

LAND &

LIBERTY

MARCH & APRIL, 1975

Conservatives' Road to Serfdom?

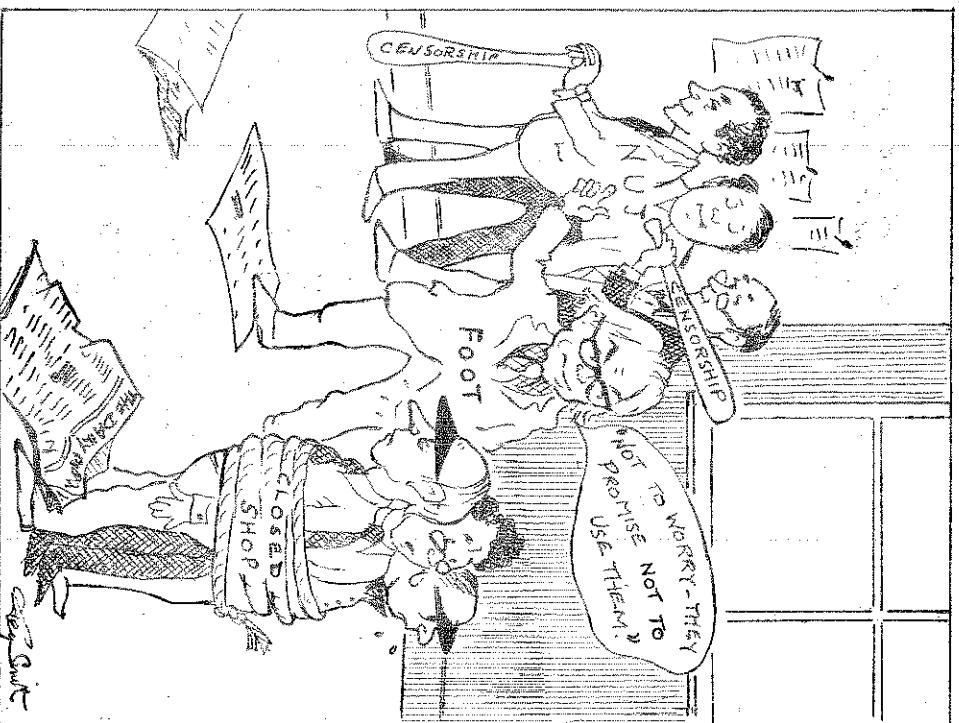
THREE of the most important and damaging pieces of legislation to be introduced for many years are the Capital Transfer Tax (confiscation of the capital of both rich and poor) the Industry Bill (covert nationalisation) and the Community Land Bill (the nationalisation of all building land) - all now under various stages of discussion.

Taken alone these measures are frightening enough but when seen as the prime pieces fitting into the picture of a fully socialist Britain - more frightening still.

Many voices have been, and still are, being raised in protest at these latest moves towards state monopoly. But the protests fall on deaf ears. Conservatives cannot really object to this legislation, Labour argue, did they not themselves lay the foundations of the Industry Bill? And did they not themselves introduce a development gains tax? They did indeed. They really should not complain if Labour's socialism moves faster than Tory socialism.

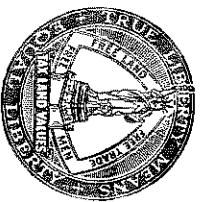
Hard on the Tories? Perhaps on some, but not on most. Many Conservative members of Parliament have bowed to expediency, jettisoning their advocacy of the free market in favour of state control and direction of the economy for the sake of political power. Rather late in the day, many are regretting it - though not all for the same reason. Perhaps a greater danger to libertarian ideas, however, are those Tories who have become converted to socialism and have advocated and supported socialist measures from their own party.

Under the leadership of Edward Heath, Conservatives had little encouragement to



*A Phoney Tax Reform
Conservative Free Enterprise
Rates and the Payfield Committee
A Nibble at the Haunting Question
Radicalism's Finest Hour
Lesson of Languedoc*

Land & Liberty



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stand up for libertarianism, non-government intervention and the principles of a free market economy.

Perhaps the most revealing of all the statements of belief made by Mr. Heath was that published in *The Daily Telegraph* the day before his resignation (February 3) as one of the series on "My Kind of Tory Party." In it he said:

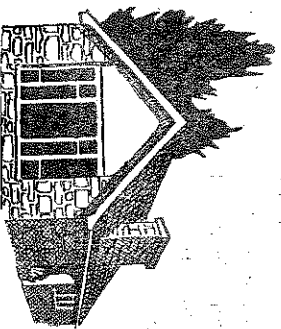
"Harmony, I believe, is a fundamental Conservative word. This shifting role of ours means that we are the despair of naive analysts who demand a simple answer to the question, 'What do you stand for?' To that question the true Conservative does best to put his tongue in his cheek and say, 'That depends'."

Many expect things to be different under the new Tory leadership. Time will show.

Why have you gone all right wing? asked a correspondent recently. We haven't. Anyway we don't care for the horizontal and ambiguous scale of political value known as "right wing" "left wing" "moderate". We prefer to think in a different dimension.

Free enterprise and the market economy are not enough to make a whole political philosophy. But it is the essential framework upon which one can be built. Without it all is dark. Liberty in all its manifestations must be defended, for the problems of our time can be resolved only in a climate of liberty. As the land is the base from which all economic activities stem and are ultimately governed, so is liberty the base from which all social progress must proceed.

PROPERTY TAX REFORM THE PHONEY AND THE REAL



"Present-use assessment' is the biggest single reason why so many downtowns are ringed with slums and vacant land used only for one level parking."

MOST of the property tax reforms enacted in California and most of the property tax reforms put on the ballot there have offered much more property tax relief to land speculators than to any one else. Not one of these so-called reforms would encourage better land use or encourage private investment in all the new construction needed to revitalize the cities. This was one of a number of points made by Perry Prentice* in a paper on property Tax Reforms presented to the Revenue and Taxation Committee of the California Senate in November 1974.

The self-styled reformers, said Mr. Prentice, put on the ballot, the 1968 Watson Amendment the net effect of which would have been to cut the property tax in half. "This was promoted as a wonderful way to give homeowners property tax relief, but the homeowners were smart enough not to fall for it. They found out from the Taxpayers Association that cutting the property tax in half would necessitate either doubling sales taxes or multiplying income taxes by 2.6. Either way what was being sold as a tax reduction would have ended up making most homeowners pay more taxes instead of less. The only people who would benefit from that kind of tax reform would be land speculators and slum owners."

A second and milder Watson Amendment was put on the ballot in 1972. This would have reduced the property tax only about 25 per cent instead of 50 per cent. Its promoters, the landed interests, said that this amendment would let all homeowners in on the rich profits of land speculation, but, said Mr. Prentice, by 1972 the voters were wise to how the so-called reform would work and who would profit

by it, so they voted it down by a landslide, even though the California Realtors spent a quarter of a million dollars trying to sell it. He added, "On the same day that the California voters buried Watson Amendment No. 2 the voters of Oregon, Colorado, and Michigan buried similar proposals whose promoters in those states had tried to sell them as property tax reforms."

Mr. Prentice referred to the Williamson Act which, he said, may or may not help preserve open space but must certainly make it much cheaper and easier for big landowners to hold their land off the market until they can sell it for a lot more than they could get for it now.

A provision in the Williamson Act, relieves landowners of any property tax for as long as they put their land into a temporary open space preserve until they decide the time has come to sell it. This may or may not have some temporary effect in preserving open space far from the cities, said Mr. Prentice, but one thing it certainly does do; it gives big landowners a chance to save a lot of taxes on land they are not ready to sell. For example, the Orange County Assessor says it is giving the Irvine Ranch a \$600,000 a year tax saving on land it may not begin to market until sometime in the next century; meanwhile other taxpayers in Orange County will have to make up the difference.

