

# LAND &

NOV. & DEC.  
1978

# LIBERTY



## Guru of the Right -but he is wrong!

**PRIME MINISTER** Jim Callaghan has spelt out the alternative to his incomes policy: firm control over the money supply and reduced public spending. He has told the trade unions which reject restraints on wage bargaining that workers might be priced out of their jobs. A socialist government now accepts the economic truth that the use of the printing press to finance profligate spending has to come to an end. To this extent, then, there is no substantial electoral choice between Callaghan and Tory leader Margaret Thatcher. The government's strategy is an acknowledgement that monetary policies have caused inflation, and that within the framework of the new discipline people cannot be trusted to bargain realistically without pricing themselves out of work. In a liberal society, people have to be free to destroy their jobs if they wish to gamble with their economic security. But what of the monopoly power of unions? They can frequently exercise their strength to secure wage rises unmatched by productivity without creating unemployment among their members . . . but the result must inevitably be reflected in the loss of **other people's** jobs. This reality is used to justify incomes policies. Eventually, however, the

personal frustrations and economic tensions must smash through the controls: in doing so, they create social unrest and economic friction, and have led to the demand for the reform of unions. The argument that this institution is at the root of our economic troubles is articulated most powerfully by Friedrich von Hayek, one of Mrs. Thatcher's leading gurus. The professor (pictured above) is wrong: restraining a few unions would not free the economy. It would merely expose workers to the naked power of the original monopoly on which the industrial economy is built: land monopoly. Until this fact is understood, successful attacks on trade unions would not lead to free trade and the liberal state advocated by Hayek, but something nearer to the unequal industrial relations which existed at the start of the Industrial Revolution. The professor, as we show in a critique of his writings, has rejected the solution to this fundamental problem. Unwittingly, therefore, he preaches a faith which leaves us all to flounder in a system built on quicksand: for even without strong unions, many of our jobs would periodically disappear as the guru's disciples sink us deeper with their palliative policies.

# Land & Liberty

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

NOVEMBER & DECEMBER, 1978

ISS No. 0023-7574

Established: JUNE, 1894

Annual Subscription:

Nos. 1,1014 & 1,015

U.K. and Sterling Area: £4.00

VOL. LXXXV

U.S.A. and Canada: \$7.50

Managing Editor

Editor

V. H. BLUNDELL

F. HARRISON



## FEATURES

Who Is Crippling the Free Market?

P. E. POOLE

82

Ralph Borsodi's principles for homesteaders

MILDRED LOOMIS

85

Somoza: the Making of A Blood Sucker

FRED HARRISON

88

Property And The Church

C. W. F. WATKINSON

90

Pioneers And The Rights Of Civil Society

ROGER SANDILANDS

92

## REPORTS

NEWS DIGEST

87

RENT CONTROLS

93

LIBERALS AND LVT

94

## Book Reviews

The Japanese Bogey

NICK BILITCH

84

Pyramids and public works

BOB CLANCY

95

## Guest Columnist

Hillside squatters

FRED HARRISON

96



### Conference in San Francisco

HENRY GEORGE'S seminal book *Progress & Poverty* was published 99 years ago. To celebrate the centenary, an international conference will be held in San Francisco between Aug. 20 and 25. Venue: The Jack Tar Hotel, Van Ness and Geary Avenues (rates: single rooms \$37, doubles \$44). Distinguished speakers will present papers on the work and continuing relevance of Henry George's economics and political philosophy. There will be seminars, workshops and a rally in Union Square. Chairman of the Centennial Committee is Terry Newland, 3098 California St., No. 26, San Francisco, CA 94115, USA. Details of the full programme will be published in *Land & Liberty* when they become available.

PROFESSOR Friedrich von Hayek, Nobel prize-winner in economics, has no doubt about the main cause of Britain's problems: trade unions, he declares

"have become in Britain the chief cause of unemployment and the falling standard of living of the working class."<sup>1</sup>

So the coercive power which he says was given to unions 70 years ago should be withdrawn.

Hayek has been highly esteemed by the political Right ever since he wrote *The Road to Serfdom*,<sup>2</sup> his onslaught on communism. He is a powerful influence on Tory leader Margaret Thatcher and the group around her chief economic adviser, Sir Keith Joseph. His philosophy, then, is of considerable relevance to the contemporary political scene.

HAYEK'S analysis of the economic consequences of union power is not faulty.

Unions which wield coercive influence (they are in a minority) can adversely affect the labour market, as Hayek says. By pushing wages above their competitive level, fewer people are employed and firms are forced to turn to capital-intensive methods of production when labour-intensive methods would otherwise have been just as good.

But it is the professor's interpretation of the general consequences of this which has serious implications for policy formation. He says that unions are the *chief cause* of our high unemployment, a conclusion which reinforces the prejudices of a large number of politicians and academics. Other causes of the recession—which, upon objective examination, may turn out to be of greater importance than union power—are consequently neglected.

MONOPOLY power distorts the free market to the disadvantage, ultimately, of the consumer.

Our thesis is that land monopoly is the *chief cause* of Britain's high unemployment: unions became aggressive in their wage bargaining after Edward Heath's Chancellor of the Exchequer, Tony (now Lord) Barber boosted the money supply to inflation-inducing proportions

**P. E. POOLE EXAMINES HAYEK'S VIEWS, AND ASKS:**

# Who Is Crippling The Free Market?

in 1972. Can our competing explanation stand examination?

The world-wide slump in the mid-'70s is popularly attributed to the huge increase in oil prices. This is a dramatic example of the way a cartel (OPEC) can exploit the monopoly control over a natural resource without reference to the economic well-being of the rest of the world community. But the oil effect, following the rapid rise in prices from October 1973, was just an additional influence on top of pre-established trends. . . .

*The boom and speculation in land values during the 1960s reached a crescendo in 1973—the recession was about to occur even without the intervention of oil producers!*

During the 1960s financial institutions had sprung up to fuel land speculation: real estate investment trusts (USA), fringe banks (UK), *Sicoms* (France) and property trusts (Australia) to mention a few.

So the crash was inevitable and predictable. In Britain it was signalled by the collapse of the first

of a string of fringe banks (London & County Securities) in Nov. 1973.

The effect on employment was felt immediately in the construction industry, whose fortunes are directly influenced by land values. As we can see from the following index (1970=100), the number of employees in the industry began to shrink rapidly in advance of unemployment in other sectors (even those heavily dependent upon oil).

1974 January	99.2
April	96.6
July	95.9
October	95.8
1975 January	93.7
1976 January	92.8

SO THE speculative exploitation of the resources of nature—first by land monopolists in the industrialised nations, then by oil owners in the Third World—crushed the world economy.

The consequences of land speculation were analysed by Henry George in *Progress & Poverty*. He proposed that industrialised economies should adopt a single tax—one which fell on land

values—which would prevent speculation and redistribute socially-created income to the whole community.

What does Hayek think of George's solution? He finds it attractive. In *The Constitution of Liberty*<sup>3</sup> he states:

*If the factual assumptions on which it is based were correct, i.e., if it were possible to distinguish clearly between the value of the permanent and indestructible powers of the soil, on the one hand, and, on the other, the value due to the two different kinds of improvement—that due to communal efforts and that due to the efforts of the individual owner—the argument for its adoption would be very strong.*

Powerful endorsement — potentially — for land value taxation. But Hayek concludes that the policy is an impractical one, for "no such distinction can be drawn with any degree of certainty."<sup>4</sup> Thus, he says, it would be necessary to grant leases (which would have to be freely transferable) at fixed rents for such long periods as to become little different from private property, "and all the problems of individual property would reappear."

