

Mark Sullivan

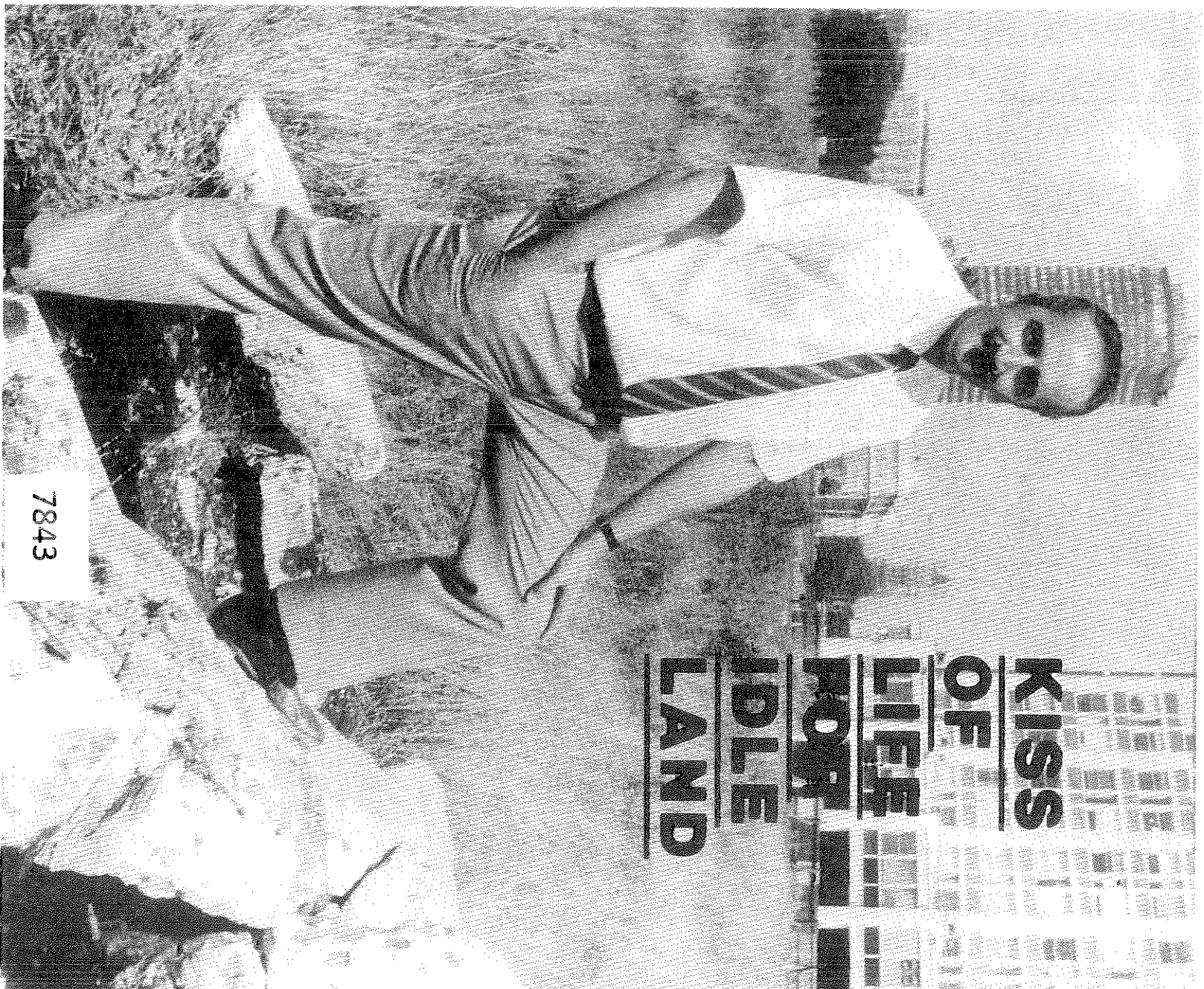
LAND and LIBERTY

NOVEMBER-DECEMBER 1987

UK 80p; USA \$1.50

LAND VALUES
BREAKTHROUGH

Page
92



7843

LAND and LIBERTY

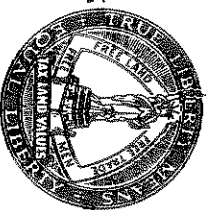
Established June 1894

Editor: Fred Harrison
Editorial Consultant: V. H. Blundell
Picture Editor: Keith Hammett

Editorial Office:
177 Vauxhall Bridge Road,
London SW1V 1EU
Tel: 01 834 4266

5 East 44th Street,
New York, N.Y. 10017
Tel: 212 697 9880
ISS No. 0023 7574
Vol. XCIII
Nos. 1,122 & 1,123

Annual subscription:
U.K. & Sterling area: £5
USA \$10, Canada \$11



Single Tax Economics Vic Blundell.....	83
Chorley Report On Geographic Information INSITE	85
Home Shortages Maureen Hyde	86
Tory Promise Peter Poole	87
Vacant Land Charters For Revitalisation Fred Harrison	88
Brazilian Conflict Alex Hardie	90
Land Values Sanity David Richards	92
British Countryside Struggles Roy Douglas	94
Common Market Carve-Up Robert Miller	96

● **COVER PHOTO:** John Loveless inspects a valuable derelict site with a celebrated London landmark in the far background. See centre pages.

Freedom abused

PRIME Minister Margaret Thatcher has launched her new crusade. She wants a renaissance in Britain's inner cities.

She has provided the Media with a "photo-call" by obligingly walking across a vacant site in the depressed North East. She has applauded the enterprise of young fish-and-chips-from-the-back-of-a-van entrepreneurs. And she has warned local governments that there is no more money available for them.

None of which will actually get the job done, when you look at the scale of the problem!

Politicians of all hues are at a loss as to what to do about the blight which afflicts the centre of once-proud cities.

● In Britain, they resorted to the conventional instruments — merely transferring planning powers to special Urban Development Corporations which, backed by a budget and powers of compulsory purchase, have made inroads into the problems in a few cities.

● In the United States, tax abatement bribes were offered to induce developers to do what ought to come naturally...

So the docklands of London and Merseyside have come back to life now that foreign bodies have moved into them and placed dynamite in the logjams. But what caused the arterial sclerosis in the social fabric? And is there a less expensive, permanent, private-sector led solution?

EVERYTHING begins with the use and abuse of land. Certainly everything in the city, where the exercise of property rights and the level of rents determines whether a city lives or dies.

Ideally, cities ought to organically evolve, constantly renewing themselves in response to people's changing tastes and advances in science and technology. That is the *dynamic* way: alas, cities throughout the world are

stricken by a deadly palsy. It is known as land monopoly.

When the owners of valuable sites decide not to recycle their land to new uses, they are exercising their legal rights. There is no moral validation for this dog-in-the-manger strategy, but they must be free to do what they want with their land.

EVEN though, in the course of withholding this scarcest of resources, they force up the rents of adjoining sites — and so create unemployment.

EVEN though, by denying access to land needed for new houses, they force the city to leapfrog into the countryside — and drive up social and environmental commuting costs.

EVEN though, by causing urban sprawl, they force taxpayers to waste capital on new infrastructure (roads, sewage works, schools) — and so drive down people's standards of living.

IN THE face of this conflict between individual rights and social justice, there is only one solution that fits neatly with a free society and dynamic economy: LAND VALUE TAXATION.

People can hold land vacant if they first pay the rental value of their sites to the community: to do so, they must be both rich and eccentric; but so be it. In general, land would come flooding on to the market, searching for users at realistic rentals.

