

LAND and LIBERTY

NOVEMBER-DECEMBER 1989

UK 80p; USA \$1.50

GOOD GREENS
— Centre Pages



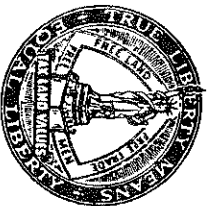
LAND and LIBERTY

Established June 1894

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

Editorial Offices
177 Vauxhall Bridge Road
London SW1V 1EU
Tel: 01 834 4266
121 East 30th Street
New York, N.Y. 10016
Tel: 212 697 9880
ISS No. 0023 7574
Vol. 96

No. 1,142
Annual Subscription:
U.K. & Sterling area: £5
USA \$10, Canada \$11



| | |
|--------------------------|----|
| Experiment for Democracy | |
| FRED HARRISON | 83 |
| Virulent Marx | 85 |
| After Socialism | |
| FRED HARRISON | 86 |
| Green's Charter | |
| INSITE | 88 |
| Democrats Back LVT | 89 |
| New Zealand Worries | |
| DAVID REDFEARN | 90 |
| Mugabe Threat | 91 |
| Essential George | |
| DAVID REDFEARN | 92 |
| American Values | |
| E. ROBERT SCROFANI | 94 |
| Land Scandal | |
| ROGER SANDLANDS | 96 |

COVER PHOTO: Sara Parkin, one of the British Green Party's leaders, who says that land value taxation is now a "positively mainstream" policy. Report: page 88.

SIMPLY DOES IT

SIMPLE solutions to global problems ought to be viewed with scepticism. Especially when they claim to deal with seemingly intractable crises in politics, economics and ecology. All in one big Smash Hit.

Starting on page 83 we outline the framework for a policy that claims to do just that. The strategy is underpinned by a simple fiscal policy that seeks to harmonise disparate interests. Not by coercion, but by consent. Not by standardisation, but by encouraging cultural diversity. By the devolution, not the centralisation, of power.

It would work by synthesising the interests of individuals and of nations. By removing poverty in the process of giving concrete expression to the rights of the individual based on sharing nature's bountiful resources (nature never was niggardly; that always was an ethnocentric libel).

The supra-national institutions that are proposed would realign international relations on the basis of duties stemming from the control over territory.

And looking to the future, an ethical basis for space-age collaboration is created - literally: the recognition of the interdependence of nations, married to the acceptance of mutual rights over natural resources, lays the foundations for international cooperation in the colonisation of the planets and the use of intergalactic resources.

THIS futuristic philosophy is not addressed to problems very far away. In the next 50 years population will multiply by another three billion people. Over 90% of this increase will be in developing countries. "many of which seem to be approaching the limits of their land's productive capacity at current input levels," according to the World Resources Institute.

This ominous threshold threatens the world order and the future of Mankind. It means that,

by the year 2,025, the world could be confronted by crises induced by either (or probably both) of the following causes of conflict.

* Cross-border incursions in the search for "new" land. Since there would be no "new" land left, this demographic pressure in favour of territorial expansion would encourage military conflict.

The wars would start as localised disputes, but we can expect many of them; and hip-pocket sized nuclear weapons will not mean that the rest of us can grandstand the madness now being enacted in Lebanon.

* Over-exploitation of land, leading to irreversible damage to the eco-system. Already, about 6-7m hectares are rendered unproductive per annum because of erosion. Additionally, the productivity of up to 1,5m hectares of cropland is reduced each year because of water-logging, salinization and alkalization.

We now know that the major cause of this despoliation of nature is government-sanctioned laws, which distort the market economy. For example, subsidies induce farmers to employ ecologically-harmful methods of cultivation. The biggest single error, however, is the failure to tax the rental value of land; this is now proven to be the major cause of wanton destruction of our habitat.

ACTION has to be orchestrated on a global scale, but it can only be implemented locally. This means that, while the framework has to be all-embracing, the dynamics for action have to be conceptualised at the level of the individual.

That means family-sized farms. Fair returns for labour and the investment of capital. Equity in the share-out of the value of the resources of nature. Bold action by statesmen in the direction of liberty, not bureaucracy.

We believe that these goals cannot be accomplished by any solution other than the one articulated in this issue.

Unbeatable model

NOW that socialists have thrown in the towel in the War of World Ideologies, even while capitalism is entering a phase of economic turbulence, the time for serious consideration of alternative forms of social and economic structures has arrived.

Viable alternatives are scarce. The Green movement is proposing fruitful approaches, which while incomplete are nonetheless forcing the Establishment to review prevailing perceptions (see Page 88). What is needed, however, is a comprehensive model that both defines the institutions and practices that require reform, and provides a framework for sustainable economic growth.

In my view, the specifications for such a model are provided by only one theorist: American social reformer Henry George, whose ghost has been waiting in the wings for the last century. Try hard as they may to disparage his fiscal perceptions, critics of Henry George have not been able to bury his vision of an economy that would liberate everyone in a civilized society.

His thesis is not uncontroversial. One of the central features of Henry George's analysis has now been challenged in a way that suggests a flaw in the theory.

And if the basic theory is defective, there are grave risks that the vision of a free and prosperous society that springs from it could not be realised – in just the same way as the theoretical formulations of Karl Marx failed to yield the substance of the dreams that clouded his mind as he burrowed in the books of the British Museum.

HENRY George maintained that the monopoly of land leads to the impoverishment of the population. Writing in the 1870s, just as the western frontier was closing, he predicted – on the

• **FOR one brief moment last summer, Washington DC was flirting with the idea of *The End of History*. A State Department official celebrated the victory of western liberal capitalism over socialism by concluding that the best of all possible socio-economic systems is now centre stage.**

• **Wrong, argues FRED HARRISON, who maintains that the end to the dangerous polarisation between socialism and capitalism has opened up an era of social and economic experiment. Its success depends on whether democracy is powerful enough to avoid the subordination of the liberty of the individual to the authoritarianism of the State and the standardisation that flows from the cartelisation of markets by corporations.**



basis of the Ricardian theory of rent – that the benefits of progress would be incorporated into higher land values.

Wrong, argues C. Lowell Harriss, professor emeritus of economics at Columbia University, New York, and a distinguished Executive Director of the Academy of Political Science.

In a paper presented to a conference in Philadelphia last August, to celebrate the 150th anniversary of the birth of Henry George, Prof. Harriss noted that in the past 100 years the living standards of millions of people have improved beyond the most fantastic dreams of Henry George's contemporaries – an outcome of economic progress which land monopolists have not been able to prevent.