Mr. Prentice went on to say that a second provision of the Williamson Act assured low assessment and low taxes on ripening land over the urban fringe as long as the owners farmed it; the only limitation on this tax abatement was that when the owner was ready to sell the land, he had to forfeit the tax saving for the last five years before the sale. This farm assessment provision was sold to the public as a way to preserve open space, but in practice it had forced developers to leapfrog still further out to get land they could afford to buy, and this had led to the premature subdivision of many thousands of far-out acres that should have been left open country for years to come.

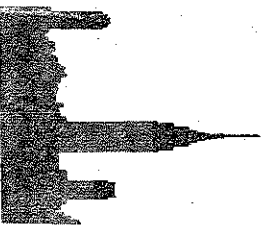
Perhaps worse than that, he said, the legalisation of farm assessments on the outskirts had given added sanction to "present-use assessment" in the cities—i.e., assessing land in the cities on the basis of the income it was now earning instead of on the basis of what it could and should be earning if the owner was putting it to good use. This gave an enormous tax abatement subsidy to owners who misuse and underuse valuable land. Said Mr. Prentice: "From coast to coast it is the biggest single reason why so many downtowns are ringed round with slums and vacant land used only for one level parking."

"The only property tax reform that, will do the cities of California any good and do most of the ordinary property taxpayers of California any good," he continued, "is the property tax reform that will stop subsidising the underuse and misuse of land by

*Perry Prentice is a Vice President of Time Incorporated.

underassessment and undertaxation and stop penalising improvements by overtaxation."

Studies by the Homeowners Association show that shifting the full weight of the property tax off improvements onto land would reduce the property tax on good homes by as much as 30 per cent, and this is roughly confirmed by other studies, claimed Mr. Prentice. In Washington a computer study covering every local property in the District of Columbia found that based on present assessments, shifting the full weight of the property tax off improvements onto land would reduce the average property tax on



ORWELLIAN FREE ENTERPRISE

Prof. Tommy Rogers

THE DEFENCE of the market economy — or free enterprise — suffers more from a lack of precise definition than from anything else. The meaning of these terms as used by some, may become a mere defence of the right of everyone to sleep under bridges, poor or rich. Unfortunately, "free enterprise" has been held up to a great amount of opposition and ridicule because it has been invoked to justify unearned increments, monopolies in access to land and goods, exploitation of labour, and continuation of inequities. And, of course, it has not been a "planned" response.

However, the basic truths stand regardless of the use of "free enterprise" as a cloak to shield exploitation — which unfortunately is ammunition in the hands of the enemies of pluralism. There is also a tendency to confuse "free enterprise" with monopoly capitalism. Monopoly capitalism is what we have to a large extent in the U.S. It is the Wall Street brand of "free enterprise" misnamed. It is non-ideological, which is why all Wall Street has supported Communism in Russia. Monopoly capitalism is not interested in anything but self-interest, and is opposed to decentralization. It is not that Communism as such is preferred, but that anything centralized which gives greater exploitative leverage and monopoly control to exploit markets is preferred, by whatever name it is called. That is why Wall Street and its foundations always opt for more centralization.

The phrase in the "public interest" was coined supposedly to represent democratic (government) regulation and control of the "excesses" of free enterprise, to cure the inequities in the free enterprise system. But public or government regulation in the "public interest" is a ruse of monopoly capitalism to eliminate competition and to exercise self-serving domination and control of the market. This is a *coup* if there ever was one.

single family homes by 18.1 per cent, on two family homes by 20.9 per cent, on walk up apartments by 38.9 per cent, on elevator apartments by 22.5 per cent.

"Conversely it would impose a whopping tax increase on idle land in the city and a whopping increase on the owners of obsolete, inadequate or decaying buildings - including slums - that now pre-empt much valuable land in and around downtown."

(The California Senate Committee on Taxation and Finance is considering a constitutional amendment that would shift the whole weight of the property tax to unimproved land values over a five year cycle.)

Given this situation, I think the limits of legislative intervention need to be recognised.

Since the market mechanism is "neutral" in operation, we need to recognise that:

- * Many are excluded from the market place because the government is responsible for the monopolies, often through state power operated in the interest of monopoly capitalism, and through agencies and regulations in the "public interest" which effectively eliminate the free market and foster monopoly. Here is the *coup* again. Government, in the name of recognising inequities of the free market defines the parameters so as to ensure monopoly.

- * In many fields where the market is "open", entry is restricted (tariffs or a licence required) so that many have to pay to enter the market place. Here again we see vestiges of anti-free enterprise, not free enterprise at work. Alas, the situation and interpretive mechanisms are such that anti-free market machinations are held as examples of the *failures* of the free market, and as reasons why the free market is anti-social.

- * Although there exists inequity in the distribution of wealth, the issue is, under which system is correction more likely to take place, and under which system are inequities most pronounced. Hayek is correct in his warnings regarding contrived law and legislative omniscience in that only a spontaneous order has the possibility for re-establishing free market corrections and equilibrium.

- * Many are excluded from the source from which their labour and capital can be effective (land) except upon payment of rent to those who claim nature's gifts as their property. The state and monopoly capitalism (call it free enterprise if you want, but I don't and won't) have together conspired to exploit what William Sumner described as the forgotten man, from access to the only source whereby he could be his own foreman and labourer, the yeoman owner idealized and advocated by Jefferson, the system to the extent it was effective, which allowed the United States to throw off the debris of servanthood for so many.

The farm policy in the United States in the last three

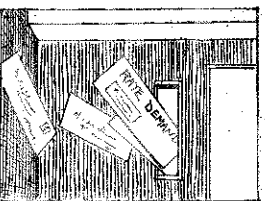
decades is a good example. Prices have increased, taxes have increased, access of yeoman type people decreased, apportionment of agricultural income is in larger segments and among fewer people, opportunity of access and entrance denied, and the development of the feudal tenure system revived because of the machinations of the government and contrived law (contrived I suppose to do this very thing) in the name of doing exactly the opposite of what they presented as the justification of the programme.

In the name of curing the failures of unassisted "free enterprise", the latter has been strangled in the interests of Statism and privilege.

Let us not blame free enterprise for the results of monopoly capitalism. The former, I think, is most suited to promoting anti-poverty; the latter uses the supposed failures of the former to entrench itself and subjugate opportunity and rewards to a system operated in its own interests.

III Equipped for Criticism

T. O. EVANS



IN a submission of over one hundred pages of printed text the Labour Party has given its recommendations to the Layfield Committee of Inquiry on Local Government Finance.

Site value rating is mentioned and dismissed in less than half a page. Yet to have concentrated such error, misunderstanding and prejudice into this small space - as they have done - is perhaps an accomplishment in itself.

The "examination" of site value rating begins by saying that it is "a proposal sometimes put forward to expand the tax base of the local rating system by imposing a levy on undeveloped land." (This is the rating of vacant sites not site value rating.) This limited proposal is dismissed in one meaningless sentence.

"However, in the modern planning and development situation we feel it is now much less promising as a serious proposal than it might have been some years ago."

Next we get this: "S.V.R. could be collected either from owners of land or from occupiers. As far as owner-occupiers are concerned, it would make no difference. It could of course, make a difference for other occupiers, provided that if it were intended that S.V.R. levied on owners should not be passed on to tenants, there would have to be appropriate safeguards in the rent legislation to prevent this from happening."

Leaving aside the fact that if it were "intended" that the occupier should pay the site value rate on the owner's land site value rating would have no point, legislation to ensure that the site value rate was not passed on, would be like passing a law to ensure that water always found its own level.

