RESPONSE TO THE

UNIVERSITY OF BIRMINGHAM

POLICY COMMISSION

ON THE

DISTRIBUTION OF WEALTH

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PREFACE

Most people who follow current affairs reasonably closely will at least have heard of land value taxation (LVT), and many of them will know that it is a means of raising public revenue from a levy on the undeveloped value of land. Beyond that, there is little real understanding of the policy and very little appreciation of its power to affect the wider economy and to make an impact on the lives of the population at large.

This Response to the University of Birmingham Policy Commission on the Distribution of Wealth does not set out to describe, or even to hint at, everything that there is to say on LVT. The subject is too vast for that. Instead, I have chosen to begin by explaining how the production and distribution of wealth – which are what the science of political economy is all about – have arisen and grown. I know it is extremely simplified, but the failure to grasp the basics (or the propensity to forget them) has led to the present frustrations and seeming helplessness which in turn have led the University to commission this study. I trust the reader will bear with me if he or she thinks I have done the academic equivalent of describing how to suck an egg. Anyhow, I have gone on from here to consider the implementation of LVT, and then to outline an appeal in support of the case for moving to adopt LVT as a central instrument of economic policy.

This has led me to set out ten areas in which LVT will resolve current problems or at least set them in a new and clearer light. Wages having already been covered in the opening pages of this Response, I added some more detailed consideration of other issues which seem to me of particular concern to this Commission – housing, pensions, rural affairs, and the property business. Even so, the list, I must repeat, is not complete.

My Response provides argument, which I claim is logically put together. I have abundant evidence, for the most part culled over the years from newspapers and periodicals, covering a good deal more of the world than merely the United Kingdom. In fact there is no shortage of information on the significance of land, but precious little systematic analysis on the role of land in the functioning of the modern economy. It changes hands for £millions, but simultaneously has gone out of fashion!

David K. Mills, March 2013

DEFINITIONS AND ABBREVIATIONS

This document aims to use a small number of words with the meanings as attributed to them by the classical economists: -

Land:	All the material universe outside of man and his products. Land thus includes rivers, lakes, the sea, and the air, as well as the land surface and what lies beneath it. In most applications, though, land will obviously equate with *terra firma*, with site and location.
Labour:	All human exertion, mental or physical, directed towards the production of wealth.
Capital:	Both wealth used in the production of more wealth, and wealth in the course of production and exchange. Capital thus includes intermediates and stock-in-trade, as well as such items as tools, machinery, buildings, and vehicles used in the productive process.
Rent:	The return that is due to land when wealth is distributed. The share of wealth that is attributable to the superiority of any piece of land over marginal land.
Wages:	The share of wealth that is the return for labour.
Interest:	The share of wealth that is the return for the use of capital.
Margin of production:	Way out in the wilds there is land that has no economic value: it is termed sub-marginal. Then there is land that can be used for economic purposes only if no charge is made for its use: it is known as marginal. All the rest is sufficiently suited for economic use for charges to be leviable for the privilege of making use of it: this land yields what in political economy is called rent.

Parliamentary definition of site value, taken from section 3 of the London Rating (Site Values) Bill, 1938-1939:-

The annual site value of a land unit shall be the annual rent which the land comprising the land unit might be expected to realise if demised with vacant possession at the valuation date in the open market by a willing lessor upon a perpetually renewable tenure upon the assumptions that at that date –

(a) there were not upon or in that land unit –

(i) any buildings erections or works except roads; and

(ii) anything growing except grass heather gorse sage or other natural growth;

(b) the annual rent had been computed without taking into account the value of any tillages or manures or any improvements for which any sum would by law or custom be payable to an outgoing tenant of a holding;

(c) the land unit were free from any incumbrances except such of the following incumbrances as would be binding upon a purchaser –

easements; rights of common; customary rights; public rights; liability to repair highways by reason of tenure; liability to repair the chancel of any church; liability in respect of the repair or maintenance of embankments or sea or river walls; liability to pay any drainage rate under any statute; restrictions upon user which have become operative imposed by or in pursuance of any Act or by any agreement not being a lease.

"works" does not include any works of excavation or filling done for the purpose of bringing the configuration of the soil to its actual configuration;

"road" does not include any road which the occupier alone of the land concerned is entitled to use.

Abbreviations used:-

CAP	Common Agricultural Policy (European Union subsidies)
CGT	Capital gains tax
LVT	Land value taxation/land value tax (proposed national land-rent charge on the annual site value of land)
PAYE	Pay-as-you-earn (income tax deducted from the payroll)
SVR	Site value rating (a limited local government version of LVT)
UBR	Uniform business rate (local government tax levied as the National Non-Domestic Rate)
VAT	Value added tax (levied *ad valorem* on most goods and services, currently mostly at 20%)

OF WEALTH AND WAGES AND LVT

LVT will have two obvious and direct effects on the pay packet. As a substitute for all or part of income tax, it will leave the earner with more money for consumption and investment; and in so far as VAT and other taxes on goods and services are abolished or abated, wages will go further. However, there is, in addition to this double-pronged benefit, a more profound way in which LVT will raise the general level of wages. To discover this, we need to look at the basic working of the economy.

Production

In the simplest economy imaginable, men and women adrift in a lifeboat come ashore on a hitherto uninhabited island. They set about surviving by picking fruit and nuts, tearing up plants for their roots, and scooping fish from pools with their hands. This is human effort (labour) directly applied to natural resources (land) to produce food (wealth). Later, they organise and specialise, and some of them produce a form of wealth which consists of tools (capital) which are not for direct consumption but instead are used to assist in the process of further wealth creation. At this point, labour, using capital, applies itself to land to produce wealth.

For all its complexity, the contemporary industrialised economy is no different. Human effort and intelligence, using the most modern gadgetry and machinery, are applied to natural resources on a piece of ground to produce the goods we want. The three factors in production are still, respectively, labour, capital, and land, and what they produce is wealth (capital being a form of wealth diverted back to the productive process).

When wealth is divided up, it is helpful to retain the terms traditionally applied to the returns to the three factors of production. Thus labour receives wages, capital is paid interest, and what goes to land is rent. It matters not that these words may be used differently and even inconsistently in daily life. This is a stimulus to us to think correctly when we analyse economic activity. The concepts then remain clear, even through a haze of verbiage.

Land and rent

In the first stage of our simplest economy, the surface space of the earth is freely available to all. There is so much of it and there are so few people that one spot seems as good as another. Later, though, as the society expands and develops, certain land is seen to be more desirable than the rest, because it is more fertile or better situated. The more the economy develops, the greater is the significance of location. Lush valley pasture suits dairy farms, and the fertile rolling plain favours cultivation of cereal crops; factories locate where there is an adequate power supply and where there are facilities to bring raw materials in and send finished goods out; shops and banks do better business in the main street than up a side turning; offices for administrative and commercial purposes tend to set up in quarters of their own; the best houses are in prestige areas in the centre of town or on salubrious suburban hillsides. Each site has advantages and disadvantages in relation to all other sites. Sites can command a share in the distribution of wealth. Land commands rent, in other words.

Rent, the return to land, is a leveller. It skims off the advantage which a site has in relation to the poorest land in use. The greater the differential between the least attractive land in use and the best, the higher the rent of the latter. What is left after rent is paid, goes in wages and interest. At the margin, on the poorest land in use, rent is nil (or virtually so). The general level of wages is set at this margin of production. Interest will be at whatever level is necessary to induce people to defer consumption and allow some of their share of wealth to be diverted to capital formation.

Government

By now, it will have become evident that the expanding society has certain administrative and other needs which it is generally accepted are best provided as an overall public service, for example a system of law and order. The necessity to establish the machinery of government raises the question of how it is to be paid for. Fortunately, the means are available. It has been noted that sites now command rent. Obviously the owners could not individually have been responsible for bringing this about, for it is seen to stem partly from the natural advantages of one location over another, but in particular from the expanding economic activity of the community as a whole. It is therefore decided to collect land rent to fund government requirements.