Dr Claude Gruen, the principal economist of a San Francisco firm that specialises in the economics of real estate, also spotted this weakness in George's seminal text,¹ and he sought to explain why George got it wrong:

"Things did not work out in the

way George predicted because land markets did not become monopolies. The margins of urban development were constantly pushed back by expansions in infrastructure while local land-use policies rarely thwarted growth. Land markets were, therefore, competitive".²

No one can deny that millions of great-great grandsons of 19th century peasants now live in comfortable middle-class comfort, owning labour-saving gadgets in the home, driving powerful cars and enjoying vacations in exotic climes.

Nor would anybody deny that millions of people live in abject poverty; not knowing how to pay for their next meals, many of them unable to provide roofs over the heads of their children.

So the picture is a confused one, and Henry George, in the way he reformulated classical theory, did not allow for such ambiguity: the capitalist economy as he analysed it would evolve in a linear way, crushing the wages of workers and exposing the masses to the brutal exploitation of land monopolists.

Unless we can account for this

Continued on Page 84 ➔

anomaly in the analysis, the integrity of the Georgist critique – and the policy prescriptions that flow from it – would be difficult to defend in terms of providing a world-view capable of filling the vacuum left by socialism.

SINCE Henry George sincerely believed in his forecast, he cannot be accused of rhetorical assertions in order to bolster his favoured fiscal policy: a tax on the rent of land.

The efficacy of that tax is, even today, unchallengeable, a fact attested to even by Milton Friedman, the monetarist guru and one of the arch exponents of the free market and hands-off government.

There's a sense in which all taxes are antagonistic to free enterprise – and yet we need taxes So the question is, which are the least bad taxes? In my opinion the least bad tax is the property tax on the unimproved value of land, the Henry George argument of many, many years ago.
– quoted in *Human Events*, Nov. 18, 1978

But Henry George was not merely interested in devising efficient tax systems: he was a campaigner for social justice. The tax on land values was a means to an end – a libertarian society in which poverty was banished and individuals were

free to flourish within a well-integrated community.

He was advocating the transformation of society; not by means of revolution, but his was not a piecemeal programme.

So far as he was concerned, the appropriate adjustments to the tax system would liberate people from the circumstances that nurtured murder, starvation and tyranny.

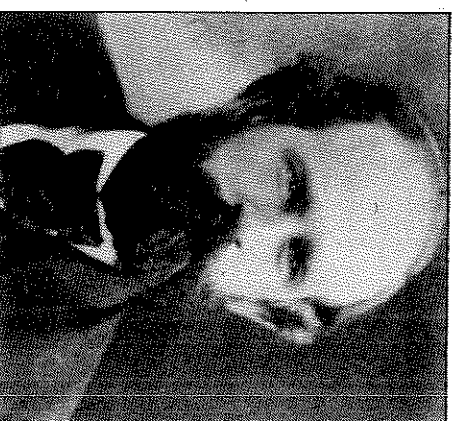
Can we retain faith in that vision, then, if the fundamental theory was wrong? Clearly, the answer must be “No” – if the theory was wrong. It wasn't, and this is the reason why:

Henry George could not have anticipated the demands which new scientific and technological breakthroughs would impose on the quality of the labour that would be needed to operate the economic system in the 20th century.

Employers had to have an educated workforce, to operate the systems of mass production that followed Ford; the working environment dictated the standards of health and cleanliness that were required of employees working in laboratories; the scale of operations in the industries that provided the raw materials, such as the coal mines, thrust new institutions (such as trades unions) on to employees, to provide some kind of order in the labour markets; the demographic density of urban environments compelled the establishment of new standards for public health and habitation.

In other words, it was in the interests of manufacturers to initiate reforms on behalf of employees if the factory system of production was going to operate profitably.

One way was to provide the finance for public baths and libraries in places like Manchester, the heart of the British manufacturing base. This Victorian *largesse*, then, was not so much



• Henry George

philanthropy (the interpretation placed on it by Margaret Thatcher) as self-interest (Some individuals were undoubtedly moved by compassion, but I believe that the dynamics of Victorian charity have yet to be properly analysed).

In the main, however, the capitalists of industry were not going to finance the standards of health, education and welfare required by the new manufacturing processes out of their pockets. This is not a matter for censure. Under competitive conditions, they could not do so: profit margins were reduced to the minimum acceptable to investors.

There was only one place from which the cash resources could be obtained, to raise the quality of life of individuals and the community: rent. And that could only be accomplished by a determined programme of political action by governments.

IT IS not surprising that in Britain it was the Liberal Party, which represented the industrial class, which originated the programme of welfare, passing the laws which established an embryonic welfare state in the early years of this century.

The Liberals wanted to finance this programme out of rental income. The landlords – represented by the Conservatives – resisted. They lost the political battle (thereby creating



• Milton Friedman

MARX'S MISSED CHANCE

KARL MARX knew that there was one thing only that would save capitalism: a tax on land values. In a number of letters, he informed friends that this fiscal policy was the "last ditch" of the capitalist system. But the armchair revolutionary fervently believed that the proletariat would overcome any attempt by the capitalists to preserve the free market economy.

In fact, the proletariat are now in the process of actively overthrowing systems that were created in the name of Marxism: witness the events in the Soviet Union, Poland and Hungary. The reactionary agents of communism – in countries like China and Albania – are still using the gun to suppress the proletariat, but they will eventually get theirs, as well.

Meanwhile, it is poetic justice – and, in a curious way, historically inevitable – that interest in land value taxation has been revived. In that context, it is worth recalling the words of Marx.

In one letter, written in 1881, just after he received three copies of *Progress and Poverty* from various sources, he wrote that Henry George was a "backnumber": "*His fundamental dogma is that order would prevail were ground rent paid to the state.*"

Marx reviewed the history of the fiscal policy, tracing it through David Ricardo and James Mill and others, and recalled that he had previously written that they "have demanded that rent be turned over to the state to the end of removing taxation. This is the frank expression of hatred which the industrial capitalist entertains for the landowner who seems to him a useless and superfluous

entity in the scheme of bourgeois or capitalist production."

Ridiculing those European writers who thought they were promoting socialism through the adoption of land value taxation, Marx noted that they believed that "by the conversion of the ground rent into a state tax all the ills of the capitalist system of production would vanish of their own accord. In other words, the whole thing is simply an attempt, doused with socialism, to rescue the rule of capitalism, in fact, to rear it anew upon a firmer basis than its present one."

As for Henry George, Marx wrote that he was a "huckster of panaceas." Well, we now know that Marx – no mean huckster, himself – has been rejected by his ardent followers, and that his solution to the defects in 19th century capitalism has been exposed as a panacea.