That there would be some readjustment in the market between landlord and tenant following the removal of rates from the composite value of land and buildings, does nothing to invalidate this.

It is accepted by all economists that a tax on pure site value is born by the owner of land and cannot be shifted on to someone else. The abysmal lack of understanding of the principles of site value rating is evident in the next paragraph:

"If an S.V.R. levy were collected from occupiers, we believe it would produce far more serious anomalies than the present rating system. It would mean that they were being taxed not according to the standard of accommodation they were actually occupying, but according to the type of property which could be built on the site: a situation over which the vast majority of them would have no control."

No doubt, but that is not site value rating. So devoid of arguments are the compilers of this document and so ignorant are they, that they have resorted to putting up an aunt sally in order to knock it down.

There is one more paragraph: "An S.V.R. levy collected from the owners of sites could bring some financial benefits to the community from the enhancement of the value of privately-owned land by planning permissions. But we would regard it as very inferior to our own proposals for the public ownership of land."

Site value rating would certainly bring financial advantage to the community when higher values of the land were realisable by the granting of planning permission but the rate "collected from the owners of sites" would not be confined to land *ready for development*. It would include *all land* whatever its state of development and would fall on all those increased land values that arise without the granting of planning permission. This can hardly be inferior to the nationalisation of building land in its collection of land values for the community, even supposing there were anything left for the community after meeting the colossal costs involved in such nationalisation.

Briefly the Labour Party's recommendations to the Layfield Committee for financing local government are tourist taxes, lotteries and, the least objectionable they say, a local income tax. They further recommend that central government grants should be increased, that water and sewerage services should be taken off the rates, that de-rating of agriculture should be ended, and that the rating of empty property should be made mandatory.

The "Order Which is Best" and the Lesson of Languedoc

FRED HARRISON

WHILE Henry George was busily writing *Progress and Poverty*, a Frenchman called Emile de Laveleye - encouraged by John Stuart Mill - was writing a book called *Primitive Property*. Their manuscripts were completed in the 1870's; they complemented each other perfectly. That they should have been published almost simultaneously is one of those quirks of history. Henry George went on to world fame, Laveleye remained in comparative obscurity. But between them, they brought anthropology, history, economics and ethics to bear to justify a return to a system of common ownership of land.

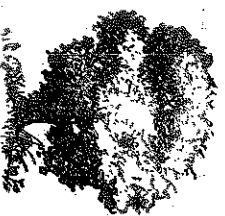
Henry George built his economic system on an ethical premise - that men should enjoy equal rights to land. He was impelled into the pursuit of a solution to the manifest injustices of the emergent industrial system of the USA, where abject poverty went hand-in-hand with the advances of science and increased productive power.

Laveleye, working independently, also concluded that land should be reinvested with social character - instead of that arising from private proprietorial rights. He arrived at this conclusion, however, by a different route - using historical materials, and employing comparative analysis.

Everywhere, Laveleye found, land was held in common by men until a very late stage in social evolution. His data were drawn from Russia, Italy, China, India, etc., as far back as a study of source material would allow him to penetrate. This material is missing from *Progress and Poverty*, and that is why the two books complement each other.

But Laveleye, having reached a conclusion similar to that of Henry George, failed to produce a solution which satisfied two criteria: first, acknowledgement of the social nature of land, and secondly the economic mechanism suitable for the new industrial society which was just about to predominate throughout Europe. Henry George provided the solution: the collection of the economic rent of land for public usage (land-value taxation).

Both men saw that security of tenure was all that was needed to answer those who sought to justify private property in land on the grounds that this was a pre-condition to cultivation. But Laveleye, it seems, was ignorant of a fiscal solution, although one presumes that he read Mill's earlier works which did refer to the taxation of land value, the unearned increment. The best that Laveleye could prescribe was modelled on the Swiss canton system, where agricul-



tural land was still held in common, a proposal entirely unsatisfactory to those working in a capital-based economic environment. Hence the disappointing conclusion to the book: Laveleye ends by observing that "Obviously there can be no attempt at securing to everyone a share in the soil". He resorts to suggesting vaguely that industry should be based on the guild system, which did contain a moral dimension and gave workers rights and security which they lacked in the factories of the 19th century.

Laveleye's last paragraph reads: "There must be for human affairs an order which is the best. This order is by no means always the existing one; else why should we desire change in the latter? But it is the order which ought to exist for the greatest happiness of the human race. God knows it, and desires its adoption. It is for man to discover and establish it." Laveleye was soon to learn of that solution - when he laid hands on a copy of *Progress and Poverty*.

In a letter written in 1880, Henry George refers to a review of his book:

"I got yesterday the first European notice of our book. It is in the Parisian *Revue Scientifique*, signed by Emile de Laveleye. I got Phil Roach to translate it for me. It is first-class - says the book has instructed him and led him to think; endorses substantially the whole programme; says the chapter on Decline of Civilisation is worthy of being added to 'De Tocqueville's immortal work', etc." (Page 331 of Henry George Jr's *The Life of Henry George*.)

Henry George makes one reference to Laveleye in his later work, *The Science of Political Economy*, but he does not acknowledge the value of Laveleye's historical account of the development of property in land. For Henry George, it was sufficient to validate his system on the basis of Christian ethics. But for those reluctant to accept Christianity (and land-value taxation is not proposed just for the Christian world), a more general validation is necessary - of the sort which would be acceptable to Hindus, Moham-medans, atheists, totem pole worshippers, and so on. History provides just such a generalised validation. Henry George starts where Emile de Laveleye leaves off.

Tocqueville and his "immortal work" is also relevant. His *Ancien Regime en France*, offers empirical evidence from history to support the claim that the taxation of land values stimulates economic activity and a free community, while other taxation is a

hindrance to progress.

Tocqueville's purpose in writing his book was to lay bare the cause of the French Revolution. One of these was the injustice of exempting the nobility from taxation, while the peasant proprietors were forced to pay taxes on their annual incomes, which were arbitrarily assessed by local citizens who acted as tax collectors on a rota basis. The agricultural arts had deteriorated, and Tocqueville quotes "a celebrated English agriculturist" (probably Arthur Young) as stating that "the agriculture I see before me is that of the tenth century". Tocqueville writes:

"... the oppression was shown less in the active evil done to these unfortunate persons than in the good which they were prevented from doing to themselves. They were free and owners of land, and yet they remained almost as ignorant as, and often more miserable than, the serfs, their ancestors. They remain unaffected by industry in the midst of prodigious advances of the arts, uncivilized in a world scintillating with enlightenment. While retaining the intelligence and the perspicacity peculiar to their race, they had not learnt how to use them, they could not even succeed in the cultivation of the soil - which was their only calling."

But one province of France, Languedoc, had managed to fight for its ancient rights in the face of the absolutism of monarchs. In a supplement to his book, Tocqueville latches on to the tax system used in Languedoc, which had over two million inhabitants in 2,000 communes.

Languedoc was distinguished by the fact that it was democratically administered locally; and most of the public works executed in the area were financed from locally-raised revenue. While other provinces spent almost nothing on themselves in public works, Languedoc stood out for the sums it spent. "The central government was sometimes disturbed at the sight of this great outlay," Tocqueville tells us. The money was spent on straightening beds of rivers, extending the canal, opening up and maintaining the port of Cette to commerce, draining marshland for agriculture and developing a good highway system. Forced labour was, in contrast with the rest of France, unknown: free labour was paid wages for the work they did. How was the money raised?