Taxpayers would not need to find bureaucratic agencies to do what the free market could accomplish for nothing, and there would be no need for tax incentives which serve to further distort the process of creating new wealth.

By transferring the tax burden from labour and capital on to land, we get a general solution that protects everybody for all time; not an *ad hoc* patch-up which sows the seeds of future blight as soon as the last brick has been laid.

● *Is it possible to wipe out all taxation on wages and profits, and fund public expenditure out of economic rent — the surplus income after all expenses of production have been met out of gross revenue?*

● *Most economists argue, without doing their sums, that the rental income that can be measured today is not sufficient to meet the financial needs of the Welfare State. There are two replies to this:*

(1) *Expenditure could be lower. Much of it*

is a transfer of payments from one section of the community to another — and sometimes even back to the payer!

(2) *Government expenditure should be limited to whatever income a tax on land values brought in.*

● *In his appraisal VIC BLUNDELL reviews another perspective. This maintains that existing tax revenue is derived from economic rent anyway — so there need not be a problem about meeting current public expenditure.*



● Vic Blundell

THE IDEAL tax system envisaged by Henry George and by the French physiocrats a hundred years before him was the replacement of all other taxes by a single tax on land values.

This may well be regarded today as being politically premature. Although in many countries there has been a shift of *some* taxation from incomes and property to the value of land, no country in the world has reached the ideal state of complete substitution of the one for the other.

Politics may be the art of the possible, but political changes do not spring only from public demand or from pressure groups — or, for that matter, from the pre-arranged intention of the party in power. The climate of the times, or some specific event or crisis, may drive a government into a course of action which it had not originally intended, or had even formerly resisted.

The repeal of the Corn Laws is an example. The activities of Cobden and Bright and the Anti-Corn Law League were not alone responsible for achieving this reform, which was in fact precipitated by the famine in Ireland, when the potato crop failed utterly in almost every county in Ireland.

But supposing that, for whatever reason, the Single Tax were embarked upon as a practical proposition, would a tax upon land values raise enough revenue to meet the government's requirements without recourse to other forms of taxation?

HENRY GEORGE argued that current market values represent *only* that part of rent left in the hands of the land owners: the true or natural rent of land is this figure *plus all other taxation*. In short, taxation diminishes rent or, put another way, all taxation is ultimately at the expense of rent.

In *Progress and Poverty*¹ he wrote: "Social distress is still largely attributed to the immense burdens which existing govern-

★

ments impose — the great debts, the military and naval establishments, the extravagance which is characteristic as well of republicans as of monarchical rulers, and especially characteristic of the administration of great cities.

"Now, there seems to be an evident connection between the enormous burdens thus uselessly imposed would make it easier for the poorest to get a living. But a consideration of the matter in the light of the economic principles heretofore traced out will show that this would not be the effect.

"A reduction in the amount taken from the aggregate produce of a community by taxation would be simply equivalent to an increase in the power of net production. It would in effect add to

the productive power of labor just as do the increasing density of population and improvement in the arts. And as the advantage in the one case goes, and must go, to the owner of land, in increased rent, so would the advantage in the other.

"From the produce of the labor and capital of England are now supported the burden of an immense debt, a large number of sinecurists, a great army and a great navy. Suppose the debt repudiated, the sinecurists cut off, the army disbanded, the officers and men of the navy discharged and the ships sold. An enormous reduction in taxation would thus become possible. There would be a great addition to the net produce which remains to be distributed among the parties to production.

"But it would be only such an addition as improvement in the arts has been for a long time constantly making, and not so

Continued on Page 84 ►

SINGLE TAX ECONOMICS EXPLORED

great an addition as steam and machinery have made within the last twenty or thirty years. *And as these additions have not alleviated pauperism, but have only increased rent, so would this. English land-owners would reap the whole benefit.*

"Let me be clearly understood. I do not say that governmental economy is not desirable; but simply that reduction in the expenses of government can have no direct effect in extirpating poverty and increasing wages, so long as land is monopolised."

If Henry George's conclusion is correct, that reductions in taxation ultimately increase rent, then the converse must be equally true: increases in taxation reduce rent. From this it is one more logical step to the conclusion that existing taxation is ultimately at the expense of rent.

The physiocrats argued this very point, which was the basis of their proposal for an *impôt unique* or single tax on the rent of land to the exclusion of other taxes. They reasoned that, since there was only one source of wealth (land), it was here that all taxation must finally rest. It was pointless, therefore, to clutter industry and commerce with a multitude of taxes when the impost could be placed directly where it must ultimately fall — on the *produit net* (in effect, the rent of land).

The desire to get rid of the inconvenience, waste, friction and vexation of the existing taxes appeared to be the impetus behind their proposed reform; there was not the moral drive of equal rights to land that characterised Henry George's advocacy of the single tax.

What was to become known as the Iron Law of Wages by the later (classical) economists was perceived by the physiocrats as the reason why no taxes could be levied — and made to stick — on wages that were already at subsistence level. The leading physiocrat, Quesnay, explained: "Wages, and in consequence the enjoyments that wage-earners

can obtain, are fixed and reduced to the lowest level by the extreme competition that is among them."²

Adam Smith also argued that taxes on subsistence wages were at the expense of rent: "A direct tax upon the wages of labour, therefore, though the labourer may pay it out of his hand, could not properly be said to be even advanced by him . . . In order to get back the ordinary profits of stock (after paying increased wages), it would be necessary that he (the farmer) should retain a larger portion of the produce of the land, and consequently that he should pay less to the landlord."³

Smith also thought that consumers would to some degree bear part of the cost of the wage increase. But he did not observe that, since most consumers would be employees, the extra cost would be sent on the same route as before!

BUT ARE wages at subsistence level today?

First we must remember that this has reference only to the lowest paid, who probably form the largest stratum of wage earners. Secondly, when we speak of subsistence wages we must mean wages net of any taxation already levied upon them. For, although the lowest wage earners pay no tax on their earnings, many of those whose earnings come just within the tax system could well be at subsistence level after paying the tax. Thirdly, we have to take into account the various welfare benefits. If it were not for family income supplements, rent and rate rebates, subsidised housing, etc., many wage-earners could clearly be seen to be at — or even below — "official" subsistence level.

Subsistence, however, is difficult to define and ranges from starvation level, as in many South

American and Eastern countries, to simply being "poor" and living in crowded accommodation with only what are regarded in most European countries as bare necessities.

But if taxation on wages at subsistence level (however this is defined) is passed back to fall eventually upon the rent of land, what of taxation on wages above this level? Such taxation, it is reasoned, is likewise passed back to rent, and any additional taxation will ultimately follow the same path, since wage differentials, determined by skill, education, experience, etc., will tend to be maintained.

In short, wages in general are related to those of the lowest paid, rising when they rise and falling when they fall. And differential taxation imposed upon high wage earners appears also to be passed back, "take-home pay" being regarded as the real wage.

But what of other forms of taxation? Are they also at the expense of rent? The closer a tax is to the extractive industries or to farming, the clearer it is seen that it diminishes rent. When agriculture was finally freed from paying rates (De-rating Act 1929) the almost immediate result was a rise in rents for tenant farmers.

The Daily Herald reported (Sept. 19, 1929): "Farmers made bitter complaints at the meeting of the Caernarvonshire Farmers' Union on Saturday that in some cases rent had been raised by 25%-100% as the result of the working of de-rating." And when de-rating was being debated, the then Lord Advocate, speaking for the Scottish De-rating Bill in the House of Commons, said: "I do not want to argue at length whether a benefit like this ultimately comes to the landlord or not. My view is that it certainly does."

