

LANDSCAPE

THE NEWSLETTER OF ALTER : ACTION FOR LAND TAXATION & ECONOMIC REFORM



Life Chances

John Pincham writes...

“Western society now has two classes: the people who enjoy the windfall of unearned wealth from economic privilege – foremost the land value under houses – and those others who do not” - Land & Liberty Autumn 2009. Well yes, but another division worth considering is the people who have claims to the produce of the labour of others as a consequence of their ownership of means of production, distribution and exchange - and others who do not.

Bankers have been criticised for paying themselves a few million in bonuses but when retailer Philip Green paid his wife a dividend of over £1bn (tax free as the lady is domiciled in Monaco) he was made Sir Philip few months later.

First visiting the USA in the 1960's I understood that differences between rich and poor there were less than in the UK; now they are vastly greater. In India 50 billionaires are said to account for 20% of GDP. Like us billionaires can arrange their affairs to minimise their obligations to pay tax but have much greater opportunities; and inevitably money can buy political influence. If I'd given several million to the Labour Party I'd expect to be put through to the PM if I rang number 10 or at least for Gordon to return my call. In the United States major companies often make sizeable donations to campaign funds of both Democrat and Republican Presidential candidates.

So far the life expectancy of the richest is about twice that of the poorest but with medical science devising ways of growing new body parts may not many billionaires soon be able to live much longer? In The Times of 2nd December an article describes “How having two mothers may be the key to a longer lifespan.” And for those interested in economic reform I'd recommend another article “Amid rising debts, rising prices and rising rents, a radical remedy to boom and bust.”

Visiting New Delhi I was appalled by the presence of young children begging amidst heavy traffic. The real problem is not with the very rich but with the very poor – the billion or so who have insufficient to eat and may watch their loved ones starving to death or severely handicapped through inadequacy of diet or lack of medical attention.

EDITORIAL

In his great film “Citizen Kane”, Orson Wells portrays the process of moral debauchery brought about by power untrammelled by principle. With his dying breath, Citizen Kane, once powerful tycoon but now alone and unloved, breathes the word “Rosebud”, the name of a forgotten childhood toy that takes him back to a time of simple childhood innocence. But Rosebud is lost.

Citizen Brown and the New Labour project are now in their death throes, and memories of a simpler time float into their failing consciousnesses. For the first time in twelve years, they utter half forgotten words such as “inequality”, “social justice”, and “fairness”.

Too late. Labour must be judged on how they acted in their prime, not on the regrets of their deathbed. “We are intensely relaxed about people getting filthy rich”, said Mandelson at the peak of their power. Let that be their epitaph.

INSIDE: Tony Vickers writes about Mansion Tax

Bournemouth Fringe

We were grateful for all the dedicated souls who slogged up the steep hill from the conference centre to attend our fringe on 20 Sept. Although the room was far from full, there was plenty of lively interest. The meeting was chaired by Giles Wilkes, of Centre Forum, with talks from Chris Huhne and Margaret Godden.

Star speaker was Chris Huhne, who outlined with great clarity the economic arguments for Land Value Taxation as a tax on the unimproved value of the land. The benefit of public activity should be shared by the community; property booms are a dis-benefit to society.

Recalling the Barber Boom and the Lawson Boom, he predicted that the property boom that just ended would be called the Brown boom. He explained that the country cannot afford to let the biggest asset market disrupt the economy.

He pointed to Hong Kong as a shining example of land value tax in action, since all land is leased by the state (except the Anglican

Cathedral!) and land value increases are captured when the lease is re-negotiated. He lamented that Russia had not adopted such a model after the fall of communism.

However he warned against uncritical enthusiasm for LVT in the UK. The path from the land ownership and taxation situation we find ourselves in today to a full LVT regime was unclear and many pitfalls lay on its route.

In particular the interests of Pension Funds, who are large land owners, must be considered. The danger is that precipitate measures might trigger large scale land sales with a consequent adverse impact on property values.

Margaret Godden, its editor, gave an introduction to the new book from ALTER, "The Case for a New Peoples Budget", launched at the September party conference in Bournemouth. She passionately reminded us that LVT is a Liberal Party idea, and we should be pushing it.



Fringe event Left to Right: Tony Vickers, Chris Huhne MP, Giles Wilkes, Margaret Godden

Forthcoming Events

Make a note in your diary:-

ALTER AGM 2010

To be held at the Spring Conference, Birmingham, on Friday 12 March.

Musings on Mansion Tax

By Tony Vickers

Members of ALTER who were at the Party Conference in Bournemouth in September were surprised to hear Vince Cable mention the Mansion Tax idea in his main speech, less surprised at the reaction. We investigated how it came about and made the best of it at the time - because everyone was talking about property tax, which can't be too bad - but then assumed it was a 'dead duck' So we were even more surprised when it featured as a major plank of our so-called "new tax policies" in late November, albeit with the threshold doubled to £2m (taxed at 1% of the value above that, i.e. £500/yr on a £2.5m house).

There are still many unanswered questions about how the tax will operate, which will cause Vince & co. many headaches over coming months - and which I hope we can help them with. However the really interesting point for discussion among ALTER members and supporters is: What does this mean for the prospects for real Land-value Taxation?