The tax fell on landed property, and did *not* vary according to the income. "It had as its fixed base open to view a carefully-made survey renewed every thirty years, in which the lands were divided into three classes according to their fertility. Each taxpayer knew in advance exactly the amount of tax that he had to pay... did he think himself wronged in the assessment? He had always the right of demanding that his position should be compared with that of another inhabitant of the parish chosen by himself. It is what is called today the appeal to proportional equality." (p 135 of M. W. Patterson's translation, published by Blackwell's).

It could be that the tax also fell on the value of capital improvements on the land. Whether it did or not, it is clear that this was infinitely superior to the tax on incomes levied in the rest of the kingdom. Tocqueville writes:

"What I have said about public works can, with even greater right, be applied to that other equally important part of the public administration, which was concerned with the levy of taxes. It was in this sphere especially that, passing from the Kingdom to the Province, anyone would find it difficult to believe that he was still in the same Empire." (p 230)

So well administered was Languedoc, so good its credit, that the king borrowed money via Languedoc to obtain better terms than he himself could obtain! And when the king created new taxes, Languedoc found it more efficient to buy from him, at a very high price, the right to levy them in their own fashion.

The liberties of Languedoc were hated by kings and their evil courtiers. The constitution of the provinces was mutilated, then abolished, then restored and abolished again... and France was the poorer for not learning the lessons of Languedoc.

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SPEAKERS:

Leslie Blake, Roger Pincham,

V. H. Blundell

INTRODUCTION

LOCAL government exists to provide a wide variety of local services. The range of services and their scope has greatly increased over the years, from meeting basic impersonal and protective sanitary services, to the provision of extensive personal services received directly by local residents — education, housing, welfare, health care, etc. — and their expanded scope has imposed financial burdens which have traditionally been met from the four basic sources: government subvention, rates, rents and charges.

The proportion of local government expenditure met from rates has steadily declined over the years and there has been mounting criticism of the continued use of the rating system as a major source of local government income. The last official publication on this subject, *The Future Shape of Local Government Finance* (Cmnd. 4741) published in July 1971, emphasised that any modification of financial arrangements must preserve and strengthen the financial responsibility of local government and minimise detailed intervention by central departments. The Green Paper examined the growth of expenditure and the growth of rates, and examined the prospects of obtaining local revenue from additional sources.

Since the publication of the Green Paper, local government boundaries have been changed and functions reorganised (except for the London authorities). Changes have been made in the domestic rate support system. In general, however, the Green Paper dealt with general problems of local government finance.

The annual public uproar over the large increases in rates has been caused partly by the general inflation experienced throughout the economy and partly by increases in levels of services and therefore of expenditure. Rates, being paid directly from the pocket, are more noticeable to the payer than are other forms of taxation. It is hardly surprising therefore that there is opposition to any increase in rates, as the consequences are immediately and directly felt. As a result of a public outcry in the 1960s, special relief was granted to certain householders least capable of meeting rate increases. The present enquiry is concerned with investigating all the sources available for local government finance, and some of these will be examined in this paper. It is our view that the property tax is a sound method of financing a substantial part of local government expenditure and that, although the present rating system has its deficiencies, it can be modified to become more efficient, effective and equitable.

Rates — The Of CM

SUBMISSION BY THE UNITED COMMITTEE TO THE COMMITTEE OF ENQUIRY INTO

MANY SUGGESTIONS have been made in the past as to other methods by which revenue might be raised for local services. The list includes local income taxes, sales taxes, betting taxes, etc. Any new tax proposal must be considered in the light of its implications at the national level. To ignore the direct and indirect economic effects of any change from rating to an alternative tax is to invite the introduction of new and perhaps intractable problems. Substantial increases in either sales or income taxes, for example, could breach the barrier of toleration and induce "diminishing returns". A beast of burden can carry a load that is evenly distributed, but would falter if the weight were concentrated in one place. Direct taxes on commodities are also subject to diminishing returns, and substantial increases could result in downturns in sales.

In addition, the collection of either local sales taxes or local income taxes would pose problems if differential tax rates were to be set between administrative districts. In America, for example, it has been found that shoppers, businesses and even wage earners have changed their location preferences as a consequence of tax levels.

There is a further and more fundamental point that needs to be taken into account in considering the abandonment of the present rating system in favour of indirect or direct taxes on services or products. *Part of the present rates falls on land value and helps to keep down the prices of developed property. If the rates were removed, land prices, free-market rents and property prices would rise.* At a time when governments are seeking desperately to encourage house building at prices within the reach of buyers, such action would be socially unjust as well as politically unwise.

Rating: Basic Considerations

The underlying principle of rating is that of contribution toward the cost of local government on the basis of beneficial occupation of property. Although it would be unrealistic to argue that size and value of property are necessarily related to value of services received (particularly in view of the wide scope of services available and the varying needs of particular residents) there is a relationship between the availability of services and the site value of property, for the availability, proximity and quality of local services *are reflected in the value of land.* In this context it must be remembered that a structure is a depreciating asset (like a motor car) from the moment it

Direction range

FOR THE TAXATION OF LAND VALUES O LOCAL GOVERNMENT FINANCE, 1974

is complete, while a site is generally an appreciating asset.

As there is a definite relationship between the site value of property and the availability of services, there is a very strong argument from the "value received" viewpoint for retaining the property tax as a source of local revenue. It must be stressed that the "value received", although not necessarily realised except on sale, is a continuing imputed value of service availability. However, there are two aspects of "value received". The first is that value which stems from the actual use of facilities and services (refuse collection, schools, libraries, etc.) and the other is the value of the availability of these services, which is reflected in site values. Liability for rates rests mainly on beneficial occupation, but it can be argued that there should be liability for rates irrespective of whether a property is occupied or not. First of all, the basic services are available, whether used or not; second, the imputed value is continually received; third, there is the need to ensure that property is not held out of use for speculative or capricious reasons. This last point was recognised in the Local Government Act 1966, which empowered local authorities to rate empty properties. However, the effect of a rate on vacant properties is limited by the ability of property companies to offset rates against income. As far as the encouragement of land use is concerned, a rate based on site values covering all land irrespective of structures and improvements, would be much more effective.

The property tax is two taxes combined: one on land and the other on improvements, and the effects of the two taxes are very different. Insofar as the tax falls on structures and improvements, it acts as a disincentive to develop and improve, as a penalty against enterprise and initiative. For this reason, some countries have adopted the site value system of rating, which has far more positive effects than the traditional English system.

The rating system has been attacked on the grounds that it does not take into account ability-to-pay (although the ownership of property is a not unreasonable indicator of wealth or earning potential) and while there may be cases where rate demands can be a hardship (after taking into account the relief that is available) this does not mean that the rating system itself is wrong or unjust. With almost any system of taxation cases of hardship can arise and in the case of rating no reason is seen for condemning the tax-

tion method on account of the unfortunate plight of a minority.

Property Taxation: Land and Buildings

The value of real estate, whether rental or capital, consists of two elements: the value of land and the value of buildings or improvements. These two elements are merged in the total valuation, but may be separated, as they usually are in the USA and in some Commonwealth countries. The effect of taxation on each is very different. Not only that, but when combined, the value of one can depress the other in rating valuation terms. When property is valued for rating purposes, the assessed annual value of the property in its existing condition is sometimes less than the market annual value of the site alone. Because of this, and because vacant land is not assessed at present, *the current UK rating lists do not represent the full value of property and thus hide the full potential of the property tax.*

The tax on building value may best be considered as a direct burden on the enterprise of the owner or occupier — the greater the value of the building the higher the valuation and the greater the tax. It is therefore likely that with a high rate of tax some improvements may not be undertaken.