Britain's so-called enterprise zones also demonstrate how rate relief and other concessionary tax exemptions are reflected in increased rents or land values. Pro-

¹New York: Robert Schalkenbach Foundation, 1979, Bk. VI, Ch. 1.

²*Second Probleme Economique*, p. 706.

³*Wealth of Nations*, Bk. V, Ch. 2, Pt. II.

Case for

greater access

Handling Geographic Information, Report of the Committee of Enquiry chaired by Lord Chorley, London: HMSO, 1987, £14.95.

forced in five years or so to begin acquiring their operational information in which they will use their own reference systems. This will create barriers to the free flow of information and cause costly duplication.

The Chorley Report highlights "four key tasks which need to be put in hand now if important opportunities are not to be lost":

- 1 Rapid conversion of the Ordnance Survey basic scale map series to digital form (for computer handling) in collaboration with the main users.
- 2 More widespread use of postcodes as standard units for holding and releasing socio-economic data.
- 3 More widespread use of the National Grid referencing system to link different data sets.
- 4 Setting up a Centre for Geographic Information.

The private sector would benefit through "better management, use of resources, planning and decision-making." For example, the report states that "The private sector has a strong interest in access to information on individual properties and land and market developments, for financial investment and property development purposes ...

INSITE

"In recent years the property industry has produced considerably improved information on market rents and values, including the setting up of computerised property database services, but there are still problems with development data.

"Much time and money is wasted in disputes between developers and planning authorities because there are no authoritative spatially referenced data on the

'development pipeline.' Information on individual properties is held by the District Valuer, the Land Registries and the local planning authority but access is limited by confidentiality constraints."

In their evidence to the Enquiry, Hillier Parker May & Rowden, a major London estate agency, bemoaned "an alarming trend that the published information on which we have relied has decreased" (the last Census of Distribution figures are for 1971, and the Commercial and Industrial Floorspace Statistics publications are to be discontinued).

They also wrote: "We believe it is unnecessary for the rateable value, floorspace and use of property to be confidential, and hope that the Committee will recommend that the legal constraints imposed on the District Valuer be lifted, and that the Valuation Service be encouraged to make information more readily available."

The Inland Revenue's Valuation Office submitted that "If this was thought by Government to be advisable in the interests of improving information available to the property market there would appear to be no further objection to including transaction evidence in a national register of property information. Provided problems of confidentiality can be overcome the advantages ... to commercial and other users would, we believe, be very great. There would also be benefits to conveyancers."

The Committee noted that the Government's Tradeable Information Initiative is encouraging Departments to release data. Disguising the sensitive parts of such information, or minimally aggregating it, would expedite this process.

"It is our view, however, that releasing transaction data in any aggregated form would continue

FOR ALL who regret the official lack of interest in the level of land rents and prices in the UK, relief may well be at hand thanks to a Committee of Enquiry appointed by Environment Secretary Patrick Jenkin in April 1985.

The Committee, chaired by the eminent Cambridge geography Professor Lord Chorley, was appointed to advise on the "future handling of geographic information in the UK taking account of modern developments on Information Technology and of market need."

The need for such a committee was identified by the House of Lords Select Committee on Science and Technology in December 1983. It reported a rapidly growing demand for "geographic information", a demand which will only be met efficiently if immediate action is taken to organise a coherent national structure within which the production and dissemination of such information by private and public bodies may be coordinated.

"Geographic information" can be related to specific locations on the earth. As so much information can be made space-specific it covers an enormous range, including details of land ownership and land values. The idea is that all such information should be packaged in standard spatial units and uniquely referenced to facilitate its usefulness, just as all books are referenced by ISBN numbers.

This task of standardisation is now an urgent one. With the development of computer technology, many of the main users such as the public utilities will be

Land prices key to home shortages

A NEW study of land prices in the South East of England has shown that they have increased much faster than incomes, retail prices and house prices, demonstrating that "land availability is becoming an increasing problem". The study also shows that the situation of first time buyers has been getting more difficult as they can only "afford smaller dwellings than their predecessors".

Most importantly, the study also proves that rising home prices in the South-East are the result of a shortage of houses in the region. Rising land prices, in turn caused by restrictions on the supply of land, are accelerating these price increases.

The study, by Professor A. W. Evans of the Faculty of Urban and Regional Studies at the University of Reading, responds to an earlier paper entitled "House Prices in Perspective: A Review of South East Evidence" prepared by W. S. Grigson. In this paper prepared for SERPLAN (The London and South East Regional Planning Conference), Grigson argued that house and land prices in the South-East were not exceptional. He also argued that land price increases do not affect house prices.

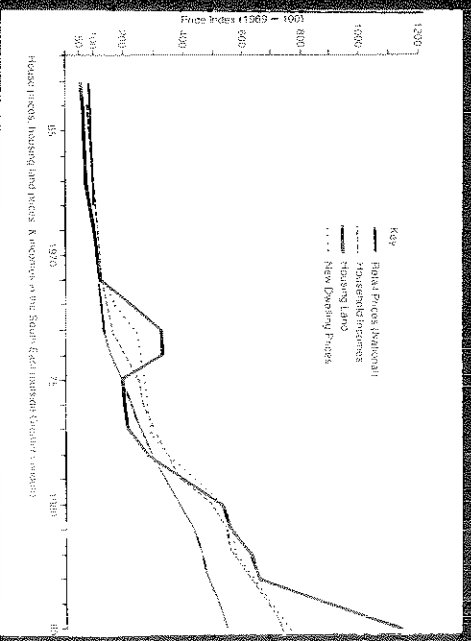
In a carefully argued economic analysis of the issues relating to building land in the South-East, Professor Evans demolishes Mr. Grigson's arguments — hitherto accepted by ministers — that it is only rising personal incomes, not land prices, that are causing rising home prices, and that, since the two are moving together, there is no problem. He shows that:

"Land prices *can* push home prices in that restricting the supply of land can cause both land prices and home prices to be higher than they otherwise would be."

He shows that house-builders have been forced to respond to rising land prices by building smaller houses at higher densities. At a time of rising wealth, when people would be expected to demand and consume larger and better houses, in the South-East they are being forced to buy smaller, higher-density houses. This suggests that there is therefore a major price effect created by land shortage.

The study's principal conclusions are:

- Land prices have increased much faster than incomes, retail prices, and house prices. This constitutes prima facie evidence that there is a problem.
- Despite Grigson's denial of the fact, there has



BY MAUREEN HYDE OF THE HOUSE-BUILDERS FEDERATION, LONDON

therefore been a fundamental shift in the balance of supply and demand; Grigson's interpretation of the relevant economic theory is incorrect. It is true that land prices are determined by house prices but only with the qualification *given the supply of land*. If the supply of housing land were increased, both land prices and housing prices would be affected. Since agricultural land is priced at less than one per cent of the price of housing land, the supply of housing land can be increased.

• A consequence of rising land prices has been that the price of dwelling types with relatively large plots, such as bungalows, have increased faster than the price of dwelling types with relatively small plots, such as flats, and these changes in relative prices have resulted in a shift in construction and purchase away from the former towards the latter.

• The situation of first time buyers has been getting more difficult in that, given the amount they can borrow, more recent first time buyers can afford smaller dwellings than their predecessors.

• Land availability is becoming an increasing problem. Land for development or re-development is increasingly to be found only in small sites; the supply of larger sites appears to be drying up.

• The house building industry in the South-East has increased the number of private housing starts, but newer housing is at a higher density of re-development, on smaller plots than earlier development.

Commenting on Professor Evans' study, Roger Humber, Director of the House Builders' Federation which commissioned the work said:

"What Professor Evans has done is to demonstrate clearly and unarguably that there is a land and home price crisis in the South-East. Land prices are roaring ahead of inflation.

