

LAND & LIBERTY

The Florida Land Booms – And After : P. 13



BRITAIN'S industrialists are bitterly complaining about the £5bn that they may have to pay in rates this year – predicted to be one third of their real profits. They ought to be campaigning for a reform of rates instead of lobbying for the "business vote" in a bid to influence the level of council spending.

For the property tax is rigged to penalize capital investment by taxing improve-

ments such as office blocks and factories.

The rating system suffers from a defect common throughout the western world: the property tax falls indiscriminately on both land and buildings. The result is that landowners (who, *qua* owners, contribute nothing to wealth-creation) are encouraged to hold prime sites vacant as they capitalise on the growth of the community's

need for space on which to live, work and play.

The criminal waste of land can be eliminated by shifting the property tax onto site values.

The increased revenue would be used to abolish the tax on improvements. The effects of such a rational reform can be seen by examining the case of Enterprise House, a 24-storey building in Collins Street, Melbourne, (pictured above).

Cont. on P.42, col.2

MAY/JUNE 1981

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, 1981
Established: JUNE, 1894
Nos. 1,042 & 1,043
VOL. LXXXVIII
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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Cont. from front page

The owners will have to find A\$142,444 in the next twelve months. Is this reasonable?

The building is surrounded by over 6,900 sq. metres of land in the state capital's business district, which has been used as a car park for the last seven years. Although occupying nearly three times the area of Enterprise House, and worth \$1.9m, the owners of the vacant land will pay \$13,149 - 9% of the tax paid for the adjoining property.

What would happen if Melbourne City switched to site value rating? The burden on Enterprise House would drop dramatically to \$32,476 - 22% of the present rates bill.

But the rates on the vacant land would increase to \$43,200.

Thus, entrepreneurial profits would not be hampered; indeed, the wealth-creators would be able to increase investment from internal sources of cash.

But the speculators would be forced to free their vacant land, which when developed would increase the prosperity of the community.

Doesn't it all make sense? The bosses of Big Business, if they want to make a constructive contribution to the reform of property taxes, should align themselves with the campaign for site value rating.

THE TAXATION of land is often described, and justified, as a fair revenue measure, one that combines neutrality and equity, in providing for public finance. There is also a body of literature which speaks of the tax on land values as an economic development tool, one that can provide incentives for appropriate investment in locations that will bring the best possible returns. There is also some discussion of the relation of this means of taxation to issues of moral, ecological, political and planetary concern, ranging from the importance of free trade to the need to preserve the earth's natural resources, but the failure to distinguish between the infinitely reproducible products of man and the finite resources of the earth is being made more painful and expensive every day.

Land, or the sea and air to the extent that they too provide us with significant resources, is the determinant of the quality of life and, in many cases direct access to it the fact of life itself. Hunger, poverty, disease and every other form of human misery is probably more closely associated with lack of equal rights to land than any other single factor. Urban slums and rural destitution share the same cause - people without a place of their own on which to live or gain a livelihood.

IN MOST of Latin America, this same cause is responsible for people driven from country to city by hopes of a better life, creating more staggering problems as they cling to their ramshackle hillside huts for want of anything better.

The Dominican Republic so far has been spared the worst of this urban growth gone wild, like the slums ringing Caracas and Rio where the heights of luxury coexist tenuously with the depths of human need. The land of the Dominican Republic is good, and most productive, with a balance of urban and rural population that can be mostly self-supporting. For those who want to live and work directly on the land, opportunities are to some extent available. For those who want to seek their economic livelihood in the cities, some opportunities exist there also.

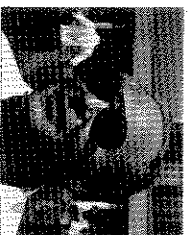
Yet there is no cause to be overly proud. Urban and rural unemployment remains high. Investment is uneven. Parts of the country remain undeveloped, in others the environment is already degraded. Above all, land is inequitably distributed, with the overwhelming majority of the

● IN THE March-April issue the book review on p.36 was wrongly attributed to Bert Brookes; the review was, in fact, written by Tony Carter.

Land tax, fair shares and economic growth

● This article by Prof. Finkelstein (pictured right) is based on a keynote speech delivered at a conference held in Santo Domingo, Dominican Republic, to explore the possibilities of introducing a property tax.

**BY PROFESSOR
PHILIP FINKELSTEIN**



people having little or none and a few having the most. Depending on the political complexion of the informant, from twelve to forty to sixty to three hundred families own anything from twenty to seventy per cent of the land of the country.

Any economic or social reform that fails to address this issue will automatically fail, since access to land is the primary factor in economic well being.

GOOD social policy may have a range of definitions, but whether one takes a political or economic view, a satisfied people will opt for political stability, economic investment and growth. An unhappy and repressed population is always a threat to all. This simplistic criterion allows for a broad range of measures, from welfare payments to public works, to be defined as social policy. For our purpose, we can consider these programmes of expenditure only as examples of what can be done with public revenues.

While social policy writers and analysts have long contended themselves with looking at where all the money is going, it should be evident that we need to be at least equally concerned with where it is all coming from. The source of revenue as well as its destination is our concern.

For reasons that I have never found compelling, a tax on income has been considered by many a "progressive" tax and therefore a good tax in that more money is taken from the wealthy than from the poor. But whatever its incidence, it is basically a tax on production. Those who are more productive pay more, those who produce less pay less.

Aside from the disincentive implications of such a tax, there are other considerations. The very poorest who have no income pay nothing and thus are excluded from contributing to the public economic life of society. It is questionable if any social policy should allow its beneficiaries to remove themselves, or worse, to be removed from the

responsibility for its support. This is the basis for dependency, class strife and a degree of what sociologists call *anomie* and what the working and middle classes the world over resent and the wealthy fear.

If there is bad feeling towards those unfortunates at the bottom, imagine the hatred for those at the very top for whom income from labour and capital is no longer relevant; those whose wealth derives from the passive ownership of land and natural resources, from where great wealth increasingly flows, much of which escapes taxation.

The progressive features of the tax on incomes then are restricted only to those who regularly earn a little and those who regularly earn more, a dubious advantage for any society that wants people to work and capital to be productive and would reward rather than penalise them for doing their jobs better.

SOME OF our West European friends have found a new way of penalising production which some Americans have been considering lately. It is called a value-added tax, a levy on goods and services which is proportional directly to the amount of value added at each stage of their production or exchange until they reach the consumer.

The lesson for Santo Domingo

Dominican millionaires escape property tax

THE UNEARNED increment of land belongs to all Dominicans, according to R. Hipolito Mejia, the Secretary of State for Agriculture in this Caribbean island state. And he affirmed:

"We believe that a land value tax would contribute to the most profitable use of each piece of land, thus increasing efficient land use. Moreover, it would increase production and thus accelerate economic growth. Besides, income distribution would improve as a result of a major contribution by the owners of the best pieces of land."

"According to the eminent professor of the University of Wisconsin, John Strasma, who did work on this subject in the Dominican Republic through the Agency for International Development, only three countries in the Western Hemisphere do not provide for some form of annual real estate tax in their tax laws: the Dominican Republic, Cuba and Venezuela."

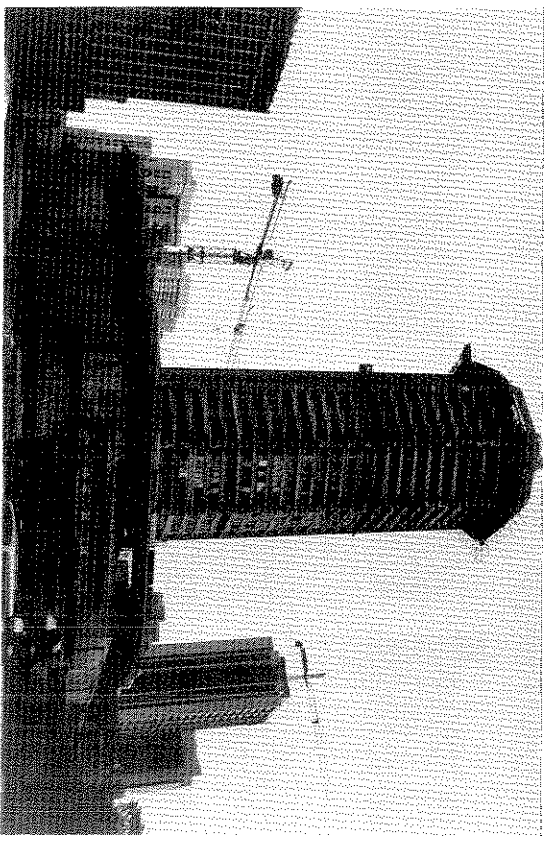
"In his final report, Dr. Strasma also points out that a well-designed real estate tax does not represent an additional burden for an owner whose land yields a good production, but it does weigh heavily on those who hold their land in idleness. On the other hand, exactly the opposite occurs with sales taxes, consumer taxes, or net income taxes: those who possess unproductive land do not contribute, while those who make their land produce must pay high taxes."

"For 1977 in the Dominican Republic, 2,373 persons declared agricultural properties among their assets. Among these, income tax was paid only by those people whose properties were valued at less than one million pesos, while the two properties valued at more than one million did not pay anything. This indicates that these large estates are being under-used and that their owners apparently keep the land for real estate purposes and not as an agricultural or cattle-breeding business."

"By the year 2000 the population of the Dominican Republic will be about nine million, which means a duplication of the current demand for food. For this reason it has become absolutely necessary to use all possible mechanisms to achieve the highest and best use of each square metre we are living on. Real estate speculation should be deterred. The unearned increment of the land belongs to all Dominicans, while the private owner is entitled to those proceeds that are the fruit of his work."

"We want to clarify that we are in favour of the concept according to which the resources obtained from taxes of this kind should return to their source of origin, in other words, they should be used in programmes that will improve the living conditions of the farmers."

SINGAPORE: ALARM OVER LAND PRICES



● Development grows apace in Orchard Road, Singapore's bustling commercial centre. Ian Barron reports.

SINGAPORE'S booming land market has begun to arouse fears that the latest prices may undermine the country's economic prosperity. Over 200 tenders that will fetch a conservatively estimated \$5800 m. were submitted to the Urban Redevelopment Authority in its recent sale of sites.

Parcel 3 attracted the highest bid: \$40,000 per sq. metre, placing a value of \$67 m. on the 1,676 sq. metre site at the junction of Cecil Street and Boon Tat Street.

The site was among eight lots of land in the Golden Shoe area earmarked for office development.

The scramble for land reflects the confidence among investors that Singapore's trading performance in the Far East will be matched only by Hong Kong's.

In the past decade, the island has experienced a total transformation. Urban slums, and the traditional *kampung* villages, have been flattened in favour of sleek concrete skyscrapers. Ornate oriental architecture, and jungle green, have both succumbed to the bulldozer.

The impact on culture and environment is controversial (depending on one's point of view). What is beyond dispute, however, is the degree to which land-owners have benefited from the growth in economic activity.

After the latest bids for land were delivered, the stock market responded: the value of property company shares rocketed, along with the shares of companies with land banks.

But while the speculators can confidently cash-in on the relative scarcity of land, alarm bells are now being rung about the prospects of the economy generally.

● Ho Kok Cheong, a committee member of the Real Estate Developers Association, has warned that land price levels have aroused the fear that there seems to be no limit to the rising cost of vacant land. High tender prices, he says, will lead to end-products which often have to be priced beyond the reach of many customers.

● Prof. Philip Motha, head of the Department of Building and Estate Management, National University of Singapore, has now publicly drawn attention to the de-stabilising relationship between trends in land values and economic development.

