

# Economic Monitor

Autumn 2006 Issue 79

One World, One Wealth

## Land Does Matter

No-one can seriously argue that the 'Land Question' is a thing of the past. The melting polar ice cap has once again demonstrated that access to land means access to economic opportunity. Suddenly the North Pole is at the centre of arguments between Canada, Russia and Denmark about who will have the rights to exploit newly discovered oil and diamond reserves. The argument is all about who claimed it first. No-one is asking who put the reserves there or why they should become the private property of the earliest claimants.

As the global economy and populations grow, questions about land ownership and use are cropping up everywhere. In an article entitled "The Big Steal" the Guardian newspaper recently described how, in China, "...the one-party state is over-seeing one of the biggest thefts in world history: the seizure of thousands of hectares of land". Apart from their modern and Oriental context, the scenes described could be taken from 18th Century England: self-sufficient farmers are being forcibly removed from their family plots with little or no compensation so that developers can move in, build and profit.

In Bolivia the Amazon rain forest is also the scene of battles over land. Where once the indigenous peoples farmed forest and grasslands for their livelihoods, wealthy ranchers are taking over the land for cattle and timber exploitation. In Utopia St Thomas More described how sheep were driving people from their 16th century homes and villages; in Bolivia

it is cows, but the effect is the same – deepening poverty and dependence for many to provide richer harvests for a few.

In neighbouring Brazil a similar battle is being fought. In both the southern Rio Grande do Sol and the northern region of Minas Gerais Afro-Brazilian *quilombola* communities settled on reclaimed lands were recognised in the 1988 constitution and granted the right to regularised land titles. However, the ensuing 18 years have seen little progress and there are recent reports of *quilombola* communities being forcibly removed from land claimed by big landowners with the support of the authorities.

Africa too suffers from land distribution difficulties. It is only necessary to mention Zimbabwe to make the point, but in neighbouring South Africa where land redistribution on a willing buyer / willing seller basis has been Government policy since the end of Apartheid, the previously excluded populations are finding little difference in their real economic status at least partly because of the difficulties in obtaining titles and access to land.

What all this demonstrates is that the developing world is no more exempt from the ordinary laws of economics than the developed world. In the economic system of the developed world, the road to riches is through land and asset ownership. This is bound to create inequities and injustices unless a just and fair system of land use and distribution can be discovered and applied. The fact is

that wherever populations increase and the scale of land use increases, land will acquire value which makes it an attractive possession to those who can claim exclusive ownership of it. These problems are now appearing in the developing world; in the developed world they have remained unresolved for centuries.

Meanwhile, the prescriptions for mending poverty in the Third World and meeting the Millennium Development Goals for Third World poverty reduction proceed without any regard to all this. Prominent among those prescriptions is the requirement for public investment in infrastructure through overseas aid programmes. Development economists are right to assert that investment in schools and hospitals as well as in transport infrastructure, communications and accessible technology for rural communities is essential to achieving the MDG's. But it is essential also to take account of the effects these investments will have.

Building a new road changes the effect and value of location. Transforming desert into arable land or viable forest creates value. As soon as particular locations acquire value, people look for land rights, and land rights soon turn into land values where those who can afford it purchase the lands of those who cannot creating a new class of landless people with no option but to head for the cities to find jobs on whatever terms are available in competition with their fellow dispossessed.

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Autumn 2006 courses and events – see back page

Justice and equity demand that economists and policy makers address these simple facts and take account of them. Certainly, everything practical should be done to encourage the growth of sustainable economies in places where people do not have enough to live on. But it should never be forgotten that the source of all human material wealth is the land that supports us. Great care needs to be taken to ensure that in providing a viable economy we do not perpetuate the hideous anomalies of systematic poverty alongside increasing wealth that characterise the developed world.

For developing economies fighting poverty, the key is a just and equitable system of land rights which recognises that private land ownership carries real responsibilities with it. These include keeping the land in good condition, using it in the best interest of the community which depends on it and returning to the community the value which the community alone creates. Much of this could be achieved through a sensible application of a land value tax once a land market develops and there is a sufficiently sophisticated government infrastructure in place to administer it.

But the developed world needs to put its own house in order. Our economies deliver great wealth but at enormous social and environmental cost. We have to find ways of restraining our desperate quest for endless economic growth by reducing the pressures in our economic systems that demand more and more production and more and more use of resources.