Comments on the new ALTER Group pages of ACT (the Party's new social networking facility, launched in November) illustrate the main counter-arguments. Jock Coats calls it "a poor imitation of land taxes...presented as a 'wealth tax'" so that "as we attempt to roll it out to others, it will be seen as extending ... into something that lots of people aspire to. The argument that it is about land ownership ... has not been made." James Graham on the other hand welcomes it: "For the first time in a generation, we've won the argument that there needs to be a fundamental switch from income taxes to wealth taxes."

I'm with James. Another James (Eldson-Baker), younger and new to ALTER, may represent the views of the target audience for the Mansion Tax. "As a young worker coming out of university with debt, I've found struggling to afford housing whilst paying off debt very difficult. ... Some kind of taxation system that helped address the balance between profits to be made from land ownership and the burden of taxation on earnings ... sounds like something I'd like to help out with."

That last bit is crucial. ALTER have been debating among ourselves - a fairly static group of dedicated activists in the Party - for too long, without seeming able to reach out effectively and lever into our campaigning many younger -

perhaps less erudite but more directly tax-shift-affected - Lib Dem members and supporters. We need their help in translating the message into the new media, like ACT.

Let's celebrate the fact that at least one central plank of our argument - Tax Shifting - has now become mainstream. We are no longer regarded as cranks - and never again will be, unless we irritate our allies in the Leadership.

As James Graham says, "there is no prospect of winning the debate" (about whether a truly land-value based domestic property tax is better than Mansion Tax) before the general election is upon us. What we can do is to help MPs, PPCs and campaigners understand why even a miserably meagre Mansion Tax is central to the philosophy of liberal democracy - and why it is worth defending as a step in the right direction. Personally, I am already promoting it outside the Party as a step towards LVT - which I also take pains to point out is Lib Dem policy already.

There are other, perhaps more significant, signs that Tax Shifting is seen as one of the top priorities for the Party's pitch to the electorate, also that Axe The Tax (replacing Council Tax specifically with a Local Income Tax) is not going to be pushed down the electorate's throats.

The very fact that Mansion Tax seems to be a 'top-up' to Council Tax, at least in the short term, indicates that Council Tax is no longer definitely for the scrap-heap within one Parliament, if we have power. I do not approve of allowing councils in high-value areas to keep all - or even most - of the revenue they would get from Mansion Tax. Indeed, like most ALTER members, I want to see domestic LVT as primarily a national tax. Councils should be allowed to 'precept' into that tax base if they so choose (and we hope they would) but most land value is derived from the efforts of the whole community, throughout and beyond the nation. So Mansion Tax deserves to survive beyond Council Tax, for us to transform into domestic, national LVT with a smaller than £2m tax-free 'homestead allowance'.

The interim manifesto published before the Bournemouth Conference (extended version of "A Fresh Start for Britain") did not commit to scrapping Council Tax in one Parliament (which is official conference-approved Party policy, unlike Mansion Tax) and only promised that Local Income Tax as its replacement would be

"trialled". Although the reform of Business Rates onto a site-value-only basis was not mentioned in this document, that is now formally a commitment for one Parliament.

The headline on Lib Dem tax policy, quite rightly (if not constitutionally correct, since Conference has not voted on it), is the raising of the basic income tax threshold to £10,000, taking 4 million lower-paid people out of tax altogether, including the poor pensioners at whom benefits of "Axe The Tax" were targeted. Perhaps at long last LIT is seen as more confusing to that message than having a domestic land-value-based tax (which may be confusing to our less important Axe-The-Tax campaign message).

What ALTER now needs to concentrate on is explaining in simple terms that Wealth Taxes generally are good - and that a tax on land values is the best and most significant wealth tax of all, especially because of its fiscal effects in curbing land/house price speculation. We should be bold in supporting cuts in income tax and also taxes on corporate profits - and linking the two, because it is small enterprises needing to grow who suffer most from taxes on their profits. Big corporations can avoid taxes by registering offshore and/or by employing financial experts to profit from their treasury operations using PAYE money! "Closing loopholes" can only go so far in paying for tax cuts for the lower paid and on enterprise generally. We need to be saying that such cuts should go much further and that only by adopting far more radical new taxes, such as LVT and other 'resource rents revenue' instruments, can the opportunities presented by the challenge of climate change be grasped.

Once we have explained why LVT is an opportunity for the Party far greater than Mansion Tax, we can go on to explain why only the Liberal Democrats - with their support

for fairly regulated markets (LVT being a superb market regulator where resource supplies are fixed) - have the tools for the job of governing Britain in the 21st century.

Vince, with his Mansion Tax, is The Man!

ALTER'S New Book: "The Case for a New People's Budget"

In the autumn issue of Landscape we publicised our newly published book, with a foreword by Vince Cable, "The Case for a New People's Budget.

The book sells at the remarkably low price of £5 and copies can be obtained from Catherine Hodgkinson, 51 Demesne Furze, Oxford, OX3 7XG. Please add 50p for postage costs within the UK.

Contact email: DemesneF51@aol.com.



Join ALTER and fight for tax justice

Visit our website at: www.libdemsalter.org.uk,

Or write to:

**Catherine Hodgkinson, Membership Secretary, ALTER,
51 Demesne Furze, Oxford, OX3 7XG**

Landscape editorial contact:

Dr. David Cooper, Secretary, ALTER. email cooperde@fiscali.co.uk, tel: 01635 551875, mobile 0776 988 6017