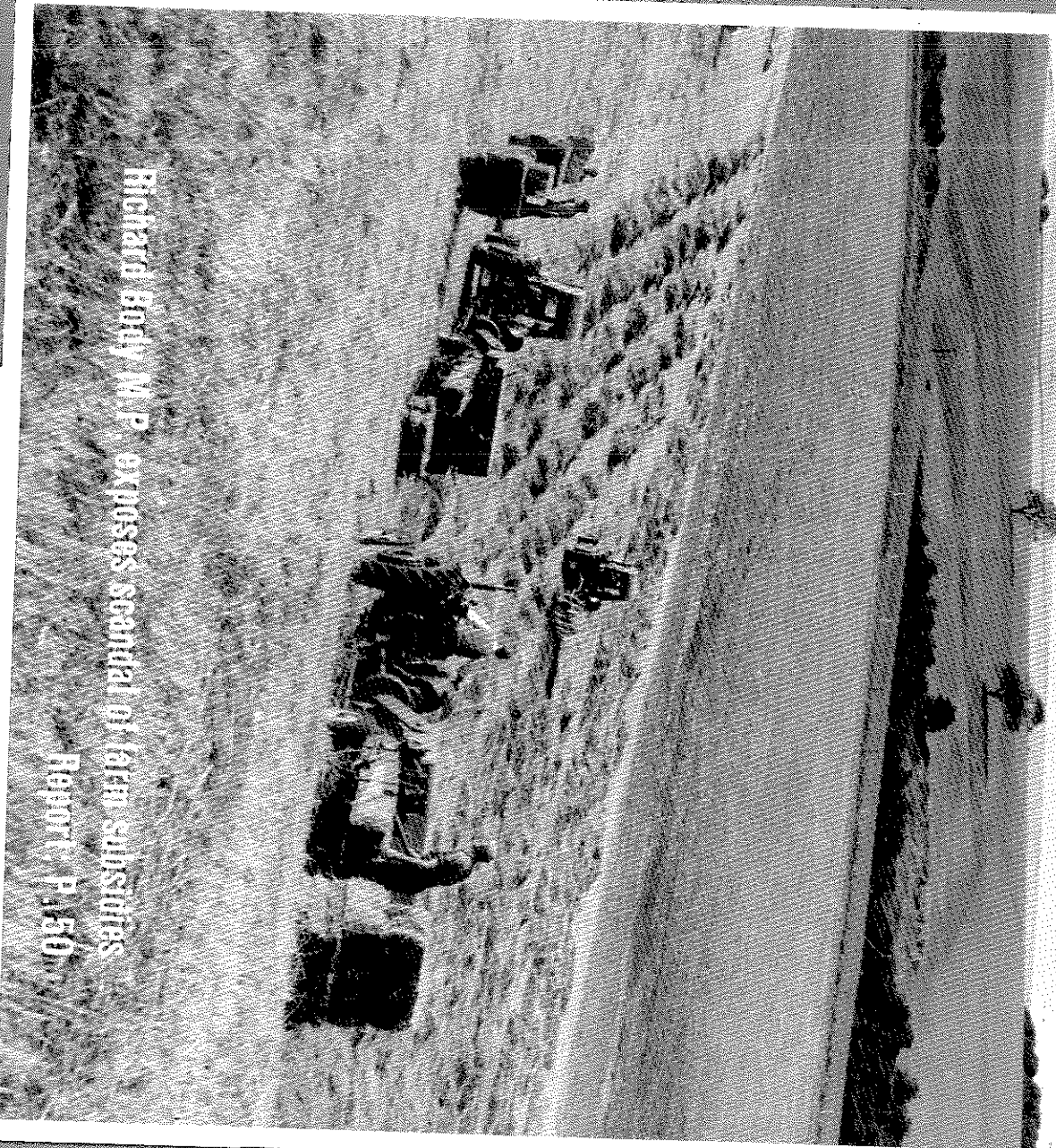


# LAND & LIBERTY

The POWER in the LAND  
A preview: pp 42-44

## AGRICULTURE: The Triumph & the Shame



Richard Body M.P. exposes scandal of farm subsidies  
Report, P. 50

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Editorial Offices:

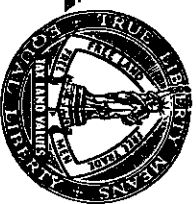
177 Vauxhall Bridge Road  
LONDON S.W.1  
Tel: 01-834-4266

Editorial Consultant:  
V. H. BLUNDELL

5 East 44th Street  
NEW YORK, N.Y. 10017  
Tel: 212-697-9880

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## THE POWER IN THE LAND

**42** FRED HARRISON argues that the power in the land is the root cause of the present global recession – and previous upheavals which have afflicted industrial economies – the thesis of his newly published book.

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## (NOT SO) GREEN!

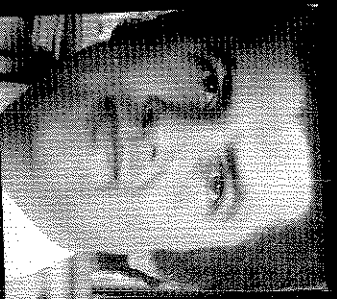
**50** TRIUMPH AND THE SHAME  
RICHARD BODY, (right) who has made an in-depth study of agriculture, throws down a challenge that would transform farming – and ease the burden on taxpayers.



**60** Friends of the Earth, the conservation movement, has broadened its campaign – having been introduced to Henry George's analysis of land tax and the environment. DAVID RICHARDS (right) reports.



● Fred Harrison



## THE WORLD economy was crushed by exploitation in the land market.

Today's recession is nothing more than a continuation of the slump of 1974 which was caused by the global speculation in land during the previous three to five years.

That speculative boom occurred in every corner of the world. No country was immune – not even Japan, the "miracle" economy whose growth was also cut back when the supply of land was curtailed and its price pushed up to the point where the super-structure began to crumble.

Until the foundations are reformed, cyclical upheavals will continue to afflict the industrial economy.

The full evidence for this theory appears in my book, *The Power in the Land*.! This documents how the world economy was dislocated by a rise in rents and land values to unrealistic proportions; and by a shift in the share of national income to the landowning class, to the detriment of both labour and capital.

But if the land market could be used for the anti-social benefit of a relatively few monopolists, it is my contention that the power in the land also offers a unique prospect for salvaging the economy in a strategy that is free of economic risks.

I stress *economically* risk-free, because I am proposing a radical transformation of property rights that would entail political risks, but then, the present levels of unemployment (32m in OECD countries alone) and the cut-backs in welfare services, jeopardise the stability of the democratic world.

I do not believe that my proposals heighten the risks that are already latent; indeed, they would reduce the psychological tensions and social frictions that are bubbling away in the inner cores of all the major cities of the western world.

# Land monopoly

Fred Harrison  
The  
Power  
in the  
Land

**Without tackling the speculators, upheaval will continue to afflict industrial economies'**

**I**NCOME redistribution is at the heart of all plans to solve the economic crisis.

The favourite target for surgical action is the worker's wage packet. Full employment and prosperity is predicated on a cut in the living standards of wealth creators.

A drop in wages is supposed to enhance profits. Nowhere in the national and international councils do we hear any talk of reducing the income of rent-receivers.

The orthodox plan would certainly cut back on private consumption, which in turn would curtail output and investment: hardly a prescription for regenerating the industrial economy when entrepreneurs badly need a larger market of consumers.

In *The Power in the Land* I argue that the correct solution is to redistribute income away from the owners of land. This would be achieved by taxing the annual rental income of land, in its unimproved state (i.e., exempting the value of capital investments upon land) while reducing the tax burden on labour and its products.

This fiscal reform would:

- Stimulate both consumption and investment: lower taxes mean lower prices, higher profits and fresh capital formation.
- Manufacturers and retailers would build up their stocks. The capital goods sector and the heavy steel industries would lead the economy out of the trough.
- At the same time, speculatively-high rents would adjust downwards to levels that would become attractive to businessmen who want to expand existing operations or start new enterprises.

**B**UT THE WORLD cannot wait while preparations are made to implement a master plan.

## Analysis by FRED HARRISON

Enabling laws have to be passed, land has to be valued separately from capital investment upon it, provision has to be made for selectively reducing existing taxes.

This does not mean that we are prevented from using the principles that underpin land value taxation in a rescue operation that would have an immediate impact.

We can advocate a fiscal-based plan that would *not* work by substituting additional problems – for example, generating inflation through

### 'Radical tax'

**T**HE LONDON *Financial Times*, in an editorial that discussed the need for fiscal reform in the 1980s, reviewed the ideas emerging from the United States.

Commenting on the contribution by Dr. Martin Feldstein, Chairman of President Reagan's Council of Economic Advisors, the FT stated (24.1.83):

"Dr. Feldstein is also an expert on other radical new taxes so far as British and American taxes are concerned – such as a land tax, which is actually in use in countries as varied as Denmark and South Africa and in some U.S. states, and is still thought of as an untried novelty."



● Dr. Martin Feldstein

the Keynesian reflationary policies of the opposition parties of Europe and North America.

The overall problem that has to be solved was recently spotlighted by the Organisation for Economic Co-operation and Development, which gave as a major reason for the recession "the emergence of major imbalances in the share of aggregate income, and a shift in the tax burden to employment and investment."<sup>2</sup>

The new strategy should devise a transitional programme to lift the tax burden off labour and its wages, and off capital and its interest, by switching it on to the rental income of land.

There are some obvious cases where this can be done in a direct way.

- Britain exempts agricultural land from rates, the local property tax. A modest 2 per cent tax on the capital value of farmland would raise £800m, the sum needed by the government to abolish the one per cent National Insurance surcharge – the "tax on jobs" which deters an expansion of employment.

● Mrs. Thatcher's government has articulated the general dissatisfaction with the property tax. Measures could be instituted immediately to grade the rates burden along the lines of the Pittsburgh model (see p. 48).

This would stimulate the building industry, which is crucial to economic recovery. At the same time, the 250,000-plus acres of valuable vacant urban land could be brought within the tax net. Owners could be required to pay taxes on a self-assessment basis, with appropriate adjustments at a later date when the published role of agreed valuations had been established.

This additional revenue would be offset by reductions in income taxes, thereby expanding the domestic market for manufacturers.

- Taxes can be raised markedly on the products of firms or industries

Fred Harrison

## The Power in the Land

‘By not implementing these proposals we would leave a legacy for which our children would not thank us’

attempt at capturing rental income is not a satisfactory one. It is very much a second-best solution, no more than a crude and indirect attempt to capture rental revenue.

A RATIONAL government should move swiftly to the direct taxation of land values.

This entails a planned reduction of existing taxes while carefully

monitoring the ensuing transformation in the structure of prices to capture that part of the national product that would otherwise be funnelled into the pockets of land owners through higher rental income.

*What are the consequences of not implementing this fiscal reform?*

● The industrial economy would not recover without suffering serious side-effects of an economic and, possibly, political nature.

● And long-term prospects would be bleak, for when the economy finally recovered, we would have left a legacy for our children for which they would not thank us: a depression at the turn of the century of the proportions of the 1930s and 1980s.

### REFERENCES

1. Fred Harrison, *The Power in the Land*, London: Shephard-Walwyn, 1983.
2. *Economic Outlook*, Paris: OECD, July 1982, p.6.