Some solutions can be found through the tax system, by a steady transfer of the incidence of taxation from production, enterprise and incomes onto ownership of land and assets and through the reform of monetary systems with fresh approaches to credit and capital creation. This will also require real human development, the development of new human attitudes and understanding. These changes can only be effected if people learn to take a large view of themselves and of the world we all live in and recognise an obligation in all of us to give a little more than we take and to leave our world a little better than we found it.

## LVT an update

The city of Harrisburg, Pennsylvania is living proof that even a “modest” Land Value Tax works.

The city, with a 50,000 population sits in the “Rust belt” of the USA where many towns and cities have lost traditional heavy industry and face economic decline.

Harrisburg was listed as the second most distressed city in the nation twenty years ago. It had sustained precipitous decline over nearly three decades – a decline far greater in proportion than has ever been experienced by any urban community in the State of Pennsylvania or, for that matter, every other state with only one exception.

Since Harrisburg introduced an annual land value tax on all taxable land the city has jumped from the bottom to the top group of American cities. Mayor Reed says: “Without hesitation we can commend the importance and benefit of the land value tax policy. It has worked in Harrisburg and in other communities where it has existed.”

Since the 1970's Harrisburg has had a Split Rate Tax on property where land is valued separately to buildings. A levy is then applied to the two values. The City rates land six times more than buildings.

The Split Rate Tax (land and buildings) is a modest form of Land Value Tax. The land element represents only 14.5% of City tax revenues and the LVT only falls on about half the land in Harrisburg. Government, charity, education and health premises are excluded by Pennsylvania state law.

The facts, however, speak for themselves:

- Empty sites and buildings have been redeveloped and the number of vacant properties cut by 85%
- The number of businesses on the tax roll has grown from 1,908 to 8,864
- Over 5000 housing units have been newly constructed or rehabilitated
- Taxable real estate has grown from \$212m to over \$1.6bn
- Unemployment has fallen by 19%
- Crime has dropped by 58%
- Fires have dropped by 76%

Mayor Reed was first elected in 1982 and is still Mayor today.

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Meanwhile, in the UK, debate about LVT simmers on. As long ago as 2001, property owner Don Riley exposed the windfall fortunes delivered to landowners by public investment in the Jubilee Tube Line extension. Government continues to ignore the obvious lesson while wrangling and delaying over finance for London's proposed Cross-rail project (a plan to build a new West-East railway across the capital) and few seem willing to address the real economic issues underlying the discussions about infrastructure finance.

The question popped up again when Kate Barker published the interim report of her Review of Housing Supply in the UK in 2003, only to mysteriously disappear from the final (2004) Report. Instead she recommends a “planning gain supplement” to inject urgency into the housing market. But PGS is a one-off tax on the development gain that is realised when planning permission is granted and land is sold for housing development. Four similar attempts since 1945 have all had the same effect: it is an active discouragement to development, especially when there is a prospect that the next government will repeal the tax.

Writing in the Financial Times earlier this year, commentator Martin Wolf described the Barker proposal as “not so much a big mistake as a huge missed opportunity” and went on to recommend a tax on land values (or site value) as a vastly superior option, a view which this journal would endorse. The spate of letters in response demonstrated that the proposal is (a) controversial, (b) little understood and (c) still very much alive. What is needed more than anything is political leadership with the courage and vision to challenge the deeply vested interests that oppose all change in this direction.

# Unequal Effort

Peter Fennell

According to the pure theory of economic rent, equal effort applied on equal plots of land will show different productivity purely as a factor of location. But the higher rewards



to be had at premium sites naturally induce the application of highly skilled effort and more of it. So how much of a difference really exists between the most premium site and the most marginal? And how much more effort does it attract?

Take, for example, the latest glittering skyscraper in the City of London compared with an average agricultural holding in the rural hinterland.

## Capital

Considerable effort was applied to 30 St. Mary Axe in the City of London to build 35 storeys of offices in the shape of a gherkin. That's at least £138 m of capital, turning a 2000 sqm plot of land into 40,000 sqm of lettable office space – of which all but 4 floors are now let. If it lasts 100 years that's £700 / sqm per annum on the ground. Allow say £100 / sqft internal fit-out costs every 10 years and the all in cost is £2000 / sqm on the ground.

