

Princess Alice's right answers

PRINCE Charles, the next King of England, carries the troubles of the world on his shoulders. Despite his privileged background, he has chosen to identify with the problems of ordinary people, by making controversial forays into Britain's social and economic problems that have not endeared him to the Prime Minister, Margaret Thatcher.

He has complained about the working conditions of Asian families in Tower Hamlets, one of the slums that lie within the shadows of the skyscrapers of the City of London. He has also secretly sweated with workers down on the farm, to make sure that he has an earthly understanding of what it is like to labour for a living.

And he has used his position to cajole investors into helping to rebuild the rotting inner cities.

None of his proposals for remedial action will actually work, for they do not match the scale of the problems that he finds so disturbing.

THE PRINCE listens to people. He is perhaps closest of all to his 87-year-old grandmother, the Queen Mother, but he ought now to learn more about the views of his paternal grandmother, the late Princess Alice of Greece.

She believed that land value taxation would solve the domestic problems confronting her country. Advocacy of such a fiscal reform would certainly lead the prince into a political minefield. For constitutionally he is not supposed to stir controversies that set him in conflict with Parliament, or Her Majesty's government.

It seems, however, that the British public admires the 39-year-old prince for his blunt-speaking forays into issues ranging from medicine to architecture. A public opinion poll for a television company revealed overwhelming support for his actions.

And that is why, if he were con-

• THE PRINCE OF WALES.
"The royal family must have money," he says. "If they have to look to the state for everything, they become nothing more than puppets, and prisoners in their own countries. That's what happened to the Japanese royal family. They can't even go on holiday without asking parliament."



vinced of the correctness of his grandmother's philosophy, he could afford to become an advocate of land value taxation.

Why should he?

- Britain's problems – which are common to all industrial societies – have recurred periodically for 200 years, from the time of the Industrial Revolution. It is therefore wrong to place the blame on particular features of contemporary society (the planning system, for example, which has been with us for a mere 40 years).

- Take the dereliction of the inner cities. The problem is not that old industries die; they have been doing so for two centuries, as one invention has superseded another. Rather, land speculation – holding land vacant for up to 15 years at a time, to benefit from cycles in land values – has

INSITE and the dilemma that faces the caring Prince Charles

priced embryonic businesses out of the market.

What looks like prudence for the landowner is disastrous for the people who need homes and premises in which to start up new businesses that create jobs.

The Urban Development Corporations are a partial solution: they compulsorily purchase land in their areas and place it into the hands of those who want to use it. This is fine, for a few people, in a district favoured by Parliament's decision to establish a UDC, but this mechanism does not provide a *continuous* process for renewing our cities, which need to constantly adapt themselves with the minimum of disruption.

- Or look at the problem of housing. Again, none of the instruments available for action offer a *generalised* solution to the problem of land prices, which present the greatest obstacles to the building industry.

The wholesale slum clearances of the '50s, and the mindless pre-fab estates which were spawned in the '60s, were the results of frustration with an economic system that could not respond to social needs.

And the system could not res-

pond because the land market is, by its nature, monopolistic; structured to dictate the price and the pace at which it allows the community to use its finite resources.

On the other hand, the prince's solution – self-help groups rebuilding slum dwellings – leads the thousands of homeless families into a fantasy world.

- Or look at the problem of employment. The principal cause of recessions is the land booms which price businesses – from street-corner shops to great manufacturers – out of their premises; which divert capital from machines to quick gain land deals; which distract entrepreneurs from providing the goods and services needed by people, in favour of takeover deals that enable them to strip companies of their under-valued properties.

The prince has expressed dismay at the way Bengali families are forced to work in overcrowded, decaying premises in Tower Hamlets, in the East End of London. But that is all they can afford – and even then, it is a struggle to meet the rents!

Although presented in a side-of-the-mouth whisper, most of the major economic textbooks agree with the view expressed by H.R.H. Alice: the only way to achieve a competitive land market is to levy a tax on the value of land.

THIS IS not a proposal to increase the tax burden: on the contrary, taxes on wages and profits further aggravate the problems created by the absence of a tax on land values. It is imperative, if we are to encourage people to work and invest, that we reduce taxes on labour and capital.

• The Crown estate yields £30m for the Treasury – which is said to be about what it costs for Britain to maintain the monarchy. The Crown Estate Commissioners manage property worth £1.227m on behalf of the Queen.

LVT SHOWS WAY

PRINCESS Alice of Greece – mother of Prince Philip, the consort to the Queen of England – was an ardent advocate of land value taxation.

She mounted a vigorous propaganda campaign in Greece, using the books written by American social reformer Henry George as the basis for change.

After joining the International Union for Land Value Taxation in 1926, she wrote an article published in the Athens daily newspaper, *Prota*, on May 22, 1927.

"For the last four years I have given much thought to the movement which is engaged in promoting the levy of a tax on the value of land, and I have studied Henry George.

"In every nation leagues

are established or are being established to work for the Single Tax on Land Values, and when in response to a demand expressed at the International Conference in Copenhagen in July last, there was founded the International Union for Land Value Taxation and Free Trade, I made myself a member of that.

"The great advantage of the Single Tax on Land Values is the liberation of commerce and industry from the burdens of taxation, without causing any reduction in the public revenue.

"After serious and thorough study, I have arrived at the conclusion that the idea of a Single Tax could contribute to the economic restoration of our country. I have no hesitation in stating

my conviction that this question ought to be studied by the statesman of Greece. I am sending you four books in English which fully explain the operation of the principle and policy."

In an article in the same newspaper, on January 25, 1929, she emphasised the importance of distinguishing between land and capital.

She pointed out that while the price of capital tends to increase as a result of additional taxation, a tax on site values must have the effect of forcing down the selling price of land.

Propaganda, declared the princess, was more than ever necessary, if the taxation of land values was to be promulgated.

Princess Alice died in 1967, aged 82.

Prince Charles, of course, as the beneficiary of the income from the estates of the Duchy of Cornwall, would be faced with serious personal questions if he were to embark on a study of land value taxation. But since a tax on economic rent would be offset by a reduction in their other tax liabilities, most people would be net winners – and provision could be made for the few losers during a transitional period.

The prince, who dares to advocate alternative perceptions of the world (including alternative medicine, and extra sensory perception) is a brave man. He is struggling with a holistic philosophy, and that is why he ought to be attracted by land value taxation: this single tax reform would diffuse its benefits into most areas of people's lives.

There are no practical problems with its administration. After all, if the prince's predecessors, the Norman conquerors, could do it with the aid of the Domesday Book, there cannot be any difficulty in valuing and taxing land in this com-

puterised day and age! Indeed, the mechanics of land value taxation are even now on display in countries like Denmark and Australia.

WITHOUT realising this implication, the prince has recommended that people should learn from a city that has benefitted from a partial application of land value taxation (according to a report in the *Financial Times* on October 12, 1987).

At a speech to the annual meeting of Business in the Community, of which he is President, the prince pointed to Pittsburgh as an example of successful urban renewal. Little did he know it, but that success is largely built on the benefits of the Graded Tax, a two-tier property tax in which the rate on land is much higher than the rate levied on the value of buildings.

Prince Charles is looking for answers. His lonely days of reflection in the Sahara, or by the trout streams of Scotland, won't help unless they somehow tune him into the message from his grandmother.