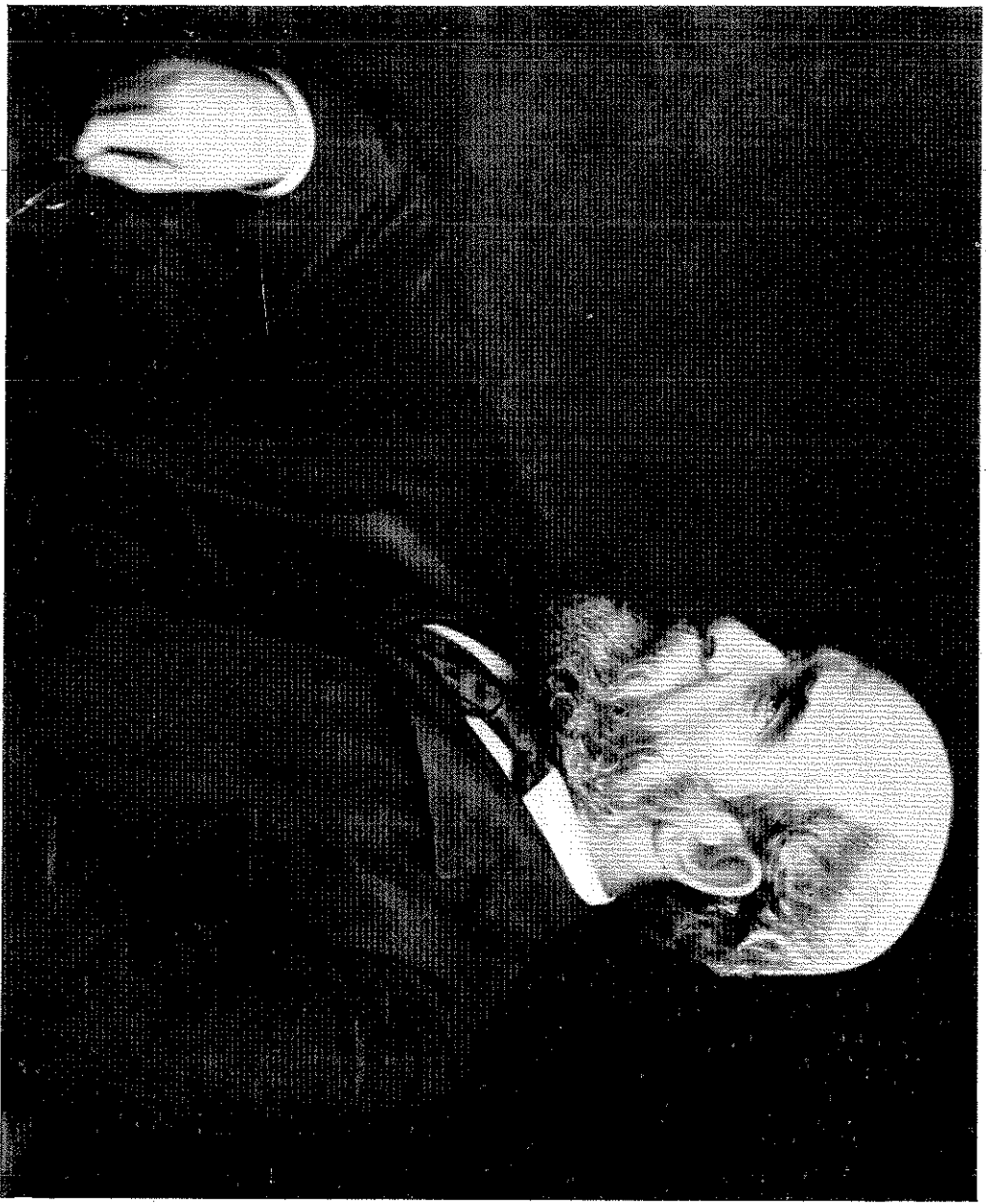


LAND & LIBERTY

JAN. & FEB.
1979



HENRY GEORGE'S
Philosophy Offers
The Alternative
To Violence and
Revolution



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F. HARRISON



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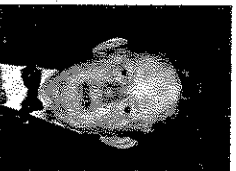
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Our photographs are a study of
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THE TITLE of Henry George's famous book *Progress and Poverty* conjures up varying images. To those who have no more than a passing acquaintance with George's life and with his work, the impression of a passionate reformer with a single idea—the Single Tax—is dominant. Yet to describe *Progress and Poverty* as a book that advocates a tax on land values as a substitute for other taxes is like describing Hamlet as a ghost story; it tells you nothing of the book and certainly offers little inducement to read it.

But millions have read it. When it was first published 100 years ago it caused a sensation that went around the world. It was viciously attacked and widely applauded. It is true that its message is predominantly political—that is why it was both condemned and praised. But as a book it offers far more than a political message.

Progress and Poverty is a treatise on political economy that still challenges prevailing economic orthodoxy, its confusions, contradictions and inadequacies; it is a book that philosophically treats of the nature of man, his history, his motives and his destiny; it is a book about ethics, liberty and human rights.

It is full of paradoxes. It sympathises with the socialists but attacks socialism; private property is staunchly defended and vigorously attacked—for with impeccable premises and devastating logic George showed the economic and ethical distinction between property in land and property in the products of man. He observed the widespread corruption in political life yet saw politics and not revolution as the pathway to reform. And of course his book was about the greatest paradox of all—the persistence of poverty amid advancing wealth.

Various economic and political nostrums have been tried since George's day and they lie in ruins while poverty around the world still persists and bloody revolution seems to the landless the only way out. In Britain *Progress and Poverty* has been invoked by the ignorant or cunning to support travesties of George's basic reform, all of which have aggravated rather than eased the evils of our land tenure system.

The book is not without its faults, but these are either superficial or irrelevant. The thesis

Vic Blundell re-examines the book published 100 years ago

The Philosophy of HENRY GEORGE

remains intact and is being confirmed as every year passes.

Many of the descriptive passages in the book match anything to be found in English literature, particularly the illustration of the unbounded savannah. Often in the midst of his exposition of a point George slips into an eloquent style which, though perhaps not to everyone's taste, shows the power and breadth of his imagination and the great moral force that motivated him. On the faulty Malhusian analogy between man and all other animals:

"He braves the scorching heat of the desert and the icy blasts of the polar sea, but not for food; he watches all night, but it is to trace the circling of the eternal stars. He adds toil to toil, to gratify a hunger no animal has felt, to assuage a thirst no beast can know."

"Out upon nature, in upon himself, back through the mists that shroud the past, forward into the darkness that overhangs the future, turns the restless desire that arises when the animal wants slumber in satisfaction. Beneath things, he seeks the law; he would know how the globe was forged and the stars were hung, and trace to their origins the springs of life..."

On selfishness: "Short-sighted is the philosophy which counts on selfishness as the master motive of human action.... Call it religion, patriotism, sympathy, or the enthusiasm for humanity, or the love of God — give it what name you will; there is yet a force which overcomes and drives out selfishness; a force which is the electricity of the moral universe; a force beside which all others are weak.... To be pitted is the man who has never seen and never felt it."

On man's dependence upon land: "... the products of the sea cannot be taken, the light of the sun enjoyed, or any of the forces of

HENRY GEORGE was born 1839. Died 1897. *Progress & Poverty* published 1879.

Ran for Mayor of New York in 1886 and 1897. George's later books were *Social Problems*, *Protection or Free Trade?* *Perplexed Philosopher*, *Condition of Labour* and *Science of Political Economy*. George lectured in England, Ireland, Europe and Australia. *Progress & Poverty* has been published in numerous editions and in several condensed editions and has been translated into many languages. *Progress & Poverty* is included in the White House library of outstanding American books. There have been a number of biographies of Henry George including the first by his son Henry George Junior.

nature utilised, without the use of land and its products. On the land we are born, from it we live, to it we return again — children of the soil as truly as is the blade of grass or the flower of the field."

George was not always in eloquent mood. In exasperation at the faulty logic of John Stuart Mill (though he acknowledged his greatness and "warm heart and noble mind") George resorts to a four-letter word. He quotes Mill as follows: "The land of Ireland, the land of every country, belongs to the people of that country. The individuals called land owners have no right in morality and justice to anything but the rent, or compensation for its saleable value." To which George retorts: "In the name of the Prophet — figs!" If the land of any country belongs to the people of that country, what right in morality and

justice, have land owners to the rent?"⁴

As well as a writer, philosopher, economist, lecturer and reformer, George was also a politician. He stood twice as a candidate for the Mayoralty of New York. On the second occasion (1897) during the latter days of his campaign he was introduced to an audience of working men as "the great friend of labour." However, unlike a typical politician he denied it and responded:

"I have never claimed to be a special friend of labour. Let us have done with this call for special privileges for labour.... I have never advocated nor asked for special rights or special sympathy for working men! What I stand for is the equal rights of all men!"⁵

Those who have read *Progress and Poverty* years ago should read it again. They will be reminded of its relevance to the world's problems since it was first published right through to the present today — and it will provide fresh inspiration to work for "the first great reform."