The consequence of this simple decision is that good land will be fully and creatively utilised and that wages go without tax deduction to those who provide their labour. As population expands and the economy grows, discoveries and inventions boost productivity. Greater wealth leads to higher wages; but rent also rises as increased economic activity brings formerly marginal land in to production, providing government with a buoyant source of revenue from which to meet its increased commitments.

What has gone wrong

That is what should have happened. What has gone wrong is that land has been privately appropriated. Its rent has been diverted to their own use by landowners, individual and corporate. Public finance has had to be raised from taxes bearing on labour and capital and on the goods and services they produce. Because no cost is incurred in holding land out of use altogether or in mis-using it at well below its productive potential, hoarding and speculation have been encouraged. Reducing the amount of land on offer has brought about scarcity and raised the price of land that is available. Labour and capital, denied some of the choicest sites, have been forced to go to what ought to have been left as sub-economic land. Put in another way, the margin of production has been artificially lowered.

We have noted that the general level of wages is set by what can be earned at the margin. The extra share of wealth taken by landowners comes directly out of that portion that should be going as wages.

How to get a pay rise

If we rely on our efforts by hand or brain to make a living for ourselves and our families, whether what we take home is called a wage, a salary, or a fee, we are receiving much less than our deserts. An annual levy to collect the unimproved site value of the land would set matters to right. Apart from permitting replacement of present taxes, this simple arrangement would remove the attraction of withholding and making poor use of land, and would take away the landowners' ability to force up the cost of access to a plot of ground before any productive work can begin. It would raise the margin of production.

In a complex, diverse modern economy, there are of course many differing pay scales for differing skills, and these will vary from time to

time and place to place. The introduction of LVT, though, would impact directly on the general level of wages *at the stage of the primary distribution of wealth*. *Attempting to re-distribute incomes and benefits after a failure of this magnitude at source, is mistaken*. The system deployed by the modern state is costly, inefficient, ultimately ineffective, and wholly unnecessary.

LAND, PRODUCTIVITY, WAGES, and the MARGIN OF PRODUCTION

In the simple economy we have imagined above, people would start by occupying the best land, then fan out to use the second best, third best, and so on. Figure 1 shows how land producing 100 units of wealth is taken first, then 90,80, 70, 60, 50, and 40. At this point, a new arrival can either work for himself on land where he can produce 40 units or he can accept a wage and work on better land for someone else. Thus, a landowner who has land capable of producing 70 units will need to pay at least 40 to attract labour, but he can still keep the other 30. On 90-unit land, the owner still need pay only 40 in wages, and can thus keep 50. On 40-unit land an established owner could command no rent from a newcomer because the latter could make 40 working for himself on the free land still available.

Rent, the return to land, is, we noted, a leveller. It skims off the advantage which a site has in relation to the poorest land in use. The greater the differential between the least attractive land in use and the best, the higher the rent of the latter. What is left after rent is paid goes in wages and interest. The general level of wages is set on the poorest land in use, at the margin of production. Interest will be at whatever level is necessary to induce people to defer consumption and allow some of their share of wealth to go to capital formation.

Figure 1 is obviously over-simplified. As population expands, the division of labour, discoveries, inventions, and greater use of capital bring about a significant advance in productivity. This is shown in Figure 2 where all the numbers in Figure 1 have been increased twenty-fold. At the margin, producers now have 800 units instead of 40. The old 100-land now yields 2,000 units, of which rent takes 1,200, because the margin still inevitably determines what need be offered in wages.

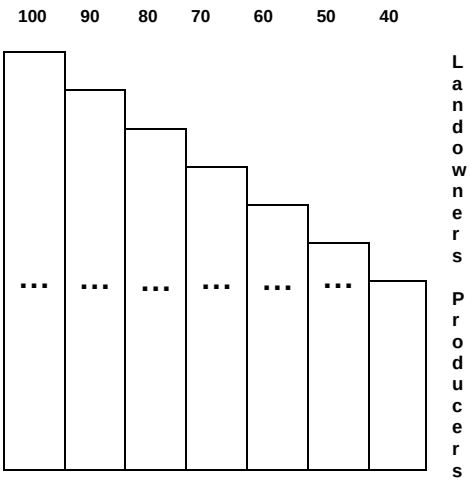

Fig. 1

Producers 280 Land 210

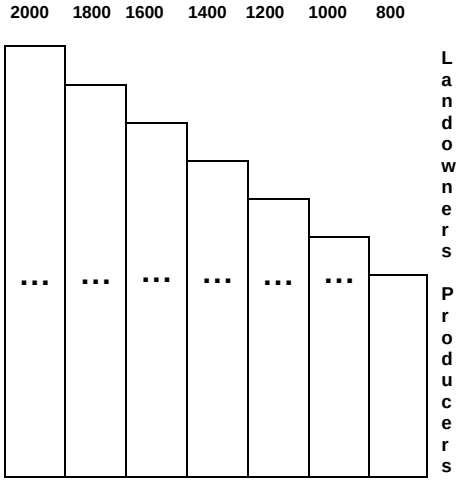

Fig. 2

Producers 5,600 Land 4,200

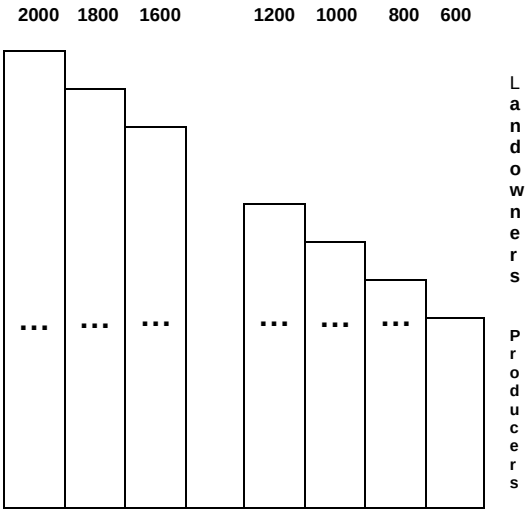

Fig. 3

Producers 4,200 Land 4,800

Figure 2 shows too optimistic a picture, unfortunately. In reality, where land is privately appropriated, owners hold some out of use for speculative or other reasons, or do not trouble to use it efficiently. For illustrative purposes, let us represent this by assuming that all the owners of 1,400-land simply refuse to allow any of it to be put to use at all. This has the effect of making people go from the 1,600-land straight to the 1,200-land, with a knock-on effect, so that those formerly on 800-land are forced to go to previously sub-marginal land yielding only 600units for the same application of labour and capital. In this way, the general level of wages is depressed from 800 to 600, as shown in Figure 3, and land rents rise accordingly: the owner of 2,000-land now collects 1,400 for himself.

Not only does total production decline, from 9,800 units to 9,000 units, but there is also *an actual shift in the distribution of wealth away from the active producers* (5,600 units down to 4,200) *in favour of the passive landowners* (up from 4,200 to 4,800). *The margin of production is critical in determining how wealth is divided*.

None of these figures has absolute validity, but they do illustrate very well how we allow our affairs to be managed to-day. Capitalism is perverted and distorted by private ownership of land. Worse, government , having shamefully deprived itself of land rent as the obvious and logical source of income for public revenue, finds it necessary to clobber all manner of noxious taxes on legitimate earnings, savings, goods, services, and trade.

The introduction of LVT, implemented rapidly and with determination to the point where virtually all the annual rental value of land is recovered, would be an act of primary justice in itself, and would automatically boost productivity, raise the general level of wages, and permit the remission of existing taxes.

LANDOWNERS AND LANDOWNERSHIP

Land is a simple concept in political economy. It is the earth's surface and resources minus man-made improvements, the whole of the material universe outside of man and his products. Land is a gift from Nature. A landowner is thus one who arrogates to himself a portion of land and converts the rent (the share of wealth the land commands) to his own personal use.

A landowner may be one person, a group of persons, or a limited company.

A landowner may as an individual also perform labour for a wage and provide capital in return for interest. However, the functions of landowner, of labourer, of capitalist remain distinct.

