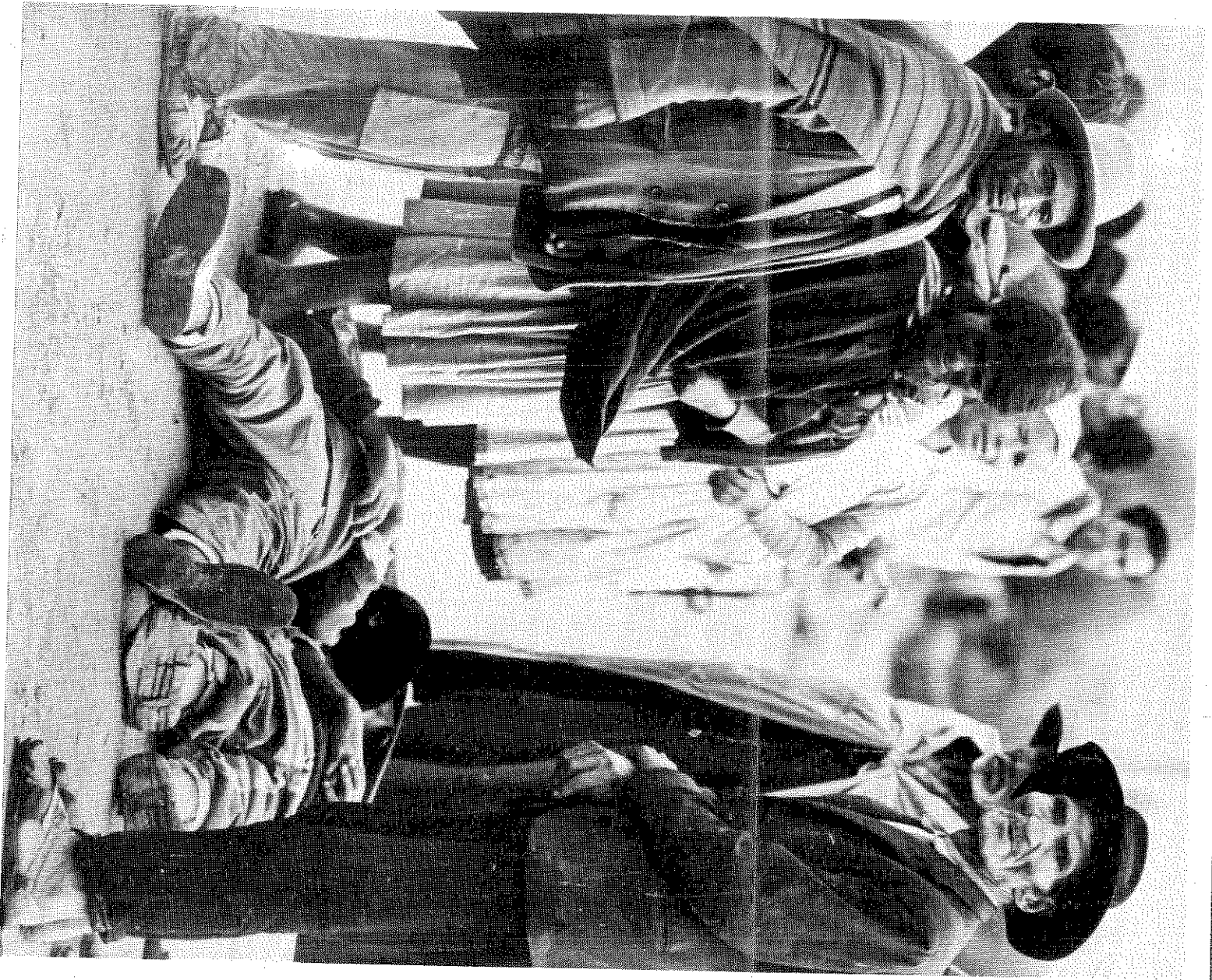


# LAND & LIBERTY

MAY & JUNE  
1979



# Land & Liberty

JOURNAL OF THE UNITED COMMITTEE FOR THE  
TAXATION OF LAND VALUES LTD.  
177 VAUXHALL BRIDGE ROAD, LONDON, S.W.1  
TELEPHONE 01 834 4266

MAY & JUNE, 1979  
*Established:* JUNE, 1894  
Nos. 1,020 & 1,021  
VOL. LXXXIV  
*Managing Editor*  
V.H. BLUNDELL

ISS No. 0023-7574  
*Annual Subscription:*  
U.K. and Sterling Area: £4.00  
USA \$10, Canada \$11  
*Editor*  
F. HARRISON



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BOLIVIA'S Indian peasants struggling for the right to earn a living off the land traditionally occupied by their tribal ancestors were massacred at Tolata in January 1974. Before the bodies could be counted, President Banzer's helicopters flew in and removed the evidence of the atrocity . . . but not before this one photograph was taken by an amateur. It has been reproduced on a poster by the International Work Group for Indigenous Affairs; proceeds will be used to support the Movimiento Indio Tupac Katari (MITKA), the largest Indian liberation and social rights movement. MITKA aim to restore the social and political rights of the Indian peoples of Bolivia. In this issue, Land & Liberty spotlights the source of the problem facing the colonised people's of the world. And suggests the ideal solution for protecting everyone's right to earn a living — freely — without being dominated by monopolists controlling the resources of nature and therefore exploiting the dependent people . . .

# Freedom and land rights fight in the Fourth World . . .

BY P. E. POOLE

THE SHUAR Indians are the best organised indigenous people in Ecuador. For years they have been fighting the authorities and white settlers over land rights and development of rich oil fields in the south-east.

Government agencies use terror to try and suppress their demand for a fair deal, says Karsten Soltau, Secretary General of the Copenhagen-based International Work Group for Indigenous Affairs.

The allegation is illustrated by the case of Ernesto Tseremp Juanka, the former president of the Shuar Federation, and his wife Silvia.

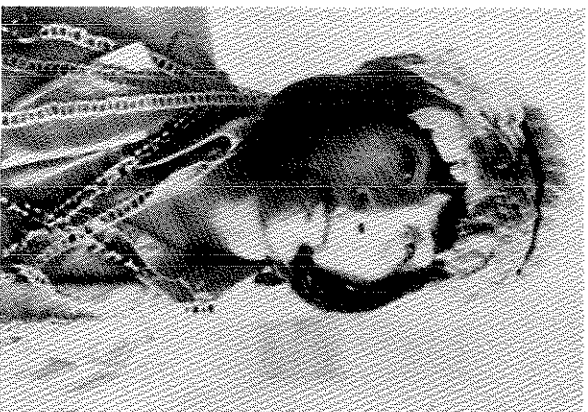
Last September a white cattle dealer was murdered. Police arrested all adult Shuar men in the Yawirts Centre and then decided that Silvia's two brothers, aged 15 and 16, were responsible. The two boys were reportedly tortured and forced to sign a declaration in Spanish, a language they do not understand.

Among those arrested was Ernesto Juanka. He escaped, so his wife and child were arrested as hostages and jailed at Macas.

This use of hostages to silence a political opponent was raised before the UN Human Rights Committee by its Danish member, Ole Espersen, MP. Scandinavian governments asked Ecuador for an explanation. Not surprisingly, the Ecuadorian authorities proved evasive about the fate of the woman and her child held as hostages in the jungle lowlands.

THE FOURTH World is the name given to indigenous people who are descended from a country's aboriginal population. Their problems stem from the fact that they are completely or partly deprived of the right to their own territory and its riches.

The oppression of these groups —



**Ernesto Juanka – "on the run" – and his wife Silvia – a hostage.**



from North American Indians to the Australian "abos" – takes many forms. These range from a general lack of understanding and respect for a non-European culture and lifestyle right the way through to outright physical extermination.

The quest for raw materials by industrial nations has resulted in a violent increase in the pressure exerted against the Fourth World. Whether the indigenous groups are driven out of their territories or are forced to work for the whites, such developments mean that their culture and lifestyles are annihilated. They end up on the margins of society as underpaid farm labourers, or in the slums of the big cities, deprived of human dignity.