## The Power in the Land

### UNEMPLOYMENT, THE PROFITS CRISIS & LAND SPECULATION BY FRED HARRISON

The first book since *Progress & Poverty* to provide a comprehensive account of how monopoly in the land market causes industrial recessions.

It presents four case studies – the UK, USA, Japan and Australia – to show how the global recession is fundamentally due to land speculation in the late 1960s and early 1970s.

● The origins of the faults in the “free” market are analysed back to the philosophical compromise in Adam Smith’s *The Wealth of Nations*.

● Cycles in land values are traced to explain 200 years of business booms and slumps.

● Marxist solutions are examined, but rejected in favour of a plan that combines free trade with land value taxation.

PRICE £8.95 from bookshops, but in case of difficulty contact the publishers, Shephard-Walwyn (Publishers) Ltd., Suite 34, 26 Charing Cross Road, London WC2H 0HY.

322 pages, bibliography and index. Cased.

## POLAND

whose product prices are high in relation to production costs – i.e., where the rental returns are significant. Petroleum is a good example, but this

## New private land law

POLAND'S Parliament – the Sejm – has passed a law that hardens private property rights in land.

The Warsaw-published *Polish Economic News* reported on Jan. 30:

“In order to increase the interest of private farmers in rational use of their land, the durability of their land ownership has been confirmed by a Sejm law. The law

## RATES

RATES – Britain's local property tax – have risen significantly in the past three years.

Industrialists claim that these increases are an unsupportable burden on their profits, and are causing some firms to shed jobs.

But according to the Ricardian theory of rent, a tax on land ultimately falls on the landowner. Thus, we would expect part of the rates burden – which falls on both land and buildings – to be shifted by tenants on to their landlords.

Evidence is accumulating that this is now happening.

Judy Hillman, consultant to the London Docklands Development Corporation, reports that

● In Newham, a large freehold building was on the market for only £200,000 simply because the rates due last year were £40,000;

● On the border of the City and Islington similar properties used to have the same asking rents. This is no longer the case because higher rates in Islington have forced down rents to keep them competitive;

● Because the rates bill for International House in St. Katharine Docks had risen to £600,000, the lowest asking rent has been reduced from £16 to £11.

These results are reported in *Estates Gazette* (5.2.83) and show quite clearly that new tenants are discounting the increase in rates.



**A**LTHOUGH President Reagan signed the Farmland Protection Policy Act (1981), White House officials argue that it ought not to be implemented.

*But failure to take administrative action could cost the United States dearly in the next 50 years.*

The Act, as explained by Department of Agriculture (USDA) officials in Washington, is supposed to be anti-speculation. It is intended to stop the premature conversion of farmland by developers, by cutting back on the Federal funds that are used to make speculative projects financially viable. Legally, only Federally-owned land is affected. Private landowners, however, ought to be directly affected through their applications for Federal assistance.

Criteria are being developed to halt the conversion of food-producing land. A new federal agency has been established, which is now defining a land-assessment and site-evaluation system.

Land which ought not to be converted into alternative uses will not, in theory, benefit from Federal cash. Some of the considerations that will affect assessments are zoning laws, distance from city limits, and the impact on the environment.

**T**HE LOSS of agricultural land is now reaching crisis proportions.

Agricultural experts in Washington predict that, by the year 2020, food prices will have increased threefold, on the basis of present population and productivity trends.

The U.S. has 413m acres of land in agricultural use, about 95 per cent of which is in productive use in any one year. A further 60m acres could be brought into use through drainage and treating steep hillsides.

*Against this, however, about 50m acres are steadily losing their output capacity.*

Each year, 5m acres are lost to agriculture through erosion (2m), salinity, ground water, and the conversion of farmland to urban use – or disuse (3m). This represents a loss of over 1 per cent per annum of food production land.

Thus, the 1981 Act makes sense. Why spend Federal money on, say, new sewer works or highways, which open up prime agricultural land to speculators?

But while the law makes good economic sense, it is bad politics. The Act, in short, is not acceptable to the President's friends.

For although Federally-assisted programmes are a large proportion of the public money spent on helping

# Reagan's inaction over farms crisis will cost U.S. dearly



● Pres. Reagan – warned

land conversion, some of the major beneficiaries are absentee owners who stand to gain most from the artificial increase in land values that are a direct result of such expenditure.

From a Special  
Correspondent in  
Washington

And yet the U.S., if it is to improve its food producing capacity, will have to confront the thorny question of land ownership. For the increase in the number of absentee owners has been associated with a decline in the long-term conservation of soil fertility.

● In 1969, a survey by the USDA revealed that 37 per cent of agricultural land was owned by U.S. absentee owners.

● By 1979, that figure had increased to 40 per cent. Most of the increase has occurred east of the Mississippi.

The result is that farmers are renting their land from an increasing number of landlords. In the past, the typical arrangement has been one in which a tenant farmed land that belonged to two or three landlords at the most. Today, it is more typical for a tenant to be renting land from six or seven landlords.

"The landlord is almost becoming a shareholder in a corporation," says

Donald Baron, an USDA lawyer and economist. "So the opportunity for the landlord to contribute to the management of the land that he rents out is somewhat limited.

"The landlord doesn't have much to say about inputs and types of crops to be produced, when his land is combined into a single plan of operation that includes land from six or seven owners."

One of the consequences, he says, is this: "Levels of soil erosion have increased substantially in recent years."

**W**HAT OUGHT to be done about the soil crisis?

Over the past 20 years, the Federal government has limited its actions to the collection of data on trends in the ownership of land.

The consensus among policy-makers is that action to deal with the adverse effects of the developing structure in the land tenure system ought to be implemented at the local and state levels.

There is a clear abnegation by the Federal Government to define and implement a national land ownership and use plan.

This "head in the sand" approach will be challenged when it is too late – when the 1930s dust bowls return with a vengeance in the dying years of the 20th century.

Thus, the Reagan Administration will have a lot to answer for when people look back on what could have been a constructive turning point in the pattern of land use in the U.S.

White House officials do not like the 1981 Act because of the costs which, they say, would be imposed as a result of its implementation. What costs? The costs to the private sector of moving developments from one location to another.

This is a myopic calculation based on the desire to protect the interests of land speculators who wish to develop housing, say, near the fringe of an Arizona desert (made possible because the Federal Government spent money on building a highway through a wilderness where people would not normally wish to live) rather than on vacant land in or near an existing urban centre.

The Administration's calculations do not take into account the social and economic benefits of a more rational land use strategy.

*A full cost-benefit analysis of U.S. land use policy would expose the many fallacies that bedevil policy making and which gold-line the bank accounts of speculators.*

# It's just a gimmick!

**D**OWN in Montgomery County, in the State of Maryland, USA, a minor storm is brewing over the use, by property developers, of Transferable Development Rights (TDRs).

Mr. Robert Carbone, while campaigning to get into the Maryland House of Delegates, called TDRs "a planners' gimmick".

He now threatens to initiate legislation against the system.

TDRs were introduced in Maryland about a year ago, for use in the county's "rural density transfer zone."

They permit landowners in the zone – who have obtained permission from the County Planning Board to develop their land – to sell their development rights to others, who in turn can increase the density of their developments.

The idea is to preserve farmland or, as the *Olney Courier* put it, "to stem the growing conversion of prime farmland into parking lots, shopping centres and townhouses".\*

Typical of proposals to use TDRs in Montgomery County, as reported in the *Courier*, is one by Soper Properties to use 87 TDRs (each relating to 5 acres of land in the original location) to increase the development density of its 38-acre site off Greencastle Road, in the eastern half of the county, from 3.6 units to 7 units per acre.

The *Courier* was not aware of the prices paid for the TDRs – nor what land they originally related to.

Another scheme has been submitted by Carl Freeman of Olney; he plans to use TDRs to develop a 228-acre site at Barnsley near Olney. Mr. Freeman owns both the farm where the TDRs came from, and the land to be developed.

According to Mr. Carbone, the TDR system is the primary cause of "runaway growth" near Route 29, the local highway in Eastern Montgomery, where he sees a "suburban slum" being created.

He says that TDRs were responsible for the high-density housing that has destroyed the residential character of local communities. Eastern county homeowners were being "surrounded by townhouses and apartment complexes."

The legislation he wants would prohibit the use of TDRs except on land adjacent to that covered by the original development permission.

**M**R. CARBONE claims that the TDR process, as introduced in Montgomery, is not authorised by county or state law.

"In theory, it is a great concept; in practice, I do not accept it because it is not public policy. There is no ordinance or law that says it is public policy," he says.

Mr. Carbone's charge is made despite the opinion of the Maryland Attorney General who is on records as saying, in 1980, that the Maryland Planning Commission and the Montgomery County Council were empowered to establish and carry out land-use policies.

## By Bert Brookes

To people who are used to British law, and are accustomed to the precise and direct controls of the Town and Country Planning Acts, the roundabout ritual of the TDR system will appear a little bizarre.

If a developer wishes to increase the density of a particular urban development, it would seem far more sensible for him to apply for permis-

sion to do just that, instead of first seeking authority to develop a piece of farmland – which he has no intention of implementing – and then transferring the right to the urban area.

The system is, however, one way of linking increased development in one place with the application of a development stand-still in another. For the owner who sells the development right must, presumably, accept that his land in the rural area will remain undeveloped for the foreseeable future.

There must be suspicion, however, that the TDR system is primarily a device to enable owners of rural land to capitalise on its development potential, without losing ownership and without suffering its transformation at the hands of the builder and the bulldozer.

Selling the development rights – i.e. part of the land value – but being able to tell the buyer to go elsewhere to do his building, seems an arrangement to which any group of country landowners will gladly raise their glasses.

\**The Courier*, Olney, Montgomery County, Maryland, 23 June 1982.

## Air for sale!

NEW YORK dramatically illustrates the way in which the system of transferring development rights works.

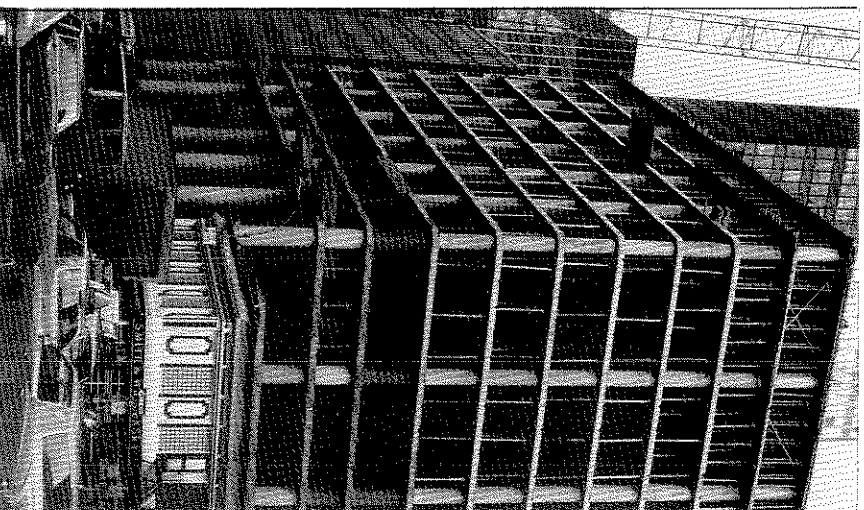
Landowners calculate the rental value of the air space above their buildings – the value which they would reap if they developed their sites to their full legal potential.