It is not surprising that Marx was virulent about Henry George. He could see that land value taxation would, indeed, solve the problems with capitalism. Had such a system been adopted 100 years ago, the need for the experiment in communism would never have arisen. And the world would now be more peaceful and prosperous.

Instead, Soviet citizens, as they queue at the doors of empty food shops in Moscow, presumably realise that they are back to where they started from: 1917.

"The Marxist critique of Henry George is fully explored by Fred Harrison in R.V. Anderson (Editor), Critics of Henry George, Fairleigh Dickinson UP, 1979.

the constitutional crisis of 1909) but won the war (the tax on land values was never levied).

Or did they?

The principle of funding social expenditure out of a direct levy on rent was lost, but the dynamics of the industrial economy compelled redistributive action in favour of enhancing education and providing employees with the level of social and economic security that enabled them – or, put

REFERENCES

1. *Progress and Poverty* (1879); New York: Robert Schalkenbach Foundation.
2. "Wealth for only a few," *Northern California Real Estate Journal*, July 31-Aug 13, 1989.



• Karl Marx

another way, enabled the capital of their employers – to function.

Thus was born the welfare state. The Conservatives in Britain did not like it; nor did the Republicans in the USA. But the welfare state was something they had to swallow, for the sake of

social stability and economic progress.

And so we now know why Henry George was wrong: he did not anticipate the pressures that would lead to the creation of interventionist governments that would champion the citizen.

Free market governments throughout the world emulated this model; they financed welfare out of higher taxes on people's incomes – taxes which, through the pricing system, were passed on down the line until they eventually fell where they belonged (in the view of Henry George): on rental income.

This was appropriation of

Continued on Page 95 →

World harmony set up by LVT

IN PART I of his analysis, the author proposed a mechanism for reallocating land in the socialist economy which also incorporated the principles of private enterprise and market pricing. He proposed the introduction of land value taxation (LVT), with rents being set through a system of auctions. In Part II he develops the case for this fiscal policy with the claim that LVT provides a solution to political problems associated with relationships between nations. This addresses the goals set by President Mikhail

Gorbachev for international cooperation. Looking at the wider context of ecological exploitation, it is now recognised that we live in an interdependent world; LVT provides the motive power for redefining rights and responsibilities, without which the prospect for global harmony (both between sovereign nations and between Mankind and his ecological habitat) must remain seriously imperfect.

Part Two of a report by FRED HARRISON

DISPUTE over the control of natural resources is intrinsic to all military conflicts. This is inevitable, because the spatial dimension is the key defining characteristic of the nation state. This pre-determines a military posture – the ability to defend a clearly-demarcated geographical area.

But cross-border disputes usually originate over conflicts that stem from an unequal distribution of rights of access to natural resources within given societies. In a land-surplus world, populations expanded in a relatively peaceful way (as with the Russian mirs), though not always (as with the appropriation of aboriginal lands in the New World and Australia). Today, every corner of the world is staked out by nations claiming absolute rights of ownership. Fresh colonisation is impossible, without cooperation.

How does the land value taxation model help to resolve these problems?

THE USSR is a union of 15 republics. Daily, it is confronted with new demands for improved living standards and job opportunities from ethnic minorities

within individual republics; and demands for greater autonomy by republics which believe that, economically, they can fare better by themselves. How can these demands be satisfied, while providing the republics with a solid reason to remain united under the umbrella of the Union of Soviet countries?

The USSR should establish a Development Fund into which each republic would contribute an annual sum based on the value of its natural endowments. Some republics are rich in high-value minerals; their contributions would be proportionately greater than the contributions from, say, republics that are principally agrarian.

This Fund would serve both *symbolic* and *developmental* functions. The resources of the Fund would be used to alleviate short-term distress (natural calamities, such as famine) and to finance the economic development of poor regions.

Because the citizens would see that they were contributing to this humanitarian Fund,

through their republics; and that the money was controlled and allocated democratically, on the basis of need, the sense of a direct and personal identification with the goals of *perestroika* would be shared by everyone. There would be an acceptance that the resources of the USSR were being mobilised for the benefit of everyone, equally.

In the short-term, the richer regions would be the net “losers”, but this would not be at the expense of the development of their economies: for this republican “tax” would fall exclusively on the rental value of natural resources, and would not, therefore, undermine capital investment or job creation anywhere in the union (which is what happens with other forms of taxation).

As the disadvantaged regions grew in prosperity, the monetary value of their natural resources would correspondingly increase. This means that their contribution to the Fund would consequently increase, thereby tending to equalise the contributions

from all the republics.

Financing the Development Fund out of existing taxation would be ineffective:

• Symbolically, it is necessary to develop a recognition of the rights – and obligations – of individual cultural entities *within the framework of the union of republics*. If the Fund was financed out of general taxation, either from individuals or enterprises, this identification with the Fund based on culture and geography would not be established; and

• Economically, it is generally agreed that the only frictionless fiscal policy is the tax on land values. The USSR, which now has to establish a new basis for raising governmental revenue, has the opportunity to create the first wholly rational system of taxation in the world. The only lesson to be learnt from the Western tax system is what to avoid.

Capitalist societies levy their exchequer revenues from earned income, consumption and profits, which contradicts the purpose of the economy: growth and general prosperity! It would not make sense to replicate the historic errors of the capitalist economies.

The USSR, if it adopted the auction system for reallocating land at the micro-economic level, could build on that philosophy and fiscal system to harmonise living standards, political relationships and psychological expectations between republics within the Soviet Union.

MIKHAIL Gorbachev wants to place the Soviet Union's internal changes into a global context – as with, for example, the statements about "our common European house".

This notion seeks to go beyond the concepts and in-

'Missing' land tax charter for vandals

THE World Resources Institute, and the International Institute for Environment and Development, in collaboration with the United Nations Environment Programme, have published a report involving ecological vandalism. It proves that in the pursuit of commercial profit it is inextricably associated with the absence of a tax that appropriates the full economic rental value of natural resources.

The report, *World Resources 1988-89*, (New York: Basic Books 1988, esp. Ch. 12), shows with well-

documented examples how users of natural resources who are allowed to appropriate economic rent are consequently induced to

- Destroy ancient forests.
- Debase the growing powers of the soil,
- Denude the hillsides,
- Deplete the supply of water,
- Pollute the rivers, and

- Turn the skies into acid baths.
- This propensity is traced out in both the industrialised regions

situational arrangements that can be encompassed by existing international treaties. From the outset, Gorbachev identified environmental issues as intimately related to the process of establishing new global relationships. Chernobyl was a savage reminder that nature does not recognise the territorial boundaries drawn by the nation-state. Errors in the Soviet Union exposed Welsh sheep to radiation and changed the eating habits of people in Britain.