Nonetheless, these signals will go unheeded. Macro-economic analysts have yet to incorporate into their calculations the impact on the industrial economy of land values that are pushed upwards at a rate out of proportion to the rest of the system.

The green foliage may be rapidly disappearing in Singapore, but the jungle remains: concrete in form, and with an unnatural body of laws that permit the exploitation by land monopolists of men who want nothing more than the freedom to enjoy the wealth that they create.

might well be in Hong Kong rather than in New York. A duty-free port might do more for the revenue base of this country, including employment and investment, than the high tariffs imposed here as your major revenue source.

Which brings us ultimately to the distinction between the poor and the wealthy and the basis for taxation that provides good social policy.

The difference between the poor and the wealthy, as opposed to the simply non-poor is equal rights to natural resources. The value of resources – land, minerals vast country acres as well as valuable urban locations – offers a source of revenue that is capable of growth. But most of all, the collection of this revenue makes for a fundamentally more equitable distribution of wealth.

For there would be no tax on production to limit artificially the use of a site or motivate the destruction of a crop. There would be no incentive to hold uncultivated land off the market to speculate at the urban fringe in spot development. A tax that was high enough to discourage monopolistic hoarding of land and high enough to compel its use and growth would not only stimulate production and employment to a very high degree, but also transform special rights to land to equal rights to land.

You who live here know the importance of a homeland that is free, secure and most of all your own. The most peaceful, equitable and socially desirable means of securing rights to your land is making all those who occupy it pay everyone else for the privilege. Providing equal rights to land does not require the subdivision of estates into small, often uneconomic buildings. Nor need it mean an expropriation of private property.

Produce must belong to those who raise it with their labour, but the advantages of one piece of land or one urban location over another result from neither an individual's labour nor an individual's capital but are due to the bounty of nature or the collective activities of the community. It is the sharing of this unearned income that will accomplish what no bloody revolution or public expropriation will ever achieve.

ADVERT

WANTED: John Orr's *Taxation of Land Values and its effect on Landowners and Tenants* (1912). Please write to The Secretary, UCTLV, 177, Vauxhall Bridge Road, London, SE1, if you have a copy that you can sell or entrust to library for use by researchers.

Can of sardines! UTRICHT '82

SPECULATIVE fever, says Charles J. Urstradt, president of a Manhattan real estate firm, is like "two guys buying and selling cans of sardines. They sell for 10 cents one day, 20 cents the next, and on up to over \$1 a can. Finally one man opens a can and tells his partner how terribly the salty sardines taste. His partner replies, 'Sardines aren't for eating, they're for buying and selling.'"

THE NEXT conference of the International Union for Land Value Taxation and Free Trade will be held in a beautiful wooded estate near Utrecht, Holland. The date: July 24-31, 1982. The conference centre, Woudschoten, has three halls and an open-air theatre, with residential facilities for 150. Full details of conference arrangements will be published in future issues of *Land & Liberty*.

El Salvador death toll: speculators cash-in on cemeteries

BECAUSE of President Reagan's militant support for the ruling junta in El Salvador, land reform in that strife-torn country may be abandoned.

The Junta is considering abandoning the reform because its "economic and social benefits are very much less than its cost."

This would please right-wing landowners, whose death squads are credited with murdering the one man who was determined to push land reform ahead: Agriculture Minister Enrique Alvarez Cordova.

But the prospect of abandoning land reform would also please the left-wing. They know that their only chance of securing support from rural peasants for communism is if the reform fails.

As the Archbishop — his predecessor, Oscar Romero, was assassinated last year — explained: "There would be more pressure for an insurrection if the reforms were not carried through."

So the shift in Washington policy has pleased the political extremists and intensified violent conflict. But a third group is also reaping the rewards of President Reagan's decision to turn this tiny Central American country into an intense ideological battleground: the land speculators.

Over 13,000 people have died in the past year, most of them murdered down back streets and in country lanes.

At least 500 of them died in the first two months this year, and as the bodies have been collected so the value of land suitable for cemeteries has soared.

Hugh O'Shaughnessy reports: "The mayors of San Salvador, the capital, and the neighbouring town of Santa Tecla, are trying to cut the cost of funerals and prevent speculation in land for cemeteries."²

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2. 'Talks called to stop a war', *The Observer*, 1.3.81.

MAY & JUNE, 1981

MAE WEST: NEVER SAY 'NO!'

SHE made her name with saucy suggestions like: "Come up and see me sometime," and: "I'm in Who's Who because I know what's what."

But Mae West wasn't talking about sex when she told reporters over the past few years: "I never could say 'No!' to a good offer."

She was talking about her land deals.

The Hollywood sex queen made her first million out of films. When she died last November she left property worth \$1m.

Over the years, however, she amassed a fortune reportedly in the region of \$45m. — which she gave away

before her death, thereby evading California inheritance taxes.

During the '30s and '40s, she shrewdly moved into land dealing, buying large tracts mainly in the San Fernando Valley.

Although she owned a beach house in Santa Monica, and a ranch in the valley, Mae West preferred to spend most of her time in an apartment in Hollywood. A columnist reported her back in 1973 as explaining:

"I like this place. I moved in here the first day I arrived in Hollywood. Did it in my favourite colour: white. I owned the building once, but I sold it. I never could say 'No!' to a good offer."

Priests confused by Pope's strictures

POLITICALLY-active Catholic priests in the Philippines were left confused by the Pope's visit.

For when he toured the sugar plantations near Bacolid City on February 20, he reiterated the message delivered in Mexico, the US, Poland, Zaire and Brazil.

The land, he declared "is God's gift to all humanity." It may not be used "in such manner that the benefits it produces serve only a limited number of people, while the others — the vast majority — are excluded from the benefits the land yields."

This was a rousing testimony, with serious implications for property rights and income distribution.

Ecologists adopt land tax policy

BRITAIN'S Ecology Party has adopted land value taxation as its policy for dealing with land speculation and for ensuring a fair return for the investment of labour and capital.

The policy was adopted at the party's spring conference at Malvern, Worcestershire, on March 1.

This is the second major ecology-orientated political party to adopt land value taxation. The first to do so was New Zealand's Values Party.

During the debate, however, many of the delegates demonstrated a misunderstanding of how the tax would operate. One of the delegates, Miss Shirley-Anne Hardy, of Piltchochy, Perthshire, said afterwards: "People should study an idea first before opposing it."

She added: "However, because of a welcome appreciation that the land question is fundamental to so much of Ecology Party policy, it was decided that the issue should receive the widest possible discussion before our October conference. This should give people the chance to clarify their views."



The Pope urged landowners to be guided not "by the economic laws of growth and gain, nor by the demands of competition or the selfish accumulation of goods, but by the demands of justice."

But how were these goals to be achieved? Pope John Paul rejected the use of violence. Even more, however, he urged priests not to become involved in the political activities which might secure an improvement in the condition of the peasants.

Many priests and nuns were unwilling to accept the Pontiff's cautions without questions. One of them, Sister Christine Tan, is reported as stating: "I will study what he says, and then decide whether it is true."

Added her colleague, Sister Pilar Verzoza, who had opposed the papal visit because it would help President Marcos: "We're certainly not going to be closing our eyes to the injustices around us."

Throughout his global visits, the Pope has been radical in word but conservative in his approach to the earthly action that is needed to engineer the changes that would be necessary if his ideals were to be realised.

There is no evidence, as yet, that his pontification has encouraged the landed élites to yield to voluntary reforms. Meanwhile, more priests are being radicalised by their experiences in the parish slums and by the rural poverty that afflicts the Third World.

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2. 'Mission to the East', *Time*, 2.3.81.

PAUL KNIGHT

Why Big Business must fight for land taxation

SYDNEY'S central business district is like a busy pin-cushion, with skyscrapers sprouting out as a testimony to the postwar prosperity of the New South Wales capital.

In the capital of Victoria, however, the central business district of Melbourne has a higher proportion of vacant sites and rundown buildings.

The explanation for this contrast was established long ago. Sydney Council uses a property tax that exempts buildings from rate payments, whereas Melbourne jumps the value of land and buildings together for the purposes of levying rates.

As a result, in Melbourne, there has been insufficient fiscal incentive to develop land or under-used sites to their best market potential.

In Sydney, however, the incentive worked in the opposite direction: people who possessed land were stimulated to use the land — or release it to others who were in a position to put it to its best use.

R.W. Archer explained why this was so:

"One of the main differences between the system of site value taxation and the system of improved value taxation is that site value taxes are levied at a much higher rate. For example, for a jurisdiction in which a certain amount of revenue is to be raised and where the improved value of all property is three times the site value of all property, then the rate of tax levied on site values would have to be three times as much as the rate of tax levied on improved values. The significant point of this is that under the site value system a vacant site would be taxed three times the amount that it would be taxed under an improved value system."

Businessmen who act irrationally — from the community's point of view — by keeping valuable assets idle, are

By FRED HARRISON
reporting from
Sydney
Additional
research in
Melbourne by
Allan Hutchinson

AUSTRALIAN LAND TAX 1976-77			
STATES	CORRECTED LAND TAX PERCENTAGE		
	LAND VALUE (\$ million)	COLLECTED (\$ million)	LAND TAX %
N.S.W.	33,931.0	111.6	0.329
VIC.	30,398.9	59.8	0.197
QLD.	7,314.5	12.8	0.175
S.A.	6,810.5	18.3	0.269
W.A.	3,676.0	11.7	0.318
TAS.	1,237.6	3.8	0.307
TOTAL	83,368.5	218.0	0.261

SOURCE: A. R. Hutchinson, Land Values Research Group, Melbourne.

not generally disposed to admitting the source of the problem.

Excuses have to be made — and whipping boys have to be found. In Melbourne's case, the city council is being blamed for the low rate of development. The Chamber of Trade, for example, blames the council's ponderous bureaucracy for the visible failure of many landowners to bring sites into use.

VICTORIA'S state government has decided to sack the city council, and replace councillors with three administrators.

The Chamber of Trade claims that this has encouraged developers to come forward with new schemes. There is certainly something of the beginnings of a boom in Melbourne. Jennings Industries Ltd., for example, is planning a \$7m. speculative office building, the first since the property boom of the early '70s. The company has applied to the city council for a permit to build a seven-storey office block on its site on the corner of Queen and Latrobe Streets.

But can the resurgence in the development market be attributed to

political considerations? This is questionable. Sue Angell reported:

"The diminishing surplus office space situation and subsequent firming rentals have encouraged major institutions to reopen the files on their long-held sites and reassess the viability of developing."

In the past few months, developers have spent about \$12m. acquiring prime development sites.

The thesis to be advanced here is that the state government's three administrators, who will now run the city, ought to order a complete re-examination of the effects of Melbourne's rating system. And that self-enlightened businessmen ought to be campaigning vigorously for a switch to site value rating.

THE RE-VALUATION of Melbourne City was completed last September. Values as at June 30, 1978, were put as follows:

- The value of land and buildings (capital improved value — C.I.V.): \$3.34bn.
- The value of sites alone: \$1.26bn.
- Net annual value of land and buildings: \$207m.

The rate in the \$ struck for 1980-81 is 13.35c. on net annual value. If the city were to raise an equivalent sum by rating the capital values of sites alone, the rate equivalent would be 2.1929c. per \$.