Hayek, then, concedes the importance of land value taxation, but withdraws from it because of the alleged empirical problems. Only a few objections to his analysis need be made here. First of all, location advantages (which he chooses to ignore)—not soil fertility—are the main source of land values. There can surely be no ambiguity as to either (a) who causes these values, or (b) how to separate them from values arising from capital improvements upon the land? This exercise is performed daily by professional surveyors and valuers!

## A CHRISTMAS GIFT

*Land & Liberty* celebrates the centenary of the publication of *Progress & Poverty* with six bumper issues in 1979.

Special articles will re-examine Henry George's philosophy and its relevance to contemporary societies. *These souvenir editions would make a fine Christmas gift: WHY NOT TAKE OUT A YEAR'S SUBSCRIPTION FOR A FRIEND?* Despite increased costs, you can order *Land & Liberty* at the existing rate of £4 or US \$7.50.

We will send a free copy of Frank McEachran's *Freedom—The Only End*, to each reader who takes out a new subscription.

**ORDER NOW!**

NOVEMBER & DECEMBER, 1978

# --The Japanese Bogey--

But Hayek appears to be anxious to create artificial problems. For example, it is not necessary to distinguish between the value arising from natural soil fertility (which is a feature only of the agricultural sector) and values arising from communal effort. For practical purposes, these can be considered one and the same thing.

As for separating values created by individuals from those which are communally-created, this is—again, for practical purposes—an exercise performed daily by bargaining in the market on behalf of labour and capital.

**AND YET**, when it comes down to brass tacks, Hayek ignores land monopoly in favour of promoting the trade union threat to liberty. Boldly, he asserts that “the whole basis of our free society is gravely threatened by the powers arrogated by the unions.”<sup>6</sup>

**Socially important industries, such as building, will be greatly hampered in their development and will conspicuously fail to satisfy urgent needs simply because their character offers the unions special opportunities for coercive monopolistic practices.**

Yet the professor has ruled out, on the basis of faulty logic and a deficient appreciation of valuation techniques, the policy which would wipe out the land monopoly which directly undermines “socially important industries, such as building.”

No doubt the market would operate just that little bit more smoothly if unions could not enforce restrictive practices. But the cyclical problem of unemployment, and the ever-present scandal of low wages for many people, would still be with us.

As with the power of capital, which was derived from the imperfect market conditions existing at the time of the Industrial Revolution, trade union power arose as a result of pre-existing exploitative conditions. Only after a radical transformation of the monopolistic distribution of natural resources can we reasonably expect to deal with secondary problems like union power.

## REFERENCES

1. *The Times*, 10.10.78.
2. Routledge & Kegan Paul, 1962; first published 1944.
3. Routledge & Kegan Paul, 1960, p. 352.
4. *Ibid.*, p. 353.
5. *Ibid.*, p. 269.

**SOCIETIES** with declining economic performance frequently search for the bad guys who are assumed to be the cause of falling living standards.

Japan has been cast by the West as the favourite bogeyman. In brief, according to various business and political spokesmen, the Japs do not play fair! Antipathy towards Japanese commercial expansion and phenomenal economic growth is not of recent origin. Alarm bells were being rung before World War I: the message was that Japanese industrial expansion was a potential “threat” to western economic supremacy in the Far East.

to counteract what was seen to be a direct menace to their commercial interests, the US in particular—and to a lesser extent the British Empire and Commonwealth—indulged in a number of petty restrictionist activities which naturally irritated and angered the Japanese. The result of this unholy commercial alliance against Japan ultimately led to anti-liberal forces gaining control of domestic politics; this led to military expansion in Korea and China as a means of gaining access to the raw materials which Japan lacked, and an overseas market for her output.

The hostile attitude to Japan was often repeated elsewhere, when and wherever Britain and the USA felt the competition of overseas rivals; in Britain’s case, Germany was the industrial rival most feared. It seems to me that the two world wars were more concerned with destroying the commercial rivals of these two countries rather than the off-repeated aim of making the world fit for freedom and democracy.

It says much for the resilience and determination of both Germany and Japan that both have emerged economically fitter, stronger and more efficient than their victorious enemies.

The latest contribution from the prolific publications department of the Institute of Economic Affairs is concerned with the workings of current Japanese trading practices. The author, Prof. G. C. Allen, is an old “Japanese hand,” in that he lectured in economics there between 1922 and 1925. Now retired, he was, until 1967, Professor of Political Economy at University College, London. His

book *How Japan Competes* contains a useful commentary from a leading Japanese economist, Yukihide Okano.

Although largely concerned with examining the charge that the Japanese are guilty of “dumping,” there are some useful and informative passages dealing with the history of the economic growth of modern Japan.

The author draws attention to the many myths and misunderstandings regarding Japanese commercial practices. It would seem that Japan is no more guilty of bad economic practices than her principal rivals. Her success has come largely from her own efforts, skill and native genius, and not from pursuing a policy of beggaring her competitors. Her very success has made her the scapegoat for our own failures and inept economic policies. The U.S.A. is once again picking on her to explain away America’s economic failure to come to grips with domestic inflation and economic stagnation in such traditional areas like steel, motor cars and electronics.

As far as the UK is concerned, Prof. Allen points out that the hysteria regarding imported Japanese goods is both unwarranted and short-sighted. “Japan’s share of the British market for a few products (e.g. motor vehicles and electronic goods) is relatively high but her *total sales to Britain* account for well under 3 per cent of Britain’s imports. Moreover, the imbalance is largely redressed by Britain’s surplus of invisibles in her trade with Japan.” (My italics.) That would seem a normal and healthy state to be in. Let each country do that which it does best; free exchange will then benefit both parties.

The division of labour and comparative advantage is working to the benefit of both countries. If the Japanese appear to be doing better, it might help in arriving at the truth if we and the Americans took a little more notice of our respective government expenditure and budget deficits, and stopped bullying and hectoring the Japanese; this would also apply to the periodic niggling against Germany in which we periodically indulge.

NICK BILITCH



# Ralph Borsodi's principles for homesteaders

**R**ALPH BORSODI (1886-1977) was the author of 13 books and 10 research studies. He was also physically active, a productive homesteader and a real doer who practised what he preached. He experimented and implemented on many levels—from good nutrition, through building his own home and garden; weaving his clothes and furnishings; organizing experimental small communities, a School of Living for a new adult education, and developing new social institutions—the Community Land Trust and a non-inflationary currency, which he called *Constans*.

No one of today's specialty-labels encompass Ralph Borsodi. I am pushed to use more general and abstract terms—decentralist, liberator and human benefactor. This article will concentrate on his efforts to implement the community-use of socially-created values in land as part of his plan to encourage people to leave cities for more rural living.

Ralph Borsodi was never in public school, infrequently in private schools, and did not attend college. (Yet St. Johns College of Annapolis later conferred on him a Masters, and the University of New Hamp-

shire, a Doctorate.) He was educated mostly by wide readings in libraries, and by his father, a publisher in New York City. Borsodi Sr. wrote the introduction to Bolton Hall's *A Little Land and Living*, which encouraged living on, and intensive production on, small plots of land, and the public collection of site-values.

