
Practical Politics No.97

We reproduce here a past issue of our journal.

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ONE YEAR ON

A year ago, Scottish voters elected a Parliament and Welsh voters an Assembly. It was always predictable that money would be a key issue. MSPs have the right to vary income tax by 3p in the £ above or below the standard rate for the U.K. as a whole, but AMs have no revenue powers at all and can merely shuffle the available funds from one spot to another. "What is clear is that devolved assemblies will always be elected on a promise to fight their corner for a bigger share of the national pie . . . Any genuinely devolved assembly is bound to turn into a machine for kicking the [Westminster] Government of the day in the backside" (*Evening Standard* leading article, 10th. February). In the long term (opined the newspaper) the only way is to grant the assemblies more power, "but also the responsibility for revenue raising that goes with it". The same presumably goes for the MLAs in Northern Ireland when that Assembly is recalled.

There are many reasons for urging the funding of public revenue requirements from the site rental value of land. There is, however, one factor that is particularly significant for Northern Ireland, Scotland, and Wales. Marginal undertakings can be put out of business by conventional taxation. The more distant the activity is from the main market, for example, the greater is the impact of motor fuel duties. Again, the compliance costs carried by businesses to organise PAYE, National Insurance, sickness and maternity pay and the like, plus organising corporation tax and v.a.t., bear disproportionately heavily on small businesses, of which marginal areas inevitably have a substantial share. Parts of the remoter countryside can be put to productive use only if no charge is made for bare land. A levy on land value is of no consequence where land has no value, and land modestly above the margin still pays very little. Whereas today's taxes tip potentially rewarding activity into unprofitability, LVT makes it possible to earn a livelihood and so revitalises the rural economy. Nationwide, Economic Rent measure the advantages of each site relative to all others: collecting it creates that famous level playing field, and lifts the burden from Capital and Labour. The case is compelling.

THE LAND QUESTION GETS A BIPARTISAN AIRING

Thirteen companies entered the auction. After 150 rounds of bidding, spread over 8 weeks, 5 companies have each won a 20-year licence to use part of the radio spectrum. The proceeds total £22,500,000,000 (£1,125,000,000 per annum on simple linear division). The winners will be able to offer so-called

third generation mobile phone services: "With Internet, television, video, music, financial services and e-commerce to be available via handsets. the network operators will be a business conduit" (Robert Lea, "*Times*", 11th. April). They will be keen for a mass-market success story. Competition will ensure prices stay low. If not, consumers will not pay, and "you'll get supply-side consolidation. The mobile phone companies will just get taken over by people who haven't bid as much for licences" (Theresa Wise, quoted by Chris Ayres, "*Times*", 25th. April).

The auction receipts are not a windfall, nor are they a sell-off. They are a legitimate rent, capitalised over 20 years, for the right to enjoy exclusive use, over that period, of a natural resource - a small part of the radio spectrum. The Treasury will use the money, sensibly, "to reduce the national debt and therefore cut interest repayments - a process that will free up an additional £1 billion per year, each year, for two decades" ("*Times*" leading article, 28th. April).

We have to explain our heading. Why Land Question? The radio spectrum is classed as land in economic analysis, the air being part of the natural order outside of man and his products. Why bipartisan? It was the previous Government which began the auction process in early 1997, as we recorded in our Issue No.70. The collection of the rent of land for public revenue (otherwise known as land value taxation) is thus the policy of both the Conservative and Labour parties.

There is more to come. too. The Government will "auction frequencies that will allow fast telephone services, including Internet access, to be beamed into homes and offices, rather than being channelled through a BT local exchange" (Raymond Snoddy, "*Times*", 20th. April). "This is microwave territory" (City Comment, "*Daily Telegraph*", 20th. April) "higher up the spectrum". It will raise much less than the mobile licences. The principle is the same, though; and it is one that applies equally to the earth's surface, where land really is land, to economist and layman alike. If a thin slice of air spectrum is worth £1,125,000,000 per annum, how vast must be the yield from the nation's land area!