This value is then capitalised and sold off to neighbouring landowners, who can consequently develop their sites to a higher density than would otherwise be permitted.

This is what happened with the Smith & Wollensky restaurant on the corner of E 49th St. and 3rd Avenue (pictured left).

The green ornately-painted two-floor building occupies a valuable site on Manhattan, but rather than develop it, the owners sold their rights to their neighbours.

The rewards can be handsome, as the Museum of Modern Art discovered four years ago. The Museum sold the air above its premises just off Fifth Avenue for \$17m to Charles Shaw. He went on to build a 52-storey skyscraper. The first tenants of the skyscraper moved into their apartments in March, some of them paying up to \$5m for the benefit of living near the museum.



# LVT would boost

## Milwaukee economy

VOTERS in Milwaukee would not support land value taxation.

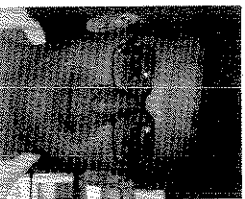
So claims Gary J. Barczak, who serves on the Wisconsin State Assembly as chairman of the Committee on Local Affairs.

"The majority of the voting population would not support it," he told *Land & Liberty*.

This is a surprising assessment, because a recent study of the Milwaukee property tax concluded that:

- 60 per cent of owners of non-residential properties would benefit from a drop in their bills if the tax fell on land values alone.
- 46 per cent of residential land owners would have their tax burden cut as well.

These facts emerge in a report from the Legislative Reference Bureau,\* a unit attached to the policy-making board of the Common Council, which is composed of 16 aldermen.



● Gary Barczak —

The bureau report calculates the shifts in the tax burden, using 1978 assessments and assuming that total property revenue would remain the same.

The shifts in the property tax would be dramatic.

Manufacturers would experience an average 50 per cent cut in their tax bill. Older, densely-developed districts in central locations would have decreases averaging 26 per cent. Multi-family properties would enjoy tax cuts of 41 per cent, and small apartments a drop of 23 per cent.

These cuts, of course, would have to be offset by increases.

Worst hit would be the owners of vacant land: their bills would rise by an average of 193 per cent, with valuable sites experiencing an increase of up to 350 per cent. Commercial property taxes would increase by 27 per cent, single family units by 14 per cent, and neighbourhoods on the city fringes

with large, valuable sites would find their tax bills rising by 11 per cent.

These shifts would produce striking benefits for the recession-struck Milwaukee economy.

● Manufacturers would retain more of their profits for reinvestment — leading directly to the creation of more jobs.

● Families would have more to spend on basic and durable goods — thereby boosting aggregate demand, and stimulating the output of locally-generated products and services.

● And the construction industry would find its biggest obstacle — the price of land — removed almost at a stroke, as an increase in the supply of vacant sites on to the market forced down prices to realistic levels.

### By Ian Barron

OPINIONS of land value taxation claim that site values would not provide an adequate tax base.

The bureau report presents a theoretical means by which to determine the answer in particular cases.

According to this theory, land in Milwaukee would have to produce a minimum rate of return of 8.7 per cent to allow the land to function as an adequate tax base.

The report does not make any recommendations for or against a change, but does propose further research.

And it suggests that a transition to land value taxation could be undertaken over a period of years, to minimise the severity of adjustment. It states:

"Conversion to a tax on land values can be pursued gradually, employing a schedule of differential tax rates on the value of land versus that of improvements over time. This would encourage new and different uses, utilizing land more efficiently while diminishing the short-run costs of adjustments incurred by present land owners."

\**The Redistributive Impact of Land Value Tax Reform in Milwaukee: An Empirical Study*, Milwaukee: Legislative Reference Bureau, 1981.

## NEWS in BRIEF

### Stern back again soon



PROPERTY tycoon William Stern, who went bankrupt in 1974 owing £118m, will be free to resume business in October 1985.

Mr. Stern, above, controlled Britain's biggest housing empire, and during the land boom of the early 1970s he gave personal guarantees which broke him when the market collapsed.

Those guarantees, said the High Court judge at his recent bankruptcy hearing, had been "largely a confidence trick" because the lenders thought he was a millionaire several times over and would have the resources to meet his obligations.

Said Mr. Justice Walton: "It was — and I mean this in no pejorative sense — largely a confidence trick. Mr. Stern was supposed to be a man of immense wealth who did not have all his eggs in one basket. Unfortunately, as it turned out, Mr. Stern *did* have all his eggs in one basket."

## GUILTY!

THE BUDAPEST city court recently gaolled 43 people to terms ranging from one to five years on charges of overvaluing property.

The property was being expropriated for municipal housing estates.

Among the accused — who split the proceeds — were assessors, lawyers and property owners.

## QUOTE

MR. PETER Woodrow, recently-elected president of Britain's House-Builders Federation, said:

"When land supply is curtailed, often by the process of public participation, prices rise and access to new homes is reduced."

Land prices in parts of Britain had doubled in the past 18 months, reported Mr. Woodrow.

# LVT: Six steps to

By Prof. Steven Cord

**H**UNDREDS of land reform experts, from many countries as well as from the United Nations, have urged the adoption of a heavier tax on land values in place of as many other taxes as possible.

The land value tax can claim many advantages.

It has already been adopted in a number of places in the world and with marked success.

● The higher the tax, the more the incentive for landowners to utilize their land effectively in response to the demands of the market (and as limited by land use plans). Who could afford to keep land vacant, or in partial use, if he had to pay the full annual land rent in taxation?

● The higher the tax, the less individual labour and capital investment need be penalized by taxes. This could provide a powerful incentive for an economic surge, particularly in the agricultural and construction sectors.

● A high tax discourages absentee landownership. Who would want to collect rent from a tenant, only to pay it over to the government at the end of the year?

● If eventually the tax on land values becomes substantially high, then it will deter land speculation and, by reducing the taxes on labour products which are passed on to the consumers, it will reduce consumer prices.

● Because land prices would be lower, investment money which would have gone into the purchase of land would be diverted into the production of machinery and buildings. Land, no matter how highly taxed, cannot be reduced in supply (in fact, if taxed, land previously held off the market would be released for productive use).

These are only the *economic* reasons for taxing land more, labour and capital less.

There are compelling *moral* reasons also; a landowner *qua* landowner produces nothing, so whatever return he gets must come out of the labour of others. A landowner reaps, but he does not sow.

Furthermore, land values are created by the community when it provides roads, schools, hospitals, police and fire protection, jobs and shopping facilities.

*Shouldn't the community tax what it creates — land values — before it taxes the value of wages and investments which individuals create?*

Here are six alleviations of those problems:

## 1. National Land Rent Dividend.

Land values are very unequally distributed among the population so a tax on land values would be very much in accord with the ability-to-pay principle.

Nevertheless, there may be some hardship cases. Some small farmers would pay more taxes than they are now paying, as would some poor elderly homeowners. While it could be said with some justice that if they can't pay the tax, they are not using their land efficiently and should sell it to someone who can, still, humanitarianism requires that we help them over their short-run plight.

## ● All people can share in opportunities afforded by nature

Also, good politics requires it — my experience in trying to spread land value taxation in western Pennsylvania indicates clearly that such people are numerous and powerful enough to obstruct the adoption of such a tax.

*Even those who would pay less under a switch of taxation on to land oppose it out of sympathy for the losers.*

Fortunately, there is an easy solution. The government could levy a slightly higher land tax rate than it would otherwise require, it could then distribute the extra revenue on an equal basis to all voters in the country (that should get the voters out to the polls!).

This could be called the National Land Rent Dividend.

The dividend should not be so high as to encourage shiftlessness — it should be like a Christmas bonus.

The dividend would immediately create a strong pressure group in support of the land value tax.

Because land ownership is so unequally distributed, fully 95 per cent of the population would get back more in dividend than what they would pay in extra surtax to finance the dividend.

Could this possibly fail to guarantee popular support for the land value tax, especially since it is one way by which all people can share equally in the opportunities afforded by nature?

## 2. Agricultural Land Tax Index.

Farming is a risky business. In some years, the harvest is good, in others not. Commodity prices rise and plummet. In bad years, many farmers might be hard put to pay their land value tax — unless tax is indexed to agricultural production and prices.

If the total value of sugar production, let us say, falls off 20 per cent from normal, then the land value tax which sugar farmers are required to pay should be reduced by 20 per cent, or perhaps 30 per cent. If the total value of sugar production is 10 per cent above normal, then the land value which sugar farmers pay should be increased 10 per cent, or perhaps 15 per cent.

If the government finds that its revenue from an indexed land tax is too uneven, it could set aside a small amount of the land tax each year (bigger amounts in above-normal years), and draw on that extra fund in below-normal years.

## 3. Tax Deferral.

In cities, elderly poor homeowners might be hard put to pay the land value tax. So the government should allow them to defer their land value tax, in whole or in part, until they sell or bequeath their property. At time of sale or bequest, the back taxes must be paid out of the value of the estate.

This is how it could work: if the land value tax on the residential property of a poor elderly homeowner is more

**P**ITTSBURGH'S land taxers have helped to notch up another success.

Over the years, they have campaigned to shift the burden of the property tax on to land — with a measurable degree of success.

And this year the tax on land will be 15.1 per cent of assessed values (which are officially set at one-quarter of market value).

Thus, in five years, the ratio of the land to building taxes has moved from 2.1 up to 5.6-1.

The new rates for 1983 will raise the same revenue as the old rates in 1982.

But, says Steven Cord, the editor of *Incentive Taxation*:

"If taxing buildings less and land more encourages new construction, as theory and experience indicate, then the city could hope to get more revenue in the

PITTSBURGH PROPERTY TAX

Percent of assessed value			
Land	Buildings	Ratio	
1978	4.9	2.4	2.0-1
1979	9.7	2.4	3.9-1
1980	12.5	2.4	5.1-1
1981	12.5	2.4	5.1-1
1982	13.3	3.2	4.2-1
1983	15.1	2.7	5.6-1



# meet objections

than, say 10 per cent of his total income, then the excess plus reasonable interest is deferred as a lien against the property to be collected by the government when the property is sold or otherwise transferred.

The amount of deferral should not exceed the amount of the unmortgaged part of the property value, and the mortgage payment precedes the tax deferral lien. Such a deferral could be extended for a one-year period to unemployed landowners and to other landowners subject to special hardships.

#### 4. LVT Installment Payment.

Hardships would be created if the land value tax fell due in one big annual lump sum. Many taxpayers would be caught short of ready cash.

Tax bills could be issued quarterly, perhaps monthly. Rent is customarily paid quarterly or monthly. Alternatively, the taxpayer could require his mortgagee or employer to pay the tax withheld from his mortgage payment or salary.

#### 5. Interim Reassessment Adjustment.

When land is taxed, it could be reassessed annually. If not, a problem would develop — the re-assessment, when it comes, might be much higher than previously, especially in inflationary times. This would result in sudden increases in the taxes that some landowners have to pay, with possible hardship and opposition.

### There is no need to keep land value tax low

There might even be pressure to delay re-assessments, or for re-assessment increases to be less than market value increases.

To avoid this, all land assessments could automatically be adjusted annually, until the next re-assessment, according to changes in the general price index. If, for example, the general

price level increases 10 per cent, then all land assessments could be automatically increased 10 per cent, but all such inflation adjustments are negated by the next reassessment.