One who enjoys a beneficial interest in land may also be considered a landowner even if he is not the freeholder. Anyone who took a 49-year lease on land in 1945 under a fixed-money rental agreement, must surely have been enjoying a far greater share of the land value than the freeholder was by the time the lease had run its course. The term, landowner, refers to the total package of ownership, however its benefits may be divided and sub-divided.

Land was here before man and doubtless will be here after him. The function of land ownership serves no useful purpose. No one needs to own land for any reason except to exploit others by appropriating the common rent fund. All one needs is security in occupation. This is guaranteed by LVT, in that annual payment of site value to the exchequer gives the right to exclusive use of the piece of land in question – with no taxation of improvements or of the processes or products of industry.

LANDOWNERSHIP AND CAPITAL

In prevailing circumstances it is difficult for those who earn their living by work to accumulate sufficient wealth to enable them to become significant owners of capital. It is the landowners who are more likely to have wealth in surplus and thus become the suppliers of capital too. Because the same people and corporations often fill the roles of both landowner and capitalist, there is a tendency for some observers to obscure or ignore the difference. Thence spring errors of economic analysis and faulty political programmes.

MORE ON WHAT LVT IS AND WHAT IT INVOLVES

This planet was not made by man. In the terms of political economy, it is not a product, not merchandise. What, then, can possibly be the ethical claim to outright private ownership and control of land? It is at least as feeble as the case for chattel slavery. *If it is right that some may own the Earth to the absolute exclusion of all others, it must equally be morally right for everyone else to be born landless. Did the Creator so intend?* Or are all men to be deemed born with equal rights, with the equal opportunity to exercise their admittedly unequal personal gifts, qualities, and inclinations? The origins of private appropriation of land lie in force and fraud, aggravated when apparently sanctioned under a civilised veneer.

In most of the world to-day, those who provide their labour (and those who provide capital, which is no more than goods previously produced by labour and now recycled to assist in the productive process) must pay landowners for the right to use of a little plot of Planet Earth as living, working, and recreational space – *the very space on which they must toil to create the wealth from which the land-rent is drawn.* Then the state, needing revenue and having thrown away the rental value of land, turns to tax the fruits of labour, so that labour pays twice, once to the landowner and again to the state. People expect to pay for the benefits, natural and social, afforded by the sites they choose to occupy to the exclusion of their fellow men, but paying once is enough!

Land values reflect collective current demand for access to what Nature has provided free, together with current levels of, and trends in, the economic and social activity of the community as a whole. *Only incidentally are land values historical. They must be renewed on a daily basis, and generally they will depend too on perceptions of future economic activity and the maintenance of political and social order*.

When LVT comes in, no one's land is to be seized and no title deeds taken away. No landowner (rural or urban, individual or body corporate) is to lose anything he himself produces – indeed, the income landholders earn from their labour and the provision of capital goods will be tax-free. What is envisaged is a national land-rent charge to return to the community that which belongs to it.

IMPLEMENTING THE NATIONAL LAND-RENT CHARGE ("LVT")

At the outset it is essential to distinguish the meaning of the word, land, as traditionally used in political economy, from its legal meaning of fixed hereditaments. The concern here is with land as *terra firma*, as location, but taking into account its mineral resources and other natural features. Buildings and other developments in, on, over, or under the land surface of each plot are ignored for valuation purposes, although in each case the surrounding area is taken to be in its existing state of use and development. Land is valued on the assumption of optimum use within planning and other constraints (be it noted that the optimum may be lower than the maximum permitted).

We record, in passing, that land in economics includes the air, rivers, lakes, and territorial waters as well as *terra firma*; but these are more conveniently treated in separate legislation, applying the same principles.

The civil service can be relied upon for competent drafting of the legislation, provided the government of the day gives clear political direction. It would also be wise to work closely with valuers during the progress of the legislation. Implementation will no doubt raise transitional questions – but which of to-day's taxes is so perfect? LVT is a replacement for current taxes.

The applicable circumstances at the time legislation is brought forward are not readily foreseeable now. This makes it a somewhat sterile academic exercise to produce a detailed draft to be put away in the desk drawer just in case it should be needed in the middle of next week. Of course it could happen like that, but a less optimistic view might suggest several, even many, more years of campaigning. What will the state of the country be then? How far will devolution have gone? What will local government be like and what will be its powers and responsibilities? What happens as offshore oil and gas revenue declines? What state is "Europe" in, and where is the U.K. in relation to this "Europe"? How many wars will there have been, how many will the U.K. have become embroiled in, and in what political and economic position does the U.K. find itself in consequence? Is Westminster voting still "first past the post" or will there be some form of proportional representation? If so, will it end violent swings of "in" and "out" and encourage consistency in fiscal policy, or will it paralyse progress in

coalition compromise? Where does inevitable change leave the party system, and what is the mood of the general public? The principle underlying LVT, the fundamental aim in introducing the policy, and the broad issues involved in implementation, are already known or readily deducible. The finer detail of the legislation must await the event.

Launching the system

LVT will be brought in as an annual percentage levy on the rental value of land. The lower the percentage of land value that is taken in LVT, the more is left behind with the landholder. All the evil consequences of land rent appropriation will still be present (withholding and under-use of land; extortionate prices; taxation of labour and capital and of the goods and services they produce; unjust distribution of wealth; periodic bouts of unemployment; the cycle of boom and slump). Especially if the percentage is low, and even more so if there is no expectation that the percentage will be increased or if there is belief that the system may in time be dismantled, the macro-economic benefits claimed for LVT will not materialise.

Land is a natural monopoly. Its supply for practical purposes can not be increased, nor can it be transported from where it is almost worthless to a location where it is scarce and costly. Its market price is thus apt to contain an artificial speculative or “hope” element. Land value, if measured nationally to-day, would therefore, in aggregate, be found to be too high.

The aim at the time of the first valuation is to launch the system. It will greatly help if the number of appeals is kept down. Tending initially to undervalue is thus likely to cut the number of complaints of over-valuation whilst also recognising that the advent of LVT will in any case knock some of the “steam” out of the land market by encouraging the bringing of derelict land into use and the better use of land currently under-used. Concentration of effort need not therefore be on seeking perfect accuracy of current values, but rather on attaining correct relative values. The important task is to get the differentials right by consistency in the undervaluation, so as to limit appeals, as far as possible, to questions of comparability. Further to cut down frivolous appeals, landowners who complain that the valuation figure set on their land is too high, may be required to market it (giving public authorities first option) at their own lower assessment of its value.

LVT, then, acts at first to reduce overall land value. It halts and indeed reverses the process of forcing producers to by-pass comparatively good land and set up on land that ought to have been left marginal. Raising the margin of production raises the total wealth output, by using only the most favourable locations. It raises the total going to labour in wages, and it lowers the total that goes to the holders of land (by operation of the economic Law of Rent, as illustrated above, page 9).

Land is to-day seen as a good investment. LVT reduces its (land's) attraction in this respect, because it takes part of the land value as a national land-rent charge, leaving less to be capitalised in buying/selling price. Even future windfall gains from planning permission or major infrastructural investment will be at least partially taken away (depending on the rate of LVT). This will likewise act to dampen speculative "investment" in land. The tendency is thus to bring land values down still further. This tendency will be accelerated if it is widely accepted that LVT is here to stay and that the percentage levy will be progressively raised.

Spread of benefits from progressive implementation

As LVT is increasingly applied and its benefits flow through in to the economy and society generally, taxes are taken off labour and capital, off the processes of production and trade, and off the consumption and accumulation of wealth. Without this burden of contemporary taxation, land that is now economically marginal and even sub-marginal will be able to sustain a livelihood and will be brought into economic use. At present, some activities are killed because production does not provide a living wage or a return on capital after taxes like VAT and motor fuel duties have been paid. LVT, by contrast and by definition, is very low just above the margin and zero at (and of course below) the margin.

If the initial effect of LVT is to raise the margin and reduce the land value total, the secondary effect goes the opposite way: it encourages new activity beyond the revised margin back out towards (or to or perhaps even further than) where it was in the bad old days, but this time with added production, added prosperity, added employment prospects, added opportunities for deployment of capital, and a more just society.

