Land&Liberty
communiqué
putting people at the heart of economics

Vol. 111, No. 1213 Summer 2005

contents

We apologise for any difficuly reading because of the dark colour printing in this issue

Homeowners pocket public investment - again

Hometrack, an independent property research and database company, has analysed property price changes since 2001 in the catchment areas of the ten most improved state schools in England. It has revealed hard figures which substantiate a phenomenon some were already aware of: that public investment in a local comprehensive can double the rate of increase homeowners can pocket from their property.

Property prices in the ten catchment areas which were studied have soared by 76% since 2001, whilst prices have increased only by 39% in the immediately surrounding areas. However in some study areas, property prices have soared by a staggering rate, in excess of 120%.

Analysis of properties in the close vicinity of the top ten schools in the Department of Education and Skills list of the 100 most improved schools reveals that the average property price has increased by £64,986 since 2001, from £95,670 to £160,656. Property prices in the surrounding areas have increased on average only by £38,296 since 2001.

Z2K campaigners say 'land' to PM

Social campaigners the Zacchaeus 2000 Trust have opened a dialogue with the Prime Minister concerning housing affordability.

It has recently submitted an extensive memo covering, among other things, 'Capturing rising land values for the community'.

make poverty history? trade justice fails amid confusion

Reformers around the world have applauded the G8 $40bn debt deal for Africa. The deal was also seen as a success for democracy - "never before have so many people forced change of policy onto a global agenda" Bob Geldof told the BBC. "G8 excites young people" said one protester - "as a recurring event it could be a really important thing that turns people back onto the important stuff in politics".


G8 protesters


A white ring around Edinburgh

Some 225,000 marched through the streets of Edinburgh calling for a better deal for the developing world. They marched under slogans such as 'More and Better Aid' and 'Not More Aid - Make Trade Fair.'

However many were disappointed with the G8 agreements on climate change, and few saw any progress for trade justice. According to anti-poverty group War on Want the sum total of G8 in fact takes Africa backwards. "The G8 countries", in their opinion, "have hardened their stance on trade", and - devastatingly - this "threatens to wipe out any financial gains made by developing countries in other areas." Foremost campaigners the *Make Poverty History* coalition agreed, declaring after the G8 that, indeed, "the challenge of trade justice remains."

L&L editor Peter Gibb was not impressed by the G8. "It's been like the old question of giving a person a fish, or teaching them to fish: only here, at the G8, it's more a question of who is giving out the fishing permits and what their terms are."

HGF the grassroots

The Henry George Foundation has started to reorganise its projects and activities. It has launched a restructuring strategy and adopted a new 5-year budget plan. These provisions will form the basis for any work the Foundation now decides to go on to do.

The 5-year plan envisages the long-term retention of the Foundation's Piccadilly address, shared with the IU. In the short-term, it has also been decided to retain the Foundation's Edinburgh premises, including *reformers* bookshop, to be run on a voluntary basis. Responsibility for all the Foundation's executive activities and administrative functions will pass, on 31st July, to a new voluntary executive grouping of members.

All plans for work in the future are now being discussed and prioritised. The upcoming AGM day will provide the prime opportunity for members to play their part in this process, and to consider opportunities for their own further participation in the work of the Foundation.

G8 Geldof visits HGF (almost)

Meanwhile - on the first day of the G8 conference - and outside the Henry George Foundation's Edinburgh offices, *Make Poverty History* champion Bob Geldof made an appearence. He turned up to to encourage gathered protesters on their way to Gleneagles and early Live8 concert goers on their way to Murrayfield Stadium. **L&L** editor Peter Gibb managed to penetrate the crowd of protesters, TV crews, journalists and fans to hand Geldof a copy of Mark Braund's new book *The Possibility of Progress*.


Bob Geldof

"When the dust over G8 settles down" Gibb told **L&L**, "and the disappointment of little having changed sets in, I hope he will find the time to read that book - because its author has the answer to Geldof's problem, a problem which is just dawning on him." *(see editorial, p2)*

the newsletter of the Henry George Foundation

The trouble with homeownership in Scotland

Free markets. Big business. Big government.