Here, then, is a grand opportunity to unite nations behind the notion that Earth is the common home for Mankind. But this concept is meaningless unless it is articulated within a practical framework with which nations can identify. How can the ecological reality be given a political and economic expression?

A neat case illustrating the

possibilities of trans-border cooperation is the new US-Soviet National Park and wilderness reserve which straddles both sides of the Bering Strait. Scientists from both countries will monitor the ecology of the area, the two countries will jointly protect the environment, and the aboriginal population, the Inuits, will be free to traverse the border without producing visas.

But isolation of this area makes the cooperation easy: how can the concepts of co-operation, and of a common natural heritage, be extended to the more difficult cases of sharing resources in areas that are densely populated.

We offer one solution: a Global Fund for Conservation and Development. The starting point is a recognition that the benefits of Earth are not dis-

Continued on Page 92 →

GREEN ENLIGHTEN

THE electoral success of Britain's Green Party during this year's Euro-elections (they took 15% of the vote) sent the orthodox politicians reeling.

The Greens enlisted the sympathies of a large slice of Margaret Thatcher's traditional Conservative support, and managed to slash the electoral strength of other minority parties.

The Greens believe that a new awareness about the need to protect the environment is surging through the clogged arteries of the political system. That, they say, is why the major parties are now developing fresh policies of their own on major issues such as industrial pollution and conservation of the countryside.

And at their annual conference in Wolverhampton in September, the party displayed its policy wares. One of these was highlighted by Sara Parkin, one of the party's joint leaders (and the Media's favourite spokesperson: she is regarded as tele-visual).

"Some of our policies that used to be dismissed as off the wall are now positively mainstream," she declared in the opening speech. "Land value tax, for example," she said, which the Greens call the Community Ground Rent (CGR).

She cited Australian and Taiwan empirical evidence in favour of the tax, and pointed out that the UN recommends the fiscal policy as an integral part of land reform for Third World countries.

Mrs Parkin is not of the old school of politics. She is generous in her praise of other politicians; for example, she acknowledges that Prime Minister Thatcher is sincere in her statements about the need to protect the environment.

But Mrs Parkin, who lives with her husband in Lyon, France, has no doubt that it will take a government which included members of the Green Party to implement policies that would radically change the social and economic structure of society. *Policies such as the tax on land values.*

IN THEIR *Manifesto for a Sustainable Society* 1989, the Green Party makes it plain that policies which address the tenure and taxation of land are prerequisites for ecological salvation. "Without this, the economic pressures of the present land system (including land speculation) will defeat all attempts to remedy ecological and allied problems," the party declares bluntly.

Nor do the Greens talk about taking a small proportion of the annual rental value of land, though they do not specify the tax rate. "Ultimately, the collection rate will be increased to the highest practicable proportion of the full economic rent."

Their starting point is that land is the common heritage of mankind, and it is wrong for a minority of people to monopolise a community's land (in Britain, they say, 52% of the land is owned by 1% of the population).

Nonetheless, they are willing to entertain the proposal for compensation. "Payment of an annuity to existing freeholders, subject to a low ceiling on total value, could be seen as an acceptable compromise."

The Greens have devised an attractive formula for selling this new tax: they say that revenue from CGR should be used to guaran-



• Natives content in their rain forest tee that everyone received a 1 poverty, but the income would hand-outs from the hard-earned everyone's natural heritage, it is in its value!

To facilitate the tax, the Greens contain publicly-accessible inf (tal values); and regular revaluation the current market value of all

IS THE land value tax really Parkin claims? Not in terms Democrats are the only other pa (see story, right).

But the idea of redistributing issue within the global context, conserve the environment.

• Brian Johnson, forestry co Nature, argues that "we must be we get from [rain] forests."

• Officials of the European posed a form of rental levy: a would be devoted to meas emissions.

• The Brazilian government the world a "rent" for the benefit Amazon. This dovetails with James Goldsmith, who proposes Foresteo, should be created to would have some of their intern agreeing to preserve the rain fo

• Academic experts have pro and as Mr Johnson notes: "The ecological rent, however organi Estimates of the value of t

Mark Sullivan

177 VAUXHALL BRIDGE ROAD
LONDON - SW1V 1EU

Telephone: 01-834 4286 and 4979

A P P E A L

NEW ZEALAND'S SITE-VALUE TAX

At the International Union business meeting in Philadelphia, Mr. W. Pitt (Australia), announced that the site-value tax base was being eroded in New Zealand and appealed for financial support for the New Zealand Land Value Rating Association, run by Robert Keall.

The Executive was instructed to find out more about the situation in New Zealand, and to explore ways of supporting our friends there.

Mr. Keall came to London in September and, arising from our discussions, it became clear that New Zealand Georgists did need some financial assistance to at least maintain the present level of activity.

From the article that appears on page 90 of the Nov-Dec issue of Land & Liberty, you will see that 90% of the municipalities derive part of their revenue via the site-value tax. Unfortunately, councils which administer some of the major urban areas have now succeeded in transforming their property tax into one that also falls on capital improvements.

The news is not all bleak, however. A new political party is advocating the need to raise a larger revenue from land values, via central Government. This, along with proposals to reform the structure of local Government, offers political opportunities that Mr. Keall could exploit.

However, there are very few active Georgists in New Zealand, and the financial resources of their organisations are nil. Therefore, our most immediate effective response would be for individual Georgists to contribute to the appeal which was made on behalf of Mr. Keall.

From what little we know about the situation, New Zealand Georgists are at a crossroads; they could be about to turn down a road to disaster (by doing away with site-value taxation in many more municipalities); or they could actually be starting down the road to a sensibly high, centrally-levied site-value tax. In other words, your individual contributions could prove to be historically significant.

Your donation should be sent direct to Mr. Robert Keall, The New Zealand Land Value Rating Association, P.O. Box 6038, Auckland, New Zealand. All donations will be acknowledged.

IMMENT



should we pay rent to preserve nature?

basic Income. That would remove land not be stigmatised as charitable incomes of taxpayers. If land is allowed that we are all entitled to share

we propose that land registers should be updated about ownership and rents would ensure that the tax fell on the right sites.

now a mainstream policy, as Mrs Thatcher of British politics, for the Liberal Party currently interested in the policy of rental values has become a "hot" topic articulated in terms of the need to be insulant to the Worldwide Fund for Nature prepared to pay rent for the services

Commission earlier this year proposed a carbon tax, the proceeds of which would be used to reduce carbon dioxide emissions. It is toying with the idea of charging landowners for preserving the rain forests of the world, a plan devised by financier Sir Paul McCartney that an international organisation, the International Rain Forests, host countries would be asked to write off in return for the national debt written off in return for the rest.

posed variations on these themes - the idea of international bargaining over land and paid, has already begun." These natural resources are being

Bold visions

PADDY ASHDOWN, leader of the recently re-named Liberal Democrats, has published his vision of a new Britain.

