their reliance on the seemingly endless massive land boom. The article notes the need for reform of the banks, and also covers corporate decision-making processes, working practices, welfare benefits, fiscal and monetary easing, and the rising national debt – everything, in fact, except reappraisal of land holding. Banks, one reads, should be encouraged to reduce their exposure to land – but what greater encouragement do they need than contemplation of the disaster that land speculation has brought upon them? In any case, moves to this effect “have been held up by political in-fighting and vested interests”. It was not thought worthwhile to pursue what these vested interests might be! It has been a decade of misery for Japan, and it is not over yet. If the Japanese themselves have learned nothing, then neither, sadly, have western commentators. With fully and properly implemented LVT, there will be no more land speculation and no more of these boom/slump cycles – and conventional taxes can be replaced by land rental revenue into the bargain.

TWO IRISH QUESTIONS

Reports carried by the “Belfast Telegraph” on 21st. February, raise two not unrelated questions. First is the matter of the infrastructure of roads and the Belfast Metropolitan Area Plan. “The system cannot cope with the number of cars which are going through Newtownabbey to and from Belfast every day” and there is a call for “a major roads bypass to take traffic away from Ballyclare”. Who pays for all this and who gains from it monetarily? Secondly, the Ulster Architectural Heritage Society is outraged at “the demolition of Victorian buildings in North Street, Belfast”. The owner claimed the premises “had to come down for safety reasons”. Perhaps – but could it also be that the bare site is worth more?

DIVERSIFICATION

Following a year of foot-and-mouth and depressed rural tourism, farmers are exhorted to diversify, if not quite to turn ploughshares in to swords. One way, adopted by a farmer near Haywards Heath, Sussex, was “to develop the barns and farm buildings”, so that he now has “12 offices of about 200 sq ft each, eight lock-ups and a judo hall” plus “an equestrian enterprise” (Malsha Frost, “Daily Express”, 21st. February). The new businessman/farmer admits, “My location has been everything”. Quite. It usually is. In this case, the farmer is a freeholder located close to a prosperous town in the south of England. Others, even with comparable entrepreneurial flare, are not so lucky. The report does not mention that, whereas agricultural land and buildings are exempted from the uniform business rate, industrial and commercial activities are not. The payments the lens maker, the computer software writer, the French polisher, and the hairdresser can afford, must take account of outgoings on the u.b.r. Thus does government policy urge diversification with one hand and penalise it with the other.

FROM CONFLICT TO CORNUCOPIA: Northern Irish landowners doing well

The South of England and Northern Ireland cavort to the winner’s line. A Halifax survey of house price increases over the last 10 years shows the top 20 places (in a listing of 720) all filled by towns from one or other of these areas. The 20 worst performers come from the North of England, Scotland, and, in one case, Wales. In Northern Ireland, “There has been a peace dividend. The peace process has attracted a lot of business and investment” into the Province (an economist, quoted by Sean O’Neill, “Daily Telegraph”, 27th. February). This will not have caught readers of “Practical Politics” unaware. As long ago as our Issue No. 8 (March 1990) we said, “Land values will rise when peace returns”, and added, “A lot of people are going to be very unhappy when they find decent housing priced out of their reach...The rising expectations of landowners will...cream off the benefits of progress”. The owner of land loves the good times.

Footnote:- “Across the nation, the average price of a home when the Queen’s reign began was £2,200. Now it’s more than £100,000 and rising fast” (Liz Phillips, “Daily Mail”, 22nd. February). That is an increase of some 4,500%, which, discounting inflation, is still huge. Houses depreciate, like cars and washing machines; they need constant maintenance involving substantial expenditure. It is the ground houses stand on, the land, that has shot up so, with no effort required of the owner and often to his complete amazement.

MOONSTRUCK

We know the moon as the satellite of the earth, deriving light from the sun and reflecting it to earth. “The 1979 Moon Treaty, drafted by the UN... explicitly banned private ownership of lunar land and resources, and decreed that any wealth derived from the Moon belonged to the whole world and should be shared equitably among rich and poor nations” (“New Scientist”, 16th. February). In all the time since, only nine countries have ratified the Treaty (and the U.K. is not one of them). Into the void has stepped the aptly named Dennis Hope, “a private citizen of Rio Vista, California, [who] says he is the Moon’s rightful owner”, having staked his claim in 1980 at his local federal office and notified the UN, the U.S.A. and the U.S.S.R. He started selling plots of lunar land “for \$15.99 an acre (plus \$1.16 ‘lunar tax’ and \$10 shipping and handling)”. Apparently there is nothing to worry about, though, because “Landed property rights cannot exist without state protection”. Now, that is something to ponder.

HOUSE AND HOME

“MPs are making a killing from the housing boom while taxpayers pick up their mortgage bills” (Julia Hartley-Brewer, “Sunday Express”, 17th. February). For MPs with seats outside London, an annual untaxed allowance of £19,469 is available on top of the salary and other allowances. The sum can be claimed “to fund second homes in London”. A £200,000 mortgage can be paid for entirely by the allowance. Property prices in central London have doubled since 1997, and “Even a one-bedroom flat bought for £150,000...would now be worth almost £300,000”. With inflation comparatively low and little increase in the cost of building and of building materials, the price rise is clearly attributable primarily to the reaction of the land market to increased demand for living space in the better locations. Given such widespread first-hand knowledge amongst our legislators, can enactment of LVT be far away?

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