Land&Liberty

communiqué

putting people at the heart of economics

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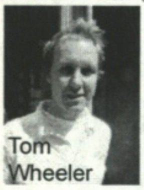
contents

1 news
2 breaking ground
3 news
4-5 fresh thinking
6 review
7 fresh thinking
8 diary and letters

this issue comes with HGF's land value monitor

staff New research fellows think freshly

As previously reported HGF has enhanced its staff with two new researchers. Research fellows Susanne Velke (University of Maastricht) and Thomas Wheeler (University of Edinburgh) have taken up their assignments with enthusiasm. Their work will add to HGF's research portfolio, with projects on housing affordability and trade justice. *(See articles inside).*


Tom Wheeler

Their research hopes to deliver interesting follow-up work: technical and media briefing papers and brochures for the public, as well as a conference on the state of the housing market are all planned. The young researchers are contributing to HGF work with new approaches and fresh thinking. At the same time, Susanne and Thomas feel that they can learn a lot during their time at the Foundation. At university, the only thing to worry about is deadlines; the daily work in the Edinburgh office, as well as the responsibility for their research projects, gives them a foretaste of professional life. However, neither seems too put off by the experience so far, and are looking forward to reaping the rewards of their efforts.


Susanne Velke

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boom bust HGF hauls in media success

The Henry George Foundation has launched the latest book by Fred Harrison, *Boom Bust,* at an event at Blackwell's Bookshop in Edinburgh on 4th April.


Fred Harrison at Blackwell's

Boom Bust predicts a house price crash around 2007, with a subsequent recession in 2010.

Prior to the launch, HGF secured unprecedented media coverage in newspapers, specialist magazines and on radio. *(See cuttings section).*

Publisher Anthony Werner of Shepheard-Walwyn books is now planning a second printing of *Boom Bust.*

politics Scottish LibDems opt for land tax to replace UBR

The Scottish Liberal Democrats have opted to recommend a land value tax to replace business rates in Scotland. However, they continue to support local income tax as a replacement for the existing Council Tax.

Henry George Foundation chief executive Peter Gibb presented verbal evidence to the Scottish Liberal Democrats' Commission on Business Taxation at February's party conference. Other invited experts were Professor Iain MacLean of Nuffield College, Oxford, and Vale of White Horse district councillor Paul Bizzell.

The Liberal Democrats, and the old Liberal Party before them, have been traditional but not stalwart supporters of land-based taxation.

HGF CE Peter Gibb said: "This means that one half of the parties at Holyrood now support replacing UBR with a land value tax."

future HGF heading to restructure activity

Without significant new funding by the end of the summer the Henry George Foundation is heading for a root and branch restructuring of everything it is and does.

The sum result of the plans now being prepared would be the making redundant of all staff, the closing of premises, and the shutting down of all the Foundation's executive projects.

However it is hoped a new plan for volunteer effort might allow the Foundation to continue some limited low-level activity.

The Foundation has pursued an intense fundraising effort over the past year. Individual applications for funding have been submitted to over one hundred and thirty different UK organisations. These applications have totalled over £1.5m in value.

In spite of this effort, the Foundation has still not succeeded in attracting any significant new support for its work. Development Manager Brian Bond said "the situation is disappointing, but not yet without hope". HGF continues to submit a score of new applications every month.

"The Foundation now finds itself in the position of the majority of all other sustainable charitable concerns" said CE Peter Gibb. "Now lacking what were our unusually high-value reserves - themselves in fact an impediment to third-party funding - the challenge now is to match our activities to an ongoing revenue stream".

The Foundation's financial reserves currently stand at around five month's operating expenditure. But these are matched by only a 7% revenue stream. This compares to the industry standard for active charities of reserves of three months expenditure matched by a 100% revenue stream.

London BBC: average house price £300k

Average house prices in London are now standing at £302,000, says BBC News - 15 times the average salary of a key worker.

Read more on page 2

the newsletter of the Henry George Foundation

HOUSING: bringing home the market

TRADE JUSTICE by 'freedom' and by 'fairness'

breaking ground

Axe the land tax say Aussies

The land tax 'outrage' in Australia continues. New South Wales campaigners are pooling their indignation. MP Shelley Hancock put foward a compelling argument: "This is a stupid tax," Mrs Hancock said. "The land tax needs to be axed and Bob Carr cannot ignore the damage it is doing,

not only on the South Coast but across the State." She also claimed the land tax "was ripping the heart out of local communities."

Prior to an anti-land tax rally, estate agent Phillip Muller spoke out against the tax: "Ours is just one business that relies on the South Coast being seen as a place to invest in property, but the State Government's land tax simply means investors are looking to greener interstate pastures."

But progressive reformers in Australia continue to advocate increasing land taxes which have long been a feature of their fiscal systems

Scots council tax review delays

The Scottish Executive-sponsored review of local government funding is facing delays. The review is set to weigh the pros and cons of a range of local taxes - including land value tax - judging them on a range of criteria.

Jack McConnell, the Scottish first minister, said that while he hoped to see the results of Sir Peter Burt's review on local government funding before the ending of the current parliament, he was unsure if it would be completed by the next Holyrood elections in 2007.

Burt's review, which was announced last June amid growing anger over council tax rises, is supposed to report by mid-2006. But its four member committee has been given a broad and complex remit.

An Executive spokesperson reported the review was making good progress towards its deadline. She said there was no reason "at present" to suggest it would overrun, but that the review, if necessary, might seek permission to extend its work.

BBC: average London house price £300k

continued from page 1

Average house prices in London are now standing at £302,000, says BBC News. This means prospective buyers must earn an average £75,500 a year in order to become a mortgaged homeowner.

But the average salary of a London key worker is only just over £20,000. This makes the average London house almost 15 times dearer than what the people who need to live in them earn - far beyond the 3.5 times their salary formula which most mortgage lenders are willing to lend house buyers.

Meanwhile, an ordinary-looking end-of-terrace council house has gone on the market for a massive £895,000. When first bought from the council in 1972, the house cost only £15,300 . But the property's attractive Chelsea location, just a stone's throw from Fulham Road, has pushed the price up. The new owner can hobnob with celebrity neighbours like Robbie Williams, Liz Hurley, Leslie Ash and Anthea Turner.

According to mortgage lender Proviser, an average terraced house in Kensington and Chelsea was costing over £1.4m by the end of last year.

Highland wind farm pays back to community

A planning application has been submitted for a 133-turbine wind farm on the Eishken Estate in the Scottish Highlands. It is proposed that 33 of the turbines will be entirely community-owned.

Based on the project operating at a conservative efficiency rate of 35% and modest electricity prices, it has been estimated that the community trust would receive an annual sum of around £12.5m.

Much of this income will be profit from a commercial enterprise. However, opportunities are arising both in the Highlands and offshore, for communities to reclaim substantial amounts in location rents from renewables developments.

letter from the editor

It is an acute irony that at this very juncture in the history of the British Isles, when many of our communities seem almost ready to tip head-long into a period of social and political reform enlightened by the Georgist paradigm, the venerable institution that has been the backbone to the advance - the Henry George Foundation of Great Britain - now finds itself having to restructure all its activities to within an inch of zero. Our diminishing resources are insufficient for our present extensive program of work.

There is of course a paradox here: if people are so near to sharing our way of thinking and adopting our proposals, why do they not support our work with money?