LVT in its fullness

During the transition period, the yield from LVT will inevitably be partial, though increasing. At the same time there will still be legitimate demands on the state which are the consequence of current policies and practices. Pensions are an example: a 20-year old can be told there will be no old age pension from the state, but one can hardly say that to a 55-year old who has had a lifetime of struggle in low paid jobs with several periods out of work altogether. While this situation of partial LVT and residual welfare demand continues, contemporary taxes will have to remain, albeit at declining levels.

The time will be reached when transition is complete. It will almost certainly have become obvious by this stage that all taxes come ultimately at the expense of land value. Removing remaining taxes of the contemporary sort will therefore lead to a further rise in total land value, at which point the total land-rent fund (as LVT would then have become) would be at least enough for normal peacetime public revenue requirements. Let us follow this line of thought.

For this purpose we may disregard capital and interest. The rate of interest is whatever is necessary, allowing for time and risk, to induce people to provide capital instead of devoting their income to immediate consumption. We therefore concentrate on labour and wages and on land and rent. In to-day's imperfect society, rent is privately appropriated. Some land is withheld from use; much more is under-used. The margin of production is depressed, leading to artificially low productivity. Distortions follow. With less good land available, rents and prices rise. This induces use of capital to mitigate shortage of affordable land (for example, intensive agricultural methods, high-rise buildings, urban sprawl and the need to invest in extended supporting infrastructure and facilities). All this is economically wasteful. Wages are depressed, literally to subsistence level in backward economies controlled by ruling cliques owning all the best land, but in advanced "western" economies to a level of general decency which will ward off civil unrest and the threat of rebellion.

With wages of general labourers held at the lowest socially acceptable levels, it follows that all taxes must come, can only come, from what would otherwise be captured by the beneficial owners of land. Superficially this is not so. Personal and corporate incomes are taxed.

Private possessions are taxed (for example, by the council tax and the UBR). Goods are taxed in the course of trade (for example, import duties and VAT). In practice, however, take-home pay and what it will buy are what count, and, with an inevitable time lag, personal taxes are pushed back to the employer, and the employer has to draw the line at what he can now afford to pay for land.

Of course it is more complicated and more wasteful than that. Business will try and pass its higher labour costs on to the consumer and will then have to cope with the demand for higher pay. Consumers will meanwhile have to cut back on what they can buy and/or will turn to cheaper imports and/or to substitute goods. Business faced with higher labour costs will look to use of machinery in place of men. Rising unemployment leads to higher welfare bills, obliging the government to raise taxes and so give the merry-go-round a further spin. A retailer can afford only so much in outgoings if he is to survive, so that a UBR increase reduces his capacity to pay a landlord's demand for a rise at rent review time. If the landlord insists, the retailer has to quit. The landlord has an empty property on his hands until he recognises he has to come back down and, in effect, absorb at least some of the UBR increase. Meanwhile society at large is the loser, for the tax receipts are down, the landlord has idle capital (the shop structure), the retailer is out of a job, and the public loses a shopping facility. On land at and just above the margin of production, there is, as we have seen, either no land value to bear any increase in conventional taxes or insufficient to bear all of it. Since wages are already at the lowest acceptable level, further tax renders work uneconomical, production ceases, jobs are destroyed and capital made redundant.

Where taxes do go down, land does absorb the benefit. Abolition of domestic rating (a property tax) in favour of the community charge (levied on the person) gave an instant, presumably unintended boost to "house prices" (housing land prices) that were already spiralling upwards in the mid and late '80s. Successive UBR revaluations have shifted the incidence of the rate both geographically and between different classes of non-domestic property: beneficiaries have found themselves faced by stiffer rises at rent reviews than they would otherwise have expected. Almost all taxes do come ultimately from land. If there are exceptions, they are single, isolated, unexpected levies like "windfall taxes" and perhaps duties on accumulations of wealth like inheritance taxes.

That word, “ultimately”, is important, because in the meantime any tax increase has to be carried by the wage earner (or the retired or unemployed or welfare benefit recipient); and while the effects of conventional taxation are working through the system – a process which can take years in many cases – injustice and the maldistribution of wealth persist, damaging the nation to its very core.

Concluding challenge

It would be an exaggeration to claim that the national land-rent fund must amount to to-day’s tax burden plus to-day’s land value, but it must be a huge figure all the same, well in excess of either of these elements alone. This natural fund has been created by, is sustained by, and is usually progressively increased over time by, the collective economic activity of the citizenry. Why give it away? The result is to pay once for access to land to live and work on, and then to pay a second time in the form of conventional taxation to fund government revenue needs. Why?

Since the late 19th. Century, LVT, site value rating, and other forms of land taxation (all of the latter unsound in theory and ineffectual or worse in practice) have rarely been out of the political consciousness here and abroad (especially in the old Empire and Commonwealth). The land question is as old as the Physiocrats and formal economics itself. No one participating in or entering the land market can legitimately plead ignorance. *Landholding does not take place in a historical, political, or indeed moral vacuum.*

Postscript

In the foregoing, several references have been made to the economic margin. There is of course a true margin, beyond which all production is, at any one time, uneconomic. This is the margin which has been used here for illustrative purposes and for simplicity and clarity. There are, however, many margins within this ultimate margin. The value of a plot of land depends on the advantages, natural and social, which its location offers. Very few classes of potential user can afford the best sites, much as they might like to have them, because they cannot conduct profitable business from them at the assessed rental value. In short, the site offers advantages which these would-be producers or traders cannot make full use of. Conversely, there are sites which most

businesses will not use, even at an annual rent of 5p, because the locations suffer so many disadvantages that costs of production and distribution far offset the cheapness of land. In cases like this, producers need the advantages of much better locations and are willing to pay for them. The land market, freed from distortion by national land-rent collection (LVT in its fullness), simply allocates use sensibly and fairly according to who is best suited to exploit profitably the advantages of each unique location. Within this framework, a pattern of margins will be discernible for each trade and for each sector within each trade. References to the interaction between the economic margin and the withholding and under-use of land, and between the economic margin and taxation, are to be read with this greater complexity in mind.

MORALITY AND THE LAW – THE ONLY WAY TO GO IS ETHICS

There is nothing moral about paying taxes. There is, however, a legal obligation to pay taxes. It is an offence to evade paying. The legal requirement is enshrined in the law. However, there can be no obligation, legal or moral, to pay more than is demanded by the law. Fairness does not come into it. If the tax system is unfair, all that is needed is that Parliament change the law. Tax is a matter of meeting requirements enforceable through the courts of law. By contrast a donation made to charity may be considered a moral act precisely because it is not a response made under threat of prosecution but is action taken as the result of a donor's unfettered choice. Note that a charitable gift need not be "fair", in that it can be held to be in support of an objective which some or many might regard as already adequately endowed or perhaps be intended for a dubiously worthy cause. Morality, the law, and fairness can be uncomfortable bedfellows.

People can move. Some property is fixed, but a lot is transportable. If a government wants certainty of income, surely it should be aiming to tax fixed property rather than people and entities that can be moved or hidden? What is the point of high taxation such as income tax on earnings, value added tax on goods and services, corporation tax on good profitable businesses? What messages are being sent out? How many householders have without fail insisted that their plumber or electrician supply an invoice with the VAT added to the charge? How many legislators keen to close tax loopholes have never submitted a swollen expense claim or finessed a dubious fiddle? Truly, morality, the law, and fairness can be uncomfortable bedfellows.

Taxation – a key distinction

Our Latin dictionary defines the verb, *taxo, taxare,* as *to estimate, rate, appraise the value of anything*. In modern English, this is still the meaning in the courts of law, where a taxing master is one who *taxes* costs by examining them and allowing or disallowing the various component items claimed.

A wider use of the word has largely taken over from the strict, etymological meaning, so that *taxation* to-day signifies *a government charge on certain things to provide money for the state*.

The expression, taxation of land values, may therefore mean the action of collecting a charge on the value of land to provide revenue for the state or, more simply and in accordance with the original meaning of the word, the act of appraising land in accordance with values assessed on and assigned to various plots or parcels.