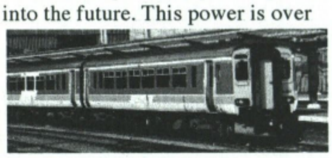
breaking ground

Green light for new rail line

The Scottish Parliament has endorsed plans to reopen the Waverley rail line to the Borders. The Committee responsible for scrutinising the Private Bill to enable the development has published its preliminary report.

The new link will connect the desirable Scottish borders area to the economic and housing hotspot of Edinburgh. The present public transport journey time, by bus, is two and a half hours. The train will cut that to under one hour.

The project sponsors have understood that opening the new rail line will greatly enhance local land values. As part of its funding package, the Bill contains provisions allowing the promoter to levy contributions from local developers for up to 30 years into the future. This power is over



and above the local authority's ability to force section 75 planning gain agreements on new local development.

There is a principle behind this approach to project funding - but the actual plans being proposed pervert it.

The new financial powers will tend to stifle the project's likely success. The effect might not be noticeable in a rising housing market. But problems will become apparent if the housing market enters recession, which some predict it will do - stalling by 2007 and entering full recession by 2010. In that situation, project income from developer contributions will dry up. And, fatally, the project will come to be a drag on local development. The project hopes to be operational by 2008.

While the project effectively will penalise new development in the borders, existing property owners will find their house values freely bolstered by the development. **L&L** has reported early signs of this happening already.

While new development in the borders will be penalised by the new Waverley rail link, sitting householders will enjoy a windfall gift in rising property values courtesy of, in particular, their incoming neighbours, and, in general, the generosity of the UK taxpayer.

Tax reform: worth the transition?

The Institute for Public Policy Research is probably the foremost think tank in Britain today. It enjoys unrivalled access to and influence in Downing Street. So when they organise a high level seminar entitled 'Land Value Tax: Worth the Transition?' a few weeks into a third Labour term, it is surely significant. Could this represent a new interest in land tax by those close to the government? It would certainly make political sense, as Iain McLean, Professor of Politics at Oxford University, told the assembled experts and luminaries.

McLean noted that every 100 years or so, the principle of capturing land values for the community comes to dominate the agenda - and that now the argument is gaining force again with new urgency. At the same time, he said, Britain had never successfully solved the questions of local taxation - inevitably storing up trouble which explodes in periodic crises roughly every 20 years. Professor McLean believes that we are now coming to the top of both of these cycles simultaneously - which means the next few years could represent the best chance for reform in a very long time - just in time for the 2010 centenary of Lloyd George's People's Budget.

The next speaker, Dr John Muellbauer, pointed out that with Council Tax revaluation for England scheduled for 2007, the whole of this issue can only get hotter. Muellbauer's analysis of the problems and pitfalls of property taxation was detailed and coherent - and like everyone who spoke he had nothing good to say about Kate Barker's proposed Planning Gain Supplement. Anxious not to shock the economy, his proposals are very modest: a mild reform of council tax and business rates, making land ownership part of the basis for hybrid valuations.

Richard Brooks of the Fabian Society rounded the event off with some hard political logic: local tax reform has always been a thankless task. And so the political attractiveness of inaction should not be underestimated.

All in all this was an interesting and stimulating event signalling progress for land value tax arguments. IPPR deserve credit for bringing the subject of reform to such an influential group of delegates.

letter from the editor

While the resolutions flowing from G8 might have eased today's 'snapshot' problem of international debt, the ongoing structural problem of trade justice remains. The NGOs are befuddled on the way forward.

ActionAid International provides a good example of the confusion. The organisation certainly realises that trade is key. "Trade rules keep poor countries locked into a failed free-trade model of development. Unless the G8 change their trade policies", says ActionAid, "the development package on offer will remain dangerously inadequate."

Yet while one arm of ActionAid condemns 'failed free trade', Adriano Campolina Soares, its head of operations in the Americas, condemns 'protected' trade. The G8's failure to deliver trade justice, according to Campolina, comes down to its ongoing support for protectionism, not freedom. "The US has no intention of giving up or lowering the massive subsidies it gives its cotton farmers, that are forcing 10 million farmers in west Africa out of business."

