
Practical Politics No.83

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Issue No.83. December 1998

MORE TO NATURE THAN NATURAL DISASTER

In Bangladesh (East Bengal) flooding has again brought disaster to many thousands of people, especially the poor huddled on land that is little better than mud flats. In Central America, Honduras in particular, Hurricane Mitch caused floods and landslides, sweeping away homes and bridges. The immediate concern has to be governmental and charitable aid for ministrations to sick and hungry sufferers and for reconstruction.

It is at this point that we should stand back and think. In both Bangladesh and Honduras there are the comparatively few who are rich and the many who live in the most degrading despair and poverty. In effect, these are, respectively, the landed families who hold all the best land and huge areas of the rest, and the hordes of landless, who come in to this world with birthright already confiscated. This is not the cruelty of Nature, but the callousness of Man to his fellows. It is failure of political organisation.

When Mitch tore at those bridges, it left great tracts of land unreachable. Nothing can go in or out. Anything grown or otherwise produced in the back of beyond, has no access to a market. To rehabilitate the infrastructure is to reinstate land value. Aid funds, even when wisely spent, will always benefit disproportionately those who have appropriated the land. Why should foreign government money, much of it extracted by way of taxes from the poor and the modestly endowed in the donor countries, bolster such a disreputable system?

The great and the good who make up the establishments in the developed world, do not seem willing to face the issue where it is plainly visible in backward countries - perhaps lest the same questions cause fidgeting nearer home? Yet it is a universal truth that land was not made by Man but is the free gift of Nature. It can never be any man's property. correct action is to collect the land rental value to fund the needs of the public revenue - and to untax everything else.

THE BURDEN OF WORKING FOR THE TAX COLLECTOR

A team from Bath University has told the Inland Revenue that it businesses £1.3 thousand million a year and takes 80.7 million hours of work to organise PAYE, National Insurance, and maternity pay. Half of this "fails on tiny outfits that generate only 12pc of the revenue" (Michael Becket, "Daily

Telegraph" 16th. November). Spreading costs over only a few people makes administration expensive per person. "Employers with up to four workers spent £288 a year per head, which is more than £5.50 per week, but for those with more than 5,000 employees the cost has dropped to £5." According to the report, the heavier impact on small companies may be even more marked when the cumulative effect of all compliance costs, including VAT and corporation tax, is taken into account.

PAYE was devised gain a world of large corporations with static workforces . . . It is much more cumbersome in the current world of 3.5m small businesses and more volatile employment. Thus the present tax system militates against small businesses in general, and bears particularly heavily on start-up businesses contemplating expansion. In short, it destroys jobs.

HETEROPHONY1 PLEASE!

From Dirigisme House, deep in the EU, come calls for harmonisation of taxes. Why so? What is wrong with tax competition? Far from dull conformity, let each do his own thing (which is the demotic for "subsidiarity"). In the playground, boys and girls may surely be left to indulge in such games as they wish. Let us enjoy free trade in fiscal affairs. We want no protective system shoring up the highest and most harmful taxes in Europe, and we decidedly do not want them made compulsory throughout.

We make one confident prediction: the first nation to drop taxes on labour and capital and the goods they produce, and adopt full LVT instead, will win the EU-topia trophy hands down. We have to come clean and declare that the others simply do not stand a chance. Why? Well, LVT has a magic attribute, or gimmick: it is not really a tax at all, because collecting the site rental value for public revenue does not impinge on the productive process except to liberate and encourage it. Just don't tell our "partners", though, until our own system is up and running and we can beat the living daylight out of them! If we make a determined start in the New Year, we can be top of the heap from 2004 and avoid the slump of 2010.

NEW TAX MOOTED

Do we need a tourist tax to pay for sewerage and cleaning beaches at holiday resorts? The question has arisen because it is argued that visitors reap the benefit of good resorts without contributing to their maintenance. There is a misconception here. The value of land in a resort would be lower if there were just the residents, and no visitors. People give land its value, and the influx of non-residents enhances land value, differentially from location to location. A problem arises only if land value is not collected by the public exchequer, but left as a present for landholders to pocket.

"While tourists and non-residents use or benefit from city services they contribute in other respects to its prosperity. A share of this prosperity should .

. . . properly be recouped for the city through the increased value of rateable land on which, for example, accommodation and entertainment facilities are erected" (Report, vol. 1, section 198, *Brisbane City Council Committee of Inquiry into Valuation and Rating*, 1989). Brisbane rates land values and has no need of a tourist tax. Tourists are happy, residents are happy, and landholders have no legitimate complaint (and indeed benefit from paying no local taxes on any buildings or other developments they may have made).

LANCASHIRE

"Blackburn . . . has gone from being a property black spot to a property hot spot in one bound, thanks to the newly-opened M65 motorway" (David Thame, "Property Week", 14th. August). "Preston is well located in terms of both motorway and major rail routes: it is close to the junctions of the M6, M61, M55, and M65. The town will be a major beneficiary of the west coast mainline upgrade from 2002. London will then be only two hours away" (Peter Townroe, "Property Week", 14th. August). Neither article mentions landholders, but all they do anyway is cash in on the efforts of others.

SCOTLAND

"Land reform could be the key to forcing intransigent landowners to allow new houses, factories and the development of tourist opportunities on their estates" (Mathew Fletcher, "Mail on Sunday", 18th. October). The key land reform is LVT.

FARM SUBSIDIES

"Subsidies have widely been capitalised into the price of agricultural land" (John Gummer, M.P., "Estates Gazette", 28th November). As we have always said, it is not farm workers, not tenant farmers, not would-be entrants to farming, who gain from special tax concessions and subsidies, but owners of agricultural land.

FARMING THE URBAN FRINGE

The Dublin area "commands premium prices for farmland" (Gerald Cadogan, "Financial Times", 18th. July). An agent is quoted, "If a good average for farmland in Ireland is £3,500 an acre, in the Dublin commuter belt it can go up to £12,000 an acre." There is no suggestion that better crops are grown round Dublin or that the grazing is outstandingly fine. Could it be that there is development potential, with a bracing whiff of land speculation in the air?

CROPPING THE URBAN FRINGE

"Grainger Trust, the tenanted residential property specialist, is optimistic that it will win outline planning permission for a housing development at its Kennel Farm site, near Basingstoke, Hampshire" (Maggie Urry, "*Financial Times*", 12th. December). "If successful, the permission would be worth at least 60p a share to the group."

How many p will be added to the share value by actually doing some work and constructing real homes for real people? Will any tenants, we wonder, be in receipt of housing benefit because they cannot afford to live on land whose value will have shot up as a result of the decision of a public body to grant planning permission? Grainger's shareholders can come out of this very well as landholders, yet comparatively modestly as suppliers of genuine capital. Can this be right?

Published by the Land Value Taxation Campaign, 54, Woodway, Hutton, Brentwood, Essex, and distributed free to selected members of both Houses of Parliament.