"It is this land price 'banana republic' inflation that explains the CBI's recent expression of concern about an absence of suitable housing in the South-East.

Sir David Nickson rightly said that this is leading

TRUE BLUE PROMISE!

FOURTEEN Tory MPs have called for action to release vacant city land for development, writes Peter Poole.

They articulate some of the steps that the Thatcher government ought to take, if it is sincere about solving the problem of city centre blight, in a new booklet published by the Conservative Political Centre. They call for:

- A national land use survey: the Department of the Environment relies on land use statistics produced by the late Robin Best, which are far from satisfactory;
- A Land Register which identifies privately-owned vacant land as well as sites in public ownership suitable for housing;
- A Public Auction Notice System, designed to force public authorities to release undeveloped land to the private sector at market prices.

The vested interest behind these proposals is the need to protect the Tory vote in the shires. Villages now carry more of the burden of housing and industrial development which is spilling out from the metropolitan centres. The MPs fear that their electorally-secure rural

** Nicholas Baker and Jerry Wiggins, This Pleasant Land: A New Strategy for Planning, London: Conservative Political Centre, £1.95.*

havens might one day become "pockets of rural decay".

"It would be short-sighted and self-defeating to allow this to happen," say the authors. But in wanting to draw the teeth of socialist councillors they add: "The Conservative party cannot afford to allow our great cities, particularly in the north of England, to fall deeper and deeper into the clutches of hard-left councils which have a vested interest in exploiting social tensions."*

Unfortunately, the MPs have not learnt from past mistakes. For example, they call for an exemption from the proposed national business rate (the local property tax) for up to five years for newly constructed commercial or industrial premises in the inner cities. They characterise that exemption as "a powerful incentive", and as proof they point to the developments that have taken place inside enterprise zones, where there is relief from rates.

In fact, exemption from rates

in enterprise zones pushed up rents and the price of land: the benefits were reaped by land-owners who, by speculatively holding onto their idle sites were the ones who caused the problem of under-development in the first place!

But the MPs do hint at one sensible suggestion. Money invested in the rehabilitation of existing buildings should benefit from tax allowances. But how much, more dynamic, then, would be the policy of taxing site values — which would force owners to relinquish their land, if they did not want to develop it — and compensating for this by *untaxing* capital improvements, which would encourage capital investment.

The Conservative Government has not yet set its sights on such a positive market-oriented strategy. It still sees a solution in terms of planning and moral suasion. But the call for a land use survey from such a strong block of backbenchers is encouraging: and we have to hope that, one day, the party may recognise fiscal reform as the permanent solution.

*** SEE CENTRE PAGES**

◀ From Page 85

to significantly reduce the usefulness of the data to others. In view of the usefulness of HM Land Registry ownership data and Valuation Office transaction data for individual properties we believe there is a strong case for removing the constraints on releasing these data to any interested parties."

So persuaded was the Committee of this point that it forms its main legislative proposal:

We recommend that there should be open access to details of land ownership contained in the HMLR's Register of Title and to

details of land and property transactions held by the VO and the Valuation & Lands office of Northern Ireland. This would bring England and Wales and Northern Ireland into line with Scotland. The necessary legislation to lift current restrictions should be introduced as soon as practicable.

The Chorley Report represents a radical initiative regarding the government's fact-finding capability: this resource should not continue to be devoted simply to meeting its own needs in the cheapest way.

The report goes on: "Information needs to be seen as a corpor-

ate resource and be more widely shared between departments and organisations ... A major promotional exercise is required to maximise returns on the existing national investment in geographic information ... Charges for data should be at a marginal cost, and only at a higher rate if the market will bear it."

In other words, information is a "public good", and public goods should be made to yield the maximum public benefit. Imperfect information is a constraint on the market economy. Chorley has pointed us down the path towards that provision.

Oh for a touch of Dom

By FRIE

PLANS to revitalise Britain's inner cities are in jeopardy unless the government introduces a tax on the value of vacant sites conclude two leading geographers, Professor Michael Chisholm of Cambridge and Dr. Philip Kivell of Keel University.¹

Their new book follows hard on the heels of *Why Wasteland?*, in which John Loveless, a lecturer in civil engineering at King's College, London, analyses the urban problems associated with idle land.

The authors of both studies are advocates of the free market, who see that the absence of a tax on vacant land is an obstacle to the efficient allocation of land.

Chisholm and Kivell advocate the radical idea that a law should be introduced so that owners' use-rights would lapse after five years vacancy. "We can see no good reason why established use-rights should continue in perpetuity on vacant land," they say. "On the contrary, were use-rights to lapse after a specified period of vacancy, there would be considerable benefits."

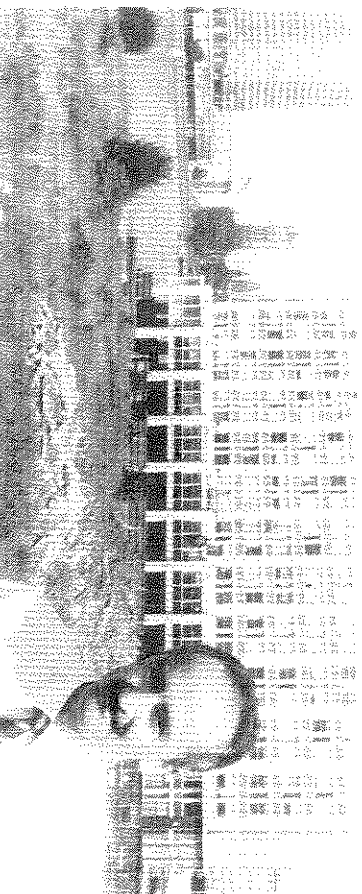
Such a provision would be necessary only if the tax rate was too low to compel the owners to develop their properties. The tax rate causes Chisholm and Kivell some difficulty, for they say that it should be set "high enough to act as a spur to action but not so high as to encourage ill-conceived schemes." That requires value judgments that have little place in decision-making in the marketplace.

Who can select a tax rate that would not encourage "ill-conceived" schemes? Who (apart from the advocates of planning and social engineering) is so confident as to know what is an ill-conceived scheme anyway?

BUT it would be churlish to nit-pick. Chisholm and Kivell are bold in their analysis and prescription, embarrassing the Thatcher government by advocating registers of land ownership, planning status and rateable values which are open to the public.

They commend the Danish system, in which people have access to land value maps which enable them to challenge official valuations. Alas, there is no sign that the British government is willing to limit its taste for secrecy to its futile bid to ban Peter Wright's *Spycatcher*!

Conservative politicians, in fact, while being aware of the need to redevelop derelict urban sites, have advocated bureaucratic structures



● "Land speculation is publicly abhorred by all shades of political opinion, but it goes on unchecked just the same," says John Loveless, pictured on a valuable but long vacant site on the south bank of the Thames, with the Houses of Parliament visible in the distance. "To abate land price

inflation and land speculation, the proven tool for the job is land-value taxation," he adds. A tax on the value of land alone also unlocks the land market by making development more attractive. No other measure would have such a beneficial effect on the urban wasteland problem."

(development corporations) at from taxpayers). These are as philosophy which allegedly is deficit financing is supposed to budget-balancing strictures. Budget match deeds!

Loveless emphasises that a consistent with the operations evidence (for example, Pittsbury, the assessed value of buildings taxation is the most effective arrives at his policy solution by known maxims:

● The greatest happiness of morals and legislation; and

● The best government is the A consistent political philosophy taxation, for this is the instrument government and maximum happiness Loveless notes:

It is amusing to reflect that the better grasp of the vital importance present-day planners, politicians, through the Domesday Book than any government since. And, the gold, which was at once the least liable to evasion of any tax, wrong?