The answer undoubtedly lies in our own message and the language we have been using to express it. In spite of an ongoing attempt to draw out from the historical legacy of georgism a new story, engagingly told - giving inspiration which leads others to act - we have so far failed to find a coherent new 21st century discourse which *speaks to people*.

Those outside the movement who should have been running to the assistance of the Foundation over the last few months have failed to answer the call. It is not that they have not heard the call - surely our recent fundraising efforts must have ensured that. It is, rather, that on hearing it, they have not understood its meaning or its importance for their own concerns.

This is a sorry failure.

So what do we do now? The Foundation has traditionally relied on the stalwart voluntary input of its members and supporters. Our activity in the immediate future will rely on the efforts of volunteers.

But, well, well above any need to maintain some level of activity in the world, it is clear that the Foundation has one most important task in front of it - if not indeed a duty: *it must help bring into being a new public dialogue on the relationship between private life and the public sector.*

We must speak of the provision of quality public services and infrastructure when economically warranted or socially necessary; security for those who are beyond working, through fair pensions and citizen's dividends; transparency, accountability and efficiency in public finances, past the current political rhetoric; the ending of something-for-nothing thinking, whether in benefits culture (small beer) or in rising house prices (big beer); the promotion of trade justice by freedom and by fairness; the protection of private life from intrusion and the liberating of the individual to act as an enlightened self-interested agent; the securing of the rights of the community to protect both itself and its environment; and the constitutional protection of both individual and community from the abuse of power of the other, exercised especially in the guise of undemocratic corporate interests whether public or private.

If Henry George were alive today, these are the kind of things he would be speaking about to communicate his insights of profound social justice.

If the Henry George Foundation is to rise again and take its proper place in the world, these are the things our potential supporters - intellectual and financial - will want to speak and hear about.

Peter Gibb
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When 'winner' loses all in the housing market

In a new book, Fred Harrison argues a personal but worrying economic prognosis for homeowners

by Fred Harrison
The Observer
27th March, 2005

House hunters are searching for bargains this weekend. But price discounts offered by anxious sellers will not save today's buyers from walking into the negative equity trap.

The market is set to recover after the election, when Britain will lurch into what I call the 'Winner's Curse' phase of the property cycle. This is when people make the biggest upward errors in their calculation of what a property is worth to secure the house of their dreams.

Tony Blair has already had a taste of what is looming for thousands of property speculators. He and his wife have bought a west London pad for £3.6 million, a multiple of six times their joint earnings, and are having difficulty finding a tenant to pick up the cost of their mortgage.

But the Blairs' travails will not be on the minds of many Easter house hunters, who, beguiled by the huge capital gains achieved since New Labour came to power, will convince themselves that they are safe in Gordon Brown's hands.

I forecast that the multiple of house prices to incomes will reach a record 6.5 as borrowers are enticed by the generous lending policies of banks and building societies. This is not the message promoted by New Labour. Blair is building his re-election strategy around Brown's claim that he has unpicked the patterns of history.

Brown promotes his record as historically unique. I contest this on his own grounds. He identifies volatile house prices as the primary agent for instability: 'Most stop-go problems that Britain has suffered in the last 50 years have been led or influenced by the more highly cyclical, and often more volatile, nature of our housing market.'

Under Brown's chancellorship, house prices have hit record levels since 1997. First-time buyers were squeezed out of the market two years ago, replaced by middle-income earners, who pursued the pension prospects from buy-to-let properties. But many of them are being squeezed by the rise in interest rates to 4.75 per cent.

Bank of England governor Mervyn King claims that nobody knows what will happen to the housing market. I disagree. While Brown appealed to 200 years of evidence to dramatise his record of macro-management, I have searched 400 years of economic history for the common links to booms and busts. History points to a classic bust. Both the commercial and residential property markets will continue to rise until the turn of 2007 into 2008, after which Britain will slide into a savage recession in 2010.

In 1983, I used the trends in residential land values to forecast a recession in 1992. I was correct. The Lawson boom/bust echoed the Barber boom/bust of 1972-74. Nigel Lawson believed that he, too, was tough enough to end the stop/go swings. But he ignored the one leading indicator that would have signalled trouble ahead: the price of land soared above house prices.

Brown failed to take measures against another land boom. He wants us to believe that his decision to make the Bank of England independent was a turning point in economic policy. But the US Federal Reserve has been independent for the best part of a century and presided over one boom/bust after another.

So how did Britain avoid the recession of 2001 which caused grief in the US and Europe? Brown pulled off his Houdini trick by standing Keynes on his head. Instead of the government pump-priming the economy - which would have meant raising taxes or increasing the national debt - he allowed the house market to bubble. Encouraged by low interest rates, people went on a spending spree. They reduced savings and extracted equity from their homes to fuel a consumption boom, offsetting the industrial sector's recession.

The result was household debt that today exceeds £1 trillion. The financial trap that now looms will be camouflaged for a time by the recovery of house prices. Brown's Budget promise to subsidise the mortgages of struggling low-income buyers will give an upward twist to prices, as will John Prescott's town-building plans.

It is too late for Brown to forestall the crash. In fact, the Treasury will make things worse with its plan for a new tax that will help to bump up land prices.

Brown believes that high house prices are due to the drop in the output of new homes. He commissioned Kate Barker, a member of the Bank of England's Monetary Policy Committee, to investigate ways to increase the supply. The Treasury is now strongly tipped to favour a tax on land values, levied when builders apply for planning permission. That revenue from land speculation is supposed to help pay for the roads and schools needed by Prescott's 'sustainable communities' east of London. But a tax on land levied at the point of development is self-defeating. Owners would withdraw from the market and wait for a Tory government to abolish the levy.

Barker insists a development land tax 'is certainly still on the Treasury's radar screen'. I expect that the tax will be introduced to pay for infrastructure, delivering an added upward twist to land values just as prices are pushed into the Winner's Curse zone.

In Boom Bust, I trace land values over four centuries. They move in 18-year cycles, identifying a clear pattern of turning points in the economy. Embedded in this process is a 14-year house-building cycle, terminating in feverish land speculation. During the last two years of the construction cycle people recklessly expose themselves to the Winner's Curse.

In the land market, a rise in demand cannot result in an offsetting increase in supply in places where people want to live and work. So prices are driven to dizzying heights by speculators, who outbid each other with offers for tracts that cannot yield an economic return. The market stalls and the house of cards comes crashing down.

The timetable is dictated by a financial mechanism, at the heart of which is the rate of interest on mortgages. From 1714, this was pegged by the markets at 5 per cent. Today, the MPC is contemplating raising its rate of 4.75 per cent in response to inflationary pressures. The return of the rate to 5 per cent will mark the final phase of the property cycle. Many house buyers who think they are about to pull off great deals this Easter will pay a heavy price in the recession of 2010.

Capital's housing market 'to suffer'

by Matthew Magee
The Herald
3rd April, 2005

Scotland's homeowners will face the first experience of negative equity in a house price crash due in 2008, according to an author who claims to have studied house price data for the past 300 years.

The market will continue to soar before collapsing and prompting a recession which will turn into a global depression by 2010, argued Fred Harrison, author of Boom Bust, a study of the UK housing market.

"For the first time Scotland is going to see a serious case of negative equity. Edinburgh in particular will suffer very badly with the kind of problem England had back in 1992 and in 1975" said Harrison. "By the end of the decade Britain will be in a deep depression."