Ralph Borsodi, Jr. joined the Single Tax Party which grew out of popular enthusiasm for Henry George and his two campaigns for the mayoralty in New York in the 1880s. Borsodi mounted his soap box in Union Square to exhort people to vote for the land-value tax. The Party named Borsodi editor of *The Single Taxer*. In it he discussed the need for a school to teach economics as George presented it, placing land in a category separate from capital, showing how the law of rent determined the law of wages, and how private use of land values resulted in the disparity of wealth—poverty on the one hand and riches on the other.

When still a young man, in 1910, Borsodi was sent by his father to dispose of some Texas land holdings. What to do with several hundred acres of land in the Houston area? He knew that this land was part of a "great Savannah"—in the path of progress. His errand brought him both conflict and guilt. As people would come to this area, the value of the Borsodi land would rise. What price should he ask for it? Should he accept money which he had not earned? "Don't be foolish, man," a local hotel-keeper advised him. "Hang on to that land and who knows you might become a millionaire!"

Troubled, Borsodi bought a small-town paper, *The Rice City Banner*, wrote editorials, printed news, and discussed the land problem. After a year, he made a decision. He would sell the land at a modest price to a realtor. But Borsodi would go on to find ways to "solve" the land problem. The realtor would not worry about unearned increment from the land, and doubtless went on to pocket a large sum.

Borsodi returned to the East with a mission. Now, 1911, he saw Megalopolis with new eyes. More than ever he was conscious of ground space. On Manhattan's 22 square miles, two million people were rushing to and fro, on, above and beneath its surface, needing space and giving to land its fabulous value.

At that time New York City represented 20 billions of dollars worth of wealth. Half of it was in land, most of the value concentrated in a small core at the centre. A few blocks away was an ocean of squalor, filth and poverty. Who had title to that land? Certainly not the two million people working there. Probably a few large holders with familiar names—Rockefeller, Astor, Vanderbilt. Land bought and sold for hundreds of thousands of dollars a front foot! Millions of tenants paid rent each month with barely enough left over to keep body and soul together. To Borsodi, New York was a devouring



ugly monster.

His friendship deepened with Myrtle Mae Simpson, a Kansas farm girl. They married in 1912, and Borsodi's father assigned them to a job in Chicago. Chicago's Loop was even more concentrated, though with more over-all sprawl, destitution, slums and ugliness than in New York.

Borsodi contacted Louis Post, editor of **The Public**, a journal devoted to Henry George's principles. Borsodi used its columns to challenge Socialist and Marxist ideas.

The Borsodis took other radical steps. Myrtle Mae's anemia, the children's coughs, and Borsodi's rheumatism led them to investigate natural therapies. They turned to whole foods. Explaining it as best they could to the two boys, Ralph and Myrtle Mae gathered up the loaves of white bread and boxes of white sugar and packaged cereals and chucked it all into the garbage pail. In 1920 they left the city and moved to 16 wooded acres in Rockland county. They built temporary shelters and settled down to modern "homesteading".

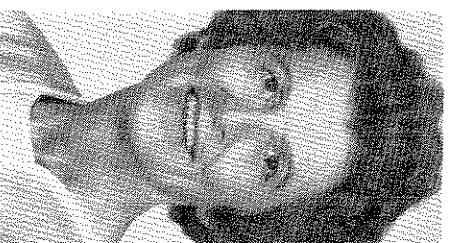
They used rock to build shelters for chickens, rabbits, goats and a pig; and for the first of a three-sectioned home for themselves. They added a craft section for looms and weaving; a breeze-way for pool and billiards. They planted, tilled, harvested and processed vegetables, and in a few years berries and fruit. They were 80% self-maintaining in food. They felled trees and cut wood for fireplaces and furnace. They built a swimming pool and tennis court, and installed a linotype in their basement—Borsodi had things to say about the modern crisis and what to do about it.

In 1928 Borsodi startled the world by publishing **This Ugly Civilization**, America's first documented critique of over-centralized industrialism, which was widely read during the ensuing Great Depression. Because of it Borsodi was invited to Dayton, Ohio, in 1932, to deal with their overwhelming unemployment. Borsodi saw this as a way to extend "homesteading" as a social movement, and a way to implement a trusteeship, rental-form of land-tenure.

He proposed that families should return to the land: "Ring Dayton with many small communities of from 30 to 50 families, each producing their food and shelter on 2 to 5 acre plots. Let a Homestead Association of families hold title to the land; let each family pay an annual rental fee to their association rather than pay an outright purchase price."

Persons involved agreed. Social agencies advanced money to buy 80 acres. Independence bonds were issued to provide loans to families for buildings and equipment. Families applied, plots were assigned, individuals instructed in gardening and building; construction was begun. Suddenly the funds were exhausted.

To obtain more financial support, the only alter-



**MILDRED LOOMIS,**  
in this study of the  
life of Ralph Borsodi,  
describes the problems  
of setting up rural  
communities with owner-  
ship of land vested in  
the group.

native seemed to be: "Borrow from the Federal Government." Borsodi advised against it. "Government money usually means government supervision and control. Government is to protect persons and property from harm—not to build homes. Keep Government out of business!" Borsodi concluded that if the homesteaders chose government aid, he would withdraw and return to his homestead.

The homesteaders chose government funds. Borsodi withdrew, saying: "If we in the U.S. are to get a proper balance between city and country, and learn the proper function of government, we will need a new education." Family and friends helped him plan and establish the School of Living in 1926, near Suffern, New York. On its four-acre homestead, the school was at the centre of 16 family homesteads, on a 40 acre plot called Bayard Lane Community. Here, too, Borsodi initiated the group-title to land, with member-families paying an annual rental rather than a fee for outright private ownership.

Affairs went well; sixteen lovely homesteads surrounding the School of Living, where gardening, home-production and workshops in adult education were continuous. Educators, authors, homesteaders, and social-changers attended, from 1936 to 1945. After college degrees and social work in Chicago's slums, I studied with, and assisted, the Borsodis for the year 1939-1940.

One Bayard Lane homesteader, H.M., had good results with his homestead flock of chickens. He envisioned a thriving business of 1,000 laying hens in a 3-storey chicken house. But his contract under group-title to land prevented this. He would **change** the land-tenure back to private ownership. He was determined and energetic. By a narrow margin of votes, these homesteaders rejected group-tenure and reverted to fee-simple.

Borsodi resorted to writing and travel. In 1939 he analyzed predatory economics in **Prosperity and Security**. He described and advocated modern home-

steading in *Agriculture in Modern Life*. Reluctantly he sold the School of Living building to a homesteader, and in 1945 moved its library and activities to the Loomis homestead in Ohio. He travelled to Mexico and India, studying and lecturing at a Gandhian University in Ambala. There he examined the village-title to land, wrote *A Decentralist Manifesto*, and began his *magnum opus*, a curriculum for adult education—the definition and analysis of **Seventeen Major Problems of Living**, along with alternative (including decentralist) solutions.

Returned to the United States, now past 80 years, Borsodi had a new opportunity to achieve his two most cherished ideas of land and money reform. A younger friend, Robert Swann, was in Georgia hoping to prevent the racial tension from erupting into violence. Swann was appalled by the poverty, the helplessness and the illiteracy of both blacks and whites. "What these people need is an economic base," he decided, and turned to Borsodi for guidance.

"What shall we do?" he asked.

"Get the families on the land!" Borsodi replied.

"But how?"

For weeks Borsodi and Swann worked on what in 1966 was registered in Luxembourg as The International Independence Institute (I.I.I.)—to teach and help establish the trusteeship of land. I.I.I. is a quasi-public cooperative corporation, in which individuals become members and in which they may invest funds. The I.I.I. secures land, by purchase or gift, and then declares the land in trust, never to be sold again. The I.I.I. is taking land, now, and making it available to users for an annual rental to the Trust. It does not wait until voters in a country, state or nation are persuaded to use the socially-created value of land for the community in lieu of taxes. It proceeds to secure land and turn it as a "gift to mankind" for users who contract to use it ecologically.