He attacks the present structure of society, which he characterizes as Citadel Britain, and outlines the themes which he believes would direct the nation towards 'Citizens' Britain. One of his policies, land value taxation. In his book, he explains why this would be a beneficial policy.

"Unused development and derelict land should be taxed on the basis of development value in order to encourage the developer to develop, rather than to speculate. It makes no sense to have, as at present, a tax system that rewards speculation and penalises reclamation.

"New housing will constantly be too expensive for those who need it as long as developers can make huge speculative profits on land. During the two great periods of housebuilding

** Citizens Agenda: A Radical Agenda for the 1990s. London: Fourth Estate, £5.95.*

in this country - the 1930s and the 1950s - land was relatively cheap, and development profits were held down.

"A land value taxation system has many other fiscal advantages, including the control of inflation. In order to bring such a system into effect, we should set up a new 'Domesday Book' - a full cadastral survey of land use throughout the UK.

"This would also be an invaluable resource of information for national decisions in environmental and agricultural issues".

What are the chances of the Liberal Democrats influencing Westminster politics after the next General Election? Not very high, if present trends continue.

The party has slipped badly in the opinion polls and is now more or less level-pegging with the Greens for third place (after allowing for margins of error in the polling process).

Commentators believe that Britain has now polarised back to a two-horse race system of politics. The first-past-the-post voting system squeezes out third party contenders.

calculated. For example, researchers from the New York and Missouri botanical gardens and a forester at Yale University have calculated that a hectare (about 2½ acres) of virgin Peruvian rain forest has a net economic value of \$6,820 in its yield of fruit and rubber.

So the taxation of land values is on the political agenda, thanks to those who aroused our interest in ecology. And, arguably, the discussions at the international level could have a "top-down" influence on the fiscal policies of individual nations.

This would certainly happen in Britain if the Greens gained influence in Westminster. For if that happened, they would not restrict their advocacy to the British Isles. As they state in their Manifesto: "Land is defined as the entire world except for those things which are the product of human effort."

And it would be Mrs Parkin's job, as the party's international liaison officer, to spread the message to the four corners of the world.

Melting-pot worry from Down Under

NEW ZEALAND is often cited as one of the success stories in the chequered history of land value taxation, and with some justification. But the forces that have kept land value taxation at arm's length elsewhere are still at work there.

These forces maintain a close contact with the larger city councils, and exert a strong influence over them. They consist of those people who use land ownership as an instrument for appropriating other people's earnings. This they achieve either by buying land cheaply and selling it dearly, or by taking the rent from the users, often in the form of interest payments on loans.

Land value taxation, even in its mild form of local revenue raising, reduces their gains from these activities, so they resist it to the uttermost.

Users, on the other hand, who envisage a plot of land as a site for a house, factory, warehouse, shop or office, want to get it as cheaply as possible, and, in their New Zealand variety, have not only recognised land value rating as a means to this end, but have also had hitherto, enshrined in their ordinary rights as citizens, *the power to make their wishes effective.*

IT ALL began in 1896 with the Rating on the Unimproved Value of Land Act, followed the next year by the adoption of land value rating for the borough of Palmerston North. At the time of writing, the system is in use in 90% of the municipalities of New Zealand!

This splendid result has been achieved, not by central or local government authorities, *but by the ratepayers themselves*, who have made use of the provision in the various legal enactments for a decision by popular vote, or "poll".

The effects of land value rating, even when applied to the raising of general revenue alone, have been remarkable. Wellington, for example, adopted it in 1901; and the town clerk, in his annual report for 1903-4, was able to state: "That which was claimed by its exponents has been fulfilled. It encourages improvement, stimulates the use of land, and mulcts all lands in their fair share of taxation."

NEW ZEALAND'S ACCLAIMED LVT INITIATIVES ARE UNDER THREAT



*Report by
David
Redfearn*

For many years the city was a model of self-renewal; for the high rates on raw land compel the owners to use their plots to the best possible advantage. Uneconomic buildings were pulled down to make room for new.

All this is now back in the melting-pot. Local authorities are to be fewer in number, larger, and to have functions hitherto exercised by central government. The system of the poll, already eroded by government action, has been replaced by one in which councils decide how to raise their revenues. Wellington City Council has already changed (1st April 1988) to capital value rating. The next step may well be a decision by central government, and a uniform system throughout the country.

It is vital to the economic future of New Zealand that, if there is to be a uniform system, it should be the one of land value rating. It has had the approval, by means of the poll, of the majority of the population, and has justified itself in practice.

Other forms of taxation now being contemplated have shown themselves to be damaging to the community as a whole, but they suit the speculator and exploiter.

If the Labour Party, now in office, will not support the site-value tax, popular attention needs to be drawn to the infant New Labour Party, who are proposing that the site-value tax should be used to generate larger revenues for the entire community.

MUGABE POISED

White farmers 'must sell' land

ZIMBABWE: Declining popularity in the opinion polls is one reason why the government led by Robert Mugabe, pictured right, is threatening to change the land law.

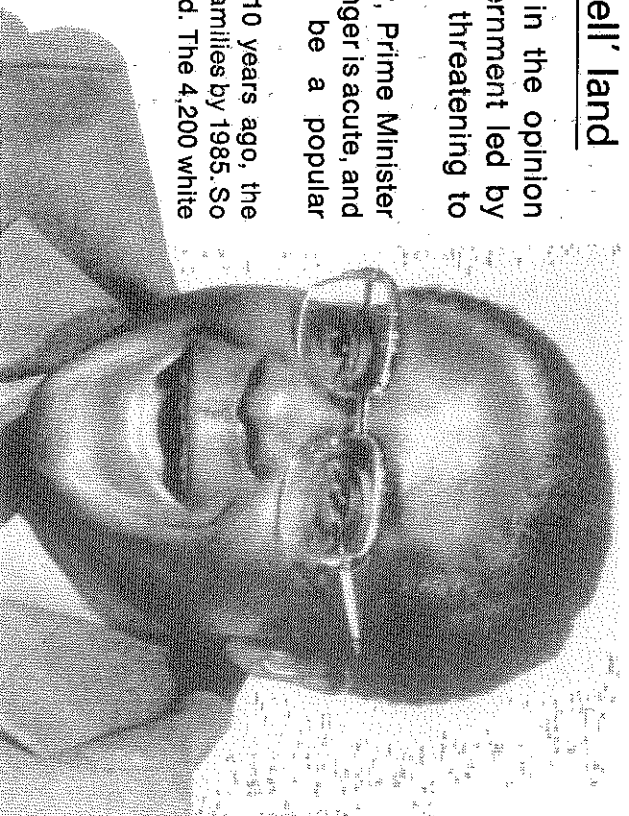
With elections coming, up next year, Prime Minister Mugabe needs a vote winner. Land Hunger is acute, and expropriating white farmers would be a popular measure.