Harrison's theory flies in the face of data


300-year study of housing market points to recession followed by depression

Capital's housing market 'to suffer'

By Matthew Magee

Fred Harrison's book predicts financial chaos in 2010

● RBS comment: page seven

released on Thursday that suggests the housing market is cooling slowly. Figures from Nationwide said this is consistent with its predictions of a soft landing for the UK property market.

His theory is based on an analysis of property prices since the establishment of the first building societies in the late eighteenth centuries. "When the first building society was formed in Birmingham in 1775 they charged members interest at 5% and took 14 years to build all their houses," said Harrison. "Since then, with interest rates at around 5%, 14 years has been the length of the construction cycle. The business cycle is driven by that underlying construction cycle. That cycle has lasted for 300 years.

A period of frenzied speculation drives land prices to unsustainable values, prompting a collapse and a stalling of house building activity, which itself is a major economic driver. The resulting economic slowdown exacerbates consumers' inability to buy houses and this vicious circle results in a recession, claims Harrison.

Not everyone is convinced that the housing market is on the brink of collapse, or that a collapse would cause a recession. "We should always be wary of monocausal explanations and predictions," said Andrew McLaughlin, chief economist with the Royal Bank of Scotland. "Although we spend a lot of time talking about recessions and depressions they are actually quite rare events. There have only been three in the UK since 1945.

"Perhaps you could say that the wider economy can cause a house price crash, but you can't say a house price crash causes a depression," said McLaughlin. Even current worries about house prices outstripping wages require detailed analysis. "People worry that average house prices are a bigger multiple of average earnings," said Donald MacRae , chief ecoomist with Lloyds TSB Scotland. "But many households have two incomes and a lot of equity in homes. It is more accurate to look at household incomes and the values of loans taken out, and if you look at that the rise is not that big at all."

In Scotland the house price to income ratio jumped from 3.3 to 4.2 between 2001 and 2004, and 4.5 to 6 in England, whereas the loan to income ratio only jumped from 2.4 to 2.7 in the same period in Scotland, and 2.8 to 3.4 in England.

Harrison's radical solution to the cyclical nature of the housing market is to abolish income tax and corporation tax and replace it with a kind of super-charged council tax, a tax on land values which he says will slow property speculation.

Want to get rid of boom and bust? Tax land, not income

by Fred Harrison
The Guardian
11th April, 2005

Boom and bust is the mother of negative equity, but in last month's budget speech, Gordon Brown made an astonishing claim: he had terminated the stop-go cycle that has afflicted Britain since 1701.

After a peak in activity in 1705, the next 300 years were sliced into a pattern of 18-year business cycles, each punctured by a mid-cycle recession. The dynamics of a 14-year construction cycle accounted for the major turning points. My investigation, Boom

Expert predicts major economic crash looming

Housing slide could trigger recession

By Iain Harrison

THE economist who predicted Britain's 1992 recession has warned that the next significant economic crash is looming.

Fred Harrison claims the UK's house price bubble will burst by 2007, sparking a savage depression in 2010.

He says the slump will wipe a staggering £800 billion off the value of the nation's housing stock, with Scotland being hit particularly hard.

Executive Director of the Land Research Trust, Mr Harrison believes the knock-on effect will result in job losses.

The fiscal expert has spent 25 years studying the economic cycles of the UK economy.

In his 1983 book, *The Power in the Land*, Mr Harrison accurately predicted that Britain would be hit by recession nine years later.

Despite submitting his findings to the Thatcher government's treasury select committee, his concerns went unheeded.

Harrison's analysis has revealed a remarkably consistent pattern. The country enjoys an economic peak every 18 years. But after the boom years comes the bust.

And he claims the drop in house prices has started already and will have fully hit within two years. While recession won't begin immediately, it will be here by 2010.

Ransom

"For 300 years, we've paid on average five per cent for a mortgage," he explains. "That delivers a building cycle that lasts about 14 years. Towards the end of each cycle speculators try to corner the market in land.

"They then hold communities to ransom and make a killing by selling the land when people are desperate for it.

"As a result a few people get very rich but the effect pushes house prices so high they became unaffordable.

"So the housing industry shuts down,

building firms go bust, people are sacked and the public stop spending money."

Mr Harrison says the increasing trend towards re-mortgaging is one of the core problems.

"People withdraw all the equity in their houses which leads to a 'let's live beyond our means' psychology," he says.

"This helps drive up prices and as a result people think they'll make large profits out of buying and selling so they trade up.

"I would urge people to think very carefully about investing in the property market from now on, because they may end up losing the shirt off their backs."

Ed Stansfield, of Capital Economics, backs Mr Harrison's theories on the housing market but falls short of predicting an all-out recession. "We believe house prices peaked at the end of 2004 and by the end of 2007 we will see average prices fall by 20 per cent," he adds.

■ *Boom Bust*, published by Shepheard Walwyn, ISBN 0 85683 189 1, is launched tomorrow in Edinburgh at Blackwell's Bookshop, 6.30-7.30pm.

LAND VALUE MONITOR

ENGLAND AND WALES

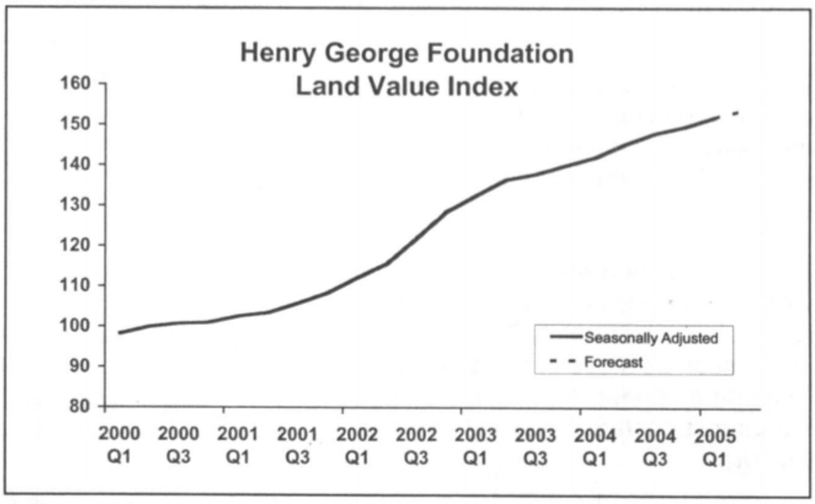
Spring 2005

Land value index continues to show stability in increases of land value for first quarter of 2005

The annual increase in the value of land is higher than the previously forecast rate of +5% for 2005 Q1. The annual rate of increase for 2005 Q1 is stable at approximately +7%.

The quarterly percentage change in the value of land has risen very slightly to +1.5%

The forecast annual rate of growth for the second quarter of 2005 is +6%.



Period	Land Value Index	Land Value Index (seasonally adjusted)	Quarterly percentage change (seasonally adjusted)	Annual percentage change
2004 Q1	139	142	1.47	7.21
2004 Q2	145	145	2.35	6.51
2004 Q3	151	148	1.84	7.37
2004 Q4	**150**	**150**	**1.10**	**6.93**
2005 Q1	**149**	**152**	**1.55**	**7.01**

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* The full index, including a detailed breakdown of regional variations to local authority level, will soon be available on the Henry George Foundation web-site.