To those who have never read this classic I can do no better than quote John Dewey, the famous American educator and professor of philosophy at Columbia University:

"It would require less than the fingers of the two hands to enumerate those who, from Plato down, rank with Henry George among the world's social philosophers.... No man, no graduate of a higher educational institution, has a right to regard himself as an educated man in social thought unless he has some firsthand acquaintance with the theoretical contribution of this great American thinker."

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IT WAS A British Chancellor of the Exchequer, Selwyn Lloyd, who, when introducing a tax he knew would be unpopular, acknowledged that 'all taxes are odious.' This may seem a truism, but the remark deserves study, for it is true in two different senses and the distinction between them is significant. It is true, first, in the superficial sense that no one enjoys paying taxes. No one likes to have something taken away from him, even for a purpose of which he approves. The payment of taxes is always a nuisance.

There is, however, a more profound meaning to the statement that all taxes are odious. It is that the majority of taxes throughout history have been regarded as onerous, arbitrary, and harmful in their effects. Such feelings are understandably prevalent in the nineteen-seventies, for the extensive role played by the state in the life of modern nations has resulted in levels of taxation far higher than those of the past. A biting tax bites harder; an unjust tax is more unjust, a depressive tax more depressive. The innate tendency of any tax becomes more marked as the level of the tax increases.

The principal taxes that hold sway today are those on incomes (wages, interest, and profits); on wealth (possessed, acquired, or transferred); and on spending (sales and value added taxes, customs and excise duties). Let us look at the properties and consequences of some of these taxes.

A graduated tax on incomes is usually accepted as embodying an inherent principle of fairness: 'from each according to his ability,' with the corollary 'to each according to his needs,' is the axiom not only explicitly of the Marxist but implicitly of most of the industrialized countries of the world. The ability to pay principle is engendered by a social condition in which there is a growing gulf between the rich and the poor and a recognition that this must be changed.

The effect of income taxes is to blunt the incentive to seek higher incomes. This is not much felt when rates of tax are low but becomes more potent as rates of tax rise. It ceases to be worth while not only to work hard, to shoulder responsibility, to learn skills and undergo technical or professional training, but also to innovate, to take risks, and to exploit opportunities. The worker and the entrepreneur alike are penalized if they improve their performance, and the investor is penalized for putting his capital into productive enterprises rather than consuming it.

Business profits are similarly affected. In a healthy competitive economy profit is the measure of success. The reward for proficiency in reducing costs and expanding output and sales is a higher return, which the tax system proceeds vigorously to cut back.

Taxes on wealth have many of the same defects, for the accumulation of wealth is one of the spurts to economic action. A case can be made for the prohibition of inherited wealth, but equally a case can be made for the freedom of a man to devise his property as he wishes. *There is too much emphasis on the size of the fortune and too little on the means by which it was obtained. Even wealth transmitted through generations had to be won at some time. The relevant question is how it was won—by contributing to the economic well-being of society or by living on the contributions of others.*

One of the commonest forms of tax on wealth is that on real property, levied either on the capital value of the premises or on their actual or imputed annual value. It is characteristic of such taxes that the finer the building, or the more it is improved, the higher the tax imposed on it; the shoddier the building, or the more it is allowed to decay, the lower the tax imposed on it. Best of all is an empty site, for to have no building is to pay no tax at all. The window tax in England is rightly held up to ridicule, but countless modern property taxes operate in exactly the same way.

Taxes on spending fall on goods and services and make those goods and services dearer. They are like

TAXES

The Case for Reform

BY ANTHONY CARTER

an additional cost of production, artificially raising prices and decreasing the standard of living. Customs duties reduce the competitive advantage of goods imported from abroad and afford protection to home suppliers of those goods. This protection boosts employment in industries less efficient than their overseas competitors and thereby impedes the flow of labour to industries which, if the goods were freely imported, would be supplying the exports with which to pay for them.

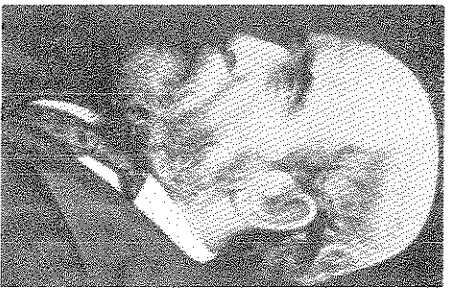
To sum up, it can be said that taxes on incomes discourage effort, that taxes on wealth discourage saving, that taxes on property discourage development, and that taxes on spending discourage production. Thus virtually all contemporary taxes are negative and detrimental. This may lead many to concur, reluctantly and despairingly, with the statement that all taxes are odious. Must it be so? Must every tax hamper social virtues and foster social vices? If there no hope of a good tax, one that is odious to those who pay it but so formulated that its consequences are positive and beneficial?

OF ALL taxes the most widespread are those on incomes. Without them the rich grow richer and the poor grow poorer, an intolerable situation which has very little to do with the initiative of individuals and much to do with what look like inexorable laws of nature. The ethical basis of taxes on income is the assumption that the gulf between rich and poor is natural and should be corrected by the redistribution of wealth. That gulf certainly exists; shorn of a redistributive mechanism the tendencies towards an inequitable distribution of wealth reassert themselves. *This does not prove that those tendencies are natural and inevitable. An alternative explanation is that an equitable distribution of wealth would occur naturally but that somehow the natural forces are interfered with and distorted.*

The gap between rich and poor is, after all, a very curious phenomenon. One would expect some men to be richer than others; one would not expect, unless conditioned to it, that there would be a very small rich class and a very large very poor class. What is even more curious is that as societies progress—as labour becomes more skilful and specialized, as machines are invented and technology evolves, as the power to create wealth is multiplied many times over—the lot of the poor is barely improved. On the contrary, the gap between rich and poor grows more pronounced. The rich get richer; the poor, relatively if not absolutely, get poorer.

To explore the hypothesis that this outcome, far from being natural, is fundamentally unnatural is to head for new horizons which challenge the whole function

'Did you ever think what a strange thing it is that men cannot find employment? Adam had no difficulty in finding employment, neither had Robinson Crusoe; the finding of employment was the last thing that troubled them. If men cannot find an employer, why cannot they employ themselves? Simply because they are shut out from the element on which human labour can alone be exerted. Men are compelled to compete with each other for the wages of an employer, because they have been robbed of the natural opportunities of employing themselves; because they cannot find a piece of God's world on which to work without paying some other human creature for the privilege.'—HENRY GEORGE.



of redistributive taxation. If the gulf between rich and poor is not natural it behoves us not to accept it and react to it but rather to search for the cause of it and bend our energies to the removal of that cause. If taxation could play a part in this we should be well pleased.

One of the foremost proponents of this alternative thinking was the nineteenth century American economist and philosopher Henry George who in 1879 published *Progress And Poverty*. George was perplexed as to why in an age of plenty there was so much deprivation. He set out to analyse this paradox and identify the reasons for it, and having done so to propose a remedy. His remedy was to abolish all taxes except that on the value of land!

We ask how such a change could possibly achieve so much. A tax on land values—that is, a tax falling on the market value of all land irrespective of its state of development—is practicable, has much to commend it, and has on occasion been adopted; but how radically could a single tax on land values alter the distribution of wealth, how much revenue would it yield, and what is the ethical justification for taxing citizens with land and not those without?

As we shall see later, George was convinced that a tax on land values was the best method of taxation even when judged purely as a tax, but his primary aim in urging it was to transform the social attitude to land, which had come to be treated like a commodity when it was entirely different in at least three crucial ways. First, unlike most commodities, land was fixed in supply. Second, land was not produced by human agency but was in the manner of a gift to mankind. Third, man could not live without access to land which was an indispensable factor in all production.

Land in the classical economic definition embraced all the resources of nature, not only the surface of the earth but the air above it and the contents of the ground beneath it. It was ownership of land in this sense—ownership of nature—which conferred on a few men the power to grow rich, for as land was essential to human life the rent that could be demanded for its use absorbed all wealth in excess of the minimum return required by labour and capital. This remained true as production rose, so with every economic advance made by society rent increased but wages and interest stayed broadly constant. Those with land grew rich through no effort of their own while those without land were as poor as before.

