

LAND and LIBERTY

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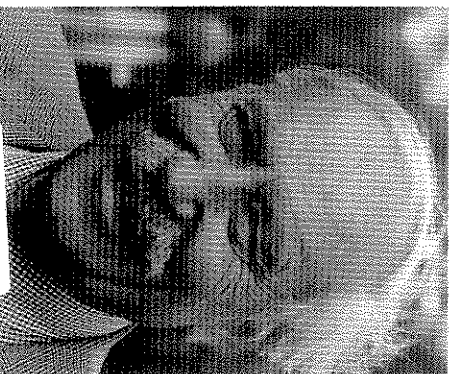
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MASS TRANSIT
How to finance systems: P110



● President Reagan's accolade to a 'Very Important Irishman', Prime Minister Garrett Fitzgerald

THE DEEP SEA beds are our last frontiers. Professor Donald Denman identifies them as peculiarly suitable for the application of land value taxation. But will the U.N. botch its chance of fairly sharing out the value of global resources among all the nations of the world?



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IRELAND:
a government
takes on the
landowners
— at last!

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LAND and LIBERTY

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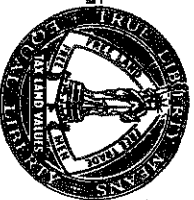
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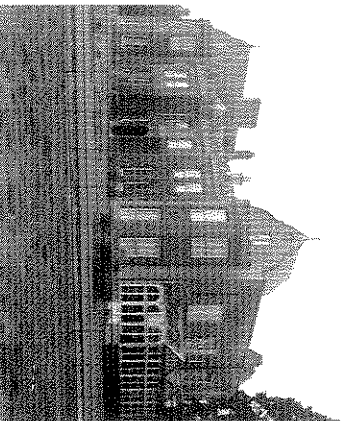
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● Ecton Hall: pictures by Tony Moore
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Towards Prosperity

LAND REFORM with a socialist bias is doomed to failure, as the peasants of Egypt have now discovered.

Thirty years ago, President Nasser responded to poverty and a fast population growth rate by splitting up big estates and helping peasants to own their land.

And he said at the time:

"Instead of concentrating on birth control, we would do better to concentrate on how to make use of our resources. We live in and make use of only 4% of the area of our country... If we direct our efforts to expanding the area in which we live instead of concentrating on how to reduce the population, we will soon find the solution."

But dependence upon large landowners was replaced by government intervention through pricing and planting policies.

And those who failed to obtain land did not even benefit indirectly, through a tax-led redistribution of the rental value of natural resources.

Now, almost half of Egypt's 3m peasant families are landless and struggling.

The oil-price boom of the 1970s saved many of those who could migrate to neighbouring countries to obtain high-wage jobs on construction sites.

But the money they are sending back to Egypt is intensifying the problem: for peasants are now driving up land prices in their hungry search for land of their own.

Private property and the profit motive, on the other hand, are not sufficient for salvation, either.

This is shown in the case of Brazil, whose government is currently boasting about "the biggest land reform programme in the world".

According to official estimates, 7m acres have been confiscated for land reform, and 730,000 land titles have been distributed since 1979. Yet:

● An estimated 10m rural families do not own their land, or have been driven off it in recent years.

● Brazil has more unused

arable land than any other country, yet the rural poor continue to be expropriated by government agencies and land speculators.

● In the past few months, dozens of peasants have died in gun battles with landowners in the fight for an existence on the social and economic periphery, the margins to which migrants have been driven by the land tenure system.

REFORMERS have yet to develop a formula which meets the needs of both economic efficiency (which is emphasised by capitalism) and social justice (which is emphasised by socialism).

The ideal arrangement could exist, but the pre-condition is a high tax on the annual rental value of land.

Individuals would continue to possess and use land while everyone — including those without land — would share in the rental income through public sector spending on socially necessary projects.

Land value taxation enables people to maximise output based on the investment of their effort, capital and entrepreneurial talent, which are penalised under present fiscal arrangements.

But at the same time, the value that is generated by the collective presence and efforts of the community — the rental income that is capitalised into the selling price of land — would be shared by all.

There is one further important — political — benefit. The moral status of revenue derived from a community's natural resources would alter the public's perception of the role of the State.

Every State needs to spend money. Today, the revenue — because it is a direct impost on the individual's efforts — is paid grudgingly. There is little ethical basis to a tax on what a man earns.

But a tax on land values would be seen as a fair one by all (except the handful of losers), and this would contribute towards the revitalisation of democratic processes.

Land Value Taxation in Deep Water

HENRY GEORGE (1839-1897) would have found more attentive ears if he had not been up against vested interests in developed land, the rigidity of the just perpetuum of inherited property. Imagine him in an aboriginal world trying to persuade the denizens that what was looked upon by everybody as *res nullius* (nobody's things), should be regarded as *res communis* and taxed accordingly. His chances of success would have been far greater. Now it so happens that in this year of Orwellian Grace, 1984, a not dissimilar discourse is agitating the nations. Proposals are being made to switch *res nullius* to *res communis*. Progress is slow and may well be halted because the propounders of change are making the one mistake Henry George was wise enough never to make – of failing to recognise the right to improvements in resources as property vested in those who make them. Here, then, is a rare opportunity for the land value taxers to start again at the beginning.

By Donald Denman

In the late 1960s and early 1970s the developing nations found a vocal group to represent them in the chambers of the UN, a group which the delegates have nick-named the Group of 77. The Group of 77 wanted to change the economic relationships between the nations of the world.

Hitherto, the industrialised side of the world, the so-called Western nations, had in various ways and at differing levels been helping and aiding the developing nations. The Haves had been giving to the Have Nots. But all was of grace and charity.

For the Group of 77 this was not good enough. The world should be seen as a whole, with each nation dependent upon the others. Scientific discoveries made by one country should be, as of right, made available to or be accessible by all. Capital invested in one nation by another should, as of right, at the instance of the other, be transferable to the other. Primary commodities should not be at the mercy of free international markets but be controlled, as to output and price, by the body of the primary producers of the world.

These sentiments and others of like vein commended themselves to the UN and a Working Group set up to draft a world charter of rules, regulations and principles to be embodied in international conventions. The upshot was the Charter of Economic Rights and Duties of States adopted by the General Assembly of the UN on 12 December 1974 and which, along with other declarations, has furnished the title deeds to what is known as the New International Economic Order (NIEO).

● New maritime sovereignties

In 1945, President Truman declared that the continental shelf adjacent to the shores of the US was from that time forth to appertain to the US. Other nations followed suit quickly and, in some cases, with greater audacity.

Chaos threatened. The UN called its members together to debate and to do something about agreeing upon a maritime cosmos. By 1958 three important international



● DECEMBER 9 is the deadline for governments to sign the controversial 1982 Law of the Sea Convention. In this assessment, Donald Denman proposes eleventh hour changes to the way in which the natural resources of the seabed should be administered for the benefit of mankind.

● DR. DENMAN is Professor Emeritus of Land Economy at Cambridge University. He has acted as consultant to U.N. agencies, and is the author of many books on property rights, including the recent *Markets under the Sea?* (London: IEA).

Conventions, including the Continental Shelf Convention¹ and the Territorial Sea Convention² were signed and in many cases duly ratified.³ The pith of what was achieved was the international recognition of the right of maritime nations to appropriate the seabed in zones around their coasts. The limits of the zones were left more or less flexible.

As the nations laid claim to their respective new maritime sovereignties, the ancient freedom of the seas was challenged. The great trading nations and others expressed alarm. So once again, the countries of the world were called to put their heads together to find, if possible, a new range of principles to embody in international law as a new maritime regime.

Among the UN delegates vitally concerned with what was going on, was Ambassador Arvid Pardo of Malta. It was his voice which sounded a new note. What, he asked, should be done about the resources of those vast areas of seabed which lie beyond the new national jurisdictions?

He answered his own question by launching into the debate of the nations the notion of a 'common heritage of mankind'. The Group of 77 and others responded vigorously to the cue.

By 1970 the UN had solemnly declared the seabed and ocean floor, and its subsoil, beyond the limits of national jurisdiction to be the common heritage of mankind.

It was at this time that the Third World was pressing for a charter prescribing obligations within a New International Economic Order. Thinking came together. When therefore, in December 1974, the Charter of Economic Rights and Duties of States⁴ was adopted, Article 29 declared 'the seabed and ocean floor and the subsoil thereof, beyond the limits of national jurisdiction, as well as the resources of the area, are the common heritage of mankind'.

It went on to demand that 'an international regime applying to the area and its resources and including appropriate international machinery to give effect to its provisions shall be established by an international treaty of a universal character, generally agreed upon'.

So, the Third Law of the Sea Conference was called into being. It was dually briefed, to address itself to the formation of a new regime for the seas and to heed, in its proposals for the resources of the deep seabed and its exploitation, the principles, obligations and duties now embodied in the NIEO.

● The parallel system

The concept of a common heritage of mankind is woolly. It lends itself to all manner of interpretations. A substantial proportion of mankind, the well-endowed, well-equipped and ablest members, were not happy with this gift on a plate.

To them, the old order of things was acceptable and potentially workable. The resources of the deep ocean, as with those of other unappropriated areas of the globe, were for them, what the lawyers had long called *res nullius* – nobody's things. This new idea was to make them everybody's things – *res communis*.

Victory for either side of the battle of ideas and words which followed looked a forlorn hope when Henry Kissinger came up with a proposal. His solution was a one-for-you-one-for-me affair. Those who had the ability, will and skill to go mining in the deep should only be allowed to do so if whatever they discovered and exploited was cut in half, so to speak, and one half made available to those nations who had the will but not the skill to take their share.

There was piety in the Kissinger idea, pleasing and plausible, but what of the practicality? The Law of the Sea Conference, eagerly pushed forward by the hands-up posture of the Group of 77, out-Kissingered Kissinger. Here was a way forward, wholly in accord with the common heritage of mankind ideal. So there was devised what became known and for many referred to lovingly as the 'parallel system'.

● Leviathan of the deep

The end result seen today, is far removed from what Arvid Pardo had in mind, and, doubtless even further from the intentions of Kissinger. The Group of 77, empty-handed but vocal, were not prepared to leave the one-for-one share-out to the doers, the risk-takers. After all, was not the seabed of the deeps the common heritage, the property of all mankind?

To all mankind therefore it should belong absolutely; the fact that mankind has no unity of voice to express itself and the certain clearly identifiable sections of it were clearly opposed to the idea never seems to have crossed the minds of the collectivist idealists. The sad logic of this thinking moved relentlessly forward to culminate in the setting up of an all-world authority with absolute powers of disposition over the resources of the deep oceans. This Leviathan is to be called the International Seabed Authority (ISA).

The purpose and power of the International Seabed Authority are defined with unmitigated candour in Article 137 of the LOS Convention.⁵

1. No State shall claim or exercise sovereignty or sovereign rights over any part of the area of its resources, nor shall any State or natural or juridical person appropriate any part thereof. No such claim or exercise of sovereignty or sovereign rights, nor such appropriation shall be recognised.
2. All rights in the resources of the area are vested in mankind as a whole, on whose behalf the Authority shall act. These resources are not subject to alienation. The minerals recovered from the area, however, may only be alienated in accordance with the part and the rules, regulations and procedures of the Authority.
3. No State or natural person or juridical person shall claim, acquire or exercise rights with respect to the minerals recovered from the area except in accordance with this part, aim. Otherwise, no such claim, acquisition or exercise or such rights shall be recognised.

A major recipient of the 'one-for-you' contributions made by pioneer operators will be a special operator known as 'The Enterprise' and set up under the powers of the ISA. It is very important to bear the Enterprise in mind, as we go further to see how the terms of the Convention require the Authority to operate. At the present time, a Preparatory Commission is working in Jamaica to draw up a rule book for the global management of the seabed through the ISA. The Preparatory Commission, however, can only fashion its rules within the framework of constraints and requirements prescribed by the relevant Articles of the LOS Convention.