The latest reported case is that of the largest remaining isolated tribe of Amazonian Indians in Brazil.<sup>1</sup> Anthropologists and missionaries are opposing a plan to create 21 reserves for the Yanomami, who would be scattered on pockets of land in about 15m. acres of the

tribe's traditional area.

Experience tells us that they would not be allowed to remain in peace even on these reserves. For the surrounding areas are to be colonised and mined for minerals, the forests cut down for wood. This will have a disastrous two-fold effect:

- The Yanomami survive by using a mixed economy of farming and hunting. Being forced to remain permanently on restricted tracts of land would cause cultural chaos.
- Their economic "strategy" is the best suited to the fragile eco-system of the basin. Scientists have now documented the threat to the environment being engineered by modern agricultural methods on the tropical forests, which quickly exhaust the fragile soil.

**R**ARELY can the aboriginal peoples recover in time to defend themselves. For instance, there were about six to nine million Indians in Brazil when the first

Europeans arrived in 1500; now, as a result of flu, measles and land-grabbing, there are only 200,000.

The first Australians, however, are beginning to use the political and legal processes to fight back. Paul Coe, the 29-year-old chairman of the Aboriginal Legal Service in Sydney, is threatening to sue the Australian and British governments in the International Court for £11,000m. compensation for the loss of traditional land.<sup>2</sup>

Coe's writ has been thrown out by the High Court in Australia, but he is determined to fight for what he regards as justice from the international community.

For aboriginal land rights have never been recognised in law in Australia. Rights, it seems, originated with the arrival of Capt. Cook in 1770!

Australian politicians refuse to take the case seriously, an indication

**Continued over**

## How IWGIA supports indigenous peoples

**SURVIVORS** of the world's aboriginal populations exercise no influence over the political systems of the countries which dominate them.

They lack money, because they have been largely dispossessed of their traditional access to natural resources, so they are disregarded by the dominant elites.

Which is why organisations like the International Work Group for Indigenous Affairs are vital. They articulate the sufferings and needs of the indigenous populations, despite attempts by national governments to suppress information by throwing a veil of secrecy over their exploited "natives".

IWGIA publishes reports supplied by investigators who have lived in the relevant territories, and tries to exert influence from the outside on governments and international organisations.

But change will only finally come if there are forces generating pressure from within. So, in addition, IWGIA supplies financial aid for humanitarian projects and other activities which help the aboriginal groups to set up their own organisations to promote their case.

Reports on the scandalous treatment meted out to these groups can be bought from IWGIA, Frederiksholms Kanal 4A – DK 1220, Copenhagen K, Denmark.



of the complacency nurtured by a history of indifference towards the original human settlers of the continent.

**THE URGENT** need, however, is not just a backward-looking examination of land rights as they existed in pre-colonial times.

The problem is to define systems of property rights and patterns of land use which recognise the right of every human being, everywhere in the world, to share in the natural resources of the globe.

This might entail, in the case of the Amazon, consciously deciding to leave alone the existing land users. For mankind has a direct interest in preserving the forests of the basin for their vital oxygen-giving properties on which we all depend.<sup>3</sup> It is therefore in everyone's interests to preserve the traditional cultural practices as the most effective.

Where such special considerations do not apply, it is possible to integrate both the aboriginal populations and the recent-comers into single social systems which operate in terms of justice and economic equilibrium.

Ecuador's distribution of land rights, for instance, is designed to create social friction. According to the latest figures (1974), 28% of all landholdings are smaller than one hectare; together they cover only 0.8% of cultivated land. At the other extreme, farms over 1,000 hectares account for only 0.12% of all holdings but cover 20% of cultivated land. The problem in Ecuador, as Gustavo Rodriguez reports, "is fundamentally a land problem".<sup>4</sup>

The challenge is to ensure that, whoever uses the land, the benefits are shared equally among all of Ecuador's citizens, be they European commercial farmers or Indian subsistence farmers in the Andes. The fiscal mechanism for securing this end is outlined on pages 36-39. Until steps are taken to actively define and implement such a solution, the conflicts over the control of natural resources will continue to jeopardise peace. War can be the only end, when one competing group loses its supreme power to repress its neighbours.

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## The Wrecking Of A New Constitution

**R**EBEL PREMIER Ian Smith of Rhodesia shed crocodile tears when he proclaimed the end of white domination over the country's Parliament.

The event was heralded as the end of 88 years of white rule. In fact, while the political composition of Parliament is changed, Smith ensured that the economic structure guarantees white control in perpetuity (barring the outcome of war). For everything turns on who owns the land.

Robert Mugabe, leader of the Patriotic Front's guerrillas, has announced that an independent Zimbabwe would nationalise foreign-owned land,<sup>1</sup> thus beginning a restructuring of the economy and a redistribution of income.

The importance of this single element – land tenure – in Rhodesian society was summarised by the guerrilla organisation in a statement last year:

**The Land Tenure Act, the Magna Carta of Rhodesian racialism, remains the principal law governing race relations and the rights of individuals on the basis of race.<sup>2</sup>**

Ian Smith has ensured that the land tenure system which guaranteed exploitation was written into the new constitution under the internal agreement reached with the black leaders.

**A**FRICAN resistance to the white colonialists was crushed in the 1890s, and land owned by tribes of indigenous peoples was appropriated under the Southern Rhodesia Order in Council. Thus began the systematic acquisition by white farmers of much of the most fertile land.

But it was not just farmers who moved in on the lush land. The Chartered Company, which made deep in-roads into the heart of Africa, transferred enormous areas to so-called "development companies" which turned out to consist of

speculators who were not interested in development.<sup>3</sup>

The "natives" were herded onto reserves, but after the Matabele Rebellion it was decided that they ought to be given additional land. But as Hanna records:

**It was understood that the land allocated as native reserves must be land which had not been alienated to Europeans: the vast, empty spaces in European ownership on the high veld were sacrosanct.**

By the 1920s the reserves were 1m acres smaller than an earlier (1902) settlement. About 23% of the land consisted of communal, rent-free reserves; 32% was owned by Europeans, and 45% was Crown land.<sup>4</sup>

In 1914 a commission was appointed to report on the reserves, with the explicit instruction to take account of the needs of black Africans, and to allocate enough land to meet their requirements *for all future time*. It was not to be.

For the whites who trekked from the south with guns to stake their claims to new territory had taken to heart the words of Rhodes on December 19, 1893: "You will be the first entitled to select land, and you will deal with it after provision has been made for the natives.... It is your right, for you have conquered the country."

**H**ISTORICALLY the land of Rhodesia was divided 50:50 between blacks and whites. But the division is not as equitable as that split suggests.

For the whites consist of 3.5% of the population (1978), and their half incorporated most of the fertile land, enjoying easiest access to the major industrial and infrastructural installations (which enhance land values and are important for marketing produce).

It has been calculated that the white to black differential in per capita land availability is 88:1.<sup>5</sup> The skewed distribution of natural



**Ian Smith with Salisbury's new Prime Minister-elect, Bishop Abel Muzorewa of the UANC, and Ndabanihi Sithole.**

resources has taken its toll, evident in declining income to African farmers and diminishing productivity of the over-exploited soil.<sup>6</sup>

This effect was a calculated one. White farmers, fearing the competition from the efficient black cultivators, set out to undermine their possession of the basic resource – land – on which they relied.<sup>7</sup>

Thus, in the countryside, there is not only social tension but an ecological crisis of ever-increasing proportions. The whites rigged the economic structure to line their pockets in the quickest possible time, and the massive exodus of Europeans in the past two years demonstrates the unwillingness of many of them to hang around and pay the price in the future.

**I**AN SMITH engineered his internal settlement on the basis of certain concessions in the law, which he promoted as contributing fundamentally to the reform of the socio-economic system.

The Land Tenure Act was abolished, followed by the publication of the new republic constitution which incorporated a Declaration of Rights. Among these rights was protection against the deprivation of property. So what were the economic concessions?