Europe's Common Agricultural Policy is suffering condemnation on a similar basis. The West's protection of its own economies - through subsidies, tariffs, trade substitution and a medley of more obscure and nefarious means - is severely harming the ability of enterprise in developing nations to operate or trade fairly, both domestically and internationally. So Western protectionism is criticised by reformers.

At the same time the West-dominated international institutions - principally here the WTO and the World Bank - are criticised for the imposition of rules on trade and aid which clearly bolster the arm of the already strong - the West's corporations - which remove the control of local resources (water and other utilities being good examples) from local ownership, control and management, and which damage the ability of weaker economies to gain strength and compete. These rules are promoted under the rubric of market 'freedom'. Kevin Carson elsewhere in this issue discusses the dishonesty behind the common language of free trade. But still, 'freedom' in trade, too, finds itself the subject of criticism of campaigners.

The NGOs are clearly lost. Whatever, the protection/free trade dichotomy is certainly no longer valid - as Thomas Wheeler argued in the last issue.

Anti-poverty charity War on Want added its condemnation of the lack of progress at the G8. They pointed out that, by the UN's own calculations, trade subsidies alone were costing developing countries between $125bn and $310bn a year in lost sales and lower prices for their goods. Yet War on Want also say "'free trade' has led to increased poverty and environmental degradation on a grand scale." War on Want's enclosure of that phrase within apostrophes is important. Reformers do seem to be aware that things are not quite what they seem to be when in comes to achieving trade justice: people do sense a falseness in the language of the West. Can 'freedom', exercised within moral constraints, really be bad? The NGOs are clearly unsure.

The predominant trade paradigms are being driven further and further apart. The NGO's are finding themselves on the horns of a dilemma.

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Reclaiming the stolen language of 'the market'

Kevin Carson argues that with 'A Restraint of Liberty' George Monbiot has got it all "ass-backward"

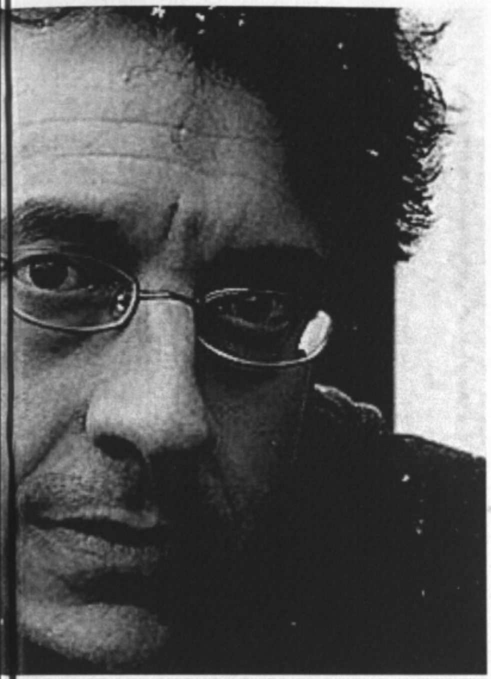
I frequently find myself in full agreement with left-wing commentators in their complaints concerning the evils of corporate capitalism, while pulling out my hair in frustration at their inability to identify the causes and proper solutions to these evils. George Monbiot is a case in point. His misapprehension is summarized perfectly by the subtitle of his article 'Climate change's unprecedented moral challenge demands that we restrict market freedom.' Unfortunately, his understanding of what 'market freedom' entails leaves something to be desired:

> "Adam Smith held that market freedom was desirable for one reason: that it improved people's lives. Where he perceived that it had the opposite effect, he called for restraint. 'Those exertions of the natural liberty of a few individuals, which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments,' he wrote. Governments have 'the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it.'"

Such warnings were of course ignored. Sixty years later, poet John Clare surveyed the devastation wrought by the new liberties. 'Thus came enclosure - ruin was its guide / But freedom's clapping hands enjoyed the sight / Though comfort's cottage soon was thrust aside / And workhouse prisons raised upon the site.'