The history and goals of this effort are described in a book, *The Community Land Trust, A New Land Tenure for America*.<sup>1</sup> Some 100 community land trusts, with impartial, non-land-holding trustees from the communities in which they exist, are now operating. The first Community Land Trust, New Communities, Inc. (Atlanta, Ga.), took 5,000 acres out of the speculative market into a community trust.

In almost every region of the U.S.—in Maine, in the mid-Atlantic, in the Great Lakes Region, Oregon, California, and even in Washington, D.C.—urban trusts are assisting people to learn and practise the concept that land is the common heritage of all people, that freedom and security require that land be not a commodity for buying, selling and profit-making.

1. \$4 from The School of Living, Box 3233, York Pa. 17402.

# False Economics!

LOCAL government housing experts have now admitted that public sector involvement in the land market has had adverse effects for ratepayers and people wanting to use land.

The second report of the Development Management Working Group<sup>1</sup> contains the following admissions and admonitions:

◆ Authorities should bear in mind the effect of the scale and nature of their activities on the land market. "Perhaps in some areas if they held off some of the expensive purchases they might induce a bit more realism in those holding on to land in memory of high prices."

◆ Some authorities have paid large sums for land without knowing fully its condition or how they intended to use it.

◆ The cost of having excessively large land banks to meet every eventuality is considerable; these should be kept continuously under review.

"It does seem to us to be false economy for authorities to hold onto potential housing land for excessively long periods."

The authors of the report considered it necessary to offer elementary economic lessons to the councillors and town hall officials who annually spend hundreds of millions of pounds. Lessons such as: "Many problems have arisen from confusing the value of a piece of land, with the (historic or prospective) cost of acquiring it. *The two are in fact quite separate.*"

1. *Value for money in local authority housebuilding programmes*. DOE, 1978.

## 'NIL' LAND VALUES

THE LABOUR Party's NEC wants the government to change the method of valuing inner city derelict land. The executive wants more land brought into public ownership. One proposal is that the price to be paid should be determined by the income land has earned in recent years, rather than its notional value as industrial land. The party's chairman, Frank Allaun, MP, said: "... great expanses of former industrial land has been left lying derelict for up to 20 years in many towns. If this land was acquired cheaply it would do more than anything to solve the desperate housing problem. . . ." Labour's original intention, he said, was that land should be bought at "existing use value"—nil—or its agricultural value, rather than between £20,000 and £75,000 an acre. (*The Times*, 13.10.78)

PETER SHORE, Minister for the Environment, has announced a £15m. scheme to smarten 29 English inner cities. The money will be spent to improve the visual environment—clearing rubbish, planting trees, cleaning and painting street furniture and buildings, erecting fences, etc. He explained: "Anyone who knows the inner city areas will know that there are pockets of land that are shabby and abandoned, and that has effects not only on those who live and work there but also on those who might seek to invest." (*The Times*, 7.9.78)

**GENERAL Anastasio Somoza has been well exposed for his brutal suppression of the popular opposition to his dictatorship in the central American state of Nicaragua.**

Most of the country's 2.5 million citizens back the guerrillas who, in the past 12 months, have tried to dislodge the President from power.

But 53-year-old Somoza continues to rule, thanks to the National Guard which is responsible for the indiscriminate killings of the elderly, women and children in a strategy aimed at terrorising the population into quiescence.

What gives one man total power to terrorise a nation? Somoza has discredited the theory that he is a puppet of the US. For belatedly, Carter has withdrawn patronage from Somoza—yet he continues to rule and is determined to remain in office until 1981. What, then, is the source of his power?

**THE SOMOZA** family's wealth is conservatively put at \$500m. The President himself admits to a personal fortune of \$100m. The foundation of this vast wealth is ownership of land.

Somoza owns about 40% of Nicaragua's land, including 500,000 acres of rich farmland. In total, the area is about the size of Wales.

With this astonishing monopoly control over natural resources, Somoza's family has helped to keep the peasants in poverty over the past four decades. The peasants earn about £75 per annum, and suffer some of the worst conditions in the western hemisphere in terms of health, nutrition and literacy.

Somoza built a business empire on his landed wealth, including the national airline, a shipping line, TV station, bank, construction companies—literally scores of firms. He now employs more people than the state!

**THE SOMOZAS** have controlled Nicaragua ever since the President's father took control—with US support—in a coup in 1936. When Somoza Senior was assassinated in 1956, his eldest son took over until he died in 1967—whereupon brother

"Tacho" assumed power. He, in turn, now appears to be grooming his 28-year-old son, a major in the National Guard, to take over the political reins in the future.

Against such entrenched power there was never any chance of the exploited peasantry successfully launching a revolution. Somoza's big mistake, however, was to alienate the middle class businessmen after the 1972 earthquake which killed about 10,000 people and razed the capital, Managua, to the ground.

For the re-construction programme provided the prospects of huge profits, and President Somoza was determined to take a large share of the action.

As the owner of valuable sites in the suburbs of Managua—upon which the new capital has now been built—he was able to divert foreign aid into the family coffers.



An elderly man sits on a barricade in Estelí with his trusty old rifle and waits to do battle with the National Guard. **FRED HARRISON** analyses the roots of the corrupt power which has reduced Nicaragua to a state of chaos.

## The Roots of Corrupt Power

As the owner of the country's only cement-producing factory, he was able to charge monopoly prices.

As the political dictator, he could determine who received the building contracts. . . .

Because of Somoza's outrageous greed, he succeeded in upsetting the conservative businessmen who are—or ought to have been—his natural allies. Instead, they joined forces with the urban workers, students and peasants to present a united opposition to the President. Somoza himself was affronted.

Blandly, he claimed to have saved the people after the earthquake. "I would be eternally grateful to a man like me," he affirmed!

**THE PEOPLE**, however, were not grateful. Armed with primitive weapons they took part in a popular uprising last summer which ended in a bloodbath—theirs.

The National Guard took no prisoners: people were shot on the spot, some of them dragged from their beds to be executed in the streets outside their homes, in full



# Somoza: the Making Of a Blood Sucker

view of their relatives.

Carter, who had committed a blunder by sending Somoza a letter congratulating him for a minor concession on human rights, finally had to withdraw support in the face of international diplomatic pressure. Somoza no longer provided the political stability essential to US interests, but he stood firm and told Washington where to get off.

But how could he retain the loyalty of the 8,000-strong National Guard in the face of such widespread opposition among fellow countrymen?

One method, reports Frank Taylor, is "to cut them in on Government land deals." The technique for making money out of land was quite simple, as Christopher Roper reported of the post-earthquake period:

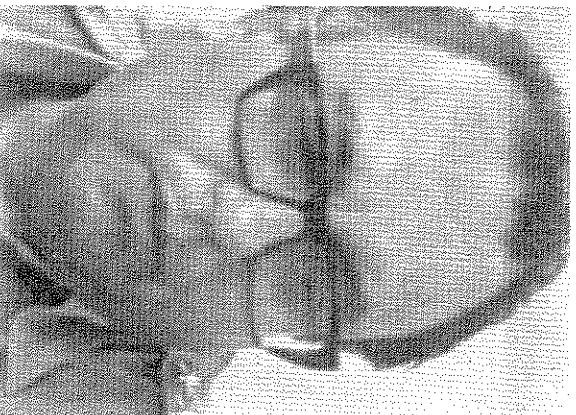
Another lucrative source of funds during this period of reconstruction has been to buy up property and then sell it to the Government. In several cases these land deals have involved millions of dollars.<sup>1</sup>

**IMPOVERISHMENT** of the people has been systematic.

Last year the country's bishops issued a pastoral letter in which they denounced the concentration of land and wealth in so few hands. They said that the tendency, far from being reversed in the name of a fairer society, was increasing.