Where we went wrong is almost that attempts over the years to were repeatedly thwarted by "the

THE paucity of data on the present research. For example, Loveless vacant land, but other estimates compromise figure adopted by in England, which is about the same wasted resource is privately owned Chisholm and Kivell found that lie idle for between 12 and 20 findings of research in the US;

Fred Harrison suggests² that found that trends in land value must be that the shrewdest speculation hang on to their assets for a long time bursts!

This propensity to withhold land

the Conqueror's

Sunday

RISON

centives (handing out grants to individual entrepreneurs, as President Reagan's administration as we know, do not always

and values is the instrument market. He draws on empirical and values at a higher rate than the theory that land value mutate economic growth. He as his starting point two well-

number is the foundation of governs least.

has to come up with land value is compatible with minimum As a footnote to his study,

William the Conqueror had a nd to the economy than many omists. He had better information and ownership and land values a unitary system of taxation, nt, arguably the fairest and the yet devised. Where did we go

Christopher Huhne, who noted land value taxation in Britain landed interests".

emplifies the need for further figure of 100,000 hectares of re up to half-a-million. The and Kivell is 210,000 hectares inhamshire. One-third of that

ategically-located sites tend to his duration accords with the favoured period was 15 years. ale is not a coincidence; for he o 18-year cycles. The inference uy at the bottom of the cycle, and then sell before the bubble the market even when the price

NOVEMBER/DECEMBER

VACANT LAND ON THE PUBLIC LAND REGISTER IN MAJOR URBAN AREAS, 1987

(area in hectares)

	Area vacant 1987	Disposed of 1984-87*	Brought into use 1984-87*
<i>Metropolitan counties</i>			
Greater London	1,896	947	394
Greater Manchester	2,173	461	200
Merseyside	1,399	64	33
South Yorkshire	1,543	63	13
Tyne & Wear	1,657	263	130
West Midlands	960	328	91
West Yorkshire	2,002	113	20
TOTAL	11,630	2,239	881
<i>Urban districts over 200,000 population</i>			
Bristol	353	60	13
Derby	205	43	4
Hull	524	41	23
Leicester	330	18	25
Nottingham	164	22	24
Plymouth	222	36	15
Southampton	38	6	9
Stoke-on-Trent	219	17	8
TOTAL	2,055	243	121

*The figures for land disposed of and brought into use refer to the period 1984-87, except for Greater London where the period is 1982-87.

Source: Department of the Environment computerised Land Register, February 1987.

is rising marks off speculation in land as different from speculation in commodities (the justification for speculation being in terms of helping to offset rising prices by increasing the supply). The land market's "price stickiness" is unique, and Chisholm and Kivell offer four reasons:

(1) the absence of any cash cost for holding vacant land; (2) the existence in perpetuity of use-rights; (3) the practice of land-use zoning in the operation of planning; and (4) the piecemeal and unsatisfactory nature of public information about the ownership, value, use-rights, etc, of parcels of land.

And that is why they advocate a tax on land values, albeit on vacant sites alone. "If the government will not implement the fundamental reforms which are required in the land market, the success of efforts to revitalise the inner cities will be in jeopardy," they conclude.

REFERENCES

1. M. Chisholm and P. Kivell, *Inner City Waste Land*, London: Institute of Economic Affairs, £3.50.
2. J. Loveses, *Why Wasteland? Towards an urban Renaissance*, London: ASI (Research) Ltd.
3. C. Huhne, "Why not tax all our vacant lots of land?" *The Guardian*, London, 16.9.87.
4. F. Harrison, *The Power in the Land*, London: Shephard Walwyn, 1983.

TAX RELIEF TRAGEDY

THIS is an interesting and important book, which ought to be read by anyone who is concerned with the problems of peasant farmers, the plight of tribal peoples, or the need to conserve the rain-forests of the world.

It is a "must" for anyone who wants to know more about the Amazon, providing an up-to-date account, against the exotic and romantic background of the Amazon Basin, of a perennial cause of dispute in human society viz., conflict over land.

The authors travelled widely in Brazil, in order to get first-hand knowledge of what was happening there, and interviewed, or simply talked to, large numbers of individuals. Their informants included peasants, Indians, Church workers, officials, land-owners and others.

They were assisted by various Brazilians, who carried out interviews with them, or (to a limited extent) for them. They also made use of existing published work, and of press reports.

Altogether, the findings presented here are impressive in their

The Last Frontier: Fighting Over Land in the Amazon
Sue Branford and Oriel Glock: Zed Books Ltd., London, 1985, 336 pages.

scope, and fascinating, though sometimes harrowing, in their detail.

The authors are much to be commended, both for their perseverance in finding out facts, and for their presentation of these facts in a highly readable way. I was sorry to read that Oriel Glock had died shortly before the book was published; it is clear that she must have been a very talented

BY ALEX HARDIE

person, with a strong commitment to her research.

There are three aspects to this book; observation of the problem, diagnosis i.e. explanation of the causes, and prescription i.e. advice as to what should be done. The observation is first-rate, and

union leaders have been murdered in the last two years by gunmen hired by landowners.

The programme has not succeeded: although 1.4m. families were due to be settled by the end of this year, only 25,000 had been by June.

Meanwhile, the landless peasants continue to flood into the *favelas*, the slums of cities. Many take part in drug smuggling.

The drugs barons in Rio de Janeiro have now effectively turned the police into an extension of their gangs. Off-duty officers are hired by the peddlers to kill their opponents.

They now run the *favelas*. Civil law cannot reach into the slums, where the landless peasants are forced to back the drugs bosses in their desperate attempt to stay alive and make a living.

the reader gets a very good idea of the life of peasant families, people who, after many years of effort, are just managing to make a reasonable living out of the land they have cleared, when "land-owners" come along and try to evict them, all too often with success.

The sufferings of the Indian tribes are even worse, as they cannot maintain their traditional way of life without their tribal lands, and many of them have died of diseases formerly unknown to them.

In my view, the diagnosis is strong on detail, but weaker on the underlying causes. Certainly, the "land-owners", who may not even be official owners of the land, are greedy and violent, the officials are often corrupt, the government is deplorable, but all this cannot properly be attributed to "capitalism", as the authors seem to imply.

Rather, the economic and political system of Brazil is one of "corporatism", in which private property is allowed, but the government can decide how that property will be used. The rights of individuals are ignored, but there are plenty of hand-outs for wealthy persons, or large institutions, who support the government. In a Brazil in which the freedom of the individual was respected, it would not have been possible to use tax-payers' money to build expensive roads through the Amazon, or to give discriminatory tax relief to companies which "developed" the Amazon.

Yet from this book it is clear that the despoliation of the Amazon could not have occurred without the roads and that only generous tax relief could have induced companies to go there. (In passing, it would be interesting to know how much of the destruction has been financed by cheap loans from international bodies paid for by Western taxpayers). It is also clear that the

Reformer 'murdered'

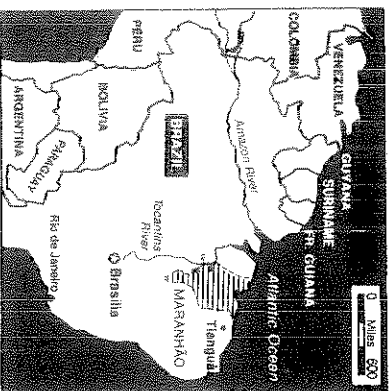
SABOTAGE is feared to be behind the death of Brazil's Minister of Land Reform, whose jet burst into flames and plunged into the jungle seconds after take-off.