A tax on the value of land, however, is very different in consequence; it falls on the economic rent of land*, residual in nature, and an on-going expense for a tenant or an imputed benefit to an owner occupier. The rent of land has to be paid by a lessee irrespective of the existence of a site-value tax, which in fact will be borne by the owner (assuming that a full market rent is being paid). As far as an owner occupier of property is concerned, the assessment of land or site value is based on the site rent he would be expected to pay if he did not own the site but rented it. The liability for tax is therefore based on that land value received or enjoyed by the owner. This value, if separately assessed on the permissible use of land, would remain constant irrespective of the value of improvements but would rise or fall with the general trend in land values in the area in which the property was situated.

The difference between a tax on land value and a tax on building value is that one is a tax on enterprise and initiative while the other provides an incentive to develop. There is thus advantage in concentrating the tax on the passive element (land values) and discharging the tax on improvement value. Site value rating is the alternative to the paradoxical system now in use.

Under site value rating *all* land would be considered rateable, irrespective of use, the concept of "beneficial occupation" giving way to "beneficial land value." Where a tenant enjoyed part of the land value

* The economic rent of land is the value of what is left from the total production on any land unit after the payment of wages and interest at the prevailing rates. The concept applies equally to land in urban use where differences in economic rent are attributable to locational advantages. This rent may be taxed without adverse effects on production. Furthermore, if it is taxed, as all economists agree, the capital or selling value of land is decreased.

without paying for it (by reason of a fixed rent that could not take into account enhanced land values), he would share the site value rate proportionately.

Two pilot valuations for site value rating have been undertaken at Whitstable, Kent, by a professional valuer, Hector Wilks BSc (Est. Man.), FRICS, FRVA, FAI, under the auspices of the Rating and Valuation Association and of the Land Institute. Although no conclusive evidence can be drawn from these valuations as to the effect of site value ratings over the whole country, the surveys have demonstrated that site valuation is practicable and that field work for it can be undertaken mainly by non-professional personnel acting under supervision. The reports of these two exercises have contributed to a better understanding of valuation methods and the aims and objectives of site value rating.

The second valuation was greatly facilitated by the earlier work and produced considerably fewer problems. It has been estimated that a team of eleven, consisting of one valuer, one assistant, and administrative support, could maintain accurate site valuations for a county area with a population of 500,000.

Site Value Rating — UK Advantages

Experience in other countries, particularly New Zealand, suggests that where site value rating is introduced over reasonably large land areas there is a shift in incidence to underdeveloped and central city land, resulting in decreases in liability for residential properties in suburban areas. The price of undeveloped land ear-marked for development could be expected to fall, and this would be of considerable benefit to local authorities. Further, the high interest charges the acquisition price carries, often over sixty years, is a severe burden on annual income. Any reduction in annual outgoings on land acquisition could be reflected in lower rates or in improved services.

There is a paradox in high land values. On the one hand they are reflections of future expectations and current returns, but on the other they are an impediment to further rapid development. Investment will not be undertaken in new construction if site acquisition costs make the project uneconomic. When this proves to be so on a wide scale, development nationwide can be slowed or halted. Site value rating, by lowering the capital or selling price of land, will tend to increase the pace of industrial expansion and the rate of activity in the building industry, resulting in higher rates of employment and productivity.

Site value rating would be a basic step in the direction of solving the nation's housing problem, for it would attack two of the fundamental causes of the housing shortage — the high cost of sites and the limited flow of land on to the market.

SVR — Aid to Planning

Land may be zoned for a future use in a development plan, and there may be an established need for that use — but development will not necessarily take

place unless the owner of the site is disposed to sell, or develop it himself. In the case of vacant building land or agricultural land on the urban fringe, there is often little incentive to sell or develop; the longer the land is withheld from use, the more it will appreciate in value. In the absence of any form of annual tax on undeveloped land, an owner will be prompted to sell only when prices offered are such that he feels he can no longer resist or where his own financial circumstances dictate that a sale must be effected. Site value rating has the merit of acting to prompt sale or promote development. The planning function could be harmonised with site value rating legislation, with the advantage of ensuring that each land use decision was taken in the light of its economic implications and land value consequences.

Site value rating would also act as a method of collecting part of "betterment" — the development value that stems from land use decisions and public works. While it would still be possible for capital gains to be made following the granting of planning permission, at least part of the increase in value would be recovered in rates following revaluation.

There are many aspects of planning legislation that would influence valuations but there are no insuperable difficulties. Historic buildings, conservation and improvement areas, and sites ear-marked for future public use can easily be accommodated within the site value rating system. More detailed consideration of these aspects is given in the supporting booklets "Administrative Implications of Site Value Rating" by P. R. Hudson, and "Planning Housing and Land Values" by Ray Thomas.

We believe that the rating system is a well proven and desirable source of local revenue, but that it could be improved by changing the assessment to site value only. If this were done, it would be possible to reduce the element of grant from central government, for a land valuation of the UK could well produce a total site value in excess of present rateable value.

LOCAL INCOME TAX WILL WIDEN THE GAP BETWEEN OWNER-OCCUPIERS AND TENANTS

Comparison of the position of a tenant and an owner if present rates were abolished and Income Tax substituted.

1. It is often suggested that only householders pay rates. In fact all tenants (council tenants, tenants of furnished and unfurnished flats, hotel residents, etc.) pay rates indirectly if not directly.
 2. Tenants, generally, occupy a hereditament of a lower 'annual value' than owner-occupiers and thus they incur lower rates per household than do owner-occupiers.
 3. The standard rate of income tax would need to be raised by about 30 per cent to make good present rate revenue.
- Comparing two households, one newly owner-occupied, with £9000 mortgage, one tenanted, with

equal gross incomes of £3000 p.a. (income tax at 33 per cent) but tenant in poorer accommodation.

A. Under Existing Rating System

	Gross Income	Allow's (say) £9000	Mirage Taxable Income	Tax at 33% (say)	Rates Tax & Rates	Total
Owner-Occupier	3000	1000	1000	330	200	530
Tenant	3000	1000	nil	2000	660	100 760

B. Abolishing Rates in favour of Income Tax (requiring rise in standard rate to approx 43 per cent)

					Tax at 43%	
Owner-Occupier	3000	1000	1000	1000	430	— 430
Tenant	3000	1000	nil	2000	860	— 860

Thus by abolishing rates, this owner-occupier benefits by £100 per annum. The tenant (in poorer accommodation with the same income loses by £100 per annum.

Generally, the better the property of the owner-occupier the greater the benefit to him of a change to income tax; the poorer the accommodation of the

LAND INSTITUTES' EVIDENCE

Research into Site-value Rating a Rewarding Investment

A FUNDAMENTAL, complex and expensive redistribution of functions between central and local government is not necessary, says the Land Institute in its evidence to the Enquiry Committee on Local Government Finance. There is no merit, it says, in transferring well established sources of central government revenue to local government, and this applies to a local income tax, value added tax, motor fuel duty and motor vehicle duties.

The rating of agricultural land and the acceptance of local lotteries should again be considered and two possible sources worthy of detailed research are a local payroll tax and a residents' tax or supplement.

The Institute recommends standardised rate relief equivalent to the standard rate of income tax (33 per cent) on every domestic rate bill to replace the domestic element of the rate support grant, and that as a useful stop-gap means of supplementing the present rating system, site value is an effective way of rating owners of vacant land and sites not presently assessed for purposes of a rate based on occupation.

"Government sponsorship for substantial valuation research exercises on the site value basis of rating in representative areas could be a rewarding investment," it says, "and this is one particular source of revenue about which the Institute can offer some evidence, based on its own researches. There are clear indications that as a supplementary source of revenue, site value rating could make a significant

tenant, the greater the detriment to him of a change (except for non income tax payers).

