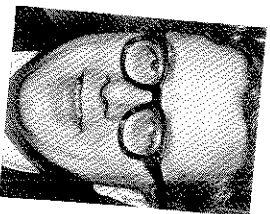
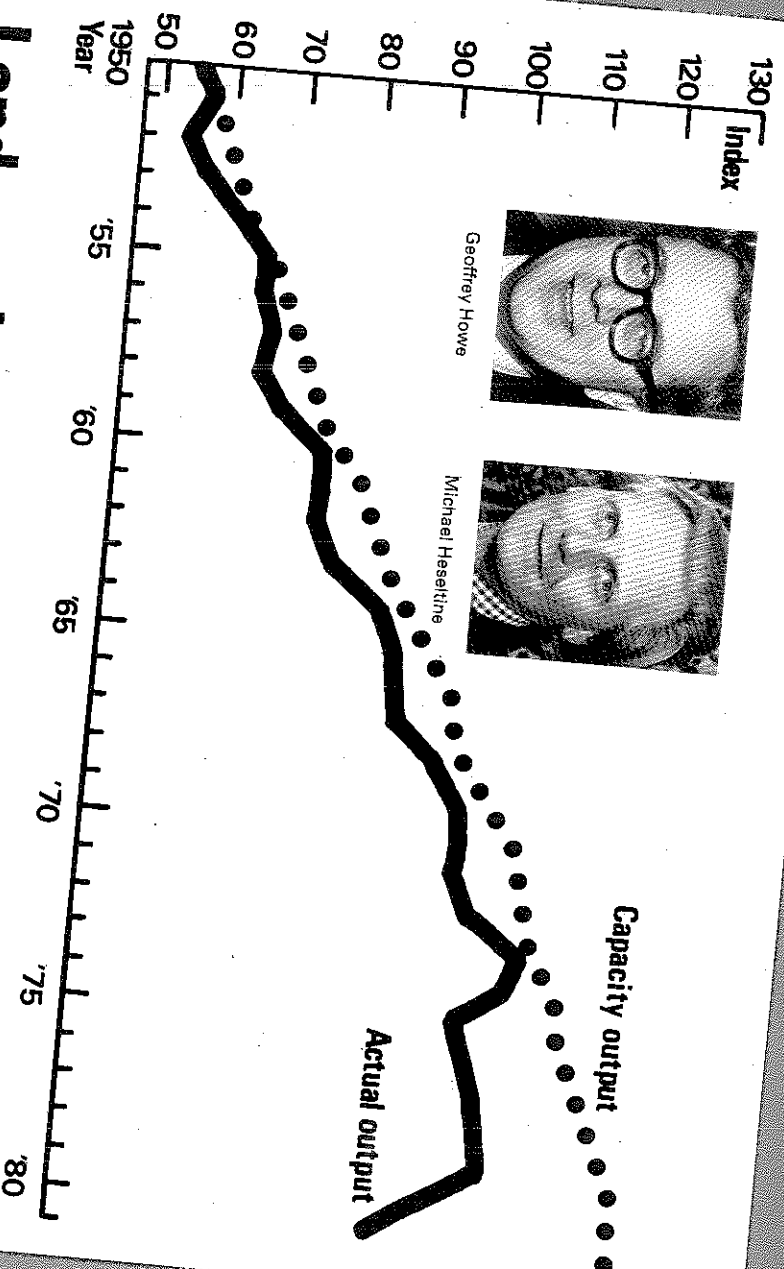
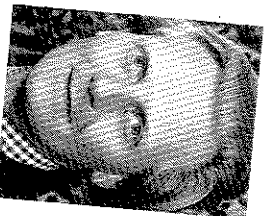


LAND & LIBERTY

The Pennsylvanian
Tax Raiders: Report



Geoffrey Howe



Michael Heseltine

Land market throttles the construction industry and precipitates world slump

POLITICIANS who are seeking ways to rescue the western economy are neglecting the opportunities offered by the house building industry.

Economists agree that construction is one of the major determinants of growth trends. A downturn in house-building precedes a general recession however, policy-makers ignore that simple fact. As a result, their strategies for recovery are generally misconceived.

In the UNITED STATES, for example, the current recession is retrospectively dated from July 1981. Blame is largely attributed to high interest rates. But the slump could have been predicted two years previously, when house building began

to slide into its worst slump in 30 years. Interest rates were not to blame for the original downturn in construction.

The same happened in JAPAN. The housing industry declined from 1.5m units in 1979 to 1.1m in 1981. And according to the Economic Planning Agency, Japan can only attain its 5.2 per cent GNP growth target for 1982 if the government successfully reverses the decline in housing starts.

It is the same story in the other western economies. In GERMANY, 1,500 building firms were forced into bankruptcy in 1981, the worst round of failures the industry has ever suffered; the result was a doubling of unemployment among building workers.

Another scapegoat for the current crisis is public spending: critics claim that there has not been enough of it. As a result, governments have been encouraged to increase public expenditure in a desperate attempt to halt the downward trends in construction and other sectors.

There has not been one admission by the authorities that the building industry was originally throttled, in the main, by the supply and price of land.

In BRITAIN, Minister of the Environment Michael Heseltine - his department has responsibility for housing - has indeed drawn attention

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The Economy

HOW TO BUILD OUR WAY OUT OF THE RECESSION: Fred Harrison shows how land value taxation is crucial for a strategy of sustained recovery 43

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JAMAICA has 560,000 plots of land on its tax roll. This summer the Valuation Department begins the task of revaluation. Last year the land tax, which is levied exclusively on the unimproved value of the site, raised \$525m: but the tax could realistically raise twice that sum. Mr. O. St. Clare Ridsden, who as Commissioner of Valuations was responsible for introducing the tax reform, takes a look out of his window and offers his assessment of the land tax in action - in the July-Aug. issue of *Land & Liberty*.



● *Cont. from front page*

to the constraints imposed by vacant land. He has just revealed the contents of land registers covering 269 English districts, which list 52,287 acres of unused or under-used publicly owned land.

The quality of Heseltine's analysis, however, falls short of the sort that could constructively influence the direction of policy formation. For it is

- Partial: only public sector owners are singled out for admission; and
- Static: Heseltine has made no attempt to relate the macro-economic impact of vacant land on growth trends in the UK economy.

As a result, government policies are misguided. Chancellor of the Exchequer Sir Geoffrey Howe announced a £170m aid package for the construction industry in his March budget. This will have a marginal effect only; the main beneficiaries will be the existing owners of property, the value of which will be enhanced.

In this issue, *Land & Liberty* investigates the deleterious effect of land monopoly on the building industry. Our conclusion:

- speculation has to be eliminated, to bring down land prices to the level that builders and house buyers can afford;
- the supply of land has to be increased, to meet the latent demand. Throughout the postwar years, socialist "solutions" implemented by Labour Governments have consistently failed.

The land market must be turned into a competitive one. And in our view a fiscal mechanism can achieve this, while at the same time eliminating the incentive to speculate: a high ad valorem tax on the annual (rental) value of land.

THE GRAPH on the front page tracks the performance of the UK economy. The current recession is a continuation of the slump that began in 1974, and the original collapse followed the worst round of land speculation in postwar history.

These facts are not peculiar to Britain, but are evident in all the major economies of the western world. Radical reforms are needed, to push production closer to the ceiling of potential growth.

House-building ought to be the cornerstone of such a strategy, and dealing immediately with the land market is more important than any other single consideration.

Until the policy-makers come to terms with these facts, millions of people will continue to suffer from unemployment and inadequate housing.

Millions of others, who are fortunate to be in work, will nonetheless have to continue to tolerate living standards that are below the levels that they could achieve from their enterprise and labours if they were not constrained (directly or indirectly) by the imperfections of the land market.

How to build our way

Out of the recession

By Fred Harrison

THERE WAS a crude surplus of nearly 1m houses over the number of households in Britain in 1980. In the United States, the crude surplus was about 9.6m.

How, then, can the house-building sector be the trend-setter in a "bootstrap" operation to pull the economy out of the worst recession since the 1930s?

The figures imply that the demand for new houses would be inadequate to generate the level of activity that would spill over into other sectors.

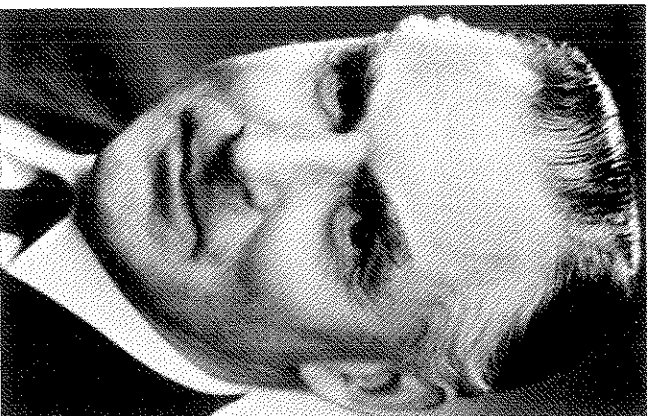
This pessimistic conclusion rests on two assumptions:

● Families are content with the buildings in which they are housed; and

● There is little scope for a dramatic expansion of activity in the building industry.

Both these assumptions are false, and the conclusion of this enquiry is that house-building *can* lead the economy out of the recession, if certain crucial steps were taken. Britain is taken as a case study.

ACCORDING to an all-party Select Committee of MPs, the measure of a "crude housing surplus" is an unreliable guide to housing policy.



● SIR PETER TRENCH

It disguises the true position. For example, in 1976, 2.2m dwellings either lacked basic amenities or were totally unfit for habitation. It also fails to take account of "concealed households" (estimated in 1977 to be 250,000).¹

Sir Peter Trench, the chairman of the National House Building Council, states that a total of 250,000 dwellings per annum on average are

needed as the minimum requirement for the 1980s if people's aspirations are to be met.

Sir Peter is a director of Nationwide, one of the largest mortgage-lending societies, and chairman of Y.J. Lovell, a firm of private housebuilders.

His figure is an irreducible minimum calculation of "need".² If house builders could supply this number of new houses, it would represent an increase in the housing stock over the decade of something like 10 per cent.

The economic activity represented by this investment would be worth a minimum of £21 bn for housing alone (at constant 1975 prices), and would have important consequences:

- **IMPROVE** the quality of the household living environment, as people moved out of slums;
- **STIMULATE** the demand for skilled workers and labourers, as entrepreneurs expanded their operations;
- **GENERATE** benefits for the rest of the economy, as labour mobility increased in response to the supply of houses in locations where jobs could be created but for the want of employees for hire.

THERE IS a strong latent demand for new houses in Britain.

In the face of this, we would have expected the building industry to respond to the challenge of the marketplace. Instead, however, construction has slumped into one of the deepest troughs in living memory.

And the main explanation can be summed up in one word: land. The supply and price of the site is the major brake on new investment.

House-building collapsed in 1974, after land speculation in the early years of the 1970s pushed prices well above what the builders and house-buyers could afford.

The price of housing land steadied through 1975 and 1976, and building recovered (Table I)

The recession did not destroy all expectations about making large unearned profits out of land, however. By the end of 1977, the price of land started to recover, and in 1978 the

TABLE I:
BRITISH HOUSING SECTOR, 1975-1981

	Housing land prices (1975=100)	Building (wages & materials) costs (1973=100)	House building starts (private: 000s)	Domestic furniture: orders-on- hand
1975	100	149	149.1	100
1976	100	177	154.7	87
1977	102	193	134.8	75
1978	109	209	157.3	85
1st half	118			
2nd half	142			
1979	168	241	144.0	91
	202			
1980	243	279	98.0	59
	238			
	247			
1981	—	302	117.0	52

SOURCE: Department of the Environment, London.

TABLE II:
ABILITY TO BUY: Britain 1974-1981

This index takes account of the deposit which first time buyers must pay as well as their income and mortgage repayments. *The higher the index, the greater the ability to buy.*

	Q1	Q2	Q3	Q4
1974	46	50	58	69
1975	71	77	82	84
1976	89	93	91	87
1977	88	90	96	101
1978	107	103	99	90
1979	88	86	79	63
1980	62	67	72	78
1981	82	90	89	91

SOURCE: *Private House-Building Statistics*, London: National House-Building Council, No. 1 (1981).

price of a plot of land had regained the speculatively-high levels achieved in 1973,³ far outstripping the rate of increase in the price of building materials.

As a result of this, new building was severely curtailed; and the rest of the economy suffered, as the demand for goods – such as furniture – simultaneously declined. All this happened before the second major OPEC oil price rise, which occurred at the end of the decade.

HOUSE-BUILDERS had once again fallen victim of the land monopolist.

This is an age-old but neglected story. Yet on the basis of Ricardian theory, the underlying economic processes ought to have been translucent.

The dynamics of the land market as it is at present structured enables monopolists to capture new wealth by increasing the price of land (by capitalising economic rent, which measures the value of land in its unimproved state).