In this study, we deal only with the general rate imposed by the local authority. But it should be noted that property owners are also liable to two other rates:

KEY:	
N.A.V. = net annual value	
S.V. = site value	
C.I.V. = capital improved value	
COLLINS STREET	
Enterprise House	Surrounding vacant land
N.A.V. 1,067,000	N.A.V. 98,500
S.V. 1,481,000	S.V. 1,970,000
C.I.V. 15,000,000	C.I.V. —
Improvements 13,519,000	
RATING SYSTEM:	
cents in \$	
N.A.V. at 13.35	142,444.50
S.V. at 2.1929	32,476.85
	13,149.75
	43,200.13

1. A special rate towards the cost of the Metropolitan Loop Railway which is payable on non-residential properties only; and
2. State land taxes payable on a sliding scale according to the value of the site.

CASE STUDY ONE: the corner of Spring and Collins Streets. The corner building is the Old Treasury Building which, together with an adjoining vacant site, has stood unused ever since the state government sold it ten years ago.

The owners of the two neighbouring 12-storey office blocks in Spring Street would save over \$68,000 between them as a result of a switch to site value rating. But the tax liability of Nos. 1 and 5, Collins St., would rise from \$8,500 to \$28,000.

CASE STUDY TWO: the corner of Collins and King Streets. The corner site is vacant. The 2,583 square metres of space is used for car parking — a favourite time-filling underuse of speculatively-held land. Under site value rating, the tax liability on this land would rise by \$21,000.

The owners of the adjoining 16-storey building in Collins Street are now liable for \$38,448 in rates; but the reform of the rates system would reduce their liability by over \$28,000.

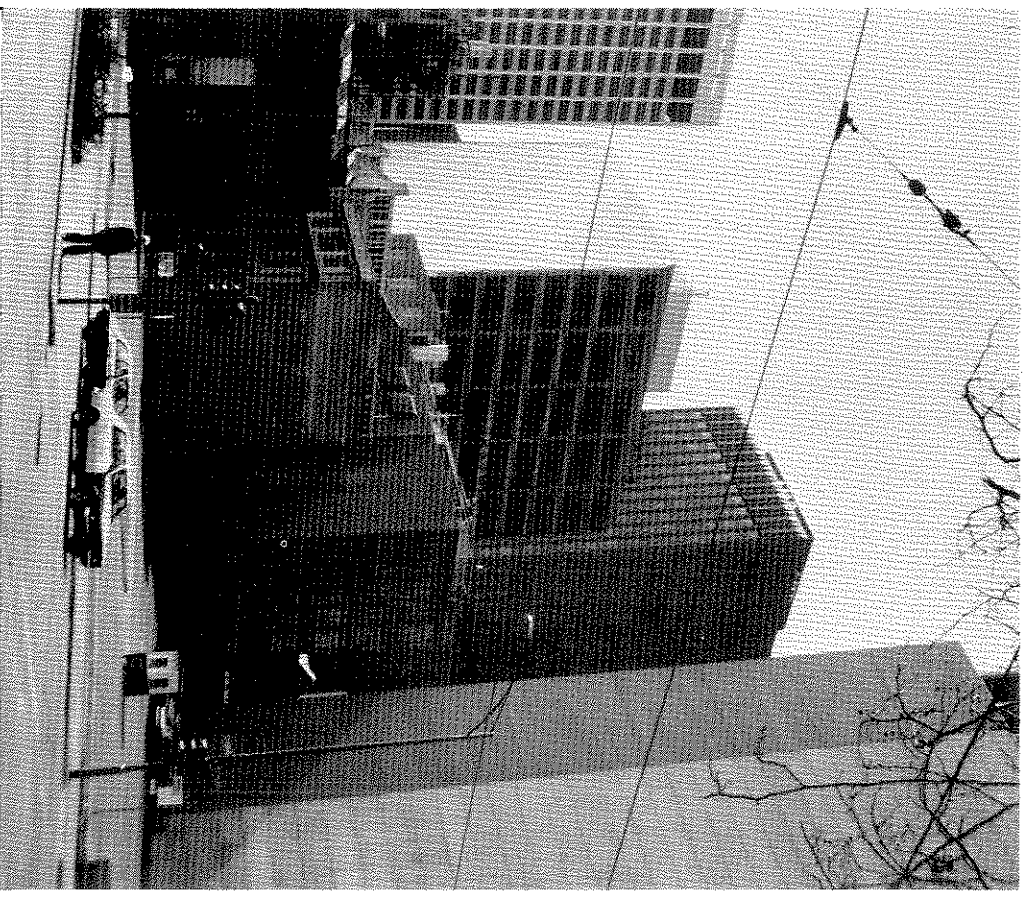
THE LESSONS to be derived from these facts are starkly obvious.

Melbourne's system of taxing property is perverse. Valuable vacant sites can be kept idle with the minimum of fiscal cost, but developers who invest in capital improvements are penalized through higher tax liabilities!

The expenses of the community are financed disproportionately out of the pockets of active entrepreneurs rather than out of the unearned rental income of landowners. This is a clear *disincentive* to enterprise and wealth-creation, and a direct *encouragement* to the sterile activity by land speculation.

But these points appear not to be fully appreciated even by Sydney Council, whose city has benefited from the dynamic impact of site value rating. The New South Wales capital plans to impose a levy on private developers to raise \$7m., which would be used to underwrite the construction of low-cost housing.

The 2% levy on the cost of each new project is also supposed to influence the pattern of development in Sydney. The levy, however, is more likely to *deter* development, a point



	COLLINS STREET		KING STREET	
	520	522-34	106-8	110-12
N.A.V.	288,000	69,975	6,800	8,900
S.V.	469,000	1,394,100	44,000	44,000
C.I.V.	4,800,000	1,399,600	115,000	135,000
Improvements	4,331,000	5,500	71,000	91,000
RATING SYSTEM: cents in \$				
N.A.V. at 13.35	38,448.00	9,341.66	907.80	1,188.15
S.V. at 2.1929	10,284.70	30,571.21	964.88	964.88

made forcibly by industrialists who say that development will be driven out of the city.⁴

The rational form of pressure, which would secure Sydney's twin aims of higher revenue and influencing the pattern of development, would be to raise the level of taxes on the economic rent of land.

WILL THE Victorian state government's political influence over Melbourne's municipal affairs now lead to a reform of the rating system? This seems doubtful, as can be seen from the latest example of the fiscal philosophy of the state politicians.

The state government has decided to waive its land tax in an attempt to preserve the city's 60 designated historic buildings.

The Minister of Planning has revealed that land tax, about \$50,000 a year on an average city site, would be waived for "a substantial time" after restoration.⁵

Is this tax concession to landowners really necessary?

It could be argued that some concession needs to be made to owners who suddenly find the economic value of their property reduced by the preservation orders. No such concession needs to be made to people who buy property in the full knowledge that such orders already curtail the legal use to which land can be put.

Take the case of Nos. 1 and 5 Collins Street. The former owners, the CML group, sold the property last September for \$2m. after failing to agree with the preservation council on a plan for redevelopment.

The new owner is Singapore tycoon Jack Chia. When he bought the property, did he not discount for the fact that he would not have a totally free hand over the development of the site? As a rational businessman, he would have done so.

Now, Mr. Chia has agreed to build a 12-storey office block on the site. The plan includes the "complete restoration" of the existing facades to a depth of ten metres.

The sensible strategy, then, would be to charge Mr. Chia the full land tax on the property, with an appropriate reduction for the ten-metre deep area over which his use is restricted. Valuation experts would have little difficulty in determining the true economic rental value of that portion of the land over which the owner has restricted use!

The state politicians, however, have approached the problem from the completely wrong end. Instead of using land tax as an inducement to develop sites to their best permitted use, they are seeking to bribe landowners to develop their sites with money that must come out of the pockets of others. For the land tax savings of up to \$100,000 a year for owners willing to develop historically important properties will have to be made up from other sources.

Preserving a community's architectural heritage is important, but the city and state politicians of Melbourne and Victoria ought to be paying similar attention to the provision of constructions that will best serve the needs of the present-day.

Close attention to the impact of the property tax as it has been administered in different parts of Australia will provide them with the best possible empirical evidence for making key changes that will enhance the social welfare and economic prosperity of their communities.

And as for the entrepreneurs who play a leading role in providing the goods and services demanded by consumers, they ought to be financing a determined campaign to shift the property tax onto site values, on the grounds of both equity and enlightened self-interest!

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	SPRING STREET		COLLINS STREET	
	35-47	49-51	1-3	5-7
N.A.V.	563,000	212,0000	33,250	31,000
S.V.	1,136,000	468,000	665,000	617,500
C.I.V.	8,000,000	3,300,000	665,000	620,000
Improvements	6,864,000	2,832,000	—	2,500
RATING SYSTEM: cents in \$				
N.A.V. at 13.35	75,160.50	28,302.00	4,438.88	4,138.50
S.V. at 2,1929	24,911.34	10,262.77	14,582.78	13,541.16

Socialized rent — the price of economic freedom!

CAPITAL is the accumulated product of labour upon resources. Where monopolies or restrictions on trade are not permitted to distort the economy, the returns to labour and capital will tend to a rate which is determined by market competition. Any returns above this level will, in general, not be

due to labour and capital only, but must also be ascribed to advantages conferred on the particular *location* on which they operate. Some (but by no means all) advantages arise "on site", such as the natural fertility of farmland. Many advantages stem from the

provision of goods, utilities and services from both the public and private sectors of the economy, and may interact at a distance from the points at which they are generated. A computer terminal located in Nebraska may facilitate living in New York, and thereby increase the competition for desirable sites in that city. But the city must be fed—and this increases competition for desirable cattle country in Nebraska!

These advantages are a social surplus that comes as a bonus, both from the bounty of nature and from the savings in effort and the efficiencies that stem from the very existence of the corporate community. They constitute what is termed economic rent, and are potentially quantifiable by the market.

Rent is a surplus that can be either channelled into community enrichment or else, by default, can be privately appropriated through the capitalization of land rentals into land price. The mad scramble for land is really the mad scramble for rental advantage, anticipating that its growth will be capitalized, unearned and tax-free. A capitalization upon community development

KENNETH GRIGG, a *Land & Liberty* correspondent from Canterbury, Victoria, explains why many Australians believe that "the socialization of site rent should be mandatory fiscal policy: it is the price to be paid for economic freedom".

it indeed is; a gain in capital as the outcome of labour exertion—the rendering of service—it is not. But such are the ethics of society, that it is highly inconvenient to draw the distinction! And it is the rendering of service that gets taxed! At any rate, land price, once firmly seized, soars speculatively ahead of the ability of real production to sustain it. It is thus at one and the same time the causative forerunner of economic recessions and the barrier which explains the chronic under-employment of labour and capital and the consequent international depression of trade through "protection".

A tax on rent as a surplus is a tax on no man, neither on his efforts nor on his wealth accumulated through those efforts. It is a re-apportionment of the obligation to contribute to public

revenue; people are required to pay not upon what they have contributed to the community but upon what the community contributes to them. And precisely because it is a tax on a surplus, a tax on rent cannot enter into the unit price of goods—quite unlike taxes on labour and capital. To the extent, therefore, that rent flows to the community, not only will capitalized appreciation in land prices be prevented, but the taxation of labour and of productively-invested capital and of goods and services will be rendered unnecessary.

A tax on rent is a tax on a surplus that can be identified and cannot be hidden, for the privilege of the ownership of land title can be identified and thus held to account.

