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their fingers and were obliged to put their land on to the market or surrender it to their mortgagees, many more who were not in need of money held on in the hope, or knowledge, that land prices would recover. They always do. Land prices, it is often argued, do not always go up so that unearned losses counter unearned gains. But the march of land prices, ignoring monetary inflation, takes two steps forward for every one step backward and in the long term, shows a relentless increase. This increase must always be at the expense of the earnings of labour and capital for land is passive and the rent or price of land is in essence permission to produce or to otherwise occupy.

* * *

All the signs now are that land prices are beginning to recover, not uniformly of course, but where they reflect the greatest present demand for land. House prices are rising by between two and 15 per cent a year according to a recent report by the Incorporated Society of Valuers and Auctioneers. This is not much when the depreciation of money is allowed for but it is only the beginning and although in the present state of the economy even this modest recovery could falter (who can safely predict anything in our twisted, tied-up and distorted economy), in the long run the upward trend is always preserved.

* * *

In a study by John Clayton and Allen Maunder, published by the *Estates Gazette*, June 4, the advance in agricultural land prices over the last twenty-five years is given. After allowing for the fall in the value of money, calculated by reference to the price index of consumer goods and services, the 1976 figure for vacant possession farmland is double that of 1950. The extent of monetary inflation during this period is indicated by the increase in land prices expressed in actual money terms. This showed that prices increased nine times.

Over the twenty-five years given, there were of course booms and slumps when land prices both fell back and rapidly advanced. Say the authors:

"In broad terms the market since 1950 can be separated into three

distinct phases. The decade 1950-59 saw prices advancing only slowly, with values varying between an average of £73 and £101 per acre; during this period movement above and below the trend line was relatively restricted. The second phase, 1960-69, was one of strongly increasing prices, which rose from £123 per acre to £299. Since then the third phase has seen the dramatic boom and slump of the early 1970s and the present strong recovery."

During 1971 and 1972, the period of intense land speculation, prices more than doubled for agricultural land (from £262 to £596). Farm incomes during this period increased by about 30 per cent, which indicates the speculative element in the land price. The 1976 price is £734 per acre.

The general pattern of increase over the last quarter century, say the authors, is due to the interaction of a number of factors, the most important of which are: 1. *Decreasing amount of available land.* 2. *The small size of the market* (between 1.5 and 2.0 per cent of the total acreage of England and Wales). 3. *Increase in net farm income.* 4. *Gearing effect.* (Increased competition for land when profits from the sale of some land is re-invested in other land, or when high-value land is used as security for loans to buy more land. 5. *Inflation* (still the best hedge). 6. *Intangible benefits* (the abstract social attractions of farm ownership). 7. *Speculation.*

The most fundamental of the above factors is increases in net farm income, for as Ricardo truly states, corn is not dear because land is dear, but land is dear because corn is dear.

Of increases in net farm income, the authors observe:

"Despite the pleas of poverty so earnestly advanced by the agricultural lobby, the evidence points to a steady increase in net farm income in both nominal and real terms. The years 1950-76 saw a sevenfold rise in income in actual prices and a doubling in constant prices which allow for inflation. The bulk of farmland is still bought by farmers, as it has been traditionally, and one of the factors allowing them to finance purchase has been better income."

And of the prospect for would-

be farmers they say:

"The fiscal and other legislative changes of the last few years appear to mean the end of the traditional private let estate. When a tenanted farm becomes available a landlord is now far more likely to sell it or take it in hand than he is to re-let. The consequent dearth of holdings in this sector means that the few available opportunities attract a thundering herd of would-be tenants and a level of tendered rents geared rather to desperation than to agricultural economics and immediate profitability."

And finally:

"To the domestic influence is now added that of the overseas purchasers—mainly Europeans—who are attracted by the considerable margin between British and Continental prices. The competition for available land is therefore far sharper and is certainly not confined to a comparatively local farming interest."

* * *

Mr. John Silkin, Minister of Agriculture, announced recently that he was "worried as hell" by the amount of land that is being bought for investment. He thought that "too much" was being bought as a hedge against inflation and that foreigners by competing for land, were preventing new entrants from getting a foot on the farming ladder.

But the Labour Party legislators have never understood the land problem and as a consequence have always dealt with symptoms never causes. John Silkin now wants to set up an enquiry into institutional and foreign buying. And if this useless enquiry ever gives rise to legislation, it is certain to be as futile as all the other Labour "land reforms" of the last thirty years.

One measure and one measure only can secure agricultural and urban land availability together with low land price, and that is to tax away the selling value by an annual charge upon economic rent, at the same time untaxing labour and capital.

A 100 per cent tax would reduce the selling value to nil so that land would be available without payment of a premium. This would truly mean "land to the tiller" or to the user only, for

no one but the user could possibly have any interest in land.

LAND AND EMPLOYMENT

THE present unemployment no longer responds to Keynes' remedy of "a little inflation" or even a lot. The patient has developed a tolerance for the drug and now fails to respond after repeated and ever-increasing doses. This has stumped the experts. They have forgotten that unemployment came first and that inflation, notwithstanding the side effects, was introduced as the cure. Not only has unemployment not responded, it has grown worse. Now, the complaint and the cure seem to rank equally as complaints and instead of one, there are two!

From looking at the events historically, the correct action is apparent. Stop inflation, then tackle unemployment. This of course means retreat, which is seemingly impossible for politicians. So much emphasis has been placed on forward movement, that retreat is politically unacceptable. That is to say it is not likely to win votes.

Because we are stuck with the complaint and now the cure, we are in for continued deficit budgeting. The only group which can continually operate on deficits is that one controlling the issue of money. If any other person (or group) spends more than his income then he will very soon become bankrupt. He will no longer be creditworthy; he will be trusted only to the extent of his pocket on a cash basis.

More government spending is merely a prop for an ailing economy, and will only delay recovery. It is not the solution.

Land titles are traded like goods and it is the price of land titles which is the major barrier to employment. Government spending is not going to undo the harm caused by an unjust system of land tenure.

Cancel the privilege of land title holders by obliging them to pay the full annual ground rent into public revenue, and unemployment will disappear thus eradicating the need for its "remedy", the continued increase of government expenditure.

—From *Good Government*, Redfern, Australia.

Abandonment of Liberalism: Repentance or Retribution

ROY DOUGLAS

(Address to an audience at the Reform Club, London, May 26)

Governments can 'do' things for people only by taking away their money, or their freedom, or both.*

YOU invited me to speak on the theme, "Abandonment of Liberalism: repentance or retribution". I wish the evangelical notion that a moment of repentance could wipe out the consequences of a lifetime of sin applied in economics! There will be retribution—there already is retribution—for our past sins, in any event; but that retribution will be far worse if we do not repent.

It is useful to ask what the word "Liberalism"* means in our present context. It means the idea that the organs of government should intervene to the minimum extent with the life of the people, and particularly with their economic life. In that context, Gladstone spoke of money "fructifying in the pockets of the people". Government spending, and therefore the taxation which provides for that spending, should be reduced to the lowest possible amount. Where taxation is essential, it should be operated in a manner designed to produce the minimum interference with the life of the citizen.

This idea of Liberalism must never be confused with anarchy. The Liberal believes that the State has a duty to set, and to enforce, laws through which people may regulate their behaviour to produce the maximum prosperity, and the maximum happiness, for all. There is no liberty if a man is not protected against violence; or if he is not protected against cheating; or if his contracts are not enforced. All this is bound up with the notion of the "Rule of Law". Laws, according to this idea, should make it as clear as is humanly possible just what kind of behaviour is required, or is forbidden; and they should also make it clear what consequences will follow if those laws are broken. A man knows what penalty will be exacted from him if he commits murder, or if he runs his place of work in a way which contravenes the Factories Acts. This penalty is set down in the law, and is not determined by the whim of some individual who happens to possess executive powers of one kind or another.