This theory can be related to the UK economy in the 1970s. After the land boom which terminated in 1974 with the great crash, land prices remained stable for two years.

Then, early in 1977, the economy recovered. A rise in people's disposable incomes increased their ability to buy new homes (Table II).

Had the costs of production remained stable, the housing sector would have accelerated its output to meet this new effective demand.

But in the second half of 1977, just as people's ability to buy new homes increased markedly, so did the price of land. Although there was an increase to 157,300 starts on new housing in 1978, the rate of increase in land prices squeezed builders and buyers alike.

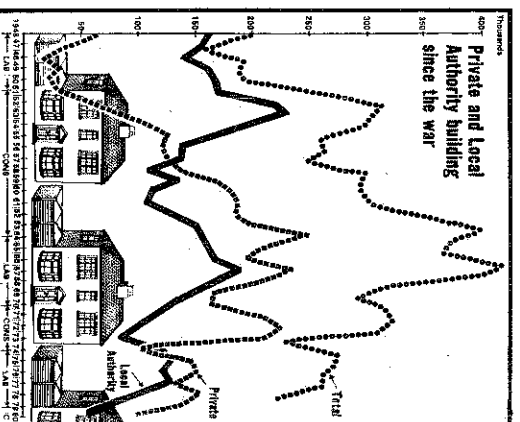
The recovery was stillborn. The construction industry was the first to turn downwards (Table III), thereby

helping to drag the rest of the economy on a steep slide back into the economic trough, the prosperity of the 1960s receding further into distant memories.

A FLOOD of reports ought to have alerted the authorities to the critical shortage of reasonably-priced land.

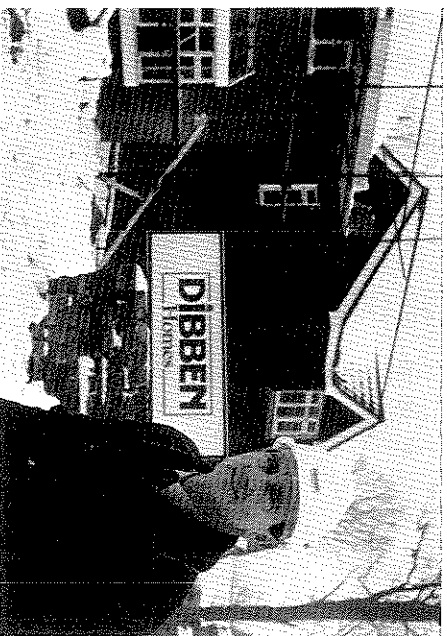
The information came from official sources, charities and organisations concerned with the environment.⁴ These were reinforced by the housebuilders.

In April 1981, 445 firms provided detailed answers to a survey which revealed that 85 per cent of them were suffering from an acute shortage of land. Half of the builders said that their supplies, at existing levels of production – the lowest since the 1920s – would last for less than one year.



If, however, there was an upturn in the demand for houses, over 60 per cent of the builders said that their land supply would last for less than one year. The Federation of Master Builders issued its grim warning:

"No one wants a repeat of the serious and sharp increases in prices which occurred in 1972/73. Yet that may happen if action is not taken to ensure



● Richard Dibben: "Reduce land prices."

that sufficient land is available at a reasonable price. If builders are as hard pressed for land, as shown in the survey results, they will obviously step up competition for whatever land is available in order to keep their firms in existence. This competition will intensify with any growth in demand for housing. The implication for housing costs is quite clear. On a rough average about 25 per cent to 30 per cent of the selling price relates directly to the cost of the building plot on which the house stands. Any serious increase in land prices would therefore reflect heavily on the final selling price."⁵

DESPITE THE weight of evidence, however, the British government continued to believe that there was a five-year supply of land available to builders. The main thrust of official policy – persuading public authorities to sell off surplus land – was considered to be sufficient to meet all needs. There were two defects with this policy.

● The flow of publicly-owned land into the hands of builders was at a desorily low level, wholly insufficient to meet production needs.

● This was a once-and-for-all policy: when the authorities had released as much land as they were prepared to sell, the public sector as a source of supply would come to a dead end.

The government, while acknowledging the key role of the construction industry,⁶ treated this sector in a cavalier fashion. As a result, it was attacked by the all-party Select Committee of MPs for depriving itself of information necessary for sound decisions.⁷

House-builders want to assume the role of leading sector in the strategy for economic recovery. Their leaders have repeatedly pointed out that, given a chance, they could expand output and employment. The most recent statement was from Richard Dibben, President of the House-Builders Federation. In January he said that private house-building

output could be increased by at least 20 per cent in 1982.

But one of the conditions for achieving this result, according to Mr. Diben, was a reduction in the price of land, which had doubled as a proportion of housing costs over the last 15 years.

Appeals for action from the housing industry have been stone-walled. John Stanley, the Housing Minister, declared in January: "The message for the construction industry ... is that competitiveness is both the key to success and the only certain guarantee of survival."

In fact, competition between builders – which is what the Minister meant – cannot *begin* until the industry has wrested land from its owners; and that struggle has to take place on unequal terms, in an uncompetitive market.

This was the point driven home by builder Tom Baron, a former adviser to Minister of the Environment Michael Heseltine, when he declared: "If land was more readily available and consequently cost less, we would be competing for customers instead of competing with each other to buy land."⁸

HOW CAN the land market be transformed to ensure that the supply and price was consistent with demand and the level of people's incomes?

The socialist alternative, vigorously promoted throughout the postwar years in Britain, has been an acknowledged failure. The so-called "free market," however, has likewise yielded anti-social results, but this is because the monopolistic structure of the land market has impeded competition.

Of all the policy options available, only one of them can produce an efficient, free and competitive market: the imposition of a high annual tax on the rental value of unimproved land. Two of the benefits will be itemised here.

First, the owners of vacant land would be induced to release their holdings. They could not continue to meet their fiscal obligations for long out of previously-accumulated capital. With an increase in the supply of land, prices would come down, thereby enlarging the number of people who could buy houses. This would have a multiplier effect on the building industry, and would improve both the quality of home life and the rate of growth of the economy.

"If I have dwelt so long on this thorny question of land it is because I sincerely believe it to surpass in complexity any other constraint on housing supply that might exist. Of course there are others ... but they can be overcome, whereas with land the chances of winning are remote mainly because the odds are in favour of the philosophy, "I am all for housing needs being met, but not at the bottom of my garden."

It has also been argued that the housebuilding industry will be hard put to find its work in progress, particularly if the price of land continues to rise – which it will! To my mind there is nothing particularly new about this proposition: for as long as I can remember we have had to find more money to finance the same number of units.

... my crystal ball tells me that in the early part of the decade demand will increase slowly, supply will lag behind but will eventually increase to match it; both will fall far short of need. By 1984 demand will be drawing closer to need, but supply will be faltering. By the end of the decade annual need will be reducing, demand will depend on many factors incapable of prediction today and supply, because of land, will be in a thorough mess."

– Sir Peter Trench

Second, increased revenue from the tax on land values would enable the government to reduce the burden of taxes on incomes and production. Either way, the real value of

household incomes would rise, thereby improving living standards and further stimulating economic output.

Such a transformation would be welcomed by both builders, tenants and owner-occupiers.

The only losers would be the landowners, who are not able to pass on a tax on land values – a well-attested economic fact that was reaffirmed as recently as last year by Prof. Prest: "So the ultimate result, given the change in the nature of the tax, is a tendency to an increase in building and a reduction in landlord incomes net of tax."⁹

The Conservative Government's recent Green Paper on the property tax did not contain one word on this policy option.¹⁰ This deafening silence reinforces the suspicion that the Government, for all its rhetoric about the importance of the construction industry, is unwilling to inform its policies with the facts.

Thus, the nation's builders are helpless and the Government is useless. The construction industry is prevented from discharging its historic role of coaxing life back into the rest of the economy on the basis of a rational plan that coordinates the industry's resources with the government's political leverage, leaving us with little more than bleak prospects for the future.

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TABLE III: Index of Industrial Production (1975=100)

	Total all industries	All industries other than oil and gas	All industries other than construction	Broad industry groups	Mining and quarrying	Construction
1976	102.0	100.7	102.7	101.4	126.1	98.6
1977	105.9	101.9	107.5	102.9	188.4	98.2
1978	109.8	104.1	111.0	103.9	233.1	104.9
1979	112.6	104.3	115.2	104.4	295.7	101.3
1980	105.3	96.7	107.5	95.3	301.3	95.9
1981	99.7	90.3	103.1	89.3	319.8	85.0

FALKLANDS

WHO REALLY OWNS THE ISLANDS?

I WRITE as the British naval task force heads towards the South Atlantic and a possible military engagement with the Argentinian occupying forces on the Falkland Islands. At the time the article is published it will be known whether the gamble paid off and the Argentinians withdrew or whether Britain has gotten involved in a calamitous war that cannot possibly serve the interests of the islanders, Britain or Argentina, no matter who the eventual military victor.

With the attention of the world focussed on the Falkland Islands there is a good opportunity to review the issues of principle that are involved. Once again the question of land rights is at the heart of a bitter and vital dispute. The central question is: who should own the land and share its benefits? Is it the first persons to arrive and stake a claim, and their descendants?

In an article in *Land and Liberty* on 'Pioneers And The Rights of Civil Society', (Nov.-Dec. 1978) I rejected this facile approach to property rights inside the boundaries of a single nation. I concluded that pioneers may stake a right to occupy but that this right should be contingent on payment for the privilege if their holding assumes an exchange value by virtue of the growth of population and industry around them.

Since it is the community as a whole which creates the exchange value in land it is to the community that the value should belong. The growth of community enormously enhances the well-being of the pioneer. The value of his labour as well as the value of land is greatly increased by it. Even after he paid to the community the rental value of the land he occupies he would still be far better off than if he remained an isolated Robinson Crusoe figure. If as a result of his refusal to pay for the privilege of occupying valuable land he were to be ostracised by the community, with no-one trading or communicating with him, he would soon see that his best interests lay in agreeing to pay rent for the land.

THIS ANALYSIS demonstrated that priority of occupation does not entitle the pioneer permanently to arrogate the fruits of the land unto himself and his descendants. He is entitled only to what he himself creates with his own efforts (and through exchange of his own products to the products of his fellows). Since he does not himself create the value adhering to land he is not similarly entitled to that value.

How does the question of the Falkland Islands fit into this framework?

Here is a group of islands that was discovered by an Englishman but first settled by French, followed by Spanish and then Argentinian citizens at a time when the land had little or no rental value because there were too few settlers relative to the amount of land in the islands in such a remote corner of the globe. Britain, however, had the strongest navy at the time and, for strategic and imperialistic reasons insisted on claiming sovereignty through 'naked aggression'. Thereafter it was mainly Britons who settled there, in small numbers.

Most of the islands were bought by the Falkland Islands Company (FIC) to exploit their potential for sheep rearing. Most of the islanders are tenant farmers living effectively in 'tied' cottages which have to be vacated at the end of the farmers' working lives. They pay rents for the privilege of living on the islands to the FIC.

The British government, through its colonial administration, levies taxes on the incomes of the islanders and of the company, without

● Samuel Fisher Lafone was given 800,000 acres on the Falkland Islands by the British Government: thus was formed the Falkland Island Company, in 1851. The company rapidly acquired a near monopoly of the economy.

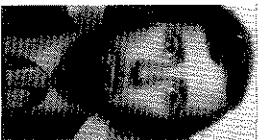
● In 1975 the islands were covered by 36 farms. Nine were partnerships and four were owner-occupied. Twenty-three farms were owned by 14 companies, the FIC being the largest landowner with eight farms.

● Over 2,88m acres are held on freehold, and only 16,300 acres on lease from the Crown. In 1976 the Shackleton Report* declared:

"In an agricultural structure where the great majority of farms are large absentee owned ranches whose owners are often not resident in the Falkland Islands, it is inevitable that there should be considerable interest in the possibility of increasing the number of Falkland owners by the creation of more small holdings....

"... we feel that there are strong social and, possibly, economic reasons for creating small farm units in the Falkland Islands, and we would urge that the matter should receive early consideration."

● In this article, **DR. ROGER SANDLANDS** of Strathclyde University asks some fundamental questions: Who *really* owns the Falkland Islands? Are there any principles which could guide Britain and Argentina to a peaceful solution over the territorial conflict?



**Economic Survey of the Falkland Islands*, 2 vols., London: Economist Intelligence Unit, May 1976, chairman: Lord Shackleton.

distinction between incomes from work and enterprise on the one hand, and income from land rents on the other. The expenses of administration, however, are not by any means covered by these state revenues. Of the 500 families who live there, about 100 are supported by the British government to provide community services of administration, education, health, transport, communication and, of course, defence.

Considering that the islands have a land mass about the size of Wales, they are evidently pretty marginal lands if they can only support 500 families, especially when the subsidies are considered. Admittedly, the subsidies may well be smaller if all the land rents were collected for state revenue instead of going to the FIC, with taxes on earned incomes correspondingly reduced to stimulate work and enterprise.