The economic benefits of all social and scientific advance is ultimately and inevitably capitalized into the price demanded for land unless the annual rental of land is continuously socialized. *The socialization of site rent* should therefore be mandatory fiscal policy. *It is the price to be paid for economic freedom.*

The tax base: annual values v. capital values

TAXES on land can be based on capital (selling) values or annual (rented) values. Britain is familiar with annual values because they are the basis of local rates. Rate assessments are based on the composite value of land and buildings in their existing condition. The annual value of a piece of land is the gross rent that can be obtained for it on the open market. It represents the productive advantages of location and natural resource enjoyed by the site itself. The annual rent is a claim on current production, being the share of production due to site factors; it is not constant, but changes to reflect the prosperity of the community. The capital value, that is the selling price, is derived from the annual value. In essence, it is the capitalisation of the rent, the capital sum which would have to be invested to yield an equivalent amount in interest. In practice, there are other influences on capital values, making them less stable than annual values.

Simple calculations show how interest rates affect capital values. At a 10% rate of interest, £1,000 would be necessary to give an annual yield of £100. If the interest rate were 5%, then the capital sum required would be £2,000. Thus, capital values can change with interest rates whilst annual values remain unchanged. Capital values rise when money is "cheap".

AUSTRALIA'S authorities use capital values as the basis for their property taxes. This method has serious disadvantages; annual values are superior, reports —

HENRY LAW

Monetary inflation, and future expectations, however, do modify the effects of this principle.

In the hope of higher rentals in the future, capital values rise beyond what would be necessary to yield annual rents at current rates of interest. Rates of return on land are lower than the prevailing rate of interest on other investments, reflecting the greater security of land and the expectation of future increase. This advance in capital values is the speculative element, and changes according to market factors. The extreme example is when land is subject to a wave of panic buying; prices rise rapidly, a phenomenon that occurs also with certain commodities such as precious metals.

Land prices rise more easily than they fall. When demand is slack, landowners will, if they can, hold on in the hope of a recovery, and land will simply be kept off the market.

Thus, in a general way, capital values reflect the annual values

from which they are derived. But in practice it is found that whilst annual values change steadily, capital values show a stepwise trend, short periods of rapid increase alternating with longer periods of little change.

The instability of capital value makes them unreliable as a measure of land values. But there is a more fundamental reason why a tax on land values should be based on annual rather than capital values. The tax is the proportion of the gross land rent which is taken by the public authority; taxation has no effect on the annual value itself. There is, however, a fall in capital values due to the tax. It can be seen most clearly in the extreme case where the whole of the annual value of the land is taken in tax; no-one would then wish to purchase land for there would be no rental yield to the owner, and the capital value of land would be nil. For lower rates of tax, capital values would fall by a proportionate amount—if 10% of the annual yield is taken in tax, other things remaining the same, capital values fall by 10% also. Where capital values are used for assessing a tax on land values, the imposition of the tax causes the capital values to diminish; the tax erodes its own base. Unless rates of tax are very low, capital values are unsuitable as a basis for land value taxation.

FLORIDA is the state where dealers turned speculation in worthless swampland into an art.

Innocent investors throughout the United States have lost millions in the everglades and coastal swamps, as they mistimed the investment of their savings into real estate in the hope of making quick fortunes.

The most notorious of the land booms, which took place in the mid-20s just before the 1929 slump, still figures prominently in the memories of Floridians.

BUT BAD memories evaporate quickly in the face of renewed prospects of fortunes to be made on the infirm foundations of new property developments.

And so it is that the dollars continue to pour into the Sunshine State. And this spring a party of British investors are flying out under the supervision of the authors of a guide published in London for people seeking tips on land speculation. John Diamond, editor of *The Property Letter*, informed his readers:

"The Florida property market is booming. There are parts of Orlando, for instance, which are showing higher rates of industrial investment than any other part of the US."

But the unwary can sink their hard-earned cash into deals as firm as the swamps that dissect the state. As Diamond noted: "There are mistakes to be made, and already there are investors who are returning with their fingers burnt for reasons other than staying in the hot southern sun for too long!"²

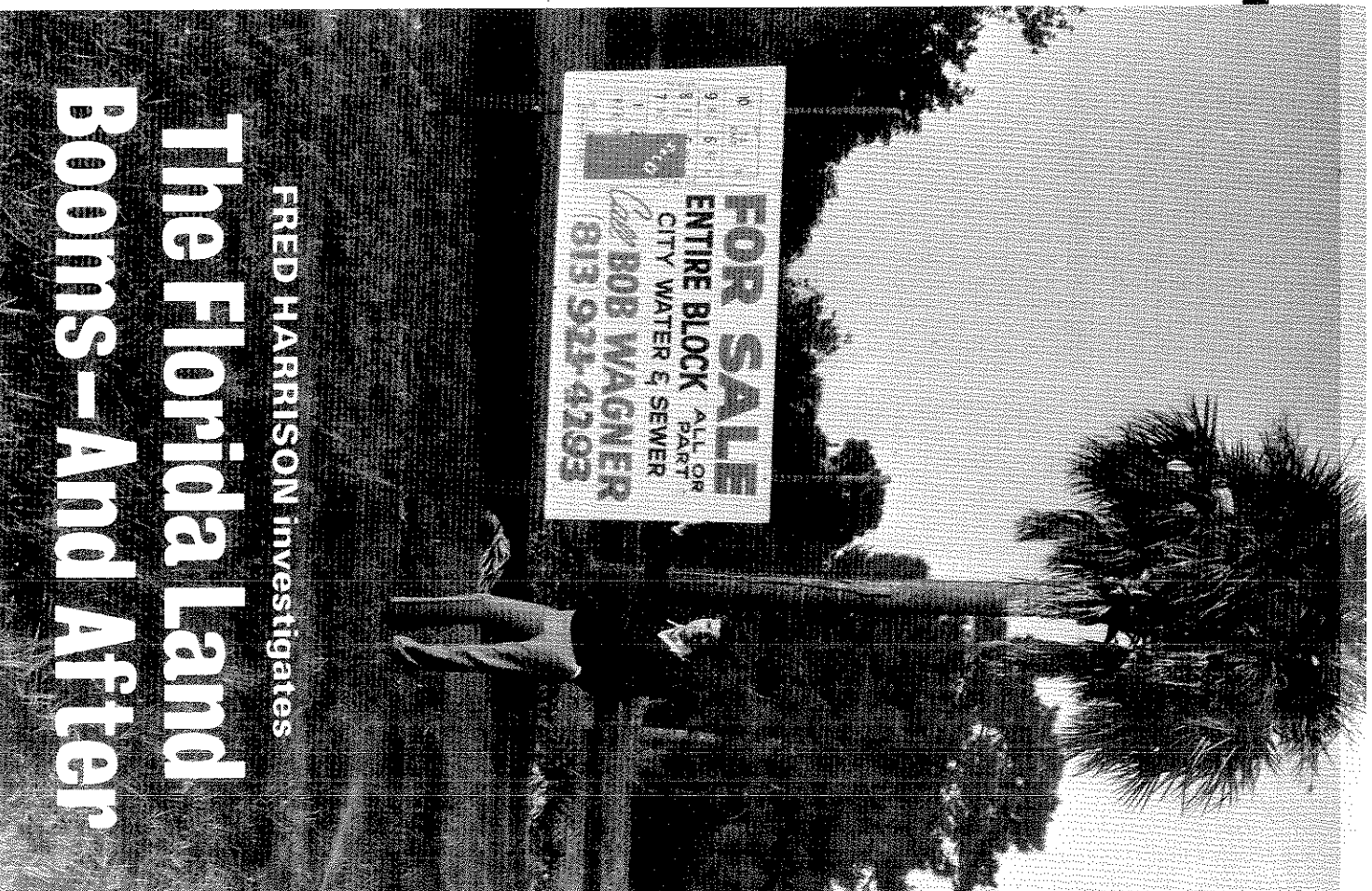
SPECULATION in Florida is a state-wide activity. As *The Property Letter* says: "Land speculation in Florida is a perfectly respectable activity. Even nice people do it!"

And so, despite the recession that has struck the nation, the boom in Florida, the land of the succulent oranges, continues unabated.

Most of the money goes into "investment acreage"—\$65 m in the third quarter of 1980 alone in Palm Beach.

In Wakulla County, a real estate company is making a virtue of selling undeveloped acres by announcing that it is "Selling Florida's Last Frontier"—much to the anger of environmentalists.

But you don't have to go into the far-flung swamps to create opportunities. Owners of Art Deco hotel properties in Miami Beach want



FRED HARRISON investigates The Florida Land Booms—And After

the district rezoned for commercial use.

In Boca Raton, land worth \$800-900 an acre a decade ago is now selling for \$300,000-400,000.

But, despite the optimism of dealers, the peak in land values may be rapidly approaching.

Most analysts do not recognise the link between the health of the general economy, and the causal influences of the land market. There are exceptions. Columnist Larry Birger, for example, has drawn the connection between trends in Florida's real estate market and the recession in the mid-70s.²

For the most part, however, businessmen continue to predict a buoyant economy for Dade, the county that includes Miami. Even the Florida Home Builders Association fails to link the price of land with the slump in construction; blame is almost exclusively placed on the high level of interest rates!

THE HIGH SOCIAL costs of rental levels that are out of reach for many families are still being counted.

The Miami TV station, in reporting the emergency draft of State troopers into Dade to help police with a major

SOME RECENT SOUTH FLORIDA LAND DEALS: \$m.

	ACRES	BOUGHT	SOLD: Dec. '80
Biscayne Blvd.	1.0	July '79: \$1.2m	\$2.1m
N. Kendall Drive	2.3	Jan. '80: \$0.25m	\$0.5m
NW 25th St./			
96th Ave.	30.0	Jan. '80: \$1.5m	\$2.6m
Ocean Drive,			
Key Biscayne	6.0	Oct. '77: \$1.0m	\$5.7m

SOURCE: Charles Kimball, *The Miami Herald*, 28.12.80.

PALM BEACH SALES

PROPERTY	SALES*	\$m
Investment acreage	24	65.187
Apartment buildings	14	17.402
Apartment sites	20	30.677
Commercial sites	16	15.122
Plants, warehouses	3	2.015
Homebuilding land	12	8.969
Motels, hotels	2	1.600
Stores, offices	11	7.740
Miscellaneous	4	1.462
TOTALS	106	150.164

*Third quarter 1980; only deals over \$300,000 are listed.

crime wave, identified the high cost of apartments as a major cause of socioeconomic tensions.

For analysts wishing to avoid penetrating too deeply into the sociological problems, the influx of refugees from Cuba and Haiti into Southern Florida have been very convenient—they are blamed for the alarming rise in robberies, muggings and murders.

But while many of the refugees may be unemployed, even people with jobs are having a tough time.

Efram Lopez, 58, discovered that the rent on his apartment jumped from \$310 last December to \$435.60 in January.

"How do you live?" he asked. "And how do you eat? There's no justice for those who work..."³

The demand for homes is there; but builders are unable to provide them at a reasonable price.

And the problem originates with the land market—the rate at which land flows into the hands of builders, and the prices that have to be paid.

Because low-income families cannot afford to buy or rent their own homes, they are pressuring the public sector.

Key West, for example, has now applied for a \$3m grant from the federal Department of Housing to buy land for new homes. Black leaders in this southernmost tip of the state say that rents have risen to such heights that only the rich can afford to live there.

The English play ...

IT IS A new technique in land speculation that had to be invented in Florida! But it's only a variation of the old English play of "having your cake and eating it"!

The Maxwell family have owned vacant plots of land at SE First Avenue and Third Street in downtown Miami for over 40 years.

That has been ample time for them to learn that land keeps appreciating in value. But that once you've sold the land, someone else starts to cash-in.

Messrs. R. D. Maxwell Jr. and Jerry M. Chafin have just sold half-an-acre of that land to Devon Industries Ltd. for \$1.55m.

