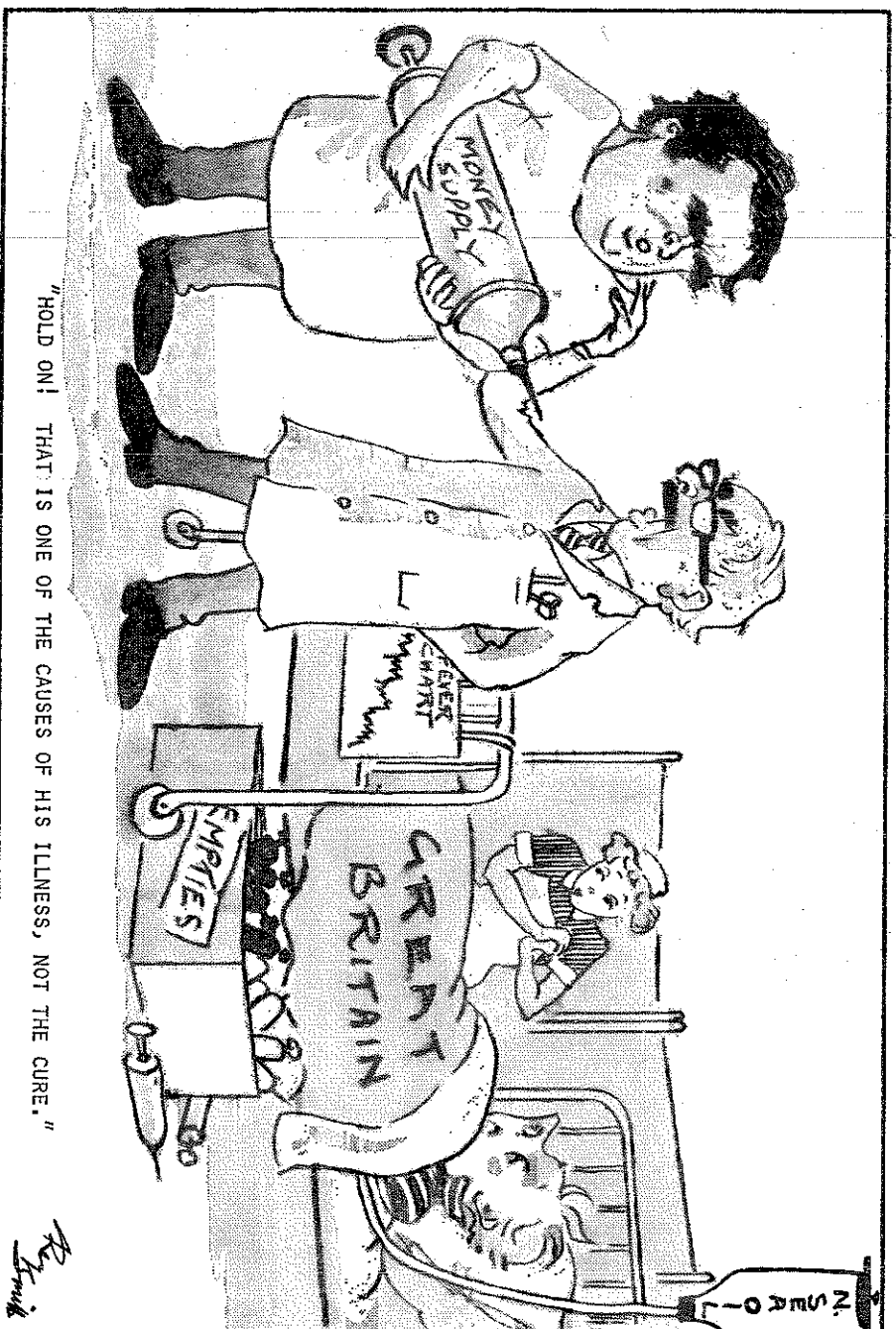


LAND & LIBERTY

NOVEMBER & DECEMBER, 1977



Time for Economic Ghost-laying

BRITAIN'S economic experiences over the past decade alone have demonstrated that the concept of Keynesian demand management as an instrument to achieve a comfortable balance between inflation and unemployment is false. We are all (or nearly all) monetarists now, we are told.

But are we? Chancellor Healey, under pressure from the Inter-

national Monetary Fund, acknowledged that a large and growing public sector borrowing requirement was a threat to economic stability. He was instructed to reduce it and reduce it he did, so well in fact that he undershot the allotted target. Meanwhile the economy stagnated, with unemployment historically high, while the rate of price increases began

to slow down, although prices are still on average 16 per cent higher than they were a year ago.

The outcome was predictable—an almost unanimous agreement among the experts that the time was right for a "mild reflation." Mr Healey, mindful of an approaching election, produced an appropriate budget — reflationary, but not so much so that it could

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be called economically irresponsible, was the verdict.

The content of the budget has been well documented and analysed in the Press. But it has not been publicly noted that this budget, like its predecessors, effectively demonstrates that our economy is still being managed on neo-Keynesian principles. (After all, we do still have a large borrowing requirement and, to the extent that Mr. Healey's proposals have widened the gap between tax revenue and government expenditure, new money must ultimately make up the difference.)

This is perfectly understandable. A Labour government could not be expected to sit back and watch the unemployment figures climb. Mr. Healey took the only action he thought appropriate—a touch of the throttle. In his next budget, when an election will be looming large, we can expect his foot more closely to approach the floor.

So it seems that the point of balance between unemployment and inflation is to get higher and higher—on both counts.

Why then is it that while lip-service is paid to monetarist principles, they are conveniently forgotten when the crunch comes in the field of practical politics?

A partial answer is that once inflation has a hold it becomes progressively less effective in temporarily reducing unemployment. More than this, it contributes its own measure of the original disease. There is therefore a strong inducement to administer increasing doses of the drug. When a government tries to kick the habit, painful withdrawal symptoms appear.

But what if we had a government with the will to see the monetarist policy through? We should eventually have a stable currency. We should also have what monetarists call the natural rate of unemployment. Add to this the crippling effects of our disincentive taxation system and where are we? Back where the Keynesians came in.

Current economic orthodoxy is in disarray. Keynes is discredited while at the same time governments are driven to his methods. Monetarism would return us to the pre-Keynesian era without solving the problem Keynes set out

to deal with. It is clearly time for a fundamental re-examination of economic policy.

Assume that we attain the pre-Keynesian situation. We have the so-called "natural unemployment" rate bolstered by the effects of taxation upon production. But surely no rate of unemployment can be called natural if men want work, people want goods and ser-

vices, employers want profits and the natural resources are available. We know that the first three conditions are fulfilled, but frequently natural resources—land—are not available.

There is one method of raising public revenue that encourages the availability of natural resources and at the same time *does not* discourage production and employ-

ment, thus removing both sources of "pre-Keynesian" unemployment. The method is site-value taxation in substitution for existing taxation.

It is high time that the economic principles underlying this measure took their rightful place in the great economic and political debate.

Carving up the Oil Revenues

PAUL KNIGHT

A PROPOSAL to convert the North Sea oil "bonanza" into a national dividend for everyone in the UK is advanced by Samuel Brittan in an article in the *Financial Times*, October 13. The dividend would arise from an allocated share in the North Sea enterprise and such shares could be capitalised and sold on the market if the holder so wished.

Mr. Brittan's starting point is an interesting one. It is that "North Sea oil is an income earning asset held by the Government in custodianship on behalf of the citizens of this country. It is like a publicly owned investment trust in which every family holds a stake." The immediate thoughts that this statement sparks off have been admirably expressed in a letter from Mr. N. H. Slater which was published in the *Financial Times* October 24 and is reprinted below.

In a preface to his explanation of how the scheme would work, Mr. Brittan warns of the dangers of financing tax cuts with the printing of more money which could still occur despite the "pseudo-monetarist climate of opinion."

If the tax cuts are to remain and more monetary inflation not resorted to, North Sea oil revenues will have to finance any further large net additions to public expenditure, says Mr. Brittan, and these revenues are expected to rise to £3,000,000,000 in 1980-81 and to perhaps £4,000,000,000 in the early 1980's. This latter figure at 1977 prices, works out to £220 per annum per household and the "dividend" would then have a

capital value (at a 10 per cent yield) of £2,200.