The title to land was of dubious origin, frequently gained by appropriation or conquest. The justification for private property is that wealth produced belongs to those who produce it. If a fisherman makes a net,

it is his; if he fish the oceans with it, the catch is his; if he lend the net to another to fish the oceans, what that other willingly gives him in exchange is his. Where land is freely available, labour earns its full reward and capital earns a fair return but no more. The same justification cannot be applied to ownership of land, and the fact that the title may be bought with a man's savings does not of itself give it moral validity since the identical argument could be invoked to support slavery.

In George's view, those who believe in private ownership of land as well as of wealth produced are as mistaken as those (more common in our day than in his) who, noticing the evils of concentrated land ownership, regard all private property as theft and would have the state expropriate it. The truth as George saw it was neither of these extremes but lay in the two principles which are the foundation of his philosophy: that all men should have equal rights to the use of land; and that every man should have a right to the product of his own labour.

THE NECESSITY for land has been recognized in many of the less developed countries, but the response is all too often to divide and reallocate the land, a policy which may ease the problem but does not penetrate to the heart of it. An acre of inhospitable agricultural land might be equivalent to a square metre of valuable land in the centre of a city, and reallocation can at best be a very imprecise way of securing equality for as soon as the pattern of values or the population changes the apportionment is out of date. George rejected the nationalization of land on the grounds that it would substitute a public for a private monopoly, and concluded that the best answer was to tax the rent or value of land. This would enable private possession of land to be maintained but would require the occupier of every site to pay the community for the privilege of its exclusive use. The amount of the payment would match exactly the extent of the privilege as reflected in the site's market value.

We can now understand how George saw land values as an instrument of social justice, and, further, how he was impelled to propound the simultaneous abolition of all other taxes. The tax on land values established equal rights to the use of land. Taxes on labour and capital eroded the right of a man to the product of his labour. The inescapable inference was that the tax on land must fully replace the taxes on labour and capital.

In George's day the expenditure of the state was nowhere as great as it is today. It is salutary to remember that one of the objections to his proposal was that it would endow the state with surplus funds which might not know how to spend wisely. No country knows how much a complete tax on land values would yield. It would not be anything like enough to finance current levels of public expenditure, but this may be one more sign that public expenditure is too high. If George's analysis is sound, his solution to the problem of poverty would eradicate it at source and so render costly social welfare payments superfluous. In due time much of the apparatus of the welfare state could be dismantled, and with two major exceptions this might enable the needs of government to be financed by the land value tax. The exceptions are, first, that some countries have amassed a large national debt the servicing of which the land value tax could hardly be expected to meet, and, secondly, that in the modern world nearly all countries are obliged to spend large sums on defence. A tax on land values can never be a single tax in a world where the members of the human family continue to fight one another. It is an ideal capable of fulfilment only in a world of peace.

IT IS NOT, however, necessary to believe in the land value tax as a single tax to observe its intrinsic merits, and we will now examine some of these.

The maxims of taxation listed by Adam Smith² are that taxation should bear equally, that the tax which each individual is to pay should be certain and not arbitrary, that every tax should be levied in a manner most convenient for the contributor to pay it, and that a tax should take from the people as little as possible over and above what it brings into the public treasury. These maxims may be styled those of equality, certainty, convenience, and cheapness.

Henry George was conversant with the maxims of Adam Smith and adapted them to his own use, chiefly by elevating to independent status the maxim that a tax should not hinder production. This promotion is scarcely surprising in view of the great rise in productive capacity that had taken place in the century since publication of the *The Wealth Of Nations*. George's canons³ were that a tax should bear as lightly as possible on production, that it should be easily and cheaply collected and fall as directly as possible on those intended to pay it, that it should be certain, and that it should bear equally so as to give no citizen an advantage or disadvantage compared with others.

Incentive to production

Many of George's arguments sound familiar to us today, 100 years after he enunciated them. He contends that taxation which lessens the reward of the producer necessarily lessens the incentive to production; that taxation which decreases the earnings of the labourer or the returns of the capitalist renders the one less industrious and intelligent and the other less disposed to save and invest; and that taxation which falls on the processes of production interposes an artificial obstacle to the production of wealth. This checking of production is 'characteristic of most of the taxes by which the revenues of modern governments are raised.'

The most notable example of a tax that does not bear on production is that on the value of land. Whereas the labourer contributes his own capital (wealth derived from his own labour), the owner of land, the passive factor in production, contributes only what nature has given. The labourer and the capitalist produce; the land owner merely draws from their production. Land can be taxed up to its full market value without affecting the reward of labour or capital and without therefore weakening the impetus to production. Indeed, the reverse is the case. A tax on the value of land stimulates its more intensive use. In order to pay the tax, the owner of a site which is being under-utilized in relation to its market value, or which is being held vacant in the hope of an increase in its price, will be encouraged to put the site to better use or offer it to others who will do so. If labour is taxed, it will be less productive; if capital is taxed, it will be less productive; if land is taxed, it will be more productive. As George declares:

Tax manufactures, and the effect is to check manufacturing; tax improvements, and the effect is to lessen improvements; tax commerce, and the effect is to prevent exchange; tax capital, and the effect is to drive it away. But the whole value of land may be taken in taxation, and the only effect will be to stimulate industry, to open new opportunities to capital, and to increase the production of wealth.

In short, almost alone among taxes the land value tax has a positive and creative effect, not a negative and destructive one.

It must be recalled here that George's proposal is for a tax on all land value irrespective of its current use. Taxes that fall only on certain categories of land when there is a change of use are occasioned by the change and become taxes on development rather than on land. Such travesties are as inhibiting as any other form of development tax.

On ease and cheapness of collection, George affirms that land cannot be hidden or carried off, its value can be readily ascertained, and collection of a tax would

accordingly be much simpler than that of less straightforward taxes. Moreover, taxes on things of unfixed quantity raise prices by increasing the cost of production and checking the supply, being finally borne by the consumer; but a tax on land does not reduce the supply of land, cannot therefore raise its price, and must be borne directly by the persons on whom it falls, the owners of land. In point of fact, since more land would become available for use, the supply would actually be increased and the price would tend to fall. The tax would also have a direct impact by reducing the net income to be obtained from a site and correspondingly reducing its capitalized selling price.

On certainty, George is concerned not only with the costs of uncertain taxes (evasion, prevention of evasion, bribery, litigation) but also with the effect on what in those days they called 'morals.' Our revenue laws, he said, 'suppress honesty and encourage fraud' and 'divorce the idea of law from the idea of justice.' These remarks are as pertinent now as when they were written. By contrast, the tax on land values possesses the highest degree of certainty because it would be simple and clear and be assessed and collected 'with a definiteness that partakes of the immovable and unconcealable character of the land itself.'

On certainty, George is concerned not only with the men of equal incomes should contribute equally to the expenses of the state if the income of one is derived from the exertion of his labour and the income of the other from the rent of land. Adam Smith's idea that all types of property may be taxed because they are employed under the protection of the state is founded, asserts George, on the assumption that the enjoyment of property is made possible by the state, 'that there is a value created and maintained by the community, which is justly called upon to meet community expenses.' This is true only of the value of land, which arises with the formation of a community, increases with its growth, and if the community were suddenly dispersed would immediately disappear. George concludes:

'The most just tax'

The tax upon land values is, therefore, the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community, for the use of the community, of that value which is the creation of the community. It is the application of the common property to common uses. When all rent is taken by taxation for the needs of the community, then will the equality ordained by nature be attained. No citizen will have an advantage over any other citizen save as is given by his industry, skill and intelligence; and each will obtain what he fairly earns. Then, but not till then, will labour get its full reward, and capital its natural return.

This is a stirring vision, a vision of genuine equality of opportunity in which communal and individual rights are perfectly combined, in which social obligations and personal freedom complement each other, and in which the removal of barriers to the creation of material wealth liberates men for the realization of those faculties which transcend the material.

It is supposed that taxation must always be burdensome and repressive, but this is not so. There is a tax that is fitted for its purpose as other taxes are not, and for the proposition 'all taxes are odious' we must substitute 'all taxes are odious except one.' It is not odious because it is the right tax, and it is the right tax because ultimately it is not a tax at all but the collection by society of its own proper income.

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The Graded Tax

THE HISTORY of the Commonwealth of Pennsylvania is not unpregnant with land value tax possibilities. The colony was founded by that pre-Georgist Englishman, William Penn, in 1682. He asserted that no man's title to his land was morally defensible unless everyone had the opportunity to own enough land to make a decent living. A very Lockean view, this was, but it made rough good sense in a frontier community, very rough, but better than the devil take the hindmost.

The next Pennsylvanian step in Georgist progress was the birth of Henry George himself in 1839 in Philadelphia in a little house still standing at 413 S. 10th Street and currently housing the Henry George School in that city.

But it was in Pittsburgh, on the western side of the state, that something legislative was finally accomplished for land value taxation. In 1913, real estate was so classified for tax purposes that land was taxed in proportion to its under-use: the lesser the use, the lower the rate of taxation. The result was that there were farms and vast estates within the city limits while the crowded homes of workers were taxed at a higher rate (or millage, which is so many dollars of tax per thousand dollars of assessed value).