Monbiot's misidentification of the free market with enclosures and workhouses is, unfortunately, echoed by all too many of the sort of vulgar libertarian for whom "free market" principles consist only of pro-corporate apologetics. The enclosures were, however, about as far from any genuine principle of free markets as it's possible to get. They were a state-imposed robbery, in which the working population was relieved of most of the arable land. The workhouses, appropriately called prisons by Clare, were a way of imposing forced labour on the surplus population. This population was prevented by the Laws of Settlement (virtually an internal passport system) from migrating to parishes where labour was in demand. At first glance, this might appear to cause hardship to factory owners, who were located mainly in labour-poor areas; but fortunately for them, the government conducted what amounted to slave auctions, shipping children in bulk from the workhouses of overpopulated parishes, like cattle, to the factories of the industrial districts of the North and West. To call this 'market freedom,' a term properly reserved for voluntary agreements between free and equal parties, is positively perverse; it is understandable, though, given the kind of pro-corporate and pro-sweatshop apologetic that usually passes for 'libertarian' commentary these days. The worst enemies of real free markets are the people who use the term most.

One of the evil effects of present-day 'market freedom' that Monbiot objects to is the doubling, in the 1990s, of CO_2 emissions from airline flights by UK residents. Monbiot makes the remarkable assertion that "only government intervention could put us back on course." It's remarkably wrong, given the fact that civil aviation is almost entirely a creation of the state. Airports were created with taxpayer money and eminent domain, and (in the US, at least) the FAA's air traffic control infrastructure operated largely on general revenues through the 1970s. Even today, were the civil aviation system deprived of eminent domain and of taxpayer seed-money, there just wouldn't be any new airports. There also wouldn't be any large civilian aircraft, except as a spinoff legacy of the Cold War. The aircraft industry was spiralling into the red after the post-WWII demobilization, until Truman's heavy bomber program rescued it. And the production runs from jumbo jets alone



> **"the worst enemies of real free markets are the people who use the term most"**

would not have been long enough to pay for the expensive machine tools required for producing them, without the production of heavy military aircraft. So we must add to Monbiot's sins of perversity his use of the term 'market freedom' in relation to, of all things, a spinoff of the military-industrial complex.

It is not just that we are free to kill other people; market freedom constrains us to do so. The economy is so organised as to make it almost impossible to do the right thing. If your village isn't served by public transport and there is nowhere safe to cycle, you have, for all the talk of freedom to drive, no choice. If the superstores have shut down all the small shops, you must give your money to a company whose purchasing and distribution networks look like a plan for maximum environmental impact.

So what on earth does our state capitalist economy have to do with 'market freedom'? How anyone can observe the over-reliance on transportation and energy resources in the present economy, entirely the result of state subsidies to the consumption of transportation and energy, and call it an ill effect of 'market freedom,' is beyond me. The radical monopoly of the automobile, air freight, and long-distance shipping is the result of government transportation subsidies. Subsidies to transportation have the primary effect of increasing the distance between things, and rendering decentralized local alternatives unusable.

> "We can deal with climate change only with the help of governments, restraining the exertions of our natural liberties."

This is surely about as close as it's possible for any human being to come to saying the direct opposite of the truth - except for, perhaps, as Monbiot does, referring to Chancellor Gordon Brown as "the man who keeps the markets free." Climate change is the direct result of government-created externality, with the taxpayers absorbing the grossly excessive distribution costs of a centralized corporate economy. That's the central function of government under state capitalism: to subsidise the operating expenses of big business, so that its inefficiency and bloated size are made artificially profitable, and it is kept artificially competitive against more efficient firms engaged in decentralized production for local markets.

The neoliberal apologists for corporate power and the apologists for the regulatory-welfare state have, between them, managed to steal the term 'free market' and deface it beyond recognition. As Albert Nock commented decades ago, 'laissez-faire' is an impostor-term cynically misused by both the apologists for big business and the apologists for big government. It is in their joint interest to pretend that the present corporate economy grew out of a free market, and that only government intervention can restrain corporate power (when in fact it could not survive, and would not exist in the first place, without government intervention). Those of us who hate mercantilism and privilege need to take back the term 'free market' from these swine, and restore it to the proper revolutionary meaning it had before it was appropriated by the apologists for ill-gotten wealth. **L&L**

Arkansas-based Kevin Carson (visit www.mutualist.blogspot.com - the 'Mutualist Blog: Free Market Anti-Capitalism,') is the author of the book Studies in Mutualist Political Economy *(2004). Monbiot's article 'A Restraint of Liberty' is available at www.monbiot.com*

RICS counsel of despair on affordability

The UK Government recently announced its intention to consult on proposals requiring local authorities to free up more land for housing development in areas where house prices have increased. The response of the RICS, the professional body for surveyors, has been of note.

