LAND & LIBERTY

FALKLANDS: The Case For A Heritage Fund – P.68

JAMAICA: The Making of a Land Value Tax

WHEN JAMAICA transformed her property tax to one based exclusively on the market value of land, it was the large estate owners – not the small farmers or the urban middle classes – who raised the fiercest objections.

In the event, however, the shortcomings of the reform programme were as much to do with the ideological confusions of Michael Manley's left-wing government as the vested interests of the land monopolists. A commitment to socialism persuaded the Manley Government of the 1970s to develop a planning system and state controls, while (paradoxically) preserving the monopolistic interests of landowners even at the expense of the community in general.

In 1980, Edward Seaga's Labour Party was returned to power on a manifesto of free market economics which found favour with Washington. There was bound to be a substantial delay before the economy recovered from the turmoil of the '70s. Seaga had to confront an unenviable world record – eight consecutive years of negative growth – and the onset of the U.S. recession which reduced demand for bauxite, Jamaica's chief export.

Pressure on Seaga has mounted this year:

- Manufacturers have closed down because, they complain, they have not been able to obtain the licences that they need to import their vital raw materials; unemployment continues at well over 20 per cent.
- Foreign exchange is critically short, despite the initial financial support rendered by Ronald Reagan to the country in the Caribbean that the U.S. President regards as his staunchest anti-marxist ally in America's sensitive geo-political backyard.

The economic recovery that Edward Seaga promised – via the free market – will generate new jobs and wealth quickly only if the Prime Minister rationalises his country's tax system. An effective policy on land value taxation must be at the heart of such a review. Without this, the island's landowners will be the main beneficiaries of new prosperity.

For example, $50m has been promised to Jamaica by President Reagan under his recent Caribbean Basin Initiative. *The benefits of that money, which will be spent on improving Jamaica's infrastructure, will be capitalised into higher land values.* This is what happened when new irrigation works were created on the arid Mid-Clarendon Plain in the 1950s. Land increased in value from under £10 to £80-100 per acre within a few years; and values on neighbouring land accelerated in anticipation of the extension of the irrigation system. The same thing happens when new roads are built in the less accessible parts of the island.

Why, today, should the benefits of new public investments be mopped up into the bank accounts of private citizens? It would not be unreasonable for the donors of foreign aid to stipulate that the value of infrastructural investments should be completely captured for the benefit of the community for which it was intended in the first place, and reinvested in socially-necessary projects. This additional income from a 100 per cent recovery of annual land values would enable the Government to reduce taxes on labour and capital, and thereby induce fresh investment and enterprise – the goals to which Edward Seaga has dedicated his Premiership.

● PRIME MINISTER EDWARD SEAGA

The fiscal steps taken by Mr. Seaga this year do not augur well. In March, he announced a change in the basis of taxes on some consumer items which, in future, will take an *ad valorem* form: the tax-take will rise with the increase in the value of the goods. And as Mr. Seaga admitted to the House of Representatives, this tends to increase prices and depress the volume of production – a contradiction of all that he stands for.

An effective tax on land values, however, has no such depressing effect: it does not curb output or raise prices. On the contrary, it stimulates production and consequently reduces prices through lower unit costs and greater competition among suppliers in the marketplace. The Jamaican Government now needs to radically improve its system of land value taxation.

Substantial improvements in this one fiscal policy would accomplish more than a tenfold increase in the donation of aid from U.S. taxpayers. The big estate owners would, once again, squeal, but Edward Seaga could carry the people with him if he made a determined bid to base his economics on equity as well as efficiency. One thing is certain: without such an approach he will fail to attain the commendable goals that he has set for his government. Jamaica would not blaze the trail to that social and economic enlightenment which he proclaimed when, immediately after his election, he told the fourth Miami Conference on Caribbean Trade Investment and Development in November 1980: "Jamaica, has, in fact, become more than any other, the Caribbean symbol of this transformation."

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The Economy

LIS STARCKE (pictured left) was one of the Single Tax Party's five candidates who failed to get elected to Denmark's Parliament in the last election. Although the party received 44,964 votes – enough for three seats – this was not 2 per cent of the total votes cast, as required under the Danish system of proportional representation. **Prof. J. P. Skou** reports: p.76.

FORTHCOMING

INSITE investigates the claim that high interest rates are responsible for the crisis in Danish agriculture which is threatening to bankrupt 2,000 farmers this year. The problem is traced back to the boom in land prices in the years 1970-78.

El Salvador: Assembly coup kills reforms

LAND REFORM in El Salvador is dead. The rise to power of the Right brought to an end what was at best a half-hearted attempt to address the problem of the maldistribution of land.*

None of the Right-wing parties secured an outright victory at the recent general election. But together they outnumbered the moderate Christian Democrats in the Constituent Assembly.

The Social Democrats hoped to retain power by reaching an agreement with the National Conciliation Party, which represents traditionalist landowning interests. But this left out of the reckoning the controversial Major Roberto d'Aubuisson, leader of the second largest party, Arena, the most extreme of the Right-wing parties.

The Reagan Administration opposed him as candidate for the Presidency. So d'Aubuisson, who opposes land reform, shrewdly secured the job of Speaker of the Assembly. This led to a constitutional coup. For within days the Right-wing majority gave itself full legislative powers and the authority to veto the President's appointment of ministers, *thanks to support from the National Conciliation Party, which deserted the Christian Democrats.*

And in the carve-up of Ministry portfolios, agriculture went to Arena's Sr. Miguel Yudice.

The Assembly immediately suspended the land reform law, thus provoking both the U.S. Congress and the Salvadorean army (which fears the loss of military aid). The State Department in Washington, however, defended the "revisions" in the land reform law.

* Fred Foldvary, 'The Saviour & The Sword', *Land & Liberty*, May-June 1982.

Fiscal 'jungle' threat to global recovery

by Fred Harrison

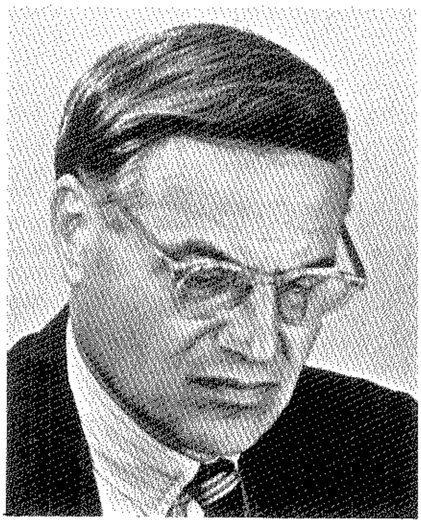
WESTERN leaders failed to agree on a satisfactory package of fiscal and monetary policies when they met at the Versailles economic summit last month.

So we are still in that "jungle" of controversy over the future of fiscal and economic policy which Senator Howard Baker, leader of the Republican majority in the U.S. Senate, referred to after the breakdown of talks with President Reagan in April.

The result is the perpetual postponement of recovery into sustained growth. Policies being pursued in the capitals of the industrial economies are contradictory and self-defeating, almost wilfully designed to thwart the ambitions of employees and entrepreneurs who want the freedom to get on with the task of creating new wealth.

Muddled thinking is undermining efforts to increase investment and employment. This critical situation will continue so long as there is no agreement on an effective strategy for reforming a system that is patently malfunctioning.

THE SUPPLY SIDE economics of President Reagan and Mrs. Thatcher continue to dominate policy. We saw in a previous issue[1] why this strategy would fail. Simply stated, the proposition is that sustained recovery will not occur while the imperfections of the land market enable a small group of monopolists to capitalise the value of tax cuts into higher land values.



● HENRY REUSS

This analysis is based on the economics of Henry George, whose classic work was devoted to the study of industrial recessions.[2] We can now begin to test George's proposition that recovery will occur only when one – or a combination – of three things happens:

- the share of national income received by wage-earners drops significantly;
- the share going to rent-receivers drops significantly; or
- a significant increase in productivity provides entrepreneurs with the internally-generated cash to reinvest in new capital equipment, thereby stimulating output.

TABLE 1: Income arising in the UK – Appropriation Account (£m)

	Companies & Financial Institutions		Industrial & Commercial companies	
	Gross Trading* Profits	Rent & Non-trading income	Gross Trading* Profits	Rent & Non-trading income
1979	27,285	11,283	30,057	2,438
1980	25,135	15,083	29,614	2,915
1981	24,211	16,644	31,149	3,413

* Before providing for depreciation and stock appreciation

On the basis of a superficial analysis, the signs in **Britain** at the moment suggest optimism.

Employees suffered a big drop in real income in the first half of this year, thanks to a moderation in wage increases – the lowest rates for four years.

And market analysts are now issuing guarded warnings against investment in property: they point to the unfavourable trend in the property index compared with company shares. The growth in rental income has been slowing down for the best part of three years. Rents for prime property have tended to underperform inflation over the last two years, and are now flat in money terms.

On top of this, there has been a measurable increase in productivity (bought at the expense of a 3m "shake-out" of workers from jobs).

DOES THIS all add up to the ingredients for a sustained recovery? Alas, no. There are two reasons.

The first concerns government policy. Mrs. Thatcher, like President Reagan, attained power with the promise to cut taxes; this was supposed to stimulate investment which would increase the supply of goods onto the market.

In fact, thanks to Conservative tax policies, the government now takes 57p out of every extra pound that is earned – compared with 55p in 1978, according to calculations made by Andrew Dilnot of the Institute of Fiscal Studies. The marginal tax rate is now $2\frac{1}{2}$ per cent higher that it was in the year before Mrs. Thatcher was sent to Downing Street in 1979.

This does nothing to increase investment or expand household consumption. But there is another consideration which is ignored by the economic analysts.

Land monopolists, although confronted by mounting vacancies in office blocks and on industrial estates, are still poised to nip any sign of growth in the bud.

As Sir Kirby Laing, chairman of Laing Properties, reassured shareholders in his annual report:

"... periods of recession usually offer the best chance for generating attractive opportunities for the future."

Rents have not slumped in a way that would have been predictable on the basis of historical experience, when the worst recessions were associated with a total collapse in the land market.

Since 1974, the land market throughout the Western world has been supported by a variety of government and banking devices.

Until last year in Britain, despite the collapse of the manufacturing sector, rents have been a buoyant source of income compared with the return to capital (Table I). The real rate of return on capital employed by industrial and commercial companies (excluding North Sea activities) in the UK in 1981, was 2½ per cent.[3]

Not surprisingly, therefore, people with money to invest have been putting it into land rather than capital equipment (Table II), thereby prolonging the recession.

Industrial rents have weakened this year – but *not by as much as we would have expected on the basis of the slump in output*. Why?