The situation was so obviously abnormal as to cry out for reform. In 1913 Georgists obtained a law allowing for the gradual reduction in the tax rate on improvements so that by 1925 the tax rate on buildings was half that on land. The same law applied, for legal reasons, to Scranton, the third largest city in the state. Today, the tax rate on land in Pittsburgh is 49.5 mills (i.e., \$49.50 per thousand dollars of assessed value, which in turn is about one-third of real market value) and 22.75 mills on improvements. In Scranton, the respective millages are 52 and 26.

The Impact

The impact of such a slight differential in tax rates is very difficult to measure, especially when the county and school property tax rates are levied equally on land and buildings, but the Pittsburgh-Scranton experience does show that the land value tax can easily be introduced; certainly, once adopted it has been defended by both parties and newspapers, and there is the distinct possibility that now that Pittsburgh has recently been granted additional home-rule powers, it will expand the land-building tax rate ratio from 2:1 to 3:1 or 4:1. Discussion of that possibility is now under way in the city council.

The other result of the Pittsburgh-Scranton experience is that it has created a somewhat higher level of

◆ In 1914 Pittsburgh, Pennsylvania, graded its property tax, reducing the rate on buildings, increasing it on land. In 1938 the city's chief assessor, Percy R. Williams, concluded that the graded tax law had stimulated construction. While the assessed value of buildings had increased 93% in 24 years, the assessed value of land had increased 15%.

◆ The graded tax serves as a model to other cities: it shows how the tax can be transferred from land-plus-buildings to land only. It has taken millions of dollars in taxes off buildings; the amount can be calculated exactly. Home-owners have benefited enormously.

◆ A computer-based study of the impact of the graded tax on property-owners in Allentown, Pa., showed that planning would be more effective. "City planning at present is a negative power.... in a free economy it cannot compel [land-owners] to do what they ought to do, put land to its best use and upgrade deteriorating areas." The graded tax would provide such incentives.

BY STEVEN CORD

General public interest in land value taxation in Pennsylvania than elsewhere. Pittsburgh had an outspoken single tax mayor in the 1930's (unfortunately, he was highly erratic and ran almost of the politicians of his party on patronage matters; he was followed by two other single tax mayors, but they were less outspoken and eventually the issue slid off the front pages of the local newspapers). But even today it is easier to generate interest in land value taxation in Pennsylvania than elsewhere because it's on the law books of the Commonwealth.

In 1951, a Pittsburgh single taxer of ancient vintage who had become a state senator and who still had enough of the old spirit left in him, sponsored a bill that enabled forty-eight smaller cities of Pennsylvania to adopt a lower tax rate on buildings than on land if their city councils so chose to do so. The bill sailed through the state legislature with near unanimity—"If Barney McGinnis wants the bill, let's give it to him as a favor, besides it's only local option." But this gave Pennsylvania Georgists, organized in the Henry George Foundation of America with headquarters in Pittsburgh, the chance to spread the land value tax idea throughout the state; but note that counties, schools, boroughs and townships still do not have the local option to adopt a higher land tax rate. Bills to grant them that local option are currently stalled in the state legislature, waiting for a sponsoring legislator genuinely committed to the bill to really push those bills through. The prime obstacle now is not opposition but apathy.

Heaven knows that Pennsylvania localities could really use land value

taxation. Farmland prices are appreciating about 15% per year in the state, but most of that reflects government subsidies and urban encroachments. Real farmers are squeezed by such price appreciation—buying or renting new land becomes prohibitively expensive—and the urban sprawl causes them to give up farming in favour of lucrative land speculation. But the farmers fear land value taxation; they think that their tax bills will jump, and city dwellers have misplaced sympathy for them. So the farmers are a real obstacle to the expansion of land value taxation, despite the fact that they are only 1% of the total population (which is typical for the U.S., at large—the usual figure given is 4%, but most of them are only part-time farmers who own farmland but make most of their income in other occupations).

Pennsylvania Georgists have been facing another counter-tide: there is a property tax revolt going on in the state. Even though other taxes have been appreciating much faster than the property tax, there is considerable feeling against the property tax, both on land and on buildings. But like in California with its Proposition 13 bogus reform reducing the property tax drastically, this will only mean an increase in other taxes, and in land prices also.

But Pennsylvania Georgists, emanating from the Pittsburgh-based Henry George Foundation of America, have been active politically. We run a booth at the annual Pa. League of Cities convention at which we meet many of Pennsylvania's city legislators. The governor (in the declining months of his term of office) has come out for us, and the state government helps us when it can. But the decision to adopt the Graded Tax rests with local officials, and we have visited them, many of them, and many cities are currently actively considering adopting Graded Tax rates (heavier on land than on buildings).

Economic Merit

Harrisburg, the state capital, adopted such rates in 1974. Since then, as a result of our pressure, the city widened the rates (now 2.9% on land assessments, 1.6% on buildings), and is currently considering a further widening.

Our numbers are few in Pennsylvania. It is hard to attract new converts since the moral argument has lost its power in a world gone mad with moral relativism (after all, if morality is what you say it is, then how can we appeal to natural law or to objective moral proof?). But we have a political impact because our idea has obvious economic merit to those politicians whose ear we can get. The odds are at least even that another Pennsylvania city will join the three that already have the Graded Tax.

TURANGAWAEWAE!

FOR THOSE living in the age of affluence all is not well. True, most New Zealanders wishing to do so, can progress from car to house to swimming pool to boat to second car to caravan to second house. But all too frequently the fruits of the spirit evade us. And in the rush to get from the first car to the second house much else is lost. Our environment is despoiled, wildlife is destroyed, suburban neurosis becomes a common occurrence in dormitory suburbs, the nuclear family gives little support in times of crisis and the giant corporations and the bureaucracy wax and grow fat while the individualist and the small man wither away.

So some thoughtful young people have been looking for alternative forms of society. They firmly reject the US system as a model, as it seems merely to have travelled further along the road New Zealand is already on. They also reject Russia and China, where the power of the state is all-pervasive, and the opportunity to do one's own thing is conspicuously absent.

Understandably, in a multicultural society, these people turned

BETTY NOBLE reports from New Zealand on how the ancient spirit of the Maoris is shaping the policies of a modern political party.

their attention to the Maori and his ways. They found that in Maoritanga there was a multi-age-group society where there was room for the young and for the old, where women had position and influence, where the tribe gave a sense of worth and belonging, and they found *turangawaewae*.

Although a reasonable translation of *turangawaewae* is that each person has need of a place for his feet, the spirit of *turangawaewae* is much more than that. It includes an almost religious reverence for the environment, a recognition of the need to husband natural resources, and a respect for the rights of all living things to life.

All these attitudes have been embodied in the land and social policies of the Values Party.

THIS QUOTATION from *Economics of the New Zealand Maori* by Raymond Firth illustrates the Maoris feelings for the land: "In considering the economic aspect of the Maori system of land holding it is essential, then,



◆ Denied access to the land which had sustained their forefathers, young Maoris protest at their involuntary unemployment. . . .

Photos courtesy of "Dominion", Wellington

to examine in addition the non-economic factors involved. The Maori had a great respect for land *per se*, and an exceedingly strong affection for his ancestral soil, a sentiment by no means to be correlated only with its fertility and immediate value to him as a source of food. The lands where-on his forefathers lived, fought, and were buried were ever to him an object of the deepest feeling. "Noku te whenua, o ohu tupuna" —"mine is the land, the land of my ancestors" was his cry. This deep-rooted affection received expression in a number of ways. . . .

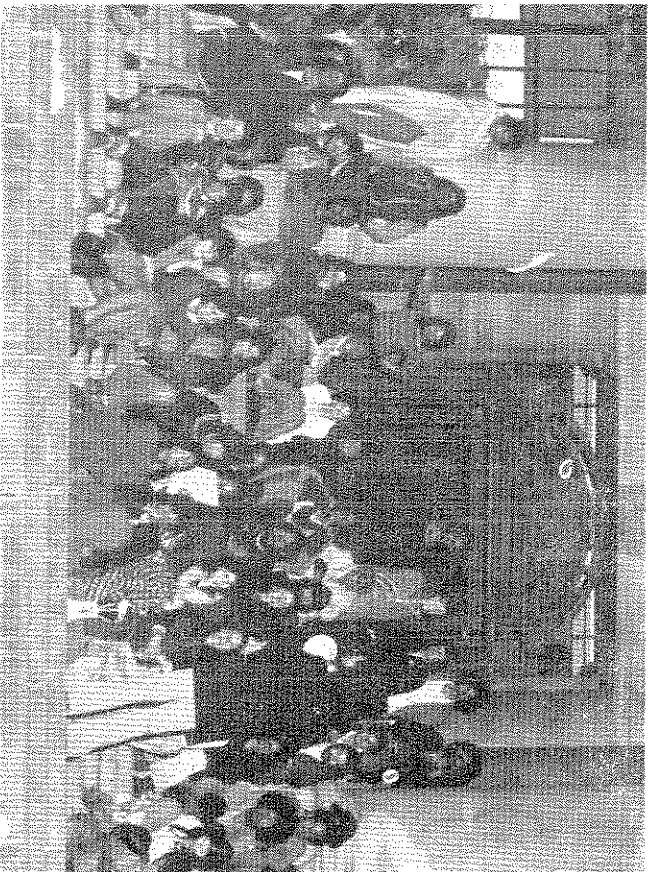
Many remembered sayings about land bear out these views. The saying of a captured chief, for instance—"Send me a handful of soil that I may weep over it," and such proverbs as: "people die, are slain, migrate, disappear; not so the land, which ever remaining," and "I greet my only surviving parent in the world, the land."