Mr. Brittan has devised a number of ways in which these "North Sea Certificates" could be distributed but basically they would be distributed "as a right" to every household. It follows from this scheme to take oil revenues out of the Government's hands, (and thus remove the temptation to renege on promised tax cuts) that individuals would be able to sell or otherwise dispose of their certificates as they thought fit—and of course to pledge them for a loan if desired.

Mr. Brittan anticipates some objections to the scheme and answers them fairly well. The two main ones are: "the politicians would never wear it" and "people could not be trusted to use their holdings wisely, but would sell them quickly to engage in a spending spree."

The latter objection is of interest because it is a clue to the inequity of the whole proposal. Mr. Brittan's answer to it is in effect "So what?" He argues that if people want to spend it all now, it is their privilege.

The all-important question that is neither put nor answered and which has a bearing on the disposability of a North Sea oil certificate is how would future generations fare?

Establishing equal rights to oil revenues is essentially the same as establishing equal rights to land revenues, (pure rent), since in economics the sea is classified a natural resource and comes under the basic classification "land" and in equity the community's claim

to one is as ethically justifiable as to the other.

However, in almost every land reform scheme proposed and applied throughout the world, whether stemming from political expediency or from revolution real or threatened, *only the present generation is considered*.

The fatal flaw in distributing land rights among the population whether in the form of plots of land or of certificates is that it is regarded as the end of the problem. Nothing could be more dangerous than this assumption, for on the contrary, it would be sowing the seeds of precisely the same problem for the future.

The origins of land ownership include those where land became a marketable "commodity". The landless of today are told that they have no rights to land because the present owners bought their land or inherited from a forebear who bought it. (Let's leave aside the acquisition through force, fraud or patronage.)

When legal rights to oil revenues now, and for future times, have been disposed of once and for all—no matter how fairly—among the present generation, the rights of the unborn are violated. Explaining to an "oil-less" young man that the current oil revenues were shared out years before his time and that he should apply to his father or grandfather for his share would be as much a consolation to him as it would to a landless peasant who was told that his rights to land were disposed of by his ancestors.

Samuel Brittan's article has opened up a very important issue. But how many of his readers will be aware of it, when he himself appears not to have thought through the ethical consequences of sharing out oil revenues on a once-and-for-all basis. Let alone note where his declaration of equal

rights to oil revenues leads him.

The fact that the oil reserves and thus the revenue may one day run out does nothing to alter the above principles.

* * *

Letter from N. H. Slater published in the Financial Times, Oct. 24.

Mr. Brittan in his excellent article "Oil and tax: an alternative manifesto" (October 13) states that "North Sea oil is an income-earning asset held by the Government in custodianship on behalf of the citizens of this country." This statement is profound because it acknowledges that what has been provided by nature is rightfully the property of all. Mr. Brittan could, with complete logic and justice, extend his manifesto along the following lines.

Similar to the income deriving from oil is the income accruing from the very presence of the peoples of these islands on the land surface. The land, of which the oil is only a part, was provided by nature for the benefit of all and its appropriation by a small minority is an injustice, the magnitude and repercussions of which are

little realised. Each concentration

of people causes the site value of the land to be enhanced and this site value produces an annual income which is at present appropriated by those whom history, privilege or whatever has allowed legal possession of the title deeds.

We have acknowledged the right of all to the revenue from oil. To be logical we have to denounce the laws which perpetuate private property rights to the earth's surface. The injustice of the private appropriation of large speculative gains resulting from land sales has been recognised by all political parties for a long time. All legislation both enacted and proposed to deal with this injustice has been misconceived. Such legislation only reduces the supply of land, and inhibits development.

The correct approach would be to allow the landowner to develop in accordance with permitted use in exchange for an annual payment equivalent to the unimproved site value. The imposition of a site-value tax on to the "passive" factor of production would encourage optimum use, thereby promoting

BEHIND THE FRONT

THE bitter and often violent antagonism between the National Front and those of Marxist persuasion, reflects not a struggle between rival philosophies but a struggle for power by two factions having basically the same philosophy. This is the conclusion of a newly published booklet* that examines the policy proposals of the National Front.

Two paragraphs from a socialist booklet by Paul Foot are placed together with two paragraphs from a National Front publication. Readers are asked to identify the sources. It's not easy. They both condemn capitalism and the profit system, and want a state-planned economy and more nationalisation. But not only are their basic policies almost identical, their language is the same and so are their methods, says Stephen Eyles, the author. It is interesting to read of his commitment to free trade which he reveals in his examina-

tion of the nationalistic and protectionist policies of the Front. And Hong Kong is cited as an outstanding example of the virtues of free trade.

A National Front Government would control investment capital, institute workers' participation and profit-sharing, determine the location of industry, consider nationalising the entire banking system, restrict imports and nationalise monopolies. Other policies include the licensing of every trader, large or small. The City, the Stock Exchange, speculators, financiers and "cigar-puffing tycoons" all come under fire in the Front's manifesto. The author has an easy task in making his point, for the National Front are self-confessed left-wing socialists, although they may not like the term. Indeed, fascism, as an economic ideology is but a form of socialism—state control of the means of production and distribution. "The racist dimension of the National Front does not cut it off from the mainstream of Soc-

trade and industry, surely a great advance on our present penalising and confiscatory tax structure.

What would be the total revenue from such a tax? I submit that it would be immense and would enable the present tax structure to be abolished. The result would be dramatic, for economic development would be positively encouraged, the restraining effect of the present tax structure would be removed and Government expenditure would reduce as employment would be stimulated. Industry would no longer require subsidies and poverty would be virtually abolished. There would be a natural movement of valuable human resources away from the negative activities associated with the present tax structure towards positive activities associated with wealth creation.

It would be a revolutionary change to hear politicians arguing about the fairest means of distributing surplus central revenue rather than listening to the sophism which all but deafens so many of us.

alism," says the author.

The booklet is written in an easy readable style—here is a sample:

"The National Front join with others on the left in demanding yet more socialism to repair the damage that earlier doses have caused. I thought it was a bit of a cheek for the Communist miners' leader, Mick McGahey, to goad his striking miners into supporting the election of a Labour Government in February 1974, in order to build 'a truly socialist society.' His miners, more than most, were already living in one. They were, after all, employees of the State, their wages at that time were being determined by an agency of the State, their buses to and from work were owned by the State, their houses provided by the State, their children educated by the State, their families provided with social security from the State—even, in Fife, the local colliery band was subsidised by the State. Not much there of the rough-and-tumble of the capitalist system! And the National Front want to give us more from the State as a way out of our problems!"

**The National Front is a Socialist Front*, Stephen Eyles, Aims for Freedom and Enterprise, 45p.

A Family and the Land

V. H. BLUNDELL

SAVILLS: *A Family and a Firm** is a delightful book which traces the history of the Savill family from 1652, through the two World Wars and up to recent times with sympathy, admiration and humour. Following the fortunes of the early Savills as yeoman farmers, brick-layers, builders and ultimately surveyors, we are given the economic and political background of the times and a personal commentary on legislation and other events that related to land both urban and agricultural. The book is sprinkled with amusing anecdotes, is a "good read" and will interest more than just those in the landed professions.

Of particular interest to readers of this journal is the chapter, "Edwin Savill *v.* Lloyd George" which might just as appropriately have been entitled "The Land Union *v.* the United Committee for the Taxation of Land Values." The battle arose from Lloyd George's "People's Budget" which contained proposals to levy certain land duties**. In the light of Labour's land legislation in recent years, these were quite mild. Also, as the author makes clear, they bore no resemblance to Henry George's proposals to tax all land values. None-the-less these land duties called for a valuation of land and landowners saw them as the thin end of the wedge.

The United Committee gave the proposals only limited and qualified support and continued to make the case for real land-value taxation. Seeing the dangers ahead, the landed interests formed the Land Defence League (later re-named the Land Union) to counter the United Committee's propaganda and in order to oppose the obnoxious land duties which eventually found their way (after much political upheaval) on to the statute book.

Edwin Savill, who was in the forefront of the battle, was vice-chairman of the Land Union for twenty-five years and his knowledge and skill was used to much effect in revealing the absurdities and deficiencies of the Bill.