*There were none!*

Lip-service was paid to the right of blacks to buy land formerly reserved for whites, but there are economic and legal barriers to the effective equalisation of opportunities vis a vis the country's natural resources.

Few poor blacks will be able to afford to buy the fertile land and supplement their inadequate land-holdings on the Tribal Trust Lands, which are below optimum economic size because of enforced subdivisions.

The same economic obstacle exists with the desirable schools, which have

raised their fees to ensure that few blacks will have the chance to make use of their nominal legal right of access!

Although residential areas have now been opened up to blacks, the regulations effectively hinder families from enjoying this opportunity, even if they had the cash to do so. For there is a provision that formerly white residential areas are limited to occupation by single family units, i.e. parents and children. This does not allow for the African's extended family system, in which grandparents also live as part of an integral family.

**O**N THE OTHER hand, the reserves are being opened up to the whites: and *they* will exploit this opportunity.

For the communal ethic preserved in a fragile form on the tribal trust lands will be dismantled in stages – instead of being built upon, as proposed by some of Smith's black political partners – to free anyone to own the title to the land they occupy; the first stage of this process of alienation of communal rights begins with commercial and industrial areas.

This will free the white-owned corporations to acquire land for their private, instead of communal, benefit!

We can doubt, therefore, that the so-called reform of the land tenure system will diffuse the benefits; past experience throughout the world suggests that, on the contrary, there will be even further concentration of ownership, intensification of exploitation of the people, and increasing disparity of incomes.

Our suspicions, in fact, are intensified when we learn that even South Africa's Prime Minister, Pieter Botha, has now stated that he is willing to review their 1936 Land Act. Under this, land is divided up on a ratio of 15.4% (blacks) to 84.6% (whites).

even though about 70% of the population is black.

**Yet South Africa has no intention of weakening its policy of using territorial segregation as an instrument for social and economic control.**

**I**T SHOULD be clear by now that the concessions under the internal agreement do not satisfy the guerrillas.

The transitional period has not led to greater social harmony, mutual respect and reduced casualties. On the contrary, there has been – and predictably will continue to be – a growing death rate in the battle with nationalists.

The new regime in Salisbury, aided by its political cosmetics, will now rely on securing western military help to prop itself up against the onslaught of the nationalists. This is the reason given by Ian Smith for not quitting politics, despite international pressure (especially from Britain) on him to do so.

For the black Africans, however, the present options are loaded against them whoever wins: there is little comfort in knowing that some of the landlords are now black! Nor would the nationalisation of land under the Marxist creed advocated by Mugabe improve the prospect of political liberty and economic progress for the black Africans.

The ideal model for land reform – one which would form the basis for a constitution based on social justice and economic efficiency – is outlined below.

It is endorsed by some of the leading black politicians, and so is more than a pipe-dream. Only time will tell whether they can peacefully succeed in over-coming the entrenched interests of the white land-owning class and begin to transform Zimbabwe into a multi-racial society based on the equal enjoyment of natural resources.

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**Fred Harrison analyses Ian Smith's strategy to retain control**

# Zimbabwe: competing models for land use

**WHAT** ARE the chances of the two black factions of Zimbabwe co-operating to create a just society?

At present the guerrillas insist that the war must go on – for, they say, the black leaders who have reached an internal settlement with Ian Smith have “sold out.”

The ideological differences between them seem irreconcilable. This interpretation is illuminated by a key issue – the use of land – on which they (superficially) appear to agree.

The essential difference, however, is over the economic framework within which land use policies would operate.

Joshua Nkomo directs his Zimbabwe African People's Union army from Zambia. In an interview with *Penthouse* (Vol. 13, No. 12, 1979) he gave his views:

“We don't believe in trading land or selling land – no. And in any government that I lead, you can be certain those practices must go. That does not mean we will be taking people's land. It means that other people who haven't got money will have a chance to use land, which is the common property of everybody. And if they have to pay some rates or rents, that will go to a general fund of the people. In this way citizens can use as much land as they want. Our system is this: once you use land, that land belongs to you. But you have not bought it. You cannot sell it to someone. The land belongs to the people, but everything on that land is yours.”

Nkomo recognises the com-

munal dimension to land ownership, which is an essential part of African tribal tradition, but he propagates a fierce anti-capitalist philosophy. This means that the market would not be allowed to determine the value of land or function to reallocate it to its best use *in the interests of everyone*. Rigidities in the land market would be one result, inefficient use another. So a sub-optimum pattern would operate to curb the economic growth which Nkomo wants for his people.

A different model is proposed by the United African National Congress (*The Rhodesian Herald*, 21.6.77), which is fighting for power in Salisbury via the ballot box.

The UANC suggests that a land tax should be introduced “to ensure that the best use was made of all land.” Recognising the initial difficulties in changing to this fiscal mechanism (the need for objective land valuations, compilation of registers, etc) the UANC offers a practical solution for immediate needs:

*Everyone who possesses land would place a value on it which would be used for taxation purposes – and, as a weapon against tax-dodgers, the landowner's valuation would be used for expropriation if the community decided that he was being dishonest!*

This model differs fundamentally from Nkomo's. It recognises that, in modern conditions, market incentives should be harnessed to (a) determine patterns of land use, and (b) ensure re-allocation of land to efficient users.

The UANC, then, proposes an effective fiscal device to generate optimum economic growth while safeguarding the rights of everyone to enjoy equally the natural resources of their society. A fundamental divide in economic and political philosophy separates the black citizens of Zimbabwe, and it remains to be seen whose views – if either – prevails.

**A** SCANDALOUS under-use of land owned by white Rhodesian farmers seriously retards employment and growth prospects.

In 1976, 3m acres were not being used at all. While some of this may not be suitable for farming, Roger Riddell points out that this does not provide a full explanation.<sup>1</sup> For between 1975 and 1976 the total number of acres of land farmed fell by over 1m acres.

Some European farms are unused, while others are employed for residential purposes only.

This alarming misuse of a resource in fixed supply cannot be fully accounted for by the exodus of whites from the country. For even in 1972, before the out-flow gathered momentum, 30% of all farms in south-west Matabeleland were either unoccupied or used only for residential purposes!

This profligate waste contrasts with the over-crowded black reserves, where farmers have been forced into the intensive cultivation of the soil which now threatens ecological retribution.

Would it make sense to physically reallocate land to the needy? Clearly, there is scope for re-settling some black farmers on tracts which are being held idle.

But this “reform” – the one favoured by most people who claim to want to radically transform the distribution of land – neglects the inter-temporal dimension.

Even if it were theoretically possible to give every worker in a country a plot of land, this would not solve the need of future generations.

The Mexican revolution resulted in massive re-allocation of land, for example, and consequently increased the absolute number and proportion of people with land rights. This is cold comfort for the landless (see table). While they decreased as a proportion of the total, their total number increased by 800,000. An ideal land reform, therefore, has to incorporate a solution to the inter-generational problem.

**T**HEN THERE are the urban dwellers.<sup>2</sup> It would be offensive to social justice to write them off as irrelevant to a programme of land reform. The unemployed in the slums of Sao Paulo and Karachi were spawned in the rural sector – then spurned. Can a programme be devised which accommodated their rights while simultaneously optimising the economic viability of farms?

*The model advocated here gener-*

## PRICE RISE

**B**ECAUSE of the altered exchange rate between the US dollar, the Canadian dollar and the £ sterling, and bank charges on dollar cheques, we regret having to apply new rates for our North American readers. All new and renewed subscriptions for *Land & Liberty* will be at US\$10 and Canadian \$11.

# The ideal land reform for economic growth and social justice

By Fred Harrison

ates a solution to these complex problems: land value taxation.

Present owners need not be dispossessed. Their status would be changed – by the mere fact of a 100% ad valorem tax on all land values – into land users. They could continue to possess the land so long as they paid the tax. The level of rents would be determined by the market.