Liberals of all kinds accepted these principles, even where they disagreed about their application. There was an argument for the view that home rule for Ireland was a logical development of Liberal principles, and an argument for the view that it ran against them; an argument for the view that radical land reform was "true free trade" and an argument that it represented a violation of the rights of pro-

perty, which were also essential to Liberalism. Not all Liberals at all times returned the right answers, but at least they asked the right questions. A Liberal asked the aspiring politician, "What restrictions will you remove if I elect you?" At different points in the nineteenth century, this question took various forms. Will you remove the Corn Laws and permit the people to buy grain at the cheapest price? Will you help to free the Bulgarians from rule by Turkey? Will you abolish income tax? Will you reduce the tax on tea? Will you remove the privileges of the Church of Ireland? Will you strike at the land monopoly, and allow people free access to the ultimate source of wealth?

Today, alas, the question which is asked is all too frequently the very opposite of the old Liberal question. People ask the politician, "What will you do for us?" My answer to that question, when I was a Parliamentary candidate, was "Nothing! What I shall do is to try to enable you to do things for yourself."

For governments can only "do" things for people by taking away their money, or their freedom, or both. If people ask the politician, "Will you assure me that, whatever vicissitudes of life befall, I shall always be able to obtain money from the State?" then the politician answers, "Certainly!"—but he adds, *sotto voce*,—"It will, however, be necessary to tax you so heavily that you won't be able to afford to make these provisions for yourself through private insurance fitted to your own individual requirements." The voter asks, "Will you make provisions to keep me in comfort in my retirement?" To this question the politician answers, "Yes—but I can only do that at the price of heavy taxation, or of inflation which will make it impossible for you to provide for yourself." The voter asks, "Will you educate my children?" To this again the politician gives an affirmative answer—but goes on to add—"I shall, of course, have to collect the money from you in taxation—and, furthermore, I propose to dictate the educational system which will operate. If, for example, I decide in favour of comprehensive schools, and you think your child would be better off in a different kind of school, then you must either fit in with my wishes, or else pay twice!" The voter asks, "Will you pay my medical bills through the National Health Service?" The politician replies, "Yes, indeed, but I shall insist on having a stranglehold on the medical system." And so on . . . examples of this

*In the U.S this word has, we believe, been corrupted so that it is now equated with socialism or more "left-wing" philosophies.

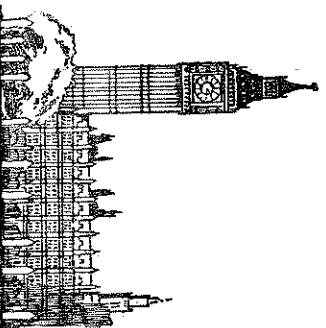
kind may be multiplied almost without limit.

What I think played a greater part than anything else in making people ask the wrong question is the curious myth that all those controls in some way benefit people of limited means at the expense of wealthier people. The fact is that rich and poor both lose; but the poor man loses the more. As a general rule, the rich man can escape the system by paying twice—which the poor man cannot afford to do. The rich man who does not like the educational system offered by the State may pay to have his children educated privately. If he does not think that the State insurance scheme fits his needs, he may take out other insurance. If he does not like the National Health Service, he may become a private patient, either in this country or abroad. The poor man cannot afford any of these things.

There is another myth—latent and generally unstated—in the existing system of State interference. This is the idea that in some way the organs of government know better than any individual man what is in the interest of that particular man. I recall vividly the words of that great Liberal, Sir Rhys Hopkin Morris: "There is no man alive who is sufficiently good to rule the life of the man next door to him!" To that I should add, "No—not sufficiently wise or altruistic!" My hero here is Diogenes; the fellow who lived in a barrel. When Alexander the Great asked what he could do for him, the philosopher's answer was, "You can get out of my sunlight." That is a pretty good reply to the over-mighty executive.

Who, I feel disposed to ask, are these people—so wise, so good, so altruistic, so well-informed about everybody's requirements—that they are able to rule our lives for us? I have the highest respect for the audience in this room; but there is not one amongst you to whom I should willingly give control of my life, or of my economic destiny, even though several of you know me well and would, I believe, treat me with kindness. How much less am I willing to entrust that economic destiny to Mr. Callaghan—or Mrs. Thatcher—or, for that matter, Mr. Steel! How much less willing still am I to entrust my destiny to some bureaucrat about whom I know nothing!

Let us examine the degree of power which these



people now possess over the citizen's life. Professor Milton Friedman tells us that 60 per cent of the Gross National Product in this country is now spent

—not by the citizen as he chooses, but by the organs of government as they choose. Some people, I understand, have taken Professor Friedman to task and suggested that the true figure is not much over 50 per cent. Let us give them their point. Who indeed is qualified to spend, ostensibly on my behalf, half the money that I earn?

The truth is really far worse than the crude figures suggest. The organs of government not merely take more than half the money we earn. If my wife buys Canadian cheese she pays tax; if she buys French cheese she does not. When I came to this Club, our Chairman kindly bought me dinner. For that he was compelled to pay value added tax. I believe that if he had given me raw meat and uncooked vegetables, this would not have been the case. Value added tax indeed! Surely we want people to add value to products? And surely by taxing them when they do so, we are discouraging them from adding value? Taxes of these kinds—indirect taxes, we call them—not merely collect revenue—they also dictate consumption.

Nor is this the end of the enormities committed by the organs of government. Our money is dropping in value all the time because the Government is creating so-called "money" which is not backed by reserves. If I do the same sort of thing: if I issued cheques—I am rightly put in prison for it. Only today I saw an advertisement for what are called "Index-Linked Savings Certificates". The advertisement ran, "The money you put away now can buy as much in seven years as it does now." The impertinence is almost unbelievable. What the Government is saying when it issues these certificates is, "Give us a loan of your money for seven years, and then we promise we shan't cheat you as we shall with all the rest of your money. We shan't give you any interest for forgoing the use of that money for seven years, but at least you won't be any worse off!" What an invitation for thrift! The plain fact is that successive Governments in this country have been gradually robbing everybody of his savings. Again we find the poorest people are robbed the most. There can be few hardened criminals in Dartmoor who would unflinchingly rob old age pensioners of half or more of their life savings; but that is exactly what has been happening through inflation. It is stupid to blame capitalists or to blame trade unionists for that. None of them can create money; only governments can do that. It is governments, and governments alone who can stop inflation; and they can stop it by not spending the money they haven't got.

I have spoken of the quantity of money which is taken from us; of the robbery—concealed and unconcealed—which is going on all the time. May we now ask what control is exercised over its spending? If a board of directors in a private firm behave unwisely, the firm may go bankrupt. Alternatively, the shareholders may revolt, and either tip out the un-

satisfactory directors, or compel them to pursue wiser policies. When a public administrator makes a mess, what sanction exists against him? Effectively, there is no sanction. He will not be sacked or demoted for losing millions of pounds of public money, provided he doesn't actually embezzle that money into his own private funds.

Not only is the custodian of public money virtually immune from any adverse personal consequences in respect of his blunders; he is also under no effective control. The Comptroller and Auditor-General is only concerned to see that the money is spent lawfully, not that it is spent wisely. The Public Accounts Committee cannot even attempt to peruse more than a tiny fraction of money spent. Nor, indeed, can Parliament itself. Thus we reach the alarming conclusion that the bulk of the wealth earned by people in this country is managed by individuals who are not controlled either by the electors or by the operation of the economy.