The Chairman of the Land Union, Captain N. G. Pretymann, was a man of a different character, who, Mr. Watson explains, did not mince his words, and whose vituperations did not always succeed in winning friends. The purpose of the Land Union, Captain Pretymann said, was "to bring home to the country a sense of the injustice and mischievous character of the land taxes, which have introduced into politics a spirit of dishonesty . . . and a policy of confiscation

unknown in any other Parliament in this country or elsewhere."

Mr. Watson describes as unwarranted, the criticism of the Surveyors' Institution that it did not take more vigorous action in supporting the Land Union's propaganda in defence of landowners.

"The Surveyors' Institution, though most of its members were strongly opposed to the proposals, wisely confined itself to revealing and underlining some of the fallacies that underlay them and their technical, rather than political consequences. . . . The surveyor (or any other professional man), is entitled to his political opinions as *an individual* and free as such to express them. A professional society, comprising a party of persons whose opinions differ, must never enter the party political arena."

Reflecting on the ridiculous and unnecessary complications of the Bill, Mr. Watson asks if the parliamentary draftsman ever stops to ask himself: "What sort of a chap is an Inland Revenue valuer? Is he a human being with undoubted gifts, but subject to human limitations? Or is he a god-like creature in whom are collated the judgement of a Solomon, the discernment of an Aristotle, the imagination of a Michelangelo and the foresight of a Major Prophet?"

The author gives a fair and accurate summary of the aims and objects of the United Committee for the Taxation of Land Values and the philosophy of Henry George.

"It was a main plank of Henry George's platform that *individual* enterprise, *individual* effort and *individual* management should be encouraged." (This in explaining that George did not believe in land nationalisation). And of Lloyd George's land duties, Mr. Watson says "It is untrue to say, as do some who ought to know better, that the taxation of land values was tried under the 1910 Finance Act and failed."

Edwin Savill comes out well in the heated controversies which took place between the Land Union and the United Committee. He did not spare the



*John Watson, Hutchinson Benham, £4.50. (The author is a chartered surveyor, one time President of the Royal Institution of Chartered Surveyors and member of the Lands Tribunal.)

**See *Lloyd George's Land Taxes and Land Reform in Politics*. Send 10p stamp to Land & Liberty Press.

proponents of the land duties whom he lashed with his logic and facts but he was kinder to the United Committee. Although he could hardly be considered a convert to its views, he did propose

in a paper read to the Surveyors' Institution in February 1912, that the Institution "appoint a strong committee to investigate the principles of the taxation of land values, take evidence from persons with specialised knowledge, and produce an objective report."

John Watson observes, "This apparent *volte face* by the vice-chairman of a militant body at which, so recently, the United Committee for the Taxation of Land Values had been hurling abuse, must have astonished his hearers. An indignant reader of the Land Agents' Record wrote sarcastically that Mr. Savill had 'described the schemes of the committee with a long name for confiscating the entire value of the bare land in a beautiful spirit of toleration.'"

If Edwin Savill had lived to see the results of the

1947 Town & Country Planning Act, the Land Commission, the Development Land Tax and the Community Land Act, we feel it would have taken little persuasion to convert him to L.V.T., if only in sheer desperation. If the land question is ever to be dealt with, this is the only way. The alternatives of wholesale nationalisation of urban and agricultural land hangs like the sword of Damocles over those who have resisted the practical and ethical proposals of Henry George for so long.

There is much more in this excellent book but of a less political nature. The author describes it thus: "It is in no sense a history book, still less a tapestry. I prefer to describe it as an irregular patchwork with the story of the Savills threaded through it and holding the bits together."

Turning Lemons into Grapefruit

SYDNEY BALL

WELL before American independence, many thousands of Europeans left their native heaths seeking freedom and opportunity in a continent populated largely by a few Indian tribesmen and an abundance of wild life; but above all, free land from one horizon to the next in all directions beckoned the adventurous and the persecuted.

During the early days of settlement, the main obstacles faced by the pioneering colonizers of America were a hostile environment and primitive communications. It says much for them that hardy men and women were prepared to suffer great deprivation and physical hardship in settling a wild and unknown territory, frequently having to contend with a great deal of disappointment from unfulfilled expectations. That many succeeded has resulted in modern America—a large, rich and powerful nation, dedicated to freedom and democracy.

The record of progress from independence in 1776 to the present day has not been unblemished. Americans have not always seen their legitimate interests served through the operation of natural justice; the Declaration of Independence and the Constitution have not prevented the twin evils of land monopoly and industrial protection from flourishing—to the detriment of millions of its landless and property-less citizens. The growth of privilege has been

accompanied by widespread corruption, which has undermined many people's faith and confidence in the virtues of a market economy and the rule of law. During the development of modern America, it is arguable which has been the cause of more injustice and distress—the U.S. tariff or the maldistribution of "free" land. The late Thorold Rogers thought the tariff the cause of the greater mischief; while Henry George saw in the land question the fundamental villain. It is not my purpose here to enter into that particular argument. I happen to think that both have contributed to undermining the American dream of "the pursuit of happiness" in a land of equal opportunity and individual liberty.

The history of land ownership in America is, in itself, a fascinating study of how that country developed from a relatively uninhabited continent to the world's greatest industrial and largest democratic nation in less than 200 years—most of this industrial development taking place during the second half of its bi-centenary. Quite naturally, the first settlers wanted, above all else, land. Without land they had no more security than they had enjoyed in "the old country." If the problem had been limited to having access to any old piece of land, there would have been no problem at all—certainly not in Henry George's day. Even today, there is, without

doubt, available derelict land waiting to be claimed. The trouble is, life below the margin can often be a grim affair—even for free-holders. No one appreciated this important fact more than America's land barons and land speculators. Their *modus operandi* in seeking out the potentially rich land could not be better put than it is by Dana L. Thomas, who describes the process in his recent book, *Lords of the Land*, a history of American landlordism.

"There was no difficulty in finding land," says Thomas. "The trick was to select property that was *strategically located*. The astute speculator bought property for a song on the outskirts of a town, estimating that it lay squarely in the direction the community would grow. If he guessed right and the village became a metropolis, its acreage wound up in the heart of the city, and by subdividing it into lots, he or his heirs became multi-millionaires. Sometimes this happened within the lifetime of the original land buyer."

Timing is all. The trick is to be well ahead of the crowd, and then to wait patiently for the crowd to turn up. It is *people* that give land its value; lots of people, lots of land value! You could build the most magnificent city in the world; if the location was unacceptable, and no one came to inhabit it, it would remain a ghost-town, its land value, to all intents and purposes, nil.

America's land barons and real estate operators are as colourful a collection of rogues, adventurers

*Published by G. P. Putnam & Sons, New York, \$9.95.

and creative entrepreneurs as one could wish to find in fact or fiction. The history of land speculation, property development and real estate fortunes is at the heart of urban America; as is the growth of the railways and the exploitation of natural resources, such as oil and mining. Land values were the attraction.

This history is not without its drama and humour, as well as much ingenious skulduggery. Some of its characters have become legendary. Whatever their misdemeanours, it seems hard to blame them. They took enormous risks, and if crooked politicians were susceptible to bribes in smoothing the way, the guilty party was the political set-up which allowed it.

If the Astors, Jay Cooke, Rockefeller, Marshall Field, etc. made great fortunes from land speculation, the system allowed it. Politicians who should have been concerned to protect the public interest, too often were more concerned in collecting a share of the boodle. As long as the revenue from land flows into private pockets, so long will land speculation continue to attract fortune hunters and hangers on.

One latter-day land speculator and property developer, William Zeckendorf, explained his basic philosophy succinctly, saying: "I make grapefruit out of lemons." We can be grateful that such people exist, as long as we recog-

nise to whom the lemons belong. Too often the grapefruit turn out to be pithy, the juice having been squeezed out by the rent collector and the speculator's profit.

The land question in America got off to an unsatisfactory start when the founding fathers adopted an ambivalent attitude as to what the land tenure policy of the new State should be. Thomas describes it as being "from the very beginning a gargantuan land speculation." "The Government," he says, "was split in its attitude towards property ownership, especially as it pertained to the public lands. . . . One faction of Congress wanted it sold to the wealthy, who could afford to pay the fancy prices and thereby work off the national debt generated by the recent war. A second faction argued that the land should be distributed on the most liberal terms to anyone who wished to settle on it." Subsequent history shows that the choicest acres went to those with the knowledge and energy to cajole and bribe those politicians placed to hand out the favours.