The uprisings, the people's response to the maldistribution of land and job opportunities, has been seized as a chance to enlarge the holdings of corrupt officials. Peasants suspected of helping the Sandinista guerrillas have been shot and their holdings confiscated by local authorities... and the lion's share of this land appears to have gone to local judges.<sup>2</sup>

Yet the irony is that there is theoretically enough land in Nicaragua to provide everyone with a



✦ **Anastasio Somoza**

good living. A great deal of land stands vacant in a country which has a density of 37.3 people per square mile, the lowest in Central America.

"Nicaragua's unutilised tracts of land represent a great deal of potential wealth," according to a Government-sponsored advertisement in *The Financial Times* (2.5.74).

But because of the power derived from the monopoly control over natural resources and the grip which this provides over the capital necessary to develop virgin lands, the peasants are condemned to live in poverty.

Which is why so many of them turned to selling their blood, to supplement their meagre incomes.

Plasmaferesis, a blood-plasma manufacturing firm owned by the Somoza family, did a roaring trade in buying the blood of poor Nicaraguans for sale mainly to the US.<sup>3</sup>

This trade in blood was vigorously denounced by Pedro Chamorro, the editor of *La Prensa*.

Chamorro was murdered last January. Nicaraguans strongly

suspect that the orders came from their President. The murder was a catalyst: it signalled the start of a nation-wide general strike, the first of this year's attempts to force Somoza to quit.

**EVEN IF** Somoza did resign and was forced to leave the country, he would not be impoverished.

He owns, for example, a 16,000-hectare farm in Costa Rica on which he wants to build a \$42m. coastline complex of hotels and sports facilities.

As for the peasants of Nicaragua, the unseating of the dictator would not improve the economic prospects for many of them. For Washington is determined to make sure that Somoza's successor does not undertake fundamental reforms.

Nicaragua is strategically important for the US. It is the country which might conceivably have a transisthmus canal built to connect the oceans. And if Nicaragua goes the way of Cuba the neighbouring right-wing dictatorships (Honduras, El Salvador and Guatemala) would have difficulty in surviving.

So the search is on for a tame replacement for Somoza.

Which means that even in the post-Somoza era, the peasants will have to continue working for land reform, for it is unlikely that there will be any scheme to utilise the land according to criteria of both justice and economic efficiency.

A new man may lead the country, but the exploitative system will remain the same—operating to prevent the people from realising their full potential.

## REFERENCES

1. Nicholas Asheshev's report, *Daily Mail*, 22.9.78.
2. *Sunday Telegraph*, 27.8.78.
3. *The Guardian*, 14.4.77.
4. *Ibid.*
5. Richard Gott's report, *The Guardian*, 16.1.78.

### Your Grace,

When you became Archbishop of Canterbury, you invited people to send their opinions and their views on our way of living, the Church, our institutions, and so forth. I hope, therefore, that you do not mind my writing, at some length, to set out my views.

One hundred and twenty years ago slavery was legal and normal in the southern states of America. It was accepted as normal to own human beings, as we now accept the ownership of dogs, horses, or cats. The vast majority of human beings accept the world as they find it. They grow up becoming part of their environment, and their imaginations do not stretch to seeing the world differently. So it is that slavery, which today is thought of as immoral, unethical, degrading, was accepted as the natural way of life.

I believe that, today, we are living in a state of things as unnatural and immoral as was the state of slavery.

Before mankind came upon this earth, there were mountains, hills, plains. There were lakes, rivers, seas, oceans. There were birds in the air, animals upon land, fish in the waters. When man appeared, he kept himself alive, and improved his wellbeing, by applying his labour to the world as he found it, to hunt animals, catch fish, grow cereals, vegetables, etc. He was absolutely dependent upon land. Today, he is equally dependent upon land. The food we eat, the clothes we wear, the houses in which we live, all come from land. Consider how our standard of living depends upon land. If, for example, our climate became so dry that the land of Britain was as dry and arid as the Sahara, would not our lives be drastically altered? If the country were to be heaved up to become as mountainous as Norway, or if it were levelled to become as waterlogged as the Fens, we would be equally affected. Man is as much a creature of land as fishes are creatures of water.

Now, if it is immoral to own another human being, is it not equally immoral to own the land upon which he depends for his living?

I do not express myself as well as I could wish, so I quote from Herbert Spencer's **Social Statistics** (1850). In Chapter IX he writes on "The right to the use of the earth" as follows:

1. Given a race of beings having like claims to pursue the objects of their desires—given a world adapted to the gratification of those desires—a world into which such beings are similarly born, and it unavoidably follows that they have equal rights to the use of this world. For if each of them 'has freedom to do all that he wills, provided he infringes not the equal freedom of any other,' then each of them is free to use the earth for the satisfaction of his wants, provided he allows all others the same liberty. And conversely, it is manifest that no one, or part of them, may use the earth in such a way as to prevent the rest from similarly using it; seeing



## An Open letter to the Archbishop of Canterbury

**DR. DONALD COGGAN**

that to do this is to assume greater freedom than the rest, and consequently to break the law.

2. Equity, therefore, does not permit property in land. For if one portion of the earth's surface may justly become the possession of an individual, for his sole use and benefit, as a thing to which he has an exclusive right, then other portions of the earth's surface may be so held, and eventually the whole of the earth's surface may be so held, and our planet may thus lapse altogether into private hands. Observe now the dilemma to which this leads. If the entire habitable globe be so enclosed, if the landowners have a valid right to its surface, all who are not landowners have no right at all to its surface. Hence, such can exist on the earth by sufferance only. They are all trespassers. Save by the permission of the lords of the soil, they can have no room for the soles of their feet. Nay, should the others think fit to deny them a resting-place, these landless men might equitably be expelled from the earth altogether. If, then, the assumption that land can be held as property, involves that the whole globe may become the private domain of a part of its inhabitants, and if, by consequence, the rest of its inhabitants can then exercise their faculties—can then exist even—only by consent of the landowners; it is manifest that an infringing of the law of equal freedom, an infringement of the law of equal freedom. For, men who cannot 'live and move and have their being' without the leave of others, cannot be equally free with those others.

I should be most interested, and honoured, to know your opinion on this subject, if you can spare the time to give it some consideration.

I have the honour to remain, my Lord Archbishop, Your Grace's devoted and obedient servant,

C. W. F. Watkinson

LAND & LIBERTY

# Property And The Church

IT IS UNNECESSARY to wait for Herbert Spencer's theoretical proposition "that the whole of the earth's surface become private property" to occur. This is virtually the case in every highly populated country. It is a fact, now, that in Britain, the majority of the population is dependent upon the owners of land for permission to live.

This is what I mean when I say that we live in a state of things as unnatural and immoral as a state of slavery.

This is the main issue upon which I would ask your opinion, Your Grace, but I feel it would be helpful if I offered a practical suggestion as to the best method of remedying this state of affairs.