The virtues of a tax on economic surplus (rent) can be summarised as follows:

(1) Data on the quality of land is generally poor or non-existent. This creates an obvious difficulty for the proposal to allocate land: how can two peasants be treated equitably if the tracts assigned to them were not comparable in terms of their income-generating potential? And how can those charged with assigning land know, accurately, the quality and

quantity of land available for an equitable distribution? Countries like Brazil have terrain ranging from lush grasslands to amazon forests and arid deserts, a mixture which poses problems when it comes to deciding who should have what. The land value taxation approach, however, avoids this problem. It levies a tax on the value of the land, which is determined by fertility, location and the demand arising for the products and services of the land. Everyone associated with the agricultural sector benefits, by sharing in the public expenditure arising from land value taxation, and through a more prosperous agriculture. All this is achieved, then, through the mechanism of redistributing values, not land *per se*.

(2) Variations in the man:land ratio do not present an obstacle.

The market, in conjunction with the enterprise of the land users, determines the optimum sizes of farms and the number of people employed upon them. The tax forces possessors to make optimum use of the land; failure to do so results in their inability to meet their fiscal obligations, and so compels them to relinquish holdings to more competent farmers. This encourages the division of inefficiently farmed *latifundia* in Latin America, and encourages the amalgamation of farms in Asia.

(3) The process outlined in (2) pressurises the rural sector towards efficient commercialisation of farms. One consequence of this modernisation process would be the displacement of landworkers who were – in productivity terms – redundant. This would create an even larger pool of “landless” workers, a serious effect only if they could not be absorbed in the urban-industrial sector. But land taxation accelerates the general rate of economic growth:

(i) By placing the fiscal burden on land values – which cannot be passed onto consumers through higher prices – taxes can be reduced on wages and the interest received on capital. This would expand the domestic consumer market, which is said to be a limitation on the development of industry in Third World countries; and encourages fresh fixed capital formation, all of which amounts to a rise in living standards and the creation of new jobs.

(ii) Land value taxation removes the deleterious effects of speculation. The growth of industrial economies has been seriously hindered by the shortage of funds which have been attracted into land speculation. The dislocations arising from speculation have also been serious: land in desirable locations has been held idle by owners in the confident expectation of higher capital values in the future, this has pushed up the rents of land in use, forced the sub-optimum use of land arising from urban sprawl, and generated higher costs (such as in transportation). A 100% tax on land values smites the dead hand of the speculator and removes these obstacles to development.

(iii) One of the major problems to industrialisation in Third World countries is the inadequate infra-structural services – roads,

## Occupation structure: MEXICO

	1930 (Millions)	1960
Agricultural workers	3.6	6.1
Landless peasants	2.4 (68%)	3.3 (54%)
<i>Ejidatarios</i>	0.5 (15%)	1.5 (25%)
Non- <i>ejidal</i> owners	0.6 (17%)	1.3 (21%)

SOURCE: Centro de Investigaciones Agrarias, quoted in Gerrit Huizer, *Peasant Rebellion in Latin America*.

water, power, and so on. These "lumpy" capital investments have been undertaken by the public sector, because they often prove to be unattractive to private investors; returns tend to be low and spread over a very long period. Rent is an attractive source of revenue for such investments. The land tax is suitable for financing such developments, for, unlike taxes on wages and interest, it complements – rather than deters – capital formation in the private sector.

(iv) Social justice is an integral part of a cohesive socio-political system. Without it, the economic side of life suffers. Land value taxation is an instrument for justice as well as economic progress. It shares out, through the exchange, the value created not by individual effort but by the presence and activities of the whole community. The highest values are concentrated in the urban centres: through land value taxation, these can be employed by farmhands on the poorest of soil on the margins of the economy. The mineral wealth in far-flung places can be shared by the small entrepreneurs and workers in the conurbations. As economic growth accelerates, so land values rise: everyone shares in the spoils. As children are born, so they stake their rights to the resources of nature irrespective of whether their parents work as office clerks or possess 10,000 acres.

GENERALLY, the choice as to the content of a land reform programme is narrowed down dangerously to the two extremes: absolute ownership or collectivisation. Strategists who refuse to open up this third option are inviting political violence.

The political preference for the western model of proprietorial rights is encouraged by the declarations of "human rights" promoted by international agencies like the UN and the European Convention. These are either ambiguous – asserting the right to private property, without confronting the related issue of how property can be enjoyed by everyone – or they explicitly promote the notion of outright ownership. Since land is a factor in fixed supply, this effectively means arrogating monopoly power to a minority. This

prescription offends social justice, but is defended on the basis of the mistaken belief that absolute ownership is a necessary condition of economic growth. In fact, the necessary prerequisite to economic growth based on individual enterprise is *secure possession* of land, which can be met within the framework of land value taxation.

Allocating land with the right of absolute ownership may succeed in enlarging the class which fortuitously benefits, but it does not deal with the out-group – those who have no stake (directly or indirectly) in the natural resources of their community. Social friction might be deferred for a time, but not eliminated altogether.

A crude programme based on land re-allocation can seriously hinder subsequent attempts to introduce a land tax. In Bolivia, for example, immediately after the revolution in 1952, over 324,000 peasants received nearly 1m hectares of land which they had formerly worked in exchange for unpaid labour. In 1968 the Government decided that a land tax would be a good idea: the peasants, however, thought otherwise. They succeeded in thwarting the plan.<sup>3</sup> As new landowners with a vested interest, they rejected the idea of sharing with others the surplus production (rent) over and above the returns to their labour and capital. They joined the privileged class and insisted on exercising monopoly power without recognition of any social obligations arising from their control over land.

The dogmatic insistence on absolute rights of ownership necessarily creates a reaction among members of society who do not share in the fruits of nature. This reaction may be mute at first, but – depending on local conditions – eventually explodes in violence. The communist ideology, in such conditions, is bound to gain recruits. Academics, politicians and bureaucrats from the international aid and development agencies who encourage absolute ownership rights are actually turning developing countries into hostages of fortune. For by focussing sharply on the free market model with built-in defect – land monopoly – they invite false comparisons which appear as revealing evidence in favour of the communist alternative.

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Views of Hong Kong:  
WAH FU HOUSING ESTATE

# How B sacrifi quest f fiscal j in Hon

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ANNA  
IAN





**H**ONG KONG illustrates the slogan "Free Trade Free Land Free Men." It has fallen short partly from lack of understanding but mainly from pressure of events. It may be useful to identify points of failure.

The Crown Colony of Hong Kong is a mere speck on the south-east coast of China — an area of 1,000 square kilometres or 400 square miles of difficult terrain of hills and islands. Uninhabited when the first island was ceded in 1841, it now has a population of over 4½ million people whose activities are such as to necessitate representatives in various parts of the "free world" to protect its trade from constant restraint.

Neither Britain nor China were pleased by the agreement of their representatives, Captain Elliot and Commissioner Keshen, which resulted in China ceding "the barren island" of Hong Kong. Elliot was sacked and Keshen ordered to Peking in chains. But apart from the advantage of its location and superb natural harbour two factors were to have a significant effect on its development. These were:

- (1) the philosophy of free trade, free enterprise and private profit which was the basis on which the English traders and later the Chinese merchants set up shop in Hong Kong — a philosophy which survives 130 years later;
- (2) the decision of the British Government to declare all land Crown land and to lay down that disposals should be on a lease not exceeding 75 years and of such extent as to meet immediate needs only. For commercial development, leases had to be sold by public auction. These principles have remained largely intact to the present day.

**T**HE RAISON D'ETRE for Hong Kong was trade with China: it provided a shelter for vessels which had made the long sea voyage from England and a land access to China. Subsequently it formed the base for workhouses, shipyards, living quarters, and shops and industries necessary to support a growing trading economy. Despite the Japanese occupation of 1941-45, the inflow of new residents from China in 1949/50 and the U.N. trade embargo following the Korean War this philosophy remains the basis of Hong Kong life.

Nevertheless these factors changed the emphasis from an *entrepot* economy to that of a manufacturing

centre such that today Hong Kong rates as the 16th largest exporter by value, a noteworthy achievement by a 'country' of 4½ million people. This success is of course due very largely to the hard and skilled work of all sections of the community, but the framework of free enterprise, free trade and availability of land no doubt played a significant role.