Sr. Marcos Freire, 56, was aboard a Hawker Siddeley 125 belonging to the Air Force when the crash happened on Sept 9. With him was the President of the National Land Colonisation.

Although the government denied that sabotage was likely the theory was being investigated because Sr. Freire held the most controversial political office in the country.

Since May 1985, when the civilian government announced that it would resettle 7.1m landless families, the landowners have used violence to express their opposition.

Three Catholic priests and 292 peasants, lawyers, farmworkers and



Fate sealed by the landbarons

A HORRIFYING report from Germaine Greer on the plight of the peasantry of North East Brazil, in which the Church accuses the former military government of ex-President Figueredo of genocide was published in *The Independent* (London) on June 15-16.

The bishops maintain that 3½ million people have died in a famine caused not by drought or crop failure but as a result of deliberate government policies in the drive to expand the economy.

A great free-for-all land grab with all its suffering to the disadvantage still goes on under the present so-called democratic rule of President Sarney, who seems unable to cope with a daunting situation involving corruption within the police, violence and co-operation from the army — still the real rulers of Brazil.

Landlessness is hourly increasing, and so is inflation in spite of (land partly because of?) the World

Bank's astronomical loans to aid development schemes and which Brazil has not the slightest chance of repaying and which as usual results in too much of the extra wealth gravitating to the pockets of the landowners.

The Church, as well as financing community schemes to aid their suffering flock, has courageously urged landless rural workers to occupy uncultivated arable land, and organises them to take possession. But this has resulted in nuns and priests, as well as farmers, being killed by hirelings of the land barons.

The details in the report of malnutrition and premature death among the poorest are heart-rending, especially as Brazil has been given billions in real money for development, which has been of little benefit to those in real need. Yet in spite of all this, it is reputed to be the richest country in the Third World.

Government has failed in its duty. It has not enforced law impartially, or surveyed land properly, or checked whether people were already living on land which it proposed to sell. Brazil does have a very sound law, whereby a person can claim ownership rights to land which he is already occupying. If this law had been used as the basis of land rights, there would have been little conflict. In practice, conflict arose because companies, or wealthy persons, bought land from the government and then found people already occupying it. As a libertarian, I would reject the view that the government of a country owns the land of that country; taking this approach, the Brazilian government was not entitled to sell the land anyway.

The authors give relatively little space to the policies they

NOVEMBER/DECEMBER

would recommend. However, they do favour land reform and what they describe as "rational" development. This is well enough; no sensible reader would want detailed advice on policies, at the end of a book of this length, and these recommendations are reasonable. Who wants irrational development? Even so, the reader will learn that the peasants were gradually settling the Amazon of their own accord, and that their relations with the Indians were usually quite amicable. This being the case, the best policy would be one of non-interference, which would imply no deliberate "development" at all. After all, the past behaviour of Brazilian governments gives no cause for supposing that they could identify, or carry out, a rational development policy. As to land reform, the authors do not mention the one

Another report, which may not provoke quite such deep feelings of revulsion and indignation, is found in the Kent Property Mail of June 18, in which a Prudential Property Services survey shows that the cost for young couples of buying a home has rocketed so high that many of them are having to rule out any possibility of having children for years to come, simply because both will have to go to work full time in order to maintain the mortgage repayments.

So if there are still any Malthusians left among us, they may rest a little easier, for there are still forces at work keeping down the figure they dread.

Finally, each of these reports proves in its own way the inexorable law: that those who own and control land hold in their hands the scales of life or death and of happiness or misery over those who do not.

reform which is needed in Brazil, as elsewhere, land value taxation.

I liked this book very much, and would certainly recommend it. One especially interesting fact can be found on page 27. With reference to the state of Rhodônia, there is mention of the "first national cadaster", which was carried out in 1967. I assumed that this meant that a land ownership survey was carried out in that state in that year, presumably as part of a complete cadaster for Brazil. Elsewhere, I read of satellite photography being used for land surveying. If Brazil can do this, it gives the lie to the claim that a cadaster for Britain would be too expensive to carry out.

● Dr. Hardie is lecturer in economics at the University of Exeter, England.

Sanity at last as land values receive official status

ALTHOUGH the balance sheet has been the poor relation amongst national accounting statistics, and land has been very much the runt of the balance sheet, the UK Central Statistical Office has at last recognized land value as an entity in its own right.

Since the Second World War national income and expenditure accounts have been accepted as an essential tool for understanding and influencing the economy. But only in 1980 were official estimates of the stock of the nation's wealth first published.¹

These estimates drew on some twenty years of pioneering work, first in the USA and then in the Department of Applied Economics at Cambridge, under Professor Jack Revell. Now Chris Bryant of the CSO has extended them in an article entitled "National and Sector Balance Sheets, 1957-1985."²

For the first time a supplementary note on land values has been added, and a methodology has been outlined by which the land value of the UK might be very roughly assessed.

The balance sheet tables list the stock of tangible, intangible and financial assets, in each of seven sectors of the economy, and their financial liabilities. The net balance of each sector — persons, industrial and commercial companies, banks, other financial institutions, public corporations, local authorities, central government — represents the "net worth" or wealth of that sector. The sum of sectoral wealth is the national wealth.

Table I (next page) shows the asset composition of the national wealth in 1985. Consumer and military durables, which are treated as current expenditure, are recorded in the flow accounts. Minerals, climate, ancient monuments, works of art, copyrights and "human capital" are not included because they are too difficult to value.

Wherever possible market

values are used — as reflected in rateable values adjusted by the findings of sample surveys undertaken to indicate their relationship to current capital values. Vacant possession values are then apportioned between landowners' interest and tenants' interest ("intangible non-financial assets").

However, market valuations are not possible for buildings and works that are not traded, such as schools and hospitals, gas mains, coal mines and roads. These are therefore valued at depreciated current replacement costs.

Bryant finishes presenting the accounts with the observation that the CSO Blue Book provides alternative valuations of the nation's capital stock using the "perpetual inventory method".

"For residential and other buildings these alternative valuations have two distinctive features: first, they exclude land values and, secondly, they are replacement cost valuations. At first sight therefore comparison of balance sheet valuations of land and buildings with capital stock estimates of the value of buildings offers an estimate of land values.

"However such comparisons have pitfalls. First capital stock estimates are extremely dependent on assumptions about asset lives which must often be rough.

Secondly the question arises whether comparison should be made between market values of land and buildings in the balance sheets and gross capital stock or net (ie depreciated) capital stock."

Noting that houses depreciate slowly for most of their lives and that commercial buildings depreciate rapidly, Bryant chooses to use gross figures for the former (Table 2) and net figures for the latter (Table 3).

However, similar calculations for the public sector reveal negative or very small "implicit land values". Bryant reflects that "it would appear that the cost of construction of local authority residential buildings is not reflected in the values which these buildings might fetch on the open market.

"In the case of non residential buildings the lower land values in the public sector than the private sector reflect Valuation Office advice that land values for community assets are much lower than values for housing and commercial use."

In other words, the beneficiaries of public buildings are enjoying huge hidden subsidies in the form of land values not included in the national balance sheet. For can it be that the public sector, which accounted for 45% of the expenditure on the GDP at market prices in 1985, occupied only 1% of the capital value of UK land in that year?

If we assume that local authority housing land is of the same value per dwelling as private

TABLE 1: The National Balance Sheet by Asset, UK, 1985.