When Mr Mugabe took power nearly 10 years ago, the government promised to resettle 162,000 families by 1985. So far, only 52,000 families have received land. The 4,200 white farmers still own one-third of the country's land.

That is why Mr Mugabe has told the commercial farmers to make more land available for peasants, or face the possibility of compulsory acquisition – which would mean abandoning the “willing-seller, willing-buyer” formula that was written into the Constitution during the independence talks with Britain.

Observers say the only surprise is that it has taken so long for the expropriation threat to be posed in a serious way. One of them, Tony Hawkins, writing in the *London Financial Times* (Sept. 9), notes a serious flaw in the resettlement programme:

“It is a once-off operation. It might be possible to find enough land to satisfy the present generation. But with the population growing at 2.9% annually, land hunger will soon revive (unless the spread of Aids in Zimbabwe takes a dramatic toll, as some doctors fear).”



Poll Tax confusion

LONDON: Confusion reigns over the Labour Party's plans to abolish the Poll Tax, which Prime Minister Margaret Thatcher has introduced in place of the property tax. Labour, which now leads the Conservatives in the opinion polls, has promised to reintroduce the property tax.

But their parliamentary spokesman, David Blunkett, claims the tax would be related to ability to pay. He says: “People will not have to pay more if they live in areas of high house prices. High cost areas will not be hit disproportionately.”

Observers have noted that, on the ability-to-pay principle, people in expensive residential areas ought to pay more than others.

Activists have complained that they do not fully understand what their party is proposing.

The plan is to link a local income tax with the reintroduction of the property tax, but no details are yet available.

Paris at a price!

PARIS: Beggars have learnt the price of a patch on the Champs Elysees: they have to pay up to £1,500 (\$2,300) for choice sites on the famous street. The money is collected by an “underground” organisation of criminals who know how to calculate the rental values of key locations where the beggars can make most money from passing Parisians.

BOOT FOR PREMIER IN LAND ROW

BELIZE: American land speculators have upset the citizens of this former British colony. So at recent elections, they ditched the pro-US government.

Back in power is George Price, 70, who led the tiny Central American country to independence in 1981.

He had accused the former Prime Minister, Manuel Esquivel, of selling vast tracts of land at knock-down prices to foreign ranchers and tourist interests, including Texans and the Coca-Cola company.

VALUE IGNORED

NATIONS fail abjectly to value natural resources for national accounting purposes. They measure the rewards of labour and of capital, but generally ignore land.

This defect in the national accounts needs to be remedied. The justification for this action does not rest purely on ethical considerations, or even on the imperatives of a rational approach to restructuring the nation's economy.

It is a precondition for the success of any programme of resource conservation. We stress that an assessment of the rent of land, and its taxation, at the rate

of near-enough 100% of its market value, is not an optional extra for the world today, but the starting point for any serious attempt to deal with the economic processes that inflict grievous damage to the ecosystem.

The objective facts prove that the absence of a proper resource accounting system *and fiscal policy* is at the heart of ecological devastation today. A practical method for valuing national resources is available (see Ronald Banks, *Costing the Earth* (London: Shephard Walwyn/Centre for Incentive Taxation, 1989).

◀ From Page 87

tributed or used equally, between nations. There are two major reasons. First, there is an unequal distribution of resources. Some countries are rich in gold and petroleum; others are poorly-endowed by nature. Second, the degree of ecological exploitation is a function of the productive capacity of, and the technological processes employed by, a nation.

These two differences can be equalised into a solution that unites sovereign nations, politically, behind a programme of assisting the economic development of disadvantaged nations, and ecologically, behind a strategy for conservation and the creation of sustainable systems.

A global fund should be established to assist economic development and solve ecological problems. The financial rewards of a successful programme of action are great. For example, the UN estimated that the loss of agricultural productivity from desertification was \$26 billion in 1980, a figure which "does not even begin to

recon indirect costs," notes the World Resources Institute. If the desert can be turned back, the living standards of many people would be raised, and the pressure to expand on to other people's territories would be reduced.

The *Global Fund for Conservation and Development* should be financed on the basis of an Environmental Use Tax; and a National Land Value Tax, which would be a levy on the rental value of natural resources at the command of each nation.

The sums that are needed are considerable. For example, the UN Food and Agricultural Organisation estimates that \$1 billion is needed to rehabilitate the upland watersheds and semi-arid lowlands in 10 countries (in 1987-91).

The Environmental Use Tax. This, more accurately, is a user fee, or charge. It should be tailored to measure a nation's use of *common* resources. A formula can be devised for levying the "tax" on the basis of a nation's use of that part of the environment which is shared internationally: the sky (into which waste is expelled); rivers that run between, or cross over,

two or more nations; or the oceans.

Environmental impact studies on a country-by-country basis would add to existing knowledge of global land use and determine the relative size of each country's financial obligation to the Fund. This levy would probably be characterised as a Pollution Tax. The ultimate effect would be to encourage nations to reduce the damage they inflicted on the environment; this would diminish their fiscal liability to the Fund.

Countries should be free to decide whether to recover the monies from the corporations or citizens who were directly responsible for using the common natural resource (factories emptying waste into transnational rivers, etc). To the extent that this cost was transferred onto the users/polluters - this is the current philosophy of Britain's Conservative government - there would probably be a trend towards reducing ecologically unsound methods of production.

People would perceive this Environmental Use Tax as socially and ecologically fair. It thrusts the world towards a new eco-politics. Sovereign nations would be united behind a common fiscal policy based on the need to harmonise the distribution of the resources of nature, and of persuading users to limit the damage to the environment. This dynamic process integrates the political and economic dimensions and the ecological imperatives that flow from the interdependence of nations.

The National Land Value Tax. Complimenting the "negative" Environmental Use Tax should be the "positive" policy based on contributions to the global fund from the value of the resources at the command of each nation. To be implemented,

resources would first have to be valued on the basis of their current rental value.

Nations would be invited to contribute a percentage of their marketable natural resources to the Global Fund. Those rich in resources, or advanced in their economic development (whose surplus income – rent – is therefore relatively high), would contribute more than resource-poor, or under-developed, countries. In the short term, the latter would be the main beneficiaries. As they developed economically, and their national income increased, the rental value of their land would rise as well, so their contributions to the Fund would increase.