Not a bad price, you might think. But the Maxwells are not content with cash-in-pocket. So they came up with a shrewd contractual clause: if the new owners sell the land, they are entitled to a share of the extra profit!

The Maxwells may have given up the title to the land, but they are determined not to lose out on profits from a quick speculative resale!

NOT SURPRISINGLY the failure to identify the source of the problem has led to demands for rent controls.

The political pressures are mounting. For in 1980, rents in Dade County jumped an unprecedented 24%. In Broward County, the average climbed from \$314 a month to \$360. The Palm Beach County average leapt from \$314 to \$367.



● Weeds flourish on a valuable site on Biscayne Boulevard

Rent controls, however, are not the answer. As worldwide experience has shown, they merely aggravate the problem. As the rate of return on investments declines so there is a cut-back in the flow of resources into the housing sector. And that intensifies the problem of shortages!

In Miami, developers are trying to counter the threat of rent control by proposing a trade-off. They have suggested that, if new apartments could be exempted from property taxes, the city would receive a share of rent receipts instead.⁴

But this is merely a convoluted way of reforming property taxes. The answer, surely, is to:

- **REDUCE** taxes on capital improvements: this would encourage investments to new levels, and balance the supply with the demand for homes;

- **RAISE** taxes on the annual value of land: this would minimise or eliminate the damage done by speculation—people would be less inclined to hold land off the market in expectation of even higher profits in the future.

LANDOWNERS, however, are not interested in a rational reform of property taxes, which at present work to their advantage.

Real estate deals are a lucrative way of minimising taxes, for example. A current case in point is the 78-square-mile expanse along the eastern boundary of Everglades National Park.

The Aerojet General Corp. has agreed to sell the tract—largely swampland—to the Trust for Public Land for \$17.3m. But only 17,280 acres are actually being sold. The rest is being given as a gift—thereby making Aerojet's parent company, the General Tyre and Rubber Co. of Ohio, eligible for an income tax break.

Homeowners also have benefitted from the way the property tax is administered—especially as a result of under-valuation. Just how serious the undervaluation is can be illustrated from the recent sale of a home in Bontona Avenue, Fort Lauderdale. The property was assessed—for tax purposes—at

\$562,730. It was sold last December for nearly double that sum: \$1,080,200.

But attempts to enforce registration of 100% values is calculated to cause a revolt, as is currently happening in Monroe County where the 1979 tax roll of \$1.1bn has just been increased to \$1.6bn.

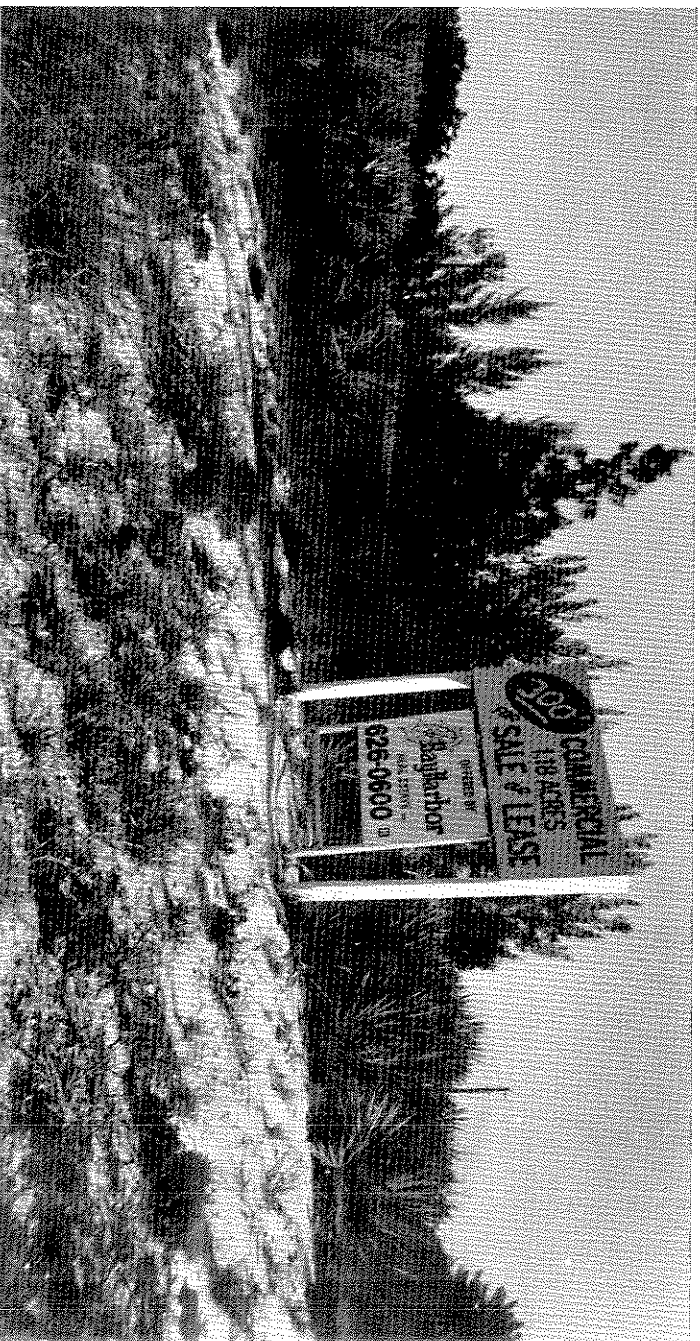
Shrewd politicians, however, have a knack of inventing devices to minimise the financial effects of enforcing tax laws. For example, when Florida's governor, Bob Graham, pushed for higher assessments, he was left in no doubt that homeowners would take compensating action. And on two separate occasions last year, voters approved constitutional

amendments that significantly increased the value of tax exemptions on their properties!

US property taxes may be riddled with anomalies, but the last place to look for a reform of the system's underlying philosophy is Florida!

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Landowners fight life-or-death road plans

NEW ROADS mean higher values for owners of adjoining land.

So who should pay for the provision and maintenance highways?

This is a critical question—indeed, a matter of life or death—in Florida, where the costs of a poor network are high:

- Bumpy, pitted roads cost the average motorist an extra \$200 a year in wasted petrol and car repairs; Floridians are throwing away \$1bn a year in wasted fuel!
- Bad roads cause 219 accidents every day; they are the second leading cause of accidents, costing Floridians over \$1bn in hospital fees, property damage and insurance claims, according to the Road Information Program in Washington.

WHY HASN'T something been done? According to Miami lawyer Kenneth Myers, who headed the Senate's Transportation Committee in 1979—he retired from the Florida

Legislature in 1980 after 16 years service—the state just does not have the money.

The petrol tax is a flat eight cents a gallon, which does not bring in enough to finance a programme that would provide the state with a network of highways to meet the demands of the economy.

"We desperately need to revise the entire method of financing Florida's transportation system," insists Myers. "It is not an understatement to say that the future destiny of Florida is at stake. Transportation is the backbone of our economy."

A TAX on land values would be the answer. The major beneficiaries would finance the highway system, and this would relieve the lawmakers from imposing other kinds of taxes that reduce living standards and retard the process of wealth-creation. Yet Florida's landowners oppose the idea that they should pay for the

roads that push up the value of their properties.

In Palm Beach, for example, some developers are campaigning against the country's land-use plan which says that roads must be adequate before developments are built and people move in to use them.

The developers want to argue about road costs after they have cashed in!

And the law-makers seem to be on the side of the landowners. Instead of making—and enforcing—sensible tax laws, they are employing what *The Miami Herald* called "delaying tactics".²

While the delays continue, the landowners are making fortunes and the motorists are dying on the roads.

1. Kenneth M. Myers, 'Down the Road to Ruin', *The Miami Herald*, 21.12.80.
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Geo-Libertarianism

LIBERTARIANISM and Georgism are currently two different movements, two separate philosophies.

Libertarianism is based on the premise that each individual has, as the U.S. Libertarian Party puts it, "the right to exercise sole dominion over his or her own life . . . land and property], so long as he does not forcibly interfere with the equal right of others to live their own lives in whatever manner they choose."¹ In my book, *The Soul of Liberty*, I state the formula in a less circular manner, saying that each person has the right to do as he pleases so long as he does not "coercively harm others."² A natural corollary of this is that "the sole function of government is the protection of the rights of each individual."³ "to prevent people from harming one another."⁴ "In economics, libertarians advocate the establishment of the purely free market, that is, a market unhampered by government intrusion."⁵

Georgism, derived chiefly from the writing of Henry George, although others have written along similar lines, is the concept that the ground rent, the economic rent of land and other natural resources, exclusive of man-made improvements, should be paid to the community, since all

BY FRED FOLDVARY

humans have the equal right to use the land. Furthermore, no other tax should be levied on labour, wealth, or transactions, since each person has the right to the full product of his labour. Land is not produced by labour, and its value is generated by the community, thus its rent should be paid to the community. If such is done, land is put to its best economic use and society enjoys the resultant prosperity and full employment.

Within these broad, basic outlines, libertarianism and Georgism have no apparent inherent conflicts. It is when we get down to some specifics about just which rights we have that a basic difference between the views of some libertarians and those of the Georgists emerges. Many libertarians believe in absolute private ownership, including the ownership of land and natural resources. Let us call these the "privatist-orientated libertarians" or "privo-libertarians," to give them a name. Their view of the right to own land is simply "first come, first served." This is based on the "homesteading axiom" that a person has the absolute right to any previously unclaimed resource or land, and that it is his by transforming it by his labour, even if only to stake out a boundary.⁶ As a corollary, privo-libertarians are also opposed to any taxation, saying "all taxes are confiscatory,"⁷ since by their views taxation is necessarily coercive, and thus wrong.

Thus we seem to have two philosophies, both based on freedom and equality, but with this one significant difference that turns them into opposites. The privo-libertarians postulate the equal right to *claim* virgin land and then to own it exclusively, and the Georgists say that there is an equal right to the *use* of all lands, with only the exclusive right to the product of labour (and stored labour which is capital). How can a libertarian be consistent if he also advocates Georgism, in the face of the claims of the privo-libertarians?

To reconcile libertarianism to Georgism, we must return to the basic premises of libertarianism: that each individual has dominion over his own life, equal to that of others, and that the sole function of government is to secure the right of an individual to be free from the coercion of others.

We can see that the homesteading principle of the privo-libertarians does not derive from this basic premise, but is a separate, additional axiom. Thus one can be a libertarian without embracing it, and in fact there are several arguments that can be raised showing why this secondary axiom can contradict the original and basic libertarian premise.

The Georgist principle of the equal right to the use of natural resources is thoroughly compatible with the basic libertarian principle of self-ownership. Self-ownership means that one is entitled to the product of one's labour, but that does not necessarily give one any exclusive and eternal right to claim natural resources, which are gifts of nature not produced by man. What then are the rights to natural resources? One can rightfully occupy virgin territory, use it, and then leave it, but once one has left, there is no necessary reason why one should have a claim upon it. One could just as well, and with better logic, say that the resource then reverts to a state of nature, available for anyone's use. For someone to claim that a stretch of land is his just because he trekked through it is absurd and arbitrary.

Since the amount of land is fixed, once all the good land in a territory is claimed, its ownership gives the possessor a type of monopoly, a special privilege, whereas the libertarian creed of equality demands that there be no such privilege recognised by law. As George wrote, "the denial of the equal right to the use of land is necessarily the denial of the right of labour to its own produce."⁸ The equal right to the fruits of one's labour thus supports the Georgist notion of common ownership of land, with the user paying for its rent, which represents its monopoly value.

