

Wolves With Sharp Claws

THE PHILOSOPHICAL poverty that afflicts parliamentary politics in Britain would be tremendously funny, if it was not tragic. In their desperation to remain in power, professional politicians are willing to divorce themselves from the facts, in the hope that the electorate will blindly accept their characterisation of reality.

If we need to illustrate this pathetic state of affairs, look no further than Premier John Major. The wolves even in his own ranks are baying for his blood, and I don't blame them. So vacillating has he been in matters of public policy, so ambivalent is his view of the responsibility of elected Members to Parliament - on such matters as telling the truth - that it is now necessary to give him a quick boot from office.

Mr Major is the man who, with a straight face, declared of the homeless in an interview with *Der Spiegel*, the German magazine:

"They are not on the streets because they have to be on the streets. There are empty places in accommodation units across London and in other areas where people could go if they wished. But they chose not to stay there and that is a cultural point. It is a strange way of life that some of them choose to live. And to make that point perhaps more vivid, we have in the UK at the moment a surplus of homes above the number of families."

Mr Major, who was bestowed by Margaret Thatcher with the responsibility of running the nation's finances, has not the slightest clue about what drives the housing market; what causes people to be homeless; and what can be done about it. From his judgment on the homeless, we have to conclude that no substantive action will be taken to remove the causes of homelessness, an intolerable state of affairs which is all the more indefensible because the Prime Minister chooses to wipe out the problem as a cultural trait of the people who are without a roof over their heads.

MR MAJOR'S choice of the word culture, to explain homelessness, is interesting. He ought to set his civil servants to work on the word, to brief him on what, exactly, he is saying.

Is he telling us that the homeless people come from a sub-class which has its own distinctive mores? A system of values that encourages them to sleep rough, underneath the railway arches at Charing Cross station, in preference to a bed in their own homes?

There are such people. Some of them, of course, were turfed out of the psychiatric wings of our hospitals as part

of the government's "care-in-the-community" programme (for which, read: "to save money").

But what about the rest of them? If the prime minister is correct, something remarkable has happened in Britain over the past 10 years of Conservative government. It seems that, under the premiership of Mrs Thatcher - and continuing under Mr Major - many people have found homelessness an increasingly attractive condition. This preference can be accurately measured.

- In 1983, there were 686,000 empty homes in England. In March 1993, the figure had risen by nearly 200,000, to 864,000, a rise from 3.8% to 5% of the housing stock.

- The number of households accepted as homeless by local governments rose from 75,000 in 1983 to 142,000 in 1992, a doubling of the number of homeless people.

Are we supposed to believe the Prime Minister, when he tells us - implicitly - that people are abandoning their homes so that they can freely walk the streets at night?

If so - how do we explain the gap between the 70,000-odd increase in homelessness and a 178,000 increase in empty houses in England alone?

Obviously a deep-seated condition - a cultural manifestation, as Mr Major would have it - here; but what has this got to do with the proclivities displayed by the homeless of London?

THE SEARCH for an explanation, of course, goes deeper than the psychological propensities of the rootless people to whom Mr Major is in the main referring.

Whatever the explanation, it needs to encompass a variety of interesting developments that have made their mark on the public's consciousness these past few years. For example: mortgage repossessions have left many houses empty. Over 75,500 homes were repossessed in 1991 alone, some of which remain unoccupied today. Would Mr Major have us believe that the families who were forcibly removed from their homes enjoyed the experience, such that some of them chose to live in a permanent state of homelessness - walking the rain-swept streets of Waterloo, drinking soup from the kitchens set up by charities in the streets of London?

The explanation for this disgraceful state of affairs has nothing to do with the preferences of a few rootless people and everything to do with the failures of government policy. Homelessness can be tracked back to defective land-and-tax policies. But the government has yet to learn this lesson; like Mr Major, it does not know whether it is coming or going.

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will be neglected. This will, in turn, influence the flow of investments into city real estate.

3. From a political point of view, refusing to recognise private ownership of land means that one of the fundamental rights of the citizen that is mentioned in the new Russian Constitution is not recognised. It is important to remember that the promise to introduce private ownership of land was one of President Yeltsin's main declarations; should this promise not be fulfilled, it will automatically mean that the reform programs are discredited.