## Labour

Assuming the let floors are occupied to 80% of design capacity there would be 2800 people in the building during office hours. Assume further that 50% of those are 'execs' on average £75k salaries with another 50% support staff on average 25k, plus a handful of chief execs on £500k. Then the building cost is dwarfed by the application of £75k of wages on each square metre of the base plot.

By comparison, the 2bn wages in all UK agriculture is thinly spread over 17.2m hectares: the equivalent of 1.2 new pence per square metre. Unequal effort to the tune of 6.3 million to one!

## Rent

Average rents at approximately £50 / sq.ft in the City translate the gherkin into £11,000 per plot square metre per annum while the average rent paid by tenant farmers at £110 per hectare makes a neat factor of 1,000,000.

## Ratios

The ratios are so vertiginous they make the architecture look modest. One million times more valuable land, a handsome dividend, leveraged by capital, but owing much to location – presumably the gherkin on a marginal Welsh hill farm would be half a million sq.ft of white elephant. But what is the meaning of the difference between wages and rent? Even excluding capital, rent as a proportion is much lower on the premium site at only 13% of aggregate (rent + wages) compared to nearly half on the farm. What is the significance for the theory?

## Tax, subsidies and the rent of ability

Balancing factors may include taxation. 40% direct tax on much of the labour in the Gherkin compared to very little on the £7k average wage (including benefits in kind) in the fields. Then there are subsidies and speculation which may artificially inflate rental values at the margin. But perhaps the higher executive wages in the City are not all they seem. Perhaps competition for the brightest in the City where big money is won and lost on ability, opens the way for ability to claim a share of the economic rent.



# Taxing Matters

## Advance Notice

A seminar on how taxation affects the economy and how taxing land values offers the possibility of greater justice and efficiency in economic management.

Saturday November 18th 2006  
11 Mandeville Place.  
London W1A 2AJ

Details available:  
11 Mandeville Place  
Tel: 0207 0344000  
from 31st October 2006.

School of Economic Science  
in association with the  
Professional Land Reform  
Group and the Henry George  
Society.

# An Apology

The editors apologise to readers and subscribers for the long gap in publication of the Economic Monitor. Future publications will appear at the beginning of each term.

# Principle of Stewardship

Chris Wood

In the 1960's something changed and we began to emerge from a dream. Man traveled into space and for the first time saw Planet Earth vividly suspended in the emptiness of space. *Silent Spring*, Rachael Carson's classic, was published and we awoke to the fact that there was such a thing as the environment and, moreover, we lived in it. In the early '70's James Lovelock and Lynn Margulis coined the term "Gaia Hypothesis" and Barry Commoner formulated his Four Laws of Ecology in *The Closing Circle*.

We have realised that the planet is a finite entity and that everything in it and on it is connected to everything else. We now know that temperature rises through global warming show that the body is not well. It is becoming increasingly polluted without the opportunity to repair and rejuvenate itself.

Planet Earth presently supports a population of over 6 billions and is expected to rise to 8 billions by 2030. In simple terms the land element of the planet is divided 1/3rd forest, 1/3rd agriculture and pasture and 1/3rd given over to deserts, mountains, ice, buildings and infrastructure.

## Sources of problem

Growth in food production to meet population growth thus far has come from two principal sources: first, an increase in the area under cultivation or pasture and, secondly, the impact of technology.

The increase in the supply of land for cultivation and pasture has involved bringing more marginal land into production with the consequent effect of reduced forest cover. Marginal land requires both irrigation and chemical fertilizers. Bad farming practices have led to desertification, salinization, soil erosion and eutrophication. We may well have reached the point of diminishing returns where marginal land is concerned. Reduced forest cover impacts the capacity of the planet to respire. Carbon sequestration is impaired, carbon dioxide concentrations increase and global warming results. There are many other detrimental effects some

of which are identified and understood and some that are almost certainly not yet apparent.

Technology has had its impact in two principal ways. Manufacture and application techniques of fertilizers, herbicides and pesticides have developed rapidly and generated significant growth in yields. Genetic engineering has played a key role with the development of disease resistant and more productive plants. The impact of technology is not wholly benign.

## The gift of Planet Earth is freely given...this places obligations on US...

Unless we can make the land more productive we are left with genetic engineering as a major tool to increase the food supply. Doubtless it will meet some of the need but this is an area where a whole raft of complex issues begins to emerge. Not the least of which are grounded in ethics, public relations and intellectual property rights, to cite but a few.