The use of *taxing* land value in the classical Latin sense presents no difficulty beyond making clear the use intended. However, adopting *land value taxation* in the broader modern meaning does the policy a dis-service.

The justification for allowing such a usage is that, in the U.K., that is how, historically, it has been known. In the early years of the 20th. century, there were, successively, the Land Values (Scotland) Bill, 1907, the Land Values (Scotland) Bill, 1908, and the Finance (1909-10) Act, 1910 (which introduced a number of land taxes, none of them actually land value taxation, even though the preliminary campaigning had indeed been for proper LVT!). Later, Section III of the Finance Act, 1931, was entitled Land Value Tax. For well over a hundred years, there have been numerous inquiries, in and out of Parliament and Whitehall, referring either to land value taxation or to its local government equivalent of land (or site) value rating.

Yet, equating LVT with taxes such as income tax, corporation tax, the council tax, the uniform business rate, capital gains tax, value added tax, import duties and excise duties, is to underestimate the superiority and singular character of the former. All of the latter are taxes on work – on the productive process itself or on trade in goods and services or on accumulated savings devoted to capital formation.

Land is not man-made but is a gift from Nature, part of our planet, Earth. No one paid to have it produced!

What each plot is worth, depends on the demand for its qualities, for the social and other benefits and opportunities it offers. Each plot constitutes a monopoly location.

Properly and, as far as practicable, fully implemented, an impost based on the assessed *[taxed]* rental value of land is to be viewed as a payment to the community for benefits actually received. What the landholder pays to the Exchequer is thus compensation for what he gets the exclusive right to enjoy.

Although generally known as LVT, this policy is more accurately described as a National Land-Rent Charge – the collection of the rent of land for public revenue purposes, to be effected by passage of a National Land-Rent Bill.

The basic case for the National Land-Rent Charge ("LVT")

(a) The moral, ethical argument

Whether there was a formal Creation or not, whether there was a Divine Creator or not, it is indisputable that the Earth was not made by Man.

From this it follows (i) that all men have equal rights in the bounty of Nature; and (ii) that no man can with moral legitimacy lay claim to private ownership of any part of that which Nature has freely provided. These principles are universal. Our immediate concern, however, must be to ensure their application where we have the political authority, namely within the United Kingdom.

We use the term, land, to mean the material universe apart from man and his products. The exertion of labour by man is what confers legitimacy on the claim to ownership: a man may not own what neither he nor any other man created.

(b) The economic argument, from observation and inference

The value of land is of course influenced by such purely natural factors as the terrain, soil type, climate, and minerals. It is, though, the presence and activity of the population as a whole which actually confer differential values on sites. Land value is determined by the demand for living, working, and recreational space. It measures the advantages of a particular piece of land over that of the poorest land in use.

Land values are affected by the provision of services such as water, gas, and electricity. They are protected by the police, the fire and hospital services, and flood control. Communications (road, rail, river or sea port, aerodrome) are especially significant, and every improvement to the infrastructure will result in higher land values overall in the areas affected (though individual sites will not benefit equally, and a few may even lose value in the short run).

We notice how North America has developed in the 520 years since Columbus; how in the U.K. the comparatively recent preference for trade with continental Europe instead of the Commonwealth has affected the fortunes of East Anglia and Merseyside; how Aberdeen and its hinterland have been changed by the discovery and exploitation of North Sea oil; how the growth of service industries at the expense of much "heavy" or "smokestack" industry has resulted in the redistribution of jobs and of people; whilst at a local level, we see how one-way streets, parking regulations, and re-positioning a pedestrian crossing can affect the relative attraction of competing shop sites.

The individual landowner, in his capacity as owner of land, clearly is powerless to create his own land value, although if he were also to exert labour or provide capital he would, in those distinctly different rôles, play his small part as a member of the larger community. The landowner as such, though, performs no useful function. His sole "contribution" to the process of wealth creation is to charge labour and capital for access to what Nature has already provided free, at a price which reflects the extent of past, current, and anticipated future levels of economic activity. *Values which ought rightfully to be public, have to be "bought back" from landowners before anything new can be done!*

(c) The pragmatic argument: raising revenue in an efficient, superior way

Essential government services must be paid for somehow. The advantages of LVT are that

(i) it is cheap to collect;

(ii) its yield is certain and potentially large;

(iii) it cannot be avoided or evaded; and

(iv) it does not add to the cost of living, because, as all economists agree, it falls on those who have a beneficial interest in land and cannot be "passed on" by them in the form of higher rents for occupiers or higher prices for goods or services made on, or sold from, the premises. In short, land is "price inelastic".

The revenue raised replaces existing taxes, which fall on personal earnings and on the goods and services people provide for each other by productive effort.

Work and enterprise are rewarded. Merely holding land becomes unprofitable. Landowners, obliged to pay the LVT, need to generate the necessary income. Valuable land that is unused and under-used has therefore to be put to an appropriate use.

Recapitulating the essential concept of LVT

Wealth is the result of the application of Labour to Land. Some Wealth is consumed. That part which is put back in to the productive process or is in the course of exchange, is Capital. Wealth is divided, Rent to Land, Wages to Labour, Interest to Capital. The words themselves do not matter, but the ideas do. That accountants do not distinguish land and capital, that rents are paid on buildings as well as land, that returns to labour may be called salaries or fees and include perks, ought not to confuse politicians and economists. In particular it is essential to distinguish Land, Capital, and Wealth, and also therefore Rent and Interest. Clarity of thought defeats a smokescreen of verbiage.

We are paying over land values now, but in a haphazard way and to the wrong people! Anybody renting a piece of land has obviously to pay the landowner, and site rents are included in payments made for use of buildings. If a property is being purchased with the help of a bank or building society, the loan repayments include a land value element. Even if land is fully paid for, the freeholder has to carry an “opportunity cost” which is the income forgone through having his money tied up in capitalised land rent. What happens to-day is that we pay land values, which rightfully are public, to the private landowner, and then suffer taxes on our private earnings, goods, and expenditure, to finance public needs. It is ridiculous. Landowners are not to blame: but the system of landlordism, is.

Land values are not government’s to give away. Morally they belong to us all equally and in theory should be paid out on a *per capita* basis as a sort of reverse poll tax. It is purely for convenience that we argue that government keep them for essential public revenue requirements.

The moral basis for LVT is payment for benefits received. The landholder pays a duty in return for exclusive enjoyment of the natural and social advantages of his site. What he achieves thereafter, he is free to enjoy untaxed.

Land has its own ability to pay: its value is derived from and reflects its capacity to produce a return with the appropriate investment of labour and capital. LVT restores meaningful recognition that all land is vested in the Crown.

Land value is the one thing that should never be privatised.

Conclusion

Payment of a tax on fixed hereditaments can be neither avoided nor evaded. In this it is inherently superior to a tax on whatever is movable. A National Land-Rent Charge falls on nothing that has been man-made. Being both publicly created and sustained, the annual rental value of the land is the ideal source for public revenue requirements. LVT is good politics and good economics. Perhaps above all, it is based on sound ethics.

HOLISTIC

Holism is *the tendency in nature to form wholes that are more than the sum of the parts by creative evolution*. One is not too sure about that "creative evolution" bit; but in political economy almost everything affects land value and LVT therefore beneficially affects almost everything. Let us look…

(i) LVT, in its local guise of SVR, can replace both the council tax and the UBR, encompassing vacant and derelict land but excluding the value of all buildings and other developments. There is no reason to stop here. One can go beyond this and collect sufficient revenue to replace centrally distributed grants to local authorities as well. Even so, LVT is not to be considered just a little local tax, for it does much more.

(ii) It is increasingly acknowledged that spending on infrastructural developments, by government bodies and private undertakings alike, leads in general to substantial increases in the value of land in the surrounding neighbourhoods. Improvements in passenger transport facilities are particularly evident examples. Whilst LVT is admitted to be a highly suitable means of capturing this land value to defray project costs, it is frequently forgotten that LVT is not to be treated as a means of collecting only increments in land value but all pre-existing land value too, and is not merely to be used towards financing part, or even all, of a single project, but as the fundamental source of income for the public revenue.