It is bad enough when so many matters are in the hands of politicians or bureaucrats in this country over whom no real surveillance is exercised. It could be said that there is at least a theoretical possibility that the voters might resume control over their own lives and their own finances. Alas, even this is no longer the whole story. By the decision to join the European Common Market, this country undertook to impose common trade restrictions with eight other States in Western Europe. The body which decides what those restrictions shall be is the Commission of the European Economic Community. It is a body whose members are nominated by the Governments of the member-states; but they are not controlled even by the Governments, still less by the Parliaments, of those states. We now hear a great deal about proposals for direct elections to a thing called the European Parliament. This thing has no real power over the Commissioners: not even the shadowy sort of power that our Parliament would have over its Ministers and bureaucrats, if it cared to exercise it. It is a talking-shop of the most futile kind; and the people are being willfully deluded if anyone

suggests that they will acquire any control over the policies pursued by the E.E.C. through elections to the European Parliament.

Worse; for the Common Market to which we are tied does not even consist of nations with similar economic interests to ourselves. The continental Common Market is practically self-sufficient—or it could be if it so desired. This country is not. We have to import half our food, and vast quantities of raw materials, from abroad. For more than a century, we have relied on being able to import food at the cheapest world prices. Now we are no longer able to do so; we are tied to high-cost continental food producers.

Thus we perceive something of the causes of our present distress. Do we honestly wonder that this country is in an economic mess? I believe the point has come when we must really look around and see where our present course is leading, and begin, step by step, to dismantle the whole illiberal and collectivist apparatus which has been set upon us.

Have no illusions. As I said at the beginning, the road back will not be an easy one. Many of the measures which we shall need to apply will be unpalatable. Many people will need to change their jobs, and to readjust their lives. The first consequences of moving towards freedom will be no more palatable than the consequences of breaking any other addiction. I do not think that this is the occasion to discuss in detail what needs to be done. Suffice to say that it will require the most careful and detailed attention to decide which restrictions we lift in which order; and how we may ensure that the weakest members of society are not called upon to make the heaviest sacrifices in the period of transition.

I return to the almost theological title of this address. Some retribution is inevitable. The choice which this country must make is whether it will be the retribution of a Purgatory from which, sooner or later, we shall escape; or a Hell from which there is no escape. It is only by real Liberalism that we may set some term to our punishment.

Chasing the Illusion

ROBERT MULLER

WHEN people with the best of intentions presume to lay down rules of just conduct as a basis of a free society, they do not always take the trouble to define the terms they use in their arguments. At least Professor Hayek in the second volume of his trilogy *Law, Legislation and Liberty*,* which he calls "The Mirage of

Social Justice", escapes being accused of such an omission. In fact, he goes to such lengths to ensure that we shall understand precisely what he means by the very word 'rule'—as well as 'value', 'justice', 'freedom' and so on—that frankly I found the first half of the book heavy going indeed. But my patience was rewarded in the second half, in which I saw the author's logically

stated arguments that much more clearly as a result. In a free society—and before I proceed I cannot resist the temptation to state the obvious, that different people have different ideas of what is meant by 'free', and even a 'society' may not conjure up the same picture in all minds—the rules are of a negative character, that is, they state what a single member of that society may *not* do to injure or interfere with the life and property of his fellows. They lay upon him no specific duties, as such, except those which he may voluntarily assume by private contract; and it

*Routledge & Kegan Paul Ltd. £4.95.

is within the confines of these negative rules that he is free to move and gratify his desires and accomplish his purposes.

It is only because we cannot predict the actual results of particular rules that we assume them to increase everyone's chances equally. If we could, the Professor points out, we would not need the rules. Nevertheless, some of the results turn out to be uncomfortable for some people, but they cannot thereby be called unjust. The risk of unpleasant consequences in pursuit of our aims is the price we have to pay for our freedom so to engage. "Freedom," he says, "means in some measure we entrust our fate to forces which we do not control." There is food for a banquet of thought in that sentence alone.

The only way we can attempt to escape this situation is to entrust some governing body with the re-

sponsibility of directing our lives to such an extent that eventually all individuality and creative effort is stifled out of existence. And why, I have always wanted to know, is it so often and fervently believed that any group of people, elected or otherwise, can possibly have the slightest notion of what is best for everybody else?

Social justice seems to be the only term Professor Hayek fails to define—for the simple reason that he deplores it as misleading, ambiguous, illusory, and downright dishonest since it is frequently invoked as a means of furthering the protection of entrenched interests.

It has even found a respectable place in the teaching of several Christian denominations which "losing faith in a supernatural revelation, seek refuge and consolation in a new 'social' religion, substituting a temporal for a cele-

stial promise of justice."

The last chapter of the book contains a warning. Professor Hayek considers the two greatest threats to a free civilisation are socialism and nationalism, and we should remember that some supporters of Hitler, Mussolini, Lenin and Stalin sincerely believed they were engaged in the creation of a just society in which the needs of the most deserving would be better catered for. Well, we have socialism, and nationalism once again gains popular support. But what are these things but expressions of despair for many in their search for answers to social problems?

I believe with professor Hayek that the answers can be found, but not by bunching individuals into types and grades in futile efforts to organise them all into some sort of absurd and glorified ant-heap.

Model of a Free Market

C. R. ROBERTS

THE supporters of the free market economy are finding it increasingly difficult to find a suitable model to cite as demonstrating the benefits of the practice of their ideals. The march in the direction of centralised control and welfare economics has been for some time almost universal in both developed and developing countries. Even the USA, the former repository of the free enterprise ethic, has been engulfed in the steady trend to the government-manipulated economy.

A survey on Asia in a recent issue of the *Economist* written by Norman Macrae, its deputy editor, contained much of interest to the advocates of economic freedom. Paramount was the section on Hong Kong, the current success of free market economics.

The tremendous expansion of Hong Kong's economy and the resultant upward surge in the standard of living of its inhabitants is attributed to its Government's policy of minimum intervention.

Businessmen undertaking new enterprises find little to hamper them in the way of government rules and regulations. The level of taxation is low (public expendi-

ture equals only 14 per cent of Gross National Product, compared with well over 40, some say 60 per cent in the UK). Many public services (e.g. electricity, gas, telephones, transport) are operated by private companies. Those services that are provided by the Government either show a good profit or try to ensure that the greater part of the costs incurred are recovered from the actual users. That workers are not unduly troubled by their Government's *laissez-faire* attitude is suggested by the fact that less than 15 per cent of them have chosen to join unions.

The result of the tremendous activity generated is, says the *Economist*, that Hong Kong's Gross National Product per head is expected to overtake that of Britain during the 1980s.

A glowing picture indeed, but it would be foolish to suggest that Hong Kong has no problems. One fundamental difficulty is that the amount of land available is strictly limited—a glance at photographs of the centres of activity indicates the tremendous intensity of development and land values are really soaring, as the inset on this page demonstrates.

Land in Hong Kong is held on lease from the Crown, but as was indicated in our last issue, the Government favours low rentals and high premia, presumably because this brings in more money in the short term. Unfortunately this means that the community will not be collecting higher future land values, nor will they enjoy the benefit of the economic effects of full rental collection.

This is a pity, since if Hong Kong were to get its land tenure system right, then free enterprise enthusiasts might really find something to sing about.

Footnote: It is interesting to note that in the summary of its Asian survey, the *Economist* says that since 1948, Indian governments have kept announcing land reforms that would not be "the right production-increasing policies even if implemented: Bangladesh has long had small and rather egalitarian under-financed peasant holdings, but look what's happened to it."

