
Practical Politics No.80

We reproduce here a past issue of our journal.

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PEACE, KERBSTONES AND THE CIVIL SERVICE

Northern Ireland, as we write, is preparing for the elections to its new assembly. Understandably, constitutional and security issues preoccupy many minds. However, an article by Kieran Cooke in the *Financial Times*, on 13th June, on what is called "the bizarre world of the Belfast property market", raises a pertinent question on what the peace dividend might really mean and who stands to reap much of the benefit from it.

"A substantial three-storey Victorian red-brick terraced house with three bedrooms and enclosed gardens in Alexandra Park in north Belfast is on the market for £27,500. The catch is that the area is what local agents describe as an "interface" - a potential flashpoint where one side of the street is Catholic, with kerbstones painted in the Irish colours of green, white and gold, while the other side is Protestant, with red, white and blue road linings. A few hundred yards away, an equivalent property would sell for more than £100,000."

Once again, we see that it is people, in all their diversity of action, who, collectively, make, maintain, or mar land values. A property services manager in a bank is quoted: "The population is shifting all the time, with areas going up or down in value." In this, landowners are impotent; they simply take what is going.

Another intriguing aspect is noted. "Peace could cause problems; in its efforts to pacify Northern Ireland, the government has pumped billions into the province. If the public purse strings are tightened and Northern Ireland's vast civil service is scaled down - 60 percent of the population is in some way dependent on public funds for income - then the property market could suffer."

If the only problem of peace is that landowners lose some of the site value they never created in the first place, we think most of us, in Great Britain as in Northern Ireland, could stand that with equanimity.

We in the Land Value Taxation Campaign give ourselves a strict remit and focus our efforts within it. We do not ordinarily take views on constitutional matters. Membership of the EEC/EC/EU is a case in point. We have certainly had harsh words to write about the EU's Common Agricultural Policy and Cohesion Fund, pointing out how economic privilege and subsidies are reflected in the location value of land, and are ultimately a gift to landowners at the expense of ordinary taxpayers and citizens. Now, though, we see signs of further moves towards a considerable extension of centralised economic and

political control, and we think the time has come, even for us, to pose the first questions about the EU itself.

FISCAL DISSONANCE, IF YOU PLEASE!

The European Union has "made its first move towards total tax harmonisation, by announcing proposals to force investors with offshore or foreign bank accounts to pay a 20% withholding tax or have their bank details forwarded to their national tax authority" (Lucy Benyon, "*Property Week*", 5th June). The European Commission has drafted a directive on the subject, and the tax is said to be vital to prevent tax evasion in the future euro-zone. Objections "centre on its potential impact on the capital markets . . . and a migration of financial services away from the EU" (Lionel Barber, "*Financial Times*", 6th June). "The withholding tax directive is part of a wider push for greater tax harmonisation across the EU . . . Other directives cover cross-border payments and corporation tax . . . to limit unfair tax competition".

Now, one might have thought a little tax competition would be a good thing. Just as, given a choice, no one holds a rotten currency, so no one with the chance to go elsewhere would invest in a rotten tax régime. Fear of the consequences of tax competition would act as a constraint on the worst economic policies and on the worst governments. Is that why it must be prevented? Are we to beggar ourselves for equality of incompetence and for a perverted sense of communal neatness?

The policy will work in the same way that a mallet blow to the skull cures insomnia. More sensible non-EU nations will benefit, as will the tax havens the EU cannot reach. This has already been predicted for the EU's imposition of value-added tax (VAT) on art auctions, which diverts business and employment to the USA and Switzerland.

As recently as Issue No. 77 we drew attention to a forecast that electronic transfers of funds will bring down the conventional tax system. Only taxes on fixed property can be certain. The collection of the site value of land for public revenue is the fiscal system of the future.

Effecting a fundamental change at home from within the EU may have seemed dubious before, but now it starts to look as if it is to be rendered impossible.

EUROPEAN UNION MAKING PLANS

Have you heard of the European Spatial Development perspective? The policy, which is in draft, "is expected to stop clashes between EU countries where out-of-town shopping developments are freely allowed, and those where agreement "will not be legally binding" (John Lewis, "*Property Week*", 12th June). Tut-tut! The agreement "will not be legally binding" [you just know there is a "but" coming, don't you?] "but officials believe they will influence the distribution of EU structural funds - those not conforming will

not get the cash." Those funds come from money taxed off us - and where they go shifts land values around. How crass it all is!

HOUSING

We build tiny houses with handkerchief gardens, low ceilings, cheap, small, and technologically outdated fittings and appliances - to save money, because land costs are so high. Evidence keeps pouring in.

(i) Residential land prices rocket, with "land sales of £1m/acre in prime areas around Southampton and Winchester" (Stephen Killick, "*Property Week*", 5th June).

(ii) House prices in Greenwich (E.London) are up by between 40 and 80 percent in two years, but it is not the Millennium Dome that does it. "The real stimulus is improved public transport" (Gerald Cadogan, "*Financial Times*", 13th June). Ordinary folk foot the bill, location value rises, and landlords cash in.

(iii) Scottish housing is no different. "Thanks to work on the A96 there is more demand around Kintore and Blackburn, north-west of Aberdeen, and extending the M77 has had the same effect south-west of Glasgow around Kilmarnock and Stewarton" (Gerald Cadogan, "*Financial Times*", 16th May).

(iv) "11 acre strategic hope land for residential development. Basic plus enhancement sought" (advertisement, "*Estates Gazette*", 13th June). This is for land at Uckfield, Sussex. Uckfield is near Piltdown, but this seller does not hoax (remember Piltdown Man?). Like all landowners he demands tomorrow's value now.

(v) The housebuilder Countryside Properties is now recovering after languishing "because of expensive land bought in Essex in the late 1980s" (Melanie Tringham, "*Daily Telegraph*", 21st May). We bet those landowners did not languish, though.

HAVING CLEAN THOUGHTS

The Government has set up an Urban Task Force under Lord Rogers of Riverside. It is being lobbied by the Royal Institute of Chartered Surveyors on the basis of a report drawn up jointly by that body and the Joseph Rowntree Foundation. "The report recommends that the public sector . . . should take charge of contaminated land funding to help guarantee developer and investor returns" (Clayton Hirst, "*Property Week*", 29th May). Why should it want to do that? It is not the job of taxpayers to guarantee developer and investor returns! In any case, land that has been cleaned up and rehabilitated is worth more than a polluted site, so the real winner would be the landowner.

LVT (the collection of site rents for public revenue) provides the perfect answer. The current land is regarded as a non-taxable improvement for whatever period is stipulated in the legislation, after which the works are treated as having "merged in the land", and a new, doubtless higher assessment is raised. Voilà!

THE LAND-MAKER

" 'Who made the land?' My answer, obviously, is that God made it. Indeed, Maker-of-the-Land is a good basic definition of God. . . We are answerable, vertically, to God, who will one day call every landowner to account. But we are all accountable, too, to the community . . . Part of the merit of a Land Value Tax is that it recognises that and seeks to exact realistic rent for land ceded to the individual. . . We are slaves of our past, oppressed by title deeds which do no more than give a vaneer of legality to the whims of ancient monarchs, the crimes of mediaeval brigands and the insufferable vanity of Highland chieftains" (Reverend Professor Donald MacLeod, of the Free Church of Scotland College, at the conference, Understanding Land Reform in Scotland, called by the Unit for the Study of Government in Scotland, University of Edinburgh, 6th March - report edited by R. F. Callander and A. Wightman).

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