#### 6. Purchase and Demolition (PAD) Guarantee.

When neighbourhoods change to higher uses, land values shoot up. So do land assessments and taxes. The old owner may not be in a position to pay the new higher tax and he may not be



● Prof. Steven Cord

able to sell his house which might now have a negative value since it must be demolished to make way for a new and more appropriate improvement. He would face severe hardship from which zoning regulations give him inadequate protection.

Examples of such neighbourhood changes to higher uses are — agricultural use to single or multi-family residential use, to industrial or commercial or natural resource use.

Suppose, for example, a single-family neighbourhood becomes ripe for apartment house development. A

less with a tax shift to land.

The Cord campaign promises even greater gains in the future. For example, the Pittsburgh Council had actually approved an even larger shift in the land-to-buildings tax ratio for 1983; this was postponed at the request of shopkeepers. And there appears to be a breakthrough in the attitude towards land taxation emanating from the Mayor's office. The Mayor has the power of veto over tax changes.

\*Published by the Center for the Study of Economics, 580 N. 6 St., Indiana, Pa. 15701.

homeowner there cannot pay his higher land value tax any more since it is now predicated on apartment house use. He cannot sell his land site if the full annual value is taxed away. And his house has no value at all — it will be demolished, unless he can move it to a more appropriate location, and that is unlikely. He has problems.

Fortunately, a solution exists: the government could pay the old owner the appraised value of his about-to-be demolished house. This would give homeowners and others a real feeling of security since they need never fear that rising land value taxes would expropriate them.

*It would make land value taxation even more saleable, especially at high rates.*

Additionally, it would significantly spur the re-building of cities. No longer would the prospective developer have to expend a larger sum for the purchase and demolition of a useless building even before actual construction can begin.

Some technical provisos are needed to accompany this Purchase and Demolition (PAD) Guarantee: the building would have to be at least 12 years old and the guarantee should not exceed the land tax times twice the interest rate percentage.<sup>1</sup>

**T**HE TAXATION of land values can do more than provide revenue for the government: it can also provide a powerful stimulus to economic growth.

One way of ensuring that the land value tax provides maximum incentive to land owners to develop their sites fully would be to announce in the first year that the tax would start at a base figure and move upwards by equal increments over a 10-year period to the full tax rate.

In this way, land owners would have plenty of time and incentive to adjust to the new tax, and put their land to the best-possible use.

Although there may be certain short-run or special-case problems arising from land value taxation, we have seen how they are certainly amenable to a solution. There is no need to keep the land value tax rate low in order to protect those few people who might experience hardship. They can be adequately protected by the six adjustments described above.

*I recommend them for reasons of humanitarianism as well as good politics.*

#### REFERENCE

1. The rationale for these provisos can be found in *Catalyst*: HGFA, 580 N. Sixth Street, Indiana, PA 15701, pp.55-56.

# The triumph and t

THE TRIUMPH of British agriculture has been threefold:

- An area the size of Yorkshire, Lancashire, Durham and Northumberland combined, previously uneconomic for the growing of cereals, has been brought into arable cultivation.

- Productivity on the land has increased more than in any other substantial industry, so that one man produces food enough for forty-two people. Between 1954 and 1981 the yield of wheat to the acre has increased by 98 per cent, barley by 62 per cent, and sugar by 23 per cent.

- The average dairy cow produces 48 per cent more milk and the hen 52 per cent more eggs.

Technically, it is an achievement that verges upon the miraculous. A triumph indeed.

But the shame? The levy on wheat imported from abroad is £73.50 a tonne, which is a tax of nearly 100 per cent. On maize, it is £66.17 a tonne, which is a tax of over 100 per cent.

These high taxes on the consumer make it profitable for farmers to grow wheat and other cereals on land unsuitable for such cultivation – Grade III land or worse.

The consumer is worse by £3,000 millions a year, this being the difference between the price of food in the world market and the Common Market (about £5 a week per family).

On top of that, the taxpayer has paid out, since 1946, a total of some £40,000 millions, in 1982 terms, for expenditure by the Ministry of Agriculture for the benefit of farmers.

The value of agricultural land has been forced up artificially by the same amount, £40,000 millions (which may not be a coincidence), after making full allowance for the effect of inflation, so that landowners have become that much richer.

If there are as many as a hundred thousand landowners, it is £400,000 each. The value of the very best land does not seem to have risen in real terms: the worse the land, the more its value has been inflated.

THE DIVERSION of capital to agriculture from businesses and industries that are efficient, in the sense that they do not need subsidies and can pay their share of taxation, runs into yet more thousands of millions of pounds.

- The diversion of capital this past year equals the capital of thirteen companies the size of Courtaulds. Whether it has the effect of closing down thirteen companies the size of Courtaulds is arguable; certainly it has deprived some efficient industries of the capital they need for their growth and development.

The consequent loss of jobs caused by this diversion of over £3,000 millions is incalculable: one million, two million, or is it more? The TUC has claimed that a reflation of £5,000 millions would end the problem of unemployment, and the CBI seems not to have dissented from that view.

- Banks have lent a further £4,000 millions to farmers, principally to large-scale owner-occupiers rather than to tenants or small farmers – in preference to other businesses in need of fresh capital.

- Pension funds and insurance companies have also diverted their investments into agriculture and away from other industries in recent years to the extent of hundreds of millions of pounds.

- Taxpayers' support for agriculture has steadily increased as a percentage of farmers' incomes; and it is likely to continue to rise. It is now 166 per cent.

*Yet 60,000 farmers have gone out of business in about ten years.*

This is because the system tends to encourage large-scale cereal growing and it penalises (literally so, for his feedingsuffs are taxed) the livestock farmer.

THE MILLIONAIRE can avoid capital transfer tax altogether provided he buys a farm.

The tax allowances are so favourable that the average farmer pays only 15 per cent of his income in tax. That is the same as the average farm-workers, although more than one-third of the farm-workers are poor enough to receive the family income supplement.

Before the war, British agriculture was prosperous enough to make our farm-workers the highest paid in Europe. Then they were paid 50 per cent more than those in France or Germany. Now they are paid less than their counterparts in either of those countries.

Increasing productivity has transferred jobs from the countryside to the cities. About 90,000 farm-workers have lost their direct employ-

‘The value of agricultural land has been forced up £40,000 millions . . . land have become that muc

RICH/

ment on the land in ten years and been displaced by equipment and machinery made in cities, much of it imported from abroad.

This process of rural depopulation has changed much of the face of the countryside. So has the uprooting of countless woodlands and hedgerows and the demolition of many farmhouses and farm buildings to make way for new concrete, factory-type constructions, necessary for large-scale arable farming.

Many tens of thousands of acres of downland and moorland have been lost to the public for their recreation; and the public has had to pay for their loss.

Much of the increased productivity is due to the massive increase in the use of fertilisers. A high proportion has to be imported. This has two serious consequences for the Third World.

- The increased demand has forced up the price, making it more difficult for poorer countries to afford the fertilisers they need.

- Worse than that, the supply of some of these artificial fertilisers is not infinite, and in years to come they will prove scarce and difficult to extract.

Rather than apply such vast quantities on to the poorer quality land here, it would be more sensible to safeguard these resources by keeping them available for more suitable land in the Third World.

BY A POLICY that strives for self-sufficiency, we have cut off

Analysis by R]

# e Shame



winners  
her?

JDY M.P.

trading links with numerous countries; thus many of our export markets have been lost, and our other industries have suffered. While it is true that among non-Communist countries trade is not conducted on bilateral terms, it remains broadly the case that the more one country imports from another, the more it will export to it.

By putting up trade barriers against the United States, Canada, Latin America, Australia and New Zealand, we suffer grievous self-inflicted wounds, for those are the countries with the greatest potential for the expansion of trade.

Not so many years ago, we were Argentina's best customer; had we continued to buy her beef and wheat on the scale we used to do before we entered the Common Market, it is unthinkable that her junta would have risked her most important market by invading the Falklands.

The poorer developing countries have suffered grievously by our protectionist policy, and none more than those dependent upon sugar for their foreign exchange. The irony is they can produce it cheaper than the Common Market, yet the latter dumps such a large proportion of the world's supply at prices so far below its own or anyone else's cost of production that these poorer countries are compelled to sell their own sugar at a huge loss.

So the debts of the developing countries pile up, and the world banking system (which is our banking system) is placed under such severe

strain that it is seriously said that it may not survive.

The more we impoverish the world's poor by our selfish policies (and self-sufficiency is selfish by definition), the more they are likely to listen to the overtures of Communism. Any regular visitor to Third World countries can corroborate how this is happening with incontestable evidence.

*Politically and strategically, it is important that this alienation of the Third World should not continue.*

It is absurd to say we should support agriculture to the extent that we do because, as is claimed so often, 'all countries support their agriculture'.

Some developed countries certainly give support to their farmers, although it is doubtful whether any are as protected as those in the Common Market, but developing countries cannot do so.

Developing countries are so-called because their other industries are not developed: generally speaking, agriculture is their one main industry. Agriculture has, in their case, to support the government.

Only in developed countries with prosperous industries able to give revenue to the government can the government, in its turn, support agriculture.

**N**EARLY half of the world's arable land is uncultivated. This includes many millions of acres of land that we would classify as Grade I or II.

Amid this rich land that lies idle are countless thousands of people too poor to buy the food that it is capable of growing. They have no income because they have no work. Living in developing countries, agriculture is their primary industry.

But food will not be grown unless there is someone able to buy it.

The old imperial masters (the French, the Germans, the Dutch, the Italians and the British) refashioned the agricultural economics of most of those countries, so that they might receive their supplies of food; now they have banded together to enforce a policy that permits only a little of it to feed the people in Western Europe. Most of that little is tropical foodstuffs that do not compete with

their own farmers' produce.

By re-opening our doors to the food which they and the rest of the world are capable of producing more cheaply than we can, British agriculture would gain in the long term.

In the short term there would indeed be losers, who fall into three categories.

**First**, the landowners and farmers whose assets have been so grossly inflated.

**Then** the banks and pension funds that have chosen to lend their money or have it invested in large-scale arable farming rather than other industries.

**Finally**, the capital-intensive, rather than labour-intensive, companies that service and supply arable farmers, like Shell and ICI.

*But there are overriding advantages.*

● Arable farming would continue in a prosperous state on land suitable for it (generally Grades I and II), providing our needs in the way of field vegetable.

● Cereals, particularly those required for livestock feeding, would be imported at about half their present cost.

● Livestock farming would gain immeasurably.

● More farms, smaller farms and part-time farms would follow; opportunities for the young farmer (now dismal) would be considerable, especially if he could only afford to begin on his own in a small way.

This transformation of the farming pattern would make the countryside look different – more as we used to know it. Life in the country would be reinvigorated by the infusion of more farmers.

Agriculture would cease to be a lame and diseased duck requiring ever larger injections of public money to sustain it in a state of euphoria. Farmers would be efficient, by any yardstick that could be found.

