

■ CHAPTER FIFTEEN

Political Prospects and Feasibility

We now weigh the political and other group pressures that are likely to foster the entry of land value taxation into the British fiscal system. In his research into these issues, Tony Vickers drew upon the insights of a team of 10 British colleagues who visited a number of cities in Pennsylvania in March 2001 to study what lessons could be learned for Britain from the split-rate tax there. His report was published for a conference in Liverpool, England, in February 2002 (Vickers 2002a) and, in shortened form, as a Lincoln Institute working paper (Vickers 2002b). The complete version of Vickers's input—a detailed treatment of his research—appears in Appendix E; in this chapter he covers the principal issues.

Politics

Because real estate is immovable, it represents an asset to the local community, and property taxes throughout history have most often been assigned to local government. British mistrust of local government (about taxes) is possibly no greater than mistrust of national government, and few in Vickers's surveys believed that LVT would be used to replace other taxes—which LVT supporters claim is essential—rather than to supplement them.

The situation is very different in the United States, where the constitution lays down rights for all states to choose from a range of taxes. The other notable difference between the U.S. and U.K. is the proportion of local government expenditure that is levied and retained locally. In the U.K., only about 25 percent of local authorities' budgets comes from sources over which they have any control. The ratio of revenue raised locally to that raised by state and merely assigned to local government is almost exactly reversed in the U.S.: only 25 percent of local government revenue comes from nonlocal sources. This is a difference of enormous political significance, which affects the mind-set of everyone in the political process. Therefore, the potential of LVT to be an economic instrument

for local government will remain much less in any part of the U.K. than it might be in other countries, until British local authorities are given greater local financial powers.

Culture

By “culture,” we mean the prevailing fashion for tackling issues within public institutions, the media and civic society. Britain is no longer prone to ardent street campaigning or to radical change of any sort. But central government now uses the tool of best value to require each local authority to review all of its processes and services every five years or less. Modernisation and pilots of all sorts of policies are currently very fashionable, and debate is stifled by the prevalence of blame culture, in which every level of government seems to place responsibility on another tier for its problems and failures while claiming credit for success in its domain, whatever the cause.

Another important aspect of British culture that impedes debate about radical reform is the general belief that the experts, as opposed to politicians, are always right. This deference to authority might be challenged by environmentalism. Environmentalists are largely responsible for another cultural trend: support for hypothecation in taxes. Increasingly, people are demanding that there be an ethical case for any and all new taxation.

Economics

Economic factors are beginning to favour LVT. In Britain thus far, the officials most interested in LVT have been on the economic policy team of the Department of Environment, Transport and the Regions (now the Office of the Deputy Prime Minister [ODPM]), looking for economic instruments that support government policy objectives. The revenue-raising power of LVT is less important to them than its effect on human economic behaviour.

The Political Parties

Labour

Labour shares the liberal tradition of a strong land campaign running from when the party was originally formed until World War II. Labour went on to legislate three times between 1947 and 1976 expressly to capture the unearned increment of land values through taxation for public benefit.

But the failure of these efforts has had a negative effect on Labour perceptions of the benefits to the party of such policies as LVT and its ilk. Nevertheless, a significant number of young, ambitious and influential MPs at Westminster have spoken publicly in favour of LVT, and the Labour land campaign, although small, is stronger in numbers than it has been in many years.

However, the proposal to regularise the planning gain system is the nearest that New Labour policy comes to recognising the importance of recouping land value for the benefit of the community (Labour Party 1994). There is no sign of a desire to really reform property taxation, and even the promises of 1997 (Labour Party 1997) to end the capping of councils' tax-raising powers and return control of setting the Uniform Business Rate to councils have been abandoned.

With luck and skill exercised by the Labour land campaign, a solid bridge-head of committed LVT supporters in the parliamentary Labour Party could be built within the next few years.

Conservatives

The Conservative Party exists to preserve (or conserve) the privileges of the landed interests, or so runs the theory, but the party's current standing is dire, particularly over such issues as European integration. However, if the party becomes more like the European Christian Democrats, it is arguable that it could be influenced with ideas of LVT.

LVT prospects in Britain would certainly improve with a Conservative Party once again seriously challenging for power, but with an open mind on the land question. If LVT, however, remains a "left-right" issue, history shows that it is unlikely to reach, let alone remain on, the statute book.

Liberal Democrats

For the first time since it was formed in 1988, in its manifesto for the 2001 election, Britain's third party explicitly supported site value rating (Liberal Democrats 2001). A series of policy motions at Federal Party conferences has now secured a firm foothold for LVT, which some of the party's most influential economists openly and strongly support. From now on, it will almost certainly gain strength and move forward, although whether as a local or national tax is unclear. The Federal Party is due to review its entire taxation policy in 2005–2006, after the next general election.