That framework will require, *inter alia*, States and companies permitted by the ISA to operate on the seabed to:

- become qualified by agreeing in advance to accept the surveillance of the ISA and its conditions for operation;⁶
- be subjected constantly to a production control limit imposed by the ISA so as to keep the output from ocean mining in a non-competitive position, as to prices and volume, with the output from land-based mines;⁷
- find for every mine site discovered and explored at the company's expense another to be handed *gratis* to the Enterprise or to a developing country;⁸
- contribute vast sums by way of levies, fees and taxes to finance the ISA and capitalise and maintain the Enterprise;⁹
- compete against the operations of the Enterprise which itself will be privileged and not have to meet the levies and taxes imposed on the State and company operators;
- provide interest-free loans to the Enterprise;¹⁰
- hand over technology and operational knowledge and training facilities to the Enterprise on terms to be determined by arbitrators in the event of disagreement;¹¹
- submit to plans of work to be agreed with the ISA;¹²
- keep off 'reserved areas' of the seabed set aside for the Enterprise and the Third World countries equipped at the expense of the Western nations.¹³

Virtually, the LOS Convention has vested absolute sovereignty and dominium over the seabed resources of the deep oceans in the ISA. There could be some sense in doing this, if the prime and only purpose was to provide a means whereby the distribution of those resources among nations and peoples could be conducted in an orderly and just fashion according to virtues of natural justice; or, to put it another way, if I dare, according to the lights of Henry George!

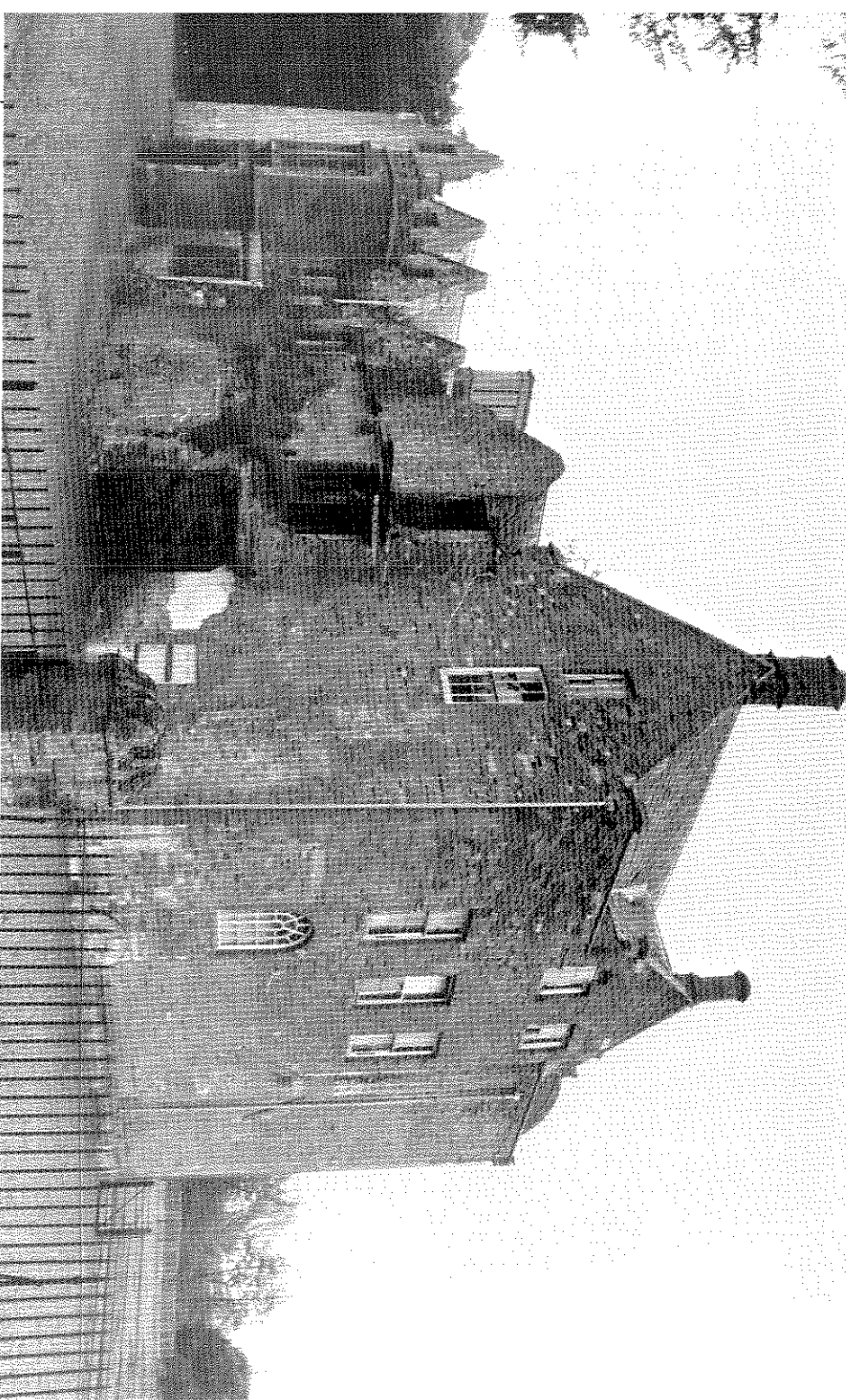
I say this because we have in the deep oceans, as indeed in the new maritime provinces of the individual nations, the position and conditions of a new land frontier. The oceans and their resources and the wastes of Antarctica and the Arctic are the last frontiers left on earth for the pioneers to cross.

Pioneers over a frontier risk their lives, means and energies to win from the virgin, unclaimed soil new wealth. When won, they look to their nationals to extend through sovereignty the recognition of dominium property and ownership, in the wealth so won. National sovereignty is necessary to grant individual dominium and ownership. Where this is denied, the pioneers lose their just deserts and what is sown returns to the wilderness.

If we are to accept in the deep ocean bed a common heritage of mankind (and I want to acknowledge the fact that this is not universally accepted) then, logically, an authority, a sovereignty is required to encourage and safeguard the pioneers who go over the frontiers to exploit and lay claim to those resources with which, in the terms of the old philosophers, 'they mix their labours'.

● Absolute monopoly

Regrettably, the ISA is to be endowed with the powers of an absolute monopoly over the virgin seabed resources and will be under a mandate to use those powers in such a way as to deter, not encourage, access to



The Property Tax: One

A TAX on the annual rental value of land would lead to the destruction of historic buildings, according to some critics of land value taxation.

The evidence does not support such opposition to fiscal reform, writes Ian Barron.

It is true that tax exemptions have helped to restore fine buildings, such as occurred in Pennsylvania Ave., Washington, D.C., where property owners can claim a 25% tax credit.

The value of the credit is estimated at \$10m for the Willard Hotel alone.

But advocates of lower property tax rates concede that rehabilitation of historic buildings would have occurred, anyway.

Yet fine buildings, part of a nation's heritage, can be lost even if there is no property tax burden. Take the case of Ecton Hall, in Northamptonshire,

England (pictured above).

It was built in 1755 around an Elizabethan core, and is a grade II listed building. It was built by the poet Ambrose, and occupied by his descendants until 100 years ago, when it passed into the hands of the related Sothby family. It is now owned by the family trust.

For the last 32 years it has been unoccupied and allowed to decay at the mercy of the elements: and the owners have escaped the property

tax, which is not levied because the building is empty.

If the owners had been obliged to pay the property tax on the rental income that could have been realised from the land, Ecton Hall would not now be a monument to fiscal folly.

Such a tax would fail on realisable value. So legal restrictions on an historic building's use would limit the market value of the land, a fact which would be reflected in the tax assessment.

Thus, the owners of historic buildings would not be pushed into abandoning or destroying historic properties.

Whereas, under the present property tax in Britain, fine buildings can be allowed to fall into dereliction because of the absence of a sensible property tax.

the seabed by those very entrepreneurs and States that can best exploit the resources for the benefit of all.

A company who wants a licence to survey, discover and exploit the seabed resources from the ISA, would have to be prepared to surrender its inventions and technology, its training facilities and operations to the Enterprise under the ISA on terms which, in the last analysis would be beyond its control.

And it would be subject to imposts, levies and charges of an arbitrary nature and from which the main competitor, the Enterprise, largely equipped and staffed at the expense of the company, would be free. To submit, also, to trading and production controls imposed by the ISA in the interests of a world commodity production and pricing scheme.

● An urgent challenge

Furthermore, having expended its resources on finding a mine site to hand over to the Enterprise, the company would be excluded from operating in areas which the ISA had reserved, as potentially profitable places for the exclusive operations of the Enterprise, when the licensed operators, by their own endeavours, had equipped the Enterprise with plant and staff.

And all the while, the granting of licences and the imposition of their terms would be under the ultimate sanction of the Council of the ISA whose constitution and membership would be biased strongly in favour of the less-endowed nations who have the least to offer.

In short, there is nothing in the purpose and intended operations of the ISA to guarantee a right of property and secure title in the investments and works which the pioneers will have to make, at a cost of billions of pounds.

How very far is this outlook, inspired by the principles of the NIEO, from the outlook of the man who wrote:

*'As a man belongs to himself, so his labour when put in a concrete form belongs to him. And for this reason, that which a man makes or produces is his own, as against all the world. No one else can rightfully claim it, and his exclusive right to it involves no wrong to any one else. Thus there is to everything produced by human exertion a clear and indisputable title to exclusive possession and enjoyment, which is perfectly consistent with justice, as it descends from the original producer, in which it vested by natural law.'*¹⁴

The man who drew the distinction between wealth, as a factor of man's wellbeing created by man's own endeavours, and land, as a given resource, whose value is no more than the measurement of its scarcity on the market, would surely have interpreted the meaning of a common heritage of mankind in the deep seabed in a way which could have made far better sense to the modern business world and the popular, innate sense of fair dealing and natural justice.

To those who stand in the shoes of this worthy prophet (using that word in its spiritual sense) the seabed comes as an urgent challenge. The Preparatory Commission has been struggling for over a year in

Jamaica, trying to find a common mind, even among those who have signed the Convention, to guide them in the framing of rules to govern the administration of the responsibilities of the ISA.

The Convention is not universally accepted, signed or ratified. It is to date non-est. It could founder altogether.

In talking to the devotees of the common heritage of mankind objective, point out that you advocate the common title to land and other natural resources; and that a natural, physical resource is one thing, the labour expended upon it to create true wealth is another. Without that distinction, States through land nationalisation and international seabed authorities through the internationalisation of resources could be guilty of expropriating the owners of property in improvements and capital equipment which is justly their own.

Ship in, at this juncture, the classical observation:¹⁵ it will be obvious to whoever will look around him that what is required for the improvement of land is not absolute ownership of the land, but security for the improvements.

And then go on to paraphrase: it is not necessary to say to a company "this seabed resource is yours" in order to induce the company to mine and exploit it. It is only necessary to say to the company "whatever your labour or capital produces on this seabed shall be yours!"¹⁶ And to add with emphasis that likewise the capital and labour so used in this process of production should not be confiscated or in part taken from the owners of it.

Having got that far, go on to the fascinating fact of the new scarcity in the seabed resource and its production of rent. Because operators on the seabed need security of title to safeguard the employment of capital and labour, they need also the exclusiveness within a ring-fence which establishes private property and the phenomenon of rent.

Where land has been developed, especially over generations of time, it is very often most difficult to distinguish, in practical valuations, the value of the capitalisation of true rent from the capitalisation of gross profit generated from the improvements made to the land and from the fixed equipment used to exploit it.

With a virgin resource like the seabed, these practical difficulties do not exist. There are other problems, but not these. Hence the real opportunity to pursue a 100% rent tax policy without upsetting entrenched interests.

● A living demonstration

The present proposals for a common heritage of the resources of the seabed purport to make a common heritage of the assets and facilities of the individual states and private operators who, by whatever means, might be permitted to work the resources.

Because, as we shall see, the very injustice and impracticability surrounding these intentions are likely to be their eventual undoing, nobody, in the end, is going to benefit.