ANOTHER problem for the privo-libertarian is the question of land titles. They argue that if there are no rightful descendants of the original victims of a land takeover, then the current owners have a rightful title. This implies that if you murder the owner and his heirs, your title to their property becomes just — a rather revolting contradiction to the noble libertarian prohibition of force or fraud. Surely privo-libertarians would not object to paying rent to a landlord who owned an entire country? Thus there is no inherent libertarian objection to paying ground rent to an organization composed of all citizens, each with an equal share of the land, if they truly own the land.

But even going beyond these arguments, it can be demonstrated that even the most hard-core privo-libertarian must logically embrace some aspects of ground rent. Libertarians favour voluntary, especially private methods of providing civic services, rather than making them coercive state monopolies. But what is the best way to pay for these? If a community should decide, for example, to provide for its streets, sewers, and lights by private enterprise, an assessment according to the value of the land serviced could well be the fairest way to finance it.

Thus by studying Georgism, libertarians can learn the economically best ways of running the voluntary society of their dreams.

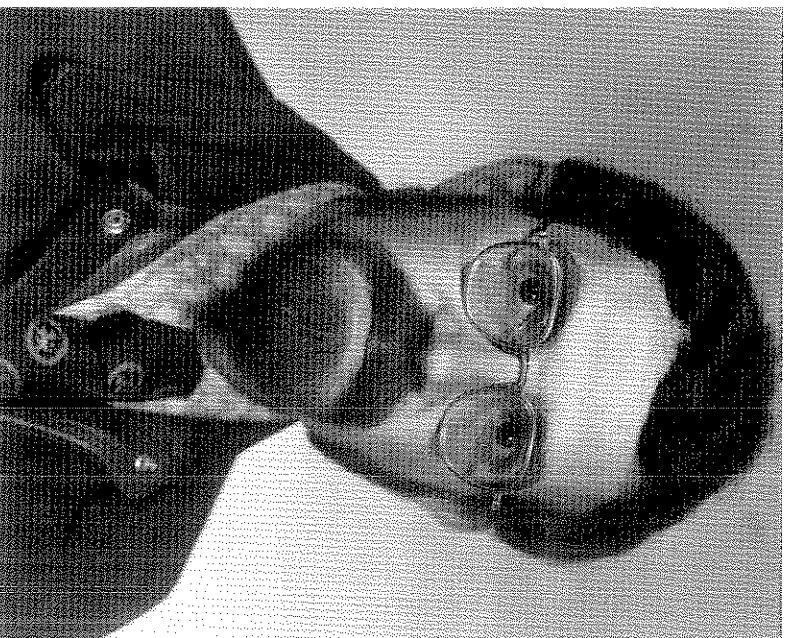
Furthermore, most libertarians would favour any step that promotes freedom and reduces taxation on labour and enterprise. The privo-libertarian must therefore logically favour the land value tax or ground rent as an *alternative* to the current tax nightmare, to taxes that are disincentives to labour and capital. A single tax on land would eliminate, if nothing else, the several bureaucracies devoted to the collection of income, sales, value added, and personal property (including housing) taxes, to say nothing of tariffs. The reduction of this overhead alone would reduce state spending and net taxes, and the removal of those tax burdens from businesses and individuals can only make the heart of any libertarian rejoice! Surely libertarians, priding themselves on their rationality, will welcome the land value tax (better termed ground rent) as the best of all taxes, if there must be a tax at all.

Libertarians advocate the financing of government services through user fees, such as a fee to collect the garbage. The ground rent is a user fee, a fee for the use of land!

How Geo-libertarianism would work

Libertarians include both advocates of anarchism and those favouring a strictly limited government.

The latter favour a decentralized government and would have the ground rent assessed and collected at the local level, such as by counties. The counties would send a portion of the ground rent to the next higher jurisdiction, such as a U.S. State, Canadian Province, or British region such as Scotland. It would in turn send a remaining portion of the funds to the national government, to be used mainly for military defence, foreign relations, and national courts. The funds sent by a county to the province, and then to the national government, would be allocated as a percentage of the ground rent. For example, the province



DURING the course of his research for this article, which compares libertarianism with Georgism, FRED FOLDVARY noted that the prefix "geo", as used in geography and geology, stemmed from the Greek word meaning earth, land, or ground. By a remarkable coincidence, these three letters form the beginning of the surname of Henry George – the apostle of man's right to the equal enjoyment of the world's natural resources. Foldvary thus concluded: "Georgist libertarians can call themselves "geo-libertarians." libertarians who recognize man's right to nature's geography and geology, and the validity of Georgism!" Fred Foldvary is the author of the recently published *The Soul of Liberty: The Universal Ethic of Freedom and Human Rights*, San Francisco: The Gutenberg Press (\$6.75).

Did Prof. R. V. Andelson (pictured right) "jettison" the core of Henry George's philosophy?



'Neo-Georgism violates natural rights and enhances state power'

—claims New York-based libertarian Mark Sullivan

Even though Professor Robert Andelson, in 'Neo-Georgism And The Quest For Justice *Land & Liberty*, Nov-Dec. 1980) is anxious to separate the movement that has built up around Henry George's philosophy from anarchism and no-government libertarianism, he recognizes that Georgism and libertarianism have much in common. He lauds the current popularity of libertarianism, and holds out George's idea of the land-value tax as the best way to implement the libertarian concept of the minimal state. Andelson, however, argues against the terms "single taxer," and "Georgist" because he feels that the one does not express the full social philosophy and reform of Henry George, and that the other *does* imply agreement with all the reforms and analyses put forward by George(!).

He does, however, believe that "the fundamental core of George's thought remains . . . intact," and that those who adhere to this core ought to call themselves Neo-Georgists. But by the end of his essay, Andelson has jettisoned not only positions not essential to George's "fundamental core" but the "fundamental core" itself. Further, while he correctly claims that Georgism is compatible with a consistent

libertarianism, his Neo-Georgism is, in the final analysis, a variant not of libertarianism but of statism, the doctrine that individuals and society exist to serve the state.

Professor Andelson correctly identifies the fundamental core of Georgism: "the labour theory of ownership, and the belief in natural rights which underlies it"; the corollaries that nature cannot be privately owned or held to collect private tribute for its use; and finally that rent is a social product belonging rightly to society (or equally to all its members). But Andelson, in his zeal to justify the "minimal" state, proceeds to violate these principles that he claims to hold so dear. And in the process, he loses what common ground Georgism shares with libertarianism (anti-statist capitalism) and with anarchism (anti-statist socialism).

As illustrations of my charge, we need only look at Andelson's antipathy to the terms "single taxer" and "untaxer". Neo-Georgists will not be single taxers, he tells us, because society and the minimal(?) state provide services which necessitate the collection of more (and other forms of) revenue that can be supplied via the single tax on land values (a non-graduated income tax as well as

might keep 20% of the value raised by a county, the nation 30%, with 50% retained by the county for local uses.

Locally, the funds would be limited to supporting the police, the courts, general administration, and a few other civic services. No funds in a libertarian government would be used to subsidize any business or private endeavour, nor to promote any "good works" such as space exploration or the arts, nor to interfere in any way with peaceful competition or personal lifestyles. The funds from the ground rent not used for essential government purposes would be returned to the people in each county on a per-capita basis.

Libertarians favour free choice in the use of even government services. Thus if individuals prefer to subscribe to a private garbage collection or fire protection, they would be free to do so under a libertarian government, and to transfer what would otherwise be paid to the government, that portion spent for the private services to the companies supplying them, up to the average expenditure by government for that service. This would apply to the schools as well, since libertarians agree that private schools should not be forced to compete unfairly with government schools.

CAN AN anarchist-libertarian also be a geolibertarian? In principle, there is no reason why not. Albert J. Nock, author of *Our Enemy*, *The State*, supported the payment of ground rent to the community. In this case the community could own the land, like a corporation, and collect ground rent, dividing it equally among themselves. Those who refused to pay the rent would be treated as criminals, with protective agencies enforcing justice for the community. I will leave the details of how this would work with uniform justice to the anarchist-libertarians.

The Fulfilment of Libertarianism

Libertarians who favour limited government often stumble over the question of how to pay the military defense and other functions of even the minimal state. Some advocate the financing of government by voluntary contributions,

ingress to violate natural rights and individual liberty for the support and greater glory of the state.

Andelson not only justifies "emergency" powers of the authoritarian state, he also endorses the concept that the state embodies society and the people. He has the government, not the people of the given community, as the ultimate consumer of the funds collected from the land values and benefit-fees. And most of these funds will be consumed as national defence, i.e., for the enhancement of state power.

IN A WORLD snowballing toward the brink of world war and possible nuclear confrontation and annihilation, we would do well to question whether or not "national emergency" is a concept of any validity. Not only do "national emergencies" always increase state power and government spending, but, today, nuclear proliferation has created a state of planetary emergency. The very survival of all life including the human race is held hostage by the superpowers. By keeping their populations in fear of the communist, or capitalist, "conspiracy," the true conspiracy of the nation-state holds sway over our lives.

but the free-rider problem could keep the level of funding too low and cause widespread resentment against the non-payers. Geo-libertarians provide the solution to the problem of funding, while implementing a true equality of economic opportunity.

Libertarians recognize the need to extend property rights and thus rents to the rivers and seas in order to prevent their over-exploitation. Georgists recognize that the resultant rent should then be paid to society so that the benefits of these resources are not monopolized.

Geo-libertarians recognize that a tax on production is a blight on production, whereas a payment for the use of natural resources is a just compensation to humanity for the privilege of using part of our equal natural heritage. Moreover, the social inequalities arising from the private appropriation of ground rent can cause, and have caused, the destruction of the liberty libertarians cherish.

Georgism and libertarianism are true complements. Ground rents promote economic equality and provide funds for government, and libertarian principles tell us how to spend the funds properly to protect individual freedom.

The concepts of Georgism have been endorsed by such libertarians as Paine, Locke, J. S. Mill, A. J. Nock, Thomas Jefferson, and the early Spencer. As Albert J. Nock put it, libertarianism and Georgism "are, taken together, the complete formulation of the philosophy of human freedom."⁹

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our land, and our wealth, is anything more antithetical to the vision of Henry George? Can we believe that, were George alive today, he would defend an arms race that impoverishes us all while it endangers, instead of protects, our security?

I suggest that if the Georgist movement wants to remain relevant, it ought to question, not go along with, conventional "wisdom," especially the wisdom of a bloated defence budget. The Libertarian Party of the U.S. claims that \$50 billion (or one-third) can be cut from the defence budget and still leave the U.S. as well, if not better, defended as now. Has Prof. Andelson, who praises the libertarians, examined their argument? Unfortunately, we now have a climate of opinion that allows Pentagon generals to plan for a "first strike" against the U.S.S.R., and for the "winning" of a nuclear war. How do we expect the Soviets to react to this except by increasing their defences? There will be no Neo-Georgists left to defend the fraudulent expropriation of the people in the name of their defence.

Mark Sullivan

BARBADOS, Commonwealth island in the Caribbean sun, has had a simple land tax since the first settlers arrived from England. Records for 1750 show that the tax, in some parishes, was then half-a-crown an acre.¹

A dramatic change took place in the 1970s when the government decided to switch to a land-value tax. They needed it to finance services such as sanitation, cemeteries, health and hospitals which had become the responsibility of the central government in 1969.²

During 1971-72 valuations were made of every parcel of land on the island. Perhaps ominously, the Commissioner of Valuations was empowered to assess "improved values" as well as site values although, in the initial stages, this discretion was not exercised. By 1973 the valuation work was complete and a tax of one per cent of capital site value was levied. Revaluations were planned for every three years.

