

IT IS AS WELL TO REMEMBER THE ROOT CAUSE OF OUR HOUSING CRISIS

A fundamental rule of any successful economy is the prohibition against theft. An economy which does not follow this rule becomes uncivilized. Natural law seems to have a way of making this come about.

We do, of course, have rules against theft, both petty and major fraud, and much police time and courts time is taken up in dealing with this, and major offenders land up in prison.

But there is another form of theft that we happily ignore. It is called 'location value'.

Location value is that part of rent, (the major part), which arises from control of land. The lesser part is the 'hire charge' for man made goods and services supplied along with the land under control. This lesser part has confused us about the real nature of the major part of rent, the location value.

Ask yourself three primary questions:

- What is location value?
- Who created it?
- To whom does it belong?

Land of course has no value. It is provided for free! It only has a value attached to it by virtue of the fact that it brings a steady income to the holder. This income, if capitalised, becomes what we experience as the purchase price of land. This steady income is location value, and it does not belong to the 'landowner', but it belongs to the community that created it.

As we do not collect location value for public purposes, we have to have a tax system. The various systems we have adopted have damaging properties. In the first place, by attaching so much tax to wages more or less doubles all costs. It also doubles government expenditure and the supply of money. So called 'indirect taxes' hit the poorest hardest. The location value kept by the 'landowner' is the primary cause of inequality, now of grotesque proportions.

Now consider the added value that arises from work. It goes three ways. The first is net wages, then taxation, then rent. In order to invest in machinery and buildings, enterprises must borrow back the rent, but now it has interest or profit share attached, as those in control of it seek to retain ownership of the funds. So, we build a national debt.

Rent is highly elastic. The only upper limit is the maximum that can be afforded by the tenant. We now have a promise of a minimum wage of £10.50 per hour. What a bonanza for landlords! We have 'help to buy', another bonus, in fact almost all actions of government create more rent and higher land prices, through failure to understand natural law.

So, location value is stolen from the community, and creates massive problems, especially in housing, but also in inequality.

Surely it would be better to collect location value for public purposes, scrap most of our tax system, and remember that theft is the ruin of civilised economies. ■