According to Hillier Parker, one of Britain's leading real estate agencies:

> **"... the manufacturer can take comfort from the recent improvement in productivity ... which has resulted in only modest increases in unit costs. Without this improvement, rents would have fallen further behind inflation."**

In other words, land monopolists have been able to capture the gains in productivity – gains which, in a rational economy, ought to have gone to entrepreneurs in the form of higher profits and used for fresh fixed capital formation. As can be seen from the Investors Chronicle-Hillier Parker Index, industrial rents recovered markedly in the six months to last May – coinciding with the increase in productivity.

THE ONLY way to neutralise the rent effect which is consistent with other goals – optimising the use of resources, encouraging hard work, rewarding entrepreneurial risk-taking, preserving a free market – is to impose a heavy *ad valorem* tax on the annual value of land, i.e. the economic rent of land in its unimproved state.

TABLE II: BRITAIN – Gross Domestic Fixed Capital Formation

(1975 prices: £m)

	Private Sector	Manufacturing	Dwellings	Transfer costs of land & buildings
1979	14,198	3,969	3,623	695
1980	14,289	3,577	3,129	674
1981	13,878	2,947	2,363	719

* Including purchases *less* sales of land and existing buildings

The importance of defining a workable land tax policy is exemplified by the alarm that emerged from Dublin when the newly-elected Government of **Ireland** announced a capital gains tax at the rate of 60 per cent on gains made within a year.

Critics claimed that this would deter investment and close down the Dublin Stock Exchange within a few years.

But it then transpired that the target was not share deals but speculation in development land around Dublin, which had made millionaires out of rural landowners.

Rates of return at current replacement cost (net)*

Industrial and commercial companies and manufacturing companies based on national accounts data

Per cent

	All industrial and commercial companies	Industrial and commercial companies excluding North Sea	Manufacturing companies
1977	7.4	7.0	6
1978	7.7	7.2	6½
1979	6.6	5.3	4
1980	5.5	3.6	2½
1981	5.0	2.5	n.a.

*Pre-tax rates of return on production or trading activities in the UK.

The value of prime sites near the capital have increased from I£40,000 an acre to I£200,000 "overnight".[5]

The over-stretched land market has already claimed its first major victim – the Gallagher Group, the Republic's largest property developer, went into Receivership in May. The cost of two prime Dublin sites acquired within the last year is believed to have led to the Group's undoing.

THE WAY to take the heat out of any land market is to tax the prospective gains on an annual basis, and the first step is to make sure that the fiscal marksman can hit his target. This means that the politicians have to call a land tax precisely that – a land tax – and not a capital gains tax.

By increasing exchequer revenue from land, investors are persuaded to look elsewhere for profitable opportunities.

Such a course was proposed by **West Germany's** ruling Social Democrat Party at its Munich Congress in April.

Unfortunately, because of the fragile nature of Chancellor Helmut Schmidt's coalition Government, observers were not willing to bet that the party's policies would move from resolution to legislation.

A firm political lead from one of the leading western nations is crucial if reforms – rather than some horrific alternative such as the militaristic solution – are to generate a new dynamism in the economy.

The failure of the established political parties to initiate change suggests that reformers may have to look for action from the grass roots: people who are the victims of recession may be able to persuade the politicians that constructive change is long overdue.

Investors Chronicle-Hillier Parker Rent Index — **Change (%) per annum on previous reading**

	1969	1972	1973	1974	1975	1976	1977 May	1977 Nov	1978 May	1978 Nov	1979 May	1979 Nov	1980 May	1980 Nov	1981 May	1981 Nov	1982 May
ICHP Rent Index	+9.3	+12.2	+39.8	+16.0	+2.8	+1.2	+4.8	+8.5	+14.1	+16.5	+23.4	+17.0	+15.9	+8.6	+9.2	+7.1	+5.4
Shops	+7.8	+14.0	+26.3	+15.1	+5.9	+6.7	+6.3	+12.3	+21.7	+24.3	+26.6	+19.6	+11.8	+5.5	+8.2	+8.4	+7.1
Offices	+11.4	+12.9	+55.1	+12.1	–2.8	–4.9	+1.6	+5.6	+12.5	+12.2	+18.6	+14.7	+16.6	+12.9	+12.9	+9.7	+3.7
Industrial	+7.0	+8.1	+24.0	+28.9	+13.2	+7.9	+8.9	+9.2	+7.8	+14.3	+27.9	+17.5	+20.4	+5.6	+4.3	+0.6	+6.2

Might that upward pressure occur in the **United States**? Congress is trying to exercise budgetary influence over the President, but political commentators are sceptical of the possibility of substantial success. One of them noted:

". . . it is against tradition for Congress to take the lead in shaping the budget. The big congressional battles have not been fought over budgets but over sedition acts, slavery, tariffs, the fate of Senator Joseph McCarthy, equal rights, the crimes of President Nixon."[6]

This is too fatalistic a view. Despite the cumbersome written constitution, Washington's political processes are capable of change.

For example, Henry Reuss, chairman of the influential Joint Economic Committee, recently proved to the constitutional experts that Congress has the legal capacity to instruct the Federal Reserve Board to change its monetary policies.

Mr. Reuss is the senior Congressional politician in favour of land value taxation, but the influence that he exercises is not now likely to bear fruit. For he is not seeking a return to the House of Representatives in the mid-term elections in November.

Even so, with U.S. unemployment forging ahead from its present level of nine per cent, many people are looking for a standard bearer.

Fresh opportunities for shaping fiscal policy must continue to present themselves. For tax policy is at the heart of the U.S. economic debate. President Reagan is staking his credibility – and re-election for a second term, if he seeks it – on the belief that sustained growth will follow a restructured fiscal system.

The controversy, of course, arises when questions are asked about *who* should benefit from a change in taxation. It is now evident that the policymakers have not yet demonstrated an awareness of the critical need to bring land value taxation into their reckoning. The land monopolists will therefore continue to enjoy the benefits of their unearned income with the knowledge that, whatever else may happen, they will continue to sit on an asset that appreciates in value even while the jobless tramp the streets in search of employment.

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ST. LOUIS STUDY PROVES IT:

Voters would back land value taxation!

BY THE EDITOR

LAND & LIBERTY analyses developments in land tax policies throughout the world in a special nine-page report in this issue.

Land value taxation is still neglected by the world's statesmen; but activist groups and professionals are showing an increasing awareness of the importance of this fiscal policy.

Starting with a report on the Dublin budget plans (p. 69), our correspondents report from as far afield as the Dominican Republic, in the Caribbean, to Denmark, to Western Australia "down under".

THE ETHICS of sharing the value of nature's resources, while preserving the liberties of the individual, are beyond dispute.

Opponents of those reforms that emphasise the need to displace the tax burden away from income earned by labour and capital, and onto socially-created land values, rarely dare to challenge the land tax on equity grounds.

Instead, appeals are made to vested interested groups, the largest of which is made up of home-owners. They are scared into thinking that land value taxation would undermine the secure possession of their domestic domain.

Economic efficiency, then, has to be the basis of a reply to such opposition.

We know from all the evidence – empirical studies (such as the pilot survey of Whitstable, in south-east England), and the practical results from places where buildings are untaxed – that the theoretical claims are verified.

Nonetheless, while waiting for statesmen to be gripped by the conviction that their constituents would be best served by this fiscal reform, we must continue to advance the case through fresh research.

The results add to the overwhelming conclusion that economic efficiency cannot be optimised, and justice cannot be seen to be done, until the value of nature's resources are captured for the public benefit.

EVIDENCE from one such study has just been published by the Public Revenue Education Council of St. Louis, Missouri.

The Council asked itself: What would happen if taxes on buildings were wiped out? Would people end up by paying *more* if the property tax fell exclusively on the value of land?

A random sample of properties in St. Louis was examined. The researchers worked on the assumption that the same amount of finance would have to be raised via the property tax. This is what they found:

- 73 per cent of properties owned by individuals would pay less. The average tax decrease was $66 (23 per cent). 27 per cent of the properties averaged a $45 (51 per cent) tax increase.
- Vacant, under-developed and deteriorated properties would have to pay higher taxes. These, in the main, are owned by corporations, banks and trusts. Even so, big organisations also stand to gain by a change to site value taxation. 50 per cent of the banks and trusts, and 25 per cent of the corporations, stand to pay lower property taxes in St. Louis.

RESULTS such as these go a long way towards persuading people that, on the grounds of self-interest alone, they should back the proposal to change the nature of the property tax.

But the local, individual benefits do not constitute the whole case for land value taxation; indeed, comparatively speaking, these are minor benefits. Greater attention ought to be paid to the macro-economic benefits, a major point emphasised in our report on Jamaica (pages 70 to 74).

Analyses at the level of the economy, unfortunately, are bedevilled by a shortage of relevant data – and most important of all, reliable indices of long-term trends in land values and rents.

Even so, these shortcomings must not be used as excuses for parochialism or even inactivity. Never before in the history of industrial society has the need for land value taxation been either more obvious or more urgent.

Land & Liberty will remain alert to global developments, and we ask our readers to monitor events in their countries on our behalf. We need all the material – from Press reports to official documents – that we can get.

Our goal is a reform of a tax system which, today, actively inhibits people from achieving the social and economic lifestyle to which they are entitled in a civilised community.

POLITICS & THE LAND TAX

10 pages of reports start on P.69

A landlord ploy for higher rents?

A CURIOUS alliance has been struck between Britain's tenant farmers and country landowners.

The agricultural industry appears to have reached the consensus that is required by the government before amendments are made to landlord/tenant legislation.

Changes are needed, for land in the rented sector is diminishing rapidly. At present, 90,000 tenants rent about 38 per cent of farmland, but on present trends their share will shrink to half that acreage in 50 years' time.

There are two reasons for this trend:

- Landlords get a better tax deal if they recover their land and farm it themselves;
- Sons of tenants have the legal right to succeed to farms, a right which could last for three generations.

CHANGES in these provisions have been proposed by the Country Landowners' Association and the National Farmers' Union.

And the proposals have been endorsed by the newly-formed Tenant Farmers' Association, which is worried by the fact that only about 14 per cent of tenanted farms are re-let once they fall vacant.

Farmers want an increase in the amount of land available for rent, and this would certainly happen if the right of succession is eliminated.

But what would happen to rents?

It is on this question that a sense of unreality pervades the proposals submitted jointly by the NFU/CLA to Agriculture Minister Peter Walker. Farmland owners, it would appear, wish to eliminate the "scarcity" factor from the definition of rent:

> **"It is agreed that an objective open market criterion for fixing the rents of existing tenants should not be based on such subjective elements as scarcity, proximity, premiums, and the hopes that motivate the tender of excessive rents."**

Rents have certainly been escalating (see table), but would the CLA/NFU proposals eliminate the tender of "excessive rents"?