Compared to South America, land ownership in the United States is widely dispersed. For that blessing many Americans may feel grateful. For many landless Americans the existing arrangement leaves a lot to be desired. Welfare systems are a poor remedy for a landless proletariat dependent upon relief and charity.

Stands Scotland Where it Did?

ROY DOUGLAS

NO political commentator would be very surprised to see the Scottish National Party after the next election with twenty or thirty seats in Scotland, and perhaps holding the balance of power at Westminster. Be that as it may, there is a very substantial chance that at some time in the next ten years the affairs of Scotland will acquire the sort of primacy in United Kingdom politics which in the late nineteenth and early twentieth centuries was afforded to the business of Ireland. It therefore behoves us to learn something about Scotland.

The Nevis Institute has pro-

duced a book of essays, under the editorship of its Director, Robert Underwood.* The essayists survey, in brief compass but at considerable depth, a large number of different aspects of Scotland's past, present and future: political, artistic, economic, educational, social, and on a considerable range of other matters. The conclusions are too diverse to summarise briefly. Suffice to say that in every aspect studied, it is absolutely clear that Scotland is not just a northern projection of England, but a country which undeniably sees itself as different from Eng-

land, and is demonstrably different in many objective and measurable characteristics. One finds it exceedingly difficult to fault this work as a Sassenach's guide to the Northern Kingdom.

Yet diversity does not imply political and economic separation. People of disparate cultures and even languages have existed together happily for centuries in (for example) Switzerland. The reader who still fails to perceive why the difference between England and Scotland should require the disruption of the Union may seize a crucial passage from James Scotland's essay on the educational system:-

"The political situation is likely to be determined for some time yet by the universal and imperative call by the ordinary people for a louder voice in decisions affecting their lives. This is the demand that calls for reference, provides support for the Scottish National Party . . . and inspires general mistrust of authority. . . ."

The root of Scottish separatism surely lies here, in the growing centralisation of control throughout the United Kingdom. If we allow something like 50 or 60 per cent of the G.N.P. to pass into control of public officials, then nothing is more certain than that people at the geographical periphery will resent it even earlier and more keenly than people living near the centre. Scottish separatism is the product of a controlled economy in which more and more power passes to the centre.

A sovereign Parliament at Edinburgh will not solve this problem. At the next phase, people in the Highlands and Islands will appeal to their even more disparate traditions to break free from Edinburgh. No doubt Wales and the remoter parts of England will in time make similar demands of the English Government. Whether Scottish nationalism, in some form or other, is now imperative, is a matter in which Scots must decide. What is surely clear is that the long-term solution to nationalist questions throughout the world is not political but economic. The organs of government must steadily withdraw their control from the life of the citizen, and the abrasive effect of their interference will gradually disappear.

**The future of Scotland*, ed. Robert Underwood, Croom Helm, £5.95.

The Inflation to]

NICHOLA

"No system of government, no matter how well s
toms of long standing, can indefinitely withstand t
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THE Libertarian philosophy requires a commitment to free trade, universal rights to land, the integrity of our currency, and a rule of law which upholds these fundamentally natural rights. Where any or all of these are absent, there will exist a society in which tension and disorder are likely to arise; fertile ground in which tyranny and anarchy may flourish; corruption, violence and poverty come into conflict with privilege, greed and selfishness. There are no short cuts to running a free and prosperous society; if the foundations are suspect, the poor man's cottage and the rich man's castle may not survive the tensions and distortions to which an unjust society may give rise.

Bad government this century has seen the collapse of once prosperous and free societies in such well endowed countries as Uruguay, Argentina and Chile; the absence of liberal reform has kept much of Greece, Italy, Portugal and Turkey backward and poor; outside of North America and Western Europe, totalitarian communist rule imprisons whole societies in its brutal and bureaucratic grip, while the breakdown of democracy in large parts of South America, Africa and Asia has resulted in military dictatorships surfacing in the wake of corrupt government, anarchy and civil disorder. Tragically, it will take more than just liberal reforms to undo the injustices of the past; ignorance arising from long periods of misrule can take decades to eradicate.

For much of recorded history free societies have been the exception, rather than the rule. During this century alone, wars, whether civil or between nation states, have been as bloody and as destructive as any in history. In large parts of the world George Orwell's nightmare of 1984 is a reality. Why is it that the voices of Marx, Lenin, Nietzsche, Trotsky, Hegel, etc. have proved more durable and successful than those of Adam Smith, Locke, Milton, Mill and George. Posing such a question is a good deal easier than producing a satisfactory answer. The rise of democracy and the growth of "liberation" movements has not been accompanied by a corresponding spread of liberal reform and enlightened government. The chimera of "social justice" has replaced the classical concept of natural justice, with its emphasis on individual liberty regulated by the rule of (just) law.

"There is a great deal of ruin in a nation," observed Adam Smith. In Smith's day, government profligacy and a host of bad laws and customs were a hindrance to the growth and development of wealth in a free and prosperous society. It took a relatively long time before Smith's wise teaching was taken seriously, and even then, his "disciples" showed a partiality in selecting those parts of *The Wealth of Nations* which prudence and expediency suggested needed implementing. The abolition of the hated corn laws; the reform of the currency and banking practice; the introduction of free trade; balanced national budgets, etc. All these great reforms of the nineteenth century owed much to Adam Smith's teaching. Had the

readers of *The Wealth of Nations* absorbed a lot more of his wise teaching, they would assuredly have brought about a major reform in the unsatisfactory laws of land tenure. That they observed much of what he taught, brought about great benefits to nineteenth century Britain. That they resisted reforming our unjust laws relating to land tenure, was due to an unfortunate failure to recognise the unique part land plays in ensuring economic progress.

Yet, however much we may regret the missed opportunity regarding intelligent land reform, the crowning folly of this century has been the progressive abandonment of economic freedom for the mirage of the welfare state. The rise of democracy has not been accompanied by an increase in collective wisdom; rather have we witnessed the growth of economic ignorance undoing the good that had been achieved by wiser counsels prevailing during much of the last century. This century has seen the return to protection; the progressive debasement of our money; government profligacy and extravagance of an order which threatens to ruin the nation in ways which very few people in these islands have yet to appreciate. It took the spend-thrift and corrupt emperors of Rome's twilight years to achieve that which even Attila the Hun could hardly have brought about. Debasing the people's money ruined Rome (as it had ruined other great societies) long before the coming of its rise to imperial splendour, and it has brought great economic tribulations to many a nation and civilization since those halcyon days of the *Pax Romana*.

Such is the resilience of mankind, a nation can tolerate a great many abuses and petty tyrannies; render its money valueless, assuredly will you bring about a contempt for its traditions, institutions and that respect for law and civilized order which is essential, if a free and prosperous society is to continue functioning. The enemies of the libertarian society understand this only too well. No shrewder enemy of the classical liberal order appreciated this better than that arch conspirator and foe of the free and open society, Lenin. He is said to have advised that the most effective way of undermining the foundations of a system of government be hated and despised, would be to debase its currency. Lord Keynes's comment was: "Lenin is certainly right. There is no subtler or more severe means of over-

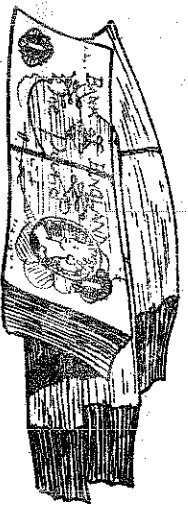
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orted by traditional institutions and social cus-
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turning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and it does it in a manner which not one man in a million is able to diagnose."

No system of government, no matter how well supported by traditional institutions and social customs of long standing, can indefinitely withstand the ravages of a prolonged inflation of destructive dimensions. Even a society where free land was available and free trade practised, could hardly survive the destruction of its money without severe political repercussions. Where recourse to a barter economy became necessary, only the reintroduction of good money could prevent the inevitable widespread starvation and privation from rendering society to a most pathetic condition. The destruction brought about by the ruin of the people's money would leave a legacy of resentment and distrust which might take decades to put right. Those persons, shrewd and knowing, who surfaced out of the inflationary ruins rich in property and wealth, would become the objects of hatred and bitter envy of those whose innocence and trust had left them in a state of ruin—stripped of their life's savings which had been rendered valueless by an inconvertible paper money



systematically reduced to so much useless waste paper.