The world's oceans represent a partially explored and developed source of food. Aquaculture may offer great potential but the development of this resource should only take place against the background of a proper understanding of the environmental effects of intensively raising fish and other stocks.

## Food miles

In simple societies the distance between food source and table is short – food is grown locally. In the complex societies that exist today the distances may be vast. Enormous amounts of fossil fuels are consumed in preparing, packaging and transporting what we eat. The fertilizers, herbicides and pesticides also require energy for production and have to be manufactured, transported and applied. Fossil fuels are laid down over vast time scales; essentially they

represent stored solar energy, our solar capital account. That account is being depleted at an alarming rate and is not being replenished. This is unsustainable.

Notwithstanding the fact that over 800 million people are presently starving there is a view that enough food is being produced to feed everyone. The issue is one of distribution not production; the needy people and the surplus food are not in the same place. Nevertheless, modern food production practices are unsustainable at current population levels. Further, it is not at all apparent where the food is going to come from to feed an additional 2 billion people. Reliance upon human ingenuity and technology to bridge the gap to food security for all may well be a completely inadequate and irresponsible strategy.

Planet Earth is a finite resource. That the industrialization of agriculture has got us this far is no cause for comfort. Any policy that is informed by the notion that we can organize nature to fit an idea of what an economy or a society ought to be rather than the reverse is manifest folly.

Planet Earth is a gift. It occupies a generous and hospitable location in space warmed by the fire of a nearby star. It is stable and supports life in myriad forms. Left to itself it produces food all on its own. Its crust contains a wealth of elements available to be used wisely by those who inhabit this unique place.

Since the gift of Planet Earth is freely given this places obligations upon the recipients, the planet's population. This may be understood in many ways but essentially, this unique asset is held in trust for the generations to come. In view of this an overarching principle is required that will inform the use of the planet's resources to ensure that starvation becomes a thing of the past.

Food security for all requires the intelligent use of the planet's non-renewable resources and efforts to develop systems that rely upon sustainable sources of energy. To

be able to live on a sustainable basis current consumption must equate to current income. Sustainable current income is principally available in the form of sunlight and this ultimately drives everything.

## Stewardship

One principle that will light the way forward is the principle of stewardship. This is not a new concept. It has existed since pre-recorded history. One of the earliest references to stewardship appears in Chapter 15 of Genesis in the Old Testament wherein Abram says to the Lord that Eliezer of Damascus is the steward of his house. The principle of stewardship is the recognition that the house being held in trust is no less than Planet Earth.

There are a number of practical aspects to the principle. First, outright ownership is not transferred to the beneficiary but only the right to use and occupation. This is tempered by the obligation not to lay waste to the asset and to care for it and nourish it such that it is, if possible, in better condition when surrendered back to the owner. Only by so doing will the planet be able to meet the needs of ensuing generations. There are some subtler aspects as well. They involve an obligation to account to the owner of the asset for the use of it. One way to understand the principle is the need to seek to manage the asset, the Planet, in a way in which the owner, the Creator would have managed it had the appointment of the steward, collectively the planet's population, not taken place.

A few moments reflection reveals that except when man interferes, life in the animal and plant kingdoms proceeds, over time, in harmony and balance. Accordingly, the ability to read the "Book of Nature" reveals how this harmony and balance are achieved. Certain precepts may be discerned and they may be described as natural or universal principles or laws. They are likely to be few in number and have as their essential factor a great simplicity. There are three that can guide us.

First, there is the principle of

harmlessness. In the natural world there is generally a peaceful co-existence. To the extent that activity is informed by excessive self-interest so it creates harm and the peaceful co-existence is disturbed.

Second, there is the principle of causality. Every action has its effect that, in turn, flows naturally from its cause. Effects may be unexpected but that is beside the point.

Third, the principle of rhythm. Everything runs in cycles; they may be long or short but they are always in evidence. Whether they are of the scale of the rotation of the planets, birth to death, the biogeochemical cycles such as Carbon or Nitrogen, the natural cycle of waters or plants from seed through fruit to seed again, or the drawing of breath and exhalation, they exist. The planet is characterized by a vast matrix of complex interrelated cycles endlessly repeating.

Doubtless there are other precepts bearing on the subject but these three, if properly understood and applied, would go some considerable way to addressing the present imbalances.