*No longer beholden to politicians, they would gain the dignity of independence.*

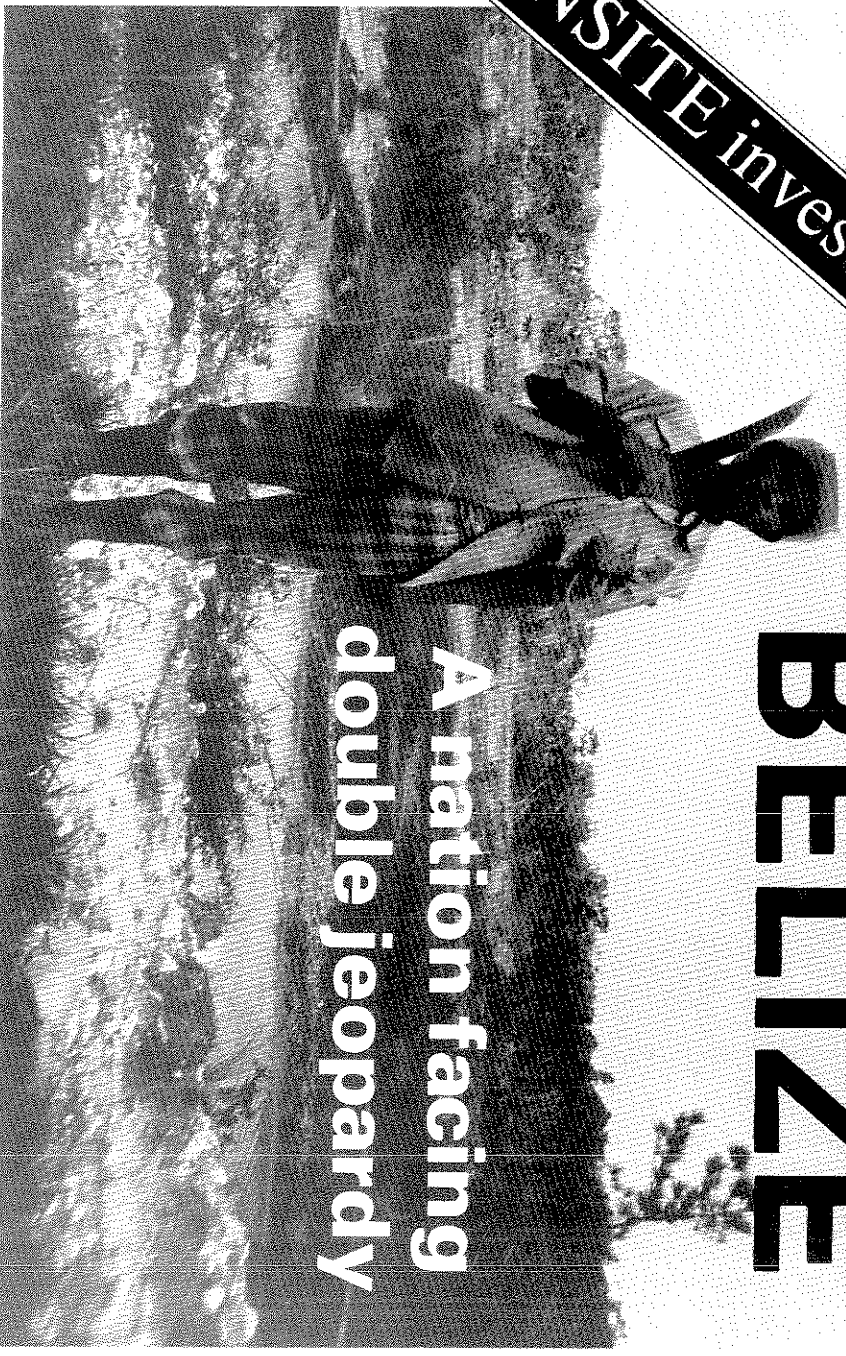
● Richard Body has been Conservative MP for the agricultural constituency of Holland with Boston since 1966. He is a member of the House of Commons Select Committee on Agriculture and long-time critic of British membership of the EEC. This article is extracted from *Agriculture: The Triumph and the Shame*, London: Temple Smith, £2.95.

# HARD BODY

INSITE investigates

# BELIZE

## A nation facing double jeopardy



● Belize peasant — bewildered, poverty-stricken and threatened from across the border

**B**ELIZE, once British Honduras until independence from Britain nearly two years ago, faces a double threat today — from neighbouring Guatemala, led by the territorially-ambitious Gen. Rios Montt, and from an enemy within her own frontiers.

International attention has focused on Guatemala's claim over Belize.

● One the one hand, the British continue to offer military support to Prime Minister George Price, to guarantee the territorial integrity of her ex-colony.

● On the other hand, the Reagan administration has resumed shipments of arms to Guatemala — a decision which has provoked an outcry from Washington legislators.

For Belize — a sliver of a country hemmed in on Central America's east coast by Mexico to the north, Guatemala to the west and south and the Caribbean sea to the east — remains an oasis of democratic government in an otherwise turbulent part of the world.

But what of the enemy within? Why should Belize (pop. 150,000) be faced with a struggling economy, with up to 20 per cent unemployment and per capita income of only U.S. \$1,000?

*The answer lies in the land tenure system shaped by the acquisitive greed of early European settlers.*

**B**ELIZE is as rich in natural resources as it is in cultural diversity, but from Table 1, we can see that a lamentably small proportion of the land is used productively.

This under-use of land is due to the concentration of ownership. The Belize Estate and Produce Co., the largest owner, accounts for a full 17.5 per cent of the *whole country* — or 41 per cent of all freehold land.

The Price government recognises this as the root of the problem and his Cabinet has considered tackling it by land tax reforms. Certainly, the figures present a glaring case for reform. In Belize:

● Half the estimated revenue for 1981-82 of \$86.7m was raised from consumers — that is, \$42.2m through customs and excise.

● About one-third of revenue, \$18m, falls on wages and salaries in the form of income tax.

● But the property owner is well-protected. The land tax raised just

\$0.5m from rural landowners, for central Government, and just over \$1m for local authorities. This is below two per cent of total current revenue.

The government has considered changing the tax to one that falls on the market value of land, which would certainly boost revenue. The capital value of all land, in parcels of 100 acres and more, is \$90.1m. A two percent tax on the capital value of land — the figure proposed by the United Nations — would yield \$1.8m a year, which is nearly four times the current revenue from rural land.

This extra revenue could then be used to finance economic development and improve the living standards of working people and their families.

**LANDOWNERS**, of course, would **L**be quick to resist radical change since such a tax would mean the breakdown of land monopolies.

History shows how powerful this resistance has been in Belize.

The first Land Tax Act of 1867 — designed to increase revenue — amounted to a \$40 levy on each mahogany works which, at the time, produced a major export to Britain. The absentee landowners were willing to pay, since the revenue was needed

TABLE 1

LAND IN BELIZE (%)

Suitable for cultivation	40
Cultivated	11
Government Forest	32
Other national lands	17
Private Forest	11
Freehold land held in parcels of over 500 acres	34



TABLE 2

BELIZE RURAL LAND TAX RATES		Cents per acres
<i>Classification:</i>		
High Forest		30
Medium and High Forest		25
Low Forest		18
Pine Ridge - 1st class		20
2nd class		16
3rd class		16
Savannah (good pasture land subject to inundation)		14
Savannah (wet, dry and scrub and swamp)		12
Served by a road: 0.1 mile		30
1-2 miles		15

to subdue hostile Mayan Indians.

In 1871, British Honduras was converted into a Crown colony - thus the landowners succeeded in shifting the burden of defence costs on to the Imperial government.

A new Legislative Council was created. Three out of the four members represented landed interests and the land tax was immediately reduced from \$40 to \$24. In the following year, the Council made good the lost revenue by increasing import duties from four to ten per cent.

When, in the 1930s, the land tax was increased from 1½ cents to 2½ cents per acre, the Belize Estate and Produce Co. (BPC) and other landowners refused to pay. The increase was annulled in 1937.

But one consolation for the people of Belize was the growing awareness of the nature of the problem. Significantly, demands for land tax reforms grew with the Belize independence movement.

In the mid-Sixties, the Land Tax (Rural Land Utilization) Ordinance was introduced, imposing a maximum \$1 tax on each acre of unused rural land.

The effect? In 1959, about 5 per cent of cultivable land was being used to produce food; twenty years later, the figure had more than doubled to 11 per cent.

In 1975, the maximum was raised to \$3 per acre for undeveloped land within two miles of a public road and

50 cents for land beyond two miles from a road.

Land use could have been even more significant but in 1967/68, the BPC simply refused to pay the tax. It lobbied the Belize government and the colonial powers in London and finally won exemption for a full 95 per cent of its rural land.

*In other words, 1,23m acres were not subjected to the law of the land.* As Bolland and Shoman<sup>1</sup> pointed out, this was the BPC's way of "subverting the only major attempt to redistribute land and promote agriculture in the country's history". Exemption is not the only defect; another is that the tax is calculated on a very rough-and-ready basis.

Land classification (see Table 2) is based on aerial photographs dating back to the 1930s. Since then, land use has altered drastically, with obvious implications for land values. There is now a need for review.

Defects in the rural land tax have been recognised and in the last few years, the government has been considering a change to a tax based on the market value of land in its unimproved state. Government officials seem to prefer the capital value rather than the annual rental value as the basis for the tax. But the rate would not be higher than two per cent - hardly a deterrent to the owners of vacant urban land.

Nevertheless, the Price government recognises that land monopoly has

undermined the economic development of Belize for two centuries and in the past year civil servants have been examining land value taxation as the possible solution.

**I**N THE urban sector, Belize imposes a property tax on the current (rental) value of land and improvements, taken together. This raises a revenue of \$1m, with an additional sum levied separately as a fire rate.

This tax nurtures discontent among homeowners. Most people live in poor-quality timber houses and huts. If they improve their homes, they are penalised when the value of their property is reassessed.

There is, then, a strong case for switching the urban property tax to one that falls exclusively on land values - a change proved administratively feasible in countries like Jamaica and Monserrat.

*What would be the effect of this change?*

Table 3 shows the annual value of property in seven urban districts of Belize. Total rental value is \$14.4m. This is the rental value of both land and buildings.

The annual rental value of land alone has been calculated at \$2.8m, which is nearly three times the amount raised on the present basis, although the Belize government's valuer reckons the figure could be as high as \$5.7m, or nearly six times the current revenue.

So fiscal reform would not only be socially just - for those wishing to improve their homes - but it would also increase revenue by over \$4m, and thus enable the Government to reduce income tax from \$18m to \$14m.

An added effect: it would also reduce the number of sites left vacant. Table 4 shows that there are about 3,114 vacant urban sites in the seven districts. Their capital value is over \$3.9m and the tax amounts to just

TABLE 3

URBAN PROPERTY TAX IN BELIZE, 1981-1982						
	(1) Property tax	(2) Tax rates: % Property Five	(3) Last Revaluation	(4) Property <sup>1</sup> Value: p.a.	(5) Site <sup>2</sup> Value: p.a.	(6) Site <sup>2</sup> Value: p.a.
BELIZE	874,404	8	1981	10,930,100	2,186,020	4,372,040
DANGRIGA	45,527	6	1981	758,800	151,760	303,520
ST. IGNACIO	22,400	5	1978	448,000	89,600	179,200
PUNTA GORDA	12,375	8	1979	154,700	30,940	61,880
ORANGE WALK	59,921	6	1979	998,700	199,740	399,480
COROZAL	71,564	7	1979	1,022,300	204,460	408,920
BENQUEVIEJO	6,967	5	1978	139,300	27,860	55,720
	\$1,093,158			\$14,451,900	\$2,890,380	\$5,780,760

## NOTES:

1. Col. 4 is computed from Cols 1 and 2, to yield the assessed annual value of land and buildings.

2. Col. 5 is derived from Col. 4, assuming that land, on average, is 20% of total assessed value. Col. 6 is derived on the assumption that land is worth 40% on average, of total assessed value.

over \$90,000 – or a fraction over two per cent of the capital value.