FARMLAND owners have proposed that the law should be changed to determine rents according to a new definition.

Scarcity should not be a consideration; instead, "the productivity and earning capacity of the holding" in the hands of a "reasonably skilled" tenant should be substituted. Rents can take into account "any evidence of rents that are paid or would be paid in respect of comparable lettings except to the extent that they contain an element due to scarcity of holdings available for letting in the locality".[1]

JOAN MAYNARD

What makes this approach to rent determination so puzzling is that it assumes that you *can* eliminate the notion of scarcity. In fact, this is an economic impossibility.

Rent is *not* a cost of production. It is an income that derives solely from the monopoly of a natural resource which is in diminishing supply.

Economic textbooks usually describe land as a factor of production that is fixed in its supply. But in Britain its supply is diminishing at the rate of about 50,000 acres a year, thanks to urban sprawl and the speculative holding of greenfield sites out of use in anticipation of capital gains.

On the face of it, then, it seems nonsense to try and redefine the process of rent determination by trying to exclude the scarcity factor.

BUT THERE may be a good strategic reason for presenting the view that rent rises might be checked, if existing legislation was revised. For landowners would benefit enormously from such revisions.

And one advantage is that rents would rise!

For by reducing the security of tenure of tenant families, there would be a greater turnover of lettable land on the market; and there would be more prospective tenants bidding for land (the second and third generation sons who would otherwise have succeeded to dad's farm under the present tenancy arrangements).

It is inconceivable that this would not result in a general rise in rental levels. Joan Maynard MP, one of the Labour Party's agricultural spokesmen, had predicted a ten per cent rise. But now she says:

> **"Rents have been going up dramatically. I think that my ten per cent prediction is a gross under-estimate. There has been an increase in rents over the last three years of 50 per cent, and rents on the Duchy of Cornwall's estate have gone up 100 per cent."**

Currently, when arbitrators are brought into the rent fixing process, they appear to award sitting-tenant rents of around 60 per cent of open-market levels.[2] And according to John Clayton, co-editor of the

AGRICULTURAL LAND, England & Wales: £ per acre

SALES WITH VACANT POSSESSION	1979	1980	1981 (Jan-June)	1981 (July-Dec)	1981 (Whole Year)	1981 (Range)
All Farms	1828	1904	1858	1805	1821	1417-2215
Bare Land	1819	1816	1751	1850	1817	1456-2163

AVER. RENTS PER ACRE	1976	1977	1978	1979	1980	1981
	11.06	12.97	15.49	18.41	21.77	24.60

SOURCE: *Farmland Market (Estates Gazette/Farmers Weekly)* authoritative *Farmland Market:*

"If the NFU/CLA proposals were implemented, arbitrators would probably pay more attention to open-market rents than they do now, and this would have an upward pressure on rents."

If these predictions are correct, tenant farmers would be locked into a tight conflict. There would be an increase in the number of farms to let, but tenants would pay even more on top of what everyone agrees are "excessive" rents. As the Tenant Farmers' Association notes:

> "In many instances, rent levels are greatly in excess of what sound tenant farming can afford, as a proportion of both output and profitability ... The upshot is inadequate investment, soaring bank borrowings, and farm staffing cut to the bone."[3]

The establishment of sound, open market rents is crucial if agriculture is to maximise output and also ensure an optimum mix of all the factors of production, *the scarcest of which is land.*

But there is no reason to believe that the existing proposals to change the law will bring us any closer to that goal.

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FREE TRADE: REAGAN'S BITTER POLICY FOR SUGAR GROWERS

BY P. E. POOLE

PRESIDENT Ronald Reagan caused anger in the Caribbean when he flew the banner of free trade last month.

The President's warning against the threat of protectionism was issued when he met leaders of the industrialised nations in Versailles.

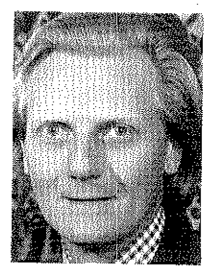
But American trade policy is now seen as inconsistent and discriminatory. For Reagan has just imposed quotas on sugar imports.

This will seriously affect the struggling sugar producers whom Reagan – under his so-called Caribbean Basin Initiative – said that he wanted to help.

Reagan's restrictions on freely imported sugar were imposed to protect domestic producers, and to relieve the government of having to pay out $400m under the price-support programme.

Derelict land: £70m for British owners

by Paula James



Michael Heseltine

BRITAIN is to plough £70m into derelict land development next year.

The Junior Environment Minister, Giles Shaw, told the House of Commons that increased grants to local authorities and private developers would not only eliminate eyesores; they would also create new jobs.

He said nothing of the profits which landowners can expect to gain – at the taxpayer's expense – through the resulting increase in the value of their land.

Instead, he took note as one Tory MP after another insisted, during the debate on the Derelict Land Bill, that the Government had not gone far enough.

Anthony Steen, MP for Liverpool Wavertree, was typical. "If the Bill is to be made more effective, it should have a clause added to it that will compel local authorities and public undertakings to auction their surplus land to the highest bidder."

At no point did Mr. Steen or any of his colleagues suggest how the community might benefit from the inevitably higher post-develop ment land values.

The Government is offering 100 per cent grants to local authorities who develop land not already in designated Assisted Areas or Derelict Land Clearance Areas in England and Wales, and an increase from 50 per cent to 80 per cent to the private sector or nationalised industries ... all of which means the cost to the taxpayer will rise from £45m this year to £70m next year.

The Tories were delighted. Christopher Murphy, MP for Welwyn and Hatfield, said "this great natural asset of land" had been abused for too long. A high priority should be placed on derelict town and city land. "The Bill can do much to regenerate the land hoards in our already built up zones and turn them almost into treasure trove," he declared.

Mr. Steen pressed the Government to offer private developers 100 per cent

Cont. on P.77

And now — it's 'marriage values'!

By Bert Brookes

DURING the Parliamentary debate on the New Towns Bill, **Sir George Young,** junior minister for Housing and Construction, used a term which puzzled some **MPs.**

Sales of government assets in New Towns, he said, would be made only when the corporation concerned was satisfied that it was getting the best price possible; and that included getting a proportion of the "marriage value."

What is marriage value? Without the link with the assets of new towns it might have been thought that it was something to do with the increased personal allowance against income tax that a man gets when he takes unto himself a wife; or perhaps the amount of money that the said wife is allowed to earn without being taxed on it.

On the other hand, the term might have been a more abstract one – perhaps the increase in a man's personal comfort when he has someone to cook his meals and darn his socks or, maybe, the increased security that a woman gets from marrying a pool winner or an Arab oil sheikh.

Alas, the truth is more down-to-earth. Right down to earth. Because, according to Sir George, marriage value is an element of site value; at least, it arises as such when publicly-owned new town assets are being sold off to private buyers.

The marriage value, the Minister explained, is the extra value that would accrue to the tenant if he is entitled to buy the property. In other words, it is the difference between the value of the site with a sitting tenant and its value with vacant possession. When a site with a sitting tenant is sold, he said, it is a matter for negotiation to whom the marriage value accrues – to the tenant or the landlord. And in the case of new towns, the government's policy was that a proportion of the marriage value should be obtained by the development corporation.

It seems that a fair amount of marriage value must have been changing hands in recent years as an incidental to new town property deals. Sales of government assets will have reached £300m by the end of the 1981/82 financial year – which must be of some help in the government's plans to cut down on its borrowing. In addition, they have picked up around £150m by the "sale and leaseback" of new town property.

In this late 20th century, marriage as a social custom seems to be in some decline. It is comforting to know that, in the field of real estate anyway, the term has a reasonably secure future.

● Headlines for yet another tragedy in the South Atlantic, as the stricken destroyer HMS Sheffield struggles, smoke pouring from her after she had been hit by an Exocet missile. She sank, with the loss of 20 lives.

The Case For A Heritage Fund

DEALING with the aftermath of the Falklands dispute will be a more delicate task than the capture of Port Stanley. The future of the islands in the South Atlantic is now a focal point of global concern.

Latin American countries have used the military response to the Argentinian invasion to impugn Britain's motives as "colonial".

Third World countries have presented the conflict in terms of the North-South dichotomy, and have largely sided with the fascist junta.

And Moscow made mischief in an attempt to split the Western alliance and restore her own credibility following the Afghanistan invasion.

Enormous pressures will now descend on Prime Minister Margaret Thatcher, who has been weakened by the loss of one of her most experienced Cabinet advisors, Lord Carrington, who resigned as Foreign Minister because of the failure to anticipate the outbreak of hostilities.

THERE IS one solution to this complex geo-political issue which would meet all the criticisms.

Britain should create a Heritage Fund, into which would be poured the value of all natural resources in and around the Falklands.

Anyone who wishes to use the soil, harvest the sea, pump the oil from beneath the ocean floor, should pay the economic rent into the Heritage Fund.

Lord Shackleton, the chairman of the survey team that reported on the resources and development potential of the islands, has reconvened his team at Mrs. Thatcher's request.

Britain will spend millions in official aid to revive the economy. A new airport with a longer runway will be built, to remove the dependence on air communications via Buenos Aires.

Even more money – again, running into millions – has been donated to the islanders from sympathisers from as far afield as the Cayman Islands (£500,000) to Jersey in the Channel Islands (£5m).

As this money flows into the Falklands, so land values will rise: why should the existing monopolists reap the benefits? The blood of British soldiers opens up the whole question of who has the legitimate title to the land – or more specifically, the economic value of the land, which is socially created.

LAND ownership is at the heart of the dispute.

Britain's historical title was acquired by force rather than the set of principles invoked by Mrs. Thatcher to regain lost territory.

Argentina, while offering to withdraw her troops during the search for a peaceful solution, nonetheless insisted that her citizens should retain the right to live and own land on the islands.

During the years of diplomatic wrangling, Argentina monitored data on land distribution. Foreign Minister Dr. Nicanor Costa Mendez recently pointed out that 46 per cent of the land is owned by the Falkland Islands Co. The rest of the land was owned by only 20 resident families, and 23 absentee owners.

The sparsely-populated islands have enormous demographic significance for the Argentinians. The maldistribution of land on the mainland has resulted in a concentration of 27m people in and around Buenos Aires province.

The Falkland crisis

Reports have tended to play down the value of land on the Falklands, portraying it as little better than of marginal use for sheep. Ten years ago, the 1.3m acres owned by the Falkland Islands Co. were in its books as worth 18p per acre.

In fact, this grossly misrepresents the potential economic rent to be earned from the islands.

First, Argentina's territorial claims have created political uncertainties that have had a blighting effect on the economy: profits have been withdrawn instead of reinvested, and people have migrated.

