Something for Nothing?
By Jock Coates / 20 January, 2008

Last week David Cameron unveiled the Tories' latest wheeze - the idea that those able to work but not doing so and claiming benefits should be forced into some form of "community work" to justify their benefits after a period. Two years on Job Seeker's Allowance is enough to prove someone either unemployable or simply lazy goes the line. In some quarters it was hailed, not doubt with the help of the party spin machine, as an end to the "something for nothing culture" that pervades the benefits system.

Now, set aside for the moment the debate about whether this is some form of slave labour, or a way of quietly abolishing the minimum wage (although this latter begs the question as to whether it is right that only the unemployed should be allowed to opt for jobs below the minimum wage or whether only community groups should be allowed to pay below the minimum wage). We do in fact already have a deep rooted "something for nothing culture" in this country and seventy per cent of us, those who live in houses they actually own, believe that they have an absolute right to this "something for nothing" and over the past decade or so of rising land values, pushing house prices through the roof, they have benefitted massively.

Indeed, most of us can probably point to people who, over the past few years, have seen their wealth in the form of property, the value of their home, increase by more than their annual income from working. Equally in the same measure, we can probably point to people who, because they weren't lucky enough to have got in on this rat race of home ownership, have seen their chances of ever doing so fade as the multiple of income they now have to pay increases beyond any prudent lender would allow them to borrow.

Of course there are many who would point out that this wealth only really exists on paper; that for as long as we need a place to live the current value of the spot we own is of little meaning, as everywhere else is rising or falling in similar proportions and if we want to move we'll still need to cash in what we have and perhaps pay even more for our next home. And that this paper value is only of any use to us when we reach our final resting place or, if we are sensible about it, when we decide we no longer need the property we bought when we wanted to get the kids into a good local school or be close to the fast rail line into work or whatever and "downsize" or "escape to the country", hopefully giving us a pot of cash in the process to make our final years more comfortable.

Some may even suggest that it has been an unquestionable benefit to the economy as people have cashed in through equity release schemes and re-mortgaging to supply them with cash which has kept the consumer demand in the economy going when other countries' economies may have suffered recession and stagnation. As we face a possible slide in property values of course some of these people may find out to their cost that funding their lifestyles from the value of their home was a bad idea and that the only people, longer term, to benefit, are the bankers who they will be paying for their profligacy for years to come.

But I do not want to focus on whether housing is a good or bad investment: clearly in many cases it is a good one as the market is currently structured, albeit an unorthodox sort of investment - you don't usually get to consume something that continues to rise in value. I want to show you that it is an inequitable investment, that it is "something for nothing" and that the least well off pay for home owners' prosperity in a very real way even if that prosperity is mostly "on paper" for most of the time.

If we go back to first principles, to what philosophy seems to call the "state of nature", some of the most fundamental assumptions are still as valid today as they ever were. We only have one planet. So every living soul born on that planet has to share it with everyone else - there is, as yet, no escape from that. The corollary of that is that everyone born on this planet has a right to a share of the planet - an absolute right, a "birthright". Some things we are completely dependent on the planet to provide for life...we need a place to live; humans cannot wander all the time, we need to sleep and to sleep we need to stop wandering. Similarly we need air, water, sustenance and again, we know ultimately of no way of producing these artificially without involving the natural resources of the planet.

Now, in that state of nature, if there's nothing else, like society, to hold us dependent on one place for any of these requirements of life, we would all be able to spread out, and appropriate as much land as we need to sustain our own lives, as individuals or families without negatively affecting anyone else. This "free land" gives us freedom, independence and life. Even today, in "overcrowded" England, as many would have us believe, there's enough land area for us all, every man, woman and child of us, to have just over a half an acre each - globally there's about 5.5 acres each of land mass. Naturally, not all these acres are fertile and even if they were, subsistence farming does not create wealth. Human growth and ingenuity requires that we specialize and socialize, which will usually mean also urbanize. Until we invent Scotty's instant transporter we have to make do by fitting many more people into urban land simply so they can be close enough to the facilities they need, and we need them to have - such as workplaces, to make working there viable.

But why should any of this mean that we give up our birthright, our common and individual birthright, to share equitably in the wealth of the planet itself? After all, you, the home owner, need me, the tenant, to work at whatever it is I do to provide you and everyone else with goods and services the economy demands. I, to fulfill my potential and contribute to the fullest to society, am better off working at what I do than ever I would be tending half an acre of small-holding (especially if you have seen my attempts to grow a window box of herbs!). But where is that birthright? Well, it is in the value of the location on which your home, office, factory or whatever stands, and it is created by and belongs to all of us!

You see, even John Locke, arch-defender of private property, recognized that there were limits to the right to appropriate land - the stuff of nature that exists in a finite amount yet which we all need to survive. Robert Nozick coined the phrase the "Lockean Proviso" for the principle that however much you take and occupy for yourself equity demands that you leave "enough, and as good, in common...to others". A hundred and thirty years after Locke wrote his Second Treatise of Government, David Ricardo formulated his Law of Rent, and a few years later Johann Heinrich von Thunen demonstrated the practicalities of this using data from his family estates.

It would be too much here to explain all of these ideas in any detail, but what they all amount to is that as you get closer to the social, employment, commercial facilities that more people need access to the land value surrounding those facilities absorbs some of the wages of all who need to access those facilities and is reflected in higher land values. So you see, this is not a fight just between the thirty per cent who don't own their home and the seventy that do. Many of that seventy per cent are also affected by this accretion of wages to land values. Think of it this way - you may have to settle (and you may enjoy it!) for buying a property several miles away from your work place or the nearest high quality commercial centre because all the property closer is too expensive. All those land owners that you pass on the way to work are gaining from your and the many other people in the same situation unfulfilled need.

Even more galling is that if we all happen to have the same incomes - you having managed to grab your slice of land at some earlier stage when it was less popular and therefore cheaper - we are taxed at the same level on those incomes. In turn both of our sets of taxes are used to invest in even more facilities that contribute to those land values. The person owning property closer to the "action" is gaining from all of our taxes disproportionately from those living further away. Similarly, the person owning property closer to the action has no incentive at all to release that location for others who may need it more at different stages in their lives, because they are continuing to gain from it and from those for whom it may now be a more appropriate place to settle. They are, quite literally, getting something for nothing, on their part at least. Something from the needs and activities of all of us that could make as good or better use of that location.

If you are interested in exploring this further, I would recommend a recent book by a chap called Fred Harrison, called "Ricardo's Law: House Prices and the Great Tax Clawback Scam (Why Tony Blair's Project Failed)" in which he shows that all the arguments about Londoners and people in the south east subsidizing other areas of the country via the tax and regional grant system pales into insignificance when you realize that the overall effect of that spending is to make property values in the south east and London increase faster.

Harrison concludes, as I do, that the entire tax system should therefore be based on the values created by all of us but currently "enclosed" by land owners. A hundred and more years ago the American self-educated economist, Henry George, encapsulated this into his idea of a "single tax" - that all the rental value of unimproved land in any jurisdiction should be collected by the state, whose fiscal program should be strictly limited to the amount that can be collected this way. He preferred, as again do I, that the state would do very little but turn that money around and dole it out to everyone, equally, in the form of a Citizen's Income; if you like, a dividend from what we all invest by creating that land value in the first place - our common birthright. At the same time, our average tax bill per individual would be halved, our economy would grow by around a third and we'd have a much more equitable society.