(The tenant, of course, is helped by having a (generally) subsidised council or "fair" rent, but this is not relevant to the point being made except that he might need more financial assistance.) Manual workers with higher than average earnings, such as miners and car workers, who generally live in properties of low rateable value would certainly be disadvantaged.

People living in furnished accommodation and paying rates in their rent are unlikely to obtain a reduction in rent if the landlord were relieved of paying rates.

The effects of the change would be an added increase in house prices (advantages of home ownership are capitalised in house (land) prices) for existing owner-occupiers and prospective owner-occupiers, and an increased dependence on rent subsidies for tenants. The prospects of tenants becoming owner-occupiers would be even more remote than they now are.

While the effect illustrated above cannot be general over the whole range of income tax payers, it is of sufficient significance to warrant careful consideration.

contribution to meeting local expenditure and so reducing the total of central government grants."

The report makes this claim on the evidence found in Whitstable but the results over the country as a whole, it says, may prove to be equally, or even more, convincing. This is because site value rating is based on ownership. It is not related to occupation. Therefore the annual, or capital, value of land which is not occupied in the present rating sense attracts a liability to contribute to the cost of the local services which help create those values. Community growth involves the provision of services and necessarily increases land values. In the relatively small town in which the Institute's exercise took place (population 25,000) an annual value of approaching £4,000,000 was disclosed for development land and vacant sites. This total did not include any agricultural land value. "This source of revenue would seem to be a sensible and logical one as part of a property tax system. In the town concerned it was the equivalent of a 15 per cent increase in total rateable value."

Site value rating, argues the Institute, would eliminate or simplify those problems which, under the present system, arise from property improvements, plant and machinery, rating of unoccupied properties and the unreality of statutory deductions. However, that presupposes the replacement of the present rating system. "The Institute believes that more comprehensive research, on the lines of the Institute's exercise

but in larger towns, will amply justify the expenditure involved. For too long, it says, too many have questioned site value rating on theoretical arguments; it should be judged only on practical grounds.

"Such exercises would provide more decisive evidence of administrative and technical cost, simplicity, ease of maintaining valuation lists, up-dating for re-valuations, ensure better informed ratepayers, more socially acceptable rate recovery procedures, disclose valuation problems, difficulties in identifying and tracing owners, planning inadequacies and so on. They would also show the kind of supplementary revenue likely to flow from rating owners who do not presently contribute to an occupation rate, even though their land appreciates in value as a result of community growth and the local public services which sustain that growth.

"The work involved in establishing the facts about site value rating in representative areas will disclose

the effects on different types of site, relative productivity in rateable value terms, valuation problems and so on. It may produce information valuable for purposes other than local government finance. For example, a site value rating liability may assist planners. Simple examples will help support this view. Site value rating would give planners some hope that where from a planning standpoint it is thought right that particular land should be developed, then at least an unwilling owner would face a continuing tax burden, which might eventually discourage him from holding on. Non-conforming users might equally be discouraged by realistic market site value, whereas under the present rating system they face only a moderate rate based on a group of neglected buildings. The assembling of splinter sites for more effective planning, servicing, designing and so on will be less arduous if hitherto unwilling owners face a yearly tax on their vacant sites.

Radicalism's Finest Hour

B. W. B.

FRANKLIN D. ROOSEVELT accused him of having both feet planted in mid-air. To Woodrow Wilson he was the man who went too far. Cassell's Dictionary

sees him as a member of the more advanced section of the Liberal Party. Whatever he may have been it cannot be denied that the influence of the Radical in British politics today is a mere shadow of what it was.

At Westminster in the 1970s there may well be men who place basic moral principle before political expedient but the combined clamour of their voices does not exactly shatter our eardrums. Too often, the dictates of party dogma and the siren-song of electoral prudence stifle the call of conscience.

Yet a century ago — or, more precisely, from about 1860 to 1914 — the political pulse of Britain was warmed and quickened by a succession of principled men, dedicated to the liberal tradition, to whom words such as "progress" and "reform" meant nothing if not starting from fundamentals. To tackle social problems other than at their roots (Latin: *radix*) was, to them, to dodge the real issues. And from the hustings and their seats in the House of Commons, men such as Bright and Cobden, Gladstone, Morley, Campbell Bannerman, Lloyd George and many more made

Radicalism the most potent political force in late Victorian and Edwardian Britain.

In 1906 it seemed that the long surge of Radicalism had reached its commanding peak. Spurred by its Radical pacemakers the Liberal Party had won a great electoral victory. With a majority of more than 200 seats they held complete sway over the House of Commons, and with the Prime Minister — Campbell Bannerman — cast in their own mould, the Radicals seemed poised for their greatest advance in social reform since the election of 1868.

But what happened? Did they achieve their aims and quietly disband? Or did failure and the consequent disillusionment grind Radicalism into the dust of history?

A broad and revealing search-light on the fortunes of British Radicals during those critical years between 1900 and 1914 is provided by a new book,* edited by Professor A. J. A. Morris and containing contributions from fifteen distinguished academic authors. Campaign by campaign it examines Radicalism's struggle during those fifteen eventful years, surveys the ideological bastions against which

it pitted its strength and the forces against which it crumbled.

Not that the Radicals were without their successes. At home, the long campaign against the House of Lords veto ended with the eclipse of that body as a major force in British politics and the destruction of its power to thwart progressive Liberal legislation. Abroad, the Radicals emerged from the Boer War with increased support for their opposition to imperialism.

But against other forces the Radicals often laboured in vain. Against repression in India they achieved few of their objectives. The delicate purity of Radicalism was not proof against the creeping taint of Socialism and many Liberals, especially those whose Radical fervour became blunted with the cares of office, were too ready to compromise. The steady rise of nationalism, with controversy centred on whether the navy should build up to meet the German menace, caught them increasingly divided and the outbreak of war in 1914 virtually completed their disarray.

But of all the battles fought by the Radicals none was more epic, none more tensely fought, than the campaign for land reform recounted by Roy Douglas in an essay entitled "God gave the land

**Edwardian Radicalism 1900-1914*, Routledge & Kegan Paul, £5.75.

to the people". Although the final victory eluded them there is little doubt that this was the Radicals' finest hour.

Under the powerful influence of Henry George's *Progress and Poverty* the campaign for the taxation of land values had made dramatic progress in Parliament during the early years of the new century. Typical of the Radical attack was Campbell Bannerman's speech at the Albert Hall during which he said:

"We wish to make the land less of a pleasure-ground for the rich and more of a treasure-house for the nation."

In 1906 the House of Lords was once more acting as long-stop for the Tory minority in the Commons and any land-value legislation stood to be strangled in the Upper House. But Lloyd George, master of political tactics, had no doubts about the way the pieces should be played. Introducing minor taxes (but with a country-wide land valuation) in his 1909 Budget he forced the Lords into a full-scale conflict, not only over the disgorgement of part of the "unearned increment" but over the power of the Upper House itself.

For despite the derisory revenue expected from the embryo land taxes in the first year, they stirred the full might of the Lords' fury and, in an unprecedented act of lunacy, they threw out the Budget.

The ensuing general election was marked by the widespread singing of the Liberal Land Song and a pitch of public enthusiasm for land reform never known before. By the end of 1911, after a further electoral victory had finally broken the power of the Lords, the way ahead for legislation on the land question seemed wide open.

But appearances were deceptive and time, for the Radicals, was slipping away. The Liberal Government, shorn of its original block-busting majority, was now treading warily across the thin political ice. The land valuation, essential for the introduction of a full-scale land tax seemed, to the Radicals, to be moving at a pace to match the Government's lethargy and, unless some vigour could be injected, would not be completed until at least 1915. Taking advantage of by-elections they secured the entry to Parliament of

a number of pro-land taxers and this, for a time, spurred the Government into some semblance of activity. A programme of legislative action was drawn up for the 1914-15 session. But the rally could not last. The war, always the arch-enemy of social legislation, was looming across the North Sea.