"It is correct that house price affordability should be a factor in determining the amount of land to be made available for housing," they said, "but attempts to link the level of house price increases with the level of land released will be complex, difficult and controversial. To stabilise or even cut the price levels in the south, there would have to be a virtual doubling of supply. Given that such a scale of development is unlikely to be acceptable, the net result will probably be some valuable addition to the housing stock but a very minor improvement in affordability."

The RICS spokesperson added that "there is also the possibility that the housing market may have started to correct itself by the time the extra housing becomes available." The learned body's conclusion to its findings was surprising: these problems, they said, "serve to underline the fact that there is no single solution nor any short-term solution to the problem of housing affordability."

In light of Deputy Prime Minister John Prescott's public support for the principle of a planning gain supplement (in a speech on 13th July), The RICS's Senior Policy Officer Oliver Foster noted that "one of the key questions is the nature of the tax collection and distribution. The more centralised it is," Foster said, "the more likely its failure (in terms of both industry support and the backing of local communities who must see its benefits). Even if the tax were to be given the go-ahead later in 2005, with any necessary legislation going through in 2006, and bearing in mind the nature of land banks and lengthy planning processes, it may not be until 2009/10 that we start to see the tax coming into force. At this point there could be a change of government and an overturning of the policy." The history of several similar previous Labour schemes since WWII, reveals the enevitable truth of that gloomy forecast. The laudable aims of several previous land acts, commissions and committees of inquiry have been annulled by incoming opposition governments.

The RICS has commissioned a research project into the feasibility of a Planning Gain Supplement, for publication in October 2005.

South Korea seeks land tax hike

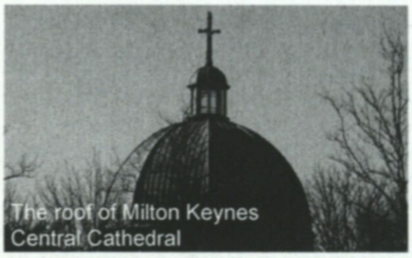
Korea's ruling Uri Party is moving fast to restrict private ownership of land, in a desperate bid to cool down the property market. This is despite criticism that measures may contravene individual property rights ensured by the country's constitution, and may also slow economic growth. Landowners also face heavier taxes for capital gains resulting from land ownership

Olympics and terror

Following the announcement of London's winning bid to host the Olympic Games, Halifax has examined the staggering effects the games had on previous host cities. Barcelona saw prices soar by a staggering 131% in 1992 - 48% higher than Spain's average. Atlanta, Sydney and Athens all experienced similar - if less dramatic - increases.

Such prospects for London, however, may be offset by reactions to the terrorist attacks. David Wyss, chief economist for Standard & Poor's said "You may see a little depression in property prices in central London as you did in New York after 9/11, but that didn't last very long."

£18k Milton Keynes roof tax planned



The roof of Milton Keynes Central Cathedral

Milton Keynes Council is backing proposals for a tariff system dubbed a 'roof tax'. The scheme would mean planning consents for major developments in and around the city will not be approved unless developers pay an £18,000 tariff per new dwelling to be built. This flat rate version of Kate Barker's proposed development land tax is bound to stifle development, ensure less land is released for building on, and discourage the development of smaller, more affordable homes.

The arrangements, a break with the traditional approach of 'site by site' negotiations via section 106 agreements, have been drawn up by the local urban regeneration agency, known as the Milton Keynes Partnership Committee. The Committee has been created as the 'local delivery vehicle' for ensuring sustainable development within one of the growth areas identified under the government's sustainable communities strategy.