SINCE HISTORICALLY it was Britain that succeeded in claiming sovereignty over the islands, it is a British company that owns most of the land and extracts most of the land rents. Some of this is paid to the British administration in the form of 'income tax' to make a partial, but only a partial, contribution to the expenses of administering and defending the islands. Most of the islanders enjoy a standard of living more or less comparable to that of the average non-landowning family in Britain, whence many

of them have been recruited, and follow British customs.

Had the islands remained in Argentinian hands, the settlers would probably enjoy the standard of living, and customs, of the average non-landowning Argentinian family. Since Argentina is no more enlightened than Britain so far as land policy is concerned, the main beneficiaries from development in both countries are the owners of land who capture most of the community-created land rents.

Would my conclusion be any different if it were proved that there are vast oil reserves, easily recoverable, in and around the Falklands? To whom should such rentals belong? The Falklanders? The Argentinians? The United Nations?

Firstly, it should be said that, under present arrangements, if oil were discovered and exploited it would not be the Falklanders as a whole who would be the major beneficiaries, but rather the owners of the islands. It is quite possible that sheep farming would cease as an attractive use of land and the tenant farmers would be sent packing. The best they might do is gain alternative employment in the oil industry, at the going wage, in competition with immigrant oil workers.

Secondly, it is clear that in view of the disputed sovereignty issue, the Argentinian government would not cooperate with any oil exploration or exploitation project. Without the active cooperation of the neighbouring country, the costs of installing and operating the oil-related installations would be prohibitive in such an otherwise remote location. Thus, it would appear that so long as the sovereignty issue is not settled to Argentina's satisfaction, there can be no exploitation of the potential mineral wealth of the islands. Meanwhile, the islands are not worth much, economically, to Britain and their population will remain extremely sparse.

Would it therefore make economic sense to transfer sovereignty to Argentina, in order to realise the islands' economic potential? Who would be the main beneficiaries?

Would it be in the islanders' interests? If the islands were sold, they would gain nothing since they are not, in the main, the owners. If they were permitted to remain on the island they would simply be paying rents to a different landlord, while having to respect the rules and customs of the new landlord. At present they live in a democracy and their democratically-expressed wish has been to reject any such settlement. This certainly makes sense from their point of view, since they clearly have nothing to gain by swapping a British landlord for an Argentinian one, especially at the present time when they are rightly suspicious of the respect that would be accorded their human rights by the military junta.

Only if the Argentinian or British government offered them attractive compensation for their change of status – with a free choice whether to stay or leave and use their compensation to resettle elsewhere – would a democratic vote go in favour of a transfer to Argentina. Hitherto, no such offer has been made.

Would it be in the interests of the islands' owners, notably the Falkland Islands Company? Yes, if the Argentinians paid them the capitalised value of expected future land rents from the existing sheep farmers. Perhaps, however, the Company would try to hold out for an even larger settlement, reflecting the potential benefits from the oil and minerals that the Argentinians would be in a position to exploit. This would, and perhaps already has, been a stumbling block to any peaceful,

non-military resolution of the conflicting claims over the islands.

WOULD IT be in the interests of the rest of Britain to transfer sovereignty after commercial negotiations? Given the failure to raise state revenues from ground rents to cover the costs of administering and defending the islands, the answer must be yes. However, if land value taxation were introduced, the cost to the British taxpayer could be lessened. Apart from the dubious benefit of its helping the sun never to set on the Union Jack, Britain's only real interest in maintaining sovereignty over the Falklands is to protect the interests of the islanders.

Given that the likely commercial value of the islands is much greater for Argentina than it is for Britain, it is possible that the interests of the tenant farmers – the majority of the islands' indigenous population – would best be served by a generous financial offer to compensate them for resettlement in Britain or, if they chose to stay in the Falklands, to compensate them for loss of their traditional way of life under an Argentinian administration. Argentina would be called on to foot the bill, but she may well consider this price worth paying.

The main stumbling block could be the compensation the landowners might demand. They are in a position to exact a very high price that included the capitalised value of the higher rents that would accrue to their land for oil-related developments.

If a time did arrive when substantial mineral reserves are discovered and exploited, how could a system of land taxation be made to operate in favour of the community that created the land (and mineral) values? If the Falkland Islands (or Islas Malvinas) administration collected the rents and spent or distributed these revenues entirely on island facilities or to island residents, the islands would quickly attract immigration from less favoured parts of Argentina, assuring free immigration. In principle, this would eventually equalise the standards of living of the islanders and other Argentinians.

If, on the other hand, the Argentinian government collected the revenues and handed back to the islanders only a small portion of these revenues, spending the rest on community facilities in mainland Argentina,

there would be less immigration into the islands and the standard of living of the two communities would be equalised in a different way. In both cases, however, the overall standard of living of the two communities would be greater for having had the opportunity to exploit and share the benefits of the natural resource potential of the islands than is presently the case.

Unfortunately, there is no presumption that a system of land taxation would result from a transfer of sovereignty from Britain to Argentina. In such circumstances the islanders, whoever they may be and however else they may be governed, will in general suffer a common exploitation: the exploitation of the landless by the landed classes.

How exhilarating it would be if, instead of going to war at such gruesome cost to both sides, Britain and Argentina could enter an economic competition to devise the fairest and most efficient solution to the land problem that lies at the heart of this dispute. It is only by resolving this issue that the interests of the inhabitants of the islands, of whatever nationality they be (and why not both Britons and Argentinians or any other nationality?), will be served.

FLAW IN THE GLC'S 'FAIR' FARES

BY HENRY LAW

HAMPSTEAD and Blackheath are among the most attractive parts of London. They were self-contained villages before the tidal wave of bricks and mortar swept over them in the nineteenth century, but their individuality and period charm still remain today. Both places boast many fine Georgian houses that are now enjoying protected status as listed historic buildings, whilst their designation as Conservation Areas is a guarantee that the local councils will apply stringent planning controls to keep out unwelcome intrusions. The two places are similar in other ways – Hampstead is close to the famous Heath, Blackheath adjoins

Greenwich Park, and their distance from central London is similar. These amenities naturally affect property prices, for houses in both areas are highly sought after; but why does a house in Hampstead cost about £20,000 more than a comparable one in Blackheath?

Largely, of course, because, for good geographical reasons, the centre of London developed to the north of the Thames, and the river remains a great psychological barrier; but part of the explanation lies in the transport

system. Look at the map of the London Underground and compare the lines north and south of the river; South London sees very little of the Tube. True there are plenty of British Rail routes, but these provide a different kind of service, and the trains are much less frequent. Passengers from Blackheath need to know the timetable, whereas Hampstead travellers have only to turn up at the station, knowing that a train is sure to be along in a few minutes.

Blackheath residents tend to grumble about not being on the Tube but, in doing so, they forget an important point. If the Tube had been there before they arrived, their attractive period houses would have been much more expensive – and many people who live in Blackheath would not have been able to afford property there.

The transport divide between the north and south was the fatal flaw in the Greater London Council's "Fares Fair" policy which slashed fares on London Transport trains and buses last October and levied a supplementary rate to pay for it. It did little for South London commuters, who generally use British Rail services; they were faced with a 9% increase in fares in November on top of their extra rate demand. Thus it was the South London borough of Bromley which challenged the GLC's policy in a court action which ended in a decision by the Law Lords declaring the transport subsidy illegal. North of the

Suriname: Right-wing backlashed

THE COUP attempt by Employment." A special army officers in Suriname, unit was established in the former Dutch colony in office of the Garrison Command, the Caribbean, was an mander, Maj. Roy Hord, to inevitable reaction from implement the new land the Right-wing, *writes Ian Baron*.

The ruling Left-wing junta came to power in increased production and stimulated the economy through an improved use of land.

The Right-wing, however, does not understand the economic processes through which the under-utilisation of land leads to low wages, hunger and unemployment. This is illustrated by a statement by one of the leaders of the successful coup in Guatemala in March:

When Lt.-Col. Daysi Bouterse came to power, he declared 1981 the "Year of Land Policy and They talk about guerrillas

being the result of poverty. On the contrary, poverty is the result of guerrillas. Two-thirds of the farms in the western part of Guatemala have had to close. They talk about an unequal distribution of wealth when it is really an unequal production of wealth."

The Right-wing backlash in Suriname failed, and on March 2 Bouterse announced that the coup leader, Sgt. Maj. Wilfried Hawker, had been shot at dawn.

1. Rickey Singh. The Shape of Suriname's Two-Year Revolution", *Caribbean Contact*, February 1982.
2. Jonathan Steele, "US was 'not aware' of plans for coup", *The Guardian*, 27.3.82.

The Saviour & The Sword

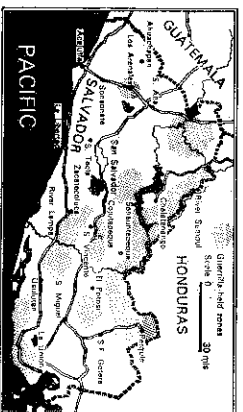
EL SALVADOR, a small country in Central America, has for years been a big headache for the United States whose pre-sidents have been torn by a classic dilemma: should they bolster a repressive right-wing military regime or leave it to be toppled by left-wing guerrillas? To support the ruling regime in El Salvador could have the US embroiled in a new Vietnam; to keep out could see another Cuba established on her doorstep.

Since the mid-1970s, fighting between El Salvador's National Guard and the guerrillas has increased in ferocity with the peasant population suffering heavily in the crossfire. According to recent reports, the country is now in the grip of a new reign of terror in which over 1,000 people a month have been killed during the last two years.

As with so many of the world's trouble-spots, the festering

canter that underlies the conflict in El Salvador is the grossly inequitable pattern of land ownership which produces an enormous contrast in the living conditions of rich and poor. The figures speak for themselves: two per cent of the 4.5 million population, including the dominant Fourteen Families, own 60 per cent of the land; six families alone hold more land than 133,000 small farms.

Two years ago, in an attempt to head off further bloodshed, the ruling junta announced a programme of land reform. The progress made so far is reviewed in a recent report by Oxfam America. In this article, FRED FOLDVARY, who lived for some years in Central America, examines the reform proposals and, in the light of the report, considers how effective they are likely to be in restoring peace and stability to El Salvador.



El Salvador Land Reform 1980-81, by Laurence Simon and James Stephens Jr., Boston: Oxfam America, \$3.50.

THE CURRENT problems of El Salvador, in common with those of many Latin American countries, can be traced back to the Spanish conquest when the *conquistadores* established a feudal economic system under which land-owning oligarchies descended from the Spaniards ruled over populations of native Indians and mestizo (mixed blood) peasants. In El Salvador, the peasants survived on their tribal lands, on *ejidos* or public lands as well as on church lands that had been granted by the Spanish crown.

This uneasy stability received a violent jolt in 1881 when the oligarchy, scenting the lucrative prospects of a new agrarian industry, abolished the peasants' rights to the common lands and forced thousands of villagers off the fertile central highlands in order to establish coffee plantations. Those peasants lucky enough to end up owning any land at all were confined to small plots yielding them a bare subsistence in basic food crops. Those who could obtain land only by renting it were required to work part-time on their landlords' plantations. For the landless, labouring work on the plantations was virtually the only means of livelihood.

After the great crash of 1929, the coffee market collapsed and the sharp increase in poverty, especially among the landless, led to a mass uprising in 1932 which was brutally crushed. Thousands of peasants – perhaps as many as 30,000 – were massacred.

The past 20 years, with population increasing and labourers progressively displaced by machines, have seen a big build-up in the number of landless workers. The landless now number 65 per cent of the population, and the seething unrest has reached a new peak.

Reacting to this and to pressures from the US government, the ruling junta, in March 1980, announced a Basic Agrarian Reform Law. The

reform was to take place in three stages:

Phase I was to appropriate estates of 500 hectares or larger and to establish peasant co-operatives to run them. Owners, who would be allowed to retain the legal limit of 100-500 hectares, were to get compensation in government bonds.

Phase II was to take over estates of 150 to 500 hectares, again with peasant co-operatives being formed to run them. Compensation was to be paid partly in cash and partly in government bonds.

Phase III, known as the "Land to the Tiller" programme, was to take over those lands, regardless of size, which were not being directly cultivated by the owners and hand them over to the tenants. No one was to receive more than 7 hectares. To get full title to their newly-acquired land, the tenants would have to stay on their plots for 30 years and, during this time, make payments to the government to help cover the cost of the reform.

Any hopes that the reform programme would usher in a new dawn in the nation's affairs were soon dashed. Passing a law is one thing; setting up the administration to ensure its enforcement is another. The law was full of inconsistencies,

ambiguities and contradictions, and wealthy landowners affected by Phase I soon found loopholes enabling them to escape its provisions. The 150 hectares they were allowed to retain could, of course, be the most valuable parts of the land. The rest, by use of subterfuge, might be subdivided among relatives.