(iii) LVT is similarly cited as applicable to regeneration plans, usually in an urban context and frequently in relation to the long-standing and vexed question of recovering "planning gain". LVT does of course do this and, being related only to site value, it also rewards good development and penalises under-development. In a seeming paradox, it acts to render over-intensive development (expensive high-rise office blocks, lots of little houses cramped together) much less likely. The present system tolerates withholding and under-use of land, which makes it scarcer and dearer, obliging developers to resort to essentially uneconomic over-exploitation.

(iv) LVT, then, is not to be viewed as a mere financial measure, a better way of revenue-raising. It is, to be sure, better to collect the

national land-rent than it is to levy taxation on production, earnings, goods, services, and savings. The consequences of a deliberate move to full operation of LVT go beyond finding a different way to fill the Chancellor's coffers, however.

(v) Collecting the rental value of land as close as is possible to the theoretical maximum 100%, leaves bare land with practically no selling value, since the capitalisation of a theoretically 0% rental stream which the landholder can retain, is zero. Land is worth holding only for use, and for appropriate good use to boot. Speculation in land is killed stone dead. Whereas speculation in goods can do little harm, since withholding products from the market will stimulate further production at home and encourage imports from abroad, and may well be beneficial in making supplies available later if and when a genuine shortage occurs (think of the oil trader laying in stocks of heating oil against an especially cold winter), land is a natural monopoly, and its hoarding must always lead to artificial scarcity and diseconomy.

(vi) Housing is affected in many ways by adoption of LVT. Apart from the benefits deriving directly from what has been said above, shifting taxes off labour and capital, and off goods, including houses, means that buying a home no longer means shelling out to buy the land (in south-east England, half of the cost or more), but just the building, fencing, driveway, and any special improvements such, perhaps, as to the garden). Any mortgage required is for a much lower sum. The only outgoings are repayment of this now lower mortgage and meeting the land-rent charge (LVT demand).

(vii) The mechanism of the cycle of boom and slump depends crucially on the rôle of land in the functioning of the economy. In essence, private appropriation of the rent of land leads, 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. When site rents are paid to the national exchequer, private profit can be made only from the activities of labour and capital. Undistracted by the call of speculative takings from land dealing, the economy grows in an orderly manner, with the rewards of enterprise and effort going to those responsible for producing them.

(viii) Apart from what is needed to ensure capital formation, created wealth is distributed to labour as wages and as rent to landowners. Because basic wages are set at the economic margin, and because that margin is artificially depressed by widespread under-use and withholding of land, wages are far lower than they ought to be. Most wage takers receive little more than they need to keep themselves and their families in something ranging from bare respectability to a reasonable comfort. Consequently they have little or no scope to set aside savings and become significant owners of capital. Thus it is that the owners of land (private persons, trusts, and bodies corporate) also own most of the capital. The assessment and collection of land values in place of present-day taxes will ensure that those who actually perform work become the chief providers of new capital.

(ix) How can there be unemployment, other than transient? Men are idle, wanting to work. Capital too lies idle, rotting by the day. If people cannot supply, they cannot effectively demand. If the problem does not lie with labour or capital, it must lie with land. In fact, insufficient land is available on affordable terms. Land stands unused or under-used. Furthermore, Government lurks by to impose job-destroying taxes on labour and capital. LVT not only replaces those taxes but obliges landholders to put their land to use to generate the income to meet the land value duty.

(x) Imbalance in regional development is not a question of capital investment or of labour productivity; it is a matter of location. Northern Ireland, much of Scotland, much of Wales, and indeed large areas of England, lie on the periphery, distant from the economic concentration in London, the south-east, and the continental EU. Land values are normally lowest at the outer fringes, reflecting those regions' geographical and other disadvantages as compared with the centre. To-day's taxes like PAYE, VAT, and motor fuel duty take no account of this, and at the margin tip potential wealth creation in to unprofitability. LVT, however, by definition, bears lightly at the fringes, and creates tax havens exactly where they are wanted most.

LVT – collection of the national land-rent – is not just a tax policy, not just a useful tool to stimulate urban (and rural) regeneration or help pay for a new transport scheme, or any other item we have mentioned, or, indeed, have left unmentioned here. It is much more – a *holistic* remedy that will fully reward the attention devoted to its establishment and nurture to fruition.

HOUSING IN PERSPECTIVE

It is instructive to do a calculation to see how much land is needed to house everybody comfortably. The population of England, Scotland, Northern Ireland, and Wales was declared to be 62.6 million in 2011. Let us assume that the average household consists of 4 persons, and that the housing density is to be just 8 to the acre. The resultant acreage is converted to square miles, and the area visualised as a circle whose radius is determined by the full calculation:

$$\text{radius} = \text{the square root of } \frac{62{,}600{,}000}{(4 \times 8 \times 640 \times 3.14159)} = 31.192 \text{ miles}$$

Thus one could, if one wished, house the entire population of the United Kingdom very decently within a circle having a radius of not much more than 31 miles, leaving the whole of the rest of the land area available for agriculture, industry, commerce, and leisure. There need be no foolish talk of over-crowding, but a rational land use policy is not going to come about without a thorough application of LVT.

Incidentally, were the population to rise to 70,000,000, the radius of the notional circle required for housing would still be only 32.984 miles. The total area of the United Kingdom is 94,600 square miles.

HOUSING

Housing is to be viewed not as one issue, but as two. A house is essentially just like any other man-made object, such as a car, a television set, a shirt, or a watch. It becomes scruffy, even defective if not cared for, and its upkeep becomes increasingly time-consuming and expensive until eventually it wears out or is declared out-of-date. Certain styles of house and car can become “collectibles”, but sooner or later almost everything man-made is abandoned or discarded, in favour of the new or different. Man’s products depreciate, but, crucially, more can be made, on demand.

Although there are mobile homes, it is generally the case that houses are firmly attached to the land. Land is different in kind from the house, though. Land is not man-made. Land is irreproducible. Land is immovable: each location is unique. Land usually appreciates in value, reflecting the general level of economic activity and social development in any given community at any particular time. Where there is hunger for land, land values rise quickly and spectacularly. In the process, it is not houses that have become dear, but housing land. It is the beneficial owners of that land who reap the rewards – but for doing what, pray?

AFFORDABLE HOUSING

Provision of affordable housing means provision at a subsidised cost. Workmen will not accept less than the going rate. The going rate of interest on capital will have to be paid too. Therefore it is the beneficial owner of land who has to give. This will usually take the form of a “planning gain” deal, whereunder planning permission for a project will be made dependent on provision of “social” housing, meaning housing built at below full land acquisition cost. This treats individual land owners arbitrarily, and some will prefer to draw back, waiting for what they perceive will be more profitable times.

The cry for affordable housing does of course presuppose that for a good number of people housing is unaffordable. Why? Presumably it is a poverty problem – in which case we should be looking for a solution to

involuntary poverty. Housing provision is best tackled by assessing and collecting site rental values to bring more land to the market at progressively lower cost. Full LVT will eliminate buying/selling price and allow taxation to be taken off labour and capital and their products. It will no longer be necessary to buy land but only the building, fencing, driveway, and other improvements such as those made to the garden. Mortgages will therefore be much smaller. More and better housing will become available, and those who want it will be able to afford it, as buyers or tenants. All that bureaucrats need do is ensure planning permissions respond to demand.

Footnote (musing):- Why subsidise housing? Do those who cannot afford to house themselves have to occupy expensive sites? Offering affordable housing to maintain a workforce on expensive land is a hidden subsidy to businesses operating in the vicinity, who would otherwise have to pay more to attract labour from a broader catchment area. This is distorting what might be a tendency to disperse work activities to the periphery, or elsewhere entirely. Adding public transport subsidies aggravates the problem, because a supply of labour at below true cost enables city centre landowners to keep raising rents. Do those who formulate public policy ever follow through to see the consequences of their actions?