Scotland's biggest property developers sell out

Scotland's most ambitious retail park developers, the property entrepreneurs Patrick Vaughan and Raymond Mould, have sealed the second mammoth sale of their careers. British Land have agreed to pay £811m in cash for their company, Pillar Property.

The two made their first fortune when they sold Arlington Securities to British Aerospace at the height of the property boom in the late 1980s - immediately before the impending property crash. Their timing was everything. If Fred Harrison's forecasts in *Boom Bust* are correct, they have now done it again. It is surely a warning of trouble ahead.

Road charge trials 'in five years'

Pay-as-you go road charging could be trialled in the UK within five years, says Transport Secretary Alistair Darling.

The pilot scheme is likely to cover a large conurbation or region, he said. If it is a success, a nationwide scheme could be in place as early as 2015.

Satellite tracking would be used with charges varying from 2p a mile on rural roads to £1.30 in congested areas.

Mr Darling said charging could replace road tax and fuel duty. It would leave half of motorists better off, he said.

Manhattan flats now average £730k

As property prices soar in the UK, Manhattan apartment prices have risen to record high. In April through June average proces topped $1.3m (£730k), according to NY appraiser Miller Samuel - up 8.5% from the prior $1.2m record set at the end of March. This is even more startling considering prices surged 23% from March to December 2004. The earlier price rise was a one-time spike brought on by fears that mortgage rates would rise, Miller said.

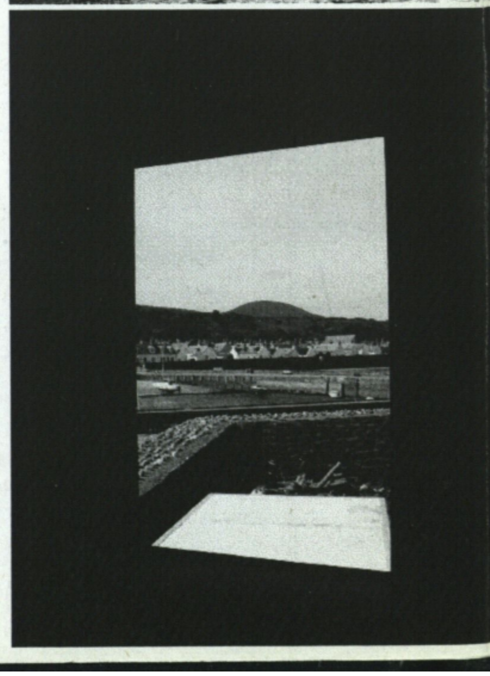
The size of the recent price hike is more typical of increases during a real-estate boom.

Significantly, the number of Manhattan apartments available for sale fell in the past year, despite a spate of new developments, Miller said. This helped drive up prices.

It now costs nearly $1,000 on average to buy a single square foot of living space in Manhattan - one of several records set in the second quarter. For instance, the average price of a co-op - where residents own buildings corporately - topped $1m for the first time, an increase of 11.5% since March.

Homes at stake

Susanne Velke considers a Scottish government proposal for making housing more affordable



It is not only with regard to prices that the Scottish property market is different from the English market. It is a characteristic of the Scottish housing stock that it is made up of a higher proportion of flats: in 1990, 40% of all dwellings were flats, compared with 20% in England and 12% in Wales. The Scottish rented sector is characterised by flatted properties. However, the public demand for owner-occupation is high. This is entirely in line with the New Labour programme of presenting home-ownership as an important base for individual and national wealth. Research indicates that most people, and an increasing number, wish to own their own homes.

It is ubiquitously claimed however that there are not enough homes presently available to satisfy demand. The Barker Review identified the problem of the UK housing market as one of *supply*, and advised 'simply' investing in building more houses.

However, in contrast to this, the government's right to buy policies seek instead *simply* to transfer ownership: council houses and other social housing built responding to a need for low cost accommodation, become private assets to satisfy demand for home ownership. The government mixes two different drives - the *need* for accommodation (to combat homelessness or overcrowding), with the *demand* to own a home of your own, close to friends, family and work (fuelling unaffordability). Difficulties and problems occur by not distinguishing between such separate policy aspirations - social need and market demand.