Then there was bribery. This could ensure, for example, that coffee-processing plants were classified as "urban" and thus excluded from the take-over. In the last resort, movable assets could be moved out and, indeed, vast quantities of machinery and livestock have been transported across the Guatemala border. Some 30 per cent of the livestock has been destroyed.

A LONGSIDE all the evasion, the climate of insecurity in the country has further loaded the dice against the reform. With a repressive military regime, most peasants go in fear of the soldiers who frequently make no distinction between the peasants and the guerrillas.

The Oxfam report states that, from the announcement of the land reform, the violence against the peasants sharply increased. Yet to the Army falls the task of implementing the new law. Small wonder that peasants tend to flee whenever the soldiers appear. It is probably no coincidence that the area of the country where there should be the biggest number of beneficiaries under the reform law (the 160,000 who should benefit from Phase III) is the area of the most brutal repression. There is no doubt that the initial hopes of many peasants have been rudely dashed, so leading to further turmoil and insecurity in the countryside.

But even more significant in the public's reaction to the reform law is the amazing fact that the *landless* peasants, who form 60 per cent of the rural population, do not benefit from

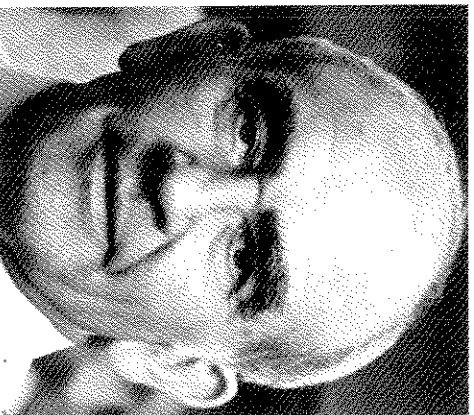
it at all. Under the law, the co-operatives are to be formed by the permanent employees of the estates (the managers, office workers, tractor drivers and *residant* labourers). The temporary labourers and the rest of the landless are excluded. For them, land reform passes by on the other side of the street.

Although Phases I and III are theoretically in operation, no go-ahead for Phase II has yet been given. It affects some of El Salvador's best land and involves eight times as many properties as Phase I; it takes in 23 per cent of the country's farmland on which is produced 70 per cent of the coffee crop.

The main reason for the hold-up over Phase II is not far to seek: the support of Phase II landowners is a vital factor in the survival of the ruling junta. Moreover, on these medium-sized farms there are few knowledgeable employees capable of forming co-operatives. To put Phase II into operation would require considerable government planning and administrative expenditure – all most unlikely in the present political state of the country.

So although many of the Phase II owners are preparing for the possible D-day by curtailing production and selling off parts of their properties, the general guess is that the legislation activating Phase II will merely gather dust in the Ministry of Agriculture and Livestock.

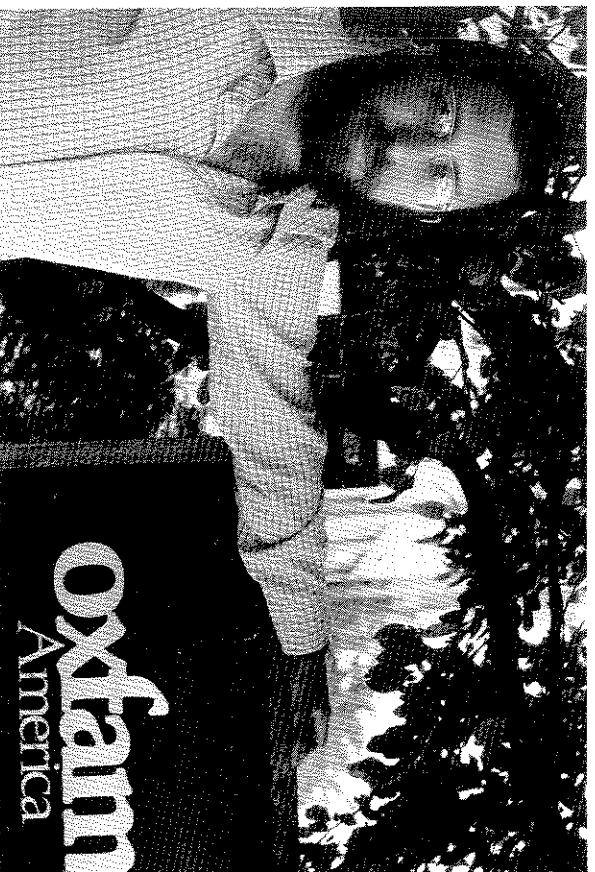
Phase II (Land to the Tiller) has also stirred up widespread opposition and resentment. Since the measure was announced, many landowners have taken steps to evict their tenants. This is almost certainly illegal but, here again, the law is ambiguous and the owners are confident that it will never be enforced.



● ED ASNER

On the other side of the coin, the requirement for newly-acquired plots to be held for 30 years is opposed by the peasants who abhor its rigidity and the fact that it does not allow for the plot rotation that is traditional in El Salvador. Moreover, it affects all rented plots even though, in many cases, the owners are as poor as their tenants. Any poor owner who has rented out a two-hectare plot to an even poorer relative is now in danger of losing it. Many such tenants have declared that they could not bring themselves to claim such land and so deprive the owner of his only income.

THE OXFAM report sees "Land to the Tiller" as essentially a political expedient adopted, not to conform to the agricultural needs of El Salvador's people but as an attempt to generate popular support for a faltering regime. The general expectation is that, with its multitude of defects and shortcomings making it unworkable, "Land to the Tiller" will die a natural death in a few months.



● Laurence Simon outside Oxfam America's HQ in Boston, Mass.

HOLLYWOOD actor Ed Asner – news editor Lou Grant in the award-winning TV series about newspapermen – is in hot water with Big Screen tough guy Charlton Heston.

Asner, who is president of the Screen Actors' Guild, recently made what Heston regarded as a controversial remark about US involvement in El Salvador.

On a visit to Washington to present a \$25,000 cheque for medical aid in the Central American country, Asner declared:

"I'm trying to get this country to stop its participation in the defeat of El Salvador or change its age-old non-attention to the problems of Central America, which are true land reform and true democratic practices."

For this, Heston – supported by James Stewart and Clint Eastwood – attacked Asner in a slanging match.

The present state of the land reform programme as a whole is that nothing effectively has been accomplished since the law was passed two years ago. No titles have been re-distributed and very few tenants have ceased renting their land. Even before it has properly begun, the programme is in a state of near-collapse.

The El Salvador experience clearly demonstrates the futility of attempting to remedy injustice in land ownership by physically re-distributing the land. Even if it were practicable to divide the land fairly between the whole of the present population – setting aside the economic problems of fragmentation – this would leave nothing for those yet unborn – those who will appear in future national statistics as "population increases".

But in El Salvador there is not even the semblance of an equitable redistribution among the present population. Nearly two-thirds of the people are mere spectators of the present charade, while those who do participate may end up with holdings varying between 150 hectares for the wealthy down to a mere allotment-size plot for the poor.

The lesson of El Salvador is that, to be effective and equitable, land reform must avoid the physical appropriations and artificial constraints contained in the junta's programme. *The only practical way is to concentrate, not on the land itself, but on the economic rent. Taking this for the benefit of all the people by levying a tax on land values would at once restore the people's rights and eliminate completely the basis of the privilege enjoyed by the oligarchy.*

Only when the revolutionaries, the military and the politicians recognise this will peace, stability and economic justice return to this war-torn country ironically named The Saviour.

By Fred Harrison

LAND TAXES were common in the early period of the American colonies.

Gradually, however, they declined in importance as landowners shifted the cost of developing the New World onto the pockets of consumers and wage earners.

The change in the tax structure was a source of confusion and conflict among the settlers who struggled to define a fair society. The refugees who fled the despotic systems of the Old World found it hard to do what was right when it came to fiscal policy. Harris cites one conflict:

"Although the people realised that the poll tax fell heavily upon those least able to pay, they were reluctant to dispense with it and substitute for it a general land tax. This was shown in the 1663 session of the Virginia assembly; the proposal was made that the poll tax should be repealed and a tax on land should be levied in its place. It was rejected."

Pennsylvania was the scene of one of the more serious conflicts. The settlers insisted that the proprietary estates should bear their share of the taxes. The landowners disagreed.

"The proprietors argued that the land was unoccupied and held only for sale, while the assembly contended that the defence of this land was necessary and costly. Finally, the colonists won out, as they usually did in such controversies."



• GEORGE COLLINS



• RICHARD BIDDLE

The Pennsylvania Tax Raiders

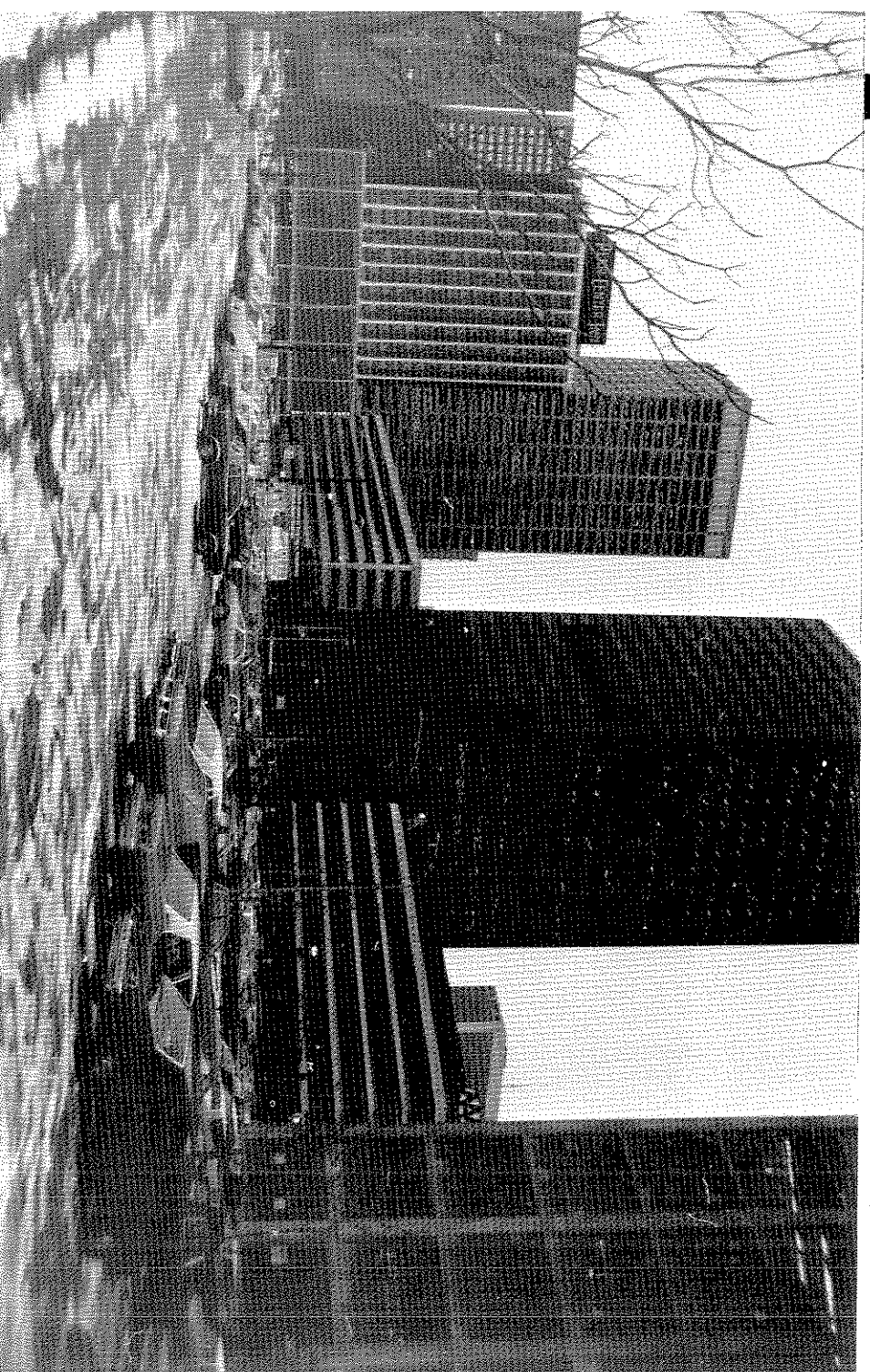
From the beginning of the 19th century the landowners consolidated their privileges, fighting off all attempts at sharing the value of nature's rich bounty with each successive wave of refugees.

There is now the best organised interest group in the nation, equipped to fight rearguard actions to thwart all legislative attempts to reform the

structure of taxation in the interests of the community.

They have established themselves behind a political and a fiscal wall that guarantees that their interests are protected.

BUT THE tide of history may now be turning. The fight-back has begun.



An attempt is being made to reverse public attitudes, and it is fitting that the counter-attack should begin in Pennsylvania.