Financial policy has supported trade policy. There are no restrictions on movement of currency; transactions between Hong Kong and overseas countries are free of all exchange restrictions. In 1972 when sterling started to slide the Hong Kong dollar which had been tied to sterling was floated (apart from a short period during which it was tied to the US dollar) and is now one of the world's stronger currencies being backed by solid resources.

In recent years Hong Kong has been obliged to divert much effort to protecting its established market against constraints and restrictions set up by its trading partners. Its only restrictions are those forced on it by international obligations under the terms of the General Agreement on Tariffs and Trade (GATT) and the Multi-Fibre Arrangement which limit its exports of many products, particularly textiles.

Political changes in China have major significance for Hong Kong and have and will again change the functions it is able to perform. Its policies of free trade and free enterprise enable such necessary changes to be made rapidly and with the minimum of loss.

The Financial Secretary said in the Hong Kong Legislative Council in May 1972:

Anything concerning land concerns us all. Land is the basis upon which all activity in the Colony takes place. It is our one natural resource. We have very little of it. The terms on which it is transferred to, and retained in, private hands must be carefully protected. This has been recognized by the Government and, I believe, by the people of Hong Kong for many years.

**J**UST 131 years earlier, in May 1841, Captain Elliot set out the principles upon which land allotments would be made pending Her Majesty's pleasure. These provided that the number of lots was to be limited to "the actual public wants" and each lot put up to auction "at a certain upset rate of quit rent and

# Britain pled Dr Justice y Kong

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to be disposed of to the highest bidder," with a condition requiring a "building of a certain value."

At the first such sale 33 marine lots totalling 9 acres were offered at an upset price of £10 per annum and sold at an average of £350 per acre per annum. It was argued that this was an unreasonably high price and Elliot was persuaded to grant further lots by private treaty but at the same rate of annual rent as the lots previously sold at auction.

Subsequently the Secretary of State refused to sanction these allotments and instructed the Governor to abstain from alienating any land for a time greater than "that necessary to induce and enable the tenants to erect substantial buildings," and providing that "all lands are to be disposed of in the first instance by auction not in perpetuity, nor for a sum paid down, but for an amount of annual rent, on leases for such terms as may be fixed by the Governor for the time being, not exceeding 75 years in the case of lands sold for building purposes."

Further instructions from the Home Government provided that land required or reserved for public purposes should not be sold and that all land reclaimed seaward of marine lots belonged to the Crown. The latter provision has been of great importance since numerous waves of reclamation have taken place around the coast over the last 130 years extending to several square miles in area.

Subsequently authority was granted to allow short term use of land on leases up to 5 years where permanent development was not probable for some time. This practice, which has been continued to the present day, enables land to be brought into use for such purposes as open storage, car repairs or parking etc. and small temporary factories, whilst retaining the eventual development value and future use in the Government's hands.

So much for the initial policy instructions, which whilst lacking in many aspects – for example *there was no provision for revision of the annual rent during the period of the lease* – did exhibit considerable understanding of the importance of land ownership in the future development of the Colony and went some way to protect the public interest.

**S**OON, however, private interests brought pressure to bear for changes in favour of existing owners. It was argued that the prices bid at auction were too high to maintain

during periods of depression and reduction was sought. Rather than accept this with loss of public revenue (land rent was a significant part of the Colony's revenue at that time) the decision was taken in 1849 to extend the length of lease from 75 years to 999 – it being argued that such a length was necessary to justify permanent building.

So during the following half-century, 999 years became the standard period of lease for city lots, though 75 years remained the standard for rural lots. In 1898 instructions were given that no more 999 leases be issued and the standard lease became 75 years with the option to renew for a further 75 years at a reassessed Crown rent. In the New Territories – leased to Great Britain for 99 years from 1898 – the period of lease was 75 years renewable for 24 years less 3 days. In 1959 this latter group was changed to 99 years from 1st July, 1898 less 3 days, thus giving at that time 33 years without revision of Crown rent.

**Despite this short lease period – now down to less than 20 years – development has been in no way affected. Indeed the extent and rate of development in Hong Kong at this time, largely on land in the New Territories, has never been greater. It would thus appear that the decision to extend the original 75-year leases to 999 years on the argument that such length of lease was necessary to ensure development with permanent buildings was not well founded!**

At the same time as a decision was taken to extend the period of lease of town lots from 75 years to 999 years as an alternative to reducing the Crown rent, consideration was also given to an alternative method of bidding. As a result the Secretary of State, in 1851, following a Parliamentary Commission, stated that "as regards the system of selling Crown lands to the highest bidder of an annual rent he was decidedly of the opinion that, in future, biddings for Crown lands should not be in the form of an advance of rent but that any such property should be offered for lease at a moderate rent to be determined by the Crown Surveyor and that competition should be in the amount to be paid down as a premium for the leases at the rent so reserved."

This practice has been followed

ever since, leading to a series of arbitrary 'zone rents' unrelated to the true annual value of the land. This practice has undoubtedly been to the disadvantage of the public purse both in relation to the assessment of rent on renewal of lease and by the inclusion of capital payments in current revenue.

**O**NE INTERESTING aspect of this procedure in recent years has been the problem of handling the very high prices realised at auction. Initially payments had to be made 10% down at the auction, the balance within 3 days. When auction prices reached \$100M the practice developed of allowing payment by instalments over a period of years up to a maximum of 20 years. This in time led to higher prices being bid and the revenue benefited as a result.

In the early days about 50% of local revenue was derived from Crown rent. By 1887 the percentage had fallen to 11% and by 1933 to 2%. Today Crown rent forms an insignificant percentage of total revenue but sales of new land, variations of lease conditions of old lots and revenue from the temporary use of land brings in a considerable sum – 20% of revenue in 1962/3 and roughly the same percentage today: some \$2000 million if revenue from rates is included.

This of course is much lower than would have been the case had the early policy been fully enforced in subsequent years. To understand why this was not done we have to consider the question of the 75 year and 75 + 75 year leases.

The 75 year leases granted in "rural areas" from 1865 to 1898 onwards expired in 1940 and following years up to 1973. These leases related mainly to residential lots on the Peak on Hong Kong Island and to commercial lots in Kowloon on the mainland. During the 1940s Hong Kong was either occupied by the Japanese (1941-45) or recovering from such occupation and subject to the disturbances in China and the UN embargo on trade. As a result the lots on Hong Kong Island (the buildings on which had been completely destroyed) were renewed for a further 75 years at a nominal charge. The problem at that time was to persuade owners to redevelop. In Kowloon it was a different story and considerable revenue was obtained from regrant of a further 75 years. But this group of leases was relatively small in number and of proportionately lower value at the date of



**FOUR YEARS of work come to fruition this year**

## **SAN FRANCISCO CENTENARY: AUGUST 20-25**

with the publication of *Critics of Henry George*. The project was conceived by Prof. Bob Andelson (left), of Auburn University, Alabama, the editor of the book, who marshalled a team of 15 authors behind him – 13 from the US, two from the UK.

The book examines all of Henry George's critics, and evaluates their arguments – and the original positions contained in *Progress & Poverty*. It is being published by Fair-

leigh Dickinson University Press, and will be launched at the San Francisco conference which celebrates the centenary of George's book.

A copy of *Critics of Henry George* will be formally presented to the San Francisco Public Library, of which George was a founder and the first secretary of the board.

A copy of the 100th anniversary edition of *Progress & Poverty* will also be presented at the ceremony, in the main hall of the library.

expiry. The more interesting group was and is the 75 year + 75 year lease.

These leases were the standard form from 1898 and expired from 1973 onwards. They included lots in all parts of the Colony other than the mainly old developed areas of Victoria on Hong Kong Island. The wording of the renewal clause in this group of leases was most carefully drafted and has been the subject of detailed interpretation in courts of Hong Kong and the Judicial Committee of the Privy Council in the U.K. The clause reads as follows:

".... from a term of 75 years renewable for a further 75 years at the option of the lessee on the same terms and conditions contained in the original lease subject to 'such rent as shall be fairly and impartially fixed by the Crown Surveyor as the fair and reasonable rental value of the ground at the date of such renewal'."