The Scottish Executive has set up a 'low cost homeownership scheme' that is supposed to deliver 5,000 new low-cost homes by 2008. However, the construction of new houses is not necessarily as 'simple' a solution as it seems at first sight. Firstly, it is doubtful whether such new low cost homes are in demand at all - however, it may be that the market is unable to register pressure for the lowest cost homes. But as sales experience by estate agencies shows, unsatisfied demand is mainly in the upper end of the housing market where properties above £750,000 are required. There, supply is short. The middle market, so-called, with properties priced between £150,000 and £750,00 is rather stable. On the whole, houses below £150,000 are actually in excess supply, according to agents Retties - and market stability in this sector is already endangered by uncertainty and falling prices. Consequently, people with lower incomes in this part of the market may be particularly threatened by negative equity in the future.

The problem is not so much that there is insufficient supply of 'lower end homes' – the problem lies in the price of these houses. Those homes that already exist are too expensive, especially in the places in which they are needed. With the average Scottish home now costing over five times the average Scottish wage the existing supply even at the bottom end of the market is priced too high for those who would buy them. Marginally increasing the supply, as the government plans to do, will make no significant difference to the problem of unaffordability (although it may have an impact on homelessness statistics). Homeownership, the government's aspiration for all households, is increasingly beyond the reach of a significant minority which, importantly, is made up of key economic sectors of society.

Secondly, there is a problem of response: higher demand is slow to induce any increase in housing supply, due to the nature of the housing market. There are, furthermore, inherent lags due to the development and construction process. "Strict planning regulations, lack of suitable land, the time it takes to complete and a lack of skilled workers" are reasons mortgage lenders give for the time delay and the falling number of housing completions over the last ten years.

Another attempt by the government to cope with the structural flaws of the market is the already-established shared ownership scheme. The scheme is designed to help young people onto the property ladder, by subsidising the purchase of their first property. If a first-time buyer cannot afford to buy a house outright, then, as a tenant of a registered social landlord, they may be able to buy a 25% to 50% share of a house, and pay a reduced rent on the remaining share. Such schemes are already offered by local housing associations, targeted mainly at people who already possess some capital to make a start and who are keen to fully possess a property.

However, now the Scottish government is developing an alternative scheme. The shared equity programme *Homestake* aims specifically to address scarcity in the housing market, and help first-time buyers on low income. It is planned to build 300 homes in the present year and go on to provide 1,000 homes a year for the next three years, throughout Scotland, by the means of public investment. A registered social landlord (eg. a local housing authority, housing association or housing cooperative) will fund up to 40% (and a minimum of 20%) of the house price. The owner-occupier will contribute the remainder, between 60% to 80% of the 'purchase' price. The latter party will cover all subsequent expenses in maintaining the house; but apart from that has no further costs like rent etc., unlike in the older shared ownership scheme. In order that the social landlords retain some lever of control over the subsequent 'allocation' of 'their' stock, the share in the possession of the owner-occupier should not be increased to 100% - at least not in areas of housing scarcity. At any future point of sale the respective return to the parties will be the selling price that is realised divided according to the relative share at purchase. Any rise or fall in the value of the house will be shared between the 'owner' and the equity holder, in due proportion to their interest. Economic 'rent', capitalised, therefore, could, to some degree, be captured for the public purse.

Houses offered within this scheme receive investment from the Scottish Executive. The housing associations fund the owner-occupiers with the aim of recovering their investment at the point of sale in the future. With the assumption that Scottish house prices will keep rising, this scheme is supposed to be profitable for housing associations and cooperatives.

A similar project called *Homebuy* has already been established in England and Wales. Active in England since 1999, concerns were raised recently about the real profitability of these schemes for housing associations. There were calls for charging a 'rent' on the amount not covered by the owner. The UK government recently floated a revised scheme called *Open Market Homebuy*. This scheme would charge the owner a rent of more than 3%, and additionally leave the opportunity open to buy the home outright.