It was in Philadelphia that the United States produced the most famous land taxer of them all: Henry George. He was born at 413 South 10th Street on Sept. 2, 1839. The house is being restored to its original condition, and it is used as a school to disseminate George's economic teachings, the principal source of which is *Progress & Poverty*.³

The earliest successes, however, are being won elsewhere in the state. Land tax campaigners led by experts like Steven Cord, a professor of history, have notched up some important successes in cities like Pittsburgh.

Their strategy has been to move in slow, incremental stages. Instead of aiming for an immediate transformation of the property tax – shifting the burden onto land exclusively – they have adopted the hit-and-run tactics of the graded tax.

The result is that Pittsburgh now taxes land at a far higher rate than buildings: 3.3 per cent on land compared with 0.8 per cent on capital improvements.

The annual tax payment shown in the table is a percentage of officially assessed market value, and is known as the equalised tax rate. The Pittsburgh rate on land is 13.3 per cent, but its ratio to assessed market value is 2.5 per cent, so $13.3\% \times 25\% = 3.3\%$.⁴

A fifth town has joined the list for the current fiscal year: New Castle moved over to the graded tax last December. Land will pay 4 per cent and buildings 2.28 per cent, instead of a uniform tax of 2.6 per cent on both land and buildings.

Because it is assessing land and buildings at full current market value, New Castle is taxing land at a higher rate than any of the other cities. Following the change, 78 per cent of the homeowners will pay less in property taxes this year. Council President Roger DeCarbo says that they plan to reduce the tax on buildings to zero over the course of five years.⁵

THE TAX RAIDERS have now moved in on Philadelphia.

The Director of the Henry George School is George Collins, who with

● One of the "big globs of land" in Philadelphia which Councilman Tayoun wants to see developed.



● James Tayoun: "The time has come for the land tax."

teacher Richard Biddle and a team of supporters has been methodically lobbying politicians and community groups over the years.

Their major coup came last year when Councilman James J. Tayoun, the wheeler-dealer noted for getting results for his constituents, decided to

Equalised Tax Rates (%)	
	Land Buildings
New Castle	4.0 2.3
Scranton	3.4 0.9
Pittsburgh	3.3 0.8
Harrisburg	3.3 1.1
McKeesport	2.3 0.5

attend a course at the Henry George School.

He turned up for the first lecture only. But a month later, Collins received a phone call: Tayoun wanted a meeting. He had decided to make land value taxation an issue in Philadelphia politics. Last November he "went public" with the proposal at a meeting of the Queen Village Homeowners Association.

Currently, the city bases its assessment of property values at about a

3-1 ratio – three-quarters on the structure and the remainder on the land.

"I want to change it to emphasise the land value more," declared Tayoun. "People with huge globs of land sit on it for speculation. This would behave them to increase development."

TAYOUN, who plays for big stakes, knows that there is bound to be a powerful reaction from the vested interests. Might these not include homeowners? If so, their electoral influence could destroy any attempt at fiscal reform.

So, as the city solicitor's office began to draft the Bill that would change the law, Tayoun got down to his homework.

Community groups were briefed on the benefits of land value taxation. Prof. Cord was invited to explain the benefits to a group of city officials, and he was commissioned to produce a report on the effect on residential properties.

Preliminary results of this study reveal that home owners would pay lower taxes in 59 wards and more in seven wards. The calculation was done on the basis of a change from

Cont. on P.53, col. 3

THE ATTEMPT to find a solution to the conflict in Namibia is bedevilled by a set of peripheral issues that cloud the heart of the problem.

Namibia, which sits on South Africa's north-western flank, is a country about which few people know anything and about which they care even less.

Yet the efforts to find a solution by the "contact group" of countries — the USA, Britain, France, West Germany and Canada — demonstrates the importance of a largely unreported war. Yet *on the face* of it, the facts are relatively simple.

South Africa illegally occupies the country, and since 1966 guerrillas from the South West Africa People's Organisation (SWAPO) have fought a battle for independence.

SWAPO, which is recognised by the UN as the only authentic representative of the people of Namibia, has its bases in Angola, to the north. Angola is supported by 30,000 Cuban troops. This affords the South African Government the excuse that it needs to wage a military war against "communism," for it can link its attacks on Namibian guerrilla camps with the presence of Soviet-backed forces in Angola.

THE WEST wants the Namibian conflict to be settled quickly. There are three reasons why this barren country is of geopolitical importance.

- The territory is rich in uranium. It supplies 16% of the West's total production, and meets 50% of Britain's consumption;

- Walvis Bay is the only sizeable deep-water port with access to the Southern Atlantic sea lanes between Cape Town and Lobito in Angola;

- Namibia borders five countries which are crucial to the stability of the continent: South Africa, Botswana, Zambia, Zimbabwe and Angola.

And so it is vital to Western interests that an independent democratic and stable system is established. The "contact group" is therefore trying to negotiate a UN-supervised election which observers believe would be won by SWAPO.

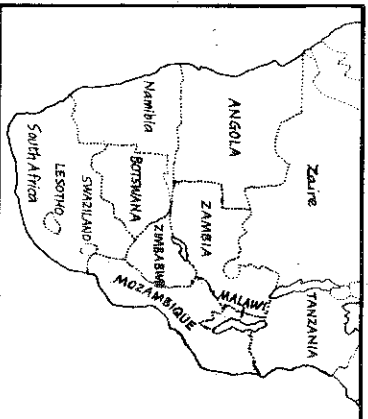
SOUTH AFRICA, however, wishes to retain Namibia as a client state. It argues that SWAPO is a Marxist organisation which, if it gained control, would threaten its neighbour.

Namibia: land initiative crucial to peace plan

South Africa is encouraged in this view by Western voices. For example, the *Wall Street Journal* declared in an editorial last Dec. 16:

"Soviet bases in Namibia would be able to directly threaten South Africa and the South Atlantic sea lanes. These prizes are big ones, not the kind that the Soviets will walk away from easily."

There is an element of hypocrisy and double-standards in the South African stand against SWAPO. For example, while attacking the Angolans for giving support to SWAPO guerrillas, South Africa feels free to provide support to guerrillas who are fighting the Angolan government under the banner of UNITA (the National Union for the Total Independence of Angola).



But behind all the clichés and talk of geopolitical strategies there is a truth that is strangely ignored by the white nations that are seeking to resolve the conflict.

For the underlying dispute is about the ownership of Namibia's mineral deposits and farmland.

A SERIOUS maldistribution of land is at the centre of the struggle for political independence.

White South Africans, although they make up under 10% of the population, own 38m hectares of the best agricultural and ranching land, plus

the area containing extensive mineral resources.

This is serious for the blacks, because only 2% of Namibia's 83m hectares is suitable for crop cultivation. Over half of the country is desert.

The 1.2m blacks are now left with 33m hectares of 'habitable' land, which is largely arid soil unsuitable for cultivation.

The 'Ovambo homeland' is populated by 400,000 people, but under half of its 10m hectares is suitable for crop cultivation or ranching, according to the London-based Catholic Institute for International Relations, which has exposed the key Namibian problem:

"The good ranching country of the central plateau, indeed 90% of land outside the northern region, is in Europeans' hands, with 60% of the country's 3m cattle also owned by whites."

"The confiscation of land after conquest during the colonial period, vividly recalled by Herero-speaking people in their demands for the return of their 'lost valleys' taken in 1907, lies at the root of Namibia's political economy and its people's political consciousness."

"Contemporary land distribution makes overgrazing and soil erosion inevitable. Overcrowded reserves, in which blacks were until recently forced by legislation to live, make it impossible for Africans to subsist on the land. Today as much as in the past they are pushed by rural poverty into the contract labour system."

THE LAND QUESTION, then, must figure prominently in any peace initiative.

Black guerrillas see the repossession of land as the prize of victory. This, above all else, is what the white settlers wish to resist, and it is the reason why the South African government is reluctant to reach a political agreement with the radical leaders of SWAPO.

1884	German colonization of South-West Africa.
1915	Germans surrender to South Africa.
1920	Mandate conferred on South Africa by League of Nations.
1946	UN trusteeship replaces mandate.
1966	SWAPO, founded in 1960, launches armed struggle. UN terminates South African mandate.
1967	UN Council for Namibia set up.
1971	International Court of Justice rules South African occupation is illegal.
1973	UN General Assembly recognizes SWAPO as "the authentic representative of the Namibian people."
1974	Security Council resolution 366 calls for South African withdrawal.
1977	Five Western powers form "contact group." Democratic Turnhalle Alliance (DTA) formed with South African support.
1978	South African troops raid SWAPO base in Angola. DTA wins 82% of votes cast in 'internal' election.
1979	Constituent assembly in Windhoek is transformed into National Assembly. Revolt by right-wing whites against laws outlawing race discrimination. Rev. Peter Kalangua's party withdraws from DTA, ending hopes that the Alliance could defeat SWAPO in free elections.

Lord Carrington, the former British Foreign Minister, canvassed the possibility that independence might be achieved by means of another Lancaster House-type conference which resulted in the creation of an independent Zimbabwe.

This may have some attraction for SWAPO leaders, who proclaim an affinity with Robert Mugabe's style of moderate socialism.

The post-independence problems in Zimbabwe, however, ought to alert SWAPO to the dangers of the Lancaster House agreement.

Under the terms of that conference, Mugabe agreed that white-owned land would be redistributed only if the whites were compensated. He has now discovered that he does not have the money to meet the land hunger of the black peasant farmers.

The same would be true of Namibia, despite the fact that she has the largest diamond deposits in the world. Namibia imports 90% of her food, and the risks of disrupting the rural sector further are considerable.

Hundreds of farms have already been abandoned (one third of them in the Oujjo district north of the capital, Windhoek).

The problem during the post-independence phase will be to increase output on the 5,000 white-owned commercial farms and the 100,000 black subsistence farms. This would not be achieved if a Marxist government set out to appropriate the land of efficient farmers in the name of reverse discrimination.

A CRITIQUE of the Zimbabwe solution argued that a tax on land values ought to have been instituted as the major redistributive mechanism. This would satisfy the dual need to maximise output on occupied land and ensure that idle land was placed in the hands of needy landless farmers.³

Careful attention must now be given to the problem of land reform, learning from the errors which have led to the new political crisis in Zimbabwe.⁴

For no matter which side wins the military conflict, unless a solution is found to the land question which is both equitable and economically efficient, the losers will still be the mass of landless peasants.

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2. *Ibid.*, p. 56.
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4. Ian Barron, 'Land hunger - the threat to Magabe', *Land & Liberty*, Nov.-Dec. 1981.

Pennsylvania Tax Raiders

Cont. from P. 51

the present tax of 6.57 per cent of assessed value to 5 per cent on buildings and 12.25 per cent on land.

Meanwhile, Collins and collaborator, Wylie Young, began a detailed survey of about 500 parcels throughout the 66 wards. When these two reports are completed, Tayoun will stage a series of town meetings to inform residents.

BUT THE attractions of land value taxation are not limited to shifting the burden off homeowners. Tayoun appreciates the wider economic implications.

For example, many more jobs would be created in the depressed construction industry. So a meeting was organised between Collins and the "big honcho" of the Operating Engineers Union, Ralph Williams, who is also chairman of the Joint Building Trades Council.

Williams told Collins and Biddle that he recognised that the change in the property tax would be good for his people: it would encourage more building.

Tayoun believes that his campaign also has a potential political impact at the national level. He told me during an interview in his office in city hall:

"The time has come for the land tax. I know it is right for Philadelphia. We will blaze a trail, and we will be followed by cities like New York, Boston and Chicago."

The raid on the tax system is apparently going smoothly. Collins, however, is not being deceived. He says: "So far, there has been no resistance or objection to the proposal but we are not being lulled into a false sense of security. We expect opposition and we will be ready for it."

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2. *Ibid.*, p. 312.
3. Henry George, *Progress & Poverty*, New York: Robert Schalkenbach Foundation, centenary edn. 1979.
4. School and county tax rates are levied equally on land and buildings, and are in addition to the municipal rates. In Pittsburgh, the equalised county tax rate is 0.7 per cent, and the school tax rate is 1 per cent.
5. *Incentive Taxation*, Jan.-Feb. 1982.

Redistribution of the benefits of land cannot be avoided, however:

"Namibian nationalism, having grown out of the colonial theft of land and control of contract labour, will in the post-independence period be likely to create high expectations that land will be redistributed, wages raised appreciably, and families united."²

Parallel with the military conflict, then, is an ideological one: and it will ultimately determine the socio-economic structure of Namibian society.

South Africa wants to model the country along racist lines, with the blacks segregated into "homelands."

SWAPO began its armed struggle 16 years ago to break the whites' plan to establish an apartheid system. Under the Odendaal plan (1964) moves were instituted to split the black-occupied part of the country into 10 "native nations," while at the same time developing closer government links between the remaining "white area" and South Africa.

The apartheid model for social and economic development is offensive to the West, but what is the alternative?

Thames, in boroughs such as Barnet and Harrow (which, like Bromley, are Conservative run) there were fewer qualms about transport subsidies, no doubt because they were very much to the advantage of their electors.