Secondly, the declared values have been beneath the level that would have been realised in a free market. There has been no competition for land for a long time. Indeed, in 1896 *The Daily Telegraph* described the Falklands as "a strangled colony, fast in the grip of the land monopolist."

Thirdly, the more intensive use of resources was deliberately blocked by the island government's ban on the sale of land to Argentinian migrants.

LORD Shackleton has confirmed that the economy could be transformed into a viable one, initially based on the export of wool and mutton.

A new garrison, a long runway, the prospects for oil, all guarantee that land will rise in value.

This is the money that should be taxed into the Heritage Fund, and spent on improving the infrastructure of the islands, the roads on which are non-existent.

Private capital needs to be attracted, to minimise the burden on the British taxpayer. The incentive would be a zero rate of tax on investment returns. Labour needs to be attracted back: the incentive would be a zero rate of income tax.

All the administrative costs could be met out of the Heritage Fund.

The political benefits stemming from the creation of the Heritage Fund would be considerable.

Britain – and British landowners – would not be seen to be the exclusive beneficiaries from the long-term stability arising from a final agreement; so Third World critics would be silenced.

Unemployed Argentinians would

be welcomed to what would be a growing labour-short economy (the population is below 2,000 in a country the size of Wales).

Argentine citizens would be free to obtain secure possession of land, provided they paid the economic rent into the Heritage Fund. The wider distribution of land was recommended by Shackleton, and this would certainly be achieved by the tax on economic rent (payable whether existing owners put their land to use or not).

The economy would boom. This would silence Moscow, for prosperity would be seen to grow out of a free flow of labour and capital within the context of a capitalist economy, *to everyone's benefit.* There would be no comparable communist experiment to match the model of successful development in the South Atlantic.

Mrs. Thatcher, in one swift stroke, would be defending principles and silencing her ideological enemies.

THE RICHES beneath the seabed will not be fully tapped for between 15 and 50 years.

But as the petroleum and the minerals are exported, income flowing into the Heritage Fund would far exceed the infrastructural and administrative needs of the Falklands. The surplus funds could be used to finance the scientific exploration in the Antarctic.

The wealth beneath the ice flows is immeasurable, and should be dedicated to the spiritual and material wellbeing of future generations from all countries.

This vision is well within the realms of practical politics. After all, who would lose? Britain was on the verge of negotiating away sovereignty over the islands before the junta invaded. The Falkland Islands Co. and the other landowners have recovered their initial investments in land purchases (the FIC having obtained a large slice of its holdings for nothing in the first instance).

The Argentinians, humiliated in military defeat, would find solace in participating in a cause so obviously in the general (rather than British) interest.

And the rest of the world – through the United Nations, which would give its blessings to the venture – would glean satisfaction from a humanitarian solution.

The Falklands have given Mrs. Thatcher the opportunity to prove the Russians correct: militarily, she is an Iron Lady. Her political decisions now will determine whether she is also a statesman.

P. E. POOLE

Would a tax on derelict land hinder builders?

CHARLES Haughey's Fianna Fail Government in Dublin wants to curb land speculation.

The last budget contained measures which are supposedly designed to deter big profits from land dealings. These include:–

- **A 50 per cent tax on gains on development land;**
- **An Office Development Levy, as yet unquantified; and**
- **A tax on derelict city sites.**

These measures have come under heavy criticism from the Dublin office of the Royal Institution of Chartered Surveyors. According to Mr. Ian French, the new chairman of the Institution, the proposals have combined to create an adverse climate for property investment which will reduce development activity.

● CHARLES HAUGHEY

"At a time when Government is seeking to increase production in the building industry and improve employment, all these measures will have the reverse effect," he declared.

The Institution's criticisms, however, rely less on rational argument and more on scare tactics, such as this statement by Mr. French:

"If interpreted rigidly, the definition of 'development land' in the Capital Gains Tax Amendment Act 1974 could be made to apply to many private houses and business premises with potential for extension."

Take, for example, the proposal to impose a tax on land classified as "derelict." According to the Institution, this "could well have the opposite effect to that intended, and slow down or even halt comprehensive redevelopment of inner city areas."

It is true that large-scale development can be preceded by assembly of sites over a long period (the ILAC Centre site in Dublin took 15 years to bring to development stage). And a tax on derelict land, says the Institution, "may force developers to develop smaller sites on a piecemeal basis or to move to out-of-town locations. Both results will be to the detriment of inner city renewal."

THERE ARE a number of assumptions and errors here. First, there is no special virtue in large-scale developments; indeed, small-scale developments may be preferable, in that they allow greater responsiveness to changing needs.

In countries where vacant sites are not taxed (for example, Britain), there is no evidence that this encourages a better use of capital resources – when measured against consumer preferences – than in countries where vacant sites (derelict or otherwise) are subject to an annual property tax (e.g., the USA).

Far from impeding development, in fact, a tax on the annual market value of derelict land would speed up the process. Owners would be deterred from clinging to their vacant sites, and would be induced to release their titles to developers.

Such a tax would bring down land prices, by eliminating speculative hope values, and so encourage development. But where a developer was obliged to buy and to wait before construction could begin, he would discount the tax payments before agreeing to the purchase price for the land. That is, the tax is passed to the present owner of the derelict site (whose earlier unwillingness to put the land to good use surely exempts him from special fiscal consideration?).

A tax on derelict land, then, need not deter site assembly – and it is a positive encouragement to development. It is difficult to know why the Institution representing chartered surveyors feels obliged to confuse this issue with spurious arguments that cannot lead to the formulation of a sound policy for land taxation.

● *The proposal to tax derelict sties was dropped from the Finance Bill on June 3. Also abandoned: the 30 per cent "withholding tax" on development land, and the 2 per cent levy on office developments. The derelict site tax is now considered more suitable as a property tax administered by local government, and it will be re-examined by Dept. of Environment officials in Dublin.*

TOM O'TOOLE

POLITICS & THE LAND TAX: IRELAND

With IMF sniping at site value tax, the choice is simple:

Double indemnity – or double the revenue

JAMAICA

by Fred Harrison

JAMAICA was controlled by Labour governments in the 1960s. Throughout those years the financial whiz-kid was Edward Phillip George Seaga.

Between 1962 and 1967, Mr. Seaga was the Minister of Development; in the years up to 1972 he was Minister of Finance and Planning.

On October 30, 1980, the Labour Party returned from the political wilderness with a record share of the votes, and Mr. Seaga was Prime Minister. In one of his first speeches, he looked back on those years.

Throughout the 1960s, growth was generated every year. Foreign exchange reserves were increased every year. Budgetary programmes were financed without recourse to heavy borrowing or the "printing" of money – and inflation was controlled at single digit figures every year.

By way of contrast, under Michael Manley's socialist government the Jamaican economy suffered from negative growth every year; runaway inflation induced social tensions that led to open warfare between political factions; and the country fell heavily into debt – with Manley finally falling out with the IMF because he opposed their "good housekeeping" principles.

Seaga, then, can be justifiably proud about his early record. But there was one blemish on those first years in politics. He admits: "We did not succeed in reducing unemployment."

Something was missing which prevented a government – its efficient capitalism associated with an enlightened social consciousness – from providing every able-bodied person with the freedom to secure independent employment. The solution to this mystery yields policies that need to be applied today.

THE APPARENT paradox of the 1960s can be explained by the failure to ensure that the land market worked efficiently.

Entrepreneurs were certainly not otherwise restricted from investing their capital to secure a profit. But despite the budgetary efforts of the Labour Government, and a willing workforce, many people who could have contributed to an increase in the nation's output were rendered surplus to requirements.

The only satisfactory explanation is to be found in the way that land was held unused or under-used both by the large estate owners and small farmers. Vacant urban land was monopolised for speculative purposes, thereby increasing the costs of accommodation and urban renewal.

To Mr. Seaga's credit, however, he was instrumental in advancing work on the foundations of a new fiscal policy: land value taxation. The reform of the property tax was originally conceived by Michael Manley's father, Norman, in the 1950s, but it took the push from Seaga to ensure that the bureaucratic framework and technical expertise was provided for the programme of land valuation on which the reform rested.

But before the valuation programme could be completed in 1974, the Labour Government was voted out of office. Unemployment finally defeated the party which was affiliated to the Bustamante Industrial Trade Union, the largest union in the English-speaking Caribbean.

Michael Manley acquired power in 1972. But his government's socialism made matters worse, and unemployment continued to mount.

Land value taxation was regarded purely as a revenue raiser, rather than a vital cornerstone of macro-economic policy. Within a hostile environment, therefore, it could not produce – like a rabbit pulled out of the magician's hat – the results which are theoretically predictable if this fiscal policy were applied in a consistent manner. There were several reasons (see the analysis of the urban and rural sectors). So the social and economic edifice crumbled under the pressure of rural hunger and urban terrorism.

TODAY, Prime Minister Seaga is at the pinnacle of a structure that gives him unquestioned authority over the economic destiny of Jamaica.

He holds two crucial ministerial portfolios – those of Mining and of Finance. A new Revenue Board has been created on which is represented the Commissioner of Valuations, Mr. Edwin Tulloch-Reid. There is now no reason why Jamaica cannot effectively harness her natural resources – minerals, soil fertility and locational attributes – to ensure maximum profits and employment opportunities, *provided corrections are made to the defects in the way in which the land tax is administered.*

A man with a crucial role to play in future fiscal reforms and resource management is Mr. O. St. Clare Risden. He is Mr. Seaga's Permanent Secretary at the Ministry of Mining

● **Pictured left: O. St. Clare Risden**

75% 'discount' for farmers

The Rural Sector

WHEN THE land valuation programme started in 1956, it was acknowledged that there were serious deficiencies in the structure and performance of Jamaica's vital agricultural sector. Output was declining, while –

- Land was badly distributed: in 1954 over 87 per cent of farms occupied 25 per cent of the acres.
- Small farmers were acknowledged to be "the most inefficient,"[1] indicating the need to consolidate farmland into larger units.
- Efficient farmers found that they could not acquire the extra land they needed, because prices – thanks to the non-commercial advantages of owning land – were prohibitively high. This, then, thwarted the ambitions of efficient farmers.[2]
- Farmers were short of resources to improve their productivity, because capital was locked up in the ownership of land.[3]
- The absense of a tax on land values *encouraged* the inefficient use of the scarcest of all resources – land. As Edwards noted in his study at the time:

● **Percival Broderick**

"Many of the farmers were concerned to increase the area of land they owned, even though appreciable proportions of the land they already had were not cultivated. Purchase of land became easier when income increased, but to the extent that land was bought the investment in farming suffered."[4]

A heavy tax on the annual value of farmland would have dealt with these related problems. Land that was inefficiently farmed – or not used at all – would have become an insupportable fiscal burden; this, then, would have induced improvements in farm techniques, or encourage owners to release their acres to others.

