Practical Politics No.81

We reproduce here a past issue of our journal.

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SUN STILL SETTING

In our index there are twenty-two entries against Japan, most of them directly related to recession. In our special article, "Landing In Trouble", in isssue No.29, we showed how private appropriation of the rent of land led, in a rising economy, to land speculation, to over-building to justify the rising cost of over-priced land, and to over-lending by banks on the illusory security of the rising spiral of land values - up to the point at which the bubble finally bursts.

"The bubble collapsed, the bank loans turned sour and the value of property collateral plunged" (Gillian Tett and Fiona Graham, "*Financial Times*". "The financial sector was left with problem loans . . . Japanese banks tried to conceal the problem, hoping against hope that . . . some mysterious force would come to their rescue." It is not happening. The depression deepens.

Land prices are still far too high. Until they fall further, the shattered economy cannot pick itself up and begin to operate profitably again. The weaker banks might fold, or there could be massive inflation - the printing of money to provide liquidity and reduce the debt burden in real terms. Many decent folk would suffer. Far better would be an urgent announcement of the intention to set in train a cadastral survey prior to introducing LVT. That really would bring land values quickly back to realistic levels - and guarantee Japan's future too.

PLAYING THE SYSTEM

Seven West Country farmers granted a developer the option to buy 200 acres near "a medium-sized town" (Alan Goulding, "*Chartered Surveyor Monthly*", June) for a non-returnable six-figure sum. If planning permission is received, the option is exercised and they get "the land's development value" of "say £50m". Neatly done, chaps - but a BSE and bar to all who think public values are private playthings!

BITS AND PIECES FROM HERE AND THERE

(i) A report by the **Coalfields Task Force**, set up by the Deputy prime Minister, "calls for action to revive declining pit villages" (Valerie Elliott, "*The Times*", 18th June). The Government "should offer firms 10-year holidays from corporation tax or an exemption from national insurance contributions to encourage new business that could bring 50,000 jobs; designate 29 former coliery sites as New Enterprise Zones . . . approve a network of roads to link the isolated former collieres with motorways". Mr. Prescott is being told that current taxes detroy jobs, which he probably knows already, just as he must also know that infrastructural spending makes a location more attractive and raises neighbouring land values. A good strong dose of LVT would recoup those values and allow the exchequer to take taxes off productive labour. Sadly, this Task Force was unequal to its task; Mr Prescott remains unenlightened, and the pit villages will know little relief.

(II) They are not mealy-mouthed in Monte Carlo. The advertisement for a new luxury waterfornt property ("*Financial Times*", 13th June) assures potential buyers that **Monaco** has "no personal taxation or property taxes" and "no capital gains tax". Advice is offered on "residence application procedure and personal taxation advantages". Obviously **tax freedoms** make Monaco a desirable location, so local landowners will be raking it in like croupiers.

(iii) **Cronton** lies between Liverpool and Warrington. "A prestigious residential building plot with benefit [sic] of planning approval for a large . . . detached house" is offered for sale at a "guide price of £135,000 to £150,000" (advertisement, "*Estates Gazette*", 20th June). Clearly space is at a premium in Lancashire.

(iv) "**Redhill** and **Reigate** have continued to be successful throughout the 1990s, aided by the fact that they are only 22 miles south of London. The towns have direct access to the M25, as ell as other important routes including roads to the Channel Tunnel link and south coast ports. Heathrow (37 miles) and Gatwick (8 miles) are more easily accessible than from many parts of central London. And travel to the capital is simple - the fast rail service to Victoria is only 35 minutes" (Claire Morpeth, "*Property Week*", 29th May). How many of these goodies did the local landowners make? "Redhill and Reigate, in such an excellent location, are major commercial centres", so it is no surprise to see "rents and yields for office and industrial property showing signs of reaching the peaks of the late 1980s". Mr. Prime Minister, how "cool" is it to give such values away? How does one ask welfare recipients to pay VAT of 17.5% so that landholders may thrive?