This shows that Belize owners are happy to pay two per cent for the benefit of retaining land in an idle condition, because the appreciation in value more than covers the tax liability.

This irrational situation is made possible by the fact that, unlike the ownership of capital, there is no overriding cost of holding land vacant. A penal tax on land values would become such a cost, and thus compel the rational use of land.

**THE URGENCY** with which the Price government should review land taxes can be seen in the light of the need to attract foreign resources.

Left unchecked, of course, much of the inflow of money would not be sunk into job-creating investments or services; it would be diverted into land speculation.

The only efficient mechanism for both creating a free market in land, and preventing speculation, would be to impose a near-100 per cent tax on the annual rental value of all land.

Some might argue that foreign ownership *per se* is the fundamental problem but this is a myopic view.

Foreigners who wish to sink resources into capital improvements

on the land, while paying the full rental of that land to the community through the national exchequer, should be encouraged to do so.

Belize can only benefit from the inflow of capital from rich people who wish to transfer their resources and entrepreneurial know-how to capital-

poor countries.

*Better such wealth-creating foreign intervention than the kind Guatemala might be contemplating!*

#### REFERENCE

I. Nigel Boland and Assad Shoman, *Land in Belize 1765-1871*, Jamaica: University of West Indies, 1977.

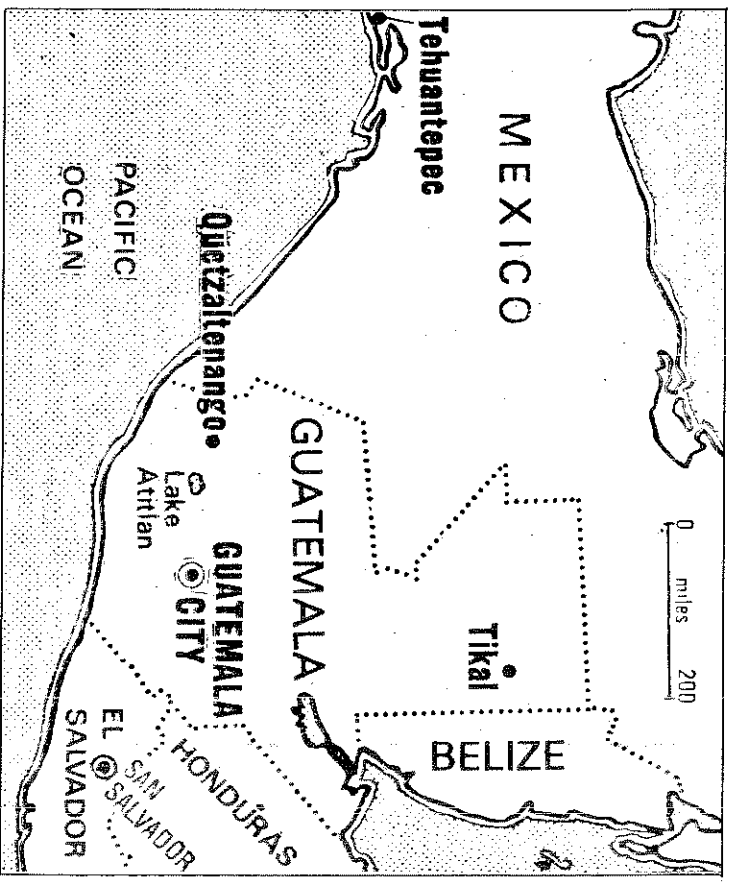


TABLE 4

VACANT URBAN SITES, BELIZE				
	(1) Total Number	(2) No. worth \$300 + each	(3) Capital value of (2) B\$	(4) Property Tax: B\$
BELIZE	783	734	1,690,025	33,800
DANGRIGA	272	262	180,981	3,619
ST IGNACIO	309	288	254,750	5,095
PUNTA GORDA	291	122	81,115	1,622
ORANGE WALK	556	556	837,665	16,753
COROZAL	737	668	884,038	17,680
BENQUEVIEJO	166	116	36,820	736
	3,114	2,746	3,965,394	79,305
				10,793

#### NOTES:

- (1) Vacant sites are derived from revaluation surveys carried out between 1978 and (in cases of Belize and Dangriga) 1981.
- (2) The property tax data are for 1981 (Belize and Dangriga) and 1980 (the remainder).

## GREECE

FOREIGNERS hoping to buy a summer retreat in Greece can forget it.

The Supreme Court in Athens has ruled that foreigners cannot acquire real estate in 'frontier areas' – which just happens to include most of the Greek islands.

As a result of the ruling, Greeks who originally sold plots of land can buy them back for the amount they received in the first place – even if incoming 'settlers' have since developed the land, complete with villa and swimming pool. Now, 1,000 British property owners are taking legal action to defend their claim to land and villas worth £50m.

## U.S.A.

NEW YORK City housing officials have reported that the high cost of land is encouraging builders to break zoning laws.

Because the costs have pushed the price of new houses above what many potential buyers can afford, the builders are turning two-family houses into three-family apartments.

Explained one property owner, Michael Dorazio, in the *New York Times* (Feb. 27): "Today the buyer needs that extra apartment to afford the house."

One result: landlords of the illegal multiple dwellings are not paying their full share of real estate taxes.

## GHANA

GHANA is afflicted with land disputes, even though 80 per cent of arable land is uncultivated.

Up till last year, the traditional rights of chiefs meant that anyone who cultivated the land could lose his crop to the chief.

According to Victoria Brittain (*The Guardian*, Feb. 10): "Armies of lawyers have grown rich on land disputes between chiefs."

Shortage of jobs forced 1m Nigerians to seek work in Nigeria. Their recent expulsion from Nigeria is now creating social tensions which threaten the future of Jerry Rawlings' "revolutionary" government.

## ZIMBABWE

THE Matabeland disturbances in Zimbabwe have been caused by conflicts over land, reports Nick Davies in *The Guardian* (March 24).

Robert Mugabe's Government has sent in the dreaded 5th Brigade to clean up the discontent – a move that forced Joshua Nkomo to flee to London.

"The millions see 700,000 African families still cramped into the old Tribal Trust lands, scraping a meagre living from the poorest soil in the country," writes Mr. Davies. "They compare that with the wealth of the 4,600 commercial white farmers, who own 38 per cent of the country."

# Court in a minefield!

**NEW JERSEY'S** Public Advocate, Joseph Rodriguez, called it "the most dramatic opinion handed down by any court anywhere in the United States since the one-man, one-vote decision."

Municipal authorities and pressure groups representing property owners are still reeling from the implications of the pronouncements by New Jersey's Supreme Court.

These can be summarised in one passage from the unanimous decision on zoning ordinances and low- and moderate-income housing.

"The State controls the use of land, *all* of the land. In exercising that control, it cannot favour the rich over the poor. It cannot legislatively set aside dilapidated housing in urban ghettos for the poor and decent housing elsewhere for everyone else. The government that controls this land represents everyone. While the State may not have the ability to eliminate poverty, it cannot use that condition as the basis for imposing further disadvantages."

The pronouncement stems from a ruling in 1975 which first established the doctrine that municipal land-use regulations must provide a realistic opportunity for low- and moderate-income housing.

But that decision, far from stimulating the provision of cheaper homes in valuable locations, has provoked a mountain of paperwork and appeals – which is why the State Supreme Court notched some angry bars into the opinion handed down in January.

In the U.S., municipalities use zoning regulations as a means of raising and preserving the value of land. One way to do this is to forbid the construction of houses on plots smaller than, say, two acres. The result is that properties are expensive, and low-income families are excluded from the residential area.

Usually, of course, the preservation of property values is *not* advanced as the reason for zoning regulations. This motive is cloaked behind talk of conserving open spaces, or the protection of farmland or natural resources.

*The New Jersey ruling, however, has fundamental implications for the way in which zoning ordinances can be used.*

The Supreme Court ruled: "When the exercise of that power by a municipality affects something as fundamental as housing, the general welfare includes more than the welfare of that municipality and its citizens: it also includes the general welfare – in this case the housing needs – of those residing outside of the municipality but within the region that contributes to the housing demand within the municipality."

## PAULA JAMES

reports from New York

The ruling, declared the court, was not designed "to sweep away all land-use restrictions or leave our open spaces and natural resources prey to speculators."

"No forests or small towns need to be paved over and covered with high-rise apartments as a result of today's decision."

Instead, to meet their legal obligations, "municipalities, at the very least, must remove all municipally-created barriers to the construction of their fair share of lower-income housing."

**THE COURT** invited the world to consider what New Jersey would be like if the State ignored the ruling.

"The clarity of the constitutional obligation is seen most simply by imagining what this State could be like were this claim never to be recognized and enforced: poor people forever zoned out of substantial areas of the State, not because housing could not be built for them but because they are not wanted; poor people forced to live in urban slums forever not because suburban, developing rural areas, fully developed residential sections, sea-shore resorts, and other attractive locations could not accommodate them, but simply because they are not wanted."

"It is a vision not only at variance with the requirement that the zoning power be used for the general welfare but with all concepts of fundamental fairness and decency that underpin many constitutional obligations."

*But how do you overcome the power of property owners to exclude the poor?*

The court recognised that it was entering a political minefield.

"We act first and foremost because the Constitution of our State requires protection of the interests involved and because the Legislature has not protected them. We recognise the social and economic controversy (and its political consequences) that has resulted in relatively little legislative action in this field."

"We understand the enormous difficulty of achieving a political consensus that might lead to significant legislation enforcing the constitutional mandate better than we can, legislation that might completely remove this court from those controversies. But enforcement of constitutional rights cannot await a supporting political consensus."

Municipalities are ordered to remove zoning and subdivision restrictions and exactions that are not necessary to protect health and safety. But what else might be done to ensure a balanced programme?

The court made two suggestions:

- Greater use of available State or Federal housing subsidies; and
- Provision of incentives to private developers to set aside a portion of their developments for lower-income housing.

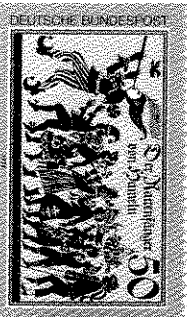
This piecemeal approach would not meet the scale of today's housing need; nor would it be either fair in the distribution of subsidies nor efficient in the way in which housing for low-income families was provided.

But had the court entered into a wider discourse on the housing problem, it would have been attacked as prejudiced, and of going beyond the bounds of its competence.

Nonetheless, its ruling, and particularly the philosophy that it develops concerning the control of land use, opens up the debate for politicians and the public. They are the ones who should now develop the elements of an efficient land-use system that is fair to everyone in society.

NOTE: The court's opinion was written by Chief Justice Robert N. Wilentz. Extracts appear in *The New York Times*, January 21, 1983.