The issue of subsidies for urban public transport can be summarised in a single question. Should those who use it pay directly or should it be laid on as a service paid for partly, or even wholly, from the public purse? The majority of urban transport authorities around the world receive financial support. In 1979, a survey showed that the proportion of revenue paid by the passengers themselves varied from about 75 per cent in London and Manchester to 52 per cent in Munich down to as little as 28 per cent in Rotterdam.

There are several arguments in favour of transport subsidies. Where volumes of traffic are too large for roads to handle, public transport must be provided in any case, and low fares ensure that the facilities are well used. This, in turn, makes it possible to adopt simple flat rate or zonal fares, and tickets can then be issued and checked automatically, by machine. Without the subsidy, short-distance fares are so high that passengers prefer to walk. Subsidies also influence the proportion of travelling done in private cars; small increases in road traffic have a critical effect on congestion, and the community at large incurs costs in the form of delays, noise, pollution, accidents and general nuisance. A policy of subsidy may be the cheaper solution if it encourages enough people to use public transport; everyone then benefits from the smoother flow of traffic. Unfortunately, this is very difficult to demonstrate, as travel habits develop over many years and short experiments prove very little.

On the other hand there are equally good arguments against transport subsidies. They mean that some people are paying for a service they do not use while others are using a service they do not fully pay for, and it makes matters worse when people in some areas are expected to pay for a service that is not even available to them. In London, transport subsidies act to the advantage of better-off owner-occupiers in the outer suburbs, and it is difficult to see how a council, whatever its political colour, can justify this. Subsidies can also perpetuate inefficiency and artificially low fares make it difficult to relate services to real demand. When passengers do not have to pay the

THE CASE of Earl of Lonsdale v H.M. Attorney General heard before Mr. Justice Slade on the 15 January 1982 in the Chancery Division calls attention to fundamental principles far beyond the facts of the case.

In 1969 the Crown purported to grant an oil company a licence to search and bore for oil and natural gas in the bed of the Irish Sea. But by a conveyance made in 1880 the Crown had granted to the predecessors in title of Lord Lonsdale its interest within certain tracts of land forming the sea bed adjacent to the Cumbrian Coast "All mines and minerals down to the bottom of the coal measures in and under those tracts of land." No doubt the situation was the well recognized arrangement when mines were sunk on dry land but the underground workings followed the seams (probably of coal) out under the sea bed.

The land owner's rights over his own land stopped at the high water mark, and the foreshore and sea bed were vested in the Crown.

The question to be decided was whether the oil and natural gas were within the definition "mines and minerals" and it became a matter of words and definitions. The decision was in favour of the Crown. One of the principles involved in that decision was that, contrary to the ordinary rule applicable to grants by the subject, grants by the Crown fell to be

true cost of travel they tend to make journeys they might otherwise have thought twice about. Cheap travel encourages people to take on long journeys to work, and the end result could be much unnecessary travelling and fuel consumption.

With strong arguments on both sides, the conclusion to be drawn is probably that a measure of subsidy is acceptable. Worldwide, there is a tendency for subsidies to fall in the range of 40 per cent to 50 per cent; this seems to be a prerequisite for well-used public transport facilities of good quality. The alternative seems to be fares set so high that few people use public transport, which then has to be pruned to suit the reduced demand; however, this approach is still loss-making, but with little to show for it in the way of service.

One aspect of the subsidy issue, however, usually escapes notice. High fares depress land values, so they are one of the expenses people allow for when they decide how much they can pay for a house in a particular place. The converse is equally true; low fares tend to enhance land values. With the cheap fares in London, com-

The Case of the Crown, the Earl and the seabed

construed in a manner most favourable to the Crown.

The decision is interesting especially because on the great landed estates it was and is common to except mines and minerals from the sale of freehold land and the granting of long leases. It will be interesting to see how the case will be applied to them, especially as the Crown would not be involved and the oil and gas and other minerals would belong either to the landed estate or the owner of the surface.

It is also a land mark in industrial history as being an example of the change from one fossil fuel to other fossil fuels as sources of energy. It leads on to the great international issues now and for years past aired in conferences on the Law of the Sea in the United Nations where questions

muters travelling into town from places like Highbury and Earl's Court were saving around £3 a week; four people sharing a flat would have been about £600 a year in pocket. Even after deducting the £40 a year in extra rates which the Greater London Council said that "Fares Fair" would have cost, they would still have been about £500 a year better off. As with all advantages of location, this would soon have been skimmed off by higher rents. Other rents which would have risen as a result of the London Transport fares subsidy would have been those of hotel rooms and shops in Central London, as more visitors came to spend their money.

In effect, subsidising public transport is much like building a road – in improving accessibility it enhances land values. Under our present tax system such increases in value are a windfall for the individual owners. How much fairer it would be if the rental value of land were a major source of public revenue. It would then be possible for the public to recoup the values it created by its investment in services such as transport.



BY EDGAR BUCK

of fundamental importance are always present where individuals or bodies seek to monopolize natural resources. The advance in technology is making natural resources under the sea bed available for use, but the sea bed is land and land – and the sea itself if it comes to that – is a natural resource which should be applied for the benefit of all.

THE CASE in the Chancery Division had the Crown as an owner of the sea bed. If it had been dry land the plaintiff would have owned the minerals as his own, because he owned the surface.

It was right that the owner of the land forming the sea bed should be the Crown which, in this context, would represent and take the benefit for the people of Great Britain.

But our history is that not only the off shore sea bed but also all the land of Britain at one time was publicly owned via the King and from the income of which he paid the expenses of Government.

English feudalism held that all freemen were bound by the Salisbury Oath of 1086 "to give allegiance directly to the King." Consequently, every acre of land in the country was held of the King. As Pollock and Maitland have said: "The person whom we might be inclined to call the owner the person who has the right to

use and abuse the land to cultivate or leave it uncultivated, to keep others off it, holds the land of the King either immediately or mediately."

Ultimately the people represented by their King (the Crown) were deprived of the benefit of the land of their country as it became gradually reduced by various means to private ownership. Although the feudalistic words "in fee simple" were retained they came to indicate an estate of freehold and ownership and that includes everything attached to or lying below the surface of the land and also all above it.

This is the land tenure system in our country now and from it stems a poverty for some, for the owner can deny to others access to natural resources completely or except on terms of payment.

The system of private land ownership is so tight – the whole of the land is owned by so few – that the proportion of earnings so taken is high. Not only that but the work and industry of those who are permitted to work enhances by the division of their labour and their presence the value of the land to such an extent that where they are concentrated in large cities land values can be reckoned in millions of pounds an acre.

A recent example of this is the site of St George's Hospital at Hyde Park Corner, London. Under a contract made in 1767 the site was sold for £23,700 on the basis that it would be sold back at the price if the building were to be no longer used as a hospital. It is no longer so used but the site is now worth about £20m. That value is attributable not to oil or gas underneath, but to the presence and industry of the people. The site now reverts to the Grosvenor Estate, which is headed by the Duke of Westminster.

It is this value as well as the value of other natural resources which should be taken by way of taxation – in the process abolishing existing

taxation which is levied on industry and labour.

TURNING again to what history will see as important, namely the exploitation of the sea bed, we are becoming familiar with drilling into the sea bed for oil and natural gas but there are other natural resources at stake in the form of "manganese nodules" containing nickel, cobalt, copper and manganese as well as other metals.

These nodules are found on the floor of the oceans beyond the usual limits of natural sovereignty. By means of modern marine technology they can be sucked up to the surface and refined. In December 1970 the United Nations General Assembly adopted Resolution 2749 (XXV), designating the area of the deep sea bed as "The Common heritage of mankind" and recommending that an international regime be established to enable the exploration of the sea bed to be carried out for the benefit of mankind, taking particular account of the needs of developing countries.

From this has followed procedural arguments, questions of production limitation, in our own country the Deep Sea Mining (Temporary Provisions) Act 1981 and in other countries similar legislation. Countries have sought to extend their territorial sea limits to 12 miles and some to 200 miles. Problems relating to narrow straits between countries, investment protection and rights over fisheries have been discussed and representations by land locked countries to share in the bounties have been made. Progress has been slow and although it was expected that December 1981 would see negotiations concluded and a final Act signed, that did not happen.

As one looks out upon the world and upon the obligation to ensure that the newly discovered natural resources on and under the sea bed are used for the benefit of humanity generally, the remedy of the taxation of land values (or in the language of the economist, the collection of the economic rent of land for public purposes) to achieve economic justice seems comparatively simple. Nevertheless that simplicity provides the fundamental guide that what God provides is for all his children and on the other hand that a man is entitled to all he earns. Perhaps the fundamental truths to be faced in the presence of the new discoveries exemplified by Resolution 2749 may lead to the recognition of the need to take land values everywhere for public purposes – bringing the economic justice and harmony which has been the lifelong goal of fine thinkers for over a century.

Hilton loops the Loop

A MASSIVE \$250m Hilton Hotel project will not now be built in Chicago's North Loop.

The development was cancelled when Cook County assessor Tom Hynes refused to endorse an application to reduce the property tax liability.

Chicago is famous for the tax concessions that it has granted to landowners.¹ Mayor Jane Byrne favoured the "tax break" for Hilton, which would have produced an assessed valuation of 16 per cent of fair market value for 13 years, rather than the standard commercial rate of 40 per cent.

Hilton would have saved \$70m, a burden that would have been placed on other taxpayers.

Arthur Murphy, a senior official in the assessor's office, said in a letter in answer to one of the earlier applications for the tax break that the city authorities had failed to identify the owners of all parcels of land in the six-block, 26.7-acre development area, as well as persons with beneficial interests in trusts holding the land.²

1. Henry Tideman, *The Great Chicago Rip-off: Land & Liberty*, July-Aug. 1979.
2. William Junsau, "Hilton tax break is rejected again," *Chicago Tribune*, 28.10.80.

YOU may chance upon them on any high street, sidestreet or backstreet of any town in the country. They exist behind huge painted advertising hoardings; they lurk in the shadows of high facades of faceless corrugated iron, or slumber dejectedly, weed-ridden and dank, behind dilapidated wooden fencing. They are the so-called wastelands, the derelict sites of our cities; the pieces of unused land left dormant and desolate while the living world of homes, shops and schools pulsates all around them.

In the country at large, their number must be startling. In London alone there are enough of them to occupy an area of 30 square miles or to fill a space rather larger than the island of Guernsey.

In the London boroughs, there are over 150 of them in Lambeth alone, taking up a vast 65 acres of that local authority's area. The situation in Hackney and Southwark is even worse; each has twice as many derelict sites as Lambeth. But the doubtful distinction of having probably the greatest number of unused sites of any London borough is held by Tower Hamlets with 506 weed-producing patches totalling an amazing 480 acres.

These statistics on London's derelict acres have recently raised the interest of the National Federation of Self Employed and Small Businesses whose London region recently issued a small pamphlet* entitled *30 Square Miles of Waste Land* setting out the disturbing facts. The Federation, a pressure-group with some 50,000 members in the United Kingdom, regards the existence of the thousands of vacant plots in the capital as a scandal that calls for urgent and radical action.

The Federation explains that vacant land in our cities can be owned by private companies and individuals as well as by local authorities, nationalised industries and by central government. But their pamphlet concentrates on land in public ownership which they see as a greater cause of concern than land in private ownership. When privately-owned land is left unused, they say, "the immediate sufferer is the owner of the land" but, in the case of publicly-owned land "the loss falls on the taxpayer ... (so) ... there is a strong case for policies to encourage the bringing into the use of potentially profitable publicly-owned land."

Initiatives to bring this land into productive use, asserts the Federation, have, so far, hardly scratched the surface. Yet, they calculate, the contribution that this land could make to bringing down the burden of the rates is nothing but enormous. They make four "policy proposals" designed to bring the land back into productive life.

First, they want local authorities to be required to compile registers of publicly-owned land in their areas. Second, they want tenants of local authority business premises to be allowed – like the tenants of council houses – to buy their premises on generous terms. Third, they want public bodies to sell, by auction, within three months of legislation, any of their vacant land or buildings which any member of the public wishes to buy. Finally, they want any vacant land still in public hands after two years of these arrangements (the Federation assume that any such plots would be virtually valueless) to be disposed off by ballot. (Ballot tickets to cost £200; and there might have to be safeguards enabling the authorities to re-possess land still not put to use by the ballot winner.)

Full marks must be given to the Federation for their initiative in bringing to public notice some of the facts on a serious national scandal and for suggesting a remedy. But, there are a number of weaknesses both in their assessment of the problem and in their proposed solution.

