
Practical Politics No.71

We reproduce here a past issue of our journal.

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POST-ELECTION '97

Last month's General Election changed the Government, but little else. In the forthcoming budget we are promised a windfall tax to benefit the youthful unemployed. Let us be clear that this creates no jobs. The tax money coming from privatised utilities would not have been left down the sides of company sofas. It would have been spent by the companies themselves or distributed to their shareholders or placed in banks to be re-issued as loans. One way or another, the wealth the windfall tax represents would have made its way in to the general economy - and without a commission charge to sustain government bureaucracy. So, some work is to be lost in order that the money may go on training unemployed youths. Put like that, it is no big deal,

This windfall tax is justified by no principle except that the government is sure it needs money and has seen where there is some. As for job training, there is no coherent policy. Government has itself erected formidable barriers to employment, Businesses must first buy employees off their welfare benefits and then make it worth their while to accept work, It is take-home pay that matters here. Yet work and jobs are routinely subjected to discouragement by taxation. Even the eminently employable are left on the scrap heap.

A windfall is a fruit that drops from a tree in a wind. As Newton demonstrated, it drops according to a natural law of physics. Would government legislate to repeal the law of gravity or to have plant stems grow downwards and the roots upwards? Only in economics, it seems, are natural laws persistently flouted. There can be no surprise that deprivation exists amidst plenty and social disorders constantly threaten.

There is a natural, logical, self-consistent, principled way of conducting our affairs. This publication is dedicated to showing that public collection of the location value of land, with corresponding relief of taxes on production, on goods, on services, on trade, on spending, and on saving, would (inter alia) expand employment opportunities, reward effort and enterprise, and reduce dependence on state welfare.

HUGE ANNUAL HAND-OUT -- BUT WHO IS COLLECTING?

Research scientists and economists led by Prof. Robert Costanza of the University of Maryland have been evaluating what they call the "global ecosystem services", and reckon the Earth provides a free annual hand-out of £20 million million a year (yes, two followed by thirteen noughts). As world

population is expected to be six thousand million by 2001, that is a yearly gift of some £3,350 for each man, woman, and child on the planet. It includes "rivers, plants, aquifers and soils ... yet great patches of Earth, including mountains, tundra and smaller areas such as urban parks, have not been accounted for in their calculation" (Aisling Irwin, "Daily Telegraph", 15th, May).

The resource values and related, though less tangible, contributions to human welfare which the ecologists have been trying to measure, would all of course be reflected in a full global cadastral survey showing the location value of land. Such a survey, which we press for initially in the U.K. where we have (still) the political authority, would report the annual market value of each plot - the worth of the natural and public benefits attaching to exclusive occupancy - of each site.

Meanwhile, where are those £3,350 per annum going? To many of the world's poor, they represent incredible riches. Let there be no pretence about it - those ensconced as owners of the Earth's surface scoop the lot. The rest are like players of the game of Monopoly who arrive after all the sites have been taken.

BUILDERS WITH BURNED FINGERS AND THE PUBLIC GOING UNDERGROUND

Grainger Trust bought a site at Basingstoke in 1987 for £17.7m, hoping to build 800 houses. The Borough Council has now struck the site, deemed "a peripheral location" from its local plan. The company will make "an exceptional charge against profits of £9.8m" ("Property Week", 28th. March). It is interesting that one house plot on farmland at the edge of town went for over £20,000 and is still thought worth half that even with no planning permission.

"Developers are going underground. As land values soar, lifestyles change and building land in prime locations becomes ever dearer, basements are making a comeback" (Amanda Loose, "The Times", 14th. May). One firm likes "basements which are not fully sunken, with windows above ground to let in a little light." Gee!

DERELICTION AND DEVELOPMENT: WHY RENTS AND PRICES RISE

"In the world of property, where the worth of a building can change overnight but ultimately move only in a downward direction, land is a dependable staple" (Mark Simmons, "Estates Gazette", 17th. May). As the head of an industrial agency noted, "People will sit on land, they rarely feel the pressure to sell it . . . If they don't like the price they just won't sell." The B8 class (wholesale warehouse, distribution centres, repository) generally commands a tenfold increase in price on change of use from agriculture. In some locations, however, competition has driven up the price of such land enormously, "The

M25 has seen land prices shoot up in the past year to an average of between £400,000 and £500,000 per acre at prime locations ... A site near Heathrow is rumoured to be close to achieving £750,000 per acre." That is a lot of money for ground to build a shed on.

BAA, owner of airports, is also in the property business, which has become increasingly important to its profits. Most of the new development will initially be concentrated at Heathrow, but Stansted will see a similar growth spurt. There has been a "huge increase in [office] rental charges in central London" so that "one advantage is the low cost of land on the periphery of airports compared with city centre sites", (Chris Godsmark, "Independent", 14th. May).

ABP also has available land - 10,000 acres of it at its 23 ports. "Historically, development has happened around ports and now many are in the middle of urban areas. So there's more and more pressure on any available land" (John Bowles of Fuller Peiser, quoted by Adam Tinworth, "Estates Gazette", 17th. May). This is frank recognition that people and their activities make land valuable: landholders merely cash in. "When Bristol Ports was privatised it was a loss-making operation. Over the course of the intervening six years it has become a profitable organisation" (Tinworth, op. cit.). "Some areas of derelict dock land have gone to non-port use." Whilst the sloth of the old nationalised undertakings stands clearly to be condemned, it is equally deplorable that the privatisers sold the land with the rest of the facilities. The policy should have been - Buy the buildings and the other capital developments , , , but rent the site!

The basic argument is not new. "They laid down in Glasgow a system of tramlines, and a magnificent system it is; but what is the result? Simply that all the land in the suburbs is going up by leaps and bounds" (David Lloyd George, speech at Newcastle, 1903, quoted by Geoffrey Lee in "The People's Budget: an Edwardian Tragedy", published by the Henry George Foundation, London).

FOUR SQUARE YARDS FOR HALF A MILLION

Tony O'Keefe has a wooden lock-up kiosk measuring 12 ft. by 3ft. From it he sells items for between 10p and £8. His asking price is £500,000."I am not surprised", says an international property consultant, "because he is situated in a prime location which is a real tourist trap" (reports Yvonne Ridley, "Sunday Times", 20th. April). Where is this? It is "in the heart of London's West End . . . beneath the advertising illuminations at Piccadilly Circus". O'Keefe works from a floor space worth £14,000 per square foot "but pays only £110 a month in rent to Westminster City Council, his landlord." The article did not quote the views of those sleeping in cardboard boxes in nearby doorways.

AVE ATQUE VALE

Our Campaign has a specific purpose and interest, and it is normally no part of our brief to conduct general political inquests or make forecasts. Nevertheless

we have noted that in the surveys of the eighteen Conservative years, reference to the economic bust of '92 has been sparse or absent. The long, and as yet incomplete, recovery from that slump, ultimately undid the government.

Labour paid tribute to Mrs. Thatcher by presenting itself to the electorate as "new". Is Labour new enough to have noted that capitalism does not deliver fully or fairly if policy is conducted as if there were no distinction between Land and Capital? In the absence of proper attention to the role of Land, options are limited. Government should therefore decide at once to come out strongly in favour of LVT and order an immediate start on a land valuation. We warrant that some benefits will start to show within 24 hours of the chancellor's firm declaration of intent. As the percentage duty rises towards full annual value, all possibility of speculation in land will be destroyed. There will be no more speculative land booms, and the '97-slump will be the last of its kind.