If the common heritage ideal were interpreted to pertain to the rental element generated in the resource, it would be to the best advantage of those with least to give, and, hence, with most to receive by way of net gain (i.e. the Third World), to do their utmost to see that the western nations and their nationals are encouraged to operate and compete for the deep seabed, thereby generating maximum rent.

The only way of determining the rent to be appropriated by the common heritage, would be to encourage the highest competitive demand for interests – secure interests – in the seabed. Providing the operating companies are allowed to generate and keep the full rewards for supplying their capital, expertise and staff, they should then be made to bid in competition with each other for proprietary interests in the seabed.

The interests could be granted by the ISA, as supreme allocating agency, and the titles to the seabed duly registered by the ISA in an international resource register. All this service and security would be granted in exchange for a rent-charge, commensurate with the consideration offered by the highest bidder in the free market. The rent-charges could be made adjustable to the changing economy of the seabed regime.

Proceeds from the rent-charges, in the aggregate, could be put to financing, equipping and staffing an international operator, if that were desired. It would, to my mind, however, make far better sense if the proceeds were available for distribution to those Third World countries who were wanting to compete in the exploitation of the common heritage.

Under some such regime, the ISA could be an effectual agent in helping to arrange and finance joint ventures between developed countries and under-developed ones. *And, above all, the world would have a living practical demonstration of how taxation of land values really works.*

● Is it too late?

We come now to ask whether or not it is too late to influence, along the suggested lines or in any other way, the terms of a Convention which it has taken ten years of international conference to draw up.

There are a number of reasons why, in my opinion, we should take hope that the hour has not passed when effectual voices could make

telling changes, not necessarily in the provisions of the Treaty itself, but in organised international arrangements for the administration and allocation of the resources of the deep ocean beds.

Grandfather rights. This rider is important, because among the reasons for hope was a move made at the Conference and at the instigation of the Group of 77 that the basic principles of justice which we have been concerned with were not altogether alien to the minds of those who helped to push the slant of the Convention in a different direction.

I am referring to what have become known as the 'grandfather rights' accepted into the provisions of the Convention at a very late stage and largely to try and alter the minds of the USA and other Western nations towards the Treaty. Over the past ten years, while the LOS Conference was sitting, certain countries of the industrial West, notably USA, W. Germany, France, Japan and USSR, had set about exploring the resources of the deep oceans and had, in a few cases, invested substantial sums in surveying and identifying mining sites. Of even greater significance, they spent millions on technological research and invention.

Because of the very principles of natural justice which we have pointed to, to make our case and which underlie the foundations of the thinking of Henry George – namely, that the products of a man's work or that of a company should be secured as his or its own – the LOS Convention¹⁷ has offered to guarantee first options on sites, for those pioneer companies and consortia, the grandfathers, who have already committed resources so lawfully.

In doing so, they have accepted the very principles on which Henry George's idealism rests and, from the abandonment of which, the Convention has run into difficulty.

A weakened monopoly. When the nations rallied, at the call of the UN in 1973, to set up the Third Conference, all expectations and interests were directed to the passage of ships and use of the high seas for navigation, military purposes and trade and with the demarkation of national zones and control of pollution. No one took very serious note of the future exploitation of the deep seabed.

This was why, in the beginning, the USA went along happily enough with the work of the Conference and under Kissinger made such questionable proposals for the seabed resources. It was thought at the time that the only mineral resources commercially harvestable were polymetallic nodules. Because of this mono-supply, the Third World had its dream of creating a commanding world monopoly in an institution like the ISA.

Today the picture is richer and more variegated. The deep seabeds are giving evidence that the wealth lying in them is made up of polymetallic sulphides, cobalt crusts and, in all probability, mineral-rich muds. Mineral wealth in these forms is also found, and is often more accessible, within the new exclusive economic zones under the national jurisdictions of the coastal nations. So the picture alters and the absolute monopoly of the ISA over the mineral wealth of the deep ocean beds weakens.

If, in the future, the ISA and Enterprise are to operate, they will do so in competition with operators mining the seabeds of the exclusive economic zones. It will be no good for the ISA to demand transfers of technology, levies and other unacceptable terms. *The Authority will have to seek more balanced and reasonable interpretations of its obligations for administering the common heritage of mankind.*

Commercial reassessment. The other change is a revision of the assessments of the commercial prospects of deep seabed mining, especially of polymetallic nodules. The world supply of minerals and hence world prices gives little hope, in the foreseeable future, that the provision of the capital input necessary for the deep seabed operations will ever, within the period, be commercially sound.

If on top of this, the ISA is going to demand – as it must under the Treaty – very heavy charges, levies and the like, no independent consortium or company would look at the venture without substantial subsidy and direct support from the national governments concerned. Demand will be politically coloured and will not have the commercial thrust which the first thinkers of the LOS provisions had imagined. The bargaining power of the ISA will on this account be weakened also.

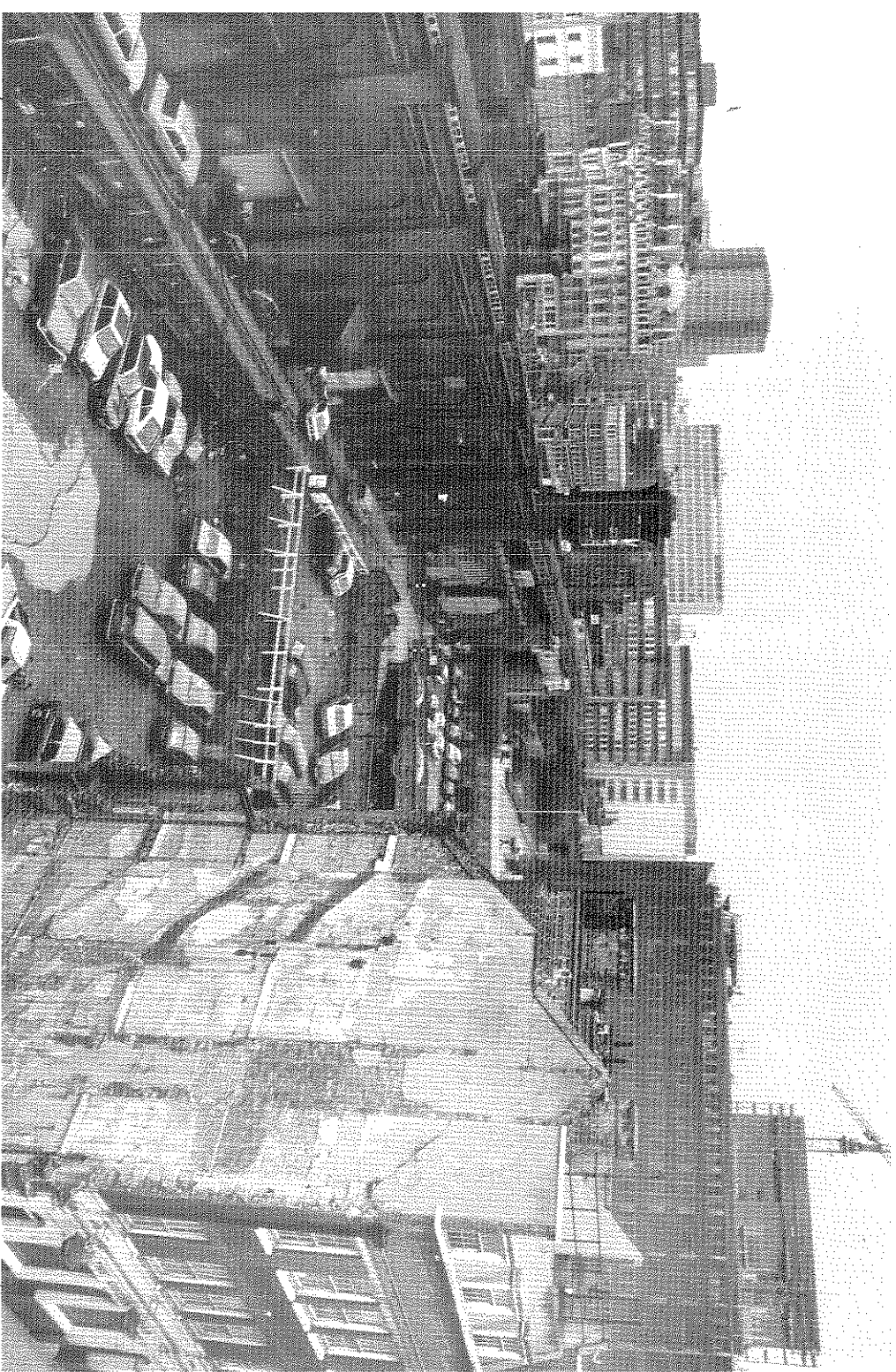
● A patron changes his mind

A change of an entirely different order and one more personal and poignant has been the loss of support which the Group of 77 and those who framed the deep sea mining provisions of the LOS have suffered by the straight-flying criticisms of their Patron, Ambassador Arvid Pardo.

He has publicly stated that he considers the Law of the Sea Convention to be flawed.¹⁸ It is likely, he recently wrote, that the common heritage system as implemented in the Convention will prove to be an enduring economic burden on the international community.

Indeed, there could be a danger that the future Authority's inability to administer seabed mineral resources effectively and efficiently might bring the principle of common heritage itself into disrepute and thus prejudice the future of equitable and cooperative development of resources in other areas beyond national jurisdiction, such as the moon and perhaps Antarctica.

Mankind, he goes on, has lost a truly historic opportunity to mould the legal framework governing activities in the marine environment in a



WHY reform the property tax in favour of a system that shifted the burden on to site values alone?

According to the Layfield Commission, which investigated the topic for the British Government in 1976, site value taxation would not enhance democratic accountability.*

That's one vacuous argument which is still used by the opponents of land value taxation, writes Paul Knight.

Critics conveniently ignore the fact that the present property tax – with its heavy exemption clauses (and in Britain a vacant site is subject to no tax at all) – encourages owners to keep sites unemployed.

Even public sector owners are not required to declare – as a book-keeping exercise, for the benefit of the electorate to whom they are supposed to be accountable – the income that they lose by holding sites

The Property Tax: Two

vacant for many years.

Take the historic site at the east end of Fleet Street, near to St. Paul's Cathedral, in London.

Fourty-four years ago, Hitler's bombers demolished some historic buildings there. Under the wartime Purchase Notices Procedure, the Corporation of London acquired the land and paid off the owners of the valuable site adjoining Ludgate Circus (pictured above).

Today, the site is worth at least £20m., and proposals for an office block reveal that the site would

command a rent of up to £20 a square foot.

Millions have been lost to public coffers because the owners have not had to account to the community for their asset through the tax system.

The planners have vacillated with a number of schemes. Meanwhile, the tax burden on the people living and working in the City of London has been greater than would otherwise have been the case.

The only efficient way to encourage owners to use their land properly is to require them to pay its rental value into the community chest.

Then, they could develop the site free of further charges. There is no better way of increasing employment and income, and generating the renewal of the urban environment.

*Local Government Finance, Cmnd. 6453, London: HMSO.

way that contributes effectively to a just and equitable international order in the seas, responsive to the vital need for harmonisation of marine uses and management of marine resources for the benefit of all.

He laments that, in his opinion, the LOS lost its way and deviated from the original idea of a common heritage. In the original concept, the common heritage of mankind was not owned by mankind (or by the international community, however defined) but was held in trust for mankind. Mankind through the international community had the *jus utendi* but not the *jus abutendi* or right of disposal.

Arvis Pardo had not lost his vision nor his original passion. He deplores the misunderstanding of it. He is looking for allies. Discourages could lead to the most promising venture for the future of the seabed of the deep oceans and, who knows, for mankind.

Finally, in contending that it is not too late for Henry George's ideas to be brought to bear on the thinking of nations in respect of the future administration of the deep seabed as the common heritage of mankind, I would remind you that the LOS Convention is no more than an expression of opinions until it comes into force.

This cannot be until it is signed and ratified by at least 60 nations in the first place. Nations of stature, notably the USA, have refused to sign and have voted against the Treaty. Britain has declined to sign along with West Germany and others. Mankind is not unanimously behind the Convention.