To add insult to injury, the pursuit of economic casuistry is nearly always accompanied by measures of correction which make an already bad situation even worse. Prices and incomes policies are as old as economic man. No matter with what severity they have been applied, they have everywhere failed to achieve their objective and have had to be abandoned. In many cases the results of applying them have brought about a degree of public mischief which in some cases has taken centuries to extirpate. The legacy of economic restriction through the application of price and wage control has been the growth of

vice and corruption, force and fraud, and with it the extinction of individual liberty.

The great inflation which ravaged Tudor England led to the discredited belief in the just price and the just wage re-surfacings for the umpteenth time. To counter the predictable results of debasing the nation's currency, the rulers of Tudor England imposed such Draconian measures as the Statute of Artificers to fix wages. As they were unable, or unwilling, to fix prices, the results were predictable. Resentment at having their incomes regulated by law, while rising prices were beggaring them, the people of England were in a perpetual state of riot and social disorder, their rulers knowing no better than to subject the country to further repression and heavy-handed rule. Revolution and rebellion were everywhere threatening the peace of the realm. Even had attempts to fix prices been tried, the results would have been chaotic, as previous experience in this area had shown, when the various medieval edicts were introduced for fixing the price of bread, ale and other essential commodities through the various assizes.

Monetary disorder, which was a characteristic of the sixteenth and seventeenth centuries, led Thorold Rogers to observe in *Six Centuries of Work and Wages*, that:

"The issue of base money is rapidly and irremediably mischievous. It affects all except those who are quick at measuring the exact extent of the fraud, and by turning the base coin into an article of traffic, can trade on the knowledge and skill which they possess. To the poor, and indeed to all who live by wages and fixed salaries, it is speedily ruinous. The effect of the base money of Henry VIII and Edward VI, though it lasted only sixteen years, was potent enough to dominate in the history of labour and wages from the sixteenth century to the present time, *so enduring are the causes which influence the economic history of a nation.*" (My italics.)

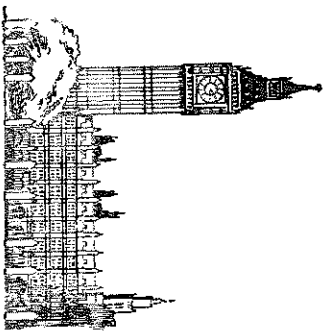
By what brand of "magic" did rulers in the past fleece their subjects? At the time of "the Glorious Revolution" when William and Mary were placed on the English throne, James II had fled to Ireland. Finding the exchange bare, he resorted to the trick "of calling a farthing a shilling." The manner of debasement was as old as specie; it was bare-faced robbery in regal style! The incomparable Maccanley, in a lucid piece of monetary history, described how a profligate monarch sought to extricate himself from mounting debt by flooding the realm with base coin:

"The right of coining was undoubtedly a flower of the prerogative, and in this view, the right of coining included the right of debasing the coin. Pots, pans, knockers of doors, pieces of ordnance which had long been past use, were carried to the mint. In a short time lumps of base metal nominally worth near a million sterling, intrinsically worth about a sixtieth part of that sum, were in circulation. A royal edict declared these pieces to be legal tender in all

cases whatsoever. A mortgage for a thousand pounds was cleared off by a bag of counters made out of old kettles. The creditors who complained to the Court of Chancery were told by Fitton to take their money and be gone."

Such was the sad state of affairs in 1696 that reconage became a necessity. The historian and statesman, Lord Macaulay has described the domestic scene at the time in the following words:

"It may be doubted whether all the misery which had been inflicted on the nation in a quarter of a



century, by bad kings, bad parliaments, and bad judges, was equal to the misery caused in a single year by bad crowns and bad shillings. The evil was felt daily, and almost hourly, in almost every place and by almost every class: in the dairy and on the threshing-floor, by the anvil and by the loom, on the billows of the ocean and in the depths of the mine. Nothing could be purchased without dispute. Over every counter there was wrangling from morning to night. The workman and his employer had a quarrel as regularly as the Saturday came round. No merchant would contract to deliver goods without making some stipulation about the quality of the coin in which he was to be paid. Even men of business were bewildered by the confusion into which all pecuniary transactions were thrown. The simple and the careless were pillaged without mercy by extortioners whose demands grew even more rapidly than the money shrank. The labourer found the bit of metal which, when he received it, was called a shilling, would hardly, when he wanted to purchase a pot of beer or a loaf of rye-bread, go as far as sixpence. When artisans of more than usual intelligence were collected in great numbers, as in the dockyard of Chatham, they were able to make complaints heard and to obtain some redress; but the ignorant and helpless peasant was cruelly ground between one class which would give money only by tale (counting) and another which would only vote it by weight."

With minor alterations, this passage from Macaulay would fairly describe contemporary Britain. These days recycled paper and the printing press perform the same function of monetary debasement. In monetary matters, the economic clock is back to where it was some 200 years ago. Centuries of such experiences seem to have left no mark on the wisdom of our present rulers, who imagine that they are clever

enough to defy the immutable laws of economics. They cannot! No-one can; any more than we can defy the laws of gravity or motion, or any other natural law which governs the workings of the universe. Playing around with the thermometer and barometer will not alter the state of the weather.

Economics and politics in the West has been dominated in the 1970s by endless discussion on the causes of inflation. Much of the dialogue has been characterised by ignorance and sophistry. Everyone from trade unionists and oil sheiks to sun spots has been charged with causing it. An endless stream of literature has been rolling off the presses discussing and describing it; a day hardly passes without considerable discussion of it in the press, on television and radio; politicians, businessmen and various spokesmen express their views on it; and a veritable Tower of Babel exists where ignorance tends to obscure the simple fact that the world is awash with too much money, and no-one seems to know the best way of stopping it. Every discredited nostrum is offered; those who should know better pull the bed-clothes over their heads, mumbling from below the sheets. "We must have a prices and incomes policy!" The fact that such cures have always and everywhere failed, is no deterrent. "If at first you do not succeed, try, try again!" Like the perpetual motion machine, and squaring the circle, there is never a shortage of enthusiasts out to demonstrate the impossible. If they stayed at home and practised their nonsense, no harm would be done; when they rule us and plan our daily lives, they become a menace, spreading mischief and misery in all directions.

For anyone wishing to pursue this topical subject further than space will allow me here, a recent publication is currently on sale. It is four books in one, and carries the straightforward title *Inflation*. There is an excellent account by Michael Jefferson of the history and cause of inflations past and present; it is described by the publishers as "... a brilliant analysis of the historical role of inflation starting with the Peloponnesian war of the fourth century B.C. through the horrendous Hungarian post second World War inflation, and culminating in the true situation of World economies in 1976." Also included in this excellent book is Andrew Dickson White's "Fiat Money Inflation in France", covering the monetary depredations "which ruined the French economy throughout the French Revolution to the

FIAT MONEY INFLATION IN FRANCE

By Andrew Dickson White. Crystal-clear, devoid of sophistry, this painstaking account by an eminent historian and statesman (1832-1912) of the cause and mechanics of monetary inflation in revolutionary France and of the material and moral havoc it wrought, is invaluable to the student of the prevailing inflation in the Western World.

From *Land & Liberty*, 65p plus 20p p. & p.

period of the Napoleonic wars". From the late Thomas Mann there is an account of life in Germany during the 1923 hyperinflation where he recounts his experience under the Weimar Republic. This astro-nomic inflation left such deep scars, that, along with other German resentments, and the massive deflation that was required to restore normality to German currency, it paved the way for the rise of Hitler and National Socialist rule. Germans know all about inflation; they had a further nasty dose of it following the second World War.

The remainder of the book is a contribution from a Professor Walt Rostow, who "has studied the English economy since the Cromwellian Commonwealth showing how little prices changed until 1913 and how staggering the increase has been since."