(v) "This eastern end of the Don Valley is an important location; land prices here have risen from £100,000/acre to £150,000/acre in less than 18 months" (a surveyor, quoted by Chris Dobson, "*Property Week*", 12th june). As the article notes, **Sheffield**, "the capital of the Don Valley", finds its "location on the M1 is a major advantage". It has the added attraction of a new airport, pened in in February. "Prospects for the next five years will rely largely on the proposed Regional Development Agency, more European cash and growth from existing companies". When the businesses, thus encouraged, begin to make profits, they will be subject to corporation tax. The shareholders will be taxed on their dividends, and will pay capital gains tax when they sell their shares. The workers pay income tax and National Insurance, then pay VAT on what they buy. They also pay customs duties, excise duties, stamp duty, and much else, and when they die there is the inheritance tax. Meanwhile, land values rise, and all the landholder has to do is to take a vacation and wait for everyone else to enrich him. Cool? Cool!

(vi) &mbsp;For years, **Hammersmith**, by the M4 from central London out to Heathrow, has been a popular office location. Now the completion of the Heathrow Express, linking Heathrow to **Paddington**, "has given the entire transport issue a new slant. Why locate at a 45-minute drive from Heathrow when they can be 30 minutes away by train?" (Nina Caplan, "*Property Week*", 19th June). Estate agents are quoted as agreeing, "Paddington is probably a more desirable location" than Hammersmith, and "With the Heathrow link, we have access to Heathrow within touching distance of the West End.". Thus does **infrastructural spending** boost and redistribute land value, with landowners in it for all they can get. Taxpayers' money is doled out to train operators who cannot make ends meet from passenger fares and freight charges, but, criminally, government leaves public land values uncollected. Though doubtless an oversight, this failure is more corrosively vicious than 'cash for questions' or 'cash for access'. Decidely uncool!

(vii) A survey by business campaign group, *London First*, into 600,000 company parking spaces, proposed a tax on a sliding scale "starting at £500 per space in outer London and rising to £1,000 in central London" ("*Estates Gazette*", 27th June). Let us, please, not fiddle with a mere **car parking levy**. Instead, let the capital's new authority raise all its revenue from a general duty, *ad valorem* on the pure site (location) value of all land in London.

(viii) A semi in **Harrogate** cost £55,000 less than an identical one across the street (Rachel Kelly, "*The Times*", 20th May). On the dear side was land that once belonged to the Duchy of Lancaster. Geographical snobbery - let them pay LVT!

SKIMMING THE CREAM OFF CORNWALL

An article in "*The Times*" by Mark Porter on 13th June portrays a county of contrasts. Cornwall qualifies for aid from the European development fund (the U. K. taxpayer by an expensive roundabout route) because its GDP is only two-thirds of the European average. Many locals earn less than £10,000 a year. One in five dairy farms faces threat of closure. The last tin mine was shut in March. Against this, there are whopping land prices, thinly disguised, as usual, as house prices. One such, overlooking the Camel estuary and Padstow "had been snapped up recently for £1.5million" but was worth "no more than &pound150,000 in terms of bricks and mortar." That is a collosal price for "a commanding view" without even a private beach. The owners of Cornish land do well. The rest should be demanding LVT.

NEW FOR OLD

Ther feudal system not only established the firm relationship between landholder in chief and service to his sovereign (and, *mutatis mutandis*, down the chain), but also laid the basis for land title in England and Scotland even to-day. Unlike in continental Europe, there is no alloidal title in either English or Scots law, no outright private ownership of land. Scots law, in particular, has retained some of the forms and a little of the substance of feudal land holding, with its infeudation by superior feuar. In English law too there is recognition of only an estate in land, though these days possession of a fee simple (freehold) makes but nominal acknowledgement of the position of the Crown as ultimate owner of all land.

Land was originally distributed in return for services in kind or payment in lieu of those services. Over time, this rent to the Crown was whittled down and shrugged off. Those now holding land arrogate unto themselves the spoils, but there really is no good reason why landholders should continue to live rent-free. Ethics and economics underpin the position at law. A democratic Parliament must reassert ancient rights in a modern form, adapted to modern times. The correct policy is the one commonly called LVT.

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