There is, however, every sign that a consensus of international and world opinion does support the idea of the need to harmonise the law of the sea; an aspiration which, sooner or later, must turn attention to what shall happen to the riches on the deep seabed beyond national jurisdictions.

Some cynics contend that ultimately, if the present trend continues and expands, there will be no unallotted, unclaimed deep ocean and High Seas as we have hitherto known them. All ocean space will have been carved up by the expansion of coastal zones pertaining to the coastal nations.

Personally, in my view, there is too much good intent behind what has been accomplished, for the generalities of the pattern of national jurisdictions and the area between them to be abandoned altogether. The Treaty would have been signed satisfactorily and probably ratified by now but for the sad attempts in Part XI to set up a monster to dominate absolutely over the deep seabed.

The present Convention is likely to fall apart, if Part XI is not modified by finding a more just formula for administering the seabed resources of the deep oceans.

Princely advice from builders

THE DUKE of Edinburgh is following in the footsteps of the Prince of Wales. No, not those of his son, Prince Charles, but of an earlier holder of the title, Queen Victoria's eldest son, Prince Albert Edward, who later became Edward VII.

Just a hundred years ago, the then Prince of Wales was a prominent member of a Royal Commission that studied the problem of "The Housing of the Working Classes", an enquiry that led to Acts of Parliament in 1885 and 1890.

To-day, Prince Philip is heading an enquiry into "British Housing: Problems and Solutions", a project sponsored by the National Federation of Housing Associations of which he is Patron.

The new "Inquiry Team", which includes such personages as the Chairman of Midland Bank, the Bishop of Southwark, Frances Cairncross of the *Economist*, Viscount Tonyandry (ex-Speaker of the House of Commons) and sundry other prominent citizens, will look into "current problems facing Britain's housing, with particular emphasis on the problems facing those with low or limited incomes."

The indications are that the enquiry will be no superficial or cosmetic affair. Launched in April this year, it will go on until at least April 1985. Over 100 organisations concerned with housing have been invited to submit comments and suggestions.

One organisation that has already submitted its views to the Inquiry Team is the House-Builders Federation, whose advice will presumably command close attention. The Federation has told Prince Philip that home ownership could be opened-up to many more people if the cost of house building could be reduced. And in house-building costs, they say, there are two elements that are often "most unjustifiably high".

One is the high cost of land. In many areas this accounts for 40% of the price of a new house and is tending to rise.

The other is local authorities' planning policies which frequently create shortages of land and push up land prices even further. (The Federation point out that the private hoarding of land, the owners hoping for the market to rise, has the same effect.)

We must hope that the Duke's enquiry will face up squarely to the



● Prince Philip

problem of land and recognise its critical importance in the question of whether people of ordinary means can afford to buy their own homes.

In so doing, Prince Philip would do well to refer to the conclusions of the 1885 Royal Commission to which his wife's great grandfather made his

contribution. That Commission (with three dissentients out of seventeen) decided that a major impediment to the acquisition of land for housing was the rates, the British property tax. "At present," they reported, "land available for building in the neighbourhood of our populous centres, though its capital value is very great, is probably producing a small yearly return until it is let for building."

They went on:

"The owners of this land are rated not in relation to the real value but to the actual annual income. They can thus afford to keep their land out of the market, and to part with only small quantities, so as to raise the price beyond the natural monopoly price which the land would command by its advantages of position. Meantime, the general expenditure of the town on improvements is increasing the value of their property. If this land were rated at, say, 4% of its selling value, the owners would have a more direct incentive to part with it to those who are desirous of building, and a two-fold advantage would result to the community. First, all the valuable property would contribute to the rates, and thus the burden on the occupiers would be diminished by the increase in the rateable property. Secondly, the owners of the building land would be forced to offer their land for sale, and thus their competition with one another would bring down the price of building land, and so diminish the tax in the shape of ground rent, or price paid for the land which is now levied on urban enterprise by the adjacent land-owners, a tax be it remembered which is no recompense for any industry or expenditure on their part, but is the natural result of the industry and activity of the townspeople themselves. Your Majesty's Commissioners would recommend that these matters should be included in legislation when the law of rating comes to be dealt with by Parliament."

Developments in local government taxation overseas in the hundred years since that Royal Commission clearly vindicate the stand taken by the Prince of Wales and his colleagues. Experience in Australia, for example, shows that a levy on land values, in making it expensive to hold land idle, reduces the price of land and brings home-ownership within the grasp of a far bigger slice of the population.

Whether, in Britain, such a levy should be applied by reforming the rating system or by applying a new national tax is largely immaterial. The important point for Prince Philip's Inquiry Team is that, to bring home-ownership within the reach of a larger number of ordinary people, land values should be taxed – and soon.

HOUSING IN BRITAIN

Gambling on the desert

NOW that the high-rollers are heading for Atlantic City, the Las Vegas casinos are trying to pull in the low-budget bargain seekers.

After years of growth in the 15% to 18% range, last year the gambling business slumped to a 4% annual growth rate.

And the talk of legalised gaming in Florida is giving casino bosses a bad dose of the jitters.

Circus Circus is leading the change, by switching its attractions to families seeking thrills on the cheap – and picking up a profit of \$74m last year.

But the odds are starting to move away from the syndicates that own the neon-spangled fun palaces, and no-where is this better reflected than in the real estate market.

With gambling legalised in Nevada, the one game that was NO gamble was speculation in tracts of desert around the water-hole that was Las Vegas.

CROUPIERS

THE RENTABLE value of the desert rested on the monopoly created by legislation. Open up new venues, however, and the desert values will disappear like a handful of sand in a storm.

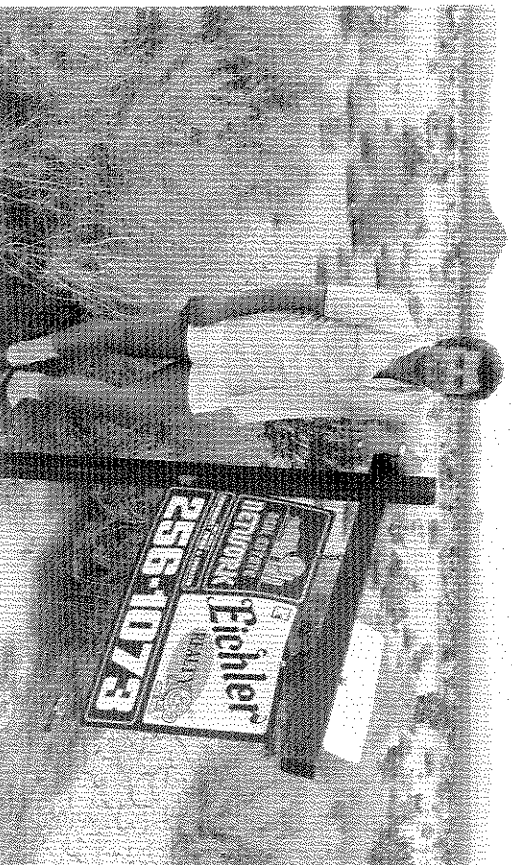
The land market is already weakening. Croupiers who have their sensitive card-shuffling fingers on the green baize of the business have begun to take defensive action.

They are selling their homes, and renting apartments instead.

As one lady told me as she turned the roulette wheel in Caesars Palace:

"If we don't sell now, we could be left with a pile of worthless bricks in the middle of a desert ghost town."

It would be hard to find a better object lesson in the nature of rent: the community creates, and the community can take away.



Fred Harrison, in the Nevada desert, seeks the shifting land values.

DALLAS star Larry Hagman bought his Malibu beach house 18 years ago for \$115,000. Today, the site alone is worth \$2m.

★ ★ ★ ★

HOUSING SLUMP— NOW A RECESSION

ONCE AGAIN, the slump in the housing market is signalling an end to the fast growth of the economy.

August saw the second consecutive month of falling housing starts, with construction of new homes skidding 12.8% to an annual rate of 1.5m units – the lowest since December 1982.

But William Ellingsworth, senior vice president of the National Association of Home Builders, claims: "It is not the beginning of a housing recession".

We shall see.

★ ★ ★ ★

INTERNATIONAL Income Property invests exclusively in prime regional shopping centres in the US, which are "a licence to steal", according to IIP's chairman, Gerard Dusseldorp.

PROPERTY out-performed inflation by more than four times in 1983, says the National Council of Real Estates Fiduciaries in its latest figures. Investment by pension funds showed an average return of 13.3% compared to an annual inflation rate of 3.8%. Surprise, Surprise!

Tax breaks bid up prices of real estate

AMERICAN institutions have found it hard to compete with foreign investors who have been attracted by the tax benefits of US real estate.

Syndicators have been the favourite investment vehicles through which individuals or groups participate. Sales to them are expected to be nearly \$6bn (£4.6bn) in 1984.

UK pension funds and insurance companies alone have a £1bn stake in US property.

Syndicators, because of their tax advantages, have been able to out-bid traditional investors. But now the Tax Reform Act 1984 may change the structure of speculation, because it could knock 10% off the value of US properties held by foreigners.

A British investor who sells a US property will have 10% of the sale price withheld unless the transfer is exempt. A vendor will be exempt from the tax if his maximum liability is less than 10%.

The new law will undoubtedly hit the tax shelter deals, and make it easier for US citizens to obtain real estate for beneficial use rather than speculative gain.

Mass transit systems: how to pay for them

ONE OF the most challenging tasks facing the builders of urban transit systems is how to finance them. And one of the most time-consuming of research jobs is to find reliable evidence for the finance methods proposed. The financing package for Vancouver's ALRT (Advanced Light Rapid Transit) system is fairly typical – and not to be recommended!

The finished price of the ALRT line in 1986 is expected to be \$700m.

"It will be paid for by the sale of bonds, that is, future taxpayers will pay for it," said Jack Davis, chairman of the committee charged with overseeing ALRT construction.

He says that capital and operating costs would be paid for as follows: one-third from the farebox; of the remaining costs, two-thirds would be paid by the Province through the sales tax, the income tax, etc. and one-third would be picked up by the local municipality by surcharges on gasoline and on hydro bills.

In the latter connection Mr. Davis mentioned that land values might also be subject to tax. "The public believes that land values arise around stations ... There is a levy somewhat like it, I believe, in Chicago. We're groping along here."

Mr. Davis' remarks were made to a meeting of the Building Owners and Managers Association in January 1982. This was during a brief period of time in British Columbia while William VanderZalm was Minister of Municipal Affairs. The Municipal Act was being opened up to allow governments to designate "Transit Facility Benefit Areas".

This exciting possibility led me to search the reference literature for help, not only on the theoretical side but in aid of the practical need to draw boundaries, to establish measurements of benefit, and so on. I didn't find much.

Mr. VanderZalm had his own experts at work on a "value-capture" study. They apparently didn't do as well because they reported in the negative. It was soon announced that the relevant section of the Act would be dropped. We were, as they say, 'back at square one'.

**By Mary Rawson
in Vancouver**

A MORE intense scouring of rapid transit and/or benefit literature cried out to be done, and the preparation of an annotated bibliography suggested itself as one fruitful outcome. The City of Vancouver could not be persuaded to undertake either.

Eventually, with the grace and assistance of the Centre for Transportation Studies at the University of British Columbia, and the Canadian Research Committee on Taxation in Montreal, these things did get done.* As a result of that work it is now clear to me that a reliable, up-to-date evaluation and review of rapid transit financing methods does not exist.

On the one hand, we are referred to studies carried out in New York in 1922 by G.B.L. Arner, or in 1930 by Spengler. This seems like mining ancient history since there are so many instances of rapid transit lines built more recently in Toronto, Montreal, San Francisco and other North American cities.

TWENTY-ONE-year renewable ground leases were typical in New York in the 19th century. The first lots near Broadway and Fifth Avenue were leased out in 1827. Rents were around \$90 a year, jumping to \$350 at the first renewal. Just over 50 years later the ground rents were averaging \$4,000 to \$5,000 a lot.