The outbreak of hostilities in 1914 finally killed both the Government's land reform programme and the solidarity of the Radicals. Tragically they found themselves divided between the pro-war and pacifist camps. As the war ground on, their influence waned further and eventually, at the head of a coalition government, his Radical convictions sacrificed to the lure of continued office, Lloyd George presided over the repeal of his own land-tax legislation.

The disintegration of the Radicals after fifty years of growing influence and persistent campaigning was not the end of the land story. But the first great assault on the injustice of land monopoly was over.

The Frog and the Scorpion

ROY DOUGLAS

A SCORPION wished to cross the River Nile. He met a frog, and asked the frog to take him across on his back. "No," said the frog, "for you will sting me." "Don't be stupid," said the scorpion. "I can't swim, and I should drown." This argument seemed reasonable to the frog, and he invited the scorpion to jump on his back. When they were half way across, the lethal urge of the scorpion overcame him, and he stung the frog. As the dying frog sank beneath the water, he said to the scorpion, "Why ever did you do that?" "Ah!" said the scorpion, "it's the Middle East."

John Bulloch's book, *The Making of a War: the Middle East from 1967 to 1973**, seems to fit in with the frog-and-scorpion syndrome. It is essentially a journalist's book, not a historian's. The book is breathlessly full of facts, somewhat jumbled together, but it does not really explain what underlies them. A man from Mars (or from Britain, for that matter) could be excused

Future battles would be fought by a new generation.

Professor Morris's book inevitably raises the question: where are the Radicals now? Where are today's successors to the social crusaders of the early years of the century? Thin on the ground, perhaps, but while men have the power of logical thought reports of Radicalism's demise would seem to be exaggerated. Indeed, evidence of its tenacious cling to life may be noted in the most unlikely places. In 1964, for example, in the U.S. presidential election, words were spoken which could have formed a Radical rallying cry at any time up to 1914:

"Moderation in the pursuit of justice is no virtue, Extremism in the defence of liberty is no vice."

If such words can be used by Barry Goldwater in the highest political circles of twentieth century U.S.A. there must be hope that other ringing phrases such as "peace, retrenchment and reform" and "God gave the land to the people" will yet be heard again.

on the evidence of this book for thinking that all Middle Easterners are lunatics. Surely Arabs and Israelis have so very much to contribute to each other, that their combined skills, experience and fortune could turn the ephemeral oil bonanza into a permanent era of prosperity for the whole Semitic-speaking world? Money from Arab oil, and the skill of Israeli technologists, could be brought together to make the whole area one of the richest on earth. Instead, we are presented with a spectacle of men making a war from which nobody could gain. Apart from the wastage of resources and the human suffering involved, the likely political consequence of continued instability is surely that one or more of the Great World Powers will be forced to intervene and take over the whole area.

Somehow, I do not believe that Arabs or Israelis are noticeably different from each other, or from us. What I should like to know is how and why they have got themselves into this mess. Part of

* Longman £5, 213 pp.

the trouble is that no-one, not even the erudite Mr. Bulloch, can really answer such questions at such a short remove from events. The primary documents on which a balanced view must be founded will assuredly not be available for another quarter of a century.

There *are* some primary documents which would give the story some historical perspective. There is the record of the interrelations of the peoples in the Middle East

in the first half of this present century, which would help set the context of the present struggle.

Apart from the sheer fascination of story-writing, the point of recording and studying the past is to understand something about man, which will help us in the future. The trees which Mr. Bulloch delineates are large and beautiful. What I should like to do is to see the wood. This needs a deeper sense of history.

Housing Remedies in a Vacuum

ROY DOUGLAS

THE Building Societies, and the domestic mortgages which they provide, are 19th. century developments. They grew up at a time when the real worth of money was almost unchanging; when housing accommodation could be built broadly in accordance with the laws of supply and demand.

Since then, everything has altered. From 1945, inflation has run at around 5 per cent a year - a rate which recently has rocketed to something like 20 per cent. The laws of supply and demand have practically broken down so far as housing is concerned, for several reasons. Housebuilding can never be adjusted finely to variations in demand like, for example, the supply of plastic pens, or even motor cars. Innumerable tinkering with the house market have made it almost impossible to discover just what the free market price would really be.

Consider, for example, the effects of rent control; of controls on evictions; of planning restrictions; of import duties and other controls on building materials; of scarcities local and national, natural and artificial. Or think of the various taxation juggles which have applied both to the man who lends to a building society and to the man who borrows from it; and the indirect effects of fluctuating government policies towards local authority housing. Recall the natural and artificial scarcities produced by two world wars and their confused aftermaths. Mix the whole lot in the steaming brew of an overheated economy, then pepper heavily with inflation. Nor let

us omit our perennial ingredient, land values. Thus have we a sure recipe for chaos, whoever brews it.

The Fabian Research Series pamphlet No. 319, *Building Societies*, by Rupert Greer (Fabian Society, 30p.), throws some useful factual light on the multitudinous causes of the present building society crisis. The author sees a partial remedy in the establishment of a Public Mortgage Agency: but admits that this would not "achieve a miraculous advance in the number of people owning their own house". Nor, so far as one may gather from the general tone, does he really think that it would produce miracles anywhere else. The thaumaturgical faculty has atrophied noticeably in the last few years.

The plain fact is that we have an economy in which nobody believes, nor recognises as capitalism, socialism or anything else. Nobody in the world can extract a component like the building societies, treat it in isolation and produce anything of much use or validity. At least, it is an integral part of the whole housing question. More properly, it is but one aspect of the whole confused economy. Precious few people seem prepared to think their economic nostrums through to any sort of logical conclusion. Those who do have glimmerings lack the political courage - or the political ability - to deal with the situation. Give your patient his placebo, and for heaven's sake don't dare tell him that he is seriously ill, and the one chance of saving his life is a major operation

Pitfalls in Land Reform

NEWSPAPER reports indicate Peru's land reform is far from a uniform success. Rather, it is another example of what happens when land is expropriated and merely divided among a portion of the people. Those who get the land do well, but what about those who do not?

Five years ago the Peruvian military government appropriated the 375,000 acre holdings of the Gildemeister family in the Casa Grande. This was the largest of the eight sugar estates owned by four Peruvian families and the W. R. Grace Co. The Peruvian government carried on one of the most extensive agrarian reforms in the history of Latin America. Over 170,000 families received the land, but there were a million families remaining landless.

To the chagrin of the Peruvian government, the fortunate peasants are acting pretty much like the old landlords. They want to keep what they have and not share with anyone else.

And they are producing much more than when the Casa Grande was owned by a few. This year it will produce 245,000 tons of sugar, almost 60,000 tons more than the best annual output previously.

This new middle class fights the government, and it has been accused of exploiting part-time workers. In some areas, it has actually erected barriers preventing the landless peasants from entering.

So, now, instead of the government having to deal with a few wealthy landlords, it must deal with thousands who are not anxious to lose their privileges any more than were the few grandes.

Had the military government, possibly after expropriating the land, rented it out to the highest bidders, the rent could have then been distributed among all on a per capita basis, so those without land would have at least received something. Today, they receive nothing and they constitute a potent force of discontent which some day may destroy the new middle class.

—*Cargyle*, Los Angeles.

It Won't Shift Until you Push

"REMEMBER," says a sticker produced by the British Movement, and still found adhering to odd places such as lamp posts and Underground train advertisements - "when you wear a poppy, that those who fell fighting for Britain in two world wars did not do so for Britain to become Afro-Asian through immigration."