REGIONAL ANALYSIS*

ENGLAND AND WALES

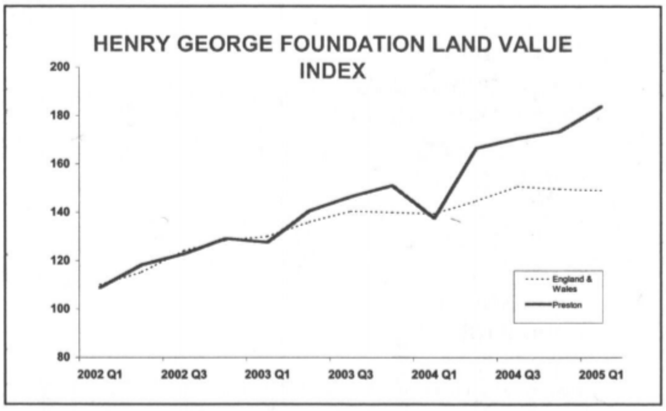
Spring 2005

The first quarter of 2005 sees highest increases in land value in the north of England, particularly the north east.

The largest annual increase in the value of land for 2005 Q1 is Preston with other areas in the north of England also experiencing large increases.

Whilst some areas of south Wales continue to experience large increases in the value of land the largest increases are now found in areas of the north of England.

This follows the trend over the last year where areas with low absolute values increasing more rapidly than high value areas such as those in the south of England and near to London although the largest decrease was in Carrick in Cornwall.



Largest Annual Increase in Land Values 2004Q1-2005Q1			
Local Authority	Land Value Index 2004Q1	Land Value Index 2005Q1	Annual percentage change
TORFAEN	136	169	24.17
STOCKTON-ON-TEES	139	178	27.89
WANSBECK	143	189	32.04
ALNWICK	138	183	32.89
PRESTON	138	184	33.55

Decreases in Land Values 2004Q1-2005Q1			
Local Authority	Land Value Index 2004Q1	Land Value Index 2005Q1	Annual percentage change
WOKING	114	109	-4.89
RICHMOND UPON THAMES	110	104	-5.89
RUNNYMEDE	115	107	-6.45
GUILDFORD	114	107	-6.53
CARRICK	180	168	-6.67

A number of local authorities around the south west of London have had relatively large decreases in the value of land.

Caution should be used in the interpretation of the local authority level data as smaller sample sizes are more volatile. However, they do give an indication of trends in land values.

* The Henry George Foundation web-site will soon provide details on the increase in land values in 375 local authority areas from quarter 1 2000.

6 BUSINESS

27 March 2005 The Observer

When 'winner' loses all in the housing market

In a new book, **Fred Harrison** argues a personal but worrying economic prognosis for homeowners

Bust, leads me to believe house prices will continue to rise to a peak at the end of 2007.

The construction cycle is the outcome of the 5% compound cost of borrowing money. As usury laws were dismantled, the interest rate settled at 5% in 1714. Mr Brown said last month that under his stewardship, the rate averaged 5.2%. This emphasises the consistent features of 300 years in which the economy followed a stop-go path.

But because of that consistency, his claim of having halted stop-go cycles is untenable.

During the 1992 recession, we could have predicted a 2001 recession. And indeed, Mr Brown did preside over the manufacturing sector's recession that year. The slump that ends the present cycle will be in 2010.

In the past, it took wars to distort the cycle, but Mr Brown's reforms lacked that kind of firepower. In fact, he has stamped his mark on looming events in the property market. The affordable homes he promises to finance will exacerbate the top end of the cycle. This echoes Barber's 1972 boom and Lawson's of 1988.

But for diagnostic purposes, we have to identify land speculation as the primary agent of instability, and Mr Brown's investment plans will fuel land price rises.

When manufacturing went into recession in 2001, urban land prices fell. Greenfield land values have risen 40% since, and brownfield by 19%, a lower rate, but prices were still seven times higher than for rural sites with planning permission.

This impact is not registered on the Treasury's model of the economy, even though land values rose five times faster than the annual rate of inflation.

But boom and bust is not inevitable. The antidote is to be found in reforms to the way we pay for public services.

We should untax people's wages and savings: conventional taxes inflict deadweight losses on incomes. Instead, public services could be funded out of rents that people were willing to pay for the benefits they enjoy at a particular location.

That is efficient. Productivity would rise and speculation in gains from land would fall. It is also fair. It is the voluntary, self-assessment approach in which payments are direct and proportionate to the public services people want to use.

The Treasury is keen to fund infrastructure spending via land taxes. But its vision is limited to a development tax levied on gains in the value of agricultural land when planning permission for housing is granted. This is convenient for tax collectors but inefficient and unfair for taxpayers.

Politicians of all parties should champion a simple ad valorem charge on the location value of all land - excluding improvements such as buildings. A high enough rate would end boom and bust cycles and establish a new relationship between citizen and the state. The interface between the public and private sectors would be redefined, and many of the disputes that divide our communities would be resolved.

A tax idea that cannot be buried

by Samuel Brittan
Financial Times
15th April, 2005

Pensions are not the only issue on which the government has decided to defer action until after the election. Another is the taxation of land. This is as near anyone is likely to find a tax that raises revenue without any disincentive effect. It is, as David Ricardo, the 19th-century British classical economist, explained, a tax on the original properties of the soil.

If you think this is an eccentric notion look at the following: "The award of planning permission increases the value of a plot of land from £5,000 to £1m. Then even if the resulting gain were taxed at 90 per cent, the developer would still be better off by almost £100,000, using the land for housing than retaining it for agricultural purposes. Suubstantial incentives to bring projects forward would remain."

This analysis comes from a well-known text book, *The British Tax System* (Oxford), by J.A. Kay and M.A. King, one of whom is now governor of the Bank of England.

These far from original thoughts have long circulated among non-Marxist radicals. Henry George, a 19th Century American reformer, published a best-seller in the 1880s, *Progress and Poverty*, which went so far as to advocate a "single tax" on land values to replace all other taxes. The excuse normally given by British officials for taxing work and enterprise but not land values is that it is impossible to separate out the elements in the cost of the property that represent pure space from the return of bricks and mortar. Yet this distinction is made very day by developers.

The puzzle is why past attempts at extracting economic rent for the public benefit have been unsuccessful. Lloyd George originally intended to introduce a flawed version of such a tax once a comprehensive land valuation register had been established. But the first world war intervened; and then the disintegration of the Liberal party took the plan off the map.

The post-1945 Labour government also tried to tax land values. But it made the mistake of trying to nationalise the development value that land acquired as a result of planning permission, whereas a true land tax would be a tax on its value, however derived. There are parts of the world, including Australia, where there is some land taxation, but not on the scale desired by reformers.

There is another problem. The land tax movement tends to attract zealots who see it as a cure for every problem, from inflation and the business cycle to the common cold. In the course of their enthusiasm they do uncover interesting information. A new example is *Boom Bust* (Shepheard-Walwyn) by Fred Harrison. He does make a case for the existence of an 18-year business cycle, which he links to speculation in the property market. But there could still be speculative cycles based on bricks and mortar. Moreover, official valuations could not be revised so frequently as to eliminate all the land-based element.

The chequered history of the subject suggests that it would take a long time to introduce and embed a land tax as an important part of the tax system.

Moreover, the reformers understimate the political storm they would create, which would not be assuaged by calling it a "charge" rather than a tax.

