PRACTICAL POLITICS

November 2000 Issue No. 100

None of our readers will have been caught unawares by the “petrol revolt”, which brought together two complaints we have long been stressing. First, conventional taxes, at the margin of economic activity (which is frequently also the geographical margin), threaten livelihoods – and the taxes on automotive fuels are not the least of these. Secondly, there is broad public dissatisfaction with current taxation and increasing reluctance to pay it. Those with the means and the ability to operate beyond the range of the government’s grasp, do so – hence the electronic exodus of businesses and the [ouch!] “outsourcing” of services.

Taxation to-day is essentially little more than a structure of fines and penalties for engaging successfully in legal economic endeavour. People know this and consequently public acceptance of taxation is dwindling. Assent is further undermined by growing doubts about the uses to which tax revenues are being put. The costs of running an increasingly complex and incomprehensible system are likewise a source of discontent, as a worrying proportion of the best talent is dissipated in tax-related legal, accounting, and general administrative activity.

At the purely practical level, the collection of the rental value of land (land value taxation) scores over all rival fiscal measures. Because land can be neither moved nor hidden, the levy is impossible to avoid or evade. Site value measures the advantage of each location in comparison with all others. Whoever has exclusive use of a plot of land pays for what he gets but, equally, gets what he pays for. What he does thereafter, he is free to enjoy untaxed.

Other old messages keep coming through too. “With its glorious ticket halls and platforms, the Jubilee Line has united Docklands with the rest of London, stimulating land values all along its route” (Norma Cohen, “Financial Times”, 21st. October). “Surrey Quays was just a shopping centre five years ago and now it’s a big residential area where prices have doubled because of the Tube” (estate agent, quoted by Graham Norwood, “Sunday Times”, 1st. October). If the London Underground is strapped for cash, it is because its benefits are being given away like toffees.

TWO CITIES: PROGRESS, BUT WITH POVERTY IN TOW

Edinburgh

The O.48 acre site of a former goods yard in Morningside has been sold for £3 million. The developer plans to build 32 flats on it. The land cost alone will put £93,750 on each apartment. "Morningside is a very popular area with good schooling and shopping facilities" (Lynne Robertson, "The Herald", 24th. August).

"A former bus garage is set to be transformed in a £75m project" which will include a drum-shaped theatre and cinema, hotel, offices, cafés, bars, restaurants, a nightclub, and a park in the centre of Edinburgh, not far from Waverley Station (Lynne Robertson, "The Herald", 11th. July). The 3.5 acre garage was sold in 1994 for £1.5m, then used as a car park until sold again last December for £9m.

The report of the Lord Provost's Commission on Social Exclusion, headed by Bishop Richard Holloway, "claims the wealthiest city in Scotland is allowing many of its next generation to grow up in poverty" (Raymond Duncan, "The Herald", 20th. June). Despite general economic prosperity, "one in five children grows up in households below the income support level". The report notes, "There is something wrong with a wealthy society that allows these massive contrasts to continue." Indeed there is; but the suggested remedies are, regrettably, mere palliatives, unlikely to be effective even if adopted.

Compare the plight of the landless with the effortless profits being made from land deals. The Bishop knows who made the Earth, and it was not any man! Surely the right of property derives from man's application of his labour and his skills? Those developers who provide capital in the form of machinery and materials, and those who work on the projects applying physical and mental powers, are taxed on what they do, and the housing and commercial facilities they create are subjected to the council tax and the u.b.r. – the better the product, the higher the tax! What sort of nonsense is this? The Scottish Parliament and Scottish Executive are due to look at LVT in rural areas, but it is in the great conurbations that most Scots live, and it is there that riches and poverty are to be found side by side on so large a scale.

Glasgow

What would be the "biggest development site in Scotland" according to the developers, Clydeport, involves transforming "two miles and about 100 acres of the Clyde's north bank between the Scottish Exhibition & Conference Centre and

Clyde Tunnel" (Ian McConnell, "The Herald", 23rd. August). "A huge upmarket leisure complex will be built around Yorkhill Basin…The plan is that Glasgow Harbour would connect with the well-heeled West End…Clydeport has the land. And it has Bank of Scotland as its fifty-fifty partner…Clydeport could acquire between 20 and 40 acres of land from Glasgow City Council…The council, which owns most of the land between Partick Cross and the Clydeside Expressway, is keen to participate."