A 4,940-square-metre non-industrial site on the Wanchai reclamation, Hong Kong Island, has been auctioned for HK\$140 million (£17.5 million). The realised price amounted to HK\$28,322.88 (\$3,540) a square metre.

Liberty—without and without

NICHOLA

"But what is liberty without wisdom and without
folly, vice and madness, without to

A PERENNIAL charge levelled against economic libertarians is that they are "guilty" of *naivete*, defined by the Oxford Dictionary as a condition of being "unsophisticated, or unconventional, simple or artless". That, incidentally, is the kindest charge the many enemies of economic freedom level against us; the more bellicose antagonist of the free market sees (or wishes others to see) libertarians as a collection of Gradgrinds straight out of the pages of Charles Dickens' *Hard Times*. In this caricature of the hard-faced capitalist of a legendary *laissez-faire* society, economic libertarians are seen as freebooters motivated only by the most narrow self-interest where greed, avarice, cupidity and mean rapacity allow for no intrusion of sentiment, emotion and individuality for those on the make.

An analysis of individuals describing themselves as economic libertarians would, without doubt, reveal an unhealthy number of such persons. Many self-styled capitalists are, by their attitudes and behaviour, among the very worst enemies of freedom. Robbers, thieves, forgers, counterfeiters and various entrepreneurs of commercial and business sharp practices are very individualistic people, whose notion of liberty is characteristically anti-social. However, liberty is no mere abstraction. It can succeed only where a climate of social and political responsibility is universally accepted and respected. Defenders of liberty and freedom must heed the wisdom of Edmund Burke in recognising that:

"Men are qualified for civil liberty in exact proportion to their disposition to put moral chains upon their own appetites; in proportion as their love of justice is above their rapacity; in proportion as their soundness and sobriety of understanding is above their vanity and presumption; in proportion as they are more disposed to listen to the counsels of the wise and the good, in preference to the flattery of knaves."

If Burke's wise observations were true in 1791, how less true are they today? In my view, they are timeless wisdom which the most elaborate sophistry cannot render false. The charge that some libertarians are negligent and guileless is not without substance; as Burke correctly asserted, "The only thing necessary for the triumph of evil is for good men to do nothing." A great many pseudo-libertarians are apt to dismiss (or play down) the incidence of mischievous behaviour among false "friends". Do monopolists, protectionists, along with statist, socialists, communists and fascists act only from mistaken belief? For the proliferation of evil there has to be some motive at work, whether deliberate in origin, or arising out of honest ignorance or just cynical perversity. Protective tariffs do not just happen; land monopoly is not just an unfortunate historical accident; industrial and commercial cartels require much forethought, arrangement and political accommodation.

The pages of history are stained with tyrants and

bad men; neither could have prevailed without the connivance of other men's vanity, greed and lust for power. An armed individual might hold a family to ransom. It is stretching credulity to the boundaries of reason to suggest that, by such slender means, entire nations can be so ruled. The history of land tenure the world over is the history of the misuse of authority by governments to confer privileges on the few at the expense of the many; wise government abolished the iniquitous Corn Laws and brought free trade to the United Kingdom; weak, perverse and expedient government reimposed protection at the prompting of narrow vested interests. Those same interests, now enlarged and of wider political orientation have, with the ready approval of government, trades unions and monopoly capitalism, continued to demand the buttressing of these harmful privileges by ever more protection and monopoly power, thereby accommodating a growing army of applicants for a place among the ranks of the favoured.

These trends gather a momentum of their own, taking on board groups of self-seekers whose narrow interests are nearly always in direct conflict with the general interest. Both in the U.K. and the U.S.A., trades unions and big business espouse the cause of protection as being in their joint interest — what Adam Smith called the conspiracy to defraud the consumer by raising prices against the public in collusion with governments.

It is the same sad story with land. Planners nearly always favour the powerful property developer, the large farming interest and the growing army of bureaucrats. Is it surprising that fraud, corruption and cynicism are everywhere on the increase?

Protection and land have, in large measure, been at the root of the long history of crime, corruption, and unsavoury politics which are a regrettable feature of the 200 years history of the United States. Here is a large democratic nation founded on the principles of liberty and equal opportunity, which, from its very inception as a sovereign state, allowed some of its citizens the right to own slaves, while the founding fathers wasted little time in carving out massive estates from the best lands. Its first President, George Washington, was no laggard in the early carve-up of prime real estate, securing something like 250,000 acres for his exclusive use. Long before the final breach with Great Britain, settlers in the New World were busy fencing off millions of lush acres

not wisdom but virtue

BILITCH

ture? It is the greatest of all possible evils . . .
on or restraint."—EDMUND BURKE

as private fiefdoms ready to be worked by an army of African slaves from the west coast of Africa and future immigrants from Eastern Europe; an unsavoury trade in human beings was the foundation of many a fortune, and the racial problems it gave rise to are with us today. That the operation of such a trade required the active participation of bad men is beyond doubt; that the history of the slave trade has spawned many a myth (and some dubious history) does not invalidate the charge that evil and dark forces were at work over a long period of time. Is it therefore surprising that while the founding fathers of modern America were drafting the Declaration of Independence and drawing up the Constitution, the less scrupulous of their ambitious colleagues were busy serving their own selfish ends?

A recent history of some of the more notorious of America's numerous scoundrels has been written by a distinguished American journalist, Nathan Miller. Carrying the apt title *The Founding Finglers*,* it is described by the publishers as "a fascinating history of corruption in America from Jamestown to Teapot Dome." The tales of wrongdoing it tells are not new; what it describes has been written about on many previous occasions. Well-written, informative, it leaves one with the thought that were it not for the innate decency and honesty of most Americans, past and present, the U.S.A. would have been reduced to the level of the many societies where civil government has become impossible without the aid of the tyrant's lash. It does, however, go a long way to explain the phenomenon of how a large and unbelievably wealthy sector of organised crime and villainy manages to survive in a free and prosperous country. Miller observes how early on in the history of his country land speculation and land acquisition was the prime target for personal aggrandisement: "... land was the favourite object of speculation. . . ." There was "... an insatiable lust for land in colonial America. Such prominent members of the Revolution generation as George Washington, Benjamin Franklin, Patrick Henry and Robert Morris were all deeply involved in land speculation."

Miller's next paragraph concerns the book's most pertinent message: "Concentration of the lands . . . in fewer and fewer hands directed the covetous eyes of the land speculators towards the vast unsettled

areas west The prospects for clever operators were dazzling. The initial investment didn't have to be lavish, as the land was *not bought* (my italics) but secured from the Crown or the colonial governments for the asking—as long as one knew *who to ask and had greased the way with well-placed bribes* (my italics). . . . Thus, for the expenditure of only a few hundred pounds in bribes and a promise of a generous share of the boodle to interested British and colonial officials, grants totalling several hundred thousand acres in size were handed out."

Shades of Wigan slag heaps, and the squalid land deals which have surfaced here in Britain of recent years! The fortunes involved may be small beer, compared to the enormous fortunes ultimately made in America; the name of the game is the same. Civic malfeasance can be profitable where careless (or malign) government operates against the public interest.

Power is a heady brew which attracts the good and the bad. It can lead good men astray, their innate vanity unleashing the dark side of their nature, readily surfacing as the lust for power grows. Concocted men and women, seeking office to perform good deeds often find themselves in the company of others who are frequently imbued with less noble ambitions; lack of courage can often corrupt otherwise good men into serving interests which they did not deliberately seek, but whose influence and power they have need of if high office is not to be denied them. It has been said that the ungodly prosper, because the godly are such damned fools, who allow them to do so. As Burke said, "When bad men combine, the good must associate; else they will fall one by one, an unpitied sacrifice in a contemptible struggle."