Yet, for all the difficulties, the issue is almost certain to come up in the next parliament. The incoming government will be desperate to find means of raising revenue that do not involve increasing income tax, value added tax or other indirect taxes. There are also local pressures. The council tax is becoming almost as unpopular as the rates against which Margaret Thatcher used to inveigh. But it will soon be difficult to keep it down without some new sources of revenue. The Liberal Democrats' idea of a local income tax is bad, not only because it raises marginal rates of tax but also because it ends even the very partial taxation of property values now prevailing.

More specific pressure comes from schemes such as the proposed Crossrail project from the west to the east of London. Both government and local authorities are bound to try to extract some of the cost from businesses that will benefit. Once embarked on that course it will be difficult to resist the more general idea of auctioning planning permission. This would be an improvement on the present hole-in-the-corner deals by which developers promise specific services such as access roads or playing fields in return for development permission. The question will then arise: why only tax those values that accrue from planning permission? Would it not in the end be simpler as well as fairer to tax land values in general?

No one should underestimate the hue and cry that the idea of a land tax - which would have to be brought in gradually - would provoke from thousands of vested interests. But this only makes it all the more desirable for advocates of this tax to avoid promising the moon and link up with the general economic debate rather than forming a cult.

Harrison on Good Morning Scotland

BBC Radio Scotland
6th April 2005

SANDY MURRAY: The latest survey of the housing market from Halifax Bank of Scotland suggests prices levelling off. But the annual rate of increase remains over 9%, which indicates that homeowners have little to worry about. Those in the property market - mortgage lenders, estate agents - like to talk of a soft landing in the years to come, the idea that prices will gradually ease off without causing anyone much pain. But could they be wrong? One man who thinks so is Fred Harrison, author of a book just out called Boom Bust: House Prices, Banking and the Depression of 2010. As part of the potentially gloomy picture painted in the book, £800b is wiped off the UK's housing stock. Fred Harrison joins us now - good morning to you.

FRED HARRISON: Good morning Sandy.

SM: Why is it that you think a fall in property values is likely?

FH: Well, I'm not forecasting that it will happen immediately. In fact, the theory I have been able to develop of the property cycle indicates that there will be growth for at least another couple of years - but the Scottish economy is actually headed towards a precipice because prices are actually rising very strenuously. You can talk to people who want to buy houses in Scotland - particularly in Edinburgh - and they will tell you that in order to buy a home they are having to bid 15 or 20% more than the asking price. And under your closed bidding arrangements this is a scary process. But the Scottish economy is linked to the UK economy as a whole and we can expect the current pause in prices in the south of England to recover after the election. The turning point will be towards the end of 2007, which is when the property cycle will have exhausted itself, and beyond that we will see the market go dead and the economy then start to suffer severely.

SM: So when this happens, what's it going to mean for the average Mr and Mrs Modest living in a semi?

FH: Well, if you're not going to sell your home because you don't have to, and if your job is secure, then very little will happen. But there will be many people who will be under great pressure. They will have overstretched themselves with their mortgages because they bought their house in the last year or two, or will to do so in the next year or two, and they will suffer severe negative equity. And those who lose their jobs will discover they can't finance their mortgages and they will have their homes repossessed.

SM: The soft landing option I mentioned in the introduction - essentially people talk about there being little or no rises in prices for a few years, and that sorts out any problems in the market - why does that seem to you to be unlikely?

FH: Gordon Brown has said that the recent period of stability is unique over the course of 300 years. I've looked at the history of the last 300 years, and there has never been an occasion where prices have gone as high as they have done in recent times without there then being a savage collapse. It's never happened. So those who are predicting a soft landing are doing so through wishful thinking and a failure to apply a coherent theory of the property cycle which actually tells it as it really is.

SM: It sounds pretty bad if you're right. Could anything be done to avoid this recession?

FH: If the Chancellor after May the 5th suddenly proposed a restructuring of the tax system - one which said let's stop penalising people from working, let's get rid of taxes that are punishing people for working, saving and investing and instead raise revenue for the money we pay for the price of use of land, that would have a dramatic effect on the property market, in the expectations and in the ways that people invest their incomes. It would, in fact, stabilise the economy and lead to considerable increase in productivity and growth. But is that likely to happen? I'm afraid not. And consequently I do not believe that there is much to be done to avoid the quite gloomy prediction that you quite rightly say is contained in my book.

SM: For individuals, if this recession is coming, is there anything we can do to protect ourselves?

FH: Yes. For a start, even those who don't intend to buy a house or need to sell in the next year or two, they should be very careful about sinking into debt. Under Gordon Brown, I'm afraid to say, families have been allowed to go into personal debt to the tune of over one trillion pounds in the UK. Now, interest rates are going to go up and many people are not going to be able to service those debts. So avoid running up debts and in fact try and reduce them. And for those who need to buy houses over the next couple of years, be extremely careful; do not overbid in your purchases because otherwise you will end up in negative equity and the prospect of losing your home.

SM: Thanks very much for coming in and sharing your ideas with us this morning - I do hope you're wrong. That's Fred Harrison, he's the author of the book Boom Bust. And that's today's business news.

Wetzel on the PM Programme

BBC Radio 4
4th May 2005

PRESENTER: It's the final instalment in our series on radical ideas that are unlikely to be government policy after the election. Today, Dave Wetzel who chairs the Professional Land Reform Group makes the case for land tax.

DAVE WETZEL: Every human activity requires land. A free gift of Mother Nature. Land values are created by all of our activities. Social and economic, public and private. If we all create this rising land wealth, where is it going? Who is getting it? As taxpayers we fund motorways, improve schools and other services that award adjacent landowners with huge unearned - and untaxed - bonuses. Governments tax wages, homes, shopping, transport, and almost everything we buy. If they could, no doubt they would also tax marital sex. And yet, no government has ever taxed that unearned wealth which accrues to landowners but which we all create. By not taxing land, our government gives more importance to the speculators' interests than to the wider community's needs. Here we are in Mayfair, at the heart of central London, where most of the land is owned by one man - the Duke of Westminster. He, and others like him, are able to charge businesses and individuals huge ground rents for the use of this land. Land that has no cost of production, as it's a free gift from Mother Nature. With a land value tax, applied annually, the natural wealth of land can be used to provide better schools and hospitals. And the taxes we deplore, and which damage our economy, like council tax, income tax and VAT, could all be cut. Isn't it time we all demanded our fair share of the unearned benefits that derive from land ownership? The land that our forefathers fought for.

Tax land instead

Joe Casey
Washington Post
1st January 2005

As Walter Rybeck said [letters, Dec. 21], we have a land crunch, not a housing crunch. Certainly, landowners love to see their property values skyrocket, but this is devastating to people who do not own land and who pay rent, and that includes all of the next generation who will not inherit a land fortune.

The District has the authority to tax land, but it prefers to hit income, buildings, sales, etc. A land tax could make every home and office tax-free and let landowners pay for the hyperinflation they enjoy. Virginia has $136 billion in taxable land (as of 2001), and the value is 90 percent urban. A 1 percent land tax would raise more than a billion dollars annually for transportation or other needs; a 3 percent tax could replace all real estate taxes.

Scottish rural property prices buck the trend

As house price inflation in general slows down - the typical house price in Scotland has increased by a modest 7.8% in the past year - rural property prices are shooting up. Galashiels in the Scottish Borders leads the charge. It has seen increases of more than 42%, as plans for the new Waverley rail link move forward - to link the sleepy market town to Edinburgh's burgeoning economy.