In 1975 came a depressing U-turn. The government decided to change the tax base from site values to improved values.

In Barbados, the improved value of a site is the composite capital value of its land and buildings provided the latter exceeds \$B10,000. Where the buildings are worth less than \$B10,000 they are ignored and only the site value is assessed.

In 1975 sites with improved values were taxed at 0.5 per cent, yielding \$B5.2m. Properties assessed for site value only were taxed at 1.25 per cent, yielding \$B4.5m.

In 1979 new, multiple, rates were

FOR SOME very strange reason, most states in the Caribbean Community and Common Market (CARICOM) appear to have agreed to ignore the considerable potential of property taxation as a source of revenue and an instrument of fiscal policy for development.¹

This charge was made by Mr. Fitz Francis, the UN adviser on tax policy in the Caribbean area, when the finance and taxation experts of the Community met for a conference on property taxation.

Although the announced purpose of the conference was to compare notes on the various systems of property tax in use in the member states, there was an underlying polarisation of viewpoints on the lines of Property Tax versus Income Tax. Appropriately the conference was held on St. Kitts, a CARICOM member which recently made its position plain by doing for itself what

Catch-as-catch-can on calypso island . . .

Reports by Bert Brookes

introduced: 1.25 per cent on site values up to 50,000 dollars, two per cent thereafter; 0.5 per cent on improved values up to 250,000 dollars, one per cent thereafter.

The effect of the 1975 retreat from pure land-value taxation to a catch-as-catch-can property tax was to benefit the owners of high-value land at the expense of owners of high-value buildings. Before the change, for example, a farm with land worth \$500,000 and improvements worth \$50,000 would have paid \$5,000 in tax, ie one per cent of \$500,000. After the change it paid 0.5 per cent of \$550,000, ie \$2,750, little more than half the previous tax. Conversely, a houseowner with a plot worth \$10,000 and a building worth \$40,000 found his tax increased by 150 per cent — from \$100 (one per cent of \$10,000) to \$250 (0.5 per cent of \$50,000).

UN adviser urges switch away from income taxes

Gladstone, for all his powerful efforts, failed to do for the United Kingdom: it abolished personal income tax altogether.²

Mr. Francis quickly made it clear where he stood. CARICOM nations were currently engaged in a struggle to raise adequate revenues. At the same time they were under considerable pressure to reduce the severity of their income taxes which now reached down to income groups never intended to be caught by such a tax. In these circumstances the "complacency" of the CARICOM states and their "continued failure" to turn seriously to property taxes was difficult to understand. Mr. Francis revealed that only one CARICOM

This loading of the scales against owners of valuable buildings has been compounded by a dubious system of rebates and reliefs. Rebates are allowed on land used for agriculture or for the construction of houses and apartment blocks. Reliefs are allowed where land is used for an economically lower purpose than had been assumed in the valuation, eg, where a single house still occupies a plot valued for use as the site of a hotel or office block.

Why did Barbados, in 1975, move from the firm ground of an even-handed land-value tax into the present morass of land-cum-building taxation linked with a hotch-potch of arbitrary reliefs and rebates?

Mr. C. P. Thompson, the present Deputy Commissioner of Valuations, recalls three main reasons. First, while land-value taxation was recognised as an incentive to develop vacant and under-used land, it was felt that the tax could not, of itself, "have any impelling effect on development unless finance is available for such development." On the other hand, so the reasoning went, the carrying out of improvements to land "is evidence of access to the limited financial resources" which might not be available to other owners. Thirdly, the government seem to have been attracted by the apparent lowering of the tax on improved values without sacrificing any revenue.

Reasoning as shallow as this places a big question mark against the government's real intentions. Does it really want owners to put their land to its proper economic use for the benefit of the whole community? If so, it state — Montserrat — consistently derived over five per cent of its revenues from property taxation; the typical proportion raised by other members was under one per cent.

He argued that, with property prices high, now was an appropriate time to switch the emphasis from income tax to property. In the general absence of capital gains taxation it was now possible for property owners to live off their capital without making any contribution to national revenues. This placed the burden of taxation on incomes and especially on those who are actively engaged in economic activity, despite the fact that the property owners might be just as well off or even better off.

THE CAT'S GRADLE

THE TINY island of Montserrat (39 sq. miles, 15,000 population) has received a special accolade from Mr. Fitz Francis, the UN adviser on tax policy in the Caribbean. Montserrat, he says with satisfaction, raises a bigger proportion of its revenues from property taxes than any other CARICOM state.

Montserrat has told the other members of the Community how, between 1964 and 1980, its property tax revenues grew by an astronomical 7,000 per cent, much of it coming from land values.*

It all started in 1965 when the island government abolished its 40-year-old taxes on homes and on agricultural land, acreages and brought in a new property tax. Although this dragged all buildings and other improvements into the tax net, it made one big step forward: it taxed all land at its value, irrespective of use or size.

In 1967 these arrangements were improved so as to raise a larger proportion of the revenue from site values and less from buildings.

But in 1971 these moves in the right direction suffered a set-back. The government introduced modifications designed, as they saw it, to take account of owners' "ability to pay." A smaller rate of tax (then five per cent) was charged on the first \$500 of taxable (i.e. approximately annual) value, ten per cent on the remainder. The general effect of this was to switch more of the tax burden onto the owners of high-value buildings.

The property tax machinery is also riddled with reliefs and rebates which gain few marks for equity.

surely follows that those owners who do not have the resources or the will to develop their land should dispose of some of their holdings to make way for those who have. To blunt the edge of the tax over the whole field of its operations, as has been done, is to put the narrow interests of certain owners before those of Barbados as a whole.

And what strange logic is it that says that when an owner, at his own expense, is developing his land, it is right and just to saddle him with

Finally, Mr. Francis saw the property tax as a valuable instrument of economic policy. Its increased use would enable the authorities to regulate land use, reduce the "wanton waste of land resources," control the growth in land prices, reduce the swallowing up of land by absentee landlords and, not the least important, enable governments to recover at least some of the costs they had incurred in financing state development projects.

MR. SIMEON DANIEL, St. Kitts Minister of Finance, spoke of the background to his government's abolition of personal income tax.

Income tax, he said, was difficult to administer fairly. The employee on a fixed salary would generally report his full income, but who could check effectively the assessments of the self-

additional taxes in direct proportion to his private expenditure?

No government reasonably informed on the economic powers of land-value taxation can possibly be satisfied with the situation that now obtains in Barbados. As a developing society needing to move on from its traditional dependence on sugar production, the island desperately needs the flip to industrial enterprise and growth that a pure land-value tax can provide. But in Barbados the tax

employed, the professionals and tradesmen?

He saw property taxes as playing a progressively important role in CARICOM countries as property ownership increased. In maintaining their properties, owners fully expected to meet charges such as mortgage payments, insurances, and bills for repairs, electricity, water and telephones. But there were other services — those provided by the government, such as roads, garbage collection and police protection — the cost of which could not be individually apportioned; they could only be paid for by an equitable property tax.

THE CONFERENCE agreed to recommend to governments that comprehensive systems of property taxation should be introduced. It was plain, however, that the distinction between the two separate elements of property — land

Agricultural land, for example, is assessed at a lower figure than would apply if the land were used for industry. Residential property also qualifies for a discount.

Compared with other countries, within CARICOM and elsewhere, Montserrat can take much satisfaction from its property tax. It has proved itself an effective revenue-raiser and, among other things, has forced into economic use large tracts of land which had previously been regarded as "wasteland."

As their CARICOM conference paper records: "In many cases, landowners, realising that it was no longer advantageous to hold land until such time as a substantial capital gain could be obtained, because of the punitive land tax, were forced to dispose of part of their holdings. This disposition often resulted in a general upsurge in the overall economy and served to effectuate a distribution in land wealth."

But the government now needs to do two things. First, it must remove the tax completely from buildings. As they recognised in 1967, it is site values which benefit from environmental developments made by the community, not building values, which are created by their owners.

Secondly, the government should rid its mind of the concern for owners' "ability to pay." If the tax is to do its job encouraging owners to put their land to its proper economic use it must operate with clinical impartiality. To entangle the tax in a cat's cradle of rebates, reliefs and differential rates — whatever the good intentions — is to sabotage an incomparable economic tool.

* "Taxation of Land and Buildings in Montserrat, a paper to the CARICOM conference on Property Taxation, November, 1980.

has to operate like a champion boxer with his feet in shackles and one arm tied behind his back. The island government has a duty to remove the chains at the earliest possible moment.

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and buildings — had not been fully understood by delegates.

Taxes on buildings do not produce the beneficial effects relating to land use seen by Mr. Francis. They slow all development and penalise the owner.

Taxes on site values, however, have all the attributes that the UN expert praised so highly. Moreover, they fall on the element of property which benefits from the community-provided services mentioned by Mr. Daniel. Indeed, the whole of the site value is created by the community and it is this which the state has a right — and a duty — to tax.

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Counter-attack by a free marketer

REVIEW BY

Bert Brookes

AS ECONOMIC debates go, there is nothing very novel about capitalism versus socialism. Arthur Seldon, in a new IEA booklet*, turns to it again in his belief that capitalism (or "competitive private enterprise") has been on the defensive too long. For 50 years or more it has suffered the slings and arrows of outpouring intellectuals. And so much has it wilted under the strain that even its practitioners have become apologetic and inhibited. It is commonplace nowadays for successful businessmen to explain away their profits instead of exulting in their making. So Arthur Seldon mounts his personal counter-attack on behalf of the free-market economy.

Private enterprise, he reminds us, produces higher living standards than any other economic system, from the "mixed economy" of the social democrat to the centralised regimentation of communism. It is successful because it leaves individual initiative to make its own vigorous growth. For proof, he cites the stark contrast in standards between the USSR and USA, East and West Germany, North and South Korea, India and Japan, and others.

Further, he attributes variations in the standards of democratic countries to the degree of interference to which free enterprise is subjected by the state or the trade unions. Thus the USA has higher standards than the more unionised West Germany, West Germany has higher standards than France and all three are ahead of Great Britain.

But private enterprise, he concedes, has grievous faults. It produces inequalities in incomes (for which he prescribes a reverse income tax), monopolies (removed by freeing com-

petition and passing anti-trust laws), a lack of "employee involvement" in industry (employees should buy shares in their firms) and environmental pollution (against which the state should legislate).

To eradicate these defects in the free economy, says Seldon, is not difficult. By contrast, the shortcomings of the state economy are innate and irremovable. For example, no central planning can possibly forecast the detailed needs of a whole nation. So compared with an economy in which individual activity responds to the call of the market, it is bound to be inefficient. Furthermore, the "take it or leave it" choice, which is all that the subjects of socialism can enjoy, leads to social tensions, to coercion by the authorities and to corruption in the corridors of power.

As far as it goes, Mr. Seldon's book is a useful reminder of some of the common arguments in the economic debate. Yet he does not face up to the question that inevitably arises from his analysis: that if the benefits are so pronounced, why has free enterprise been set aside in so many countries of the world? Why did Russia and China go communist? Why, to-day, do emerging nations in Africa and elsewhere dash for

Marxism with the velocity of a moth making for a candle flame?

In the absence of an explanation for this phenomenon, Mr. Seldon's book is superficial. The general level of living standards, with which he concerns himself, is not the criterion which most sharply divides the proponents of socialism from the adherents of free enterprise. Nor are the defects which he sees in capitalism the ones which condemn the system in the eyes of its major critics.