The Arner and Spengler studies are indeed excellent: students should use them if they are lucky enough to find them in the local library fifty or sixty years after publication.

Unfortunately, if we cannot study the originals – and here we come to "the other hand" – we rely on what can only be called "interpretations" by modern compilers.

It is incredible how misleading these sometimes are. Take the report written by Robert L. Knight and Lisa

L. Trygg for the U.S. Department of Transportation, *Land Use Impacts of Rapid Transit: Implications of Recent Experience*, published in 1977.

After describing the early subway experiences of New York, and after giving Arner as the source of the information that land values had "stagnated" at a certain period, these authors assert that the City's use of special assessments had resulted in "stagnation". Discussion in the "Executive Summary" of Knight and Trygg translates that to "stagnation of development".

New York's 1908 attempt to tax away speculative profits on land along subway routes resulting in a stagnation of development, is a dramatic example of such a policy. (p.12)

The average person seeking guidance through the reference literature would go first to the "summary" volume in any report series. After reading Knight and Trygg's Summary one comes away thinking special assessments are *bad* for development.

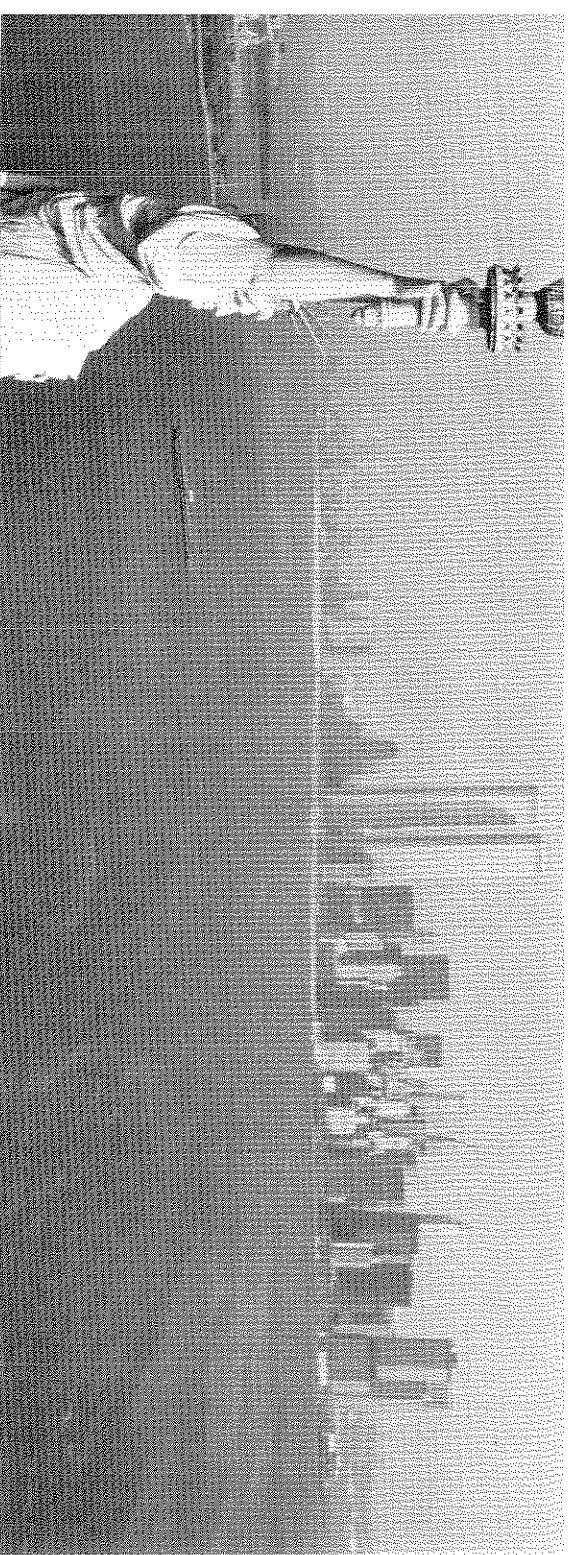
It is easy to understand how a belief such as that gains currency. Very few people would take the trouble to read the more extensive discussion in Knight and Trygg's Final Report where it is possible to discern that what is meant is stagnation of land values. And even fewer would see the difference!

A reading of the original paper by Arner is even more disturbing. While in Arner had become grey in Knight and Trygg's Final Report, and downright black in their Executive Summary.

ARNER'S is an important piece of work, and it is important that we understand for ourselves what he did say.

Originally delivered in 1922 as a set of lectures about land values in New York City, they were published in mimeographed form with Rostovtzeff *et al* in *Urban Land Economics*.

Lecture one is a general survey of the changes in urban life, and especially the reflections in land value, that were characteristic of the break with pre-industrial society. Arner



Index of land values Borough of Manhattan		
Year		Index price
1904		103
1905		108
1906		105
1907		109
1908		104
1909		104
1910		110
1911		103
1912		101
1913		100
1914		97
1915		98
1916		96
1917		89
1918		88
1919		95
1920		111
1921		112

Booms and slumps in New York

- there was a land boom in the 1830s, a panic in 1837, and then depression
- there was a land boom after the Civil War, a panic in 1873 which cut speculative land values in half
- the 1905 value increase followed the opening of the original subway
- a market panic of 1907 caused the drop in values of 1908; with renewed prosperity values again rose
- 1911 real estate was assessed, and therefore taxed, at practically full value. Land values fell
- during the war, new building practically stopped; labour and materials were scarce
- immigration to N.Y. practically ceased; between 1910 and 1920 it was only half that of previous decades
- by 1920 it was again profitable to build
- in 1921, the land values were checked but there was no fall

notes, in passing, that the location of railways and transit lines affect profoundly the development of land values.

The second lecture takes up the costs of land ownership from the individual owner's point of view, relying almost entirely on New York sources. This lecture includes a detailed history covering the years 1880-1921 of 9 vacant parcels in Manhattan. Arner's message is: had the owners put their money into bonds – and not bought lots and left them vacant – they would have made a better return on their money.

Lecture three repeats this lesson, and provides additional cases from outlying boroughs. Once again, the conclusion is that those who put money into buying land would have done better to invest in bonds. He adds:

Aside from the loss to the purchasers resulting from the premature subdivision of land there is also frequently a social loss through the opening and paving of streets, the building of sewers and the extension of water mains far in advance of legitimate need. These improvements are expensive and the interest item on the original cost is material. Then the sidewalks and pavements deteriorate through neglect and when years later

they are actually needed the work must be done all over again, this time at the expense of the city, in Morris Park there is even an extension of a street car line which still remains unused.

In lecture four Arner sets out to correct the impression that in outlying areas land values were not increasing. That was not so.

Manhattan land values had remained practically stationary. But in the Bronx and all other boroughs they had increased substantially. Queens was a case in point. This did not mean that vacant land owners had a good return, if they considered the returns on an alternative investment *and* the taxes paid.

Before the Civil War the actual tax rate on land in New York was about $\frac{1}{4}\%$ ("when J.J. Astor was buying land in advance of the growth of the city") whereas by 1906 it was 1.12% and by 1921 it was about 2.8%. Given the fact of taxes, and special assessments, and interest that bank savings would have yielded, it could be demonstrated that in New York "vacant land does not have real investment value".

In lecture five Arner calculates that the untaxed value of land in Manhattan in 1906 was

\$4,170,000,000 and in 1921 it was £5,300,000,000, an increase of 27% in 16 years. He calculates further that the value (as taxed) increased less than 2%.

In other words, the taxes on land value in that period of 16 years, including special assessments for various purposes, had been so high as "to absorb practically the whole net increment in value."

If no taxes at all had been imposed, and all other factors had remained the same, land values would have increased 27% instead of 2%. Arner advises land owners against counting on land value increases to cover building depreciation, an unwise practice that was apparently common.

Apart from Arner's unequivocal assertion that transit lines profoundly affect the value of land, and in addition to the painstaking analysis by which he estimates what portion of land rent had been taken by land taxes and therefore had not been capitalized into New York City's land prices, Arner provides a commentary on changing land values in Manhattan (inset).

Turn to P.112

Mass Transit

Cont. from previous page

Arner reported on his findings in a more polished article which appeared in the *Quarterly Journal of Economics* (August 1922). A co-worker, Helena Dickinson, supplied further value data in a 1929 publication (Thos. Adams, NY Regional Plan).

CONTRARY to the assertion of Knight and Trygg, in *none* of these lectures or articles is it said or implied that the tax on land in New York or the special assessments on land in New York had resulted in a stagnation of development.

The facts in these presentations, as well as the entire logic of the case, lead to a directly contrary conclusion.

New York's land would have cost *more* in the absence of a special assessment; Arner tells us how much more.

Secondly, where there is more tax revenue from land in the City (including millions of dollars from owners of vacant land cited by Arner), less must be raised from construction. The outcome of special assessments on land value must be *lower land prices*

to the would-be developer as well as *lower carrying costs on actual construction*. Neither outcome could contribute to a "stagnation of development".

It is damaging to the public welfare to allow their naive and artful conclusion to go unchallenged; the sad fact is, however, that Knight and Trygg is one of the better, more recent, and comprehensive U.S. references on the land use impacts of rapid transit. It will continue to be relied on by politicians and their advisors.

The same is true of other compilers. On the matter of special rapid transit levies to capture land value, they are all skittish.

The San Francisco Bay Area Rapid Transit (BART) reports in particular must be read with a great deal of caution. A report summarizing the economic and financial impact of BART expresses "doubts" about a value capture policy (DOT P 30,80,04). A further report (DOT P 30,80,08) repeats these "doubts". Presumably these summaries are based on the Final Report (DOT-BIP-FR-14-5-78), in which Blayney and Dornbusch state that studies provide empirical evidence that gains attributable to BART are small and

consequently would not make a major contribution toward meeting capital costs.

They then add a caveat.

A caveat is in order. Neither the Land Use Project nor the BART Impact Program set out to conduct a cost-benefit analysis, and these market impact studies should not be viewed with that objective in mind. (p.84)

Gladstone too is disappointing on this score. He refers to a study by Solomon which suggests that New York special assessments "may even have inhibited development". (That has a familiar ring!)

Gladstone then says the existing property tax "is already an effective way to capture value". He himself has become sceptical of the idea and says that the Urban Mass Transit Agency is moving to a posture of "apparent indifference on the matter". Having been badly advised, it is little wonder.

If my transit bibliography leads these same advisors to look a little deeper, to search more widely than is commonly done, I will feel the effort was worthwhile.

*Mary Rawson, *Transit: The Nature and Role of Localized Benefits. A Selected Annotated Bibliography*. Centre for Transportation Bibliography, University of British Columbia. Vancouver, Canada V6T 1W5, 1983.

Labour campaign for land tax

THE ROWNTREE Trust has granted money to a group of socialists who are campaigning for tax reform.

The new group, known as Labour Land Campaign, was formed at a meeting in the House of Commons in February.

The initiative was taken by Mr. David Wetzel, the chairman of the GLC's transport committee, and Mrs. Kay Knight.

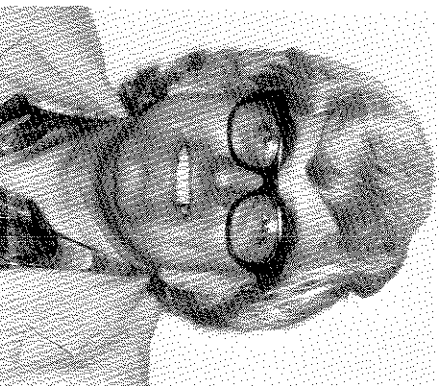
Says Mrs. Knight, who is the Campaign's secretary: "The call for land nationalisation would not be realistic in the present climate, even if it was a good policy.

"But the Labour Movement cannot continue to ignore such a basic economic and social influence as the system of land use."

The Campaign wants to focus its attention on land values.

"The value attached to land is a vast fund of private unearned income which socialists should be concerned to socialise simply because it is created by the growth of activities of society," explains Mrs. Knight.