Examples are legion of the effects of not understanding or ignoring these precepts. To give but three examples. Cows fed the offal of other livestock in the interests of efficiency have developed BSE. Interception of river flows and the demands of irrigation have reduced the Aral Sea to a fraction of its former size. The industrialization of agriculture has led to monoculture with a host of effects including those as disparate as destruction of soil structure and loss of rural employment. These are far-reaching and unforeseen, but not necessarily unforeseeable, effects of actions undertaken, perhaps with the best of motives in mind. They serve as lessons from which we must learn if increasing levels of deprivation and suffering are to be avoided.

## Strategies

Everyone on the planet can take these precepts to heart and allow them to inform the decisions taken in the course of daily life. However, for

bigger changes to occur governments need to take the initiative and by so doing shape the course of events. In that regard some potential strategies suggest themselves.

1. Seek to reduce the distance food travels from farm to table. This will conserve energy, promote local food production, generate local employment and result in a fresher and purer product. Government could move to promote local agricultural enterprises by way of incentives in the area of farm employment and direct support for sustainable farming practices.

2. Promote the idea that there are certain elements that should not be the subject of proprietary interests, essentially expand the notion of common wealth. This already exists in respect of Outer Space, Antarctica and the High Seas. To the extent that this notion is expanded to include such things as the air we breathe, the water we drink and the sunlight we absorb so they can come to be understood as Global Commons.

3. Promote the notion that when evaluating a potential enterprise the cost/benefit analysis should bring in to account the costs of all elements of consumption. This will require the development of a new field of econometrics for which data sources will be required. Such externalities include the opportunity costs of alternative forms of energy, the social costs of population migration from rural to urban areas, loss of local or vernacular knowledge and loss of natural capital to name but a few.

The problem of adequate and efficient food production is numbingly complex and central to the issue are matters of enormous breadth and depth. It is likely that a sustainable solution will continue to evade us as long as we believe the only answer lies in the application of yet more science and technology. A much greater need is a shift in mindset from one of narrow self-interest to one where the longer term is in view and the principle of stewardship is universally adopted.

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## Time for Land Value Tax

The Institute for Public Policy Research



TIME FOR LAND VALUE TAX?

ISBN 1 86939 290 4  
£9.95

For many who have long believed in the merits of collecting the rent through the taxing of land values this book comes as a welcome endorsement of the economic and moral case for its application, particularly since it comes from such highly respected mainstream academic authorities.

The core of the book comprises papers presented at a seminar 'Land Value Tax: worth the transition?' held at the University of Oxford in autumn 2005.

As the cover note informs us 'the book brings together leading economists and political theorists to explore the case for and against land value taxation. The authors explore the benefits for social justice of a land value tax and trace the long history of the idea. But they also demonstrate the political pitfalls and suggest that there is still some way to go to prepare the ground for such a radical shift.' Further: 'there is a growing consensus that property taxation needs reform ... Land Value Taxation could help reforms of Council Tax, local government finance, planning and house building, as well as promoting macroeconomic stability. Introducing any changes will require long-term planning, detailed economic and distributional analysis

– and, above all political courage. But with vision and patience, a consensus is possible. Now is the time to seek it.'

There is a useful introduction where the current structure of property taxes are outlined and discussed.

Iain McLean's paper 'The politics of land tax then and now' provides an excellent overview of the subject tracing the classical arguments of Paine, Ricardo, Henry George and Lloyd George with passing reference to Francois Quensnay and the French 'Physiocrats'. Jefferson and Churchill are quoted along with Henry George's abstraction from Adam Smith of his 'canons of taxation'. He touches upon Lloyd George's land tax campaign of 1909-14 and notes how a recent government committee (the Balance of Funding Review) and the Commons' ODPM Select Committee 'both considered land tax in the summer of 2004. Although they both rejected it, they both engaged (up to a point) with the arguments for it – something that no UK government had done since 1947.' He quotes the UK Government: Current receipts (from the Budget Report 2005) showing official estimates of the current yield of each main tax, 'including all taxes that LVT could replace or supplement.' These, in accordance with the 'property' tax focus, he limits to Inheritance Tax, Capital Gains Tax and Stamp Duty, (which, along with Section 106 Planning Agreements) he describes as 'bad land taxes), Business Rates and Council Tax. In considering 'political prospects' he declares that LVT could replace Council Tax, business rates, or both. It could (and probably should) also replace stamp duty and Inheritance Tax' since 'these are small beer, so their abolition would be politically popular and help assuage losers from a switch to LVT'. He concludes 'Policy makers have an opportunity to implement Tom Paines dream. Which is also the dream of David Ricardo, Henry George and Lloyd George. What better way to mark the centenary of the People's Budget in 2009?'