General living standards in Britain may stand high but the kudos for this is lost in the shame of over two million unemployed, the vast majority of whom would be on the poverty line were it not for state charity. In Europe and the USA, the standards of the "haves" may be the highest in the world but those of the "have-nots" – no jobs, no assets, no hopes – will be abject in the extreme. In the free enterprise remnants of Africa, Asia and South America standards for some may fill visitors with delight and admiration, but the squalor of the shanty-towns must be seen to be believed.

It is the twin scourges of poverty and unemployment, frequently found side-by-side with extreme opulence, which account for the bad odour in which capitalism and the free market are held all over the world. It is these apparently inevitable concomitants of capitalism that push intelligent people in Britain into the arms of the Left, which threaten the traditional faith of even the American people in the

The human factor, ground rules and the free market

REVIEW BY

Stephen Martin

THERE IS nothing a Government can do, that cannot be done by the individual on his own, or in free mutual co-operation with his fellows. For example, the prevalent belief that finance for certain activities is beyond the capacity of private market investment is ridiculous. Where does the state get the money, if not from private sources? There are no other.

The speculative nature of any enterprise, including space exploration, can only succeed provided its appeal satisfies individual desires, and efforts. Furthermore, its ultimate success depends on the economic axiom that man seeks to satisfy his desires with the least exertion, and that the cost of such effort is measured by its free market value.

Even in the areas of law and order, and international relationships, individuals of divergent character can conflict or co-operate, without resort to an overhead authority. A common code of individual conduct governs most part of our lives.

In a booklet entitled *The End of Government* Ralph Harris, of the Institute of Economic Affairs, takes his thesis from the end of the last war. But governmental control commenced in the later part of the last century with the introduction of the Factory and State Education Acts, both of which were opposed by Richard Cobden and John Bright, who, as pioneers of the free market philosophy, succeeded in getting the repeal of the infamous Corn Laws. Indeed, Ralph Harris's views affect his advocacy of the free market, by degrading the human factor as needing authoritarian control, such as "ground rules for competition."

Furthermore, his attempt to define "public goods" as a state obligation, because they are "consumed collectively," is absurd. So are all other products of labour and capital. Thus he cannot avoid the trap of State paternalism.

Whilst seeming to expose, and emphasising the dangers of state pater-

virtues of free enterprise and which drive the leaders of emerging nations into one-party dictatorships. No naïve palliatives of the kind suggested by Mr. Seldon will remove this long-standing stigma from the image of capitalism.

The irony is that the stigma is not justified. Poverty and unemployment are not innate characteristics of capitalism even though the feeble attempts of the democracies to eliminate them have so far succeeded only in substituting ever-accelerating inflation.

Arthur Seldon's preoccupation with the superficial, to the exclusion of the fundamental, is surprising. It would surely not take him long to identify the true reasons for the widespread disillusionment with free enterprise and to discover that the roots of poverty and unemployment, wherever they occur in the world, lie not in the machinery of free enterprise but merely in the ownership of land; that the poverty of the peasant in the Third World, for example, is due to his landlessness in a set-up where the vast bulk of the productive land is owned by the powerful few. And that the unemployment in the developed countries is due primarily to speculation in land which tends to price this essential resource out of the reach of the entrepreneur.

Until he devotes his talents to studying the real stigma that has fallen upon capitalism, Mr. Seldon's plea for free enterprise, right though this may be in principle, is about as fitting to the economic problems of the day as was Marie Antoinette's advice to hungry Frenchmen in 1789.

**Corrigible Capitalism, Incurrible Socialism, London: The Institute of Economic Affairs, Occasional Paper 57, £1.20.*

nalism, such as debasement of the currency, Ralph Harris talks about the need for "the topping up of low incomes," government welfare services, and "the age old problem of poverty."

It is at this point that he and most economists past and present, including Milton Friedman with his recent television series entitled "Free to Choose," although acknowledging David Ricardo's law of rent, that "the rent of land is determined by the excess of its produce, over that which the same application can secure from the least productive land in use," fail to recognise its importance as the primary factor in the production and exchange of wealth. That the ownership of this rent is the fundamental issue, because of its power over life and economic activity. That its owner contributes nothing to the processes of production, being paid out of the general income, produced by labour and capital. That all State aid by way of subsidies and financial assistance, ultimately finds its way into the pockets of this owner.

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GROCERY ECONOMICS

LORD THORNEYCROFT, Tory Party chairman: "I have been in politics many years and I have tried or seen tried almost every known solution and none of them really works. Parties or politicians are influenced far more by experience, by character and by instinct than by theory. Margaret Thatcher, one of the bravest of them all, owes far more to the small grocery store she knew in childhood while at Grantham than to the fashionable economic theories of the day."

Finally, another share of the stock of wealth, is taken by the Government in taxes levied on incomes, earned in the production thereof. All of which must inevitably frustrate the free market operation, encourage monopoly, both of labour and capital, and operate against a just and equitable distribution of wealth.

It is farcical to maintain, as Ralph Harris does, that "the chief economic end of government is to confine the costly coercive processes of political control to the minimum function necessary to ensure freest operation of a competitive market economy." This is a contradiction in terms and of free market philosophy.

The Leviathan State is here, and has been growing in power for over a century. Its end will not be achieved until all government participation in industrial and economic activity is swept away. But, so long as a vestige of the economic rent of land remains in the hands of private ownership, so long will every attempt to achieve the good society fail.

The Tax We Need

**REVIEW BY
TONY CARTER**

THIS HANDY little booklet is a compendium of short comments by the author himself, and by others whom he quotes, on the effects and advantages of land value taxation. It is pity in style but covers a wide range, from economic depressions and inner city renewal to marxism and a catalogue of famous supporters.

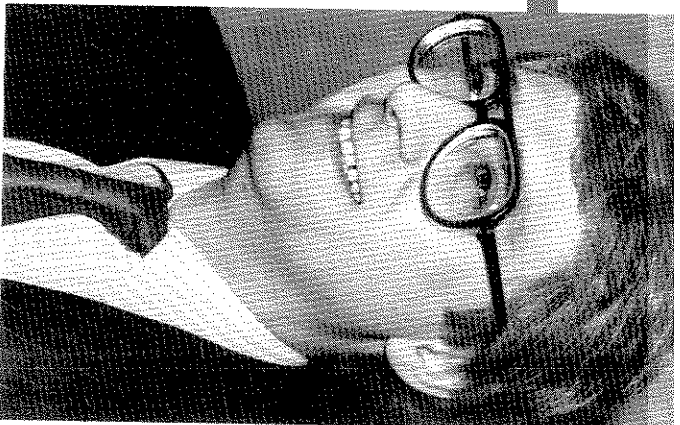
Among many points that I personally found of interest are the contentious topic of the relationship between rising land prices and inflation, the criticisms of Henry George, the objection that a high tax on urban land might drive people out to the suburbs and the converse argument that it might cause land to be developed too intensively, and the assessment of Proposition 13 in California.

Mr. Chandler states that speculative increases in land prices are one of the causes of inflation, a debatable proposition. He draws attention to the loose way in which George referred to communal ownership of land when he meant communal ownership of rent, and challenges George's belief that an increase in population must be beneficial. He also accuses him of error in describing wages as wealth when wages are money and money is not wealth, surely a misinterpretation of the role of money which always represents wealth.

Mr. Chandler correctly affirms that high land value taxes lower the price of land and so attract people to city centres; and that land will be put to its optimum use up to but not beyond the limit of demand. He is strongly opposed to proposition 13 because it has cut the property tax on land as well as on buildings, a fact that some readers of this journal may have overlooked. We certainly do not want to see land values taxes reduced – quite the contrary – but we do want to see all other taxes reduced and the swollen public sector brought down to a fraction of its present size. In Britain Mrs. Thatcher's government has failed to achieve this, and it is to be hoped that President Reagan will fare better.

The Tax We Need is an apt title for Mr. Chandler's work which should prove a useful book of reference for advocates of land value taxation and a valuable introduction to readers for whom the subject is new.

Tertius Chandler *The Tax We Need*, San Francisco: The Gutenberg Press



● ROGER HUMBER

B RITAIN'S 10% unemployment rate could be reduced dramatically if more land was brought onto the market for housebuilders to use.

But if immediate action is not taken to increase the availability of land, the country will face a housing crisis in the mid-1980s.

This is the argument of the House-Builders Federation, whose Director, Roger Humber, warns:

"That crisis will be, first and foremost, a land crisis. Further, land shortages mean house price explosions, or a short-fall in houses, or both."

He says that unless more land became available, it would not be the house-builders who would suffer. The public would have to pay "through the nose" for the very few houses that could be built.

This would be because the land content of the price of new houses, which was 10% in the 1950s, and which was now 25-30%, could easily be 50% of the sale price very soon.

MORE LAND could also have a striking effect in reducing the 2.5m people who were unemployed, according to the Federation's President, Lynn Wilson.

"The private housing industry wants to play its role and help lead the nation out of the recession as it did in the 1930s," says Mr Wilson. "Looking back on those dark days, a striking parallel emerges with the position today. In 1930 only 114,000 homes were started in the private sector. By 1934, 270,000 homes were started – an increase over the period of 135% – and the depression was beginning to ease. We did it then and we can do it again now.

"No other industry can provide jobs immediately and can have the same 'knock-on' effect in providing still more jobs in the building materials industry, whilst also stimulating the consumer durable industry and the furnishing industry."

Mr Wilson says that every new house built would provide 2.5 jobs per year. In 1980, total housing starts were barely above the 150,000 mark compared with an estimated demand of about 300,000.

Housing crisis in mid-1980s warns UK building chiefs

Report by P. E. POOLE

According to this reasoning, therefore, the dole queues could be reduced by around 370,000 people if the house-building industry was able to meet the demand for new homes.

B UT WHO – or what – is causing the land market to malfunction?

The burden of blame is placed on local politicians and the planning process.

Mr Wilson says that there are two fundamental requirements for private house-builders to begin immediately to step up their programmes. First, local authorities must take a more positive attitude to releasing land and, second, they must get the planning system moving.

"We can start to provide the jobs tomorrow but will local politicians allow us? I challenge them to do so."

This view is endorsed by Mr Humber, who says that planning authorities had decided to severely restrain house building. Out of 46 counties in England, 36 planned to cut their rate of house building in the 1980s to levels below the average rate achieved between 1975-79.

Indeed, he alleged, the amount of housing land actually available in many counties was far below that required to implement even the inadequate rates of building contained in structure plans.

THERE IS a great deal of force in what the Federation argues. But is the private sector entirely blameless? Are landowners keenly waiting for planning permission so that they can release land onto the market in response to demand?

The possibility that private land-owners are hoarding land does not enter into the public denunciations of the Federation officials. According to Mr Humber:

"The private sector has houses it wishes to build at prices which will substantially expand the range of individuals and families who can afford to buy. What is required is for local authorities to take the initiative, sell land they own and stop obstructing those initiatives.

"It is local authorities' refusal to sell land, not public expenditure cuts, which is the greatest barrier to more new housing today."

And it was the attempt to squeeze the highest prices out of land users which resulted in land remaining idle while waiting lists for new homes grew longer, he said.

Revealingly, Mr Humber then adds: "Local authorities must sell land at realistic prices to house-builders, rather than acting like 'property speculators', if the potential private sector contribution is to be realised."

Precisely. It is the speculative motive – of which the private as well as public sector is guilty – which is the prime de-stabilising influence in the land market.

We must hope that the Federation will produce a comprehensive critique in which both public and private "land speculators" are blamed. Only then will they begin to define the appropriate remedy.