It used to be thought that the issue of bad money was only inflicted on nations by despots and malevolent governments. But as Andrew Dickson White showed in his minor classic on fiat money in revolutionary France, so-called popular government could violate sound principles of currency. Yet inflationists continue to delude themselves and the mass of the people, that a nation can print its way to perpetual prosperity and the good life for all! No wonder that the old style Socialists thought money the root of all evil, which should be abolished. Their own brand of ignorance led them in turn to those gross economic errors which characterise the collectivist state they clamour for. When financing their "Utopia" brings inflation, they go witch-hunting under every bed for the dreaded "speculator" and other "enemies of the people". Inflation is inflation—no matter who is responsible for its introduction. Where it is allowed to take root, it will, once out of hand, destroy any civilised government known to man.

Democracy and fiat money have brought us to the brink of ruin. They could yet bring about the end of representative government and parliamentary rule. Circuses and expensive bread are a very poor substitute.

* * *

A SIGN-POST FOR SPAIN 1977

FORTY years of repression were not enough to silence the voices of those in the region of Andalusia in Spain, who support the principles enunciated by Henry George. Quickly adapting to the changed political climate, new voices from Seville, with the indefatigable Lemos Ortega and Alvarez-Ossorio in the background, are introducing to the present generation of Spaniards the men who, before the dictatorship, toiled, suffered and even died for their beliefs.

The regional newspaper *Nueva Andalusia* has been publishing during September and October, a series of well documented articles by Professor Manuel Ruiz Lagos. Eight full double pages so far received in Great Britain begin with a description of the

physiocrat movement in Spain in the eighteenth and nineteenth century prior to the formulation of George's ideas into a coherent economic and social philosophy at the beginning of this century.

1911 saw the publication of *El Impuesto Unico*, the Single Tax magazine. The first international conference for land-value taxation and free trade held in Ronda in 1913 is fully documented: the perhaps largely forgotten names of Felix Vitale, Joseph Fels, Josiah Wedgwood come to light again and with them those of A. Albendin, organiser of the conference; Baldomero Argente, translator into Spanish of all George's books and editor of the magazine *La Reforma Social* which was published during the period 1934-36; and Blas Infante, the Andalusian leader tried in 1940 after being shot in 1936.

In these valuable articles, Professor Ruiz Lagos concludes that Franco was kept in office not by his power but by the backing of the illusory new face of the old order and the apathy of the masses of Europeans who cared only for the tanning of their bodies on the Spanish shores.

We must congratulate all involved in the production of this series of articles and hope that they will help the new Spain to become aware of the way to economic and political freedom.

We hope to publish more details of this significant development in Spain in a future issue.

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In Defence of Rating

T. A. ENDE

MR. Horace Cutler has stated that the Leader of the Conservative Party is "absolutely adamant, if a Conservative Government is returned at the next General Election, the domestic rate will be abolished, and *The Times* newspaper, 14th September, reported that Mr. Keith Speed, the Party's local government spokesman, had confirmed this to Conservative councillors at Gloucester and had said that it is likely that a local sales tax would be substituted for the domestic rate.

With the confiscation of the Church lands, which were held on condition that the Church cared for the sick, the aged and the poor, and from other causes, these people sought help in the towns and cities, and the towns and cities levied a "poor rate" on real and personal property. In 1547, during the reign of King Edward VI, for instance, the City of London Corporation charged occupiers of real property to a poor rate, and fifty-four years later, Parliament regulated rating by the "Statute of Elizabeth" of 1601.

By the time the General Rate Act 1967 consolidated rating into one Act of Parliament, almost all local government activities were covered by the rating system, which complies with the following canons:-

1. The rate is easily and cheaply collected.
2. The incidence is certain and evasion is impossible and payment of it automatically apportions itself among all contributing members of society whether they receive the demand or not and whether they pay rent or give services for accommodation.

3. So long as assessments are fair as between all classes of ratepayer, the rate bears equally so as to give no citizen an advantage nor put any at a disadvantage.

4. The list of assessments is open to public inspection and objection with rights of appeal to the local Valuation Officer, Local Valuation Court, Lands Tribunal

and (on points of law only) to the Court of Appeal and (with leave) to the House of Lords.

5. The burden of the rate is borne entirely by the freeholder or proportionately with any person deriving title under him who can exert a profit rent against an assignee or under-tenant.

There is no other system of raising revenue used in this country which has the same qualities.

Factors in the increase in prices, premiums and rents of landed property in this century include: abolition of tithe; agricultural de-rating; industrial de-rating; abolition of Schedule A tax on owner-occupied residential property; rent control; tax allowances on mortgage interest; subsidy of local rates out of taxation.

It follows from the fifth canon stated previously that he who bears the burden of the local rates gets the benefit of the rate support grant, whether he does or does not actually pay the rates. If a manufacturer takes a workshop valued at £1,000 rateable, and the rate in the £ locally is 150p reduced to 50p by the rate support grant taken out of taxation, the landlord gets £1,000 a year more rent from the manufacturer than he would if there were no rate support grant.

If, instead of becoming a tenant, the manufacturer buys the freehold of the workshop, the vendor will capitalise the rate support grant at about £10,000 over and above what the purchase price

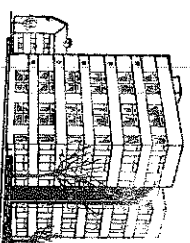
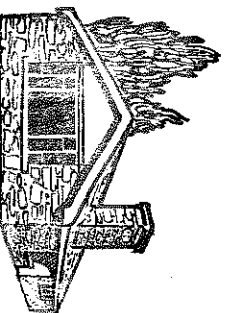
money by means of a mortgage, debenture shares, or a bank or other loan.

Similarly, a tenant with a "profit rent" can assign his lease at a premium, and the premium charged will reflect the capitalisation of the rate support grant over the unexpired term of his lease.

The rate support grant has been running at about £7,000 million a year, and the effect of it on industrial, warehousing, retail, commercial, professional, residential and all other rated occupation at a time when we have been going abroad for loans has been to create an enormous millstone around the neck of all human activity of something like £30,000 to £35,000 million. This money is absolutely inert: it is not being used to buy stock or renew fixtures and fittings, plant and machinery or tools or transport, and the interest on it is going into the pockets of private concerns when it might be going into the general rate funds throughout the country.

The promise by the Government to reduce the rate support grant by 15 per cent in the present fiscal year, if it is really being implemented, is the best piece of economic news we have had since the Local Government Act 1948 brought the grant into existence when a Labour Government was in office, but it would be much better if there were a promise to phase it out altogether. This would allow the threshold of personal income tax to be raised by something like £21,000 million and thousands upon thousands of people now paying income tax (including pensioners and widows) would be freed from this burden.

In the cities of this country, in bed-sitter land, and in the houses of their parents or parents-in-law, the pill reigns supreme among young couples. Marriages are not taking place which should take place, and even where they do take place, babies who should be born are not being born, because of this dreadful fiscal crime against



humanity, while they struggle against bloated income tax to get the "deposit" together for a home. Even when this is achieved, they may look forward to spending thirty years of their working lives "in hook".

If the manifesto *The Right Approach* is kept to, the Conservative Party is "committed to the objective of abolishing the domestic rating system" by which they will thrust up further the price, premium or rent of homes, and, to make up the deficiency, the blood of the rising generations is to be sucked by a local income tax or sales tax and a coming generation is to be extinguished.

It was the People, not Parliament, who invented rating, and there is no reason for denouncing the system because this was done a long time ago. Successive governments, in "supporting" the rates, have been trying to fight an immutable economic law. A periodic fiscal charge on landed property is different from all other forms of revenue because it means that the occupier is charged before he produces. Income tax, value-added tax and sales tax wait until he has produced, and then rob him, and value-added tax robs particularly the producer who is the most efficient. The people of olden times, close to the land, knew this, but the over-sophistication of modern times has dulled humanity and has made the electorate the prey of the politician.

Stoke Newington and Hackney North Conservative Association put forward the following resolution for the Annual Conference of the Party: "In view of the increased size since 1963 of rating and precepting areas throughout England and Wales, all local government expenditure should be met locally and all capital sums should be raised by the issue of bonds by local authorities."

Rating and precepting areas throughout England and Wales have increased very much in size as a result of the re-organisation of local government since 1963. Greater London County is divided into thirty-two rating areas, all of which are about three times the size of rating areas before 1963. Their combined rateable value is £1,885,247,200.