"Government could recover this fund by collecting the annual



● David Wetzel

rental value of land, commonly called ground rent."

The last time Labour made a serious bid to introduce land taxation was in 1931, when the socialist Chancellor of the Exchequer made provision for collecting 8% of annual rental values. Conservative opposition proved strong enough to undermine the policy before it could be implemented.

Since then, interest in land value taxation has declined within the

Labour Party, but the new Land Campaign plans to force the issue on to the agenda of Labour MPs.

This will be done through meetings at constituency level, and articles written by Mr. Wetzel for socialist and trade union publications.

Mr. Wetzel's message is blunt: "Private land wealth is a huge injustice for the majority who are landless or who have to mortgage most of their working lives to acquire a small housing foothold".

The Land Campaign wants to mobilise socialists behind an effective programme of reform.

Explains Mrs. Knight:

"Our members are reacting to the Labour Party's failure to nationalise land.

"They say that, because the party is only committed to a piecemeal approach to public ownership, and because the public pays huge sums for key sites, the party must have a comprehensive policy on land values, urban and country planning and land registry."

*20 Ryland Road, London NW5 3EA.

Land Use Policy

FIRST ISSUE: January 1984

LAND USE POLICY provides a much needed forum for policy and decision makers at local, national and international levels, and for analysts of all aspects of policies relating to the use of land.

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COAL — a case of lost opportunity

THE COAL industry's deplorable state, with union and management at loggerheads over wage claims and the future of certain pits, is the result of the 1945 Labour Government's nationalization policy.

This is not mere hindsight, for there have been people in both party and union who were aware of a better policy; but their counsels were passed over, either in ignorance, or through failure to grasp elementary economic principles.

A typical example of such a voice crying in the wilderness is that of R. L. Outhwaite, M.P. for Hanley from 1912 to 1918.¹ At this time, he belonged to the Liberal Party, but later, impatient with their slowness to implement the policy he advocated — which was their official policy as well — he transferred to the Labour Party.

He died in November 1930, four months too soon to have the satisfaction of seeing a Labour Government incorporate the policy he advocated into the Budget for 1931, but four years too soon to suffer what would have been the bitter frustration of standing by while Neville Chamberlain, the Tory Chancellor of the Exchequer, took the unconventional step of securing the repeal of a previous Government's measure before it had even been put into effect.

The proposal was to tax the rent of land.

The most important effect of thus making it disadvantageous to hold land unused, or not used for the best purpose, would be to multiply opportunities available to labour. This, by eliminating mutually destructive competition among all groups of workers, would have allowed wages to rise to their natural level of a full equivalent to individually created value without the need for "strike action". At the same time, the collectively-created value (rent), restored to its function as a common fund, would increase commensurately with increasing freedom to produce.

In chapters entitled "Points for socialists" and "How to socialise", Outhwaite spelt out for the miners what they stood to gain from the general prosperity that would follow this mild revolution in economic policy, so different from the kind that he feared.

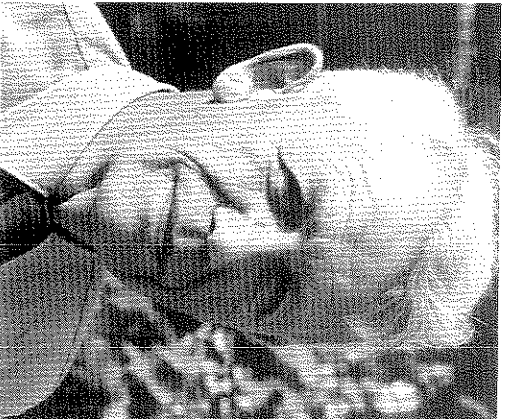
"The Land Taxer", he wrote,

● The Archbishop of Canterbury has joined critics of the Tory Government, which refuses to get involved in the settlement of the coal strike that has divided Britain.

● A top police spokesman has now warned that the police may not be able to cooperate with a future Labour Government, because the Labour Party — which has about 12 MPs sponsored by the National Union of Mineworkers — has refused to condemn violence on the picket lines.

● As so often happens, the roots of the current conflict are to be found in the mistakes of previous governments.

NEWS ANALYSIS



By David Redfearn

"would differentiate between the mineral value, which is a land value, and the value of labour products (i.e. capital) utilised in the bringing of coal to the surface. Here again the application of his principle would conduce to make nationalisation beneficial, as the land monopolist not having to be provided for, by so much could coal be reduced in price and wages raised."

In other words, if the State really must acquire anything by purchase, let it be the buildings and machinery, but on no account the seams of coal themselves, to which any individual title of ownership is unsound. Such an unwise deal, moreover, would in no way improve the position of labour,

for whom it would be all one, whether they were in bondage to the holder of land or of Government stock.

The ideal course would be to buy neither the land nor the capital. In Outhwaite's own words: "Along the lines of his (the land taxer's) principles the problem would be solved by the State resuming possession of the land of railways and mines by taxation and leaving the operation of the railways and the production of coal to the workers in free association..." Thus would be avoided a possible disadvantage of State control, under which "to strike will be treated as secession, as has happened in France, Italy, Spain and Australia".

This nasty situation now (1984) looks uncomfortably close, but the question of whether or not there is to be State control is insignificant beside the question of compensation, on which there can be no two good opinions. "The Land Taxer", wrote Outhwaite, "sees that in the operation of monopolies, such as coal or transportation, some measure of State control may be essential, but protests against the injustice and inexpediency of permitting compensation for land value in connection with any such enterprise."

THERE are indications that at least one influential miners' representative would have been in full agreement with Outhwaite over the question of what should happen about land values, or, in other words, about ground rent or royalties on mineral rights.

In 1930, Monsieur V. Précy, a French advocate of land value taxation, wrote as follows:

"And so it is with the greatest satisfaction that I am able to quote here the pronouncement made by Robert Smillie, the English miners' leader, in October 1921:

"It is only lately that I have come to understand that the root of the whole social problem is to be found in the land question. As long as access to land remains forbidden to those who could put it to a useful purpose, we shall always see crowds of men, cap in hand, at the doors of our factories..."²

Is it too much to hope that Robert Smillie carried others with him in this sound opinion, or even that they have their successors today in the National Union of Mineworkers?

In the circumstances, it is depressing to note that, when a Labour Government once more came into office in 1945, with an overwhelming majority, they had no idea how to fulfil their mandate for making the mines national property.

The magical word "nationalise" was going to end forever the miners' subjection to private colliery owners, and to give them as of right full value in wages for their labour. And yet, Emmanuel Shinwell, appointed by Clement Attlee to be Minister of Fuel and Power, later admitted: "I had believed, as other members had, that in the Party archives a blueprint was ready. Now, as Minister of Fuel and Power, I found that nothing practical and tangible existed. There were some pamphlets, some memoranda produced for private circulation, and nothing else. I had to start on a clear desk".³

We need hardly be surprised, therefore, on studying what actually happened, in an account written by no less an authority than the Permanent Under-Secretary at the Ministry of Fuel from 1942 to 1955, to find no evidence at all that even a moment's consideration was given to the question of which colliery assets qualified for compensation, and which did not.⁴

Instead, the mere facts are recounted that the valuation by District Valuation Boards was not completed until 1956, that the compensation payments were therefore spread over a period of nearly ten years, and that the total amounted in the end to £388,100,000.

The method of valuation adopted, as described by Mr. A. J. Barnes in the House of Commons on November 18, 1946, was to ascertain the net maintainable revenue produced by colliery shares, and to multiply it by a number of years as determined by an arbitration tribunal. Any kind of differentiation, therefore, between capital values and land values was automatically excluded; and the trap against which Outhwaite had issued such a clear warning had been sprung.

Had Philip Snowden, the power behind the land value provisions of the ill-fated 1931 Budget, still been alive, he would have reinforced the warning, but Snowden died in 1937.

6 The coal-mining pitch had been queered for the successful operation of free enterprise?

In a curious way it appears that the authors of the Coal Industry Nationalisation Bill had some inkling of a fundamental defect. The Coal Board, we are told,⁴ did not issue its own stock, "because it was felt that the miners would object to paying interest to stockholders".

Very likely indeed!

This difficulty was evaded in a formal sense by the payment of compensation in ordinary gilt-edged stock, for which the Coal Board in turn was to compensate the Government with annuities that were to run for 50 years.

At the end of March 1965, only £53.6m of the original £388.1m had

been paid off, by which time further borrowings had increased the debt to £960m while the value of the assets acquired in 1947 had had to be written down to £116m.

No wonder the security of the industry was always felt to depend on the miners' exercise of restraint in the matter of wage claims.

This, naturally enough, was not part of their scheme of things. Whom was the change supposed to benefit, if not themselves! And, so long as the demand for coal exceeded the supply, they had their way, even if it had to be at the taxpayers' expense.

There is no point in repeating here the long story of the Coal Board up to the present time. The first false step was sufficient to ensure that the experiment would fail. But what of the future? It would seem that, short of massive debt repudiation as well as retrenchment, the coal-mining pitch has been queered for the successful operation of free enterprise tempered by the principle of common land rights – in other words by the collection of rent and mineral royalties for public revenue.

Nevertheless, the universal application of the principle could yet provide such ample scope for other applications of labour that no person need regret his underground occupation.

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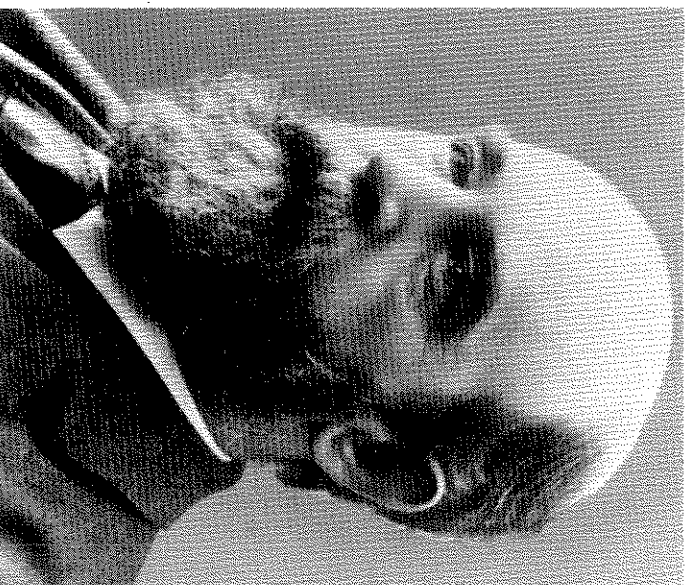
Land tax in deep water

● Cont. from p.107

I have suggested it before and I will suggest it again: the land value taxation principles applied to the deep seabed, the common heritage of mankind, could well be the talisman which all those men and women who, over the past ten years, assembled in New York and Geneva, and their satellites that 'vast perpetual poolside bureaucracy' as some one has called it, sitting in Jamaica, have been looking for.

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● Henry George: in deep water?

Exposed: the power elite

"TRIATERALISM" is the title of an illuminating collection of essays edited by Holly Sklar.

The editorial overview describes the process of how foreign and domestic policy has been influenced—at least in the West—by what can be described as "elite" groups. (Many of us are already persuaded that "elites" run things in the East.) The process is not so complicated; it is the web that is fascinating.

In my dictionary, the definition of triateral is, straightforwardly: "Geom. Having three sides". The word "commission" however is given eight definitions. "A formal written warrant or authority, granting certain powers and authorizing the performance of certain duties . . . Authority given to act for, or on behalf and in place of, another." And so on.

In most of these definitions, authority is the operative idea. From whence this authority comes is left open.

An informal international group formed a decade ago, the Triateral Commission has slowly surfaced in the media. In spite of the official-sounding title, it does not draw "authority" from elected governments. And the three "sides" of the triangle are not at once obvious.

Do they encompass the humanist spheres of social, economic and political values? Are they the internationalist's First, Second, and Third Worlds? Are they the economist's land, labour, and capital? Are they the three main powers of Orwell's globe, interchangeably at war?