Such a method of doing this, smoothly and efficiently, was developed and expounded by Henry George, an American economist, in his work "**Progress and Poverty**" (1879). He points out that the essence of land ownership consists of receiving the benefits of that ownership, either in the occupation of land, or in the receipt of the value of the land paid to him by the tenant. If the value of land

were paid to the Government instead of to individuals, the practical effect would be that, for all intents and purposes, the Government, representing the people at large, would receive the benefits of the ownership of land. This could be achieved by putting a tax upon the value of land. The revenue derived from such a tax would make unnecessary most, if not all, of our present taxes upon incomes and goods.

As to the efficiency of land value taxation, it could not be more obvious. Land is there for all to see. It cannot be hidden. It can be easily and accurately assessed, as is done every time land is bought and sold. Land value maps can be produced so that everyone can see for himself that justice is done.

The effects of land value taxation would be a general lowering of land prices and rents. This would make it possible to carry out private and public schemes for the building of houses, hospitals, schools, etc., which at present are frustrated by the high cost of land. Speculation in land, which results in land being withheld from use, would be stopped. With vacant land coming on to the market, further opportunities for work would be provided, thus reducing unemployment.

However, my purpose in writing to you, Your Grace, was not to plead the merits of a reform of our fiscal system, but to explain my beliefs regarding the **moral** standards of our economic system. Summarised, these are:-

- (a) The private ownership of land is wrong.
- (b) Our taxation is wrong in that it takes from individuals the products of their work, such rewards being their rightful property.
- (c) Both these wrongs can be righted by one act, namely, the abolition of present taxes, and their replacement by a tax upon the value of land.

I am afraid that, just as it took a civil war to abolish slavery in America, so it may be that if we do not right these wrongs in our system, the tensions between communists on one side, and conservative-minded people on the other, may eventually produce disturbances, even a violent revolution in this country.

## THE CHURCH DENIES 'HIGH RENTS' CHARGE-

THE CHURCH in Britain has been a large landowner since before the Doomesday Book was compiled.

Recent criticisms that the Church Commissioners have been charging too-high rents for their London residential property are rejected in their 1978 annual report.

The Commissioners, who now control property valued at £453m., emphasise that rents are established by independent rent officers who "are required by law to disregard

scarcity and hence the rents they determine are below market rents."

Gross income from property for the last financial year was £24.9m. There was a 23.6% rise in the value of the commercial property, which reflected the general improvement in the property market.

Because of the legal problems associated with letting residential property, the Commissioners continued to shift their portfolio away from this form of investment (sales:

£4.97m.) and in favour of good quality agricultural land (1,152 acres bought for £1.1m.). The average gross rent per acre of farmland was £22,79p., revealing an increase of 23.7% over the previous year.

Total income from all sources rose by £3.7m. to £46m., of which 61% was spent on clergy pay, 18% on clergy and widows' pensions and 10% on clergy houses, a total of £41m or 89% of income.

# PIONEERS

IT IS OFTEN argued against the introduction of site value taxation that the first people to occupy land are entitled to whatever that land will yield them in rent. When the population was smaller relative to land, land could be occupied without depriving others: no aggression or dispossession of others was necessarily involved—land was free. Site values, in the sense of value in exchange, were zero.

It is claimed that when others arrive later they are the aggressors if they try to claim rights to that same land without paying the original occupier for that 'privilege'. The pioneer would prefer to stay on the land which he discovered and claimed first. Prior occupancy gives him a natural right to the fruits of that land. Others can claim these fruits only if they pay him the appropriate rent.

If our first settler received no rent for 'his' land he would rather keep other people out since he is obviously better off with it than without it. Suppose, however, that with the growth of population and industry competition for his land made it valuable. If the community then insisted that the first settler pay for 'his' land the same amount that others are willing to pay for it, and that this payment be placed in a community kitty to finance community needs, he may claim to resent the arrival of the new population and to prefer to be left in peace as he was when he first arrived.

"I didn't ask you to come," he may protest. "I got here first and settled this land. I don't want to give any of it up, which I may have to if I am obliged to pay the current price for it. For, though it may be too big for me to use by myself as fully as it could be used, nevertheless it all has some value to me and if others want to use it they should pay me for the privilege, for it is mine. If you don't like paying me, go and find some other land, just as I found this. You certainly have no right to demand that I pay you for the land I found."

HE CLAIMS to resent the arrival of a community that

makes such demands on him. But would he resent their arrival in truth, even with such conditions imposed? The answer must be no. Before the arrival of the new settlers he was isolated and forced to exert tremendous efforts to eke out a bare subsistence, no matter how great the extension of the territory he has staked out for himself. Either he has to make everything for himself, unable to take advantage of specialization and exchange, or he has to travel great distances at great inconvenience

---

## Roger Sandilands describes the weaknesses in the argument used to defend the 'rights' of first occupants.

---

and loss of valuable time to find others with whom to exchange his produce for other things that are to him more valuable.

With the arrival of neighbours he is immediately better off. And the more neighbours the better. For the same exertion of his own labour, the first settler can now obtain much more in exchange than ever before. He can now exchange his products more quickly and conveniently, thus enabling him to produce more in the same period of time and to be a more specialized, hence more efficient, producer.

Suppose that one of the things he was producing, or which simply grew on his land, was apples. Before the growth of a nearby populace he could eat only what he himself needed or desired, or transport this perishable commodity large distances at great trouble and expense to himself. Most of the

apples would be left to rot. Now, however, there is a nearby market to which he can take his apples (or invite people to his house and sell them there) in exchange for bread and meat, clothing and furniture, medical services and entertainment. All these things he has obtained for virtually no additional expenditure of his own effort than before. This bounty has been obtained not as wages for extra labour but as rent for the land he had the fortune to occupy first.

Now suppose the new settlers perceive an injustice in an arrangement whereby they expend great efforts to provide luxury to a man whom they see exerting only the same labour, or less, than they. Suppose that they demand that the rent from land be paid into the common kitty. Can the original settler justifiably object? He would be no worse off than he was before their arrival. Indeed, he would still be better off because his own labour is more effective than before, thanks to the benefits of specialization and exchange, and he would be entitled to his share of the community-created rent.

Let us try a test to see whether the original settler would really object to handing over rent to the community. Suppose the community were to say to him: "Very well, you need pay us nothing for the privilege of occupying 'your' land. However, we are going to have nothing further to do with you. We shall not buy any of your products, nor shall we sell you anything we make. You wish to be left alone. So be it."

How would our pioneer react? Effectively isolated once again, he may start to make his own clothes, grow all his own food, make all his own furnishings, provide all his own medical and spiritual requirements. Impoverished by the inefficiency of his own dispersed efforts he would soon plead with his neighbours to be allowed to

# —And The Rights Of Civil Society

trade and commune with them again. If he could receive just a fraction of the potential benefits of such trade and community he would know himself to be better off. If he were told he could enter fully into the community and receive all its benefits minus the amount his own land was worth, he would surely rejoice at the bargain? Would he not be thinking it his privilege to be able to pay to the community his land's value in exchange for the greater benefits the community can confer on him as a member of it? It is not the community that is privileged in gaining effective access to 'his' land, but he who is privileged to find that his land, and he with it, is now a part of a wider community.

**LET** US look at our pioneer's rights to rent from another perspective, introducing an analogy.

In 1928 Sir Alexander Fleming produced penicillin, the antibiotic drug. Suppose that, unlike most inventions, the secret of this drug's formula could not be discovered by anyone who studied the drug

with a view to producing it himself. In principle, it would then have been possible for Fleming to make a vast fortune in his own lifetime; and his heirs, if given exclusive access to the secret, could continue to amass similar or greater fortunes in the future.