Newcastle running out of land?

Land prices recently have risen considerably in Newcastle, in line with England's booming housing market and land prices. The resulting shortage in accommodation has led to developers looking to build in unusual places. Developers recently applied for permission to build in the air space over a metro line in the city.

According to the local Labour Party newsletter - *South Jesmond News* - the application has been refused for the meantime. However, while land prices remain so high, it is likely that such 'unusual' applications will become more common. The housing crisis, even in the North, has reached the point where there is a desire for housing even directly above noisy metro lines.

Land values are blooming

House prices are blossoming in towns that promote landscaping and floral displays, according to research.

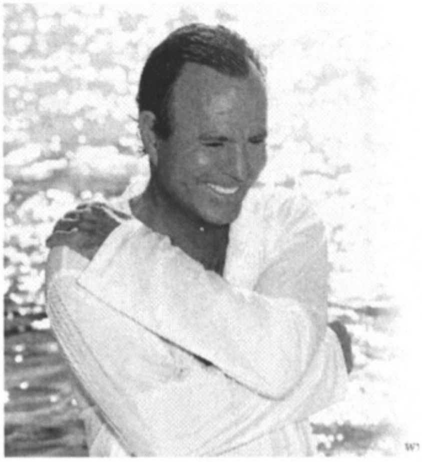
Towns that have won gold in the *Britain in Bloom* competition had house prices up to 87% higher than the national average, the Halifax group has said.

Tim Crawford, group economist at Halifax Estate Agencies, said "the British love affair with attractive towns is as strong as ever, so house buyers are clearly willing to pay a premium to live in picturesque surrounds.

"House prices in these towns are at a premium to those of their neighbours."

Community investment in the local environment is reaping dividends for local private houseowners.

Julio Iglesias land grab accusation



Julio Iglesias has been accused by Costa Blanca locals of exploiting Valencia's controversial 'land-grab' laws under which property owners have seen their land compulsorily purchased at prices far below commercial values. The Spanish crooner intends to build a development worth an estimated £370 million.

Iglesias made his fortune from a series of pop hits during the 70's and 80's.

Land tax advocates are a busy lot

Quite apart from finishing and promoting *Boom Bust*, Fred Harrison has also found time to edit the spring issue of the IEA's journal, *Economic Affairs*. The theme of the issue is 'self-funding transport', and includes articles by Dr Rana Roy, Michael Shabazz, Dr Fred Foldvary and Don Riley.

Meanwhile, HGF councillor Dr Duncan Pickard took time off from his Fife farm to stand in the General Election on a UKIP ticket - yielding the fourth best UKIP result in Scotland.

Reformers break-in

Some patrons are ready to break down doors to visit the Foundation's bookshop in Edinburgh. These particular customers, however, were quite unwelcome - and well outside regular opening hours.

Their bounty was not a stack of Henry George's books but rather one the Foundation's laptop computers. The break-in was reported to Lothian and Borders Police: but the chancs of getting the machine back are, it seems, slim.

HGF procedures ensured that no information was lost or stolen.

Nicaragua activities on the growth

The thriving programme of Instituto Henry George de Managua, Nicaragua, is outgrowing its rented accommodation. The institute has secured a piece of land, and is seeking to build itself a school building as soon as possible.

But the Institute has just lost its core funding, so Director Paul Martin finds himself in a difficult situation. Donations to the institute would be appreciated.

Handout to Oregon landed interest

A Senate committee has put the finishing touches on a bill to revamp Oregon's land-use system. The system, dating back three decades, reserves most land outside cities for farming and forestry use, and bars development.

Measure 37, which voters approved last year, requires government to pay landowners when land-use regulations reduce property values.

Compensation funds would be created from payments landowners make when they lose tax breaks or incur increased property taxation resulting from increased land values.

This US concept of 'takings' is at odds with the concept of sovereignety found in most European law.

Local income tax blasted

Leading Edinburgh city officials and councillors warn against introducing a local income tax, branding it "unworkable"

Edinburgh council claimed there would be "significant" set-up and operating costs with such a tax, and insisted the regime would be less accountable and more complex. City chiefs have instead called on the Scottish Executive to reform council tax and allocate local authorities a greater share of business rates.

Vacant land up for auction - 12 sqm!

A strip of pavement in Edinburgh is expected to fetch up to £1000 at auction.

Public utility Scottish Water no longer needs the space for pumping equipment.

Gary Middlemass, property director at Hunters PSM Law Group, said: "Last year, when the property market in Edinburgh was really hot, we used to laughingly say we could sell off the pavement and the phone boxes. Now this has come true. This sale will be an indication of how desperate people are for property in this city."

Space for a telephone box? Perhaps The Doctor needs Festival parking for the Tardis!

Trade justice - by 'freedom' or by 'fairness'

Thomas Wheeler looks at international trade from both sides of the ideological divide and

International trade, acting as a gearbox for modern economic prosperity, gives the potential for people to lift themselves out of poverty. Yet, despite living in an era of global growth, poverty still plagues millions across the world whom the benefits of trade have left behind: 2.8 billion people still live on less than $2 a day.

As the UK takes Presidency of the European Union and hosts this summer's G8 summit in Gleneagles, calls to make trade 'fair' are becoming louder than ever. Amongst many others under the umbrella group of the Trade Justice Movement, organisations such as Oxfam and Christian Aid have placed trade high on the agenda. The trade debate has traditionally been one in which 'freedom' and 'fairness' have found themselves in opposition: typically the stances respectfully of the Bretton Woods organisations and the anti-globalisation movement. Yet the Trade Justice Movement arguably presents a paradigm shift in the traditional trade debate, away from one of free trade or protectionism.

The Trade Justice Movement recognises that trade plays an important, and even necessary, role in eradicating poverty Although public advocacy of sustained import-substitution and isolation is invisible, major Western economies still adopt elements of protectionism: for instance EU farm subsidies and US steel tariffs. As with the traditional free trade approach, domestic and export subsidies, tariffs and other such barriers to trade, have been heavily condemned as unfairly undermining the ability of poorer nations to remove themselves from poverty.

The debate presents itself now in how global trade is best internationally managed. Those advocating a 'fairer' trading system in

GM maize returns

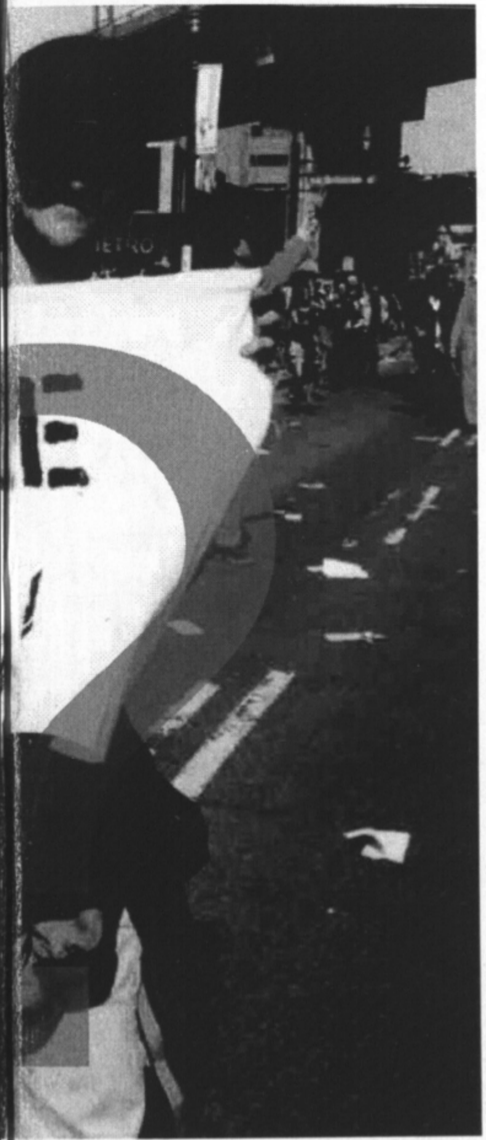
We should extract compensation from 'accidental' illegal GM maize says **Jon Mendel**