After reading Sklar's book, one might say "all of the above", and yet, as Sklar has shown, triateralism is capable of precise analysis.

Stripped to its essentials, and whatever its "sides", the purpose of this triateralism is *elite planning for world management*. Its authority consists of whatever opinion a small, powerful, and self-appointed group is able to project, promulgate, and persuade among the general public. If you and I believe this authority to be inconsequential, it is because we do not appreciate *how* small, *how* powerful the elite in any society usually is.

By Mary Rawson

Triateralism: The Triateral Commission and Elite Planning for World Management, edited by Holly Sklar, South End Press, Boston, 1980, 604 pp. Also available in paper, Black Rose Books, Montreal, Canada.

The Rockefeller personally and various Rockefeller funds and foundations provided key support to the CFR from the beginning.

From 1954, the CFR had a companion group in Europe in the Bilderberg Group, Prince Bernhard was the Chairman and key figure in Bilderberg for 20 years, until the Lockheed scandal. Bilderberg and the CFR have not dissimilar membership sources, operating styles and objectives, except that the CFR defines and promotes the U.S. "national interest" before all.

‘The purpose is elite planning for world management’

After World War II, this interest was seen to include a militarily-strong and anti-communist Europe. CFR members Rockefeller, Dean Rusk and others helped Bilderberg to get going. And "whenever we needed any assistance for the European Movement, (John Foster) Dulles was among those in America who helped us the most."

While both organizations have closed meetings, Bilderberg is extremely secretive. Unlike some muckrakers (e.g. Gary Allen) the authors contributing to the Sklar volume do not see the Bilderberg Group, in spite of its secrecy, to be some sort of Jewish/Communist

conspiracy to subvert free enterprise and Anglo-American civilization. Neither do they see it as "a giggle and a yawn".

Bilderberg is neither a world super-government, nor is it merely a club where incidental shop-talk takes place, as some portray it. Top executives from the world's leading multinational corporations meet with top national political figures at Bilderberg meetings to consider jointly the immediate and long-term problems facing the West. Bilderberg itself is not an executive agency. However, when Bilderberg participants reach a form of consensus about what is to be done, they have at their disposal powerful transnational and national instruments for bringing about what it is they want to come to pass . . .

Where there is no such consensus, the real interests at stake, and the constantly repeated injunction not to act divisively can produce a similarly cohesive effect.

It is clear that Bilderbergers played key roles in the development of the European Movement, as well as its supranational, quasi-technical bodies which have real powers of executive action. The OECD, ECSC, EEC, Euratom and ACUSE are some of the "powerful transnational instruments" in which long-time Bilderbergers had a part. One need only mention Max Kohnstamm, Jean Monnet, Denis Healey and E. H. van der Beugel. (The latter, a close associate of Bernhard, became permanent secretary of the Bilderberg Group in 1960, subsequently head of the International Institute of Strategic Studies in London.)

The horizons of our protagonists were broadened when Japan joined the OECD in 1964 and the OECD developed into:

an official forum in which the West worked out global economic issues before taking their common positions to negotiations and forums where Third World and socialist-bloc countries would be represented.

By the 1970s, Bilderbergers were regularly discussing triateralism, a partnership triangle of elite groups in North America, Europe, and Japan.

In April 1973, David Rockefeller, Zbigniew Brzezinski, Hedley Donovan (of *Time* magazine) and a few others decided to form the Triateral Commission. But where military/strategic discussions were commonplace at Bilderberg, the Triateral Commission emphasized economic matters.

According to Sklar, writing in 1980 about the Commission:

Some 300 members (up from about 200 members in 1973) are drawn from international business and banking, government, academia, media, and conservative labor.

The membership is, again, to some extent overlapping with CFR and Bilderberg.

Bilderberg continues assiduously to avoid attention, in order to maintain the highest effectiveness at the top levels of policy making.

Not quite so retiring, the Triateral Commission, responding to the outright nationalist "shocks" that Nixon had delivered to the cooperating elites, is explicitly organized as a pressure group. It takes direct as well as indirect action to influence public opinion.

THERE is nothing new in elite planning, as Sklar points out, even in democratic North America.

The Council on Foreign Relations, another official sounding body, was founded in 1918. The Council described itself as:

a board of initiation – a Board of invention. It plans to cooperate with the government and all existing international agencies and to bring them all into constructive accord.

This would seem high-minded and laudable. But, cooperating for exactly what? And by what means? If cooperation is to be in aid of, let us say, "efficiency of agricultural production" and the method proposed is to concentrate land ownership into even fewer hands, we would be the first to hoot. There's the rub. The plans of elites, it goes without saying, are not the plans of the mass of people.

The function of this private planning group in the U.S., the Council on Foreign Relations (CFR), was to serve the American hegemony, and did so very successfully, especially during the war years when the IMF, the World Bank, the U.N. and other international political and financial structures were being sketched out.



● Mary Rawson

Triateral policy studies are carried out by task forces which include some non-members. "Impact meetings" are hosted by the Commission to generate press coverage of the task force findings. The Commission has begun to publish a quarterly journal *Triadogue* which reports on task force findings, major speeches, and the progress of the Commission's policy recommendation. Sklar points to the Winter 1980 issue of *Triadogue* as an indication the Commission is "entering its maturity".

SKLAR'S BOOK is illuminating, relevant, and exhaustively documented. Since it is about the power structure of one third of the world only, it could give us cause not for despair but for hope. It is, after all, a constant struggle for these cooperating elites the keep economic and nationalist rivalry under control, in spite of the fact that a stable world economy far outweighs their competing interests. There are the unruly guys like Nixon, and the Cold Warriors. More important, there is the larger number of people who take democracy seriously.

The sections of Sklar's book which deal with how elite policies translate on the domestic front are most chilling. We already know that multinational firms learned long ago how to use government interventions to

It is a mistake to ignore this analysis of power groups'

their advantage (access to foreign markets, intricate export subsidies, finance for research, etc.). They have learned how to pursue low-cost policies (multiple sourcing, bureaucratized work rules) and let unions do much of their work for them in disciplining labour.

But in the report of the Triateral Task Force on "Governability of Democracies", first made public in May 1975, the triateralists appear to be saying: democratic societies cannot work where the citizenry is not passive!

In both Europe and the United States, all the traditional agencies of what political scientists call political socialization are seen as falling apart. People are no longer deferential ... The value structure of society has changed, and new expectations have revolutionized political life ... people begin to make political demands on the state. The result is an overload of inputs which cannot be met by governments.

The American section of the Task Force report, by Samuel P. Huntington, speaks of a "democratic distemper". The "excess of democracy" must be reduced. A functioning system requires "some measure of apathy and non-involvement".

In general, the triateralist authors call for "balance", and to restore this balance, they make a number of controversial proposals to restrict the freedom of the press, cut back education, endorse government aid to parties, lower expectations, and so on. This is clearly a part of the strategy called "the politics of less" which is being practised right now in my own country, Canada.

It seems to me as much a mistake for us to ignore this (Marxist) analysis of power groups in the West as it was in Marx an error to ignore the primacy of the Land Question. I unreservedly recommend Sklar's book for reference and careful study.

U.S. should not back official land grabs

By William S. Peirce

Professor of Economics at Case Western Reserve University, Cleveland, Ohio.

PRESIDENT Reagan has defended the new government of El Salvador against charges that it was not implementing "land reform" fast enough. It would be more appropriate to question whether the United States should coerce other countries to expropriate and redistribute land. Our State Department pressured the previous government of El Salvador to redistribute land as part of the defense against the threat of a leftist takeover. Changing the ownership and management of land is not just a political matter, however; it also has profound economic effects.

Expropriating and redistributing land disrupts agricultural production because of uncertainty about who will reap whatever is sown. The new owners will have problems in obtaining credit and making all of the new managerial decisions.

It provokes delay and resistance by the old owners, which extends the interval of disruption and may result in deterioration of land and equipment. If adequate compensation is paid, the old owners can strengthen their control over other parts of the economy. Old owners, extracting what they can from the land and the wealthy, losing faith in the security of any investment, will try to move capital out of the country quickly. As the new small farmers slip into bankruptcy, a few intelligent and aggressive families will once again acquire control over vast acreage. If the old landowners have used their compensation to strengthen their control of banking and commerce, however, they can easily whip any farmer who must borrow from them to plant a crop and then rely on them to market it.

Land reform is important both for efficiency and for fairness. Rather than restricting our view to expropriation, it is useful to list the objectives and then look for the legislative devices that might achieve them. Land reform should encourage security of tenure for the tiller immediately so that this year's crop can be planted and harvested. It should also give certainty to the owner that he can retain the title as long as he wants and then sell it at a free market price, so that he will treat the land with respect and invest to improve future productivity.

Ideally, the policy would exert steady pressure toward these objectives, rather than permitting the country to slide to the brink of bankruptcy or revolution before a paroxysm of reform can occur. Finally, it would be desirable if the land reform were consistent with capitalism.

This may seem like a tall order, but in fact the legislation for such a reform would be easier to write than the legislation that is

necessary for a typical expropriation. The technique is to change the tax system in such a way that it will push decision makers unwittingly in the appropriate direction.

The specific alternative that should be considered to reform land ownership without expropriation is a tax on the value of land of the sort advocated by Henry George. The price of agricultural land in a free market depends on the economic rent that prospective buyers expect to obtain from the land. Economic rent is defined as the net income from the land after deduct-



ing the value of other inputs including labour, seeds, fertilizer and a market return on the tools and other capital investment. A tax on the value of land also can be treated as a tax on the highest rent expected from the land. If such a tax is levied at a high enough rate, it will force owners to use land in the most profitable way.

Although a tax on land value nudges the land tenure system in a favourable direction, it avoids the coercion and disruption that always accompany the expropriation and redistribution of land. It also places more manageable burdens on the administrative apparatus than does a wholesale redistribution of land titles with inevitable controversies over who is forced to sell and who is entitled to buy. Even the indirect effects of a tax on land value are favourable, moreover, because the revenue could be used as a substitute for some of the more burdensome conventional taxes.

It is probably too late to implement a meaningful tax on the value of land in El Salvador. That country is stuck with an inept solution (manufactured in Washington) to a serious problem. That the solution is coming unglued even before it is in place should not surprise those who can recall the fate of land reform in Iran or Vietnam.

Nevertheless, it is clear that our State Department acts irresponsibly when it pushes other nations off the cliff of "land reform" defined as expropriation. That effort could more profitably be expended on promoting a reform that is consistent with capitalism.

● This article first appeared in *Chicago Tribune*.

EL SALVADOR'S 'LAND REFORM'

Land value maps – they could become best sellers!

I MUST confess that, after reading the preface to this book, my enthusiasm for continuing with the rest of it was about on a par with that of a vegetarian offered a double helping of cold steak pie.

To my mind, the author of a book advocating change or reform should start by explaining what deficiencies in the present set-up he is seeking to remedy. A person pressing for a new system of rating in Britain, for example, should commence by explaining the unfairness and harmfulness of the present system; an engineer offering a new type of mousetrap should be at pains to explain how present designs are costing the public much more in lost Cheddar cheese than they are saving in the curtailment of rodential activity.

What Mr Howes wants is for his profession – his fellow chartered surveyors, valuers, planners etc – to make a greater use of land-value and property-value maps; yet he points to no major problems that arise from the present limited use (or non-use) of such maps, and the reasons he *does* give for his desire are hardly such as to make his reader's spine tingle with sympathy.

He believes that his profession could make a greater "contribution to the knowledge of property values, an area ... (often) ... so cloaked in mystery that mythology sometimes replaced methodology."

So, having a personal interest in cartography, he apparently conjured up the idea that the greater use of value maps would remove some of the mystery and enable "cause and effect of changes in land and property values" to be more effectively charted.

Just what practical benefit the public would derive from the better-informed planners was not explained and I found the author's case unconvincing.

I was not surprised to learn that the questionnaires he sent to some 170 United Kingdom local authorities, asking about their attitudes to the production and use of value maps, brought a number of dusty answers.