Meanwhile, society would be producing other major innovations, just as in the past; but because these innovations are readily imitated, no monopoly rent is captured by the inventor, except temporarily. Instead, the price of such things as are produced by the new techniques will fall and society as a whole will benefit. Sir Alexander Fleming and his heirs also benefit in this way from all these other inventions. Why then, society will ask, should Fleming monopolize the benefits of his invention? He would be asked to reveal his secret, or the Monopolies Commission would recommend nationalization. If Fleming then refused to produce any more of his drug he would be universally despised. He would be ostracised and deprived of society's benefits. And mightily so.

Is our pioneer any different from

an inventor who owns a secret or a product that no one else can replicate? And does not the landowner, like the monopolist inventor, become wealthy because a society exists around him? The greater the population and the greater its productivity (borne of its accumulated stock of knowledge and capital), the greater the wealth that the landlord, like the monopoly inventor, can demand in exchange for what they possess.

Land, like a strict secret, is in strictly fixed supply. A responsible member of society who discovers new knowledge seeks to share that knowledge with his fellow men. While others may seek to hide knowledge from their fellows, it is fortunate that such concealment is usually short-lived. It is our great misfortune that we do not treat land in the same way as we treat knowledge and demand that it be common property. There is a fixed amount of knowledge at any point in time but we strive to make that knowledge as freely available as possible to all men. Why not treat land in the same way?

## RENT CONTROLS: THE OBVIOUS 'PROOF'

**PROVING** the obvious with statistics is one of the growth industries of the social sciences. Gathering statistics, in fact, has become a substitute for advancing knowledge.

The latest example is based on research into the attitudes of private landlords and tenants.\*

Sponsored by the Department of the Environment, Bobbit Paley sought the opinions of 1,000 tenants and their landlords. He found some remarkable facts which are truly designed to make us raise our eyebrows in astonishment.

◆ **LANDLORDS** were more likely to be satisfied with the rents they received where these were privately

agreed with tenants, rather than fixed by rent officers.

◆ **LANDLORDS** expected that nearly 40% of lettings which fell vacant would not be relet.

◆ **FORTY** five per cent of the tenants said they would prefer to be buying rather than renting their homes.

This information, billed as affording "an insight into some of the factors affecting the privately rented housing market," must come as a bombshell to anyone who has given the British housing market just a cursory glance!

Interference with the provision and administration of housing aris-

ing from bureaucratic attempts to solve shortages needlessly aggravates problems. For example, the enormous loss in rentable homes because of the dissatisfaction caused among people who have capital tied up in buildings could be minimised for a small price; of those landlords who felt that the rent they were receiving was inadequate, 43% would have been satisfied with an increase of £3 or less. Will the politicians take note of that vital piece of hard-won statistical evidence? Very unlikely.....

\* 'Attitudes to Letting', HMSO: £4.75



# Liberals and LVT

**P. E. POOLE'S** article on the Liberal Party, "Ideology and the Liberals" in your September/October issue was more critical of the Party than it need have been.

However that is not altogether his fault. Over the past few years the Liberal Party has been preparing proposals for a major overhaul of the tax system and those proposals were debated and approved by the Party at its Assembly this year at Southport, presumably after Mr. Poole's article had been written. The result is that the Liberal position is now much closer to Mr. Poole's than he might imagine, although he would no doubt feel that we could go further.

Our policy may be summarized as follows:

1. reducing the basic rate of income tax to 20 pence and the top rate to 50 pence.
2. substantial rises in the threshold at which people first pay income tax and at which they first pay the standard rate of income tax;
3. deducting annual net savings from taxable income;
4. raising additional revenue by making V.A.T., where payable, at a single rate;
5. introducing a regionally varied payroll tax in place of the employer's national insurance contribution;
6. the introduction of taxation on the unimproved value of all land (except for agricultural land) to its optimum permitted use, phased over a period of not more than five years, to the point where the community collects at least 75% of the annual value of each parcel of land;
7. the abolition of the present rating system (and the dependence of local authorities on central government handouts) and its replacement with a local income tax collected by the Inland Revenue regionally in accordance with the Liberal Party's proposals for devolution of powers to the regions of England, Wales and Scotland.

---

**BERNARD GREAVES**, the Liberals' Director of Policy Promotion, replies to P. E. Poole's assessment of the party's ideology.

---

From this it can be seen that the Liberal Party has now completely abandoned site value rating in favour of land value taxation on a substantial scale. We are proposing a major shift of taxation away from that on income to that on land, wealth and spending. We face the difficulty that we do not know how much our prospects for land value taxation will raise in revenue. My own assessment is that our proposals as a whole will raise too much and that V.A.T. could be eliminated entirely so that national government would be financed mainly out of land value taxation and local, and ultimately regional, government out of Income Tax.

As to the question of emphasis the Liberal Party will be fighting the General Election on four major themes. These are (1) Reform of Government; (2) Reform of Industry; (3) Reform of Taxation; and (4) the Environment and Ecology. Taxation of land values is a central part of our taxation proposals and

is certain to receive some prominence. Nevertheless I think there are few people in the Party who regard it still as a potent vote-winner, unlike our proposals to reduce income tax and abolish rates which undoubtedly are. So it may not receive the emphasis it merits. As to Mr. Poole's criticisms over our over-centralized and interventionist approach to inflation he may genuinely have misunderstood our proposals. Our position is this:-

The long-term solution to inflation rests with the introduction of a comprehensive system of industrial democracy and profit sharing leading to an end of the polarization of industry into two sides and of national wage bargaining as we currently understand it. Our policy here is perhaps more radical than Mr. Poole has realized and is likely (until the benefits become evident) to result in determined opposition from both the CBI and the TUC.

In the short-term we recognize the need to introduce a prices and incomes policy which is effective in preventing inflation, but permits flexibility in individual earnings. Far from being bureaucratic and centralized our proposals are as

[Cont. on page 95]

## NAV and all that

**IN A RECENT High Court action** the plaintiff,\* a mortgagee, sought to recover the mortgaged property which comprised a house with 12 acres of land with a total net annual value (NAV) in the valuation list of £742, and 218 acres of agricultural land not assessed because it was exempt.

The defendant argued that only a County Court had jurisdiction in the case because the NAV did not exceed £1000. This argument failed because, as the judge pointed out somewhat blandly, "it is not strictly accurate to say that land which is not liable to be rated has a 'rateable value of nil', or to put it another way, there is a difference between a property not being liable to be rated at all and having a nil NAV for rating."

You could put it yet another way: "The plot of 218 acres in question is not liable to be rated at all be-

cause it has no NAV because it is not in the valuation list because it is exempt from a valuation which would include it in the list because it had a NAV based upon what it might be expected to secure in rent with the tenant paying all outgoings including rates which would have been based on the NAV included in the valuation list for the purpose of assessing the said rates payable by the tenant. . . ." and so on, if you follow.

There are thousands of acres of land vacant in towns and cities, as well as agricultural land, which have no NAV for rating purposes simply **BECAUSE** they are vacant, but to imagine for a moment that this land has no actual rental value is about as absurd as the system which suggests it.

\*P. B. Frost Ltd. v Green (1976) RA 73.

UNEMPLOYMENT has plagued societies from early days to the present. A new book\* attempts to put it all together and the author believes his is the first that covers unemployment in history.

John Garraty is a Professor of History at Columbia University. He tackles his job as a study of "how the condition of being without work has been perceived and dealt with" throughout history. It is evident that it has been a pervasive condition that has troubled all societies, ancient and modern.

