

Blair's guru sees weightless world without a Land Tax

PERHAPS we had better believe Charles Leadbeater. The former *Financial Times* Tokyo bureau chief has scaled the heights of gurdum, writes Ian Barron.

His new book is hailed as setting out "the agenda for the next Blair revolution". That view is expressed by Peter Mandelson, one of the architects of the first Blair revolution.

Mandelson, before being obliged to resign as Britain's Trade and Industry Minister over a scandal involving his house mortgage, consulted Leadbeater on economic policy.

The Leadbeater wisdom is now distilled in *Living on Thin Air*.* Premier Tony Blair commended the author as "an extraordinary interesting thinker. His book raises critical questions for Britain's future".

Taxation is one of the themes that receives radical assessment from the perspective of an analyst who is beguiled by the commercial possibilities of computer technology. In the future, it seems, we will be living off products that can be replicated at virtually zero cost: hence, living on thin air.

But this creates problems for governments. How do they track taxable revenue when profits can be concealed in tax havens around the world in nano seconds?

In his view, each age produces its distinctive tax system. The land tax "made sense for a primarily agrarian society". But the land tax was eclipsed when capital and labour rather than land became the source of wealth. So: "Industrialisation shifted the tax base from land to capital and labour. The new economy will require an equally fundamental transformation".

Mr. Leadbeater promotes this perspective on history for the benefit of the Blair government's favoured think tanks. In his view, we are putting an increasing distance between ourselves and the policy of raising revenue direct from the rental income generated by land in all its forms.

ULTIMATELY, gurus like Mr. Leadbeater will discover that governments will be rescued by the one fiscal policy which they now disparage as redundant.

The test of a good modern tax in the computer age can be derived from the principles being articulated by Britain's Chancellor of the Exchequer, Gordon Brown. He insists on the virtues of transparency. How much more transparent can you get than a charge on the rental income of immovable land and other resources supplied free by nature?

Transparency is the fashionable concept among experts who presume to instruct successful nations like the Asian

HOLLYWOOD actor Warren Beatty - who may bid for nomination as a US presidential candidate in next year's elections - has a view on whether the "land" of American can finance public services.

In his controversial 20th Century Fox movie *Bulworth* he plays a senator who suffers a breakdown - and proceeds to tell the truth to a shocked electorate. One of his targets: TV moguls who make fortunes out of selling advertising slots to political candidates.

"I got a simple question that I would like to ask," says Bulworth to an interviewer. "This network that pays you for performing your task. How come they got the airwaves? They're the people's, aren't they? Wouldn't they be worth 70 billion to the public today if some money-grubbing Congress didn't give them away for big campaign money?"

The radio spectrum is one example of a long list of "land" as defined by economists, which produce an enormous flow of rent which could be taxed. That list has been provided by Mason Gaffney, a professor of

economics at the University of California. It includes:

- * Energy in all forms
- * Minerals
- * Water and adjunct resources
- * Timber
- * Rights of way
- * Airport time-slots and landing rights
- * Recreation lands
- * Territorial franchises
- * Zoning
- * Privileged use of congested commons....

The list is a long one. Writes the professor: "It seems reasonable to conclude that aggregate resource rents, in a tax-free economy, would be adequate to replace all present taxes. That conclusion is subject to a comprehensive definition of rent, as explained above".*

* Mason Gaffney, "An Inventory of Rent-yielding Resources", *The Losses of Nations* (ed. F. Harrison), London: Othila, 1998.

tigers. For example, Rainer Geiger, one of the OECD officials who has helped to write a code on good corporate governance, says: "The absence of transparency, control and accountability in corporate management leads to a loss of economic efficiency overall, and undermines investor confidence in markets, and leads to the misallocation of resources to the detriment of shareholders and workers".

Fine words, but policy advisors like Leadbeater and Geiger have yet to apply their critical analysis to tax policies which deliberately shroud government action in secrecy. An example is the justification for "broad-based taxes". This fiscal philosophy is justified purely in terms of minimising

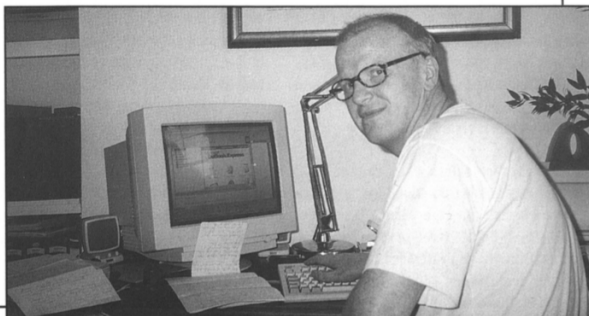
the taxpayers' awareness of the extent of the tax-take. This is supposed to minimise the pain inflicted on the payers. It doesn't, of course, but the approach to raising revenue reveals the cynicism of politicians. The last thing they want is transparency in their revenue-raising policies!

Charles Leadbeater needs to re-visit the issue of the land tax in its historical context and see how it can be adapted as resource rent charges to fulfil all the criteria for efficiency in raising revenue in the Information Age. He will discover that - to use a Thatcher phrase - TINA: There Is No Alternative.

* *Living on Thin Air*, London: Viking, £17.99.



■ Mason Gaffney



Charles Leadbeater is a Demos think-tank research associate and consultant to major companies.