Subsidising first-time buyers to get them into the housing market might be a transitional measure for the short-term. However, these schemes support an inherently flawed market system. They rely on the presumption of rising markets to lubricate and fund them. They can, therefore, only be provisional solutions - with, in the longer term, only intermittent functionality. *The ongoing affordability of such special tenure homes - like Homestake - is predicated on the increasing unaffordability of the general market.* A housing slump or even crash would cause such schemes problems, to say the least. Such economic events are unavoidable periodic features of the housing market. A downturn in confidence among buyers would precipitate price falls, and many who are asset-rich now would loose substantial asset value, and perhaps even the family's security of their own home.

The self-responsible 'property owning democracy', in which people own their assets outright, and are safeguarded by a financially stable background, seems a positive goal to achieve. This asset-based welfare, however, should not be developed and sustained through subsidies that presume upon the taxpayer, and constitute a burden on the public purse.

To get to the problem of unaffordability at its roots, policy needs to focus on the long term, stabilising the market by using the means which the market can offer. By imposing a periodic public charge on housing's associated asset, ie. the locational value of the site, which at present is capitalised as a substantial part of the house price, the market could be balanced from within. In other words, a charge on the owner for the provision of the surrounding public goods, which create the asset value in the first place, would be a means to avoid further costs for the public purse. Critically, purchase prices would be stabilised within the range of affordability. In contrast to schemes such as *Homestake*, this approach to creating affordability - structurally, not remedially at the margins - would also have positive influences on the efficiency and fairness of raising and re-investing public revenue.

A 'low cost homeownership scheme' such as the Scottish Executive's *Homestake* proposal is not adequate to combat the problem of unaffordability in the long-term. And it will become increasingly inadequate with the turn of each successive housing cycle. Furthermore, it would negatively influence demand in the lower part of the housing market. Public investment may be good for the economy and good for the political image of the government. But a policy to increase housing supply in such a way will not deal with increasingly unaffordable prices in the Scottish housing market. **L&L**

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Land&Liberty**communiqué**
the quarterly newsletter of the Henry George Foundation

letters

Sir,

I worry that the most suggested alternatives to the name 'land value tax' apply only to perpetual resources. A mineral resource is not perpetual, but its extraction and sale by private interests should be taxed for exactly the same reason as a building site.

Minerals and intellectual property such as the genetics of natural species are all 'land' in that they were created by 'god', not by their 'owner'. It is obvious that a perpetual tax (a rent) is inappropriate for a mineral. It is the value of the mineral extracted that should be taxed.

We should give more attention to the taxation of intellectual property. Unlike a building site its use by one person does not exclude its use by another . Yet we sell the right to monopoly ownership. Is there a better answer?

If we can't keep the name 'land value tax', can we have something that includes 'land' in the broadest sense - say 'resource use charge'? This could apply to resources such as fish, which have the annoying habit of moving from location to location.

Bill Powell, North Warwickshire, UK

Sir,

I find it deeply depressing that **L&L** lets an 'undergraduate' fantasise about free trade and fair trade (**L&L** 1212) without having a clue about the fact that western 'free trade policy' is all about enforcing free trade on commodities like industrial goods where the West is in a privileged position, along with services and patents, while the other hand enforces a barrier to market access for the US and EU to the third world. At the same time, 'fair trade' really means an unconditional surrender to the third world's trade policy, not only when it wants liberalising but in particular when it demands protection.

The georgist trade policy must support all forms of liberalisation no matter if they are proposed and marketed by the rich or the poor countries. Or to put it so even the most backward will understand: one must be a protectionist if one thinks that the answer to the rich countries' export subsidies is imposts. The answer is, of course, that the export subsidies must be abolished.

Ib Christensen, Randers, Denmark

Editor: our correspondent's understanding does not actually seem to be at odds with Wheeler's article. But I hope all readers will find helpful the further treatment of the question of trade within this issue.

diary

4th August 2005, York University
Quaker Land Values Group meeting
Speaker: Peter Reilly

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

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

November 2005, Colombo, Sri Lanka
Conference: **Putting Land First? Exploring the Links Between Land and Poverty** go to www.cepa.lk

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

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Land&Libertycommuniqué is produced by the Henry George Foundation and printed by Aldgate Press and inhouse on Corona 100% post-consumer recycled paper.

ISSN 0023-7574

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