Over in south Glasgow, the long-delayed northern extension of the M74 [see Issue No. 96 – Ed.] seems finally to have the go-ahead. The Scottish Transport Minister and three local councils are in dispute over some details of the scheme and over funding, however. Since "the project would act as a catalyst for regeneration, particularly in terms of utilising contaminated land for the road interchanges and associated development" (John MacCalman, "The Herald", 11th. October), there can surely be no doubt that it will boost land values along its route. With LVT in operation, there would be no give-away to lucky landholders and, unless the scheme were a dud, it would surely pay handsomely for itself.

Meanwhile, "The city's council houses are among the worst in Britain. Only a quarter reach acceptable standards, and a further quarter are seen as 'saveable with investment'. The remaining 50% are in such a 'dire' condition that many may have to be demolished" (Jim McLean, "The Herald", 4th. August). "Shocking statistics reveal 83% of the 94,000 flats and houses owned by the council fail electricity standards…83% of council tenants are claiming housing benefit".

In their landholding capacity, holders of land, private or corporate, contribute nothing. The land was supplied free by God, or, if one prefers, by Nature. The land's value is created and sustained by the community. All that landholders do is charge others for the privilege of being allowed to set foot on a plot of ground and use it as living or working space. It is the least onerous and most rewarding racket ever devised. The real wealth creators are then obliged to pay penal taxes on their legitimate earnings. Government has no less than a duty to fund itself by collecting annually the full site rental value of all land.

Footnote from remote rural Scotland

"Morvich is an estate in Sutherland of about 5,200 acres" (Gerald Cadogan, "Financial Times", 29th. July) "with pheasant, grouse, deer and fishing and an exceptional Georgian house", all on offer for only £1.35m. It is people who make land really valuable, and most of them inhabit the cities and towns.

GERMANY – IT'S IN THE AIR!

The auction for use of 12 blocks of the radio spectrum ended after "just under 3 weeks and 173 rounds of high stakes poker" (Dan Sabbagh, "Daily Telegraph", 18th. August). "The winning bids totalled £30.8 billion – £376 for every German man, woman and child". Although this exceeded "the £22.5 billion raised in Britain's equivalent mobile auction in April" [see Issue No. 97 – Ed.] "the two auctions raised almost the same amount on a per head basis" (£381 per person in Britain). The radio spectrum is classed as land in economic analysis, the air being part of the natural order outside of man and his products. If a thin slice of air spectrum is worth that much, how vast must be the yield from the nation's surface land area! Who needs all these damaging contemporary taxes?

JAPAN – STILL DOWN

"Japan's hotel industry is a victim of the prolonged economic downturn… Companies that developed or bought their properties during the bubble era of the late 1980s are reluctant to agree to a price sharply lower than the book value" (Emiko Terazono, "Financial Times", 1st. July). "Land prices in Japan fell 7 per cent last year…Corporate bankruptcies are expected to depress the economy further" (Michiyo Nakamoto, "Financial Times", 5th. August). "To date, Tokyo has spent some Y17,500bn on cleaning up nationalised banks…The government has…repeatedly under-estimat[ed]…the bad debt problem and fudg[ed] the figures…A recovery in banking relies on a sustained economic recovery – and so far there is scant evidence of that" ("Financial Times", 26th. August). Land prices have further to fall yet.

ASHES TO ASHES, DUST TO DUST (a farewell lesson in economics)

"As with houses, the cost of a burial plot is largely determined by location. At Lon Newydd cemetery in Anglesey, a grave costs £118; at Highgate cemetery in north London, you pay £3,025. The national average, including digging, is £524" ("Financial Times", "the business" magazine, 1st. July). The digging is labour, the spade is capital, and all the rest is land.

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