The lust for power and riches which led some of the earlier settlers in America to covet large areas of colonial territory as their exclusive domain provided a power base which has inevitably led to what Miller describes as a prime factor whereby "... the Constitution advanced the interests of the moneyed class while practically ignoring the rights and wishes of the common man. It charted the course for the establishment of a business civilisation in which property in all its myriad forms was to reign supreme."

In contrast to the optimism of his contemporaries (those great Victorian Liberals), Lord Acton—a distinguished libertarian in the best classical tradition—took a view more sanguine than the one which regarded as inevitable that good would prevail over evil. He noted, above all else, that tyranny had a much longer history than freedom; that regrettably all too often, dark forces had a habit of extinguishing liberty over long periods of time; that bad men's rule had prevailed more often than rule of just laws and enlightened government. This was no mere pessimistic cynicism; rather was it the realism of a thinker who, because he cherished civilized values and in-

*David McKay Co. Inc., New York, USA. \$12.50.

dividual liberty, was under no illusion that both were fragile values requiring eternal vigilance, necessitating that governments be given a minimum of power



so as to prevent tyrants and evildoers from effecting their worst. Who among genuine libertarians (not also a fool) can look back no further than the seventy-six years of the present century, and then take issue with Acton's assertion that, "the one pervading evil of democracy is the tyranny of the majority, or rather of that party, not always the majority, that succeeds by force or fraud, in carrying elections." Tyrants and evildoers may have been inspired by what they set out to achieve; they cannot, on that account, be exonerated from the means, methods, and ends they willed; neither can they be excused from their association with others, less inspired, whose sole wish was a share of power, glory and riches, which it was hoped such associations would readily provide. It is true, that among the hangers-on and influence pedlars, the sin is usually no more than one of amorality. "If you can't beat 'em, join 'em!" In many ways these contemptible creatures are the greatest menace of all, in that they readily provide tyrants, corrupters and other evildoers with an army of "volunteers" who will carry out any depredation on the public domain if the prizes and rewards offer sufficient temptation.

That free trade, free land and sound money are causes we should be constantly fighting for, is not in doubt; that selfish and rapacious forces are working in the opposite direction is also undeniable—history testifies to the fact. Libertarians who ignore such truths are ill-equipped to advance the cause of liberty and justice. In themselves motives may not be important; however, sound policies, just measures and libertarian goals remain mere abstractions without the active involvement of men and women of good will who not only believe but are, at all times, ready to act honourably to bring about the just and free society.

The fact that the U.S. Constitution was founded on democratic and (ostensibly) libertarian principles, did not deter a number of founding rascals from indulging in the most outrageous finagling. As Miller so graphically describes: "Even while the new Government was taking shape, finagling was making an early bow. Congress convened on March 4, 1789, and had only been in session a few weeks before it was discovered that some members were already using their position to line their pockets. To provide funds to meet the immediate requirements of the Government it had been agreed after a process of

give and take worthy of the Constitutional Convention that a tariff should be imposed upon imports coming into the country. Yet for some unexplained reason, final congressional action had been stalled for some time. No one seemed to know why. William Maclay, a fiercely democratic senator from Western Pennsylvania began to delve into the mystery Maclay found that the Bill was being obstructed by some members of Congress who were deeply involved in seaborne commerce. They hoped to delay final approval of the measure until their ships had returned safely from current voyages and the cargoes unloaded into their warehouses—free of duty, of course. The merchants had already raised the price of goods on hand to cover the duties which hadn't been paid, but that was the public's worry Maclay noted unhappily in his journal that when a man acted in the double capacity of both merchant and congress man, 'You will always find the merchant uppermost.'

In other words, Adam Smith's invisible hand is frequently found, up to the elbow, raiding the public till; wise legislation should be concerned to see that it does not happen. Tariffs and protection are always a temptation for rogues on the make to fleece the public by suborning governments in the interest of a single class.

It is my personal view that because of its immense size, the land question was of less importance in corrupting the commercial life of America than the incidence of graft and political log-rolling which went into (and still does) the build-up of protection and tariff legislation in the U.S.A. As in the U.K., land ownership is very fragmented and fairly widely dispersed. This means that in the market place competition acts on land prices so as to keep the more

AT the turn of this century when the protectionist forces were gathering strength under the banner of Tariff Reform and were being led by a "radical reformer" and political opportunist, Joseph Chamberlain, a group of eminent British economists of impeccable classical learning, sent a letter to the *London Times* (15 August 1903). In retrospect, the two sentences from the letter which were most prophetic when viewed against the contemporary world crisis, were those where the signatories warned their countrymen that a return to protection would mean that:

"The evil would probably be a lasting one since experience shows that protection, when it has once taken root, is likely to extend beyond the limits at first assigned to it, and is very difficult to extirpate. There are also to be apprehended those evils other than material which protection brings in its train, the loss of purity of politics, the unfair advantage given to those who wield the powers of jobbery and corruption, unjust distribution of wealth, and the growth of sinister interests."

speculative excesses in check. Of course, large fortunes are still made from real estate; only land-value taxation would curb it. By way of contrast, tariff lobbies have grown up over the decades into a major industry, giving rise to cartels, price-fixing and a host of other commercial malpractices. With the moral and ethical climate it has produced, it is no wonder that the Mafia, and other well-organised groups of crooks and business miscreants have flourished, using their ill-gotten gains to bribe politicians, government officials and the police in pursuit of riches. This unsavoury trend gathered momentum following the Civil War. The protectionist mania which grips America from time to time has brought in its train powerful countervailing forces in the shape of organised labour who are more concerned in sharing out the loot than in fighting the entrenched privilege the ensuing commercial bonanza produces. Is it surprising that these well-organised labour monopolies are riddled with hard-nosed crooks clamouring for the very protection from which their legions are the principal victims. The result is that America, like Britain, is moving more and more down the road which leads to the socialist corporate state.

In the concluding chapter of *Progress and Poverty*, Henry George prophesies that should land reform and free trade not be introduced in his native land, the ultimate clamour of the "mob" could well lead to a dictatorship. The political follies which have characterised the politics since George's day have seen the growth of the welfare state and social

security financed by large government deficits. In his own country it has reduced cities like New York to bankruptcy, unbelievable corruption and crime of mind-boggling dimensions. Further south in Chile, Uruguay and Argentina, democracy is dead, having been replaced by brutal and repressive dictatorships; in Cuba, the only difference is that the repressive regime is a Marxist dictatorship. So alarming has the situation grown in Britain, that the normally imperturbable Professor Milton Friedman has recently questioned as to how much longer can it be before freedom and parliamentary government are brought to an end here. Was he being unduly alarmist? All the symptoms are there which would give credence to such a prophecy with public expenditure out of control; inflation at historically high levels not seen here since Tudor times; taxation levels not experienced since the time of the Napoleonic era; public sector employment growing at an alarming rate, with an organisation comparable with any industrial trade union; crime, corruption, nepotism and patronage on a scale not seen since the days of the rotten boroughs of Walpole's premiership. I think the Professor was right in expressing anxiety for a country he holds in affection, and for which he has the highest regard and respect.

To echo again the wise words of Burke: "But what is liberty without wisdom, and without virtue? It is the greatest of all possible evils; for it is folly, vice and madness, without tuition or restraint."