This would have been accomplished without the need for a state agency to intervene and buy the land off farmers – with money that was in short supply – in order to reallocate it to others.

In the event, however, farmers were able to obtain a 75 per cent tax "discount" – ie., they became liable for 25 per cent of the assessed tax.

And Michael Manley's socialist government chose the monopolist's method of redistributing land. In what was called the *Second Integrated Rural Development Project,* farmers were encouraged to agree to sell land to the government, so that it could be redistributed to those in need.

By 1980, however, this approach was an acknowledged failure: "many of the farmers who signed up to sell their land have now decided not to sell." And output was still below optimum levels, for example among citrus growers. One reason was the "general neglect of many orchards due to absentee ownership."[5]

Since 1978, agriculture has been contributing a declining proportion to gross domestic product. The lesson for the Minister of Agriculture, Dr. Percival Broderick, ought by now to be clear: the need to quickly eliminate the land tax relief to farmers, in the confident expectation that *everyone* – including farmers – will ultimately benefit from the improved use of land.

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and Energy. He previously spent 21 years in the Land Valuation Office. During his years as Commissioner of Valuations he worked more enthusiastically than anyone to set up the system of taxation on unimproved land values, and he has acquired international recognition as an authority on the policy.

Last month his former colleagues in the Land Valuation Office began the revaluation of 560,000 parcels of land covering 4,400 sq. miles. Revaluation will be completed by early next year. Although Mr. Risden is no longer involved, he retains a close personal interest in the programme.

JAMAICA'S conservative and socialist parties have not differed substantially over property tax issues.

Said Mr. Risden: "Mr. Seaga's policies might sound different to the policies enunciated by the Manley regime, but so far as the property tax is concerned I don't think there is serious controversy on the logic of the site value system of taxation.

'Easier to administer and it produces the same yield'

"In my time as Commissioner of Valuations I was able to convince both sides of the fence that the site value tax was easier to administer and that it produces the same yield with half the sweat of the next best thing."

Costs of administration, he explained, were crucial in a country where 70 cents in every dollar were spent on the civil service. "It's horrendous. One wouldn't want to increase this burden," declared Mr. Risden.

In the past 10 years, there have been demands for a return to a tax on capital improvements. Mr. Risden has successfully fought them off. "I have tried to show that here, where land is $20 a sq. ft., high land values go hand in hand with the capital investment. The value is in the potential for improvement, and you don't have to value the bricks and mortar on individual sites to come up with the residual that shows $20-25 a sq. ft."

The real problem has been the way in which half of the potential exchequer revenue has been lost through reliefs and exemptions.

The land value tax raised $25m in 1981, about 3 per cent of gross government revenue. This was a considerable improvement on the proportion raised in 1959 (0.5 per cent), when the gradual change to a site value tax began.

Even so, without the exemptions, the value of land could raise $50m, and thereby enable the government to reduce taxes on wages and salaries. The implications for increased consumption and an expanded market for domestic manufacturers do not need stating.

The macro-economic impact of the site value tax, then, as Mr. Risden puts it, "has been rather severely blunted." Is there any justification for tax relief? Mr. Risden is sceptical.

The relief to farmers was granted for reasons that ranged from the risks to agriculture in tropical countries (for example, the threat from hurricanes), to the difficulties with labour and technology. But, declared Mr. Risden: "If the price mechanism works, all of these factors would have already been discounted in the price for traded agricultural land.

"A prudent buyer would have discounted these things in his mind, so in effect to give him 75 per cent tax relief on top of that is a measure of double counting."

Ironically, this double indemnity on the price of agricultural land has been used as a weapon against land value taxation by the International Monetary Fund, which on a number of occasions has urged Jamaica to switch to a tax that fell on improvements as well as land.

This heavy pressure from Washington was disclosed to me by Mr. Tulloch-Reid.

"Their first recommendation was made in 1976. They said that the site value system didn't have the buoyancy that they expected; i.e., when there was increased development, there wasn't increased revenue – so they said.

"But this was a period that was characterised by a lot of uncertainty in Jamaica. There was a general resistance to pay any tax. We couldn't even afford the jeeps to go and make the new assessments of land values. So we sat around and had a good talk with representatives from the IMF."

Jamaica was in the throes of economic turbulence every bit as harrowing as a Caribbean hurricane. The Prime Minister, Michael Manley, was deeply engaged in a running row with the Washington moneylenders, and the land tax system fell under threat.

Fortunately, the pressures were resisted.

But one good thing did emerge from the 1976 talks. Mr. Risden was asked to produce a report, which was published by the Land Valuation Office as *Property Taxation in Jamaica: An Analysis of Alternative Strategies for the Period 1977 to the Decade of the 1980s*. This is a remarkably clear comparative analysis, thoroughly documented, which deployed a logic that successfully exposed myths such as the one advanced by the IMF.

As Mr. Tulloch-Reid pointed out: land values are a buoyant source of exchequer revenue in the context of a

The tough tale of a fisherman's lot

LAND VALUE taxation is a fiscal policy that is most effective when associated with the economics of the free market. Its advocates contend that the optimum allocation of resources can occur only when there is a fully competitive market that is not distorted by controls.

Michael Manley linked his introduction of land taxation in the 1970s with a belief in the need for planning. The unsatisfactory results are illustrated in the urban centres of Jamaica.

Valuers are obliged by law to assess land on the basis of "highest and best use." Yet there are considerable opportunities for de-rating. Hotels, for example, enjoy a 25 per cent discount on their tax obligations. And under the provisions of the Land Taxation (Relief) Act 1960, people can submit evidence of "hardship" to secure exemption from full tax payments.

Mr. St. Clare Risden has cited an example: a fisherman's lot next door to a luxury hotel. There may be no dispute about the value of the land, but if the fisherman does not enjoy an income that enables him to meet the tax, he can avoid having to sell by appealing for relief.[1]

IF A HIGH *ad valorem* tax on land is imposed, the market will compel reallocation to users who are capable of deploying the sites to their best advantage.

In Jamaica, however, the logic of this interaction has been limited by a combination of low tax rates and socialist concepts.

● Many sites have been kept vacant, a fact which cannot be excused entirely by the political uncertainties of the 1970s.[2]

In 1977, for example, the owners of the British-American Building in Kingston paid a tax of $78,971.25 on the unimproved value of their land (111,000 sq. ft.). This represented 6.66 per cent of the assessed value, a rate which was insufficient to deter the owners from keeping 40,000 sq. ft. in a vacant state.[3]

● The free market has been encumbered by a set of policies which prevent the collective wishes of the population from finding their full expression. Rent controls are an example. As a result, poorly-housed families are not likely to be able to upgrade their accommodation as fast as they would like. For rent controls deter an expansion of this sector of the housing market. Indeed, they probably reduced investment in new accommodation to let.[4]

The Urban Sector

The shortcomings in official policies are illustrated by the view from Mr. Risden's office window (above). The Blue Mountains can be seen in the distance. The photograph was taken in March from the top of the ICWI Building on the corner of St. Lucia Ave. and Trinidad Road, in New Kingston, where many of the large hotels and modern office blocks are located.

The vacant site in the foreground is owned by Iris Nembhard. When the site was valued in 1974, a market price of $404,000 was put on the 50,522 sq. ft. The annual tax on the land is $26,253.75, which is 6.5 per cent of the unimproved value: evidently not a penal tax rate.

Planning controls further distort the land market. Land on the right of the photograph is zoned for residential use, and values are about $2 a sq. ft. This land is divided from the vacant site by a bush-shrouded wall: to the left of the wall the land is zoned for commercial use, and is currently worth about $20 a sq. ft. ($8 in 1974). "All by the stroke of the town planner's pen," said Mr. Risden.

Mr. Risden does not attribute the under-use of land entirely to deficiencies in the implementation of the land tax. Gazing down at the eyesore site from his office, he declared:

"Which developer is going to put $2m on that site? They have migrated to Miami and Vancouver. You can induce people, but nobody is going to take up the investment possibilities if he is called a 'dirty stinking capitalist'. In this case, there were no US$ with which to buy construction materials in the last few years, so the owner couldn't build."

The political uncertainties of the Manley years are now behind Jamaica, but the economic future is no less tough: the U.S. dollars are still in short supply.

If eight years of land value taxation have not wrought wonders for the island economy, this is because no-one claims this fiscal policy is a panacea. It has to be employed as part of a set of consistent free market policies that have as their over-riding aim the minimum constraint on the creative ambitions of people in their roles as producers of wealth and consumers who freely exercise their preferences.

It would evidently repay the Seaga Government to institute a radical review of land and related policies in the urban sector of Jamaica.

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growing economy in which land is regularly revalued.

Tax officials in Jamaica now expect the IMF to return with new proposals for a change in their property tax. I was told that "They say that 'If you are serious about forcing idle land into use, how can you give exemptions to widows and that kind of thing?'"

Such arguments, however, do not count against land value taxation; rather, they favour the consistent application of the policy, with assistance to special groups if necessary. Such assistance need not be at the expense of the community.

The IMF's "theoreticians" have correctly argued that agricultural land ought not to receive 75 per cent discounts. Why? Because, they pointed out, farmers benefitted from other subsidies which eliminated the need for special concessions on the land tax.

Jamaica's officials countered this argument with the claim that, with capital being carried out of the country by the middle classes who were scared off by Manley's socialism, there was a desperate need to protect employment in the rural sector.

One can sympathise with the problem of "surplus" labour, but the flight-of-capital argument did not apply in the early 1970s when the tax concessions were originally granted.

In any event, as Mr. Tulloch-Reid readily pointed out, the tax relief was principally designed to help the big agricultural estates; and these tend to employ far fewer people than the more intensively-farmed small units.

So looking at it from the point of view of employment prospects, it would have paid to *increase* the tax on the large land monopolists. For job opportunities are expanded when speculation and unrealistically high prices are destroyed by an effective land value tax. Jamaica, by failing to weigh all the prospects in the balance, missed a historical opportunity.

THE 1970s were Jamaica's lost decade. The future, however, appears to be a happier one.

Government officials are enlightened about the workings of the land tax and the opportunities that it presents. Said Mr. Tulloch-Reid:

"There is a historical reason why we are not getting the proper revenue from property: it never assumed any significance, until 1972. If you were doing an appraisal for a foreign investor, you wouldn't take the property tax into account."

At present, the tax rate averages 2-2½ per cent of assessed values. "We need a gradual build up in the rate structure," said Mr. Tulloch-Reid. "A carefully designed rate structure could move revenue from $25m to $40m. Over a five-year period this could move to $50m, assuming the present rate of growth. If you can maintain growth, you can say to John Brown that he ought to pay more land tax. It is the big leap in taxes that is disruptive, and there's a tendency for government to leap."