**'The most dramatic decision since one-man, one-vote'**



# The truth about...

## ● The 'ratcatcher' ...

EVERY Sunday morning during the summer tourist season, the Pied Piper legend is re-enacted in the town square of Hameln, or Hamelin, a small town near Hannover in Lower Saxony, West Germany. Pastries in the shape of rats are sold as part of the celebration.

But this is no mere show for visitors. Behind the festivities lies a historic tale that so shook the village that it has been retold for 700 years.

Even the exact date is recalled: June 26, 1284, when 130 children are said to have vanished from Hamelin.

*Why did they leave? Was there really a Pied Piper?*

Like many legends, there is a true story, whose origins become obscure and lost behind later embellishments. The evidence of the tale is revealed in more than the annual drama.

● There is a "Ratcatcher's House" in Hamelin, on which is written a graphic account, and other children's disappearance, and other houses with such inscriptions.

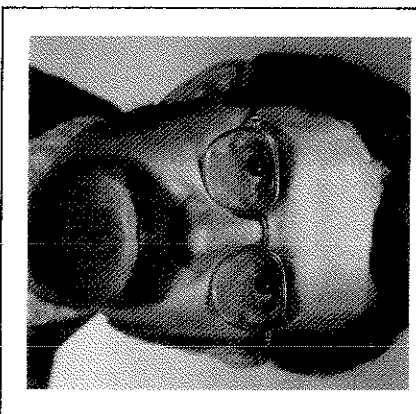
● Even more intriguing is the "Street of No Noise" in the medieval quarter, an ancient alley where, for several hundred years, no parade, wedding procession, street dancing, or parties have been allowed — and where children are not allowed to play.

It was down just this alley that the sons and daughters of Hamelin left home, never to return.

ONE FAMOUS account of the fable is Robert Browning's poem, "The Pied Piper of Hamelin: A Child's Story." The dramatic poem recalls the terror of the ...

"Rats!  
They fought the dogs and killed  
the cats,  
And bit the babies in the cradles,  
And ate the cheeses out of the  
vats,  
And licked the soup from the  
cooks' own ladles,  
Spilt open the kegs of salted  
sprats,  
Made nests inside men's Sunday  
hats,  
And even spoiled the women's  
chairs  
By drowning their speaking  
With shrieking and squeaking  
in fifty different sharps and flats."

—BY FRED FOLDVARY—



The villagers complained bitterly about inaction by the city governors:

"To think we buy gowns lined with  
ermine  
For dots that can't or won't  
determine  
What's best to rid us of our  
vermin!"

To the rescue came a stranger, tall and thin, wearing a long, pied (mottled) coat, and a playing pipe. For 1,000 guilders, he promised to rid Hamelin of all its rats. The astonished mayor and city council were more than glad to agree.

The Piper fluted his way down the streets as "out of the houses the rats came tumbling," until he led them to the Weser River, where all perished but one who swam across and warned all other rats to stay away from Hamelin.

Returning to city hall, the Piper asked for his 1,000 guilders. But the mayor, thinking "what's dead can't come back to life," refused to "pay the Piper," thus not only coining a now familiar phrase but setting the stage for the coming tragedy.

The flutist threatened to "pipe to another fashion," and the mayor mocked him. "Blow your pipe till you burst!"

The Piper played again, this time the "sweet soft notes" that roused the children, who left home to follow him to the nearby Koppelberg Hill, where the mountain opened and the Piper disappeared with the children. Only

one child remained, lame and unable to dance the whole way. "Alas, alas for Hamelin!"

# Pied Piper's

THE STORY of the search for the true history behind the tale is as fascinating as the fable itself.

It began in 1934, when Hamelin celebrated a Jubilee Year, the 650th anniversary of the event. The sponsors engaged Heinrich Spanuth, a school principal, to assemble historical material related to the legend. Spanuth discovered so much that it became a permanent museum and Spanuth its curator.

Spanuth, in fact, was a victim of contemporary vermin — the Nazis — and the Piper discovery is closely tied up with the march of events of the 1930s and 40s. He had been fired for being a liberal of the old school, unfit to teach the children of Nazi Germany. The city quietly then gave him this harmless post.

During the Hamelin Jubilee of 1934, there came one Wolfgang Wann, archivist of the city of Troppau (now Opava) in Moravia, central Czechoslovakia. Wann was among the descendants of German colonists who had settled in Czechoslovakia during the Middle Ages, and his mission was to trace the founding of Troppau by settlers from the Weser area. The two scholars agreed to collaborate in the project.

Two years later, they came upon a note written by the philosopher Leibnitz about a 14th century manuscript in Lueneburg, a city 90 miles north of Hamelin. There, in a chronicle called "The Golden Chain," written in Latin in 1370 by the monk Heinrich of Hereford, was a passage on the back of the last page written in English, with the title, Hamelin.

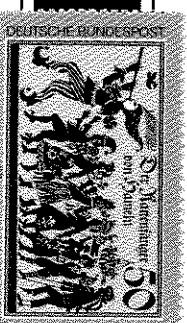
It described a "young man of about 30 years," who led 130 children "out of the East Gate." Also, "the mother of the deacon John of Luede saw the children leave town." John of Luede indeed lived during the mid 1300s and

# 'Out of the houses the rats came tumbling'



... June 26, 1284

# promised land



... of Hameln

their land-hungry sons and daughters, were natural volunteers in the Piper's offer of a new deal.\*

The "children", then, were young adults, who left the wretched conditions of Hameln to settle on land of their own – this promise of land was the "music" that lured them away.

his mother may have been a child in Hameln in the fateful year of 1284 – perhaps too young or lame to join the others?

There is no mention of rats in the Lüneburg account. They were injected much later by religious writers who felt that some divine purpose must have caused the loss of innocent children, and conjured the rats to explain it as punishment for the broken pledge to the "ratcher".

*But if rats did not cause the exodus, what did?*

Interestingly enough, Browning pointed to that very origin in his poem:

"And I must not omit to say  
That in Transylvania there's a tribe  
Of alien people who ascribe  
The outlandish ways and dress  
On which their neighbours lay such  
stress  
To their fathers and mothers  
having risen  
Out of some subterraneous prison  
Into which they were trepanned  
Long ago in a mighty band  
Out of Hameln town in Brunswick  
land.  
But how or why they don't  
understand."

Transylvania is in Romania, not Czechoslovakia; otherwise, this section of Browning's account is remarkable.

Wann himself was a descendant of this German migration and, ironically, having spent a lifetime studying the trek of his ancestors to Czechoslovakia, he became part of the reverse migration from the Sudetenland back to Germany after World War II, when the Germans were expelled.

Among the 60 pounds of hand baggage permitted him were the historic documents of the Hameln exodus.

But the great question remains: How or why did the Piper have such great success in Hameln? If not the rats, what force led to the loss of such a great portion of the town's youth? Here is Dr. Wann's explanation:

"Hameln in 1284 was a social pressure cooker, a walled town of 2,000 residents and growing fast. But to be a citizen, one had to be a burger, a property owner, and a few grasping patrician families held everything. They owned the crowded housing, and refused to expand the town walls. They owned all the woods around Hameln, and reserved for themselves cutting privileges, fuel for the cold winters. Moreover, in land speculation, they had bought up all the open fields around Hameln, thus driving into town many dispossessed peasants, an angry proletariat. These uprooted farmers, or, more likely,

**A**N IRONY of the story is that in the legend, the city fathers caused the exodus by their greed.

In historical fact, after the departure of the "children", they smothered all record of it, fearing that it could happen again. Though the city archives were well kept, there is no mention of the exodus of June 26, 1284.

But the common folk of Hameln, in anguish over their loss, kept the memory alive and passed it down to the present day.

*One question remains – why June 26?*

It was the date of the summer solstice celebration, still observed in Saxony. This long day was perfect for the departure, and the long summer daylight hours would allow more time for the journey. Wann's theory is that there was a mass nuptial then, with some 60 marriages and much feasting and dancing, just before the trek to the east, when the youths were led through the East gate by the triumphant Piper, to their promised land.

Today, when a bride is married in Hameln, the wedding procession is silent when it passes through "The Street of No Drums and Trumpets."

*What a testimony to the age-old curse of concentration of land and power in a few hands.*

\*The remarkable research by Dr's. Spanuth and Wann was reported in "What Happened to These Children?" by James P. O'Donnell, *Saturday Evening Post*, Dec. 24, 1955. It also appeared in "The Pied Piper of Hameln: The True Story" by John Henry Richter, in *Topical Time*, March/April 1982, published by the American Topical Association (based on the earlier article). The stamp illustrated in the article was issued by West Germany in 1978. Robert Browning's poem appears in *The Poems and Plays of Robert Browning*, The Modern Library, New York, 1934.

**W**OLFGANG Wann's town of Troppau lies in a strategic valley known as the Moravian Gate, near the current Polish border. The town was established in the 13th century by Bishop Bruno, Count of Schaumburg. The main city in Moravia today is his namesake, Brno (sic). The Count wanted to secure this strategic gap by importing immigrants – from Germany. For Bruno himself was a German.

Schaumburg, Bishop Bruno's birthplace, lies on the Weser River just 10 miles from Hameln. It was quite natural for him to send his recruiters to the Wesser region, promising the colonists new opportunities and land.

*The Pied Piper was none other than one of these agents, who came to charm away colonists with his promises as well as by his colourful pied costume and his silver flute!*

As Wann dug deeper into the records, he found evidence of former village names, such as Hamelinkow, near Troppau. He discovered still-living families with names such as Hamlinus, Hamler, and Hamel. What clinched the evidence was the uncovering of duplicate 13th century names in the archives of both Hameln and Troppau, rare names not found elsewhere. Of course it was long known that the original settlers of Troppau were from the Weser land, but now it seemed clear that the exact origin was Hameln.

There were no rats – just greedy landowners

# LAND & TAX

‘Taxation on labour and its products puts land out of production, men out of work’

In the first of two articles, GODFREY DUNKLEY argued in the last issue of *Land & Liberty* that Economic Rent was “the highest consistent annual payment for the use of land, excluding improvements, under conditions prevailing at any given time.”

He defined Natural Rent as “the highest consistent payment for the use of land, excluding

improvements, provided there were no taxes of any kind.” Economic Rent is thus Natural Rent reduced by taxes.

In this second contribution, Godfrey Dunkley states that the success of a system of taxation may be judged by two criteria:

- Its effect on land which lies near the margin of production. If taxes are greater than the Natural Rent (the excess of production

after paying wages and interest), the system causes unemployment.

- The amount of prime land which is withheld from production by speculators.

If either of these two phenomena is observed in any society, argues Godfrey Dunkley, then a complete re-examination of the system of taxation is required.

## LVT: key to revival

THERE IS a solution to the problem of unused or underutilised land and unemployment. The concept to be recommended is not new but it has not been sufficiently understood.

The government should gradually phase out all existing taxes whilst simultaneously starting the direct collection of an ever-increasing portion of Natural Rent, by imposing the tax on the market value of land. While there is a market value, the payment of the tax cannot be avoided. The transition would take a few years but the steps should be set out in advance so that the market can adjust smoothly.

During this change-over period, the Economic Rent Curve will gradually change its shape and position. The

represented by the shaded area. The proposed Economic Rent Curve now intercepts the Rent Base Line at the Natural Margin of Production.