Expansion—A Means of Survival

The following is extracted from an article issued by the Freedom of Information Campaign over the signatures of three Labour M.P.s (Arthur Lewis, Tom Litterick and Sydney Bidwell). We follow it with a comment from our contributor T. O. Evans.

THERE seems to be general agreement that the solution to our economic difficulties lies in the direction of increasing production.

If our observation is correct that expansion is the route to survival, then we have a yard-stick by which to evaluate theories and suggestions which are put forward as a means of increasing production.

Any move at all which goes in the direction of increased unemployment must entail contraction. Creating unemployment in order to streamline production is a form of contraction. To fully utilise the labour force and then to recruit more workers to back up the rising production is true expansion. To ration work as though it were a scarce commodity is a form of contraction. Production should be streamlined to

economise in capacity for work only when the work resources are fully stretched. When we have full employment and further expansion of production is needed, then we move forward to automation in order to expand beyond the full capacity of the work force. It does not aid survival to use automation if it contracts the work force....

By the same token an over-emphasis on investment in industrial equipment can lead to a scarcity of work. Likewise controls and restraint in any form are liable to impede survival by impeding expansion. Growth comes from nurture rather than from protection. Healthy vigorous growth requires a minimum of protection. Competition, to the vigorous, can act as a stimulus. If the reasoning

advanced up to this point is based upon correct observation then certain specific conclusions can be reached concerning the optimum manner in which production should be increased.

In the first instance, the purpose of increasing production must be understood. The purpose is to increase earnings to obviate the need for cuts. Rising production must therefore lead to increased earnings. Goods and services must be aligned to what can be exchanged on the world market....

Given a market for goods and services, a means must be found to increase production so that it expands into that market. The most certain method of creating and increasing production is to provide those who produce with an incentive to produce. Rewarding production is far more effective than punishing a failure to produce. The ideal system would combine rewards and penalties. But penalties are more difficult to devise and to administer justly than the simple action of aligning earnings with production so that

earnings operate as an effective incentive. Contrary to what the cynics would have us believe, people do enjoy the action of producing. When that action is rewarded fairly and in such a way as to validate the contribution made, then people can derive a great deal of pleasure from work even though the task is laborious. With these human attributes operating as a natural tendency towards rising production it is necessary to examine what system operates to impede production.

If we examine the system under which we operate today we can see at once that the action of producing is unfairly rewarded and the contribution made is not validated. The producer of goods and services is penalised for his efforts by punitive taxation on his earnings. The contribution he makes by working can be invalidated by the tendency of the tax on his earnings to place him in a better financial position if he stays at home and does not spend time and money travelling to work. His efforts are also invalidated by the knowledge that the system tends to give the greatest rewards to those who do not produce goods or services and contribute nothing to replace the wealth they misappropriate.

The misappropriation of wealth has given the word profit a bad name. Profit has come to mean ill-gotten gains. Honest men and women tend to disparage the concept of making a profit from working and fall into the trap of accepting a system which expects them to work with no financial incentive. Work without profit can become tedious in the extreme. But in truth, earnings are very different from ill-gotten gains. The ill-gotten gains of those who speculate with money and by financial killings misappropriate rewards of wealth for which they have contributed nothing, sour the whole concept of profit. The idea is born that profit is dishonest and production should profit no-one.

The society does not differentiate between an honest profit and ill-gotten gains. The loss of a right to an incentive to work is accepted in a confusion concerning the role of money as a means of exchange. People talk about going to work to make money and making money

becomes a legitimate profession. The only legitimate manufacture of money occurs at the Royal Mint. There is no other honest way to make money if one does not work in the Royal Mint, apart from earning money by the production of goods and services for which a demand can be created. Only productive work produces value....

There is a simple remedy for the worker who sees his own standard of living falling, who sees cuts in Government spending threatening his survival and at the same time is aware of enormous wealth passing into the hands of those who themselves contribute nothing.

The remedy is not to place these people against a wall and shoot them. The remedy is cleaner and more effective, it is to restore the right to know the truth concerning the management and control of money. Economics has been contrived to appear highly complex and beyond the comprehension of the worker for a very good reason. It enables certain people to exploit him. Restore the basic simplicity of economics by the right to know the truth and exploitation becomes impossible. The resulting honesty in economics will benefit everyone, because even those who profit from exploitation will be relieved of the temptation to harm their fellow men.

The way to restore our right to know is to persuade the Government to keep its manifesto promise concerning secrecy. The Treasury is very secretive and if we persuade the Government to introduce a Freedom of Information Act to replace the Official Secrets Act, we shall acquire a precision tool with which the economy can be straightened, the right to an incentive to produce restored, and then, with a rising gross national product, Government cuts will become a bad dream soon to be forgotten.

* * *

T. O. EVANS COMMENTS

I was reminded of the old game of 'hunt the slipper' when reading the above manifesto. I wanted to cry "warmer! warmer!" as the writers got closer and closer to the right solutions. They know what is largely required but not how to accomplish it. But the call

for freedom of information with which the article ends is an anticlimax—a let-down. Not that I am against freedom of information—indeed it is a highly important part of a free society, and I applaud and support efforts to pursue the abolition of Government secrecy.

I am wondering whether the call for freedom of information was a peg on which to hang some good economic horse sense or whether it was the other way round. No matter, it is good to read from Labour Members of Parliament such phrases as "controls and restraint in any form are liable to impede survival by impeding expansion." "Growth comes from nurture rather than protection." "Competition to the vigorous, can act as a stimulus." "The most certain method of creating and increasing production is . . . an incentive to produce."

Welcome also are references to punitive taxation as a disincentive to produce; to the demoralising effect of welfare payments that in selected instances, kill the incentive to work; to the defence of profit—properly defined to exclude unearned incomes or "ill-gotten gains" and to the fact that economics has been contrived to appear highly complex which enables the worker to be exploited.

I would gladly append my signature to the document (for whatever good that would do) if I were allowed to delete the occasional red herring as for instance, the suggestion that automation *can* create a scarcity of work; in the long run it will not, given a flexible economy as partly envisaged by the writers. And to substitute for "speculation with money," "speculation with land."

I would include in ill-gotten gains the rent of land, the profits of monopolies and cartels, and subsidies and grants to industries of whatever nature.

I would also delete the unfortunate phrase that the only legitimate manufacture of money occurs at the Royal Mint!

But I see what is meant and indeed it is expressed in the sentence that follows: "Only productive work produces value." Governments abuse their power and conceal many abuses with the Official Secrets Act. Let's have less secrecy—and less power too!

Principle into Practice in Budapest

WILLIAM O. RANKY

In 1919 the municipality of Budapest introduced a system of land-value taxation. The following account is taken from the paper "Low-Income Housing: Technology or Policy?" presented to a conference in Bangkok June 1977, organised by the Asian Institute of Technology.

THE municipality of Budapest, Hungary, instituted land-value taxation and simultaneously lowered the existing tax on house-rents, a combination which discouraged land speculation and encouraged building. The measure was the result of the leadership of my teacher and associate, the noted Dr. Julius J. Pakler (1864-1952), who brought about its acceptance and, as Chief Valuation Officer, directed the appraisal work. The implementation of this tax reform proved to be neither complicated, nor difficult, nor did it encounter taxpayer-resistance.

It seems worthwhile to follow the provisions of the statute one by one, together with the explanatory notes of its author (in parentheses) and enlarged occasionally by contemporary remarks.

Section 1: Collection of the land-value tax begins January 1, 1919.

Section 2: Subject to the tax: land of every description within the boundaries of the town.

(There is no discrimination whatever between developed and undeveloped land or between "building" land and "agricultural" land.)

