

LVT would reduce the disparities, not by confiscating from the rich and giving to the poor, but more by eliminating poverty at its source. Everyone could be as wealthy as they wanted to, provided they worked for it. Of course the whole ethos of society would change, and perhaps the extravagancies that currently grip the minds of the super-rich might lose some of their appeal.

d. 'LVT is too difficult to implement.'

Some say LVT is too radical to implement without disrupting society. The truth is of course that society is already disrupted precisely because of the lack of LVT.

Nevertheless, reform would need to be applied carefully step by step, beginning with registration of land and its valuation according to best permitted use [as opposed to current use]. The next step could be putting Uniform Business Rates onto a site value basis, as is current Liberal Democrat policy. Transitional arrangements would be needed for poor people occupying valuable land.

4. Conclusion.

To fully accept LVT, people have to abandon nearly all current beliefs about economics, which is especially hard for the experts. However the present crisis has been a wake-up call for many, and those in academia or in power are perhaps more ready to listen.

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THE LIBERAL DEMOCRATS
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Why People Fail to Understand Land Value Tax

To many the case for LVT seems self-explanatory, compelling and unanswerable. Yet strangely it all too often turns out to be a very hard sell. Present economic theory rests on false assumptions established so long ago that people have forgotten what they are. So the difficulty in explaining the immediate relevance of LVT is that one has to clarify first principles at the same time. This is not so easy.



1. 'Land' is regarded as 'capital'.

Today's economic thought assumes a bi-polar world of Labour and Capital only. Books on economics never mention 'Land'. When people hear about 'Land Tax', they might think of a rural economy, because the advantages and disadvantages of different tracts of land to farming are fairly obvious, and indeed often taught. But most will usually fail to see how land is relevant to urban industrial and trading economies, which have no obvious link with the natural resources inherent in land.

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Land was deliberately removed from the economist's vocabulary in the early twentieth century. Landed interests, alarmed by growing clamour for raising public revenue from land value, obscured the issue by founding university courses in economics that deliberately conflated 'Land' with 'Capital'.

Helped by Adam Smith's definition of 'Capital' as 'that part of man's stock from which he could derive an income', they taught that because one could derive an income from land, it should be treated as 'Capital'.

To Classical economists of the nineteenth century the terms 'Land' and 'Capital' were quite distinct. Labour interacted with land to produce wealth. 'Capital' meant any item of wealth [e.g. factory buildings, lorries, machine tools] intended to assist in further production. 'Land' was a gift from Creation. 'Capital' stemmed from enterprise and effort.

Crises in banking might be more easy to avoid were 'Land' and 'Capital' properly distinguished from each other. Borrowing to produce an efficient wind turbine is one thing; borrowing to speculate on rising land values is quite another. At present both are covered by the worthy-sounding phrase 'Capital Investment'.

2. Few realize the radical benefits of LVT.

Many can accept that land values benefit when local infrastructure is improved and that site-owners should contribute. But LVT is often seen as no more than a useful 'add-on' to existing taxes – a way, perhaps, of targeting tax more fairly.

But what is usually missed is that raising public spending from land value, if carried to the full, deters anyone from holding more land than they actually wanted to use. Land would cease to be a privatised capital asset producing an income or yielding speculative gains. Again, through LVT, marginal land of little value would no longer be driven out of production by the present weight of taxes on labour and enterprise.

Many do not realise just how much useful land is currently kept out of use by this unholy combination of private claims on public wealth in land and the 'flat earth' tax practices of charging the same PAYE and VAT everywhere. In London's Mayfair it was recently reported that forty major residential properties stood empty. Battersea Power Station, and 25 acres of surrounding land, has remained out of use since it was decommissioned in the 1980's. In other conurbations similar instances occur, and nationwide over half a million residential properties lie empty.

It takes time to get people to realise the immense benefits that the release of such land would cause. It would largely end unemployment by which wages are forced to minimum levels. Government spending to relieve poverty could then shrink and taxation be significantly reduced. Crucially, it would begin to re-establish the notion of preserving 'Common Land', by which land not wanted for immediate use would remain available for any natural growth of population or new immigrants. Without 'Common Land', nations inevitably see population growth as a source of internal stress, often leading to conflict with neighbours over territory and resources.

3. Other common objections.

a. 'Poverty is inevitable so why bother?'

Dysfunctional economics have probably been with us since 1066 when the feudal system replaced the land taxes collected in Saxon times. Over the centuries, the public mind has come to see the resulting poverty as inevitable and many elegant theories (e.g. Malthusianism) have been devised to explain and justify it.

b. 'Current reforms will work eventually'.

People are convinced that present economic reforms (e.g. banking reform) will eventually bring prosperity.

c. 'I will lose'.

Some fear LVT will leave them worse off. At present the distribution of wealth is much more uneven than it should be. But