The US has been illegally exporting a banned GM maize to Europe for the past four years, reports *The Independent*. This maize is banned because it contains a gene that leads to antibiotic resistance, and there are fears that this resistance could be passed on to the people who eat it.

The maize was developed by Syngenta, and was imported to Europe in error because it was confused with a different strain of maize. Almost more worrying, though, is that when this error was discovered, the Bush regime only informed customers in Europe of the problem after it was exposed by the journal *Nature*. Moreover, the *Independent* reports that there were "efforts to hush up and play down the scandal on both sides of the Atlantic".

I have previously argued (**L&L** 1204) that the patenting of the genetic characteristics of crops leads to the appropriation of the world's common resources in a way which echoes the violence of colonialism; it is coming to seem that the distribution of these resources also echoes such violence. GM grain gains

ks shall ne'er the twain meet?



fact argue for a pro-poor 'free' trade regime. It is not only argued that the contemporary rules unfairly favour the wealthier nations, but that complete free trade is far from just, as the players are far from equal. Instead, the argument goes, trade should be used as a means not in itself, but as a tool to alleviate poverty, with the poorest countries receiving special treatment.

There is a modern notion that we are in an age beyond political ideology. In a globalised world that seemingly gets smaller by the day, to advocate protectionism and economic isolation no longer makes sense. It seems the Henry George free trade argument has in some sense been won - but not by free traders.

The Henry Geoge Foundation has launched a research project which will explore the areas and their boundaries where those advocating fair trade are advocating protectionism or advocating free trade. It will look at whether pressure groups have ultimately recognised the limits of protectionism and moved on beyond a classical position to create an entirely new perspective on trade. Or, alternatively, whether they have simply dressed their language and direction of argument in order to remove themselves from ideological isolation and access what now presents itself as the mainstream. The project questions whether free trade is being critically and constructively advocated, or entirely challenged from what may be exposed as an essentially protectionist starting point. Is the Fair Trade movement even a coherent set of ideas or simply incoherent dissidence?

> **"Is free trade being critically and constructively advocated, or entirely challenged from what may be exposed as an essentially protectionist starting point?"**

For those who believe themselves to be free traders it is of course of vital importance that the fair trade argument is understood. If free trade advocates are to enter the current debate it is imperative that the fair trade argument is not simply approached - or shrugged off - as protectionism, but fully explored: it would be unfortunate if alternative ideas were simply lost in miscomprehension stemming from ignorance.

The Foundation's project aims to critically understand what fair trade presents to the trade paradigm and where it stands within it.

The project will seek to provide the fullest perspective of the fair trade paradigm, and a comprehensive understanding of its nature and relation to free trade and protectionism. **L&L**

Thomas Wheeler is a Politics undergraduate at the University of Edinburgh and a part-time research fellow at the Henry George Foundation. He can be contacted at: t.wheeler@HenryGeorgeFoundation.org

entry to European markets through 'error' and - if the levels of antibiotics resistance in the population here do increase as a result of this grain - the damage will be practically irreversible. The massive community value to be found in our capacity to use antibiotics - the countless lives and huge amounts of money saved by these drugs - might have been depleted in order to allow private companies to profit from the sale of banned grain.

Readers may be wondering what the properties of this GM maize are that make it worth risking such massive community value. It has been "modified to repel a pest called the corn borer." The corn borer is an important pest in the Midwest of the US. It is in everyone's interest to reduce the problems caused by such pests. It is even more in the interest of some individuals and companies to improve the value of their businesses by developing and growing such crops: however, they should not be permitted to risk much more substantial community values in the course of doing so. Imports of US corn to Britain have thankfully been stopped while this issue is resolved; however, the EU should now look at how we can ensure that such a situation does not recur, and at how to extract compensation from those responsible for these errors. **L&L**

Jon Mendel is currently pursuing a PhD at the University of Durham, and is a research fellow at the Henry George Foundation. He can be contacted at: j.mendel@HenryGeorgeFoundation.org review

Boom Bust reviewed

Geoffrey Lee says Fred Harrison's new book is an essential warning for politicians and economists, and for the layman who wishes their destiny in their own hands

This book is subtitled "House Prices, Banking and the Depression of 2010" and is a timely warning of the serious economic crisis ahead of us. Harrison points out that historically we have moved on a business cycle with an average duration of 18 years, and from our bust of 1992 we will move to another bust in 2010. This is tied up with a housing cycle of 14 years.

Gordon Brown understands some of this. As he said in his budget speech in 2003: "Most stop-go problems that Britain has suffered in the last fifty years have been led or influenced by the more highly cyclical and often more volatile nature of our housing market."

What he failed to see and the Treasury economists fail to understand is that land is the missing factor in the equation that could solve our economic problems. Economic models treat the world as if it were composed of only two factors - labour and capital. But as Harrison says "land is the key piece of the jigsaw that is the complex economy."

It is as if land was invisible. Everyone talks about house prices, but a house's price is its building cost - the rest is land value. This is not some insignificant part of the equation. Even in 1987 the Inland Revenue data shows that residential land in Inner London was averaging £4,100,000 per hectare. More recently Kate Barker, a member of the Bank of England's monetary policy committee, was reporting that residential land in North East England (not exactly a property hot spot) was valued at £1,150,000 to £1,260,000 per hectare.

Harrison points out that public expenditure on, for example, roads, railways, schools and hospitals, makes the locations so favoured become attractive, and produces the land price rises we have seen over recent years. The government excludes these rises from its inflation index so giving us a false figure for the cost of living. As part of the deception that all is well, Gordon Brown boasts of our low unemployment. But by sleight of hand 2.7 million people out of work are on the sick or disability benefit list, so don't figure in the employment statistics - although many, very many, could work. Again the property boom is often thought of as a sign of a vibrant economy, but it is fuelled by the flow of credit from banks and mortgage companies. According to the author, by 2007 we shall see families defaulting on their mortgages. Banks are also funding the consumer spending spree that, again, will come home to roost. One day the trillion pounds of private debt will have to be repaid.

Harrison's argument is that by financing public expenditure from income tax, VAT, national insurance and most of the other taxes favoured by government, we raise the general level of prices and distort the way people work, save and invest. Gordon Brown has a hole in his budget, and conventional policies are unlikely to fill it up without great pain to the British public.