The Maori, however, never owned land in the European sense, rather he had rights in it. A Maori *hapu* (extended family) might have the right to snare birds in a particular tree, or the right to fish in a certain part of a stream, or a right to have *whares* (homes)

ECOLOGY A

UNLIKE most ecology-orientated organisations, the Values Party has developed its thinking on key problems such as landownership. The report produced by the party's Land & Capital Policy Working Group (1978) concludes that "in land tax proposal once proper working, can be expected to change the situation as to make what appears now to be an urgent need something that recedes in importance because there is much greater access to land for those who really want it."

The Working Group unanimously accepted the primacy of its essential spiritual bond between land and the people who regard as home—the Maori concept of Turangawaewae. And so, on lan



◆Maoris demonstrate on the steps of New Zealand's Parliament Buildings about the loss of their traditional land rights.

in a certain place. A Maori tribe would claim rights only over land they actually used and there were no absentee owners. No rent was paid.

The challenge for the Values Party is to hold fast to the principles of *turangawaewae* — the rights of every member of society to land, the importance of conservation and the rights of all living creatures to an environment in which they can survive—and at the same time fit them to a policy applicable to today's conditions, geared to a much higher standard of consumption than the Maori ever enjoyed.

The proposals they have come up with are for a much strengthened regional and local government structure, financed from a tax on land values; a much less powerful central government, and a decrease in income tax.

It is important to note that turangawaewae strikes a basically different direction from traditional Judeo-Christian (European) attitudes to land, that it is not tied to individual ownership and use; and that it does not prohibit against improvement."

In rejecting alternative solutions, the report offers as its statement on goals on land tenure:

(a) absolute ownership of land by individuals is inherently impossible;

(b) rights include security of tenure and the right to bequeath tenure within the family or group;

(c) responsibilities include the payment of rates, taxes or rents to the community.

The report declares that "Because

up with are for a much strengthened regional and local government structure, financed from a tax on land values; a much less powerful central government, and a decrease in income tax.

The Values Party recognizes that our strong central government, with its all-embracing powers of control, is destroying our traditional values by denying individuals the opportunity to adopt a life-style suitable to them and by alienating most of us through our inability to influence decisions which deeply concern us.

As a first step, a Values government would relieve all farmers of income tax in return for their pay-

of the basic importance of turangawaewae. Values in general opposes nationalisation, i.e. central government appropriating the rights and responsibilities of tenure."

A Values Government would seek to eliminate absentee ownership of productive land by limiting titles to those normally resident or working on it.

In common with other countries, New Zealand land prices have escalated faster than wages and retail prices. This fact is regarded as "the crucial land issue of our time." As a result of it, young people could not afford to buy homes or farms. "We're seeing the evolution of a new feudalism in New Zealand. The barons and nobles of old are replaced by (multi-national) comp-

ing a factor tax on land. This would be assessed on a reasonable estimate of the land's production potential. The need for frequent reassessments is understood and endorsed. (Too infrequent assessment of land values in New Zealand and Australia have done much to discredit site value rating.)

VALUES, refreshingly, recognizes that rights must always be balanced by appropriate duties. It spells these out in relation to land. It recognizes that the individual and group have rights to security of tenure, that they have a duty to pay the economic rent and any other legal charges on the land, and to keep the land in good heart. Values also recognizes that the community has rights in land and in addition to the collection of economic rent, proposes comprehensive town and country planning at regional and local levels. It is highly probable that in this country, with its low population density, there would in fact be little conflict over land use, once there was a substantial tax on land values.

The election in November did not result in a good vote for Values.

However, Values people recognize that their work is educational as well as political. They are not disturbed by being called idealists.

Why not work for ideals, they say.

anies and a wealthy landed class..."

But these land values were a social surplus, and the Working Group rejected price controls and betterment levies in favour of a high tax on market-determined land values, which does not require new bureaucracies or interference with tenure.

The tax on land values is characterised as radical, for it tied in with other goals—the redistribution of wealth, decentralisation of social services and the promotion of ecology. It respected diversity and liberty, and restrained the rise of land prices while encouraging productive use of land and would permit a reduction of taxes on earnings.

AND THE 'RADICAL' LAND TAX PLAN

TRADITIONALLY the Christian church has supported the "establishment" — the elites which derived political power from their control over the life-giving resources of nature. Never more so than the Roman Catholic Church in South America where -except for a few honourable cases of renegade priests pitting themselves against the authorities in the interests of their congregations - the church has been a profound force for conservatism.

The Archbishop of San Salvador has changed all that. And for his courageous stand against the land-owning class which rules the tiny central American state of El Salvador, the Most Rev. Oscar Arnulfo Romero y Galdames has been nominated for the Nobel Peace Prize.

The nomination may cost him his life. His religious status grants him no immunity against the assassin's bullet in a country where priests have been hounded and murdered for articulating the human rights of the exploited peasants.

OVER NINETY per cent of pre-school Salvadorean children suffer from malnutrition.¹ The statistics make it easy to argue that the main problem is "over-population" - El Salvador's population growth rate of 3.5% is indeed high. But as Richard Gott has reported, *the real problem is one of land distribution.*²

Over 90% of the farms are smaller than 10 hectares, and are crowded into about one-quarter of the available farmland. The rest, including the most fertile land, consists of large estates owned by a few wealthy families.³

Fifty families own 80% of the land,⁴ but traditionally the top 13 families have ruled the country. In the 1960s the Party of National Conciliation was created by the army to preserve the privileges of the landed oligarchy.

These interests have now been extended to the creation and control over industries in the urban sector. Unemployment is very high as a result of the steady flow of peasants from the countryside, where land is increasingly being given over to export crops, chiefly coffee and cotton.

Thus, through their military "front" men the land monopolists keep a dictatorial rein on the political life of El Salvador.

THERE HAS been no substantial trouble in the countryside since 1932, when 20,000 peasants were massacred because they dared

The Archbishop of San Salvador has emerged as the champion of the peasants whose only crime, he says, "is to express their dissatisfaction at the lack of work and a small piece of land out of which to earn a living." FRED HARRISON reports on the schism between church and the central American state of El Salvador.

The Roots of Corrupt Power

to challenge the system.

The army has administered the country since then. There have been serious disturbances (in 1969 and 1976) as a result of military conflicts with Honduras: the aggression between the two neighbours has been over territorial claims on the border. The trouble centres round the need for land. But internally, the power-holders have met with little resistance.

Until the priests strayed from their biblical texts and started preaching economic justice...As a result, they have been threatened and murdered, and some have been expelled.

The regime knew how to silence the politically independent journalism of *La Crónica*: the newspaper was shut down in April 1977.

They knew how to silence opponents at the elections: rig the results.

They knew how to silence the peasants: unleash the National Guard (the fiercest of the security forces) onto them, and refuse them jobs on the estates.

But how do you close the pulpits? The religious leaders

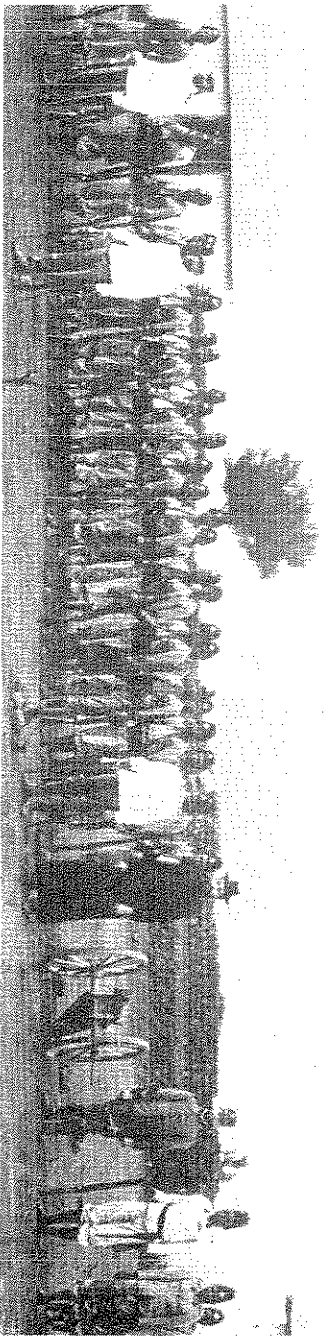
would not be silenced, and so the campaign against them has been intensified.