From 1935 the meaning of this clause was a source of argument between the Government and representatives of the leaseholders. The former maintained that it meant precisely what it said, that is the annual value of the land, no regard being paid to the level of development on the particular site. The leaseholders, whose main champion was the Hong Kong General Chamber of Commerce, argued that what was meant was the arbitrary nominal or "zone rent" used as the basis of sales of new land which of course as stipulated in 1851 represented only a very small part of the real annual rental value. The Chamber backed its argument with the claim that to re-

assess the rents on the basis proposed by the Government would be iniquitous, would amount to confiscation of the landlord interest, would lead to bankruptcies, destroy trade, etc.

The argument was interrupted by the 2nd World War and re-formed in the late 1940s and early 1950s during the reconstruction period. The same arguments were used and the Government was forced to grant various concessions whilst maintaining the principles of the valuation. They were able to demonstrate (to anyone with an open mind) that what they proposed would absorb only a part of the landlord's interest and was in fact a generous interpretation of the legal position. Nevertheless special pleading continued and one case was selected for action in the courts.

This case passed through the various Hong Kong courts and eventually ended up on appeal to the Privy Council in London. Here their Lordships had no difficulty in finding in favour of the Government position.

One might have thought that this would be the end of the matter and that leaseholders would then seek to renew on the legal basis as provided by their lease. No doubt this would have been so had the lessor been a private individual or an insurance company. But a Government is more vulnerable. It is open to political pressure and special pleading.

So whilst some lessees settled on the best terms they could obtain from the Government surveyors – and with the various concessions available the revised rent was considerably below what could legally have been assessed – the battle continued on the political plane. Many

new groups entered the fray, Chambers of Commerce, industrial associations, clansmen, trade unions and eventually representatives from mainland China. Finally a debate took place in the Legislative Council where the Financial Secretary was a lone voice in favour of enforcing the terms of the lease (as modified by concessions already granted). In the event Government yielded to the arguments of the objectors and adopted a method assessment of the annual rent based on the rateable values of the property.

Thus was lost a great opportunity to collect a very large part of the annual land value arising from the efforts of the community as a whole for use on behalf of the community as a whole. Instead the greater part of this value was left in private hands. It is sad to note that the Home Government which had been so assiduous 100 years earlier in maintaining the interest of the public purse, took no position whatever on the issue, leaving it entirely to local decision.

### **Conclusion**

The conclusion must be that however farsighted a policy may be in concept it requires constant defence against the attacks of special interests. Maybe a more cynical (but possibly more realistic) view might be that only when the policy accords with the interests of the powerful in any society – as has been the case with free trade in Hong Kong – will it survive.

THE UNITED NATION'S Conference on the Law of the Sea (UNCLOS) had a hopeful start in 1973 and is currently recovering from its eighth abortive session. The global Law of the Sea has yet to be signed.

The seabed is on the way to becoming a massive scrambling ground for riches. Large powers and small jostle each other for a place where they can grab what they can, as soon as they can, from the immense wealth that lies under the ocean floor. Developments in ocean technology have enabled a vast array of mineral deposits including petroleum, coal and natural gas to be uncovered. In addition there is cobalt, copper, gold, nickel, uranium to name but a few of these unexpected new

# THE SEABED:

and highly valuable commodities. S.O.S. – "Save Our Seas" could well be the heartfelt cry from the peoples of the world when they really awake to these facts.

A decade ago grave warnings had been given about the marine crisis to come and many countries called upon The United Nations to hold a Conference to discuss the many problems. Not only was it the ownership of the sea bed and the mineral rights that were provoking dis-

cussion, but questions relating to fisheries, the limitation of maritime boundaries, marine pollution and the control of scientific research.

At the first conference, held in Geneva in 1973, delegates were quick to declare all international waters and their resources to be "the common heritage of mankind." It was proposed that a moratorium on the development of seabed resources be established until an international organisation to control exploration of

THAT THERE should be doubts among non-economists about the practical application of land value taxation is exusable.

It is even understandable if professional economists qualify their judgements abouts its practical application (after all, they can't all be expected to know that it is applied in limited forms in a number of places around the world).

But it is indefensible when an academic economist gets elementary theory wrong, and then proceeds to castigate others – like John Stuart Mill – for their "considerable analytical confusion."

Such is the case with Dr. Graham Hallett, a senior economics lecturer at University College, Cardiff, whose book *Housing & Land Policies in West Germany & Britain* (London: Macmillan, 1977) devotes a section to the "extremely influential" Henry George and *Progress & Poverty*.

It is gratifying for *Land & Liberty* to get a passing mention (p.112): but does Dr. Hallett read this Journal? For if so, how could he in turn be guilty of "considerable analytical confusion"?

He says, for instance, that the tax on land values, by eliminating all net rent, "was designed to reduce the value of land to zero." Wrong. A 100% tax on land values would destroy *capital* values, the selling price calculated on the basis of an anticipated income stream over a given number of years. But it would not "reduce the value of land to

zero." That value would still continue to exist as a measure of the contribution (location and fertility) of land to production.

Dr. Hallett claims that the main objection to land value taxation relates to resource allocation.

"If all profits from land use are eliminated, there is no incentive for any change in land use to take place."

This claim is used by land speculators who wish to defend their exploitation of unearned money. It is used by developers who (naturally) wish to take money out of land as well as their capital improvements.

For example, property companies have been claiming that the 99-year leases obtained under the Community Land Act are insufficient, and are therefore a deterrent to development in Britain. This is a curious argument which only makes sense as propaganda. Hong Kong, for example, is currently experiencing a multi-million dollar development boom: and the leases sold by the colony's government are for 20 years or less!

Dr. Hallett completes his extrapolation from theory to the real world by deducing this:

"In other words, the price system would be eliminated as a means of allocating land between competing uses, and it would be necessary for all development and allocation to be

undertaken on a purely administrative basis by the State."

If correct, this would indeed be ironical, as Dr. Hallett affirms, since it would be "quite contrary to Henry George's ideals: he somehow thought that his land tax would permit a system of unrestrained private enterprise, and this confusion has continued down to the present" (p.113).

The correct facts are these.

Land would retain its value, expressed in annual payments of rent by the users (to the exchequer, where there was a 100% land value tax). The market would continue to determine rental levels. These land values would change through time, with shifts in population, economic growth, technological innovations – all the influences which determine values under the present regime where a minority of people monopolise natural resources.

Users would pay lower taxes if the land they occupied declined in value. They would pay higher taxes (= rents) if the value of the land increased. If they could not adapt their use of the land in recognition of increasing values, they would be compelled – through pressures of the market, not the state's bureaucracy – to relinquish the land to others who would make more efficient use of it.

The rest of Dr. Hallett's book might be theoretically sound: but what incentive is there left to bother to read it and find out?



# STEAL IT OR SHARE IT?

these resources could be set up.

The idea that such an administrative agency should control and apportion benefits to all other nations in need was greeted with enthusiasm. There was universal agreement that the task was urgent – “for the sake of future generations.” There was much talk of co-operation, constructive international action, sharing and caring, but at this point the conference became bogged down in the business of ‘legitimising’ numerous annexations of the sea to individual countries – far beyond the age-old ‘three-mile limit’ which had been the national boundary of coastal nations for centuries\*.

In a short time some sixty ‘coastal’ states including Great Britain, had appropriated about one-third of all ocean area which they called their “Exclusive Economic Zone” (EEZ). These new territorial waters extended 200-miles around the coasts. In the case of the U.K. the area is four times our land size, making the U.K. the second largest ‘country’ in the EEC. It gives Britain tremendous potential for expansion since opportunities are not limited to oil and gas. There is the chance to change from sea fishing to fish-farming, and to mine new seams of coal under the seabed.