This, then, is not an arbitrary formula for sharing the resources of nature. It is an objective acknowledgement that the accidents of history should not leave some peoples disadvantaged, just because their cultural centres are located in, say, semi-arid regions – while others live on top of gold mines. It leads to a development of new international relations based on *reciprocity and mutuality*, on the need to *share and conserve* resources, and on the recognition of the ecologically-oriented interdependence of sovereign nations.

WITHOUT these reforms, it will not be possible to satisfy the desire for the devolution of political and economic power to regional and local levels.

The enhancement of rights of the individual and of ethnic minorities has not been fully realised anywhere in the world because this conflicts with the logic of national sovereignty. The military imperative militates against the weakening of central control over society; nations consider it vital to maintain a powerful command over their capacity to mobilise armies

GEORGISM WITH LIMITED CHEER

WHEN Henry George wrote his classic *Progress and Poverty*, it

would seem that there were plenty of people with both the patience and the time to work their way through 400-odd pages of serious reading; for the work had an immense and deserved success, sowing the seeds of genuine land reform in various parts of the world.

There are comparatively few such readers nowadays; so the need has arisen for labour-saving digests if the same results are to be achieved again. *True And False Economics*, and *The Political Implications*, by the Australian W.A. Dove, is one of the most recent of these.

The first half of this book is devoted to basic economics, not of the official kind, as Mr Dove is careful to explain, which is biased towards justification of the *status quo*, but simple and straightforward, such as will lead to a firm grasp of what is happening in the real world of production and exchange.

The division into short numbered paragraphs is calculated to give the novice plenty of breathing spaces to absorb unfamiliar but self-evident ideas, and so convince himself that he too can be an economist.

The foundations having been so laid, Mr Dove proceeds convincingly to show the relevance

By David Redfearn

of the theory to social problems such as unemployment and poverty, and demonstrates at the same time how the application of the only effective solution, namely the use of rent for communal purposes, is hindered by various popular and learned superstitions and confusions. Its relevance to the problem of war, however, deserves fuller treatment.

It is also a pity that Mr Dove omits to cheer his reader with accounts of the successes that have followed in places where some rent has been put to its natural use, though the section "*Great Witnesses To Social Truth*" affords some compensation.

The book is to be recommended for its clear, unambiguous and forceful presentation of the essentials of Georgism, which includes ethical and religious considerations as well as economic ones, though Mr Dove is careful to distinguish between them.

There is a minor correction that will need to be made in subsequent editions. Swift's satire on scientists is to be found in *A Voyage To Laputa*, not in *A Voyage To The Country Of The Houyhnhnms*.

against perceived external threats.

Our model for sharing global resources provides the single most important thrust in the direction of the liberation of the individual, and of local communities; in favour of emancipation at the level of "human-scale" organisation, by re-establishing the self-sufficiency of communities on an organic basis. Cultural and ethnic differentiation is respected within a wider political framework group-

ded on collaboration and interdependence.

The new order that would emerge would be founded on the twin planks of ethical behaviour and economic efficiency. These find their simultaneous expression in a single fiscal philosophy – the taxation of the value of natural resources. This philosophy yields a potent solution to the causes of *fear and deprivation*, which are the principal obstacles to freedom.

REDISCOVERING AMERICA'S VALUES
Frances Moore Lappé, Ballentine, (1989)
\$22.50

Two-voiced challenger

BY E. ROBERT SCROFANI

SINCE writing her first book *Diet For A Small Planet* in 1971, Frances Moore Lappé has devoted her efforts to reshaping the way Americans perceive their values about hunger and poverty. *Diet for a Small Planet* demonstrated how individual decisions, even the most basic, such as what we eat at the evening dinner, can prolong hunger.

Her next book, *Food First* (written with Joseph Collins) cleared the air of many of the hunger myths, particularly the old Malthusian belief that people are hungry because there are insufficient resources. A recent *Food First Alert* explains how the rain forest in Brazil is being destroyed as a result of the government's

inability (or refusal) to discourage holding large tracts of underdeveloped land by a few wealthy families. The government encourages poor peasants to go to marginal lands in the rain forest instead.

Lappé thus makes clear in her writings that hunger could be avoided if governments and individuals changed their habits. *Food First* detailed how governments enforce hunger and poverty by permitting land monopoly and by refusing to share power with citizen communities.

Lappé's forte is to bring fresh insights to continuing problems and to establish the connection between the lack of democracy (ie. control over your own life and the right to life sustaining resources) and hunger. "Hunger is the ultimate sign of powerlessness. It is a screaming siren telling us that something is terribly amiss in the social order," she wrote persuasively in the *Christian Century*.

A few years ago, Lappé decided that the work of *Food First* was not enough. Despite ample world food supplies "the hunger problem has worsened." From her personal journey to discover why hunger exists in America, "a society built upon freedom, fairness, and democracy," she wrote *Rediscovering America's Values*.

As she says in the opening of her book, "to ask the biggest questions it often helps to start

with the most personal. And what could be more personal than food?... food is a basic human need... if people aren't eating, little else matters....Hunger became my measuring rod... my first test of a political or economic system would be whether or not all of its people are eating."

Discovering America's Values is an animated dialogue in which Lappé speaks with two voices; the voice of the classical liberal who views government as a necessary evil, and proposes that "the government which governs least governs best," and her own voice. Lappé presents the view of the modern liberal (or progressive) who sees the government's role as one that must serve all the people, in our society. Her view reflects the Jeffersonian perspective embodied in the agrarian and community-based movement in our history.

Readers will find the introduction a challenging review of the dominant liberal (ie. the free market conservative) tradition, which since the 17th century has powered the thought processes and the productive energies of the Western world. This tradition, which says "our individual self-seeking turns the wheels of the economy to the ultimate benefit of everyone," the indiv-

idual has prior claim to all goods as they are produced or exchanged with little or nothing 'left' over for society as a whole."

While acknowledging that the Liberal tradition (combined with Western religion) gave us a belief in the innate worth of the individual and the modern concepts of human rights and civil liberties she believes it is "now a set of unquestioning beliefs... which bind our creativity."

REDISCOVERING America's Values could easily form the basis for a philosophy or government and economics course. It is a great primer for those who want to consider their values in the 20th century. In fact Lappé appeals with her readers to join her in a mutual search for America's values.

She chose a propitious time for her book which emerges during the prolonged bicentennial celebrations for the Constitution, the founding of Congress and the Bill of Rights.

The dialogues are short, readable, sometimes provocative and sometimes frustrating. Some sections present the progressive viewpoint less forcefully, thus the dialogue may be somewhat skewed to the more conservative end. Perhaps Lappé is attempting to be so fair that she gives more strength to arguments for the other side.