A MILD attempt at land reform was tried by General Carlos Romero in 1977. During the presidential elections he promised to distribute 1,200 hectares from one estate to peasants.

The landowner was not going to be dispossessed: the plan was to buy the land from him. But the political implications, in terms of the distribution of power, were not lost on the ruling families. The act was the thin end of the wedge which could only erode their power.

The landowners, some of whom were implicated in the funding of massive election rigging which brought Romero to office, organised themselves into the National Association for Private Enterprise. About \$2m were channelled into a fund to fight the agrarian reform.⁵ The so-called "reform" was abandoned.

The same thing had happened to an attempt in 1975 to introduce a land reform law. This, too, was squashed - despite the fact that the law was phrased in such a



◆ This photograph shows Portuguese soldiers in the fortress at San Salvador: it was taken in 1914, when the news broke of the oppression of the Baptist mission there by the colonial authorities. Today, San Salvador is "independent"—but the oppression continues in the guise of neo-colonialism....

way that, in the words of the Christian Democrat party, "It will take between 100 and 200 years to be carried out".⁶

OPPOSITION to the monopolists, ineffective in the rural sector, has been no more potent in the towns. Some urban workers have formed themselves into guerrilla groups, but these have squabbled among themselves.

The army, then, has had to be equipped with the minimum of hardware to carry out its repressive duties. But equipped they have to be, to intimidate the isolated groups of peasants who through hunger and frustration occasionally try to kick over the traces.....

How the peace is maintained was described by reporter Alan Riding when he visited a sugar mill on one of the big estates: "...the peasants worked under the watchful eye of uniformed guards armed with shotguns. Outsiders definitely were not welcome."

Periodically, then, it is necessary to go shopping among the suppliers of military weapons. In December 1977 the British Government agreed to supply £850,000 worth of armoured vehicles. Protests by Labour and Liberal MPs elicited weak claims from Government Ministers that El Salvador had given an assurance that the arms would not be used to support any armed attempt by Honduras to settle its territorial claims over the British colony of Belize.

No sooner had Foreign Minister Dr. David Owen uttered his words than El Salvador made it plain that it would not accept any such restrictions. Reluctantly, the Labour Government cancelled the

shipment. Omitted from its calculations were the morality of arms sales to bolster repressive regimes, and the unquestionable intention to use the weapons against El Salvador's own citizens.

NEVERTHELESS, the dictators are coasting along comfortably but for the unrelenting difficulties posed by Jesuit and Catholic priests.

◆ The Latin American Confederation of Catholic Priests accused the El Salvador Government of massacring almost 1,000 people in February 1977.

◆ In June 1977 the White Warrior Union (right-wing terrorists), threatened to turn 47 Jesuit priests into "military targets" unless they quit the country. Their "crime": being "Marxist agitators".

◆ Fathers Higinio and Jose Alas received their death warrants in the post: a black card with a cut-out of a white hand embossed on it. Father Alonso Navarro was not so lucky - there was no warning of the lethal burst of machinegun fire which sent him to the grave.

◆ Several priests have been arrested and tortured, providing them with first-hand evidence of

the tyrannical treatment meted out to the peasants which had been exposed in pastoral letters.

When Oscar Arnulfo Romero y Galdames became Archbishop of San Salvador early in 1977 it was believed that he would serve as a pastoral rather than political leader. Instead, however, he systematically denounced the murders, torture and the frequent "disappearance" of trade unionists and church officials.

He uses the pulpit and the Catholic radio station to keep up the pressure on the tyrants who use torture to silence potential opponents. (The use of torture against prisoners was attested to by the International Commission in September 1978.)

The reaction has been a campaign of vilification and slander.

Still he will not be silenced, hoping that his appeals for a reasonable, reformist response from the landowning class will result from the recognition of human rights for everyone.

Truly a saint among sinners....

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- ¹Alan Riding, *Financial Times*, 21.8.75.
- ²*Guardian*, 2.3.77.
- ³Edward Mortimer, *The Times*, 23.11.78
- ⁴David Watts, *The Times*, 7.3.77.
- ⁵David Watts, *The Times*, 18.7.77.
- ⁶Alan Riding, *op. cit.*

CHAMPION OF THE POOR

IN A LETTER sent to the Nobel committee in Oslo, 118 members of the British Houses of Lords and Commons state of the Archbishop of San Salvador: "He has consistently and uncompromisingly denounced the numerous arrests, detentions, tortures, disappearances and killings in El Salvador today. Almost alone he has become the champion of the poor and the defenceless. As a result he is subject to daily vilification in the Press and elsewhere as insane, subversive, as a man who 'sells his soul to the Devil'."

Before Christmas two British bankers in San Salvador were kidnapped and held for ransom. To some, their captors are "terrorists": to others, "freedom fighters"

Terror & the fight for Liberty

IDEOLOGY is at the heart of the battle for economic justice. But the material conditions usually preclude rational argument, writes *P. F. Poole*.

Dictators in countries like San Salvador and Nicaragua¹ use the spread of communism as an excuse for hideous atrocities. But Right-wing politicians invite the growth of Marxism by perpetrating the maldistribution of natural resources.

Ideally, the debate on social and political institutions suitable for changing societies ought to take place in a calm way, the outcome of democratic processes. A dynamic system has to be an open one within which incremental changes can take place in appropriate directions.

The reality is totally different.

Most people are peasants struggling for a living; they are confronted with powerful elites who monopolise the land and so enjoy derivative power over developmental capital.

The peasants have little or no chance of articulating their grievances on the world forums in such a way as to influence cultural change as a direct result of their arguments. Political power is hoarded by minorities who shape events to suit their selfish ends; disinterested — moral — considerations are not allowed to prejudice their prospects. These generalisations apply to the



◆**MASKED** MEN take to the streets in Nicaragua: frustrated peasants are driven to guerrilla warfare in the absence of effective democratic processes.

POLITICAL COSMETICS

THE ELECTORAL thumbs-down to Gen. Ernesto Gálvez's Government in Brazil's elections has had some effect. The outgoing Government—power is handed over to Gen. Baptista Figueiredo in March—has decreed tax reforms aimed at appeasing the country's poor.

Brazil has millions of families eking out a subsistence on marginal rural land and in the urban slums around Rio de Janeiro and São Paulo (about 25m. live outside the cash economy).

Statistics cannot effectively portray the extent of misery; for example, the estimate that 15m. children have been abandoned by parents who cannot afford to bring them up is a conservative one.²

Land speculation and public corruption are rife, and Diana Smith has revealed how they merge — at the taxpayer's expense — into a single enterprise.² Special funds which are supposed to subsidise low-cost housing, small businesses and agriculture have been diverted into high-speed buying and selling of properties; but some of

these investments have been retained by owners, who then charge "cut-throat rents."

Property speculation has pushed up the cost of house-buying to prohibitive levels in recent years, with more people — not just the professionals — getting in on the act.

Which is why 25% capital gains tax has now been introduced on property worth over £99,000. The rate diminishes each year that the owner hangs on to his property, until the tax is wiped out after 10 years.

This cosmetic operation will have no measurable impact on speculation, however, but it successfully shifts the debate away from an effective solution. For while it might deter capital improvements on land, it will not thwart the speculators who can still make huge profits from their shark-like deals.

1. Michael Field in *Daily Telegraph*, 28.6.78.
2. Gálvez Bites into property', *Financial Times*, 14.12.78.

industrialized countries as well as the Third World. If there is a difference in the structure of income distribution within these two groups of countries this is the result of the emergence of countervailing power (e.g., powerful trade unions).

Impoverishment in Third World countries invites violent reactions among frustrated peoples who find it increasingly hard to work a living out of their tiny plots of land . . . and the number of landless workers continues to grow alarmingly.

Ideally, the dispossessed peasants ought to be promoting a liberal ethic which enabled everyone to enjoy equal access to natural resources and therefore job-opportunities. This would entail the recognition that some of them ought to leave land which could then be amalgamated into economically viable units. To secure their agreement for this, however, it would be necessary to assure them that economic rent — the portion of value created by the inter-action of the community, and not exclusively by land users — would be redistributed through the fiscal system. For a tax on land values is the foundation for a reformed social system which would encourage economic development in the urban sector.