Section 3: Exempted: land belonging to the State, the Municipality, or the King or Queen; land, which, together with the improvements upon it, is permanently, wholly and without any fee or recompense (entrance fees, rent, etc.) open to the use of the whole public (e.g. churches, free schools, museums, etc.)

(In one of the towns—Ujpest—which also adopted the land-value tax, this whole section was omitted and no exemptions at all were inserted into the statute. They accepted the principle that if the use made of a site is not worth paying the site-value tax, then that use does more harm than good.)

Section 4: The rate is to be paid on the basis of the capital value of the lots, whereby the value of improvements, which happen to exist on, in, or under the ground, are not to be taken into account.

(Valuation of improvements—a difficult task anyway—is altogether unnecessary in a land valuation, where the value per square unit of the different lots can be entered on a map and be easily compared lot by lot by anyone and everyone.)

Section 5: The value of the sites to be reascertained every third year.

(It was soon realized that the only correct method would be yearly revision. When the first valuation system is completed, it is much easier and much less work to keep it up to date by yearly revision. The continuous registration and investigation of the

sales and other transactions is an easy task that has to be done the same way whether the interval of revision is short or long, and it keeps the valuations continuously and reliably up to date. The longer the interval, the greater the revaluation and the farther we get away from a true, continuous and operative valuation.)

Section 6: The market values are to be kept in a permanent register (the "cadastre") which is to lie at the Valuation Office. The rolls have to state for each site the following data:

1) registration number; 2) street; 3) house number (or other means of identification); 4) name of owner; 5) acreage in square units; 6) type of shape (for this purpose eight simple categories were devised); 7) length of front; 8) average depth; 9) value per square unit; 10) value in whole; 11) yearly sum of the tax to be paid.

Section 7: The market value of the sites, expressed in value per square unit is to be ascertained by the Valuation Office, and the tax is determined on the value so ascertained. The Office makes its valuation with the help of a Committee of experts elected and delegated by the Magistracy from the members of the Town Council. This Committee serves as a consultative and advisory section of the Valuation Office, its opinion not being binding upon the Valuation Office, which alone is responsible for the valuations.

(The valuation work proved to be much easier than thought in advance. The assertion that it is impossible to separate and value land apart from the improvements is a naive mistake, if not a humbug. The mistake arises partly from confusing the sporadic valuation of a single lot by itself with a general valuation embracing all sites on a given date. In the second case, each of the valuations is controlled not only by the valuation put down for the left and right neighbours and by that of the opposite side of the street, but also by the valuation—always per square unit—of all the other sites in town. So the work turns out to be in effect a work of comparing and relating values.

The valuation work was started with what was known to be the most valuable site in town. Careful determination of the value per square unit of this site was followed by establishing the value of a rather removed site. The question was not as much to determine the absolute value, but a rather simplified one: if the value of the first site is X per square unit, what is the value of this other site. This was

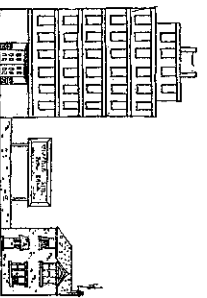
solved in much less time than the first one. A third, even more removed site was chosen next and soon a network of twenty-five to thirty fixed points was established over the whole area of the town, and by this method the groundwork in principle was done. These twenty-five to thirty fixed points had then been studied and thoroughly examined for some days as to the correctness of the relations of values. This was followed by selecting and valuing another fifty points located between those already fixed—always from the standpoint of correct relation to the previous ones, but of course nevertheless always guided and controlled also by the commonly known absolute level of land values—and making the network of fixed points even denser. And so the work went on with ever-quickenning speed. The valuation of the 36,000 sites within the town was carried out with a very small staff within a very short time.)

(The site values should be always set clearly—say 15-20 per cent—below the indubitable market value. This way, unnecessary quarrels and endless appeals can be avoided and the task peacefully accomplished. The fiscal revenue of the tax can be augmented by raising the rate, from 0.5 per cent to 0.75 per cent to 1 per cent and so on, but never by straining after 100 per cent valuations.)

With the specialized computer techniques available today, establishment and yearly revision of the land-value tax-rolls can be done at a nominal cost and within quite a short time.

(The valuation roll consists of two parts. One part contains the single schedules, one for each site. They contain the complete description of the site. The other part consists of the "street rolls", one leaf for each side of each street with one horizontal line for each site. Thus, the values per square unit and the description and dimensions of the sites can be most easily compared by the landholders as well as by the Office. The important column is the ninth, showing value per square unit. Following this column vertically, the values per square unit can be compared and criticized and the cause of every difference must, without any explanation, be found in columns 6, 7 and 8—shape of the lot, length of front and average depth.

All that was said about the reliability and just measure of land valuation applies, however, only where there is an independent Valuation Office and an independent and therefore fully responsible Chief



Valuation Officer. Whenever valuation is entrusted to a Committee or Board that performs it by deciding questions by vote of those present, the work is sure to be perverted and in the long run becomes unser-

viceable.)

Section 8: The Valuation records are to be printed and published in book-form in each period of revaluation, the books are to be made available at cost at booksellers, the general public is to be informed of publication by placards and in the journals. The book shall contain for each site the data listed in Section 6 and be supplemented by publication of the alterations which have occurred in the course of the valuation (corrections by the Office, objections, appeals, etc.)

Section 9: The first resort for objections is the Valuation Office itself. The time allowed is thirty days from the official publication of the valuation. Entitled to make objections are not only the landholder but every interested citizen of the town. The objection of an owner or part-owner against the valuation of his land delays the payment of the tax until the settlement of the objection by the Valuation Office. The Valuation Office has to give a written decision.

(This provision proved to be very efficient and useful. A great many of the objections were peacefully settled by the Valuation Office itself without any further complications, greatly reducing the originally already small number of appeals, which did not exceed six per cent of the sites valued.)

Section 10: The decision of the Valuation Office can be appealed within fifteen days to the Committee of Appeals. Everyone who had lodged a complaint, as well as the Town Attorney, are entitled to appeal.

Section 11: The fifteen members of the Committee of Appeals are elected by the Town Council for each single taxing period. The Committee elects its Chairman; the chief of the Valuation Office reports the cases before the Committee, but is not entitled to vote.

Section 12: The appeals are to be dealt with street by street. The parties shall be invited and are entitled to plead. The sessions shall be held in public.

Section 13: Third legal forum: appeal (on matters of law) before the National High Court, within fifteen days after the decision given by the Committee of Appeals.

Section 14: The rate of the land-value tax is yearly one-half of one per cent of the land value established under Section 4. The tax rate has been set at this low level because the whole idea of land-value tax was new at that time and there was no actual experience at hand as to the impact of this tax. The principle once established, in the absence of adverse market reactions the tax rate can be gradually raised until it approaches the level of the full yearly land rent, while correspondingly reducing taxes on rentals, on improvement values, etc.

Section 15: The land-value tax is a first charge on the estates.

Section 16: Part-owners of sites are jointly and sev-

crully responsible for the tax.

.....

Section 20: As of January 1, 1919, the three per cent tax on house rents is being reduced to $1\frac{1}{2}$ per cent of the house rent.

* * *

This statute serves as an unique example of how a principle—laid down by Henry George forty years earlier—can be translated into practical legislation. Its merits are to be found to a significant degree in what it does not contain.