4. The introduction of the proposed reform of taxation will put Russia outside the international system of investment, because foreign capital will be double-taxed. In Russia, investors will pay the full tax which will be called "Land payments" and at home "profits/income tax". If the taxation systems in countries are similar, there are agreements between States about mutual recognition of tax liabilities.

5. There is no other way to determine land rent (if it is possible to do so at all) than to determine the revenue received from the property and to try to separate land rent from the total revenue. This is done when assessing the land value according to the income from real estate. But as in any case everything is based on income, which is the base for determining profit, debating whether to tax profit or to collect land rent is more an argument of terminology than an issue of substance.

6. The transfer from taxation of profits to collection of land rents is fantastically labour-intensive, if possible at all. It is well-known that a lot of enterprises disguise their profits, but at any rate, procedures to register tax payers and their profits exists, and it works. The question is how to register rental income when the majority of legal entities are not the direct land-users, only renting a part of a building and very often not at their legal address, and sometimes illegally. There are no renewed registers which include, at least, official users of buildings, or full land cadasters of direct land users. At any rate, this is the case for the majority of cities. Besides, it is quite obvious that if land payments depend on the incomes of enterprises (and this is, as we see it, the basic idea for extraction of land rent and systematic review of rental payments), it means that enterprises will disguise their incomes as they are doing now with profits. This is the bookkeeping technique.

7. The example given by Georgists of the construction boom in the U.S. cities where taxation of buildings was abolished and they are only paying land tax, can perhaps be interpreted the following way: advantages rarely appear, and then only in comparison with surrounding cities which preserved the former system. But it is possible to imagine that such a reform took place everywhere, as it is proposed for Russia, then the effect resulting from this difference in conditions will disappear. Besides, not long ago, there appeared evidence that if we will fulfil exact econometric analysis, results of the well-known Pittsburgh experiment can be explained only to a small degree by changes in the taxation of real estate.

That is why we have to determine the clear criteria for evaluating the results before we start an experiment on any scale, and these criteria should be analysed by independent experts, perhaps international.

8. Nowhere in the world do they manage to collect the full land rent. This is recognised by Georgists themselves. The full realisation of this idea will possibly destroy the advantages of the centres of cities and their attractiveness to investors. For Russian cities it will be disastrous because centres are in particularly poor condition.

9. Regular review of land rent, for example annually, will of course discourage investors. Obviously, in the course of time, this problem will be sensibly solved. Authorities of those cities who will be especially active will gradually understand that they are losing investors. But now, when there is no experience of sensible land policy, and the cities need urgent investment, such orientation of local politicians can be especially harmful.

Arguments given here confirm our opinion that there are no reasons to adopt the programs of Henry George followers for payments from the land. More than that, we are worried that Russia will start once more to experience new, practically untried ideas. The country once followed this way in 1917 and the results were rather poor.

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strategy would soon persuade new entrepreneurs that lower trade barriers would afford them greater benefits.

Unfortunately, the international trade agreements that are now proliferating on the international circuit reveal not the slightest awareness that the fiscal option would resolve most of the geopolitical tensions that are now encouraging people to turn to the gun for relief.

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An illustration: the government has guidelines designed to preserve the green belt. So who does it appoint as its chief planning adviser (he's paid £28,000 a year for a 2.5-day week?) David Lock, a consultant to development companies which are trying to override the government's green belt policies. On behalf of one of his clients, Professor Lock represented a company that bought green belt land for about £2,000 an acre and sought to get it redesignated as building land, which would produce a profit measured in millions of pounds!

Nothing wrong with redesignating land, if that's what the community wants. But could it be that the enormous increase in the price of land has something to do with pushing the price of houses beyond the means of many people? Might this not contribute to homelessness? And isn't the government charged with the duty of dealing with such a scandal?

The Prime Minister's Pontius Pilate performance on the homeless brings disgrace on himself and his government. Unfortunately, it is also a disgrace on Parliament. But that is something which does not appear to cause him discomfort.

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