The old Economist Rent Curve is shown as a broken line for comparison.

Comparing these two curves, it will be seen that revenue is cut short at the Economic Margin with the present system of taxation. In the proposed system, revenue is also collected from land that is brought into use. When revenue is collected from this “marginal” land and from prime land presently withheld from production by speculation (Figure 6), the additional revenue allows the level of existing taxation to be significantly reduced. This is a further benefit to the productive sector.

### Subsidies: do they work?

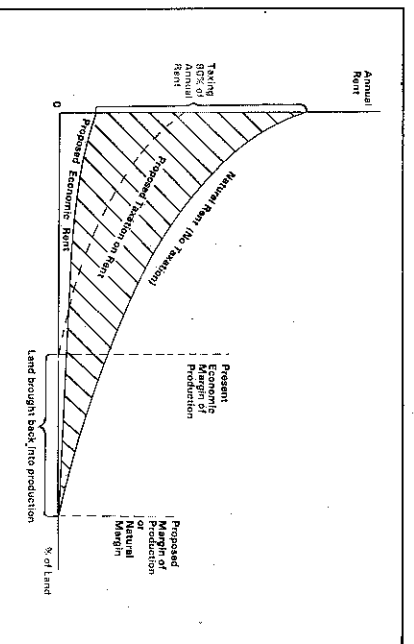
BECAUSE TAXATION on labour and its products puts land out of production and men out of work, something which affects a large section of the electorate and thus the political *status quo*, governments try to compensate by giving subsidies in various forms.

While subsidies may provide some relief, they also push up land prices. Figure 7 shows the effect. A new base line is established below the existing one. The shaded area shows the increased rent which goes to the land owner at the expense of the taxpayer.

The portion of subsidy which relieves the plight of those placed beyond the margin is relatively small compared to that which increases rent on prime land.

### Socialism: cause of unemployment

SOCIALISM DOES NOT provide a solution to the original problem. In fact, while it may help the unemployed, it also helps the employed to become unemployed!

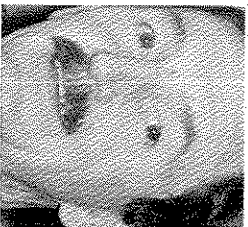


● Fig. 5

Economic Rent on prime land will be reduced but will increase on marginal land. Between the Economic and the Natural Margins it will swing from a negative to a small positive value.

*This will bring land back into use and automatically create employment.*

For the purpose of this exercise, let us assume 80 per cent of the Natural Rent were taken in taxation. This is represented in Figure 5. The value of the tax collected is



“Failure to implement this reform will result in an increasing number of people unemployed”

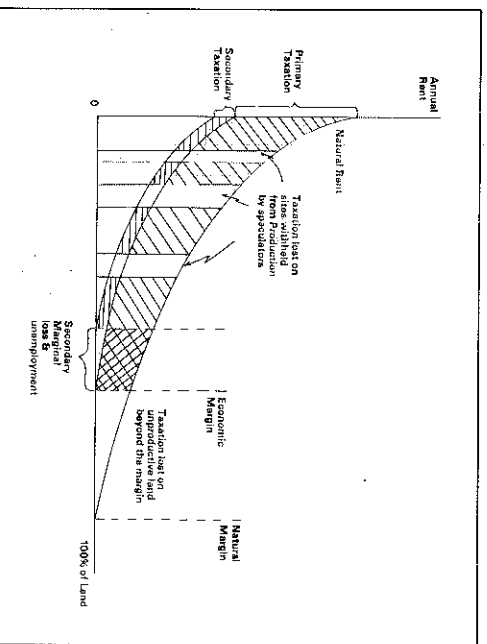
Social security in many Western countries imposes an extra tax burden that puts marginal land and marginal occupations out of production. The additional unemployment starts a further round of tax increases and unemployment.

In many cases, the unemployed receive a large percentage of their previous basic wage. Those left in employment thus work for the difference between that and full wages. The figures of 90 per cent and 10 per cent respectively have been quoted for Europe. Men thus lose the incentive to work.

Unemployment has a psychological effect. Receiving social aid relieves the economic burden but not the loss of dignity. Once men have accepted this condition as a norm, they do not find it easy to become fully productive once again.

These two factors tend to reduce the effective production per worker, reducing the national product and the total value of taxes collected.

*This again requires an increase in taxation which causes a new round of unemployment.*

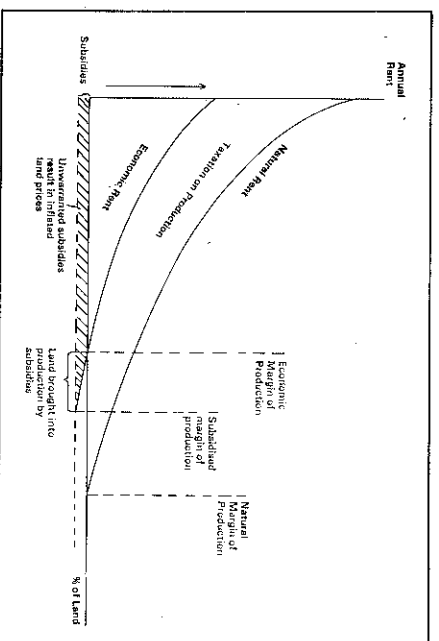


● Fig. 6

The system appears to be self destructive, rescued only by technological developments which help to offset the general effects of socialism. The improved quality of life which socialism sets out to achieve for the working man can more easily be achieved under a revised system of taxation, without destroying the advantages of free enterprise.

## Capitalism is vulnerable

**P**PRIVATE ENTERPRISE and free trade challenge men to exert and develop their talents and productive abilities. However, progress and poverty live side by side, affluence with unemployment.



● Fig. 7

Can capitalism and freedom of enterprise exist where speculation in land is encouraged by the tax system?

Many people are denied access to the land that is necessary for economic activity, and funds are absorbed into speculation instead of production.

But land can be made available to those who would put it to best use, and capital released to flow into production, by changing the tax system.

There should be no direct tax on the returns to capital and to labour. Under these conditions, there would be complete freedom of enterprise on land which now lies idle beyond the economic margin of production.

The tide of unemployment and migration to the cities would be reversed without government intervention or incentives.

Because people would enjoy the security of home ownership and would be free from the threat of unemployment, their nation would have a high degree of political and economic stability.

## Conclusion

**O**NE OF THE MANY aspects which it has not been possible to develop relates to change in Natural Rent.

An expanding economy, population growth and technological development raise the level of the Natural Rent Curve. Consequently, the annual revenue collected under a system of land value taxation would increase automatically without any changes in the tax structure. This would happen provided the valuation rolls were regularly updated.

A reduction of taxes on labour and its products is essential if unemployment is to be significantly reduced. The failure to implement this reform will result in an increasing number of people being unemployed – as a direct result of the structure of taxation – in the Western world.

Note: The author wishes to thank David Allen for his assistance in the preparation of this article.

**FRIENDS** of the Earth (FOE), the conservation organisation, is widening its area of concern. True to its ecological calling – Everything is Connected – it is moving into politics and economics.

"Until recently, we were content to work for our usual constituency: life in its miraculous diversity of forms," proclaimed David Brower (FOE founder and Chairman) and Rafe Pomerance (President) in a full-page advertisement in the New York Times, last August.

"But the nuclear war contemplated by the U.S. and Russia ... qualifies as the major ecological issue of our time."

That advertisement launched a new addition to FOE's activist repertoire – a campaign against the arms race. But it was seen only as an operation to clear the decks: "We need to attend to other problems – poverty and the coming breakdown of the planet's life support systems."

With this new concern for the whole behaviour of nations, it is not surprising that national economic policies should come under scrutiny. An FOE International Conference on unemployment has just been held in Paris.

**I**N BRITAIN, FOE's thinking on economics is being led by two divergent groups centred on Edinburgh and Birmingham.

FOE (Scotland), which represents 16 groups, is quite clear that it cannot continue to wage its campaigns in an economic and philosophical fog. At its quarterly gathering of the clans, in Edinburgh in January, it passed the following resolutions:

- FOE recognises that economic forces, propelled by human greed and envy, are at the root of environmental problems, and that it should therefore develop an attitude towards national economic policy, based on justice.

- FOE recognises that the ideas of Henry George provide the basis for a more environmentally beneficial economic system, and therefore favours the full collection of land rents for government revenue in place of all taxation.

These resolutions had been the subject of a Land Workshop in Crieff two months earlier, but mis-

# Friends of the Earth embrace land tax

Report by —  
**DAVID RICHARDS**

conceptions concerning the second remained. Characteristically, the subject raised more dust than did more familiar items such as acid rain, recycling, PWRs and the decline of the railways.

Ian Sesnan (co-ordinator) stressed that the resolution was only the first step in a learning process, not a campaign, and that the step was not irrevocable.

Both resolutions were proposed and argued by FOE Secretary George Morton, whose "vague socialism" had been shattered by Shirley-Anne Hardy's booklet *The Land Question*, and swept away

by A. J. Nock's *Our Enemy the State*.  
Observing afresh the suburbs of Edinburgh sprawling across the new Forth Road Bridge on to the farmlands of Fife, and the corresponding empty spaces in the city which generates them, he could not tolerate the political naivety which was able to attribute the latter to "natural causes" such as lack of funds, or The Depres-

sion.  
A typical case of the cart before the horse, he pointed out.

**M**EANWHILE FOE (Birmingham) has come up with an entirely different analysis in a discussion paper entitled "Unemployment".

It quotes Jack Munday of the Green Ban Union, Australia, who demands "socialism with a human face and an ecological heart." The paper then adds: "Our analysis is not original; it's fighting to think that reformers 100 years ago were saying just the same."

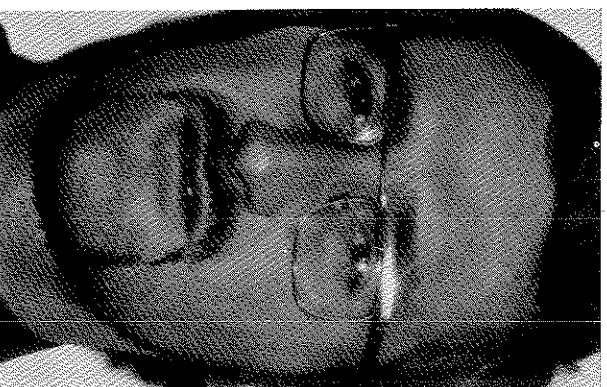
The Birmingham analysis approvingly quotes Ruskin to the effect that "private affluence amidst public squalor" is the inevitable outcome of the free market.

But Ruskin was no economist. Perhaps he overlooked some pertinent facts? For instance, what he saw was not the operation of a free market but the absence of a free market, which can be harnessed to solve environmental problems.

The capacity of a stream to absorb pollution is a resource that can be marketed through the issue of a fixed quantity of pollution rights. The reclamation of derelict land (or any public works) is an activity which can be self-financed out of free market earnings – the resulting rise in land rents throughout the vicinity need only be collected.

The fact that these market operations have never been used to rectify man's spoliation of the environment is not an argument against the free market, as is commonly supposed, but an argument in its favour.

*That FOE (Scotland) has discovered this message – through the works of Henry George, the foremost advocate of freedom – augurs well for the integrity of the Green Movement.*



● George Morton – could not tolerate political naivety