The statute is quite straightforward and comprehensive, as it takes into account no other circumstance whatever than the market value of the sites, and knows no "gross value", "full value", "assessable value", present or future "use value" or other such complexities. The tax rate is the same whether the site is "agricultural" or "building site", used or developed or not, whether the value be great or small, whether the owner be rich or poor, young or old, or living in town or abroad. The landowners immediately understood that they had only to see whether the market value of their sites was fixed in the right relation to that of their neighbours and to that of the remoter sites. Seeing that any favouritism is absolutely and technically excluded by the simplicity

and transparency of the system, the landowners themselves were quite helpful in carrying out the valuation work in the smoothest way.

Based on the techniques developed in Budapest, the land-value tax system was extended to the other seven significant cities in the country.

The political vicissitudes following the end of World War I in Hungary, however, thwarted the full development of this important reform. After two revolutions and foreign occupation, a reactionary government took power. It made no efforts to maintain and develop any kind of "progressive" reform. Also, the worsening inflation of the currency made the revenues of the land-value tax less and less significant. Although the statute itself has never been rescinded, collection of the tax was lifted in 1921.

Land-value taxation is being practised in many areas and municipalities around the world. Its power to improve social conditions in general, to promote the healthy development of cities, to eradicate or prevent slums and urban sprawl, is often obscured by the application of half-measures, of compromises and "ameliorations".

The clear and simple Budapest statute, in being true to the principles of equity and justice, may well serve as a blueprint for local taxation reform for any city in the nineteen seventies.

Computerisation: Simpler Still with SVR!

THERE is more to taxation than tax bills. And a computer-based mapping system in Switzerland may some day have enormous impact on the way in which U.S. property owners are taxed, says publicly material for the system's manufacturers.

Today, in the U.S. and Europe, tax assessors determine the value of land and improvements on the basis of comparable sales, building costs, inflationary trends and the mystique known as the assessor's art.

"Many of the elements that should be taken into account in determining property value aren't even considered. Important information about a building may be stored in a dozen offices that are not even tied to the assessor," explains Jose Villalobos of Calma, a Californian manufacturer of interactive graphics systems.

One of those systems has been installed in Kanton Aarau, a "county" adjacent to Zurich. Here it is being used for advanced work in municipal cadastral applications. A cadaster is the total information

known about a piece of property.

Until recently in Kanton Aarau, title records and tax information were maintained by hand ledgers. Consequently, there was a backlog for updating the records—often years. Hand-drawn property lines were often inaccurate and vital information as to the value of the property was not recorded—a situation which also exists in the U.S.

One of the more sophisticated local governments in Europe, Aarau purchased a CalmaGraphic Interactive data management system, which is being used to "digitize" (convert to computer code) each individual parcel of land in the city, its zoning, its use and its ownership—in some cases going back as far as four or five centuries.

The digitized information is then stored on computer magnetic tape where it can be instantly recalled and presented on the system's television-like screen or in a hard copy map on its high-speed plotter.

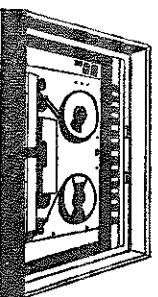
Once this step is completed, Kanton Aarau will begin to add other factors to the cadaster of each parcel—its historic significance, the quality of architecture and building materials, and the age

of the structure, for example. Each of these factors can be weighted and the system would automatically compute and develop a more equitable tax base.

For example, a building that is rewired or termite-treated has some element of value greater than one that has not been cared for in that manner—even on the same block. And these kinds of details are normally recorded in the building department or escrow records in the U.S.

"Reaching the point where they were made a permanent part of a building's history would be an important step in improving tax assessment practices—in the U.S. and Switzerland," added Villalobos.

One can only add that if the system of property taxation were changed so that the site value



alone became the basis of assessment, how much more simple would computerised assessment and updating become!

Unscrambling the Welfare Mess

B. RAYMOND

PROVIDING help for its needy members is an accepted function of a civilised society. Indeed, any community that lacked the compassion to provide for those individuals unable to provide for themselves would be without the basic humanity that gives rise to the concept and the term "community".

It was this principle that originally gave birth to our welfare state, an institution that is fast becoming recognised as unsustainable in a time of ever-increasing government expenditure, growing unemployment and seemingly unconquerable inflation. Shall we then be able to maintain our support of the poor or are we destined, on the day that government budgets finally *have* to be brought into balance, to become a "society" in which only the fit survive?

A new and characteristically well-researched paper* by Colin Clark indicates a way in which we might improve the assistance we give to the needy while at the same time reducing the burden of income tax. There are, he says, two conflicting concepts of social services. "One is to make provision for people in real need who cannot help themselves. The other is the concept of 'something for everybody', or the Welfare State, in which not only people in need, but *everyone* looks to the state to make his normal welfare provisions for him. . . . 'Nobody shoots Father Christmas' is a favourite political motto. But people would have a different attitude to a Father Christmas who came round on Boxing Day to collect the entire cost of the gifts he had handed out, together with a substantial commission for himself for having organised the distribution."

He rejects the current emotional opposition to means-tested benefits, pointing out that when public funds for the relief of poverty are limited, then if much of the available amount is paid out without means tests to those who do not really need it, there is that much

less to help those who really do. And, "At the same time. . . there is now a multiplicity of social services—over forty—in which separate means tests have to be applied, at considerable expense and often with inconsistent results. Simple rationality demands that there should be a single means test. And much the best way in which it could be administered is by precisely the same method as the means of the rest of us are tested, for income tax assessment—a care-



ful checking of income. Just as all with incomes above a certain limit (which should of course be far higher than the present lower limit for income taxation) should be liable to pay tax, so all with incomes below it should qualify for help."

The author further maintains that this help should be given, not in a multiplicity of services, but in cash, since the best judge of a poor family's requirements is itself. The giving of this freedom of choice would also tremendously reduce the administrative costs involved. His central principle is that "in place of the present patronising contempt with which Parliament tells them what is good for them, people can be trusted to learn for themselves how to handle their money and to provide rationally for their needs by paying for welfare services as they decide. This process of learning would be facilitated and accelerated by a system of reverse taxes."

Facts and figures abound in this paper, demonstrating that legislation with the object of helping the needy has succeeded in imposing massive costs, transferring large sums of public money to people who do not need it, reversing incentives to work and employing armies of administrators while leaving many families still hard-pressed.

The author proposes that this juggernaut should be replaced by a reverse tax system, under which a minimum standard of income should be set, taking account of the number of dependants, above which it is reasonable to consider that income tax should be payable. Families with income below the minimum should receive a payment based upon the shortfall. Help would be immediate upon successful proof of the validity of the claim. Careful consideration is given to incentives and proposals made to ensure that they are improved. Cases are worked through and tabulated and comparisons made with the existing system. Costs and yields of the scheme are estimated.

The end product is a convincing demonstration that a reverse tax system would be more desirable and more practicable than our present welfare state. But the fundamental question of whether taxation upon productive effort is the best economic and moral basis for a system of public finance is not considered. One is left with the feeling that considerable research and effort has been put into proposing the patching up of a basically defective tax system—disappointing when one bears in mind Colin Clark's considerable knowledge and experience in the field of the finance of public authority expenditure through the collection of the rent of land.

Preferable though reverse tax may be to what we have now, it does nothing to challenge those institutions which give rise to a needy class in society—but this, Professor Clark would no doubt reply, it is not intended to do.

FAREWELL TO \$10m WELFARE

THE Auditor General is to be asked to investigate the large and growing losses in the payment of social security benefits.

Mr. Stanley Orme, Social Services Minister, has confirmed that "irrecoverable overpayments" made by his department had risen in the past four years from £4,600,000 to £10,700,000 in 1975-76.

—Daily Telegraph, June 17

* *Poverty Before Politics*, Hobart Paper 73, Institute of Economic Affairs, £1.50.