LONDON HOUSING AND THE NATIONAL AVERAGE, with reflections on PLANNING

In London, homes cost substantially more than the national average. Why is this? Plant and machinery are the same to buy and run. Materials such as cement, bricks, stone, tiles, slate, wood, and glass cost the same, and so do items like sinks, lampshades, carpets, and refrigerators. The wages of architects, building tradesmen, and general labourers are not greatly out of line. The big difference is land. All that can happen when demand for it rises, is an increase in price, followed by further increases as demand persists. Land is, literally, a natural monopoly.

LVT is the leveller, securing the rental value of land for the public exchequer. This accomplished, similar houses will in general command similar prices everywhere. The outgoings on a home will exclude taxes on the house and other improvements, and will be limited to the annual site value. “The amenities provided by natural surroundings, society, and government, make some places so obviously more congenial than others. Justice demands that those who enjoy these amenities should pay for the privilege according to the degree of benefit accruing to the position they occupy” [a].

Footnote 1:- The present system of property taxation rewards inaction and speculation whilst penalising development in line with its extent and quality – the better the building the higher the UBR or council tax. It is amazing that anything so absurd can have survived into the 21st. Century.

Footnote 2:- LVT assessments assume optimum site use within planning and similar constraints. There is thus a compelling incentive to appropriate use, and, particularly in an industrial, office, or shop context, to periodic adaptation or redevelopment in response to social and economic change. In time, the planning process may become less prescriptive, in that it will come to use the evidence of the land value map both as guidance and to test the potential consequences of planning proposals.

Footnote 3:- By early 2001, the effect of the Government’s new planning directive, PPG3, was becoming apparent. Planning permissions were becoming more difficult to obtain and house builders were increasing, where possible, the number of housing units on each site where consent had already been given. The tougher planning regulations meant land often became available in larger tracts in ‘brownfield’ inner city sites, which only the big building companies could afford. As land became scarcer and dearer, new houses with handkerchief gardens became tinier and less affordable. Well-meaning government planning was directly to blame, but the underlying cause was of course the land problem. The need for LVT is overwhelming.

Footnote 4:- Greater London covers really rather a small area, and relies heavily on its south-east of England hinterland. It says it

produces massive wealth which is taken by the government in taxation and distributed to the ungrateful provinces to keep them going, which explains why Londoners (unless they live in good areas and own their own homes outright) are not, all things considered, particularly well off. The fact is – although no one trumpets this – that the wealth of London and the south-east is skimmed off in sky-high land rents and prices. Remember? The Rent of Land is a differential, the equaliser which, special skills and experience apart, brings wages ("take home pay") back to essentially the same level everywhere.

[a] Sir Kenneth Jupp, M.C., Q.C., "Land and Liberty", Spring 2000. A classical scholar before World War II, he was decorated for bravery at Anzio, studied for the Bar, and became a Judge of the High Court in the Queen's Bench Division. He was author of "Stealing Our Land: The Law, Rent and Taxation", tracing the development of land law and government revenue in England since Saxon times. In "The Formation and Distribution of Wealth: Reflections on Capitalism", he translated from the French, and provided a commentary on, an essay by the Physiocrat and statesman, Turgot.

RETIREMENT PENSIONS

There are three main providers of pensions in retirement – the state, employers (occupational pensions), and assurance companies (personal pensions). The basic state pension is paid out of current taxation in recognition of "contributions" made earlier in life by those at work and by their employers. In effect, an occupational pension or a personal pension to which an employer contributes, is (in whole or in part) a deferred wage. A personal pension funded entirely voluntarily by the beneficiary out of income during his or her working life, is a form of saving selected in preference to, say, a deposit account at a bank or building society, or an investment made directly in property, the stock market, bullion, or works of art.

As already noted, Labour is all human exertion, mental or physical, directed towards the production of wealth, and Wages are the share of wealth that is the return for labour. In political economy, the term, Wages, covers not only what is called a wage in common parlance, but also all other forms of remuneration – salaries, fees, honoraria, bonuses, tips, perks, payments in kind, and that portion of what was due that was diverted (by the employer) to fund a pension payable at retirement. Current discussion of pensions policy ignores that this is at root a Wages question, and that Wages are at root a function of resolution of the Land question – as examined here in the opening pages.

Whatever arrangements need to be made to cover those in or nearing retirement and those too far into their working lives to be expected to start from scratch, the common good depends on securing for the commonalty the value of the land. This raises wages in three ways. First, the withholding and under-use of land (whether for speculative reasons or out of sloth) are penalised, the margin of production is no longer artificially depressed, and a greater share of wealth goes to the wage earner. Secondly, the income stream from land becomes the basic source of public revenue, so that taxes come off the returns to labour and off the goods and services that wages buy. Thirdly, employment opportunities are opened up, as access to land is made easier and cheaper, and as the untaxing of wages turns marginal activities in to profitable ones. Almost all will then have the wherewithal to provide for their futures, and might not need to be directed how to do so.

THE COUNTRYSIDE

Who or what is a farmer?

Where agriculture is concerned, definition is important. The word, farmer, may be applied to one who is simply an owner of agricultural land; or to an owner of agricultural land who also farms it; or to a working farmer who holds a long lease and is, until the lease has to be renegotiated, enjoying part of the beneficial ownership of the land; or to a new entrant who has recently leased farm land or taken out a loan to buy it. Then there is the potential new entrant, and, behind him in line, the farm labourer. The interests and problems of these groups are disparate.

Husbandry is one thing (the application of labour and man-made capital) and the holding of paper title to land is another. The value of farm land depends on natural advantages such as inherent soil quality and climate; on the location in relation to outlets to markets; on the infrastructure and similar facilities (public and private utilities, roads, slaughter houses, veterinary services, et cetera); on subsidies and tax concessions; on the level of demand for agricultural products and the general level of activity of the community as a whole. The biggest single factor affecting the price of farm land is its location in relation to expanding urban communities where change of planning use to allow expansion of an airport or the building of a by-pass or an out-of-town store or a new suburb or new town, puts perhaps three noughts on the price of an acre.

Arable land and pasture are commanding higher prices as demand for agri-fuels competes with food production and as the sterling value of CAP subsidies, paid in euros, has risen against the falling pound. A major factor, though, continues to be the tax concessions on offer. Farm losses can be set against income from other sources for up to five years (any more and one is considered to be a hobby farmer). 100% inheritance tax relief is available to any farmer who can claim to have worked the land – or who had someone do it for him – for at least two years. Then there are three separate forms of relief from capital gains tax: entrepreneur's relief on disposals of certain business assets, giving an effective tax rate of 10%; rollover relief, allowing gains to be reinvested elsewhere on the farm, so avoiding the 18% CGT; and holdover relief, transferring ownership to a trust or into another's name,

so deferring CGT until the eventual disposal of the farm. Farm workers get nothing out of this. Tenants and would-be new entrants to farming have to buy their way into it all. Does it give anyone any ideas for benefit cuts?

The changing village

With housing prices seeming to be inexorably on the rise in England's south-eastern quadrant and around a few other business and commercial "hot spots", more people are moving into the surrounding countryside and either commuting over longer distances to work or joining the working-from-home brigade. Add those looking for a week-end and holiday retreat or seeking rural retirement, and it is only to be expected that, as demand confronts artificially restricted supply, land prices in villages and small country towns can be expected to continue rising too. Were LVT to be in operation, though, the tendency of urban areas to sprawl outwards would be reduced, as would the pressure to extend villages or develop new housing estates on green-field sites just to provide dormitories for city workers. Countryside and conurbations are inter-dependent, and common problems such as housing are susceptible to the same solution.

Presupposing the countryside is not to be just a backwater, a dormitory, or holiday or retirement haven, one has to consider regeneration not only of agriculture but also of rural industry. A century ago, villages were still dirty, noisy, smelly places, with animals in the streets, and such as wheelwrights, blacksmiths, and knackers plying their trade. The picturesque rose cottage image is a modern conceit. If the countryside is not to go to gentrified decline, it must revitalise itself. Reluctance to grant planning consent to light industry, infrastructural development, and housebuilding might be part of the problem. With LVT fully operating, a glance at valuation rolls and maps will reveal where site value is being distorted by a refusal to release land; and, where development permission is available but is not taken up by the landowner, LVT will act as a decidedly sharp incentive. The problem of the disappearing village school, store, post office, bank, and pub is simultaneously tackled.