Big leaps are not important, provided movement is in the right direction. Jamaica now has a second chance to shift its course radically. If it succeeds, it will be envied and emulated by many Third World countries that are similarly seeking full employment and the eradication of poverty.

BILL BLAND

WE REGRET to report the death of William Edward Bland. He died on June 18, at the age of 88.

Mr. Bland was a life-long campaigner for tax reform. He became a member of the United Committee for the Taxation of Land Values in December 1934.

An obituary will appear in our next issue.

AUSTRALIA: need for vigilance

Witchdoctor brew in McCusker cauldron

BY BERT BROOKES

IF THE PRICE of liberty is eternal vigilance, then liberty and land-value taxation must have much in common. For in those fortunate parts of the world where at least some part of the land value is collected for local or national revenues, there are always powerful interests who, either through ignorance or self-interest, are prepared to denigrate and misrepresent the tax with the aim of sweeping it off the statute book. Without the vigilance of land-value tax devotees, such hostile efforts could be all too successful.

The latest area where those aware of the benefits of land-value taxation are having to marshal their resources against attempts to sabotage it is Western Australia.

The municipalities of Western Australia, in common with those of all other Australian states, have long enjoyed a freedom quite unknown in Britain – the freedom to raise their revenues by site-value rating (SV) if their ratepayers so wish. At present, Western Australia lags a little behind New South Wales and Queensland in that some of its municipalities continue to raise some revenues by taxing buildings and other improvement (rating on Annual Value [AV]). The full picture in Australia, according to the most recent records, is shown in the table.

The threat in Western Australia has arisen from the recommendations of a five-man committee led by Mr. J. A. McCusker, whose report was submitted to the state Premier in April 1981. The committees were called upon to identify and suggest remedies for any anomalies or inequities which might be arising from land-value assessments in times of advancing land values, especially those of small businesses, farms and large residential properties close to developing urban areas.

They were also to consider any problems which seemed to them to

	Number of Australian councils according to rating system used		
	Site value only	Part SV Part AV	Annual Value only
New South Wales	214	—	—
Queensland	131	—	—
Western Australia	43	83	13
South Australia	38	—	98
Victoria	62	—	149
Tasmania	—	—	49
Aust. Capt. Territory	1	—	—
Northern Territory	2	—	—
Totals	491	83	309

Note: The 43 councils in Western Australia using SV are, generally, the larger ones, containing 257,000 private dwellings. The 83 councils with mixed systems and the 13 using AV base only, contain 178,000 dwellings.

result from the current cyclical revaluation procedure and the intervals between re-valuations.

Narrow terms of reference such as these have their dangers. They virtually invite the committee to take the hint – to accept that the suggested anomalies really do exist and then to recommend "remedies" which, since the committee have not made a comprehensive enquiry into the whole system, often create more anomalies than they solve.

WHILE THE enquiry was proceeding, the pro-land tax group of Western Australia went into action. Submissions to the committee were made by Messrs S. Graham Hart, Allan C. Harris, Andrew Priddle and B. Newsham.

Despite these efforts, their apprehensions about the committee and its inhibiting terms of reference were realised when they saw its main conclusions. These were that:

a. Wherever it is possible to assess the costs, specific services rendered by rating authorities should be charged at cost to the recipients of the benefits of these services.
b. Where rating contributions are needed to meet costs of more generalised services, only one valuation base should be used. The base should be capital value for improved properties and its equivalent, namely site value, for unimproved properties. (Capital Value [CV] is the combined value of the land and its fixed improvements.)

The committee also recommended that the target of annual re-valuations should be adopted and achieved within a reasonable period.

The main effect of these recommendations is that, in very many instances, the property tax would cease to be payable by land owners according to the value given to their sites by the availability of such essential public services as water, sewerage and drainage. Charges for these would be shifted from land owners as such and placed upon the tenants and owner-occupier users of the service.

The second recommendation, of course, would mean that all Western Australian ratepayers would be taxed largely according to the value of the improvements they made; the better they built, the more they would be taxed.

Amazingly, the McCusker Committee based its advocacy of the CV base partly on the conclusions of the British Layfield Committee which carried out an enquiry into local government finance in 1976. For Australia, whose rating laws were adopted in this century, to look for guidance to Britain, whose rating system dates basically from the time of Elizabeth I, looks rather on a par with 20th century medical science seeking advice from a group of experienced witch-doctors.

At all events, it was clear to the Western Australian land-taxers that these ill-informed recommendations had to be countered. Accordingly, they returned to the charge with a comprehensive critique of the whole McCusker Report, which they submitted to the state authorities.

In the first place, they pointed out, the CV basis recommended by

BRITAIN: time to tax rural land

● RICHARD CLARKE

Gun Law and The Land Law

CLLR. Richard Clarke of Gloucester County Council is not too popular at present with the landowners who sit with him on this British council's Policy and Resources Committee.

After a motion that he moved in the committee last April, he was reminded that landowners usually kept guns on their premises – the implication being that one or two might just be pointed in his direction! For good measure, he has also been threatened that never again can he be expected to be re-elected to the council.

He treats it all light-heartedly, convinced that tongues were firmly in cheeks when the "threats" were made. At least, he hopes so . . .

The harsh words in the committee arose because Mr. Clarke has been looking at the de-rating of agriculture – the exemption of agricultural land and buildings from the local property tax which took place in the 1920s.

At the time, agriculture was in the doldrums, with farmland selling at a rock-bottom £20 an acre. But since those depressed years, the average price of agricultural land has bounced up again and, since the 1940s, has taken off in a big way. By 1981, Councillor Clarke told the committee, it had zoomed to a mind-boggling £1850 an acre. Agricultural rents were also buoyant with regular upward rent reviews. Yet not only does agriculture remain de-rated, it also gobbles up the biggest EEC subsidy of any industry in Britain.

This state of affairs, said Mr. Clarke, must not be allowed to continue. When local taxation is under strain, the burden of rates should be distributed fairly. The Society of Metropolitan Treasurers, he pointed out, had estimated that the re-rating of agriculture would add some £200m to the country's rateable value.

He refuted any idea that re-rating would bear heavily on farmers. That part of the rates that fell on land, he asserted, would become a reduction from rent and thus not affect the overall costs of the industry.

But Mr. Clarke made it clear to the committee that he regarded the re-rating of agriculture as only a temporary measure to get round the current problem of rates. Levying rates on agricultural buildings, he said, would prejudice farm development, just as it already hindered development in all other industries. The answer to this was to levy rates only on unimproved land values – to adopt the system known as site-value rating.

He roundly criticised the government's recent Green Paper, *Alternatives to the Rates* for failing to mention site-value rating while giving space to wild ideas such as a Poll Tax which could hardly be taken seriously.

The value of land, he said, was the ideal basis for raising local revenue. The value of land was due to the services provided by the community in the form of roads, water supply, schools, hospitals etc. That value increased as the local population expanded and the services became more generally available. The revenue from such a rate would thus rise in step with need for more services, so reducing the need for grants from the central government.

Mr. Clarke claimed that site-value rating complied totally with the criteria for a local taxation system set out in the Green Paper. It was practicable. It was fair. It was cheap to collect. By its very nature it was most suitable for financing local government. Yet it had one additional attribute that made it virtually unique; it was evasion-proof. You cannot, he said, take your land to the Bahamas.

The motion was narrowly defeated, the vital votes against it being cast by five landowning councillors who, under the rules, had voted after disclosing their interest. But it is safe to assume that Gloucester County Council have not heard the last of site-value rating, always provided that Mr. Clarke remains a member of the council – and keeps out of the line of fire.

Paul Knight

McCusker had been considered exhaustively by an earlier Australian committee – the Keall Committee – in 1975, and had been decisively rejected. The Keall Committee had concluded that, although the CV basis had practical merit in that properties were valued as they stood with no hypothetical assumptions having to be made by the assessors, it suffered from a major disadvantage – its cost. With the additional records and data that would be required, it would be costly to introduce and costly to maintain. Even with a much larger staff, the valuation authorities would need many years to acquire all the information they required to operate it efficiently.

In addition, said the Keall Committee, the CV base was open to the same criticism as the AV base in that it would discourage development. They warned, also, that whatever anomalies arose under the site-value system, a change to the CV basis would not rectify them since fluctuations in the price of land directly affected capital values – as, additionally, did changes in building costs.

In their memorandum, the land-taxers emphasised the paramount importance of a rating system that did not discourage development. Most ratepayers, they asserted, were ready to pay their share of rates if these were assessed according to the value given to their properties by the public utilities and amenities made available to their sites. But the same people would bitterly oppose being rated or taxed according to the value of their own improvements to their properties as would happen under the CV system.

CRITICISING the McCusker claim to be following in the footsteps of the British Layfield Committee, the land-taxers said that the whole idea of looking to Britain as a source of guidance on rating principles was absurd. Unlike Australia where site-value rating was in common use, Britain had no practical experience of the system at all, even though several hundred local authorities in England, Wales and Scotland had, over the years, pressed Parliament for authority to adopt it. The fact that a British committee had advocated the CV basis for domestic property, while retaining the AV basis for everything else, did not detract from the proven superiority of site-value rating to both.

Finally, said the land-taxers, if the McCusker Committee hoped that a change to CV rating would smooth the path to annual revaluations (as an aid to avoiding anomalies) they should think again. The British experience (only three re-valuations since 1945) demonstrated the near-impossibility of completing re-valuations quickly when buildings and other improvements had to be valued. In New South Wales, by contrast, where the valuation of improvements had been dropped and where site values only were now assessed, the re-valuation cycle was being cut to three years and would probably come down to two years in the near future.

The overwhelming evidence, said the land-taxers, was against any move away from site-value rating. The wide popularity of this form of rating in Australia reflected the deliberate choice of the councils or ratepayers concerned. The anomalies that arose in Western Australia were more likely to be due to the use still being made of the AV basis by some councils in the state. The proper base for rates was clearly the site value of land, the value given to land by the level of services available to it.

DOMINICAN REPUBLIC

Radical line-up boosts tax reform plans

● Philip Finkelstein

THE PROSPECTS for a change to land value taxation in the Dominican Republic were increased by the elections in May, *writes Ian Barron.*

With unemployment running at over 30 per cent, the voters elected a radical, Jorge Blanco, as their new president.

The out-going president, Antonio Guzman, had indicated sympathetic support for a tax on the Caribbean island's land values. But he was not expected to make fast progress towards fiscal reform, according to local land tax campaigners: Mr. Blanco, however, is expected to explore the possibilities of fiscal reform more forcibly.