	£bn	Net Worth	(Of which, land value)
Residential buildings		595.2	(177.5)
Agricultural land and buildings, and forest		39.3	(23.1)
Commercial buildings		174.2	
Industrial buildings		25.9	(200.1)
Other buildings		100.7	
Civil engineering wks		145.1	
Plant and machinery		247.3	
Ships, aircraft and railway rolling stock		8.7	
Road vehicles		18.1	
Stocks and work in progress		89.8	(1.5)
All tangible assets		1444.5	(402.2)
Intangible non-financial assets		107.1	(82.5)
Financial assets		594.6	
Financial liabilities		-515.8	
total net worth		1630.3	(484.7)

TABLE 2: Private Sector Residential Buildings
£bn

End year	Land and buildings (1) (balance sheets)	Buildings only (gross capital stock)	Implicit land values
1970	55.4	36.6	18.8
1973	125.8	71.3	54.5
1976	158.7	104.3	54.4
1979	298.5	200.1	98.4
1982	379.7	283.0	96.7
1985	563.7	376.8	186.9

(1) Includes intangible values of private housing tenancy rights.

Table 3: Private Sector Buildings and Civil Engineering Works (1)
£bn

End year	Land and buildings (balance sheets)	Buildings only (net capital stock)	Implicit land values
1970	24.6	17.6	7.0
1973	45.4	35.7	9.7
1976	61.6	59.7	1.9
1979	128.9	103.9	25.0
1982	191.3	129.7	61.6
1985	237.8	153.2	84.6

(1) Figure excludes agricultural buildings and works.



housing land, then £69bn should be added to the wealth of the UK.

If we also assume that the capital value of the land under other public sector buildings is the same proportion of property values as in the private sector (ie 35.6% in Table 3), then an extra £112bn (over and above £3.6bn) needs to be imputed in the balance sheet.

Including also farm and forestry land, and building site land, this gives a grand total for the capital value of UK land in 1985 of £485bn, which was 183% of the national income (see Table 1).

STEVEN CORD has used similar sources in the USA to arrive at an equivalent figure of \$3914bn for the capital value of land in 1981, which was 166% of national income.³

At a yield of 5%, the annual rental value of UK land would have been £24.2bn. This does not include the rent already captured by the local property tax. If one-third of the "rates" burden of £13.5bn was on land then £4.5bn must be added to land rent.

The rent of mineral deposits has also been excluded. Direct government revenue from oil production has been running at over half of the value of total production, which gives reason for thinking that land rent may account for about half of the value

of all mineral output. In 1982 the latter was £23bn and so the former may have been £11.5bn.

A round figure of about £40bn p.a., therefore, emerges as the UK land rent for 1985, which was 15% of the national income in that year.

Steven Cord applied an interest rate of 14%, as mortgage rates were above 16% in 1981. Adding \$25bn p.a. for land rent collected by the local property tax, and \$85bn for mineral land rent, he produced an annual land rent total of \$658, or 28% of national income. If the same interest rate had been used as for the UK, this proportion would, in fact, have been lower than the UK's 15%.

Nevertheless, these findings render absurd the popular view among economists that land rent is an insignificant proportion of national product. Graham Halliell, for example has written that "the factor income 'rent' was

REFERENCES:

1. *Economic Trends*, Nov. 1980 (HMSO).
2. *Economic Trends*, May 1987 (HMSO).
3. *Land & Liberty*, Jan-Feb. 1985.
4. Halliell, G. *Urban Land Economics*, 1979 (Macmillan), p. 88.

4.4% of national income in 1976 ... on this basis, the rent of the land itself can hardly be more than 2% of national income".⁴

Misconceptions such as this are exposed by the presentation of balance sheets alongside income and expenditure accounts. Yet the balance sheet has a far from secure status. In Bryant's words, "The CSO has no current plans to compile complete sets of national and sector balance sheets on an annual basis ... Further updates of tangible asset values will be made when resources permit and depending on the contribution it is considered they can make to government assessments of economic developments."

Any business manager attempting to understand a company's position by considering only its profit and loss account would be considered foolish. Yet government appears to be satisfied with that basis for understanding a country's fortunes.

From a statistical point of view alone regular updates would improve the ease and reliability of valuation. The Government's business-like approach must be extended into this area.

**By ROY
DOUGLAS**

Lily-livered legislators

A GOOD book on the land question in a modern context has long been required, and Marion Shoard has made a partly-successful attempt to fill this gap. The approach is nothing if not comprehensive: indeed, one of the most serious criticisms is that it attempts too much, and might be more effective if confined to a somewhat narrower field.

It begins, as comprehensive works usually do, with a historical survey, describing the process by which our present system of land ownership developed. In the various parts of Britain, as in other countries, land was originally regarded as fundamentally different from chattels: something essentially common to the whole society.

For a variety of reasons, and in a variety of ways, the differences between reality and personality gradually became blurred. From that point, the road was open to those extremes of wealth and poverty which, with occasional interruptions and intermissions, persisted right down to the 19th Century, and leave many vestiges to this day.

In a sense, all that is old hat to people seriously interested in the land question; but in another sense the story can never be told too often for the enlightenment of people who do not fully appreciate the differences between land and other property. Even dedicated land reformers will find much to think about, and useful examples which show just how it all happened.

What may perhaps come as something of a surprise is the extent to which the direct, as opposed to the indirect, anomalies and injustices of our land system persist to this day, in spite of all the economic, social and

and fritillaries

unforgivably

frittered away

**MARION SHOARD: THIS LAND IS
OUR LAND: THE STRUGGLE FOR
BRITAIN'S COUNTRYSIDE
PALADIN, £5.95. 592pp**

political changes which have occurred in the last centuries.

Marion Shoard provides a striking and informative analysis, naming some of the people who still own enormous tracts of Britain, showing the sort of wealth which derives from that kind of ownership, and also demonstrating the enormous power over other human beings which, even to this day, attends land ownership. Let those who think that land reformers are overstating their case, or solving a problem which no longer exists, try to answer this author.

Another aspect of this book which is particularly important to

the modern reader is the environmental consequences of our land system throughout the ages, but particularly in the last few decades. This really deserves a book to itself. We all know about the loss of the common, and the "greater villain" who stole it from the goose.

For the past century and a half, too, people have been deprecating the loss of rural land to buildings; but one of the author's most striking observations comes quite late in the book, where she discusses land planning legislation of the late 1940s:

"Farming and forestry were given special exemption, mainly

From Page 86

to a severe skills shortage and is seriously inhibiting economic growth.

"Government — both local and national — has tried to hide this truth behind a mask of complacency. This report shows that there must be an urgent response from government and from planning authorities if the children of South-East families are to be able to have decent homes, and if South-East businesses are to be able to attract the skilled workers they

need to flourish. Currently those workers are finding South-East house prices unaffordable."

The study entitled "House Prices and Land Prices in the South-East — A Review" is available from BEC Publications, Federation House, 2309/11 Coventry Road, Sheldon, Birmingham B26 3PL at £10.00 including postage and packing.

● This article first appeared in *New Homes Review*, published by the New Homes Marketing Board, London.

because they were not at that time considered damaging. Now it is clear they are doing far more harm than any building activity ..."

Many of us still don't really think of things that way, but it is demonstrably correct. Lump together all the built-up areas, along with their gardens and their roads, and they could still be fitted into a good-sized English county. Throw in all the effluent they produce as well, and the effects are deplorable, but not irremediable.

What has happened to the remainder of Britain — the rural bits where, 40 years ago, Attlee's government and nearly all of its critics as well, could tacitly regard the activities of the farmer and the forester as generally beneficial?

Even in those days, some people shed a few tears about the serried ranks of the Forestry Commission's coniferous woodland, but scarcely anybody got upset about farmers grubbing up hedges and draining ponds or wetlands. Until quite recently we actually paid them good money from the taxpayer for doing such things, and called it "improvement".