Greater Manchester, Mersey-

side and Lancashire have a combined rateable value of £619,933,800, there being twenty-nine rating areas.

The population of Greater London County is 7,167,600 and that of Greater Manchester, Merseyside and Lancashire is 5,463,500.

These populations exceed those of many European sovereign States, and the rateable values shown exceed their national budgets in some cases.

The effect of putting the resolution into practice would be to achieve devolution in local government and "get the Government off our backs" by the simple means of phasing out the rate support grant and telling the Government what they can do with their loans. Millions of people now paying income tax would be exempt. This is without prejudice to the maintenance of rate equalisation schemes between rating areas and to the payment of rate rebates in suitable cases.

I think that the strongest instinct in man (and woman) is the preservation of posterity, and I believe that the overwhelming majority of my contemporaries think the same. It is time that successive Governments stopped pursuing degenerate economic pol-

FORECASTING: SENSE OR SORCERY?

ACCORDING to the seventeenth century medical theory, some diseases could be cured by blood letting. The theory could not be tested by laboratory experiment and the evidence from individual cases was inconclusive; but accumulated evidence eventually convinced people that the theory was false. The art of testing theories against evidence where laboratory experiment is impossible has since become much more sophisticated. Professor Ramsey's contribution to a new Hobart Paper* explains the use of 'econometrics' for the testing of economic theories in terms which can readily be understood by the layman.

Just as econometrics should help to avoid the *post hoc ergo propter hoc* fallacy in the testing

icies which give young people every cause to revolt.

I would make the following proposals for revision of Conservative Party policy:-

1. The proposal to abolish the domestic rate should be abandoned
2. The rate support grant (introduced by Labour in the Local Government Act 1948) is a serious mistake and it should be phased out so as to reduce the massive increases in the price, premium or rent of all rateable property which it has forced upon the nation
3. The threshold of income tax should be raised correspondingly
4. Rating authorities should be given the option to adopt site-value rating in their areas so as to relieve single people and elderly couples living in purpose-built residential flats both private and local authority owned of the heavier rating valuations which these flats attract in proportion to their living space under the present system of valuation of building - fixtures - fittings - plant - machinery - and - services and so as to simplify and quicken the process of valuation.

of theories, it should also help to avoid some of the errors of naive economic forecasting. But economic forecasting remains notoriously unreliable. What has gone wrong? Can we expect it to improve? Can government intervention — with its dependence upon economic forecasts — ever become effective? Or should we seek to rely as far as possible upon market forces? Professor Ramsey sees the most effective government role as that of providing and enforcing a framework of property rights within which markets must operate. This conclusion is reinforced by Ralph Harris' contribution entitled "a sceptical view of forecasting in Britain".

For those who wish for a brief glimpse into the mysteries of economic forecasting, this booklet—with its useful glossary of technical terms—is probably the easiest way of getting it.

**Economic Forecasting—Models or Markers?* by James B. Ramsey. Hobart Paper 74. Institute of Economic Affairs, £2.00.

Job Evaluation Evaluated

WALLACE CROMPTON

THE absurd notion of using job evaluation as a means of arriving at "fair" rates of pay has now become respectable. At one time, the idea that the forces of the free market were responsible for most of our social ills was confined to Marxists. Now, many, although they would deny being socialist, no longer have confidence in the market as a means of determining the exchange value of goods and services.

The control of prices has been tried often enough and has always failed abysmally. Despite this, faith in it persists, and today it is still part of the philosophy of the main political parties, who are prepared to adopt it as expediency demands.

The control of prices is, however, so formidable a task that even its greatest advocates are obliged to compromise. But the regulation of wages seems to have offered more scope—for a while anyway.

One of the inevitable side-effects of wage freezes is the breakdown of differentials, so that when a freeze ends, the restoration of differentials in pay are demanded as part of any new pay deal.

This has high-lighted the "need" for job evaluation as a means of reconciling conflicting claims as to what one job is worth in relation to another.

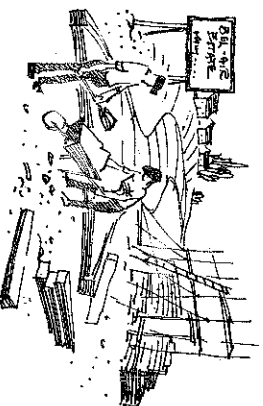
One of the reasons that job evaluation is felt to be necessary is the absence, in large areas of employment, of free individual bargaining. Collective bargaining and the closed shop have effectively destroyed the individual market in wages in the areas in which they operate. Pockets of resistance still remain where employers and employees negotiate individually to their complete satisfaction. However, when it comes to negotiating for hundreds of thousands of employees in factories and workshops, arguments over differentials become predominant. The efficacy and morality of paying union-established wage

rates to thousands of individuals, many of whom have been coerced into unions and thus had their own individual bargaining rights taken away from them, is never questioned. Of course those who argue for job evaluation will insist that the wage rate arrived at must be 'acceptable'. This of course means acceptable to those doing the evaluation not necessarily to the individual.

Job evaluation was explained in a recent article in *The Times*, by two consultants of P.A. International Management Consultants. Job evaluation, they say, aims to establish a fair and acceptable relationship between jobs in an organization. It defines the ring in which the subsequent skirmishing about pay levels takes place. The skirmishing is presumably a kind of collective higgling of the market.

The authors admit of course that job evaluation is not a scientific and totally specific way of measuring and comparing jobs. But it is, they say, a logical approach to the establishment of a fair wages between jobs.

The conceit leading to the belief that the natural forces of economics, which are part of man's nature, can be dispensed with knows no bounds. Job evaluation systems, say the authors, divide



broadly into three types: "whole-job ranking", "factor analysis", and "classification". The skill of the personnel executive or the consultant, "lies," they say, "in selecting the correct approach for each different application."

"In whole-job ranking, jobs are

compared one against the other and a rank order of jobs in order of seniority is produced. Factor analysis involves the breaking down of jobs into segments and their measurement according to predetermined factors.

"Classification consists of a series of predetermined grade descriptions in ascending order of scope and responsibility: all jobs in the organization are then allocated to the appropriate grade."

Thus we hear of paired comparisons, profiling, factor analysis, decision band theory, guide chart and weighted points, etc.

The system is described in some detail and here is a typical paragraph: "Evaluation is by a trained panel of company employees. Typically they will score jobs against factors, allocating a degree (one to six) to each job. In addition they will rank all the jobs by comparing each whole job with every other."

The authors concede that salary bands are determined by prevailing market rates, demand and supply for a particular job group, location and by negotiation. This, however, appears to be only a starting point. Answering the question of how, under job evaluation, the employee gets from one salary grade to the next, they state that going back a decade this was often done by the manager's assessment of individual performance but now, union influence, together with inflation, have altered this and there is a strong movement towards fixed incremental salary progression.

The fatalistic acceptance that union power, collective bargaining and inflation are to be accepted as a way of life from now on, indicates how far we have come along the road to a corporate state. The authors will probably deny being Marxists, collectivists or even socialists. Yet that is the road they are inevitably treading in aiding and abetting the extinguishment of the free market.

Perhaps the authors should reflect upon where the logic of their thinking will ultimately lead them; a price is in effect a wage. They are two sides of the same coin, and if there is to be a job evaluation then there must eventually be price evaluation and that will be the end of the road.

PRIVATE SMALLNESS v. PUBLIC BIGNESS

W. E. Pereira writes from
Los Angeles

CURRENT news items about the 160-acre limitation laws covering agricultural lands irrigated by federal projects reminded this writer of some things written in a book that is considered to be one of the best in its field: *The Territorial Imperative* by Robert Ardrey, published in 1966 by Atheneum, New York. On page 114 he makes a direct reference to California:

"Many years ago I visited an enormous corporation cotton farm in California's Central Valley. Water was drawn from wells 2,000 feet deep, costing \$65,000 each. The resident manager shrugged off the entire giant enterprise. 'It's all in the cost of the wells,' he said. 'A normal water supply and this place would be subdivided tomorrow. Nobody can compete with a farmer on his one hundred and sixty acres.'"