John Muellbauer's contribution is entitled 'Property Taxation and

the Economy'. In it he provides an analysis of the roles of property and land values and considers property tax reform from the point of view of the objects of macro-economic stability, resource allocation, economic inequality and the environment. He also offers concrete proposals for reform of Council Tax and Uniform Business Rate indicating that there would be many more gainers than losers.

An interesting 'Commentary' is provided by Richard Brooks, (Research Director, Fabian Society) in which he discusses related political issues, key stakeholders and what could be done to ease the path for the introduction of LVT.

There is a caution however for traditional LVT enthusiasts who, we are told, are frequently regarded as cranks since (as single taxers) they tend to advocate LVT in replacement of a much wider raft of taxes than the limited 'property taxes' considered in this study. Nonetheless it disappointed this reader that the views of these academic luminaries on the merits of LVT as an alternative to the major taxes i.e. those on earnings, employment and trade, was not provided. It was also surprising, since some principles of good taxation including the importance of equity and the need to minimise deadweight losses, distortion of incentives, collection and compliance costs were discussed whilst considering the advantages of LVT over alternative property taxes. Maybe the authors were being more politically astute however than 'enthusiasts' tend to be in seeking to avoid any such 'cranky' associations – at this stage at least. As is made clear throughout the book, making a move to LVT politically acceptable is far more challenging than making the economic case for its implementation.

The book is an excellent read but requires and merits detailed study to fully digest the range of issues considered and the more modern language that is used compared with that used by those of us steeped in a more traditional approach.

# A Model Corporation?

Andrew Purves

The Corporation of London, of which the Lord Mayor is the elected head is an unique organisation in the United Kingdom, perhaps even the World. It was acknowledged and recognised by William the Conqueror in 1067 and there has been a documented Lord Mayor of London since 1189, although it is supposed that both the Corporation and the Lord Mayor existed long before. The Corporation employs professional staff for many of its activities. It's policies are directed by members of 24 committees who give their time voluntarily, most of whom are drawn from the wider network of City Livery companies.

The Corporation of London is one of 33 local authorities in Greater London. It looks after the City of London in the way all other local authorities do by providing basic services such as waste collection, amenities and planning. But it also has a number of special functions. It is, for example, the third largest arts funding body in the UK, with responsibility for the Barbican, the Museum of London, and Guildhall School of Music as well as three of the nation's highest achieving independent schools - the City of London schools - educating some 2000 pupils at any one time.

Another special function of the Corporation is to regulate London's specialist markets. Smithfield meat Market is still in the City, while Billingsgate Fish Market has moved to Docklands, and the New Covent Garden Market (fruit, vegetables and flowers) is now in Vauxhall.

The Corporation owns and maintains over 10,000 acres of open space in and around London including Hampstead Heath, Epping Forest, and Burnham Beeches at a cost of £12m per annum. It also built and maintains the City bridges across the Thames: Tower, Blackfriars, London and Southwark.

In addition to all this, over £300 million is contributed annually to the national non-domestic rates pool. Collected through business rates in the City, this is redistributed to local authorities all over the country by central government.

Through the office of the Lord Mayor, the Corporation promotes the City of London around the world enabling it to maintain its position in the top three world financial centres for over fifty years. It is at the centre of many national traditions and ceremonial life, helping, for example, to organise, fund and host the Queen's Jubilee celebrations - you may remember the Queen touching the hilt of a sword held by the Lord Mayor on her way to St Paul's Cathedral. The ceremony represents the Queen of England being granted permission to enter the City of London, and is repeated every time she enters!

All this is funded entirely from its own resources. In fact income from investments even allows the Corporation to distribute millions of pounds every year to Charities around the Capital.

## How is this done?

The secret is an enviable property portfolio managed efficiently by constantly re-investing in order to maximise property revenue.

In the Corporation's charter of 1444, in the reign of King Henry VI, it was confirmed to the citizens: "all soils, commons, purpestures and improvements in all wastes, commons, streets, ways and other places of the city, together with the profits of the same, and they may improve and enjoy the rents of the same from them and their successors for ever." These rights were confirmed in a Royal Charter granted by Charles I in 1638.