Now look at Britain in the late 1980s! Look at the effect of our "improvements", along with the fertilisers and pesticides which have been spread on our crops. We wiped out the Large Blue



● Marion Shoard

butterfly shortly before we issued a postage stamp to commemorate its existence.

The great crested newt, which before the war schoolboys all over England used to collect, now requires (and has received) legal protection in order to enable it to survive — because so many of the ponds where it lived have been filled up.

The nightjar, whose eggs were collected for food a couple of centuries ago, is now on or over the edge of extinction in large parts of Britain. There are innumerable examples of that sort of thing with all kinds of wildlife. Ninety-five percent of our hay meadows, Marion Shoard tells

us, "with their characteristic constellations of yellow flags and buttercups, fritillaries and cowslips, early purple and green-winged orchids, ragged robin and meadow-sweet have been subjected to agricultural 'improvement' since the war. Most of them now consist simply of cereals or perennial ryegrass sown as a monoculture."

Many counties have lost half or more of their Ancient Woodland in the last fifty years. Along with this irreplaceable heritage of natural environments and the great assemblies of creatures which used to live there, we are fast losing the footpaths and rights of way which used to give us access to them; and Marion Shoard is able to show that the process is sometimes tied up with the position of great landowners as leading figures on local authorities.

Land reformers ought to give a lot more attention to this sort of thing. We do no good by pretending that these problems don't exist, or that they will all go away if we free our trade and tax our land values — important and necessary as these reforms most certainly are.

IT IS unfortunate that Marion Shoard is on less sure ground when she makes proposals for the future than in her devastating analysis of the past and present.

Land Nationalisation she rightly dismisses. In the end she arrives at a system of land taxation which is designed positively to encourage environmentally useful activities, while financially penalising those which are deleterious. She also discusses the Swedish system of *Allmansrätten*, or general right of access to the countryside, and pumps down strongly in support.

What is really missing in this last part of the book is that very welcome feature which characterised the great bulk of it: the close analysis, the detailed comparative study. Marion Shoard may well have the germ of an idea which might, with substantial modifications, command support. The case, however, is not adequately made in this book.

perty prices within the zones have risen to absorb the amount of the tax relief. Michael Ward, the then Chairman of the Greater London Council's Industry and Employment Committee, said in September 1984 that there is an inverse relationship between rents and rates: "The lower the rates, the higher the rents."

He added: "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 sub-

sidising landlords with windfall gains, rather than the industries they are meant to encourage."

The fact that commercial rents are depressed by large increases in local taxation also illustrates that rent is the residual beneficiary in the distribution of wealth. The more that is extracted from total production on a site, for whatever reason, the less there remains for the landlord.

But while one may readily concede the principle in such examples, is it true that *all* taxation is ultimately at the expense of rent? This is a question that must await further research.

EC come, EC go in

AFTER READING about skulduggery in the Common Market (*Wall Street Journal*, 28 July, 1987), I ask: Why do I have to buy an American newspaper in order to learn of these goings on? The question is rhetorical. It is meant to convey my concern about the apparent apathy and indifference to these matters this side of the Mill Pond.

In these articles the EEC is referred to as EC. I like this idea. My dictionary defines economic as the condition of a country as regards material prosperity. As there would not seem to be much doubt as to who is enjoying, or is supposed to be enjoying this prosperity, the middle word can be considered undesirable or superfluous.

But first I quote a few words from the UK government's White Paper on the Common Market published in July 1971. After setting out how surpluses are to be brought up by the agricultural fund (but somehow omitting to mention that they are to be willfully destroyed or left to rot in expensive storehouses) and how exporters are compensated when their sales to third countries are made at prices below Community levels, it says:

"In the enlarged Community British farmers generally can expect better overall returns for their produce despite higher feed costs. There will also be better prospects for our exports of agricultural and food products in the markets of the enlarged Community at higher prices. Our efficient agricultural and food industries are well placed to take advantage of these opportunities." (They can say that again). "Thus, as a result of our entry, home agricultural output can be expected to expand more quickly." Is that why I can no longer find the best and tenderest English beef I used to enjoy?

The CAP is riddled with fraud — it is set up in such a way that it encourages it. Quoting the WSJ: "The European Parliament held hearings earlier this year and published an estimate that fraud and 'irregularities' eat up about four billion European currency units (\$4.47 billion) from the EC's agricultural budget each year."

The export subsidy racket provides a quick and easy fortune for the truly enterprising, and for the artistic, rich rewards for producing nicely forged export documents.

● Five years ago in the port of Genoa part of a shipment of tomato concentrate being exported fell and smashed, revealing that most of the broken casks contained only water. The shipment had received a large EC export subsidy. And recently compiled statistics suggest that Italy received subsidies for canning a million metric tons more of tomatoes from 1982 to 1987 than it actually had on hand.

● In Belgium they are looking into an alleged import of butter from Italy that contained 45% of pig lard, and another of frozen surplus butter that had received EC subsidy, being mixed with an inferior product and marketing it in Belgium as fresh dairy butter.

● "A Dutch company is suspected of buying Austrian Emmmenthal, then changing the markings to resemble West German hard cheese to avoid the EC's high import tariff. Authorities say the company then obtained EC export subsidies to re-export the cheese, ostensibly to Venezuela ... authorities think ... customs documents were forged ..."

● In Ireland the Community paid £3 million Irish to subsidize a private beef shipment to a non-EC country. The meat never left Ireland.

● "Fraud also occurs in the hilly border area between the Irish Republic and Northern Ireland, where farmers sometimes drive the same herds back and forth across the border several times, evading customs authorities on the return and collecting EC 'monetary compensatory amounts' on each trip north."

European Eldorado

The most outrageous examples of the subsidised export racket surely must concern the Vatican and Andorra.

Each week a truck apparently leaves a Netherlands based meat trader with a shipment of milk-fed veal for the Holy See. In 1986 the shipments totalled 563 metric tons. The Vatican has only 342 residents. An EC Commission official says the shipment received an EC export subsidy of about \$1.6 million.

In 1986 the Vatican imported from the 12 Community countries many hundreds of tons of other produce, all or most of which received liberal export subsidies ...

Since the tiny population of the Vatican could not possibly have appetites that big, much of the stuff apparently is "carried back into Rome by several thousand Vatican employees, members of their families, and ~~members of~~ religious orders. The Vatican has a supermarket, with a large butcher's next door, for use by Vatican employees and their families. In part, because of EC subsidies ... shopping in the Vatican is cheaper than shopping next door in Rome. The Vatican press office says there are 2,793 employees who have shopping cards, used by an estimated 5,000 people including family members ..."

The same sort of thing is happening in Andorra, where the population of 34,000 could not possibly consume anything like the thousands of tons of dairy products which find their way there by the same means. So tourists, mainly from Spain, are buying up the cheap dairy products and driving home with them.

"Under EC law, when export subsidies are paid the products must be consumed entirely within the country to which they are shipped. The Vatican and Andorra are cheating!"

A top investigator says the amount spent on subsidising exports to the Vatican is "peanuts" compared with the £27 billion ECU agricultural budget, and says they have better things to do than spend time on that. That is a deplorable way of admitting that the whole thing has got completely out of hand, and no one is making much effort to put it right.

Klaus Tiedemann, a West German professor of criminology, says there are numerous irregularities in EC spending because there are large amounts of money to be made, the chances of being caught are small, and the penalties imposed often are insignificant compared to the profits gained by cheating. And that applies to many other fiscal frauds.

Economical, a word derived from economic meaning saving, thrifty, avoiding waste, would be even less appropriate to the Common Agricultural Policy, which must be the most expensive scheme for saving money ever devised by so-called economists.

ROBERT MILLER