Ardrey wrote about the apparent success of a kibbutzim he visited in Israel, *Gan Shmuel*, the Garden of Samuel. 400 adults farmed 1,200 acres and in the year before Ardrey's visit, produced crops valued at about \$1.5 million. Ardrey then visited a private farm on comparable land only a few miles away. A Polish doctor and his son and their wives worked thirty acres. Productivity per acre was about the same as at the kibbutz, but Ardrey was struck by a difference. On the collective farm it would have required nine adults to work thirty acres; on the pair territory in the Soviet Union, Ardrey inquired about this. The former Polish doctor explained, "Well, *they* work eight hours a day."

Ardrey commented about Russia. Tiny plots are permitted for family cultivation. He called it the last bedraggled remnant of the pair territory in the Soviet Union. "Today (1966) the private plot averages half an acre in size," Ardrey wrote. Without it Russia would starve. With private plots occupying about three per cent of all Russian cultivation they produced almost half of all vegetables

consumed, almost half of all milk and meat, three-quarters of all eggs, and two-thirds of that staff of Russian life, potatoes.

A recent newspaper farm article quoted Gene Senor, a Kansas Farmer: "You just can't produce food as cheaply as we do when you only work a corporate forty-hour week." In a recent Mobil advertisement (10/9/77) we found this:

"Soviet farms also suffer from being too large, adds agronomist Ronaki Narn of the Woodrow Wilson International Center for Scholars: they're generally run by planners too far away to make quick, critical decisions. Russian farmers produce prodigiously on their own private garden plots but not on the 'collectives', demonstrating once more that free enterprise is a powerful economic spur to producing bounty for all."

These things all illustrate that there are vast diseconomies of scale; the inevitable operation of the law of diminishing returns. We see it in government, we see it in agriculture, we see it in education.

Every advantage, whether federal water, crop supports, subsidies, and numerous specific actions, inheres in the value of land—location value. Many of the distressing circumstances with which we cope now would not exist were our laws so devised that economic rent-to-land accrued to public rather than private purses, leaving free of burden the wages to labour, and the legitimate return to capital. The questions would become moot! The device? Not necessarily acreage limitation, not government ownership. Just enlightened location-value taxation.

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PUBLIC INVESTMENT— PRIVATE ENRICHMENT

(From Grondvest, Holland, 3rd quarter, 1977. Translated from the Dutch by Basil Butterworth)

LOCAL rail and tramways in Germany are working at a loss. According to the *Algemeen Dagblad* of 29 April 1977 this applies to 125 undertakings. When it was decided to close these businesses the value of their shares suddenly

shot up four or five times. Why?

The land under stations and tracks becomes available for sale. Sometimes a half to one-and-a-half millions a square metre. That seems like a gold mine! For whom? For the shareholders in these undertakings that have been making a loss all these years. Since the rail and tramways were laid down, the community has developed in such a way that the land is now worth much more than it was formerly for train and tram traffic.

The citizens have, as members of the community, caused and paid for the increase in value. Are they now going to get their money back?

Not at all! If they want to use a piece of the former rail or tram way, they will have once again to put their own investments, made through taxes, on the table. On an individual table!

What can the citizens who are conscious of this injustice do against it? They can exert pressure on local governments and council members and demand the improvement of the renting system. They can point out to Government and Parliament the possibility of improving the Real Property Tax by placing the whole levy on the land and making the building free of tax.

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THE BENEFICIARIES OF THE DEVELOPMENT AID

EXPERIENCE confirms the fact that tenurial arrangements in the project area have an important bearing on the success of projects. The reason is that all projects alter the distribution of gains from the land; unless there are adequate safeguards built into the project, the weakest landholders are invariably at a disadvantage. A project which is in an area of smallholders who own and operate their own land, or who have secure rights to land, tends to benefit the producers. In areas of absentee ownership, however, where the land is operated by sharecroppers or by tenants who do not have security, the benefits from increased investments and higher output are not necessarily realised by the producer. Experience has shown that, when projects have provided profitable opportunities,

tenants without secure leases have been evicted and replaced by day labour or machines. Some projects in Ethiopia provide examples of the phenomenon. Also, the introduction of new technologies under standard crop-sharing arrangements, which are based on profit-sharing or fixed proportional crop shares, has often—though not always—led to a disproportionate increase in returns to the landowners.

—From an article on development projects in *Finance & Development*, an IMF and World Bank quarterly.

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PLENTY OF CHEAP FOOD

AT the time of the Referendum and during the preceding year pro-marketeers were fond of saying that there were no longer supplies of cheap food available in the world for Britain to import. So they concluded that Britain was better off within the CAP which it was held would offer security of supply. This argument was based on very exceptional features, namely poor harvests in two consecutive years in the Northern Hemisphere. Thus the Russians imported large quantities of North American grain and (temporarily) emptied the granaries. Grain prices rose to unusual heights—for a short period in 1973/74 to above the EEC price. Anti-marketiers were brushed aside when they pointed out that this was a temporary situation that would be corrected as a result of the United States and Canada abandoning their acreage restrictions.

How right they were. A couple of bumper harvests have restored supplies, halved the wheat price in two years and caused President Carter to propose a 20 per cent cut in the wheat acreage to be planted in 1978 because there is little prospect of selling and difficulty in storing the American grain surplus.

But the price has not halved for the unhappy British. This is because we are within the EEC's agricultural regime with its artificially imposed high prices. The EEC imposes a levy on imports from outside the Common Market to raise the price to the EEC level. The levy on imports into Britain was raised on 1st August (the date of one of Mr. Heath's transitional

steps to full membership) to £51 a tonne. This represents an import tax of almost 100 per cent on the wheat imported to make the British loaf. No wonder bread prices have gone up.

—*Common Market Watchdog*, Autumn.

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AN OVER-RATED PROPOSAL

A SITE of almost an acre in Knightsbridge has been sold for nearly £1,000,000. It is planned to build twenty-six houses, each of which could sell for £200,000. The land cost for each house on this reckoning, works out at £40,000 a plot—one fifth of the total cost.

Under the present system the rates would theoretically be levied on the annual letting value of each house. In practice, the rateable value would be assessed substantially lower than this but it would be considerable.

A buyer of one of these houses will have to consider his substantial rate liability—and the developer, knowing this, will have taken it into account when calculating what price the market in such houses will bear. Taking account of the building costs and his normal profits, this figure will have been reflected in the price he was willing to pay for the land.

Now remove the total rates liability, as the Tory Party have promised to do, and the land value will go up by that amount since building costs will have remained unchanged by the abolition of rates. The owners of the houses will get a gift of their local rates which will immediately be reflected in the higher price they can now sell their houses for.

Future house buyers will find that the rate relief has been capitalised and added to the price asked for land.

Is the Tory party still the party of the landowners?

LETTER TO THE EDITOR

Secrecy & Economic Skull-duggery

SIR, — I was interested to read the comments of T. O. Evans in *Land & Liberty* (July/Aug.).

In his comment Mr. Evans makes the very valid point that the Government relies very heavily upon the phenomenon that "what the eye does not see the heart does not grieve over". Our Government uses the Official Secrets Act to hide from the people of Britain the benefits which they are denied because of bad economics.

I have been in politics for many years and have made an extensive study of economics to work out the best strategy with which to achieve worthwhile reform. The prerequisite of reform in such an emotionally charged area as economics, is to first establish a right to know the truth. So much skull-duggery goes on behind the curtain of secrecy provided by the Official Secrets Act that no parliamentarian has a sporting chance of correcting matters.

Fortunately the prospect of achieving prosperity is an acceptable carrot with which to arouse the interest of ordinary people. Establishing their right to know the truth is rather a dull and boring concept on which to run a national campaign.

If Mr. Evans wonders whether the call for Freedom of Information is a peg on which to hang some good economic horse sense, or whether the promise of economic sanity is a good way to attract support for Freedom of Information, then I believe he is looking at both sides of the same coin.

Secrecy is suppressive. Suppression breeds poverty.

Man has an innate tendency to prosper unless there is suppression.

By ridding ourselves of secrecy we help to break free of suppression.

On first principles Freedom of Information can be expected to restore prosperity to Britain by getting rid of secrecy and liberating the power of true wisdom in economics.

I shall be glad of all the support which you can give to the cause of Freedom of Information. Land, liberty, freedom to know the truth and the right to privacy are all vital factors in the structure of true democracy.

ARTHUR W. J. LEWIS MP

Hon. President, Parliamentary All Party Committee for Freedom of Information