A conference on land value taxation was held in Santo Domingo, the capital, last year. It was jointly organised by two U.S. organisations, the Lincoln Institute of Land Policy, from Cambridge, Mass., and the Henry George School of New York.

Mr. Philip Finkelstein, Director of the Henry George School, said after the elections: "I have no reason to believe that Mr. Blanco will oppose us. He is favourably disposed towards land value taxation. But he can't be taken for granted."

One of the politicians at last year's conference was Jose Francisco Pena Gomez, who at the time was a member of the Chamber of Deputies. He is chairman of the Latin American section of the Socialist International.

Gomez spoke in favour of a change to a property tax based on unimproved land values. He was elected Mayor of Santo Domingo in the elections. The possibility of a pilot study of land value taxation in the capital is now being explored.

"The outcome of the election results is favourable to us," declared Mr. Finkelstein in New York.

● Although a leftwinger, Mr. Blanco, a 56-year-old lawyer, has said that he will work for closer ties with the U.S. Despite assurances that he will hesitate over establishing links with Cuba, some observers fear that the military may stage a coup before Mr. Blanco takes over the President's office on August 16.

Single Taxers wiped out in unnecessary election

DENMARK

Professor J.P. Skou reports

BECAUSE of the way in which Denmark has been ruled for decades, the government is always in severe need of increased revenue. The more money it takes through income taxation, the more people need public assistance; but this can only be financed through further taxation, and so on. For this reason, the government always seeks new targets for taxation.

Last autumn the government got the idea to tax the interest earned by all kinds of funds, including pension funds. The money was wanted to "create" work for unemployed young people, and to support the rising number of farmers who were forced to sell up because of ever-increasing production expenses and high interest rates.

Prime Minister Anker Jørgensen, however, found it too difficult to get legislative support, so he issued writs for an election. Parts of the Bill would have created more equality between taxpayers under the existing laws, so if the government had been more flexible it would have come through with the main part of it.

Most people thought that the real reason for the election was that Mr. Jørgensen was tired of governing. Today, he is still Prime Minister and the problems are much worse than they were before. The election, after all, was an unnecessary one.

BEFORE THE election socialists and non-socialists had 85 and 90 seats, respectively. The election caused no change in that, but marked change took place within both groups. This may be seen in the table, which gives the number of seats for each party before and after the election.

It is not easy to rule Denmark. The reason is not so much the large number of parties as it is the competition between them within the two groups, and because nobody wishes to co-operate with the left-wing socialists and the right-wing Progress Party.

Before the election, the Social Democratic government based its existence on support from the Social-Liberals, Centrum Democrats and the Christian Folkparty, from the non-socialist side, which between them had 21 seats. Now the government relies on Social-Liberals and Folksocialists (30 seats). This is somewhat surprising because the Folksocialists are against the Common Market.

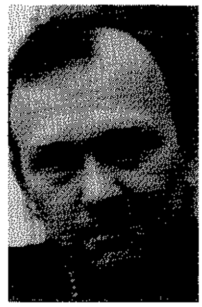
The common opinion is that the government have moved to the left. Furthermore, the Social-Liberals have been in the centre of Danish politics for a large part of this century because they have made it their style to create compromises whenever possible; though they are non-socialists, they normally keep to the Socialdemocrates as this party always gives them the best chance for power. They have never been more powerful than they are in the present Parliament, even though they have only nine seats.

The Social-Liberals have land taxation on their programme like the Justice Party, and the socialist parties also wish to tax the land. If all their seats were counted together, this would produce a comfortable majority for land taxation. This is not a reality, however. The Social-Liberals have repeatedly opposed all proposals on the issue, and the socialists do not wish to differentiate between land taxation and a tax on buildings and other objects. Therefore, the reality is – and has always been – that only MPs from the Justice Party want progress for land taxation and a corresponding reduction in income tax.

IT is impossible to give all the reasons why the Justice Party lost their five seats, but in my opinion important reasons lay outside the party and its activity, and are to be found mainly in the competition between parties.

The Justice Party has always had a weak position in the counties. Less than a month before the Parliamentary election it lost nearly all of its representation at the municipal elections. Normally the two elections do not influence each other, but in this case they were held so close together that I have no doubt that the result of the local election did have an influence.

● Ib Christensen



● Alfred Hansen

● Ole Flygaard

● Niels Mølgaard

Four of the Single Tax candidates who were handicapped by recession debate

A week before the Parliamentary election, the Gallup poll predicted that the Justice Party would get four or five seats, and that the Conservative and Folksocialists would win the election. Two days before the election there was a sudden change after the "party leader round" on TV.

Gert Petersen (Folksocialist) and Erhard Jacobsen (Centrum Democrate) played the greatest roles. The former offered Christmas gifts to all without explaining where the money would come from. The latter offered no promises: his contemptuous refusal to discuss the relief of unemployment cast him in the role of the honest Dane.

Facing this play, the other political leaders appeared novices, no matter how serious their speeches were. Ib Christensen (Justice Party) was very objective and he clarified what we would do in the present situation. At the same time he was perhaps the most boring to listen to, and this counts. The results clearly appear in the table. We had votes for three seats, but they were below the two per cent required for representation.

MANY PEOPLE voted for the Folksocialists instead of the Justice Party. There are two reasons why this is not surprising.

The Justice Party has tried to mobilise the existing majority for land taxation, but nearly all of its members omitted to clarify the distance between them and the socialists concerning the taxation of buildings and other man-made objects. Furthermore, like the Justice Party, Folksocialists are also against the Common Market. Therefore, it was so much easier to change over and vote for the Folksocialists.

Another factor has to be taken into account. The depression stopped the increase in land values, and in some areas even caused them to decrease. Under these conditions people could not see the importance of initiatives in this field. The party made the mistake of talking about taxation of ever-increasing land values and said very little about how land taxation would be effective in periods of depression.

Only a few of the candidates were able to handle the political debate concerning land taxation in the present depression. All the other reasonable parts of the political programme could not offset this handicap. I seriously hope that the party will learn the lessons, and so manage to get back into Parliament.

	Socialists		Non-socialists	
	before	after	before	after
Social democrates	68	59		
Social-Liberals			10	9
Conservative Folkparty			22	26
Justice Party (Single Tax)			5	0
Folksocialists	11	21		
Centrum Democrates			6	15
Christian Folkparty			5	4
Liberals			22	20
Left Socialists	6	5		
Progress Party			20	16
	85	85	90	90

£70m bonanza

Cont. from P.67

grants. Why the discrimination between local authorities and the private sector? "Cheap money must be made available so that developers have a real incentive to develop abandoned city sites," he said.

And Harry Greenway, MP for North Ealing, pressed home the demand for an auction. "The valuer's price is nearly always miles beyond the price that would be reached at an auction . . . I urge the Government to consider a radical approach to the disposal of land . . . let it go to auction."

The Opposition supported the Bill, but Dr. David Clark, speaking from Labour's front-bench, warned that there were dangers in giving private developers access to derelict land.

Private firms, argued the Shadow environment spokesman, were only interested in reclaiming land that yielded a high value – from industrial or housing development. They were not interested in the need for recreation land.

Only days after the debate – which ended with an unopposed Second Reading – Environment Secretary Michael Heseltine was busily selling his £70m offer.

Speaking in Liverpool, he described some land development schemes already under way.

"Every time we see this land put to use, we see jobs, rateable value and better environment . . . for the first time, Liverpool will be able to offer landscape sites to industrialists the equal of anything to be found in the New Towns. We are encouraging people to come back."

● Barry Bracewell-Milnes. Onlookers – portraits of free enterprise economists Milton Friedman and F. A. Hayek.

On sentiments, profits and a new theory of ownership

BY P. E. POOLE

ANYONE who allows sentiments to compromise profit-maximising decisions is not a consistent capitalist.

It may be felt that, in a free market society, there should be room for non-material considerations to influence behaviour. But in that case, we need to know how to measure the value of those sentiments.

Who should do the measuring? And under what circumstances can they justifiably override the collective interests of society or the wealth of any one individual?

These are the kinds of questions provoked by *Land and Heritage*,[1] published by the London-based Institute of Economic Affairs which, in the past two decades, has done a remarkable job of reviving political and scholarly interest in the economics of the free market.

Which is why the publication of this Hobart Paper is such a disappointment. For while the author, Barry Bracewell-Milnes, claims to be developing a welfare theory of ownership, he merely produces a weak apology for the freehold land tenure system.

UTILITY, says the author, is obtainable from ownership as well as consumption.

To own a tract of land is to create what he calls "subjective illiquidity" – a fancy term for that range of sentiments that arise from an association with some asset.

And the value of these sentiments, says Bracewell-Milnes, raises the total value of an asset above its market price.

So, if my family has owned an estate for five generations, it seems that I will treasure it and place a value on it far above its market value, the price that a stranger would be willing to pay for it.

Of land, the author says: "There is no other major category of asset that possesses in similar degree the quality of increasing in value through continuity of ownership."

Ownership – stressed by the use of alternative terms such as *proprietary* wealth – is the crucial consideration in the creation of this "subjective illiquidity." Well, no; not exactly. For it seems that a fifth generation tenant farmer can also acquire "subjective illiquidity" for a tract of land.

Indeed, we find that a *community* can also generate "subjective illiquidity." Bracewell-Milnes gives the game away when he qualifies his ownership thesis in these terms:

"The same characteristics of land that make it a personal asset to the owner also make its use and treatment interesting to others – tenants, neighbours and the local community in general. Both the owner and the others acquire a deeper interest and a closer attachment as time goes by."

Ownership, therefore, is *not* a precondition for the creation of those sentiments which may affect people's judgments in the market place.

Possession and *use* are the critical considerations; the secure right to hold and nurture, to tend the land and enjoy the bequests of nature.

By his own admission, then, the author's defence of freehold tenure *per se* is a spurious one. There is little value in this claim: "Land is not only a personal asset ... it is also proprietary wealth, in the sense of being worth more to society when owned by private persons than by the state or its agencies."

For provided we can devise a system whereby there is no separation of user from the soil, it does not matter who owns the land.

Bracewell-Milnes attacks the ownership of land by the big institutions, such as the insurance and pension funds, and by the government through nationalisation. But he fails to consider a third alternative, which might meet his demand for a personalised association with assets such as land.

Can a benign framework be created which – unlike socialist collectivisation – does not impersonalise land use? A system which, at the same time, establishes an economically efficient approach to maximising the material benefits for one and all?

There is such a system: the one defined by Henry George.[2] Bracewell-Milnes admits that he did less than justice to the Georgist thesis in his paper. Indeed, he misrepresents George's attitude towards "nationalisation" (the American economist had an almost violent aversion to the concept as it is employed by socialists), and he wrongly asserts that George's principle of site value taxation had been refuted by authors like Edwin Seligman.[3]

HENRY GEORGE argued that the community should receive the economic benefits of land, but that the free market (not state functionaries) should be the mechanism for both establishing values and the allocation of land.