Practically, such a programme has not commended itself to land monopolists. Peasants therefore have to organise themselves politically and/or militarily . . . and here, Marxism proves to be attractive. For it preaches egalitarianism without complicating qualifications. Most important of all, however, it requires the discipline essential for badly-equipped and ill-organised peasants who hope for success.

Individualism, for example, is considered a sin among Thailand communists,² which is not surprising since no army can tolerate behaviour which detracts from the primary goal — victory over the enemy.

The suppression of individual behaviour indicates a system, yet we have to be careful to understand what compels such coercion. But it is an irony of history that the use of force has been corrupting and has never led to a principled society. Which is why it is vital, for those who are able to do so, to insist on using every platform available to rationally disseminate the ideas which can be adopted to formulate social institutions based on justice.

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NALVEY characterises the economic reasoning which threads through the Government's White Paper on the inner cities.¹ Consequently, the strategy for dealing with the problem of Britain's dying cities is seriously defective and can only worsen the long-term prospects of revival.

The politicians and civil servants who drafted the White Paper relied on a simplistic definition of "demand," the sort which is found in elementary economic textbooks.

For example, we are told that Glasgow and Liverpool were "now experiencing a lack of demand which is manifest in large areas of vacant land." In other words, the vast tracts of land in the hearts of two of the country's biggest urban areas are idle because no-one wants to use them. So idle land is an effect, not the cause, of sub-optimal economic activity.

From this it follows that a Keynesian response is commended: public expenditure to stimulate the local economy to the point where new demand draws the land into use. But this would be a wrong conclusion.

The land is not idle for want of demand. People and firms have expressed a demand for locations in central areas of the big conurbations throughout the decades that the land has stood idle. But they could not buy or rent it either because it was too expensive, or because owners were unwilling to release it (hence the frequent resort by councils to compulsory purchase orders: CPOs).

One of the motives for holding land idle is the desire to reap a speculative profit: i.e., the asking price is out of proportion to what a firm could produce as an economic surplus out of current production.

Yet the Government feels that this argument is exaggerated. This complacency derives from simplistic economic analysis: "Land prices respond to market demand"—yet contradictorily admitting: "Owners often have high hopes of their land and are prepared to wait in order to realise their expectations." I.e., they will not responsively lower prices to

Prices And The Land Speculator

BY FRED HARRISON

the current demands of the market!

BUT IT WOULD be wrong to assume that only individuals or statutory bodies are speculatively raising land prices.

The law forces councils to pay unrealistically high prices for land they sometimes buy—a fact which the Government vehemently denies:

"The compensation code is in general adequate to ensure that the price payable on compulsory purchase is based on current market conditions and prospects, and not on the prices that might have been obtained had boom conditions continued."

A high-powered working party led by Prof. Gerald Smart found evidence which paints an alternative picture. In their report, they state:

"... the compensation code itself was seen to cause serious financial difficulties to local authorities, since the cost at which they acquire land is largely determined by legal requirements. These ... tend to push costs above what might be expected on the basis of the level of investment demand and the presence or absence of alternative purchasers. The reliance of this code upon assumptions, including the future use for which planning permission can reasonably be given, often depends on vague or outdated plans, which can create unjustified 'hope value'."

The presence of the council as a buyer of last—often, only—resort, has pushed up prices well above their economic value. There is ample evidence for places like Liverpool, where the council owns half of the city's 1,250 acres of vacant land, that owners have deliberately exploited this fact to

demand inflated prices. The public purse, it seems to landowners, is bottomless....

Yet Liverpool's district valuer, Alan Gibbons, has denied that inner city land values have deterred development.⁴ From a study of the compulsory acquisition of 31 acres, it turned out that the city had paid an average £27,000 per acre (including compensation and costs of demolition). Developers, however, have paid £16,000 to £20,000 for "green field" sites in the outer areas of Liverpool; so why should they offer higher prices for land in a run-down environment?

OFTEN THE only way that land can be brought into use is by the council selling or leasing at a financial loss. The Government now actively promotes this approach: "Disposal of land by local authorities, with appropriate safeguards to avoid speculation, may in some instances mean having to accept a loss on disposal in relation to its historic cost." And why should land be sold at lower prices? Because, declares the White Paper: "It is ... a way of stimulating early development and desirable developments, and of testing and influencing prices in the open market."

Therein, surely, lies the explanation for at least part of what the White Paper calls "The absence of much spontaneous growth and regeneration" in inner areas—and also a solution: a reduction in the price of land attracts firms!

The Government is wedded to the naive belief, however, that speculators do not push up land prices. Because of this blind spot in its interpretation of the workings of the economy, it has inevitably selected the wrong battery of (bureaucratically-based) solutions.⁵

A simple, market-oriented solution does exist: the taxation of land values, which deters hoarding and forces down prices to realistic levels based on the actual demands of the market. Goals, it seems, which the Government wants to attain. But before the efficacy of this policy can be appreciated, the politicians need to come to terms

[Cont. on p. 14]

SPOTLIGHT

on the 'inner cities' White Paper

LETTERS

The Problems With Liberal Policies ...

SIR, P. E. Poole's article on the Liberal Party (September/October 1978 issue) has proved valuable if only in prompting the reply by Bernard Greaves in which he summarises Liberal Party policy. It is not always easy to get such a direct statement of policy from the Liberals.

I am glad to see that the Liberals are proposing the introduction of the taxation of land values up to 75 per cent of its annual value over a five-year period, although there is no mention of when it would be extended to 100 per cent — if ever. Agricultural land is exempt but no reason is given.

I note that the Liberal Party have now abandoned site-value rating in favour of national land value taxation, but none-the-less the rating system under their policy is to be replaced by local income tax. Do the Liberals not realise that the abolition of the present rating system (which falls on land and buildings, albeit in a clumsy way) is making a gift to property owners — i.e. essentially land owners?

What, however, is more subject to criticism is the Liberals "long term solution to inflation" which they think can be solved by what they call industrial democracy and profit sharing. It only goes to show that they too have fallen victim to the brain washing of successive governments who have sought to put the blame for the result of their debasement of the currency on to others by presenting inflation as a problem of employers versus wage earners. The truth is, of course, that wage earners can only react to a fall in the value of

money by asking for more of it. The Liberals compound this fallacious argument by proposing a prices and incomes policy which, it is said, will be "effective in preventing inflation."

They are to be commended for advocating land value taxation but there is much else in their economic policy that does not make sense.

Yours faithfully,

Wallace Crompton

* * * * *

£3,500 a Square Metre

PRIVATE AGRICULTURE IN THE USSR

MEMBERS of collective farms and employees on state farms, as well as large numbers of workers in non-farm areas, are assigned small plots of land for their personal cultivation. The plots range in size from less than one-half an acre to somewhat more than one acre and account for approximately three per cent of the total sown area, yet they provide approximately 30 per cent of gross agricultural output. In recent years, approximately one-third of total Soviet meat and milk output has been produced in the private sector, as well as almost two-thirds of all potatoes and two-fifths of fruit and vegetables.

—From *Soviet Impact on World Grain Trade*, The British North American Committee.

* * * * *

The Centenary: How are you celebrating?

1979 marks the centenary year of Progress and Poverty and although some fortunate Georgists will attend the International Conference in San Francisco, I cannot. So I have decided to do something special to promote Henry George's ideas throughout the year. I have produced a little leaflet explaining one central aspect of George's thought: land value taxation and how it might be applied in this country in the late 20th century.

My first draft was commented on by others and then I had a thousand copies of the improved version printed. I have already given some of these away and sent others to local and national newspaper correspondents, and have promised myself that I will dispose of these by 31 December 1979. Copies are available from my home address.

That is my contribution to the centenary year. I would be interested to hear what other Georgists will be doing.

Keith Thomas, 11 Myrtle Road, Bristol BS2 8BL.

WHITE PAPER

[Cont. from P. 13]

with the role of speculators (individuals, statutory bodies and councils) in the economy. And this, incredibly enough, is something which the labour Government is unwilling to do.

Rates Pledge: Tories Back Down

THE PROMISE by Mrs. Margaret Thatcher that the Conservative Party would scrap domestic rates is being rescinded—for the time being, at any rate! Michael Allison, the party's spokesman on local government, told the Rating and Valuation Association's conference in Bournemouth that this objective could not be achieved in the lifetime of a single Parliament. So instead, he held out the prospect of tax relief for those paying rates on their houses.

1. *Policy For The Inner Cities*, Cmnd. 6845, HMSO.
2. *Ibid.*, p. 28, para. 10.
3. *Land Values and Planning in the Inner Areas*, RTPI, 1978.
4. A. A. Gibbons, "Valuation and the inner city areas," *Chartered Surveyor Urban Quarterly*, Summer 1978.
5. See *Land & Liberty*, July/August 1978.