Beyond the territorial waters lie the international waters, the common ‘property’ of all mankind and free for all to navigate or fish, as nations have done for centuries. But here a further complication arose: some nations suddenly claimed the whole continental shelf around their country as “belonging” to them.

Canada, Australia, New Zealand and Iceland all voted in favour of the 200-mile Economic Zone. Many nations also wanted exclusive rights not only to fish but also to exploit mineral resources as well. The U.S.A. – opposing the Economic Zone idea – wanted exclusive rights to the mineral

\*The origin of the 3-mile limit is obscure. By 1974 it was established that only 25 nations upheld this demarcation line; another 14 were in favour of a four-to-ten mile limit, while 55 nations were in favour of a 12-mile limit, and 21 nations for up to 200-mile limit. At a later conference the 12-mile limit was adopted. Subsequently the “Exclusive Economic Zone” (EEZ) or the 200-mile limit emerged as a broadly accepted rule of international law.



resources over the whole of the continental shelf.

By 1977 a law had become effective which provided the U.S.A. with 2.5 million square miles of exclusive fishing zone, which is equal to about 70 per cent of its land area. Other nations wishing to fish in those waters must now apply for licences.

The conference has thus proved to be one of the most expensive and long-winded in the history of conferences. Sessions have been held around the world, from New York, Venezuela, Caracas and Geneva, and back again to New York. At one, the UNCLOS delegates wasted ten days, at a cost of over £100,000 per day, in selecting a chairman.

Admittedly progress is not easy. Trying to get 158 nations to agree a new international regime for the oceans and prevent a gigantic free-for-all needs diplomacy of the most delicate kind, and wisdom, if the large powers are not to knock over the smaller countries in the scramble to appropriate further tracts of the seabed.

More than a hundred developing states from the Third World, represented at the conference by The Group of 77, are bitter about the present situation. They can only stand by and observe the countries with advanced technology, who have both the finance and the know-how to conduct operations on the seabed. If at present they are unable to take part in the mining, they argue, they are at least anxious to share in the huge profits which will be made. Outside territorial zones the sea is supposed to be used “for the benefit of all mankind” they point out. That right has been conceded from the outset.

One positive move is the setting up of the International Sea-Bed Authority to control exploitation, and to ensure that the poorer countries

get their share. So far it has not been given ‘teeth’ since the mining consortia are unable to accept such a regime which would have dictatorial powers over their actions. They are in it for profits and such strings as the Sea-Bed Authority might apply would tie their hands.

Currently, however, the U.S. Senate and House of representatives have Bills which will allow certain mining consortia to go ahead. They have been waiting a long time. This will mean that developing countries as yet will get nothing while the consortia will reap monetary rewards without obligations.

There is also the question of the landlocked countries and the geographically ‘disadvantaged’ states having no access to the sea. Should they be able to participate in activities such as seabed mining, and fishing? And should they qualify for United Nation’s handouts?

According to one respected egg-head, the industrialised nations should exploit the resources as rapidly as possible – irrespective of the suggestion that the oceans are ‘the common heritage of mankind’. Presumably the prospecting countries will pass on the ‘crumbs’ from their table to Third World countries, in the hope that they will be content with these.

In addition to seabed treasure, however, there are vast areas of metal-rich sediments existing in all the world’s lakes and inland waters. Technology could help to bring these to the surface. And the potential wealth from wave energy, heat from the sun, wind power, protein from seaweed etc. all appear to have been overlooked, or not taken too seriously in the great energy debate. The harnessing of these elements is free for all.

It can be argued that if the resources under the high seas are

# CORRUPT!

the common heritage of man, so too are the resources that lie under the land masses. Many accept that the opportunity to discover, harness and enjoy the fruits of these resources belongs to whoever, or whichever country, has the guts, the capital and the know-how, the time and imagination to set about it – with the proviso that in return for the privilege of so doing, a percentage return is made to the common purse – via the U.N. – to be distributed for the common good.

Exploration of the seabed is one thing; claiming ownership of tracts of the seabed is quite another. The U.N. has for long been moralising about the ownership of the seabed – yet is there any need for ownership? There is simply a need to return the annual rental for its use. Risk capital must of course find due reward but the rental income from the 'site' could be disbursed for the benefit of all in need – and how better than to channel such a return through the U.N.

There could be a time when it need not matter who or which country moves into an area, mounting their flag on a raft in the middle of the ocean to mark the spot – provided they make a suitable financial return to the U.N. annually. Such an income would certainly grow rapidly so that they would be in a position to hand out increasingly large benefits to Third World countries, to assist multi-national projects both large and small.

The seabed, like dry land, is God-given. In equity it cannot be a marketable commodity. Only the site can claim an annual return for its use, the value thus finding its way back to the people of the world.

Leaving aside the acquisition of land by force, fraud or patronage, the present owners of land bought it or inherited it from a forebear who bought it. The landless today have little chance of buying land, or homes, except at inflated prices. It would be tragic to think that the seabed might be treated in the same way with absolute possession or ownership until there was no more seabed left for the unborn. With a U.N. rental system in operation the economic development would not only be dramatic, but there could be a natural move of human resources away from the negative activities associated with the present social structure towards exciting and stimulating activities by the year 2000 that could add up to national well being, adventure, success and happiness.

**THE LAND** boom in the early 1970s turned Sir Eric Miller into a millionaire.

But it took more than the crash in 1974 to ruin him. He had to sell his shares to pay back the money which he had used as bribes. Then he took a gun and shot himself in his garden on 22 September, 1977, the Jewish Day of Atonement.

A Department of Trade investigation was launched to unravel the affairs of Miller and Peachey Properties, of which he was chairman.

The inspectors, Raymond Kidwell and Stanley Samwell, decided that "we are investigating the affairs of the Company, not the affairs of the nation." This restricted perspective

has been rightly criticised,<sup>2</sup> for Miller's lying, cheating, forging and speculating exemplified a particular – corrupt – system.

It is easy to exonerate that system by emphasising the psychological characteristics of one man; the inspectors say that Miller had "mesmeric qualities."

The value of the report, however, is that it illuminates the ethos of a society which encourages people to seek their fortune at the expense of others. It is, therefore, an indictment of the system itself.

**M**ILLER spent £188,700 on "introductory commissions" – a euphemism for bribes.<sup>3</sup> The inspectors declare:

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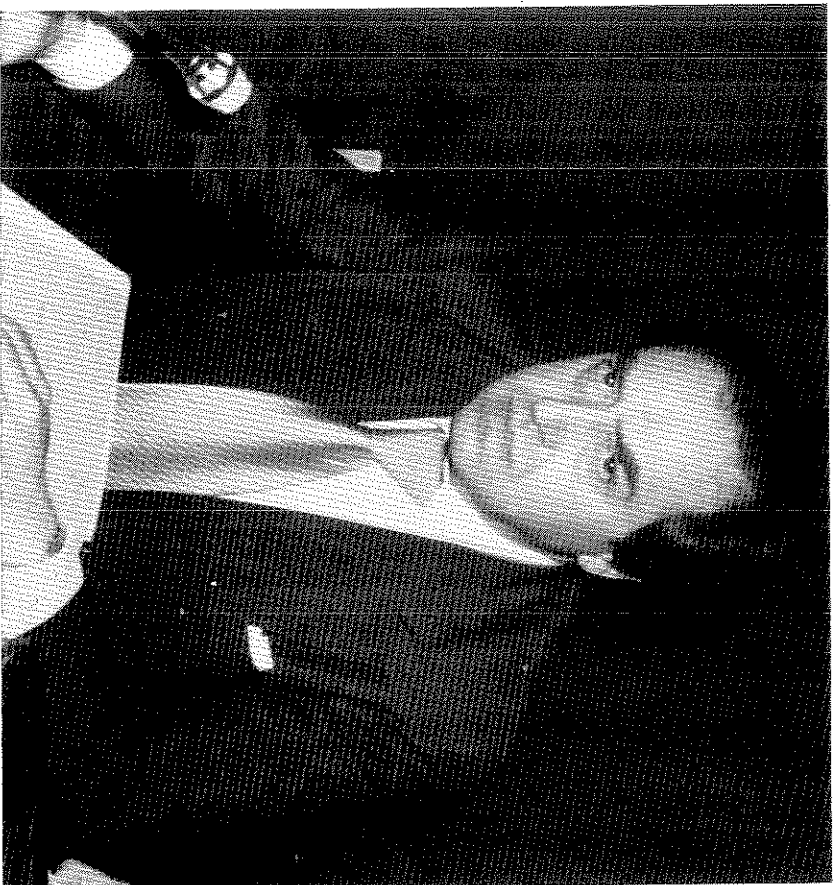
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**Sir Eric Miller: branded for bribery – but not for speculating. P. E. Poole reports.**

"In the property world it is often necessary to pay substantial sums to intermediaries. The nature of the services varies, but the payments may be conveniently and compendiously referred to as 'introductory commissions'."

