

A Liberal tax shift

LibDem Councillor **Tony Vickers** explains how his new book – *Location Matters: Recycling Britain's Wealth* – shows how through the adoption of land value taxation Britain will prosper in the modern world.

LOCATION matters. When choosing where to carry on a business, or live, everyone knows that the location can make a huge difference. It's why we generally have to pay more to run a business in a city centre, or to live in a garden suburb.

In *Land Markets and the Modern Economy*, published by the Royal Institution of Chartered Surveyors, the authors point out: "Human populations are expanding, but the land is a finite resource, putting ever-increasing pressure on the living-space". Unlike in most markets, such a 'demand-push' for land cannot result in increased supply. It can only enable those who already hold land rights – such as homeowners – to demand a higher price for a share of those rights, which makes them richer. This is intrinsically unfair. It is 'something for nothing'. It is a transfer of wealth from the land have-nots to the land-haves.

In my new book I wanted to explain simply how that happens. I wanted to explain what the consequences of it are for society; and I wanted to explain what could be done to correct that failure in our application of market mechanisms.

The wealth that accrues to landowners "in their sleep" (as Winston Churchill recognised a hundred years ago) [echoing Mill, Ed] should belong to us all: it should be "a Treasury for the Nation", as he went on to say. Any public charge on those who hold land rights should not be called a tax, because it is payment of rent due to society.

My book picks up where Churchill's early Liberal thinking left off – planning for a People's Budget to reclaim the wealth of Britain's land for the public at large, and to enable other taxes to be reduced. As some Greens are now putting it: "Keep what you make, pay for what you take".

Not only is the human population expanding, but *per capita* it is consuming more of our natural resources. Up to 20 planet Earths would be needed to maintain the current global population at the consumption levels currently enjoyed by the us. The resources are finite: not just the land surface, but also resources like the capacity of air to hold dispersed carbon products and the sea to sustain fish stocks.

This is exacerbating the divide between asset-rich 'developed' older nations and individuals and wealth-creating, income-poor younger people and nations. It is also compounding climate change. Climate change is the ultimate externality. It is imposed largely by

those people and groups who hold wealth and use it to acquire more wealth through the efforts of others. They receive these benefits while we are taxing those others almost exclusively for the public goods that all require: health, clean water, police and courts, education, etc.

The fiscal mechanism I describe in my book does have the effect of recycling wealth through the development process. The reason I chose "recycling" for my sub-title is that the word is understood as having a connection to climate change – to being part of an urgently needed solution. The global environmental dimension to this fiscal mechanism was entirely unknown a hundred years ago, when Churchill was making his plans, although the seeds of climate change were sown even earlier. We were not running out of time then in the way we are now.

I want my book to help people understand how we can make it possible for those upon whom we will have to rely to get us out of this frightful mess – the workers and the entrepreneurs – to do so without paying tax on the fruits of their efforts: earned incomes and profits. Liberal Democrats in Britain have been crafting a package of tax reform proposals branded as the 'green tax shift' – and a key part of it is land value taxation (LVT).

In ten years of researching this subject, I have concluded that there are two main obstacles preventing LVT becoming the subject of legislation: 1. the politicians' perception that the policy is a vote loser; and 2. the lack of a technical infrastructure – land information, valuers, systems to calculate and collect the tax fairly and transparently, and so on. I believe that, in Britain at least, we are on the cusp of clearing these two obstacles. The second can be overcome easily if the first is cleared: politics, not technology, is the big problem.

We now have Britain's third party committed to LVT. It is highly likely that it will be in a position to influence the policies of the next Government, which will be elected no later than 2010. Although Liberal Democrats have balked at including a domestic LVT in their manifesto, the policy is formally approved 'for the longer term' with no qualification.

I believe that voters could be persuaded to support LVT. As a local councillor in south-east England, where house prices have been rising

three-times faster than general inflation, I have been polling my constituents. An overall majority of the 250 who have answered the question would prefer 'a fairer property tax' to any other option for local finance – including the current proposal of a local income tax.

Of course the opponents to any radical change in tax will always shout louder than the silent majority. That's where political leadership has to be exercised. Sensible politicians (they do exist!) as opposed to populist weak ones ought to be greatly encouraged by my polling.

One of the most urgent first steps in any campaign plan for introducing LVT would be to engage with ordinary people in a more scientific way. We need independent opinion surveys using carefully constructed questions.

But we've come far since the Liberal Democrats set out to review their tax policies in early 2005 and I was appointed to their tax commission: from a refusal to look at campaigning for LVT to a public acceptance by the party's acting Leader Vince Cable MP – a highly respected economist – that LVT must be our 'direction of travel'. Cable has told me that, were our party to have influence in a future British Government, he would support the early introduction of a tax on domestic land values, at a national level, and enable reductions in income tax.

I am convinced that the public mood is shifting. If we are to have a habitable planet for our grandchildren to inherit, changing the culture that treats home-ownership as a right to steal wealth from those who create it is an imperative: for that is what the system has been doing. I hope my book will make change easier to understand and accept. L&L

Tony Vickers is a surveyor and an independent land policy researcher and lecturer. He is a former chief executive of the Henry George Foundation, publishers of L&L.

Chris Huhne MP says ...

As we approach the centenary of Lloyd George's 1909 People's Budget, Tony Vickers' new book is a timely reminder of one of its key themes: location matters. Despite living in a largely 'virtual' world of internet and teleconferencing, the issue of 'where' matters as much as ever and is still vital to politics, community and society. The land question has not gone away just because we don't rely on British land for Britain's food supply and industrial raw materials. Instead land lies behind the crises in affordable housing and the lack of public transport infrastructure.

Vickers combines spatial and political awareness with many years of careful academic research to give us a very competent and readable oversight of the issues surrounding land values and land value taxation. Like growing numbers of people in progressive politics, I have long believed that the behaviour of imperfect land markets needs to be addressed by modern government. Neither the property market nor the tax system are fit for purpose in the modern age without a carefully constructed land value tax.

The reasons for this have been known to the initiated since Adam Smith. They are too often ignored, and indeed kept from the wider public by vested interests. This book is a primer for anyone who wants to help create a more equitable, efficient and sustainable Britain.

There are few people in Britain today who have done more than Tony Vickers to bring the land question back into public debate. In the past decade, numerous studies by and for governments in these islands have come and gone, some of which have acknowledged the beneficial attributes of land value tax but all of which gather dust. Some have had too narrow a remit; others have preached to the converted and used language that makes 'real world' politicians and commentators cringe. There is a danger in overstating the case, of which Vickers is aware.

I commend this book to any radical of whatever party who supports a free market system but believes markets are there to serve society and not be their master. As Mark Twain famously said of land: "They don't make it any more". That perception – give or take a polder or two – is what makes land both unique and capable of creating such roller-coasters of wealth and poverty both within generations and between them. It is up to governments to intervene where markets fail. Without land value taxation, the land market in Britain is bound to fail to deliver the homes and communities we need. If the Government does not soon intervene to recycle Britain's land values, we may not run out of land but we will run out of time to secure a fair, free and sustainable society.

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(a version of this appreciation forewords Tony Vickers' new book)

I stand for a Britain where, because the Earth is on loan from future generations, we must all be stewards of the environment.

Prime Minister Gordon Brown, Bournemouth 2007