The author's solution is to take the land rent for public expenditure. As he points out: "People need to pay for the benefits that they receive when they occupy the locations of their choice." Clearly, when you buy a house you are also paying for the capital cost of the locational amenities you enjoy. The problem is that the money you pay is not handed over to the agencies that provide these amenities. We need, says Harrison, "to re-balance the public's finances by raising revenue from the rent of land. At the same time, people would be compensated with the equivalent reduction in income, capital and consumption taxes."

The author analyses the land value taxation schemes in the budgets of 1909 and 1930 - "they failed, but not for want of trying." Unless we try again for these fundamental changes we are doomed to the boom bust treadmill.

Towards the end of the book Harrison lists some of the unpleasant things in store for us if reforms are not made. These include pension funds that will not support people in their retirement, and manufacturing industries leaving for the epicentres of production in the east, to say nothing of tax revenues migrating, as the borderless world enables corporations to relocate in tax havens.

This book is an essential warning for politicians, economists, the media and the layman who wishes for their destiny to be in their own hands. **L&L**

Boom Bust by Fred Harrison
Shepheard-Walwyn, ISBN 0 856831891

> **"It was no comfort to be told by Mervyn King, the governor of the Bank of England 'I do not know where house prices are going - but I also know that no-one else does either.' People who are handsomely paid to know the answers may be ignorant, but the reader of this book will now gain a deeper understanding of the vital trends without having to rely on the experts."**
>
> **Fred Harrison in Boom Bust**

Bringing home the housing market

Should homes be just for making money from, asks **Susanne Velke**

The traditional idea of buying property with the foremost thought of making it a home, has changed.

The housing market should be a natural social institution which allows citizens to accommodate their lives according to their needs, means and preferences. It should be the principal economic mechanism ordering the transfer of homes between those who want them and those who have them. But in recent years it has increasingly become something else as well as this.

Home making has been invaded by the ethics of commerce, and the economics of profit making. Speculative behaviour has made house prices soar. It is creating an unstable market. Houses are now far too expensive.

Politicians and economists alike are seeking remedies to the problem. They want to make housing affordable again. But to do this they really need to start at the root of the problem, the functioning of the market itself. They seem to be choosing not to do this.

The housing market more and more resembles the stock market, an institution whose very purpose is commerce. People are buying and selling houses just to make money.

This speculation tends to lead to booms, bubbles and a final burst of the bubble. In the past, the speculative behaviour of stock market agents has had devastating effects on the overall economy. Stock market crashes are highly economically visible events. Housing market crashes are not so dramatic, yet their effects are probably more devastating in terms of the depths and extent of their consequences.

More people own homes than own shares. And people are more likely to go into debt to buy a house than to buy shares. 'Negative equity' is the word to keep in mind: people with a high mortgage debt will face serious difficulties in paying back their mortgage in the case that the value of their house caves in. They are much more vulnerable to any loss of income, be it through unemployment, divorce or death of a partner. The Labour Party reminded us in its recent election campaign that 'repossession' is not a too-distant memory. Ultimately, one of the worst economic consequences of a housing crash is a national recession, Harrison argues, turning conventional thinking on its head.

Speculation in an asset with such social significance as housing - that is, our homes - drives prices up and forces particularly first-time buyers out of the market. It is an important aspect in the discussion on affordable housing. Solutions need to address it if they are to be effective in the long-term.

To ensure long term stability in the housing market, it is not sufficient to deal only with lack of supply. It is necessary to make sure that the nature of demand is not perverting the housing market. We must change the nature of demand by removing the drive of speculation.

> **"Every new rise in prices sets the first step on the property ladder a bit higher. The laddercannot reach endlessly into the sky."**

The housing market is an 'imperfect' market. As *The Economist* put it, houses "are illiquid, trading is infrequent, assets are heterogeneous (both by location and by type), transaction costs are high, and information is imperfect because there is no central exchange." This 'imperfection' and perverse demand make it difficult for the average person looking for a home to act with decision and rationality in the market. In times of intense market competition and an imbalanced situation of supply and demand, these factors come to their full significance. First-time buyers are forced out of the market and the commercial ethic takes over.

The Bank of England tries to tackle these problems indirectly by raising interest rates to check borrowing. Politicians are attempting to procure 'affordable housing' by subsidising first-time buyers - to help them get on the 'property ladder'.

Although subsidies might be widely appreciated among young people, the proposal would only treat the social difficulties that arise from high property prices. And it will be just another financial burden on the national treasury. It will not cure the problem of affordability in the longer term, because such measures do not lead to lower house prices. A policy of subsidy only introduces more people into bidding wars, and increases demand even more. The measures currently being put forward by the government neither lower the prices of houses nor increase the supply of them. It is clear that dealing with the symptoms is not enough.

The 'property ladder' is a false metaphor. The term is a metaphor for a perverted market. Every new rise in prices sets the first step a bit higher. The ladder cannot reach endlessly into the sky. So what's at the top, that the 'ladder' lets us reach? All we know is that there is more money and less people at the bottom of this ladder.

We need measures that cure the market from within. We need measures which do not encourage the commercial ethic in the housing market, and which therefore change the character of demand.

If the assumption of speculative profit is allowed to remain as a principal driver of demand in the housing market, the market will increasingly produce perverse outcomes and fail in its social function as the proper socio-economic mechanism for distributing homes according to needs, means and preferences. **L&L**

Susanne Velke is a European Studies undergraduate at the University of Maastricht and a research fellow with the Henry George Foundation. She can be contacted at s.velke@HenryGeorgeFoundation.org

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letter

Sir,

In **L&L** 1211 your correspondent Ian Hopton advanced a strong case for rendering the principle of land value taxation - or commonly 'land tax' - more readily understood and accepted by renaming it 'location tax'.

Would this acceptance be further aided by replacing the dreaded word 'tax' by 'charge'?

Today's common perception of a tax as being a progressive penalty for diligence, success and thrift is in direct contradiction of the basic principle of georgist taxation, whereas a charge is perhaps more readily perceived as a fixed impost determined solely by the payer's membership of an organisation or position in a location.

A seat in the dress circle costs more than one in the rear stalls. Pure georgism!

Might we not make further progress in the 21st Century if we promote the means of raising public revenues by fixed location charges?

Richard E Field, Huddersfield

UK groups are presently discussing the terms reformers should use to explain their proposals. Amongst the well-known and commonly-used terms comes new wordings like location benefit levy, community rent, the new council tax, new community charge. What do you think?
Write to office@LandandLiberty.net

diary

18th May 2005, London
Conference: **Build More Houses**
go to www.thewaterfront.co.uk

25th May 2005, London
Location Benefit Levy Discussion Group
by invitation - contact Dave Wetzel at davewetzel@tfl.gov.uk

15th June 2005, London
Conference: **Crossrail: The Challenge and Opportunity**
see insert

6th July 2005, London
Conference: **Planning and Public Investment**
see insert

3rd to 7th August 2005, Philadelphia, USA
25th Conference of the CGO
go to www.progress.org/cgo

23rd to 24th August 2005, Czech Republic
Conference: **Property Tax in Transition**
go to www.ipti.org

29th September to 2nd October 2005, Chicago, USA
AMI Monetary Reform Conference
go to www.monetary.org/2005conference

1st to 2nd October 2005, Denmark
Justice Party Annual Conference
go to www.retsforbundet.dk

2nd to 8th July 2006, London
25th World Conference of the IU
go to www.interunion.org.uk

read more land reform news at LandandLiberty.net

write to
office@LandandLiberty.net

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