Why were these payments necessary? The report explains:

"Thus an intermediary may have gone to the trouble of soundling out the respective owners of contiguous land as to the price they would accept, and can then put together a development site for presentation to a property company. Other less salubrious activities, such as bribing public officials, can be subsumed under the same term, as a euphemism."

The stakes were high, as can be seen from the Rushden land deal. A farmer sold the *option* on 210 acres (deposit: £10,000). Agreed price: £1m. The option expired on 31 August, 1973, and was conditional on the buyer securing planning permission for houses to be built.

This was in 1971, "when there was something of a gold rush for potential development property."

The speculator who bought the option then sold his rights to Miller for £810,000 – *although planning permission had not been secured*.

Miller then paid the farmer £1.2m. (for more land was taken in than was included in the original option). Total cost to Peachey: £2,024,392.

Was this a prudent investment? The inspectors conclude:

"The decision was taken in the heady days of 1973, which provides some explanation of the purchasers' conduct. It constituted a big gamble on the granting of planning permission."

No permission to build has yet been granted, and the value of the land has been written down in the Peachey books. As prime agricultural land it could be worth about £300,000.

**ERIC MILLER** began his career in an estate agent's office.

He worked his way up to the chairmanship of Peachey Properties, and the value of his shares in 1972 stood at £850,000. With other assets, he hit the million mark, a financial success which was crowned when he was knighted in the honour's list produced by retiring Prime

Minister Harold Wilson in 1976.

The shares dropped to £230,000 in 1977, which he sold to pay off his debts to his bankers.

He was, we are told, a generous man – with other people's money... which is how the world came to learn of the Saga of the Suitcase.

Miller bought jewels worth over £250,000 and other gifts like silver tea sets for people. He entertained lavishly, in jet-set style – with money sucked out of Peachey Properties.

But eventually the books had to be made to balance. The solution was a simple one. Miller withdrew money which he needed, he said, to bribe people. He then took the bundles of pound notes in his suitcase to his bank in Paddington, where he deposited the money. The cash was then transferred to another of his accounts, and then used to reimburse Peachey Properties for the cost incurred – at his behest – in buying jewels and silver tea sets!

**A**BOVE ALL else, it seems, Miller thirsted for social prestige.

He employed the late Reginald Mauding, a former Tory Foreign Minister, as consultant. To hedge his bets, he served as treasurer of Socialist International. He supplied champagne worth £3,300 for Sir Harold Wilson's Downing Street party when the Labour Prime Minister resigned. He was benefactor of Fulham Football Club, to which he attracted international soccer star Bobby Moore.

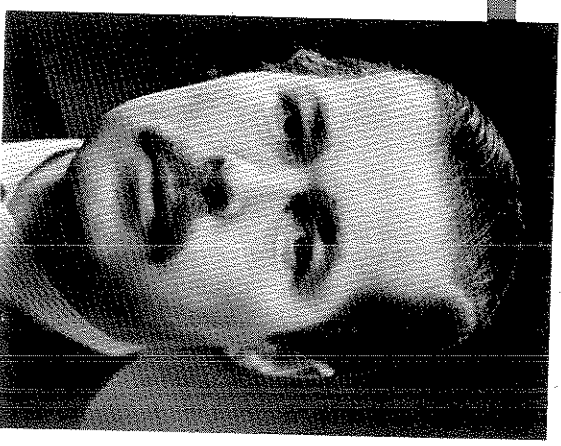
He craved status, and envied those who were prominent in London's top social circles.

He died a man branded a liar, cheat and forger. He was also a land speculator; but given today's attitudes, that was nothing of which he needed to be ashamed.

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Peachey Properties		
Pre-tax profits	Share prices	
1967	£1.1m	—
1968	—	27p
1972	£3.3m	189p
1974	£1.2m	16p
1976	£0.7m	—
1977	—£0.2m	—



# How a land lord's ghost still haunts his Irish tenants

**L**ORD LUCAN may or may not be dead, but either way he has now eluded the sleuths from Scotland Yard for four years.

Yet he continues to extract rents from his Irish tenants to pay his gambling debts....

The bizarre Lucan saga began the night his children's nanny was found battered to death in London. An inquest jury declared the 44-year-old seventh Earl responsible, and the police have been hunting him ever since.

His tenants in Castlebar, Co. Mayo, also became anxious to meet him. For without his signature, they could not sell their houses which stand on freehold land owned by Lucan, yielding him £10,000 a year in ground rents.

The first Earl of Lucan was given extensive estates in Ireland for his services to the British Crown 400 years ago. The "service" was in subjugating the Irish, depriving them of their lands and living off their labours ever since.

By the 1870s the Lucan estates totalled 63,000 acres.

**T**HE IRISH fought hard for their independence. They finally secured it, but made the curious decision to compensate the English landlords who gave up their land!

The Irish Government claims that the constitutional rights of private property forbid the abolition of existing rents.<sup>1</sup>

The Lucans did not relinquish all of their holdings, which is why the present Earl — according to British bankruptcy law, he is officially alive — continued to hold sway over the leases at Castlebar.

Tenants of 1,200 houses were unable to dispose of their property, for Lucan's signature was required on legal documents.

Meanwhile, the trustees have continued to receive the ground rents, and have paid out £60,000 to creditors on the assumption that the Earl is alive.

The tenants were not amused by the idea that they were paying rent to a man who could not be found, dead or alive....

A councillor, Richard Morrin, urged residents to stop paying the rent.<sup>2</sup> "In many cases this money is coming from very poor people," he declared.

"Lord Lucan and his family have got enough money from the people of the town down the years and it has been more than enough to keep them in comfort."

But worse than the rental payments was the legal barrier faced by tenants who wanted to sell their houses for redevelopment. For once developers discovered the legal complications, they withdrew.

Which is why Morrin returned to the attack last year, declaring that Lucan's trustees ought to apply for legal power to sign away ground rents.

"We feel that after years of bleeding us dry, the least they could do is give us back our property," declared Morrin.<sup>3</sup>

Or, as the Republican MP for Castlebar, Pádraig Lynn, put it: "... it was the people of this town who kept him in gambling money." Threateningly, Flynn issued Lucan — who has been reported as being sighted in South America and Australia — with this challenge:

**"If Lord Lucan presents himself in person to**

**collect the money owing to him as a landlord, we will deal with him in the way any English absentee landlord should be dealt with."**

He would not reveal precisely what he meant by that.

**F**INALLY, last November, the Dublin Government changed the law.

The Landlord and Tenant (Ground Rents) Act made it possible for tenants to buy out ground rents in circumstances where the consent could not be secured from a missing landlord.

The U.S. courts are currently trying to decide if the Earl is dead, for he has been left \$15,000 in the will of his godmother, wealthy philanthropist Marcia Brady Tucker.

According to American law, such a legacy is null and void if the beneficiary is dead. Lucan's solicitors argue that their client is alive, and that the money should be handed over.

But if he is dead, according to U.S. law, Lucan's ghost will have the last laugh: for even from the grave, the Lucan family continues to torture the value of the land out of the Irish....

1. *The Guardian*, 26.5.77.
2. *Daily Mirror*, 29.11.76.
3. *Sunday Times*, 3.9.78.