True. It is also true to say that they did not die so that Britain should become another hot-bed of racial prejudice, or that she should be torn apart in industrial strife; or that she should become a member of the E.E.C., or that she should stay out of it; or that more British lives should be given to retain Ulster as a part of the UK; or that the Irish should be left alone to solve the problem among themselves.

But there is one thing that those who fell in the two wars did die for, and that is - unless I have been shamefully misinformed, or

have after all got my priorities hopelessly mixed - that people like us who value freedom to choose how we shall live shall continue to be free to do so. And part of this freedom is the right to elect a parliament, out of which shall be formed a government.

The fact that you or I do not always get the kind of government we want, or expect, or even deserve, in no way discredits democracy. In theory, at least, those

Robert Miller's

Occasional Column

who govern us are responsible to us, and we are responsible for whatever they decide to do: to make war, or preserve the peace; to tax us this way, or that, and to spend the proceeds on whatever project or scheme they in their wisdom may choose.

What many of us are critical of, however, is the kind of democracy we now enjoy - or suffer, or tolerate, depending upon how strongly you feel about it - whereby any-

thing from fifty to sixty per cent of us nearly always get the kind of government we do not want, and where substantial minority parties are sparsely if ever represented.

Many of us continue to complain about this, but few of us take the trouble to do anything about it. So at least that part of our democracy works, in that since we persist in putting into power parties which have no intention whatever of changing the electoral system, we do in fact get what we deserve - false representation.

Let no conservative (with or without the capital letter), for instance, complain about the coming of more nationalisation when only 40 per cent of us want it, for when that party was in office it could have changed the voting system so that this particular anomaly could never have arisen.

The answer is to support and work for a party or even a nucleus of dedicated men within a party - which will undertake to reform the system. In the meantime, most of us must resign ourselves to the government we truly deserve for our apathy.

Miscellany

The Child's Guide to SVR

(Hector Wilks at the Land Institute's Conference on the Government's Land Nationalisation proposals.)

THE objectives in paragraph 16 of the White Paper "Land" are precisely those objectives which could be achieved so much more easily, so much more painlessly on a much more sound economic basis by site value rating.

Up to and including page 3 the White paper could be a child's guide to site value rating. Under the Government scheme there is going to be a capital levy which will be used for revenue purposes. My economist friends tell me that that is the way to financial suicide, to use capital as revenue. Site value rating does not do that, it takes the annual increment of your development value and uses that as a revenue basis. It takes a revenue increment annually on the full development value where

that development value is capable of being realised. This will wrinkle out your land hoarder and it will make him, from the word "go", start paying a tax on his development value to the community. You do not have to have all this acquisition and management and the resale. Site value rating would carry out the Government's objectives here with a smaller band of professional people than there is in the public sector at the moment. This paper will need a devil of a lot more planners and valuers and there is a lot to be said for the imposition of a site value rating scheme instead of the compulsory purchase and confiscation elements set out in the White Paper.

Missing the Point

COMPLAINTS are being voiced that oil sheikhs are investing millions of pounds in residential building land throughout Britain. It is being done by financing small

developers on short term loans charging only 10½ per cent interest but demanding 25 per cent of the profits.

A property consultant, quoted in *The Guardian* January 20, said that the danger was that if the loans were foreclosed, these people would own small parcels of land throughout the country.

"They could virtually buy up all the building land in small plots for next to nothing and sit on it. Within three years they could control where we live and what we live in" he said.

Whatever the danger that Arab landowners might behave just like British landowners have always done, the point is missed that it is land ownership *per se* that affects the lives of people in this country not the nationality of the title-holders or where they get their money from.

The hatred of the British landlords by the Irish frequently blin-

ded them to the fact that Irish landlords as landlords, behaved pretty much the same as British landlords - they operated within the law as it stood. As Henry George so ably put it "Blame measures not men!"

I'm Scrapping my Home Insulation

SO the Energy Secretary would like our homes better insulated to save fuel. I did just this - having a storm porch erected and central heating and part double glazing put in.

I saved about £6 on my heating bill and then along came the valuation officer and increased the rateable value of my home by £20.

If Mr. Varley examined the rates valuation system he would find out why our homes are badly insulated - it's cheaper that way!

I am proposing to remove my heat saving improvements and get my rates reduced. Sorry Mr. Varley, I shall need more of your fuel and it will still cost me less than paying rates on improvements.

—Correspondent in the *Evening Standard*.

State Capitalism on Mussolini's Lines?

THERE are similarities between the situation and thinking in Britain today, and in Italy when Mussolini set up the ancestor of the National Enterprise Board, claims a study* published recently by Aims of Industry, the free enterprise organisation.

A cash crisis in British industry brought about by Government policies is creating a situation which is leading to a form of State capitalism. The National Enterprise Board - inspired by Mussolini's IRI, which was created by an Italian industrialist "with the oddly synchronistic name of Benni" - will accelerate the process.

The syphoning off of companies' dwindling cash flow by taxation and price control is "setting up large sections of British industry for takeover by Mr. Benn's version of IRI," says the study.

* *State Capitalism: Some Reflections on the National Enterprise Board in the Mirror of Italy's IRI.* Aims of Industry, 5 Plover Place, Pinner Lane, London EC4A 1AN; price 20p.

"When the State has the power of intervention, of unlimited funds . . . it can penetrate all corners of business life if its guiding philosophy motivates it in this direction."

Britain could have a corporatist partnership of business, government and trade union leaders if the National Enterprise Board really gathers momentum. This would depend on the attitude of trade union leaders.

"Galloping inflation, and Government policies which fail to give business the profits to survive, help to create the situation in which this form of corporatism appears to be necessary. We therefore have to fight not only the philosophy but also the bad economic practices that lead to the philosophy gaining ground."

No wonder that the Left wing were welcoming with unconcealed satisfaction the emergence in Britain of circumstances comparable to those which had brought about the creation of this huge State industrial corporation in Italy."

"A Left-wing myth is certainly being propagated that an inefficient private enterprise was holding out its begging bowl for public funds."

LETTER

FLOATING GOLD STANDARD

SIR, — Your quotation from the *Individualist* in your issue for January and February, 1975 expresses very well the strange but apparently insuperable lacuna in the logic of my old friend Henry

Meulen.

His remedy is to transfer the responsibility for issuing the notes from government to commercial banks and to make them redeemable in gold at the free market price. He says that the banks would not be subject to the same temptation as politicians are to bribe the electorate. But might they not be tempted to issue notes to pay their own debts or losses? And in what currency would the free market price of gold be expressed? In sterling? What would sterling then be? The notes issued by the banks? And what promise would the notes carry? "I promise to pay the bearer on demand a piece of gold of an unspecified weight but to be calculated according to the free market price of gold on the day of presentation as expressed in terms of the currency of which this note is part?"

With great respect to the editor of *The Individualist*, this means nothing. If gold is to be the basis of a currency then the unit of currency, e.g. a pound, has to be an exact weight of fine gold. Notes, by whomsoever they may be printed, represent and have to be exchangeable into an exact weight of gold. Any other sort of relationship between paper money and gold means that the paper is the money, as at present, and gold is just a commodity like any other. That way lies continual and unstoppable inflation, also as at present.

Yours faithfully,

OLIVER SMEDLEY

Saffron Walden,
Essex

Administrative Implications of Site Value Rating

PETER R. HUDSON

The purpose of this paper is to look at some of the practical, administrative and legislative hurdles which will have to be surmounted when site value rating, or some form of land taxation, is introduced in the UK.

25p from LAND & LIBERTY