Can full LVT be far behind?

TWO WRONGS AND NO RIGHTS

In 1890, Cecil John Rhodes and 200 white pioneers set out for what became Rhodesia, raised the flag, and shared out the spoils. "Between 1908 and 1915, Rhodes' British South Africa Company put 1.5m acres of the country's best land into settler hands . . . establishing the pattern for to-day's ownership" (Michael Holman, "*Financial Times*", 11th. March) "White settlers seized the most fertile areas and forcibly removed blacks from their homes . . . Just 4,000 white farmers own about 70 per cent of the arable land, while more than seven million blacks scratch a living from communal areas" (David Blair, "*Daily Telegraph*", 28th. April). We have chronicled developments in Zimbabwe in

Issues Nos. 16, 44, 74, and 95. Now, suddenly, violence breaks out against white farmers, with occupation of their lands.

Protagonists for these white landowning farmers argue that their expertise is vital, and that their deployment of capital and labour not only contributes to sustaining the local economy, but also provides the exports to earn the currency to pay for essential imports. Seizure of land and subsequent redistribution to "war veterans" and other blacks will not work. Land division into small family-sized holdings makes for inefficient subsistence farming: crop failure, disease, misfortune lead to indebtedness and alienation of land, and eventually to an impoverished landless labour force and the re-emergence of the latifundia, though this time under a black landowning elite.

This self-serving reasoning unhappily contains too much truth for comfort. More significantly, though, land division is conceptually flawed and morally untenable. How is a black field hand better off working for a black landowner than for a white one? Why should U.K. taxpayers (who, incidentally, include welfare recipients returning part of their benefits to the government in v.a.t.) subsidise an emerging class of black landowners in Zimbabwe via alleged overseas development aid? Land reallocation is arbitrary, and unjust to future generations. and it does nothing at all for the landless urban poor.

Farmers, and other businessmen, white or black, need security of tenure, a fair return for their entrepreneurship, expertise, and labour, and proper remuneration of the capital employed. They do not actually need to hold land as private property, and they have no right to pocket its value as personal income. The correct policy is not to seize land or dispossess anybody, but to collect site rental values for public expenditure, and remit existing taxes. That way, the whole population shares in the common inheritance.

RIGHT DIAGNOSIS, WRONG PRESCRIPTION

"At some point . . . reform of Britain's system of property taxation looks inescapable" (Larry Elliott, "*Guardian*". 7th. April). We hope so, but "slapping capital gains tax on main residences" is timid stuff. Instead, take tax off the house itself and collect site value alone!

THE WRONG PAYEE

Collingham and Linton Parish Council in Yorkshire has put its money where its N-I-M-B~Y heart is, and has paid £255,000 for a one-acre field ("*Daily Mail*", 15th. February) to save it from possible development. 43 years earlier the villagers had bought an adjacent field to frustrate the building of four homes. It is right that people should pay to deny land to others and maintain exclusivity, but an annual site rental assessment is the appropriate basis, and the recipient should not be a private landholder but the public exchequer. The policy should apply nationally to all land.

NEW TUBE - TRANSFORMATION - PRIVATE WINDFALL

The familiar disgraceful sequence is being repeated, this time with the East London Line extension northwards from Whitechapel to Highbury & Islington "looking increasingly likely" ("*Hackney Gazette*", 26th. February). "Hackney is a bud about to blossom . . . Transport has been Hackney's downfall and kept a lid on prices . . . Here in Hackney the streets could still be paved with gold." Who says the Underground is unprofitable? The key is to isolate where that profitability is going and therefore what needs to be done to recover it for public revenue purposes. The Underground is a major stimulus to the creation, growth, and maintenance of land value in the extended neighbourhood of the areas it serves, The solution is to apply LVT and collect the growth in land value along with all pre-existing value. Not even in Hackney should landholders pocket the efforts of the community at large.

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