BOOK REVIEW By Bert Brookes

C. K. Howes
Value Maps: Aspects of Land and Property Values, Norwich: Geo Abstracts, £6.75.



● Christopher Howes

- Of the 170, 117 had never produced value maps and 83 of these did not contemplate doing so.
- A number said, perhaps predictably, that they had insufficient staff resources to enable them to produce such maps and saw no use for them anyway.

BUT MR HOWES is nothing if not persistent, and I have to admit that, around chapters 3 and 4, my negative attitude began to soften.

It is in these sections of the book that he reveals that the production of value maps, some relating to land values only, some to "property" values (land plus buildings), has been quite common abroad, and that even in the United Kingdom some quite interesting maps – of the City of London, parts of Putney, Uckfield, Lewes and elsewhere – have been produced and used for urban planning and other purposes.

He mentions, also, the land-value maps of Whitstable produced for the site-value rating study in 1964.*

Overseas, value maps have been produced for Chicago (based on the 1933 studies by Homer Hoyt and the annual Blue Books issued by George C. Olcott), for New York City, for towns and cities in Australia and New Zealand (where land-value taxation is in force the maps are, of course, based on land values) as well as places in Japan, South Africa, Austria, France, Norway, Sweden and (again as an adjunct to land-value taxation) Denmark.

Examples of a number of these maps are reproduced in the book, no knowledge of cartography being needed to find them of uncommon interest.

Perhaps it is no surprise to learn from the book of the widespread tendency for such maps as these to be concealed behind a smokescreen of secrecy.

It is almost axiomatic, in some places, that the maps are produced for officialdom only, there being a strange apprehension that exposure to the gaze of the common-or-garden public would compromise them beyond redemption.

One notable example of this is New York City where, for more than 30 years (1900-1934) the city's land-value maps were available to the public. Then, in 1935, the curtain came down, and the maps, though still being produced, are now kept for official eyes only.

The same attitude is common in the United Kingdom.

Yet the citizens of Chicago, through the Olcott Blue Books, can check annually the value of most of

NEWS IN BRIEF

Rent hikes in Enterprise Zones

RENTS have risen in Britain's enterprise zones where rates, the local property tax, have been eliminated.

This is the claim by Michael Ward, the chairman of the Greater London Council's industry and employment committee. He has argued that there is an inverse relationship between rents and rates: "the lower the rates, the higher the rents."

He says: "Land prices in the Isle of Dogs have been pushed up because of the rate exemption, to as much as £150,000 per acre for industrial land and £400,000 per acre for office development."

"Cuts in rates end up in primarily subsidising landlords with windfall gains, rather than the industries they are meant to encourage."

"It would be far better to raise the rates within the Enterprise Zones, forcing those landlords who have speculatively hoarded land to bring it on to the market at much lower land prices, and using the rate income to develop factories and industries directly on the lines being pursued by the Greater London Enterprise Board."

ROSE STEVENSON, a 69-year-old widow, had an easy remedy when she found that she could not afford to pay £1,200 (\$1,500), the rates (property tax) on her three-storey London home. She moved the demolition man in, and within a week she had chopped off the top floor and left gaping holes in the side of the house. This dented the building, and encouraged her council to send a tax demand that was revised down to £756!

REGISTERED SECRETS

B RITAIN'S Law Commission has launched a consultation exercised to find out if the public should be allowed direct access to the land ownership register for England and Wales.

The register is secret — in contrast to Scotland, where citizens have the right to inspect the files and discover who owns land.

The Commission has focused its enquiry around the question whether the identity of a home-owner should be kept secret or not.

But 50,000 leaflets circulated by the Commission does point out that access to the register could speed up development of vacant sites, and make conveyancing cheaper for house buyers.

LETTER: Prof. Britton replies

SIR, I feel that David Richards has both misrepresented my arguments and failed to understand them.

If it were not so, he would not have described me as one of those who are "so convinced of the importance of government intervention for the farm workforce" ("The case for laissez-faire", July-Aug., p.69).

I have always been in favour of a greater liberalisation of international trade, but I always emphasise that such a move would be harmful to the interests of many British farmers (as well as to many continental farmers) if they could not get their costs down to those of New Zealand dairy farmers and N. American grain growers.

Mr. Richard Body evidently believes that the British family farm can compete with freely-imported produce from wherever it comes. I think he tends to underestimate the diseconomies of small-scale production.

It is seriously straining the meaning of words to say that "most farmers are not the recipients of farm subsidies". People who put forward this proposition usually quite overlook that even if the government (or the European Community) paid out no cash subsidies at all, farmers would still be substantially subsidised by the tariff protection (levies, etc) which keeps our prices above prices in world markets.

This large element of subsidy is, of course, paid by the consumers (often without their realising the situation),

and does not appear in budgetary estimates at all.

Prof. D. I. Britton,
Ashford, Kent.

David Richards comments: The title of Prof. Britton's paper was *Is there a case for farm income support?*, and his conclusion was yes, perhaps for a whole generation, while farm prices are gradually and judiciously lowered to world levels. This puts him firmly in the opposite camp to Richard Body as regards "the importance of government intervention for the farm workforce."

When I used the words "farm subsidy", I had in mind the whole package of farm support, not just direct cash grants, as all the figures I quoted demonstrate. Does Prof. Britton deny that most farmers, as farmers, receive no net benefit from that package?

To quote Dr. D. W. Pickard of Leeds University, "since 50% of the output comes from 13% of the farms, it is not unreasonable to assume that 13% of the farmers receive 50% of the [price] subsidies. These large amounts of subsidy have a detrimental effect on the rest of the farmers because they result in higher land prices and rents [and interest rates and feed prices]."

Irish land tax

Cont. from P.120

Now that the principle has been established, independent experts should evaluate the "adjusted acreage" formula — and come up with proposals for a revised land tax which the FitzGerald government could consider adopting if it is re-elected in three years time.

*Read GARY NIXON'S comments on the Irish economy in the next issue of *Land and Liberty*.

their city's sites; and Denmark provides the outstanding example of land-value maps, one of the main purposes of which is to satisfy the public about the fairness of their assessments for land-value taxation. The maps are produced in booklet form for each taxation area and are freely available to all who want them.

But apart from their obvious value in countries such as Denmark, how does Mr Howes envisage that value maps would justify the effort involved in producing them?

How would they enable his profession to make the enhanced contribution to the public's appreciation of property values that he is convinced it could make?

THE AUTHOR makes an impressive effort to demonstrate this in a comprehensive study of a British city — Norwich. He shows how the information available from the Norwich rating assessments, despite its shortcomings, can be used to produce several different types of property-value map, some designed as straightforward illustrations of the city-wide property values, others to show how values in the various areas of the city varied between 1965 and 1974.

Against this background, he sees the maps as a method of displaying the "dynamic of property values", making for easy interpretation by plan decision-makers and others. He concludes that they display value data in a manner that is more comprehensible than the conventional tabulated form.

He may be right but, despite the painstaking persuasion of this book, it is difficult to see local authorities in Britain finding the will — and the resources — to change their traditional practices.

Land-value maps, in their function of showing the tribute which the landowner is able to extract from the land-user will, of course, always have their appeal to the public, whether or not land-value taxation is in force. Indeed, I would hazard the guess that, despite the absence of land-value taxation in Britain, a book of land-value maps for every city in the United Kingdom would be the year's best seller — and not just among the planning profession.

*Rating of Site Values. Report on a Pilot Survey at Whitstable. Rating and Valuation Association, 29 Belgrave Square, London SW1, February 1964.

IRELAND'S LAND TAX: A BRAVE POLITICAL STEP

DICK SPRING is a one-time joint water in a New York hamburger joint.

Today, he is the second most powerful man in Ireland.

An ex-international rugby player, and by training a barrister, Mr. Spring is now deputy leader of the government of Ireland.

As leader of the Labour Party, he put together a deal with Dr. Garrett FitzGerald which returned the Fine Gael leader to power in December 1982.

And the key plank of that deal was the introduction of a land tax – which finally surfaced in the three-year plan announced by the government on October 2nd.

POWERFUL opposition to a land tax from Ireland's farmers forced Mr. Spring to warn the Prime Minister that the coalition's future was at stake.

So the government was forced to incorporate some such proposal in *Building on Reality*.

The Labour Party was determined to raise more revenue from the heavily-subsidised agricultural sector.

For the tax burden on Ireland's wage workers is among the highest in Europe. This has led to large-scale street demonstrations in the past two years, culminating with the threat from some workers that they would withhold taxes.

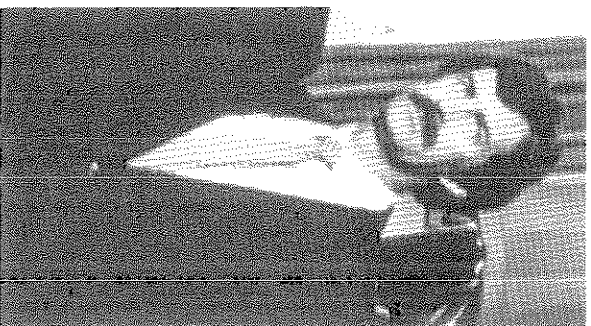
The shift in the tax burden on to the landowner, under the new proposals, is minimal. It does, however, have symbolic importance. As Mr. Spring put it:

"No interest group – and I am not referring to any one sector – can be or will be, allowed to stand in the way of the achievement of the objectives of this plan."

All special interest groups, he insisted, would now take second place to the general interest.

STRONG objections can be levelled at the Irish land tax. It is a flat rate charge of £10 per acre, which is expected to raise a paltry sum: the tax yield from farmers is forecast to rise from £637m to £64m.

A crude system has been devised to classify land according to its productivity. The basis of the tax will be "adjusted acreage", as determined by a formula developed by the now-defunct Land Commission.



● Dick Spring

● Holdings of more than 20 "adjusted acres" will be liable for the tax at £10 an "adjusted acre".

● Farmers with more than 80 "adjusted acres" – 33,000 of them – will continue to be liable for income tax, but will get a full credit for the land tax liability.

● Full-time farmers with under 80 "adjusted acres" will be exempt from income tax from 1986.

Donal O'Leary reports from Dublin on a government's three-year plan for economic survival

Off-setting this new tax liability, however, will be an extra £50m in government subsidies, including an increase in cattle headage payments from £432 to £470.

Farmers are angry at the new land tax. Joe Rea, President of the Irish Farmers Association, has now warned that the government had a "very, very dangerous implement" at its disposal: the £10 tax could be increased to meet national debt.

The government, however, has promised that the £10 rate would not be increased during the next three years.

And one of its arguments in favour of the tax is that farmers would not be

worse off – because they would now save £40m that is spent on accountants. But according to one estimate, farmers will save just £8m on accountancy fees.

MOST of Ireland's farmers will face maximum direct tax bills of £800 under the new plan.

This is hardly a horrendous prospect!

This revenue will have a pin-prick effect on the budget deficit, which is now running at 7.5% of GNP.

Nor will the other elements in the plan help to reduce the level of rents and land prices. In fact, families can now expect to pay more for homes. For the government has decided to introduce a grant of £5,000 for a council tenant who wants to buy a house.

This reinforces a fiscal led trend in the land market, which began with the recent abolition of rates – the local property tax – which deprived local authorities of £350m in revenue.

Landowners have rubbed their hands with glee at these subsidies, and have capitalised the benefits into higher land prices.

EXPERTS on the land tax will criticise the "adjusted acreage" formula which the Dublin government has chosen.

Over 250 former officials of the Land Commission, aided by government civil servants, will now begin the task of assessing the productive capacity of every farmer's holding.

So the tax can be seen to fall on the productivity of the current assets of individual farmers, rather than being assessed on the value of each acre in Ireland.

This provides considerable scope for tax evasion (through, for example, the division of holdings among members of a family), and for appeals against assessments.

These difficulties would not arise if the tax fell on the market value of each acre, irrespective of who happened to be the current owner.

Nonetheless, the FitzGerald government has taken a brave political step forward in its act of challenging the right of the owner to be free of a tax on his land.