The policy on choice for revenue raising clearly allows Liberal Democrats to support the proposals in this book, but, as Adrian Sanders MP, its Parliamentary local government spokesman, says, "This is not just a subject for debating societies. This is real politics. This is one of the most important issues on which our generation has to make a choice" (Vickers 2002c, 9).

Green Party

The role of Greens in the ongoing LVT campaign in Britain may be that of encouraging Liberal Democrats to act upon their policy of demanding pilots of LVT. The more that the Greens campaign on the issue, the more likely it is that

Green Liberal Democrats and Green-tinged politicians in all parties will pay attention to the subject.

In the Scottish parliamentary elections of May 2003, Greens campaigned with LVT as one of their top five policy priorities. They advanced from one to seven seats, indicating that LVT is certainly not a vote loser.

Nationalists

The Scottish Nationalist Party (SNP) in 1998 endorsed a policy of support “in principle” for LVT and further study of its potential. But, it is unlikely that nationalist support for LVT will be crucial unless and until they achieve their main aim, which is independence. At that point, national taxation systems will leap to the top of their agendas, but meanwhile they seem not to care too much, even about how their local councils are funded. Nevertheless, they do demand more local tax-raising powers.

Northern Ireland politics is unlike that of mainland Britain. The province has a long tradition of joined-up official thinking. The Assembly at Stormont could move faster towards LVT than anywhere in the U.K., and systems that might enable LVT will be in place by 2006. However, at the time of writing, Stormont politics is on hold, and U.K. ministers run Northern Ireland again.

The Devolution Effect

Members of the Welsh and Scottish legislatures say that they sense that their colleagues (elected and official) want to prove themselves more effective and more radical than Westminster and Whitehall and show the people who elected them that they can deliver better government through devolution. Taxation is at the heart of representative government. And land is what defines the scope of devolved government, quite literally. As one Scottish Labour politician put it, “Land reform is the most distinctive area of Scottish policy.”

Devolution gives a place—not a people—its own government. English people living in Scotland, but not Scottish people living in England, have devolution. Similarly, it is Scottish property taxation for local finance that is open to debate in Scotland’s Parliament, not taxation of Scottish-earned income or profits.

British local government is really local administration of central government, so little power does it have to fund its functions. Devolution will probably change that, but it will be a painful process. Differences are already emerging within parties, based on geography and devolved powers.

Tax reform is bound to be at the heart of any changes in politics in a devolved Britain.

Nonparty Politics

In its constitutional and land reform conventions, Scotland has exhibited almost a bicameral formality about involvement of nonparty, nonelected civic bodies in the political process. Whitehall imposes on councils and many of its other creature bodies (ministries and quasi-autonomous nongovernmental organisations [QUANGOs]) an obligation to consult with, and even form partnerships to deliver services by, voluntary and/or private sectors.

This politicises a much larger number of people than before, even if it does not greatly empower them, because the rules and important spending decisions are still made by governments. But the involvement of nongovernmental organisations (NGOs) in politics is a two-way process. NGOs are becoming very adept at getting their own issues to take priority with elected politicians. Some NGOs have larger memberships and budgets than political parties, including many with an interest in land policy, such as Friends of the Earth (FoE), the Council for the Preservation of Rural England, the National Trust and the National Farmers Union.

The political prospects for LVT will be measured in the next few years by how many such NGOs (trade unions, faith groups, charities and single-issue ginger groups) come out in its favour. The international links that such NGOs have, often all the way up to the United Nations, make a success for LVT in one country resonate quickly elsewhere. The Internet helps in a similar way.

LVT Prospects

Prospects for LVT are better than they have been in decades. However, there is still very little knowledge about it. LVT's chances might be better if it were an entirely new idea, not one with an ancient history.

The most important task for proponents of LVT is to educate those who influence politicians and their official advisers. A clear, costed, low-risk method of piloting the policy must be devised and sold to those who would most benefit from it. There are almost certainly far more potential winners than losers if the right policy path is plotted.

A great deal more work is needed before Britain is ready for more than a few pilots of LVT. But the political climate is as suitable as it ever has been. The best prospect for a real start is probably in Scotland, where there is a formal commitment by the reelected Labour/Lib Dem Executive to investigate LVT as the replacement for council tax. However, pilots could begin in any part of the U.K. where a strong-enough local campaign can be put together, with national support from a wide coalition of NGOs and professional bodies.

Summary

Various current pressures are accumulating for a change in taxation in Britain, particularly towards a more equitable distribution of the rates burden (property tax) and thus a fairer collection of local government revenue. They arise from the present incidence of devolving governing and taxation powers to Scotland, Wales and Northern Ireland and from the activities of various influential special interest and political groups (e.g., Greens, Scottish Nationalists, Liberal Democrats and even active Georgist organizations). Such influences now enhance the argument that it is both timely and appropriate to contemplate an introduction of LVT, particularly into Britain.