

# WHEN THE FARCE IS OVER

LIVERPOOL, one of Britain's premier port cities has gone bust.

Left-wing councillors who run the city have refused to increase the property tax (rates), in their fight with Prime Minister Margaret Thatcher's right-wing government.

Sandwiched in the middle of the ideological battle are the council's employees, whom the Labour administration wanted to sack as a way of putting pressure on Westminster.

The last few months in Liverpool have echoed New York's brinkmanship with President Ford.

Under a previous Liberal administration, council spending was cut back. Because of this, however, the present Labour administration found itself penalised by the Thatcher government.

The city loses £2 in grant from the central government for every pound over its spending targets.

The left-wing councillors refused to be intimidated: they want to boost the construction programme in a city where the housing stock is in a state of dilapidation, with thousands of families living in slums.

YEARS of recession have eroded the city's rate-base, so a rise in the property tax would have to be high to generate substantial income.

One recent report proposed a 15%

rise in rates, which would raise another £15m. Labour councillors want to restrict the rise to 9%.

Because the councillors were unwilling to raise enough money to meet the bills, the city's employees were issued with redundancy notices which were promptly declared as illegal by the High Court.

Now Labour Party leader Neil Kinnock, aware that the Liverpool farce is doing little to improve his party's chances of winning the next General Election, is applying pressure on the left-wing councillors.

Somehow, a budget deficit of £75m has to be spirited away. Raising more money from the ratepayer may look attractive, but it imposes disproportionate strains on some property owners.

The absolute level of the rate is high: 269p in the £ for businesses, and 250.5p for households.

But half the population get some rate rebate, leaving the burden to be carried by others: this is the result of an economic system in which thousands are unemployed, and many of those in work have to settle for low wages subsidised by the State.

On top of that, however, a relatively few landowners pay nothing for their large tracts of valuable land. Vacant sites are zero rated. This results in:

- There is no fiscal pressure on the landowner to reduce his selling prices (which means the rate of job creation is slower than it otherwise would be);

- Entrepreneurs are penalised as soon as they put brick to mortar with a view to starting up new businesses, for they then become liable to pay rates.

Liverpool, like other inner cities, does desperately need a renewal of its physical infrastructure. To this extent, the councillors are right to be militant. Britain's builders have declared, time and again, that the biggest obstacle to construction is the supply and price of land.

Liverpool has a more than ample supply of land on which to build. Its owners, however, are reluctant to release that land at prices below what they expected to receive during the last speculative boom in real estate.

The councillors, then, ought to be lobbying Parliament for a change in the property tax. The way back to budgetary solvency and general prosperity is a new, and high, tax on the market value of land; and a reduction (better still, the elimination) of the tax on the value of buildings.

*That would generate new jobs and better houses, which cuts across the ideological divide.*

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