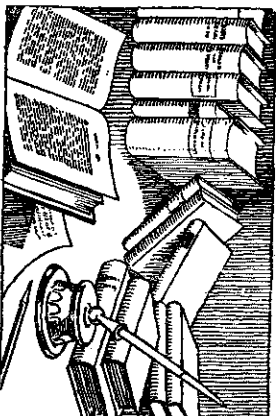
The pyramid building in Egypt and the bread and circuses of Rome indicate a large-scale unemployment problem. In feudal days people were more or less fixed in place but as towns grew, so did unemployment. In the 16th century in England and Europe, vagrants, beggars, loafers and thieves swarmed city and country. Thomas More had an inkling that this was caused by the enclosure of the common lands, but nobody was paying much attention. The main thing that was noticed was that this was a great nuisance. Not just stealing, but begging too was counted a crime punishable by flogging and even by death.

In the grey dawn of political economy in the 17th century, some thinkers finally concluded that a great potential for production was being wasted and that those without work ought to be put to work—but nobody seemed to have a clear idea as to how to do it.

Some public works programs were instituted and then the work-houses were started, no better than leathome prisons. These programs always cost more than they yielded—yet they were kept up. For the idea persisted through the 19th century that the poor were inferior beings, responsible for their own poverty, and that they were not working because they were lazy. Thus it became more important to put them to work to teach them a lesson than to be productive—and ironically, they were to be kept poor lest they become strong and insolent and indulge in riotous living (that was only for the lords). One wonders why the poor and unemployed tolerated for so long being treated with such inhuman contempt.

## BOB CLANCY

# Pyramids, public works and the causes of mass unemployment



Garraty provides us with a fair summary of Henry George's answer to poverty and unemployment and makes it sound plausible, then simply concludes (historically):

**"But, despite his argument that his reform would injure no class and cause no social disruption, no government dared to enact the single tax."**

In the 20th century, unemployment received increasing attention. It became virtually the world's number one problem with the Great Depression of the 1930's, and Keynes advanced his theories of deficit financing in his *General Theory*, which soon became popular. Applying Keynesian economics, one only had to watch the balance between unemployment and inflation. Economists became Keynesians and it was thought that the problem was at last solved.

But then came the 1970's. Inflation and unemployment increased together, baffling economists and statesmen and undermining Keynes. We are now said to be in the "post-Keynes era," and economic theory is currently in disarray.

Finally, in the 19th century, some thinkers looked for general causes of poverty and unemployment. There was Malthus who found the cause in the tendency of population to increase beyond the means of substance, and the remedy was to let the surplus die off. However, even the very poor were unwilling to "die philanthro-

pically for the greater glory of the principles of Malthus," as one critic put it; indeed they became restless and troublesome.

Other theories were advanced. Some saw the evil in the mechanization of the Industrial Revolution which put men out of work; others saw the remedy in cooperative communities in which work and wealth would be shared; and of course there was Karl Marx, who saw the evil in the entire capitalist system.

Garraty has made a significant contribution by undertaking this survey. It is hard to understand why it hasn't been done before.

The theories about unemployment and the remedies for it range through punishment for idleness, uncontrollable natural forces, public charity and state control. The only one who seems to have had the idea of abolishing involuntary unemployment by opening up natural opportunities was Henry George. Maybe we had better go back to him and start daring to apply his ideas.

*\*Unemployment in History: Economic Thought and Public Policy, John A. Garraty. Harper & Row, New York, 1978. \$15.*

## LIBERALS

◆Cont. from p. 94

decentralized as possible and create the maximum degree of incentive in each enterprise. Wage increases would be determined by collective bargaining albeit to maintaining the ratio of labour costs to added value in each enterprise; enforcement would be by taxing any increase above this ratio.

I hope your readers will now have a fuller and more accurate picture of our policy and recognize that they fall within the broad tradition of Liberal economics.

## GUEST COLUMNIST

# Hillside squatters and the price of their 'freedom'

**Fred Harrison  
writes from  
HONG KONG**

**HONG KONG** is a teeming ant-hill of 4.6m. people, all of them hustling to make a living.

Because the British colony relies on exports for prosperity, the Hong Kong economy is a barometer for what is happening in the rest of the world.

But some of its troubles are home-grown. The 1974 slump, for example, was preceded by a frenzied property boom which created problems for many firms and led directly to the depression.

Now there are signs that the upswing in business, which started in 1975, is being hindered again by a fresh round of property developments and rental levels which cannot be fully justified by the rate of growth of the economy.

Kwok Yee-hing, chairman of the council of the Hong Kong Chinese Importers and Exporters Association, has drawn the connection be-

tween property development and bottlenecks in industry and commerce.<sup>1</sup>

At the association's annual meeting, he noted that a building site on Queensway was sold at HK\$13,643 per sq ft at an auction on August 4. And he claimed that rising property values were pushing up prices generally, thereby affecting the whole economy.

As an indication of the problems facing businesses, one major cotton spinning mill has decided to quit the island. Reason: it is no longer economically viable to continue production here. So the firm has disposed of its valuable site and is seeking permission to move to mainland communist China!<sup>2</sup>

Labour costs cannot be blamed, for the influx of workers from China ensures that wages are restrained . . . although currently

## . . . where they 'make' land!

**HONG KONG** is one of the few places in the world which can honestly claim to contradict the general rule that land is in fixed supply.

For the colony is constantly extending its physical boundaries into the Pacific. For example, the government intends to reclaim two hectares of foreshore at Tamar east basin in Wanchai to provide land for an army unit. This is part of a project to release land in two army camps for housing and other developments.

But the fact that Hong Kong "creates" land does not mean that the pressure on land values is relieved. For the demand, from a vigorous economy and the housing

needs of Chinese refugees, far outpaces the new supply.

Covenants on land acquired at auctions prevent speculators from sitting on vacant sites: they are forced to develop within a reasonable period of time. But that does not then stop them from charging speculative rents once the developments are completed. And landlords find their victims are trapped and ready to be exploited: refugees can neither return to China nor escape across the ocean. . . .

Which is why not all of the squatters have shaken off the problem of rent. For about 15% of them still have to pay rent for their squalid premises to "squatter landlords."

firms are claiming that there is a labour shortage in manufacturing because the building boom has attracted away so many workers into construction.

The speculation in property development is also serious because it generates imports but not—initially—exports, according to the colony's Financial Secretary, Mr. Philip Haddon-Cave.<sup>3</sup> Thus, the trade gap opens up, which is critical for an economy almost totally dependent upon foreign trade.

But the most damning condemnation of soaring rents is to be found in the hillsides, where the squatters live in make-shift wood and tin huts. Most of them have TV sets and refrigerators, which suggests prosperity. This paradox is explained by a survey of 3,000 squatter families. Most of them came from the private tenement sector, and were squatting in primitive conditions because they could not afford the rents or were evicted and could not find alternative homes.<sup>4</sup>

If any industrial economy deserves to prosper, it is Hong Kong's where the entrepreneurial acumen and will-to-work is second to none. But so long as land tenure permits exploitation of the wealth creators (which happens even though all land in Hong Kong is held on lease from the Crown), the economy will continue to be racked by pressures which no amount of insurability will be able to avoid.

1. *Ta Kung Pao Weekly Supplement*, 7.9.78.
2. *South China Morning Post*, 9.9.78.
3. *Hong Kong Standard*, 9.9.78.
4. *Ibid.*