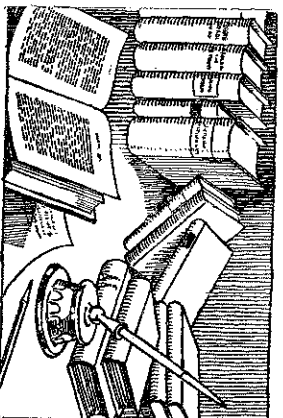
A New Deal for Rural Britain, by Alan Butt Philip, Roger Pincham, and Paul Tyler. (40p from Liberal Publications Department, 9 Poland Street, London W1).

THIS BOOKLET, written by three prominent Liberals, manages to survey the problems of rural Britain in a fairly comprehensive way despite its modest size and price. The authors are not claiming they have produced a blueprint, but rather a series of ideas on how our country society should develop. Their suggestions — more local self-help, a halt to the destructive centralisation of public services in the larger towns at the expense of the villages, parish buses, less rigid planning controls — are all echoed in the recently published **Rural Recovery: Strategy for Survival** (Association of District Councils, 25 Buckingham Gate SW1, £1.50).

Both papers suggest adjustments to the existing system which they hope will produce the desired results. Neither tackle the question of the fundamental economic reforms that would turn the revival of village life from methods which at best seem a kind of artificial respiration into a natural organic recovery. Indeed, it would not be possible in such brief papers, although **A New Deal for Rural Britain** does point a finger in the right direction when it suggests that site value taxation could cause derelict or under-used urban land to be more fully developed, and so spare valuable agricultural land from the concrete jungle. It also suggests that for the foreseeable future "agricultural land in productive use would be exempt from site value taxation, as this could only be applied to agriculture if the tax system were completely overhauled so as to relieve the farmer of the greater part of his

GEOFFREY LEE

SEARCHING FOR A NEW DEAL FOR THE COUNTRYSIDE



*'The earth does not belong
to man, but man to earth'*

present tax burdens." Of course, as far as tenant farmers are concerned, there would be no extra tax because SVT would be borne by the owners of the land. For owners (and these are increasingly pension funds and insurance companies) it would be a different matter. However, the booklet does prompt one into suggesting a thorough-going examination of the present tax system to find out which taxes could be cut, and in what sequence, in order that SVT can be brought in. A development of the proposals suggested in **The Chance to Change** (Economic Study Association,

12 Addison Avenue, London W11, 50p) might be in order.

Another book about rural life, but from the view of a farmer, has been published under the title **Just Where We Belong** (Michael Joseph, £4.95). Written by Humphrey Phelps, a Gloucestershire farmer and son and grandson of Gloucestershire farmers, he is an old-fashioned mixed farmer and proud of it. Indeed he says that our modern system of farming is mistaken, and one suspects he looks forward to the day when continuous corn-growing, the burning of straw and the ever-increasing doses of chemicals are abandoned for dung and the rotation of crops.

A quotation from Edward Thomas on the first page: "The earth does not belong to man, but man to earth," and shrewd observations throughout the book show an awareness of the problems of the land as acute as any theoretician. No solutions are offered but this gentle book, pleasingly illustrated with drawings by Brian Walker, particularly in the asides from stories of day to day life in a farming community, indicates that the threats to farming today are real, are appreciated and that men are actively looking for a solution."

ORGANIC FARMING IN THE ORIENT

Farmers of Forty Centuries, by F. H. King (Rodeale Press, £4.75), is a classic study of the organic farming methods used for generations in China, Korea and Japan. First published in 1911, this reprint, with nearly 250 pictures, is a massively detailed examination which merits our attention, although whether the methods used in an entirely different climate on lands the other side of the world can be related to our present-day needs is a matter for the specialist to decide.

Readers of Land & Liberty will be more interested in Dr. King's remarks on land tenure systems and taxation. These tend to be mostly passing references, but a few figures from Japan show the extent of the rent burden that tenant farmers bore. A peasant farmer who owned his own land

would receive from his paddy fields a crop income of \$55 an acre, out of which he would pay taxes of \$7.34 and labour and expenses of \$36.20, leaving him a net profit of \$11.46. A farmer who rented land would be hard put to make any profit at all. The statistics show rents for paddy fields averaging between \$24 and \$28 an acre, which leaves the tenant farmer no profit above his subsistence wages. In practice this meant that women and children had to do subsidiary work "to piece out the meagre income and to meet the relatively high taxes and rent."

Dr. King draws no conclusions on the subject, but merely makes this aside about family life: "If the burdens have been heavy, each has made the other's lighter, the satisfaction fuller, the joys keener, the sorrows less difficult

to bear."

That may have appeared to be so. But history tells us that one of the countries being discussed had a bloody revolution that wiped out the private landlord, another was partitioned by a civil war and Japan shook off the old system to adopt a more western-oriented economy. None of them really learnt the truth about land values, who creates them or how they should be divided—although the Chinese in some of their communal settlements seem to be stumbling towards some understanding of the matter. But Dr. King's book is more concerned with farming methods than it is with economic justice, and will be of more interest to the agricultural historian than it will be to the political scientist.

Geoffrey Lee

The Case They Can't Answer

PROGRESS & POVERTY is one of those rare books: It just will not die. Far from being a curiosity — for scholars interested in the history of ideas — it still constitutes a practical guide for reforms throughout the world.

Critics have felt uncomfortable about the proselytising flavour of Henry George's book. Which is presumably why Dr. Graham Hallett, a senior economics lecturer at University College, Cardiff, in his recent review of post-war land policy in Britain, stated: "The advantages of site value taxation have been exaggerated by one of the sects descended from Henry George, and by the Liberal Party."* He fails to provide evidence of those "exaggerations".

Progress & Poverty was built on a solid foundation of sound economic principles. Which is why Dr. Hallett was moved to observe of site value taxation:

"It does, however, have the economic advantage that it is not levied solely when development occurs and is thus less of a discouragement to development. It is unfortunate that it has never been seriously considered in any of the post-war arrangements."

But the philosophy built around this economic concept necessarily extends into the realm of morality. A tax on land values is not just any old tax, selected — or rejected — for its mechanical efficiency in raising revenue for the exchequer. Its presence — or absence — determines to a critical extent the psycho-social welfare of a community. This is a fact capable of verification by the social sciences. Adherence to the principles of Progress & Poverty is based on a rational examination of objective facts, not a cranky pursuit of the millennium.

*NatWest Bank Quarterly Review, Nov. 1978.

Why rent should be the primary source of public revenue

THE case for land-value taxation rests essentially upon the economic and ethical distinction between land (the gift of nature) and the products of man (wealth).

As land varies in productivity from site to site, whether for mineral content, fertility or location, so its rents varies. The rent of land is determined by the excess of its productivity over that of marginal land, marginal land being defined as land that would yield only enough to cover costs of production including wages for labour and interest on capital, leaving nothing for rent.

Thus taxation which falls upon economic rent is taxation upon a surplus or residue and, unlike most other forms of taxation, cannot be shifted on to wages or prices. This axiom is accepted by all economists.

While other forms of taxation tend to discourage

production and effort (being largely based upon the principle that the more produced the more the tax), land-value taxation has the *opposite* effect. Land-value taxation ignores actual production and merely taxes the realisable potential of land that is reflected in its rent (or selling price).

The land-value tax being payable whether land is well used, poorly used or not used at all, it creates an incentive to put land to its best permissible use, making more land available (and thus cheaper) on the market. In short, while taxation of production, income, trade and enterprise has depressive effect on production, land-value taxation would have an encouraging effect.

The land-value tax (if sufficiently heavy) would stop speculation in land whereby land-owners who cannot get future productivity capitalised in current rents or prices, wait for land values to rise before selling or granting a lease. In these instances land often remains idle when still in demand, forcing what land is available to an even higher price.

By taxing the economic rent of land, no burden would be put upon labour and capital whose rewards tend to a general level *irrespective of the value of land used*.

But more than this. With revenue derived from the rent of land, the taxation upon labour and capital could be correspondingly *reduced* giving incentive at the production end.

Since taxation upon site values would, like a tithe, be a charge upon ownership, the selling value of land would be diminished by the amount of tax payable. The *rental* value, however, would be unaffected by the tax since its actual use value would not be reduced. For this reason, site taxes should be levied upon rental values, not upon capital or selling values, for in the case of the latter, one would have a diminishing tax base as land-value taxes were imposed.

Land not being a product of man, its rent cannot have the same moral sanction of exclusive ownership as does interest, profit, or wages which originate from mental or physical effort. This makes land peculiarly suitable as a primary source of public revenue.

Further, it is the expenditure of public monies, the aggregate enterprise of labourers and capitalists and the presence and activities of the community generally, that gives value to land. Land values may therefore be regarded as "public" wages as opposed to the individual wages of the community.