By 1974, the estate comprised of 1,724 properties, which had been given, granted under 2000 year leases or purchased over the centuries. Since then many of the separate Estates or Funds have consolidated their properties. For example the Bridge House Estate which looks after the Bridges now owns approximately 70 properties and other investments producing net income of £27m in 2001.

Of this, £3m was spent on repairs, £15.5m was given to Charities, and after covering its own expenses,

£7m was put aside for the Bridges replacement fund. Other Funds exist including the City Fund, and the aptly named City's Cash.

## What is all this money?

Here is an organisation which owns prime London real estate - about 25% of the City of London itself (the Square Mile). It is not a private or public company run for the benefit of shareholders. It is administered by professionals who might otherwise work for developers or institutional investment funds or pension funds. It is generally considered that they do a good job. The surplus is returned to the community in the form of vital and well regulated services (the markets), open spaces, education, the arts and direct grants to charities working in the community.

This surplus is clearly the Economic Rent of Land, generated by all the economic activity conducted by the business community occupying the Corporations' properties, not to mention the rest of London and the national economy of which it is the hub. But because it is not diverted into private hands through dividends, interest or rising asset values it is available for public purposes.

What this model shows is that the collection of publicly created Economic Rent from private landlords and publicly quoted property companies need not be a dramatic change. There is no reason why they should not continue to employ people to manage their estates in order to maximise rental income, and continue to utilise their expertise to combine and consolidate different properties to realise the full development potential.

It is true that landowners would lose the benefit of publicly created land values. But they would still be left to profit from their own efforts and expertise, a change which would simultaneously reduce dividends and stabilise asset values. But the public would have a massive pot of gold - the Economic Rent - from which to fund community needs while dispensing with some of our existing regressive taxes.

# JustEconomics

## Economics with Justice

### THREE COURSES OF TEN EVENING SESSIONS

The economics we are concerned with is economics with justice. Adding a sense of justice to the study of economics makes a difference. Wherever economic arrangements appear to result in injustice, we can be fairly sure that something has gone wrong.

By studying natural laws that govern human beings in our relations with each other and with the natural world which supports us it is possible to identify where things go wrong and what to do about them in order to restore economic justice. In these courses we attempt to identify natural laws which offer the possibility of economic justice and to show how they relate to the economic world around us in the 21st century.

#### Economics with Justice

The School of Economic Science offers a challenging perspective on economics for anyone who has wondered why economic affairs are organised the way they are – and whether there might be a better way. Most economic systems are based on assumptions. What are they? Whose are they? Whom do they benefit? To see different possibilities requires a different way of looking.

The Foundation Economics course examines such questions as: can everyone be wealthy? Why are there so many poor people in rich countries and why are there very rich people in poor countries? So few countries in the world produce and consume so much of its wealth. So many people in the world fail to reach their economic potential. The course asks: Is this inevitable? How could it improve?

**Autumn 2006:** Tuesday, Wednesday and Thursday evenings and Saturday mornings from September 26th .

#### Economics: Theory and Practice

This course builds on the principles discussed in Foundation Economics. Many students ask about the basic economic systems – classical, neo-classical, Marxist, Keynesian, monetarist. This course gives brief descriptions of these and assesses the extent to which they demonstrate natural laws and the effects they have had.

Study of great economists and their ideas is used to focus attention on some of the hidden assumptions of economic life – the idea of property, the place of land, labour and capital as factors of production; the importance of natural resources and the incomes derived from them and the role of government in managing modern economies. Understanding these enables students to see the causes of many of the injustices and difficulties experienced in modern economies and how they might be avoided or resolved.

**Autumn 2006:** Tues eve and Sat mornings from September 26th.

#### Growth, sustainability and human development

Economic growth has become the standard by which the success of national economies and international businesses are judged. But economic growth is also having a devastating effect on our planet. Can the human economy continue to offer greater and greater wealth without destroying its own foundations?

This course looks at the big questions facing the globalised economy. Is economic growth sustainable? Can the natural environment survive the impact of industrialisation? How can human beings cope with technological advance and ecological change? What can we do to help?

Building on the analysis offered in the previous two courses, this course explores how economic affairs can be arranged so as to offer freedom, justice and equity to humanity without destructive exploitation or misuse of the natural world.

**Autumn 2006:** Thurs eve & Sat mornings from September 28th.

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