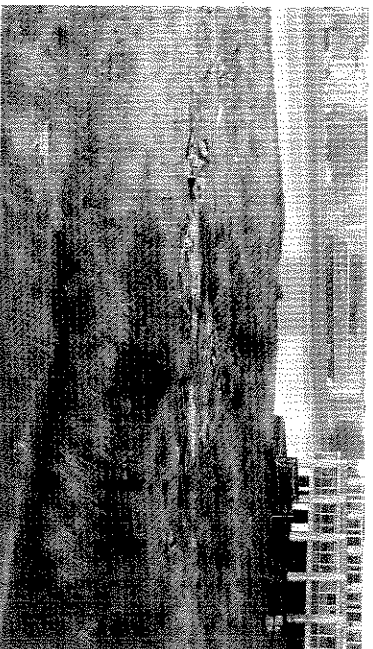
* *30 Square Miles of Waste Land*, London Region of National Federation of Self Employed and Small Business Ltd., 45 Russell Square, London WC1.

Scandal of the vacant sites

In the first place, their lack of concern over privately-owned sites is a gross error. In the boroughs of Lambeth, Hackney and Tower Hamlets, the only ones for which sufficient details are given in their pamphlet, private companies or individuals own 58 per cent, 70 per cent and 23 per cent respectively of the number of vacant sites. In the face of these figures, any remedial measures that ignore the private sector can be only tinkering with the problem.

Secondly, it is not true that, in the holding of private sites vacant, "the immediate sufferer is the owner of the land." On the contrary, the owner is unlikely to be a sufferer at all. He has almost certainly calculated that his financial interests would be better served by keeping the land vacant while it appreciates in capital value ("ripening for development" in real estate jargon) than in being used to earn a current revenue. So the sufferer, both immediate and long-term, will, in fact, be the public. They will receive no rates income from the owner yet, by providing local services out of the rates (roads, street lighting, libraries etc.) as well as by privately-financed developments, they will be continually enhancing the capital value of the vacant site.

Thirdly, the arrangements proposed by the Federation would provide a field day for bureaucracy in local government with huge increases in staff being required to administer the new regulations.



Yet by a comparatively simple measure the aims of the Federation could be achieved. All that need be done would be to modify the present rating system so as to levy rates on site values alone.

This would mean that rates would be payable on all vacant sites, a change that would apply a salutary deterrent to the holding of valuable sites out of use. Any private owner would find it expensive to hold land idle purely for capital gain and would be spurred to put his site to use or to transfer it to someone who would. Public bodies would be placed under similar discipline. The rating assessments of their properties would appear in the register and they would be under pressure from ratepayers and taxpayers to place on the market any land they were keeping idle.

The scheme presented by the Federation is a commendable effort on their part to grapple with a widespread national problem. But a much simpler solution – more comprehensive and infinitely more economical – is staring them, and all of us, fully in the face.

30 SQ MILES BLIGHT LONDON: BERT BROOKES ANALYSES SOME SOLUTIONS

AT A TIME when Britain has 3 million unemployed there is no shortage of forecasts that things are going to get worse. Hardly a week seems to pass without some learned body or other predicting, usually with a side-swipe at current government policies, that the jobless total will eventually reach 4 m, 5 m or some similar alarming figure. The forecast is usually supported by appropriate statistics about the continuing incursions of the computer, the mighty march of the mini-processor and the rise of the industrial robot.

In his recent book,¹ James Bellini puts himself way out in front among prophets of gloom and doom. His theme is not so much of concern for Britain's industrial future as of complete despair. He forecasts not just a flood of unemployment by the late 1980s (5 m or more) but the complete collapse of British industry.

As he sees it, the world is caught up in a second industrial revolution – an age of electronic magic – during which computerised production processes – micro-electronics, optical fibres, advanced communications, the unmanned electronic factory – will transform the industrial scene. We shall see "high technology production of 21st century products flooding into the market place at ever-falling prices" and taking us into an era of "dangerous over-supply." It will mean a crisis of too many goods chasing too few customers and the world facing a mounting threat of being "overwhelmed by excess."

The result will be a full-scale battle among the trading nations of the world, a conflict that Mr. Bellini describes with all the relish of a battle-hungry war correspondent. The "price-war" will be a "fight to the death." The "spoils of victory" will be immense. The real "cut-throat fight" will be in Europe. Brazilian and Korean factories will be "spewing out" cheap motor-cars in an "ever-growing flood." East European producers are preparing an "onslaught" on the consumers of the Common Market. The battle of car components will be a "second front" in the "commercial war." Production lines will be started "inside enemy territory."

SIEGE ECONOMY

Some countries will emerge from the struggle victorious. But in Britain the ageing of industry will have gone too far. Enormous tracts of our factory landscape will slip into decay. We shall be falling back to a "siege economy" in which work will become "a luxury for the privileged few."

But the international trade war will not be the only conflict in which Britain of the 1980s will be entangled and not the only one from which she will crawl out on her knees. She will also be the loser in an internal industrial struggle involving Mr. Bellini's 'goodies' – the people who work in factories making "democratic wealth" – and his 'baddies', those occupied in the "vast service class" – finance, insurance, advisory services and other knowledge-based work – who, in his eyes, merely make money.

Mr. Bellini has a picture, or perhaps it is a nightmare, of Britain "abandoning its factories"; of steadily opting out of manufacturing industry to pursue the cosy delights of "gentlemanly life" in the service sector. "As the service class grew, the factories experienced an exodus of workers on an almost catastrophic scale." In the ten years to 1974, he records, a million industrial jobs were lost in this way. By the year 2000, he predicts, a further 2 m will have gone. By then, industry will have all but died. "Factories will stand in ruins, their machines rusting slowly to dust." There will be millions of acres of economic desolation and a mass of unwanted labour. From being the workshop of the world, the country will become an

The 'landfax' aristocracy: a vision of the 21st century

archeological site from the western industrial past. "But there will be no industry."

If prejudice against the service sector is one bee in Mr. Bellini's bonnet, another is an obsession with British feudalism. He argues, not very convincingly perhaps, that the reasons for Britain's economic decline are primarily social. Britain's life-style – unwritten taboos and hidden codes of social conduct – amount to an "informal apartheid" based on social rank which, in industry, is most prevalent in the service sector. The increasing domination of the job market by this sector will magnify the "feudal flavour" of Britain's economic system.

So, argues Mr. Bellini, Britain is reverting to a feudal form of society. It will be a society dominated by the elites of the Civil Service and of Oxbridge with class-ridden governments, a powerful landed gentry and the masses in "a permanent state of jobless serfdom." As industry continues to rust away and the economy moves into "a downward spiral of disintegration" it will divide into two sectors based on land and services, with land the dominant factor. A "landfax aristocracy" (an economic system "run by the owners of land and information") will run Britain during the 21st century.

By Bert Brookes

In making this last prediction, Mr. Bellini gives some show of awareness of the key position of land in the national economy. Land, he declares, is the ultimate resource and he refers to the "awesome political and economic power" that goes with land ownership. He quotes Mark Twain: "Nobody's making it any more," and adds that just as land was the cornerstone of the power system created by William the Conqueror, so it remains the cornerstone of power to-day.

SCRAPHEAP

Yet it soon became plain that the master-role of land ownership in the economic and social condition of the people is something of which he has no conception. When he speaks of land (and of "land hunger") he is referring to the rolling acres in the countryside ("valuable in terms of hard cash and for reasons of positional life-style essential to a leisure class"), to the "urban investments that form the bedrock of their portfolio of wealth" and to the allotments for vegetable growing for which there has been a clamour from "the very bottom of the social hierarchy." In contrast, land "left on the scrapheap by urban

decay and industrial decline . . . is of little interest to the landfax investors." So land emerges, not as "the great fundamental fact that ultimately determines the social, the political and consequently the intellectual and moral condition of a people,"² but merely as a sound investment and as part of the trappings of feudal position and prestige. ("It grants its owners a quantum, inflated sense of social power. . . .")

Mr. Bellini's picture of Britain in the late 1980s and beyond hardly cries out to be taken seriously. It is more of a caricature; a flesh-creeping fantasy based on premises too unreal to merit acceptance. His prejudice against the service industries seems purblind and irrational when it is borne in mind that it is natural for this side of industrial activity to expand as the processes of goods production become simpler, more automatic and use less labour. The whole trend of the industrial revolution as it has rolled on from mechanisation through mass production to computerised automation has surely been towards cheaper goods, shorter hours in the factories and more leisure time, to cater for which more people are being employed in services such as transport, travel, education, holidays and entertainment.

The evidence of the book is that none of this is lost on Mr. Bellini. He concedes that "all new technology carries the promise of great benefits." But he insists that "a revolution can only succeed if it is total." If it is unfinished it creates two economies; one modernised, the other "left behind as a second-class hinterland."

Few would quarrel with that sentiment. It is a fair summing-up of the frequent initial effect of technological progress. But why do industrial revolutions stop short of totality? Why will the revolution of the 1980s fail to last the distance? Mr. Bellini does not explore this question. If he had, he might have found that the causes are bound up with the factor in production which he calls "the ultimate resource" – land.

UNEMPLOYMENT

For it is axiomatic that the universal enjoyment of the fruits of technological progress depend on the continuous expansion of industry – including the service industries – to absorb those displaced by the new techniques. As we are seeing to-day, however, this fails to happen when the price of land, the basic need for any form of industry, is so forced up by investment and speculation as to place it beyond the reach of the entrepreneur. The expansion process stops. The absorption of those who are displaced is checked. Unemployment mounts.

In all industrial depressions in the past it has been the level of wages that has eventually been clobbered, so offsetting the penal price of land and enabling industry to re-awaken. Ultimately, business confidence has returned.

But who can say that this will always be so? There could conceivably come a time when this process, with wages taking the rap for land speculation, will fail to work. At that stage the traditional cold-shouldering of the true remedy will have to cease. The government of the day will have no alternative but to do what should have been done long ago – to place a tax on land values, thus reducing, and perhaps eliminating, the attraction of land speculation and, at the same time, bringing down land prices.

If this is not done, the spectre of Britain's industrial demise, as conjured up by Mr. Bellini, could become cold reality.

1. James Bellini, *Rule Britannia*, London: Jonathan Cape.
2. Henry George, *Progress and Poverty*, Book V, Ch 2, New York: Robert Schenklenbach Foundation.

Appeal to our readers

NOT SINCE the 1930s has the editorial philosophy of *Land & Liberty* been more relevant. The economy of the free world is virtually in ruins. In the absence of a convincing political philosophy capable of navigating the decision-makers through the hazards of the next few years, a fresh interpretation of the facts is vital.

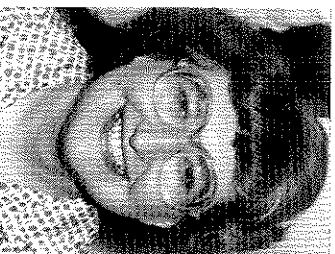
Land & Liberty with Fred Harrison, who has been re-appointed Editor, and his team of correspondents, will continue to expose the weaknesses in official policies and present the crucial issues which – all too often – are ignored as irrelevant.

But we need money. Subscription rates have not been increased since January 1978 despite ever rising production costs. And we expect to maintain our rates at their present levels for the foreseeable future.

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ACTION Send your donation now, or, if you feel *Land & Liberty* is worthy of your support, write and tell us whether you can give a certain amount each year in addition to your annual subscription. Cheques – in any currency – should be made payable to "Land & Liberty Appeal" and sent to us at 177 Vauxhall Bridge Road, London SW1V 1ER, England.



Barbara Sobrielo
Secretary



Tony Haviland-Nye
Treasurer

NEWS IN BRIEF

POLAND'S Marxist rulers, while continuing to suppress the urban proletariat, has now decided to allow farmers to increase the size of their privately-owned farms.

The Government is proposing that the maximum size of private farms, which produce 70 per cent of the country's food, can be increased from 50 to 250 acres.

According to PAP, the official Polish news agency, the proposed new agricultural laws would help farmers to "reinforce their sense of ownership," and enable them to "develop economically strong and productive farms."

AGRICULTURE Minister Edith Cresson is distrusted by French farmers. At first, she tried to deflect criticisms by launching a crusade on a variety of fronts, including plans to control land speculation without regard to the laws of inheritance. But following increased tension in the rural sector, the socialist minister has had to change her priorities and take up the cudgels on behalf of the farmers in their battle to squeeze higher prices out of the Common Market.

ANOTHER "Green Paper,"¹ more acceptable than the Government's, has been published by The Land Institute.² It is important to note that this appeared a month before the Government's Paper, anticipating much of its content. In the Institute's publication, both the case for and the case against the abolition of domestic property rating is set out in full. The paper is well written, accompanied by the tables of rating statistics, and well organised.

The Institute provides and examines a range of arguments, contributions to which were sought from known sympathisers of abolition and from those opposed to it. These arguments include: difficulties of administration (valuation and re-valuation, rate rebates, appeals, collection etc.), unpopularity, incomprehensibility and the exclusion of millions of residents from rate contribution because they are not householders.

In a general comment the Institute says that the abolition of domestic rates will lead quickly to the abolition of the whole property tax and that it is inconceivable that non-domestic ratepayers would continue to be prepared to meet a rates bill of £4,740 m., thus funding the cost of local services, net of government grant and of an equivalent source of revenue to replace domestic rate income. The *total* amount that would have to be found through substitute sources of local revenue, is currently £8,750 m., the equivalent to an increase of 30 per cent in revenue from income tax.