Within this framework, individuals would continue to enjoy secure possession (for as long as they were willing to pay the economic rent in the form of a tax to the national exchequer, rather than the same sum as rent to freehold landlords); and they could therefore develop their "subjective illiquidity" without let or hindrance, to their hearts' content.

There would be no despotic State or impersonal institution to interfere with their possession or use of the land.

Under the present regime, however, landowners retard the sum total of material wealth in the pursuit of their "subjective illiquidities" (e.g., the hundreds of thousands of sporting acres in Scotland that are kept idle so that tenth generation lordships might indulge in the occasional grouse shoot).

Under the Bracewell-Milnes scheme of things, we have to accept that wealth is greatest when those acres are privately monopolised, rather than divided up into tenant farms under some alternative institutional arrangement.

The arrogance of those who defend *ownership* was recently illustrated by Lord Middleton, the President of the Country Landowners Association, who declared that only landowners can be relied upon to conserve the countryside. But, as we have seen, the sufficient condition is secure *possession* and *use* of land.

Bracewell-Milnes admits that his system inhibits the free market – "but in a good cause." Whose good cause? Not the welfare of each and every individual in society, that is for sure.

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BRAVO BENN?

Robert Jenkins, *Tony Benn: A Political Biography,* Writers and Readers Publishing Co-operative, £6.95, 293 pages.

"I am an unrepentent believer in free enterprise. I have failed to discover, in a long and diligent search, any material benefit which has ever reached mankind except through the agony of individual enterprise. I therefore regard the whole movement for creating wealth through political agencies as a snare and a delusion"
– Ernest John Pickston Benn, 1925

ANTHONY Wedgwood Benn is a radical non-conformist politician, now ex-minister of a former Labour Government. His biographer, Robert Jenkins, is a Conservative Catholic accountant, a merchant banker and supporter, presumably, of the present British Government.

If the precept that opposites attract has any value, the opposition of subject and biographer would seem to be confirmed in the present volume. This is a fascinating and carefully researched analysis of the political foundation of the Benn family saga, culminating in its present populist aristocrat who has been driven by noblese oblige and a non-conformist conscience into the career of a latter day Gracchi.

The career of Anthony Wedgwood Benn is a classic example – if the matters drawn to our attention by Mr. Jenkins can be taken at their face value – of the Lysenkian theory that environment is more important than heredity.

Sprung from the loins of liberal popular radical and patriotic British non-conformist stock, Anthony Wedgwood Benn represents a drastic falling away from the essence of radical politics.

While he may plaintively cry for an explanation for the co-existence of wealth and poverty, his uncle, in one paragraph, explains the delusion of all those who seek a state socialist answer to the injustices of the world.

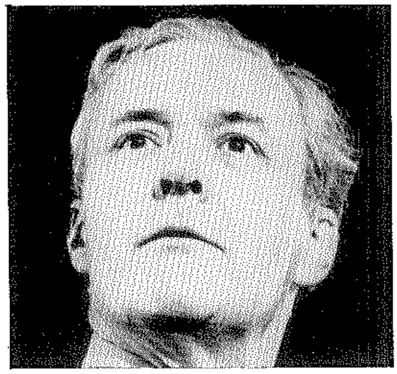
More importantly, as Mr. Jenkins shows, it was Tony Benn's grandfather, John "Bravo" Benn, who as representative of the progressive party on the first London County Council elected under the Local Government's Act of 1888 carried out a substantial, radical reform of the municipal government of the Kingdom's capital city. While Mr. Jenkins is full of praise for the liberal John Benn, he neglects to record the fundamental plank of the progressive party which helped win it the first council election in London, namely the taxation of vacant land.

It is a shame that, rather than looking to his own roots and studying the career of his grandfather, the present representative of the Benn family in the politics of the UK allows himself to be seduced by all the trendy environmental and ecological jingles. Mr. Jenkins clearly portrays the weakness in Mr. Benn's character which leads him to embrace urgent and infallible solutions, solutions which his career have proved to be passing thoughts without substance. The ends which Mr. Benn embraces are laudable and his conscience is beyond reproach. Mr. Jenkins unconsciously reveals, by his careful accumulation of detail of political crisis after political crisis in the affairs of his subject, how a facile reaction to outside events divorced from a reasonable world view, based on a consistent philosophy, will lead to mere fashion and dilettantism.

While recommending Mr. Jenkins' biography, there is one reader who has most to learn from perusing this biography. One can only hope that Tony Benn, by reading the first chapter "The Inheritance of Dissent", will be persuaded to search deeply into the archives of his grandfather and come to a simple and logical explanation about an economic system which permits human need to co-exist with 30 million unemployed people in the industrialised world. His grandfather was driven by conscience and an understanding of the principles which govern land, labour and capital, principles which he could only have absorbed from close and reasoning attention to the theories and solutions promulagated by Henry George, which are part of the political heritage of that time.

If now Tony Benn, while repudiating his aristocratic antecedents, would embrace his true political inheritance, we may one day be able to cry, as Gladstone did of his grandfather: "Bravo Benn!"

Herbert Meyer on the history of a controversial family



● TONY BENN

HOOKED ON AID

Cont. from P. 80

In Reagan's administration, the welfare state is much bigger than it was in Roosevelt's day, and if it is brought down, it will not be by much; pressure from all sides will prevent that.

The ideal of a free market and a free economy, little government and low taxes is often invoked but it is not within sight. So long as people feel the edge of insecurity, restricted opportunities, periods of recession and unemployment, they will cling to the welfare state, onerous and cumbersome though it is.

The growth of the welfare state leads to an intolerable state socialism and the reduction of the welfare state leads back to the intolerable business cycle. We are "between a rock and a hard place," *unless* our leaders seek a more fundamental solution that begins with reducing land monopoly and speculation and opening up natural opportunities. Then may we welcome freedom and find that it can go hand in hand with prosperity.

Roosevelt missed this lesson and opportunity, and Reagan is evidently going to miss it. Can we hope for a future leader who will grasp it?

THE MALAYSIAN Government's Capital Issues Committee (CIC) has tightened the rules for approving land acquisitions by publicly-listed companies.

Approval will not now be given where development has not started or not expected to contribute to earnings of the acquiring company in the current financial year.

The CIC is alarmed at the widespread practice of over-valuing land in company books to create surpluses which are then used to make bonus issues.

More recently, unacceptable valuation practices have been employed by companies which have revalued their land and then exchanged their assets for shares in publicly-listed companies.

ROBERT CLANCY reports from NEW YORK

Ignore the rhetoric – New Deal aid has hooked our entrepreneurs

1982 marks the centennial of the birth of Franklin D. Roosevelt, the most influential American President of the 20th century. (Two other notables who changed the course of culture were also born in 1882: James Joyce and Igor Stravinsky; and two who changed history died that year: Charles Darwin and Giuseppe Garibaldi.) And 1982 is the 50th anniversary of Roosevelt's election to the Presidency. Thus there is occasion for a revaluation of his impact on history.

Elected during the worst part of the worst depression in modern times, Roosevelt started with the call that helped lift the nation's mood, "The only thing we have to fear is fear itself." Then he and his "brain trust" embarked on a series of experiments not really knowing where they would lead. These emergency trial-and-error measures were supposed to be for a temporary crisis situation – but they have evolved into the solidly entrenched welfare state that we have today, which includes payments to the unemployed and the elderly, support for generations of "welfare families," medical and educational expenditures, etc.

Roosevelt was elected for an unprecedented four terms and died early in his fourth term as World War II was nearing its end. During his Presidency, the conservative opposition denounced his programmes and policies as "socialistic" and "anti-free-enterprise." Today historians contend that Roosevelt saved capitalism as the country was on the verge of revolution.

SINCE Roosevelt, Democratic and Republican Presidents have come and gone, but the welfare state has stayed and continued to grow, and so has deficit financing (Roosevelt started out with the ideal of a balanced budget).

Today we have Ronald Reagan, who has avowed that he would turn back the tide of big government, high taxes and profligate spending. He proposes a cut in tax rates – but there is a catch to it. Believing that America has fallen behind Russia in arms build-up, the Reagan programme calls for bigger military spending with cuts in social programmes – and a deficit.

The biggest tax breaks are for the upper income brackets, on the supply-side theory that their tax savings will be ploughed into industry, thus creating jobs. But a serious recession has spoiled the scenario and Reagan has lost much support. Not only liberals but conservatives are critical, and Reagan in turn has scolded industry and financial markets for not responding to his cures and incentives. Almost the only full-fledged backer of Reaganomics left in Congress is Jack Kemp.

Ironically, Reagan is theoretically giving private enterprise what it has for years been saying it wants – lower taxes, less government, fewer regulations. What has instead developed is that private enterprise, in spite of the rhetoric, has become used to and dependent on government involvement and does not really want it to go away. The same is true, of course, of the millions who receive government "aid" in one form or another.

Reagan has gained the reputation of offering "welfare for the rich" and of being insensitive to the needs of the poor – a charge which offends him. He avows that he himself has come from a poor background and that he understands very well the problems of the poor.

Roosevelt, on the other hand, came from a wealthy patrician background, yet he gained wide acceptance and trust as the friend of the "common man," while the upper strata of society reviled him, and he himself denounced the "economic royalists" and "robber barons."

This is a paradox that has appeared before. Thomas Jefferson came from the Virginia aristocracy, yet was understood to be the champion of democracy and equal rights for all men. Alexander Hamilton, who rose from lowly origins, favoured the wealthy classes and wanted to throw the balance of influence their way. An interesting problem in psycho-history.

Still, Reagan – along with the two other living Republican ex-Presidents, Ford and Nixon – has participated in the centennial praise of Roosevelt, and he has even likened himself to the famous New Dealer.

THE NEW DEAL that was wrought in the Roosevelt era has become more embedded than even its opponents might have realized. It was supposedly because of mounting opposition to endless welfare and public debts that Reagan was elected, as he often reiterates. But the people and the economy have become so habituated to the pervasiveness of government that when the reality of its withdrawal approaches, they view this with alarm.

All this has been intensified and complicated by a deepening recession – which was the cause of the start of the New Deal in the first place.

One thing Roosevelt and Reagan have in common is that both missed the basic cause of economic problems in inflated land values. Roosevelt considered it imperative to restore and maintain high land values, this being his idea of an important index of recovery. Reagan, when he was Governor of California, was approached about land value taxation as a measure against land speculation, and his reaction was that he saw nothing wrong with making a profit in land (as indeed he has done).

Cont. on P.79

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