PROPERTY AND THE PROPERTY BUSINESS

The property business, as the term is widely understood, is not about movable personal property. It covers that which is regarded as fixed, immovable – houses, factories, offices, shops, farms, mines, warehouses, airports, for example, together with their underlying and surrounding ground. 'The property business' in fact is a catch-all expression, lumping together at least four groups of participants. Landowners sell or lease out the site. Financiers organise the funds to support the land acquisition and construction costs. Constructors bring men and equipment to the site and organise and direct the building work. The professionals are those who actually carry out the work - the architects, surveyors, engineers, skilled craftsmen, general labourers, and, when all is done, the property managers.

The financiers, constructors, and professionals all perform work, by hand or brain. In the terms of political economy, they provide Labour. Some, from the plumber with his own specialised tool kit to the great civil engineering company with its cranes and bulldozers, will also provide Capital, which is to say goods previously manufactured not for direct consumption but for use in further Wealth creation. Finance comes from private savings via banks and from the resources of such as insurance companies, trusts, and pension funds. The money thus supplied is a Wealth token, representing its owners' temporary denial of gratification through consumption so that it may be used in investment, in the business of making and furnishing a building. Labour is work. Capital is a form of stored and re-circulated Labour. For all their differences and their internal divisions, financiers, constructors, and professionals represent current and past Labour.

What of the landowner? Land was not man-made. It was provided free by dear old Mother Nature. If we disallow the ownership of Labour (chattel slavery), the crucial distinction in economics is that between Land and Capital. If Land is withheld, Capital, as well as Labour, is locked out, and can produce nothing. Each plot constitutes a monopoly location: Land is not transportable from place to place. Property and property values are imprecise terms, misleading in economic analysis.

The Land interest is mostly at odds with Labour and Capital, and has most to gain from the confusion. Of course we know that one person or one body corporate may perform more than one function or indeed all three (a man may own Land and provide his own Capital and perform his own Labour) but in political economy the functions are distinct, and require to be considered differently and separately. Capital and its value are private, and so too are the rewards of Labour. The value of Land comes from the economic attraction of the location, which in turn stems from natural advantage and the general presence and activity of people. Land value is public. Landowners do not want attention drawn to that; and the British Property Federation has yet to admit to recognition that the dichotomy exists, let alone decide whose side it is on!

LVT – HOW IT IS THAT THE LEVY CANNOT BE "PASSED ON"

There is nothing new whatsoever about site rents. They exist to-day. They are either being paid now, or are being enjoyed now by owners to whom they come not so much free as at "opportunity cost" (the income foregone by not letting the land out). To buyers of goods, the fact that site rents in a LVT regime will go eventually to the exchequer instead of to a landowner, makes no difference except in so far as LVT improved life by enabling government to remove taxes from wages and from goods and services.

Behind this is the key point that a levy on land values cannot be "passed on". This is supported in the following quotation from "Investment Appraisal in the Public Sector: a Technical Guide for Government Departments" (H.M. Treasury, 1984):-

"The effect of taxes depends upon the demand and supply elasticities of the commodity being taxed. For example if the supply is very elastic the main effect of a tax is to increase the market price; if the supply is very inelastic the main effect of the tax is to decrease the net of tax price. The supply of land, for example, is relatively inelastic and the usual long term effect of property rates (taxes) is largely to reduce rents and land values".

Put simply, impose a tax of so much per litre on petrol or so much per cent (as with VAT) on restaurant food, and the cost of driving cars and of eating out will inevitably go up. Impose a duty on the site rent of land, however, and the cost of land to the user will be unchanged (or may even fall, as the speculative and monopoly elements are knocked out of consideration). This is because the site owner is already charging the most the traffic will bear, and no putative user could afford to pay more and hope to stay in business. Land is price inelastic. The owner must meet the LVT demand, and he must do so from the rent he already receives. (If this is not so, it can only mean he is under-charging for his land to-day and subsidising the user to some extent, which of course will sometimes be the case, deliberately or by oversight).

The amount taken in LVT cannot, then, be added to the rent already being charged. It is equally the case that LVT does not enter in to the unit cost of commodities produced on a site. As has been seen, there is to-day no LVT, but site rent is being paid all the same. Labour and capital are assuredly at work on sites of differing value. The prices of the goods they turn out and offer for sale, though, are more or less the same wherever they might have been made and wherever they are being sold. At the margin of production, on the poorest sites in use, where virtually no rent is paid, the price at which goods are sold goes to reward only labour and capital, and only the cost of labour and capital enters the sums. A duty on land value can be of no consequence where land has no value. Land which has advantages over that at the margin commands rent in proportion to its relative advantage vis-à-vis all other land. Land rent scoops the difference, leaving the returns to capital (after allowing for time and risk) and labour (experience and special skills apart) more or less the same everywhere. It is totally illogical to suggest that a duty on the site value of land could result in a higher price for a turnip or a window frame or a shampoo-and-set.

The allegation that LVT can be "passed on" is refuted – in a rare show of unanimity – by economists of all stripes. It is repeated often enough, however, to justify re-emphasising that LVT could not be passed on to consumers in the form of higher prices for goods, any more than differential site rents are passed on to-day. The total receipts taken from sale of goods in a shop on a prime site obviously include the rent/LVT element (as well as wages and interest) but this is not because the price of goods has gone up to reflect the relatively high rent/LVT at that prime site: it is because more goods are sold at the same unit price as is charged for comparable goods on competing sites of varying values. The rent/LVT is paid from the greater turnover (more goods, same price). It is this ability to command greater turnover that has determined the site rent in the first place. Interestingly, it is frequently the little local shops in the outer suburbs and the villages which charge somewhat higher prices for their goods despite their comparatively low site rents than do the bigger stores in town centres where elevated land values are the norm.

ENVOI

Free access to land might have suited hunter-gatherers and migratory herdsmen, but arable farming and the growth of industrial development and urban living require settlements and security of tenure. There is no inherent difficulty in reconciling this with access to land for everyone on equal terms. Different parcels of land, whether town plots or rural spreads, have, for any of the multitude of reasons we are familiar with from daily life, differing attractions; and the occupier is free, within the law, to enjoy them and to exploit them. Location values can readily be assessed and updated. A rental payment by the landholder to the public exchequer is at once a due payment for benefits received and a compensation to the rest of the community for the value it foregoes in agreeing to be deprived of access to the land in question. What confers the right of private ownership is work – the production of wealth (capital goods as well as goods for consumption) and the provision of services, by physical labour, mental effort, and human ingenuity. No land owner or predecessor in title ever made the land, nor is a land owner responsible for the creation and maintenance of the revenue stream that enriches him.

Contemporary taxation is a hodge-podge of fines on successful, lawful engagement in production, trade, and capital formation. Governments devote thousands of officials at all levels to developing, implementing, administering, and enforcing a vast system of tax legislation that becomes ever more complex with each passing year. The rich, tycoon or pop-star, with much at stake, can afford hefty expenditure on avoidance action, and employ the smartest accountants and specialised tax lawyers. Similarly, big profitable companies have batteries of experts and consultants at their beck and call. What a waste of good brains! What a loss to the productive economy!

The switch to LVT is becoming unavoidable! Principle demands the change, and expediency will drive it.

DECLARATION

Every citizen has equal right to the land surface of the United Kingdom, to its waters, rivers, and lakes, to the territorial waters around it, and to the air space above it, and shall have an equal share in the natural resources thereof. This is to be secured by requiring all who wish to have the privilege of exclusive occupancy of any portion of the national territory to compensate the remainder of the community by annual payment to the Crown of a sum assessed as representing the full site location rent for the land in question. The total yield of such rents is to be the first source of revenue for the public administration, and any surplus is to be disbursed to all citizens *per capita*.