The Institute also observes that the proposal to abolish property rating appears to be running into party political trouble in that leading figures in the Labour Party and the new Social Democratic Party are now advocating (without any research into the matter) the abolition of the rating system in its entirety.

The point that not all residents contribute to local revenues is answered thus:

"Rating, as a property tax, is not meant to hit every resident and never was. It is aimed at, and directly hits, the occupiers of every property, apart from minor statutory exemptions. No rated occupier escapes. If we are rating or taxing land then no parcel of land would escape. The argument that rating misses residents is totally irrelevant. It does not hit every resident, it hits every residence, and that is the basis of rating."

This is a valid point though it raises some interesting questions regarding the economic and fiscal effects of taxing an elastic factor (buildings) combined with the inelastic factor (land) as if the two parts responded uniformly to taxation simply because they are called "land" when combined.

On another point, the Institute says:

"The view that rating is incomprehensible will be questioned by those whose professional activities bring them into contact with ratepayers. There is little evidence to support the statement. To those who pay rent inclusive of rates, it is not an observed tax at all. Those who pay rates are mainly the house-owners who do understand what it is all about."

Our own view of the economic effect of abolishing rates is supported:

"Scrapping domestic rates would merely bolster house prices and ease the way for rent increases."

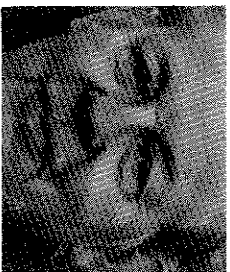
The final comment on central taxation as the chosen reform is:

"Evasion of a property tax (rates) is virtually impossible. The so-called black economy flourishes under our income tax system. Why switch an extremely efficient source of taxation to one where untold millions of revenue is uncollected?"

The Institute's own suggestions for rating reforms do not meet all the requirements of pure site-value rating theory – largely, we think, because of what it would consider to be practical political difficulties. But whatever the reasons, their proposals go a very long way indeed in supporting the arguments for rating reform, long advocated by this journal.

IN DEFENCE OF THE PROPERTY TAX

● VIC BLUNDELL reviews the arguments, for and against the abolition of the rating system in Britain.



Among these proposals is the re-rating of agricultural land which has escaped its contribution since 1929, the effect of which has been to bolster the price of farm land.

It is a pity, however, that this excellent proposal includes the rating of agricultural *buildings*, which would tip the scale against those farms with modern and well-equipped buildings.

In discussing the re-rating of agricultural land, the Institute – wrongly, we think – considers de-rating in times of agricultural depression excusable:

“Motives for giving relief cannot be questioned when economic stress afflicts a whole industry and that was the case with agriculture rather over a century ago.”

Since de-rating ultimately boosts the rent and price of land, the beneficiary is the land owner not the industry, as we argued with historical evidence in our issue of November-December, 1980.

This criticism apart, the case for rating agricultural land is well reasoned and arguments to the contrary are effectively disposed of.

The Institute calls for the total exemption of improvements from taxation in the non-domestic section – in short, for site-value rating. But it is proposed to restrict the valuation of sites to their existing use and the reason given for this is that restricting site-value rating to developed sites will not raise the development and planning problems associated with the use of site-value rating for all sites, developed or vacant, and will not involve consideration of

latent development value. This is true enough but it would be at the cost of negating the sound principle of “highest and best use” which the market for land reflects and, of course, idle sites would tend to remain idle without the spur of a site-value rate.

The latter point apart, it has been argued elsewhere that for the vast majority of residential properties, existing use equates near enough to highest and best use, given that planning permission would not be forthcoming for any appreciable change of use in residential areas.

The many administrative, legal and valuation advantages of site-value rating are pointed out as well as those arising from the reduction of appeals, now related largely to structural alterations.

The Institute rightly favours the basing of valuations on annual values (an important principle of site-value rating,) rather than capital values, and it rightly argues for changing rates on ownership instead of mere occupation, saying:

“... a property tax charged on occupiers as such is illogical and, among nations imposing property taxes, a freak.”

The case for the abolition of *non-domestic* rates is also examined and the Institute concludes that in the light of existing circumstances, the abolition of non-domestic rating is as impracticable as the abolition of domestic rating.

On exemptions from rating, the Institute says that aid to worthy causes should be by direct government subsidy not by rate relief, but

“acknowledges that any review in present circumstances is likely to be quite unacceptable so far as religious and charitable beneficiaries are concerned . . .”

This document, despite the objections we have raised, is far superior to anything produced by government departments. While the Institute makes concessions to what it no doubt regards as the politically possible, it does not misrepresent or avoid views contrary to its own. It is a handy booklet for those wishing to know more about those aspects of local taxation which are in the forefront of today’s discussions on rating and gives a lead to sound thinking and sound principles in the field of local taxation.

1. *Rating – Has it a Future?* The Land Institute, 93 High Street, Epsom, Surrey, 32pp, A4, not priced.
2. A body of professional people concerned with rating, valuation and other aspects of land economics, legislation and taxation.

RENTS AND RATES

SIR – I find it absolutely incomprehensible that so many people think that rates are closing down small (and presumably large) traders’ businesses.

According to Lloyd’s Bank Bulletin and the Confederation of British Industry, it is estimated that rates represent about five per cent of the turnover of industry and commerce, but neither authority tells us what the percentage of turnover is in terms of rent or its equivalent in mortgage interest or interest on debenture shares.

An analysis in North London shows the initial lettings of retail shops and rent reviews are producing rents three to three and a half

times what the trader will pay in rates.

The difference between rates and rent is that rates produce services while increases in rent produce nothing at all. Rents are inflated because rates are subsidised and because income tax is allowed to the trader on both rent and rate payments.

As a landlord, I receive the rate support grant intended for my tenant and as a tenant, I lose my rate support grant to my landlord. Human nature being what it is, I don’t return it to my tenant and my landlord doesn’t return it to me.

LETTERS

Reduction of support of the rates is causing increases in the rates and increased rates mean reduced rents on initial lettings and at rent reviews. We do get something for the rates.

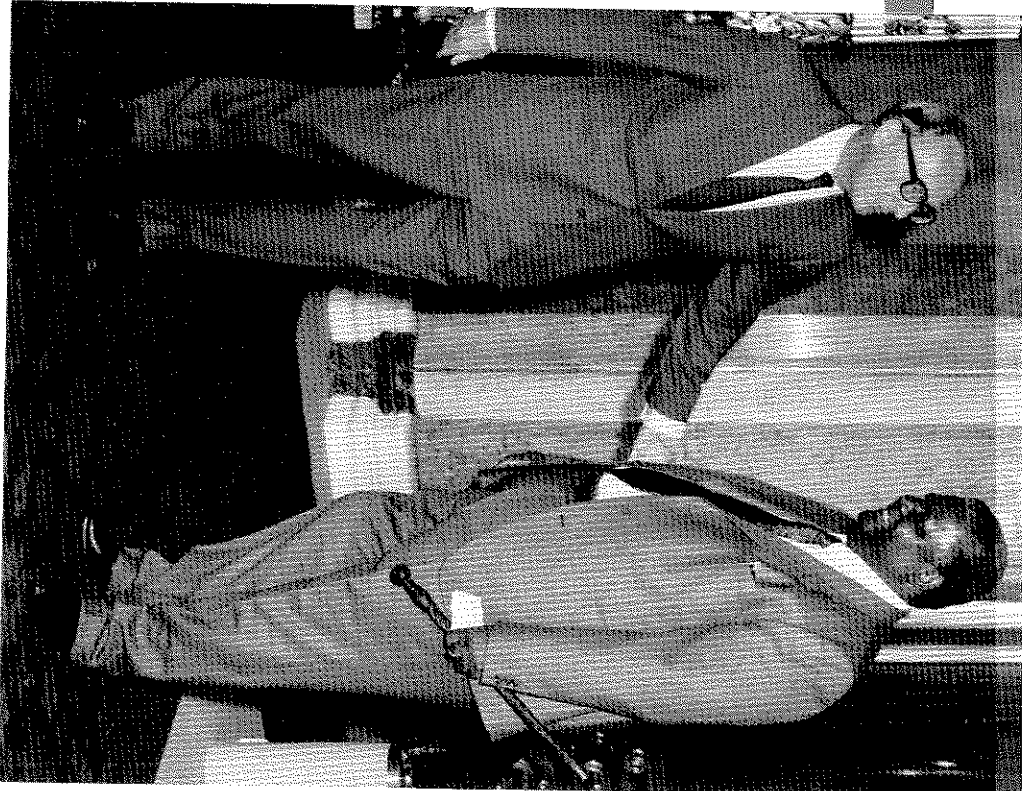
T. A. ENDE,
Finsbury Park, London N4

THE LAND REGISTER

SIR – Certain planning committees in Britain consider the Land Register defining land considered surplus to the requirements of local authorities, nationalised industries and other public bodies, to be less than satisfactory.

The Register is by no means comprehensive. There is little reference to land owned by nationalised industries, statutory undertakings and Government and public bodies.

E. PENROSE
34 Dorset Sq., London, NW 1.



OUT-OF-POWER: Joshua Nkomo (right) – sacked by Prime Minister Robert Mugabe – and Lord Carrington, architect of the Lancaster House Agreement, who has resigned as Britain's Foreign Minister over the the Falklands crisis.

Zimbabwe crisis should spur Nkomo's land tax plan

ZIMBABWE'S political crisis could encourage a constructive change in the ideological evolution of this former British colony.

The political drama began when guns and ammunition were discovered on farms owned by leading members of Joshua Nkomo's Patriotic Front (Zapu).

Prime Minister Robert Mugabe immediately sacked Nkomo and other top Zapu politicians from the Cabinet. This created the most serious political crisis since independence in 1980, and ended the mounting campaign to turn Zimbabwe into a one-party state – which would accelerate the exodus of whites.

HUMILIATED, Nkomo immediately charged that his former ally had created the conditions which could "set off a fire in the country." Much now depends on whether Nkomo decides to restore his fortunes via the ballot box or the gun.

His base is in Matabeleland, where many of his supporters immediately acknowledged the possibility of a civil war.

Nkomo, however, appears to be determined to exploit the breakup of the coalition between Zapu and Mugabe's African National Union through strictly political action. And political observers have already pinpointed Mugabe's critical weakness – the failure to develop an effective land policy.

One of them, Michael Holman, notes that Nkomo might latch onto "the slow progress in the resettlement of former white-owned land by peasant farmers – a highly sensitive issue, calculated to raise the temperature of national debate."

By Paul Knight

ON THE land issue, Mugabe is locked between two conflicting policies. On the one hand, as a socialist, he is ideologically disposed to nationalisation and the establishment of collective farms.

But he is legally bound by the Lancaster House agreement, which commits him to compensating white farmers for any land that is transferred to Zimbabwe's landless peasants.

This has created a tension in government policy which an intelligent political opposition could exploit to electoral advantage.

On Feb. 29 Mugabe, in an intemperate speech, warned that his government would consider seizing white-owned farmland if the owners refused to sell or if funds for the purchases ran out.²

Nkomo has a markedly different approach. His view on how the rich agricultural resources could be exploited centres around the capture of rents from people who monopolise land. In an interview before independence, he explained:

"We don't believe in trading land or selling land – no. And in any government that I lead, you can be certain those practices must go. That does not mean we will be taking people's land. It means that other people who haven't got money will have a chance to use land, which is the common property of everybody. And if they have to pay some rates or rents, that will go to a general fund of the people. In this way citizens can use as much land as they want. Our system is this: once you use land, that land belongs to you. But you have not bought it. You cannot sell it to someone. The land belongs to the people, but everything on that land is yours."³

This amounts to a fiscal strategy for change. A tax on the economic rent of land would have enormous influence:

- Land would be redistributed away from white farmers who currently monopolise large tracts that are not used: they could not afford to pay the tax for land that was not earning them an income;
 - Farmers could acquire family farms without having to buy land: they would acquire use rights and not be liable for payments to the exchequer until the first crops were in;
 - The government would not have to divert scarce funds to achieve what is perceived as the single most important and socially just objective among the black population – an equitable distribution of the benefits arising from land.
- This fiscal-based land reform would appeal to the Zimbabwe electorate, uniting tribal and racial factions. As such, it would strengthen Nkomo, the "Mdala" – the old man – and coalesce the forces against Mugabe.

And the battle would then be restricted to the ballot box rather than a return to the guerrilla warfare of the jungle.

REFERENCES

1. Michael Holman, 'Mugabe grapples with a political cobra', *Financial Times*, 17.2.82.
2. Rodney Pinder, 'Mugabe says Nkomo must stand trial', *The Guardian*, 1.3.82.
3. Harry Minneret, 'Mwabuko Joshua Nkomo', *Penthouse*, Vol. 13, No. 12, 1979, p.40.