While she makes the case for

the community, she is less effective in asserting that those of us who strive to be individuals also rely on the community. The reality is the collective, not the individual. We are born into a family and into the community. Even those among us who attain riches do so in the context of the community, and rely on the community - its military, its police, its moral restraints - to protect us so that we can live rich as well, within the safety generated by the community.

She makes clear that capitalism works in the West, because it was modified by the moral principles of the Judeo-Christian religions. But religion has receded in importance and the emphasis since the '60s has been more on a personal experience of God, particularly in the evangelical sects. Instead

of doing good for others in charity as defined by St. Paul and demonstrated in our times by a Dorothy Day or Mother Theresa we have the amorphous "thousand points of light." Capitalism thus has lost much of the restraints on its greed and self centredness.

DESPITE Lappé's full understanding of the impact of land monopoly on hunger and poverty, she makes only passing mention of land in her book. In *Christian Century* magazine she writes that "the most obvious concentration of economic power is in the form of land", but her arguments about land have no power in this book.

Her omission is even more startling since she quotes Adam Smith frequently. Adam Smith divided the world into the owners of land, labour and capi-

tal. But her discussions about property do not even distinguish land and capital - as he did. He warned in *Wealth of Nations* that "landlords seek to reap where they have not sown." Surprisingly land is not even cited in the table of contents. These are major flaws in the book.

If her work challenges us to delve into our personal and our nation's values then her work will be well done. Reading *Rediscovering America's Values* might even encourage some of us to dust off our Hobbes, Smith, George, Galbraith, Friedman and others. As one reviewer stated, "if more Americans had Lappé's willingness to subject her moral and political convictions to such searching scrutiny we would be a less divided, more moderate and more thoughtful nation."

← From Page 85

rental income by stealth; a process which landowners and policy-makers failed to understand. But it worked! As a result, many people found themselves trained to high levels, deploying skills that were commensurately rewarded.

True, the business cycle created periodic havoc with the labor and capital markets, reminding everyone that they could not take security for granted for too long.

Even so, many people enjoyed standards of living that their ancestors would have found impossible to imagine.

And yet.....

We now know that, despite the ability to send men to the moon, interventionist governments were not able to banish poverty from our midst. That is the perplexing feature of contemporary society that orthodox economists cannot explain.

Henry George can: he would

argue that the land market has not enjoyed the competitive dynamism alluded to by Dr Gruen in the statement quoted above. But disregarding the past, let's look at what Dr Gruen foresees for the future: he warns that, unless the supply of land is now increased, "and soon, Henry George's failed predictions of increasing poverty in the 20th century may turn out to be valid for the 21st century."

IN MY view, the land market continued to exercise a baleful influence over the industrial economy throughout the past 100 years; it was the single major structural defect that caused the booms (through periodic bouts of land speculation) and the slumps.

Henry George provided a theory of business cycles that can teach us far more than all the econometric models that have been constructed in the past few years, the authors of

which have received Nobel Prizes but have yet to demonstrate a capacity to solve the substantial problems of the real world.

The elevation of living standards for a part of the community has been accomplished by the erosion of individual liberty, by the necessary compliance with an authoritarian form of democracy. This acceptance of a less than perfect democracy was necessary (we can now see, in retrospect) for the sake of challenging the powerful class that could not be challenged head-on: the landowners who contributed nothing in return for their claim on a portion of the income that was produced by labour and capital. This created a politics based on social conflict, the costs of which have been enormous.

Nonetheless, the historic possibilities of a transformation to a civilized social and economic system are now before us. Will they be grasped this time?

Scandal of understated values

THIS important book exposes the scandalous failure of successive governments in Britain and other countries to provide accurate, up-to-date and comprehensive information on the value of land and natural resources.

Such information as is available is grossly at odds with the data on rental income recorded in the annual National Income Blue Books. Here net rental income, including North Sea oil rentals (assumed to equal only the oil tax revenues accruing to government), equal around 9 per cent of GDP. In the USA the proportion officially recorded is even less, and apparently falling.

A team sponsored by the Centre for Incentive Taxation in London has undertaken a meticulous examination of the rather fragmentary official and private-sector data on land and property transactions by type of use, location and value, focusing particularly on 1985, a representative year in that this was not a depression year and yet preceded the 1986-88 property price boom period.

THERE ARE two basic approaches to estimating the capital value of land. One is the spatial method which uses aerial photography and town maps with up-dating based on yearly data on changes in land use to estimate the total area of land in different uses: agricultural, residential, industrial, commercial, public services, vacant land and mineral land.

We learn that the estimated area in urban uses in 1961 was 1.5 million hectares and this increased by 1.2 percent a year to 1.78 million hectares in 1985.

Sample data for representative regions are then used to derive a weighted average of observed selling prices and rents per hectare. Total land value can then be estimated by multiplying these averages by the total area of land in each category.

The second approach is the residual method, used by the Inland Revenue Valuation Office. Here one observes the selling prices of land inclusive of buildings and then deducts the estimated current value

By ROGER SANDLANDS

of the buildings to arrive at the land value.

The authors show how this methodology greatly understates the value of land because the valuers make far too small an allowance for depreciation. Also, values are based on current rather than potential use value.

Consequently, vacant land is given no value at all. It may be said, however, that if our land policies were changed in a way that encouraged fuller and more efficient land use there would, in a static sense at least, be a fall in the price of land.

In this sense it may be considered illegitimate to value unused land at its potential value. On the other hand, wasteful use of valuable natural resources reduces economic activity and in a more dynamic economy the demand for land and minerals would be greater, thus increasing land values and rents.

On the whole the assumptions underlying the exercise err on the conservative side. In summary, it was estimated that the capital value of Britain's land was £505 billions, or nearly twice the value of the 1985 national income of £260 billions. This figure excludes the capital value of mineral resource rights, and makes no allowances for the way that property rates reduce the price of land.

However, mineral rents (mainly on North Sea oil) and local authority rates revenues are included in the overall estimate of annual rental income. This totalled £58 billions in 1985 or 22% of national income, considerably in excess of the figure given by the national income statisticians.

It could be argued that as well as local authority rates, other taxes have a depressant effect on land values and rents. Taxes on wages, profits and sales may be passed on to the owners of land who are able to extract less

rent than may have been possible otherwise.

But the importance of this study is that it shows that even if governments did not rely on this possible dynamic "incidence" effect on rents, a very large fraction of all government expenditure could be financed by a levy on land and mineral rents.

Eminent economists since the time of the French physiocrats and Adam Smith have recognised these rents as the most efficient and natural source of state revenues.

In the light of these new estimates of the potential of land rents for state revenue a radical overhaul of national income accounting is called for. The National Income Blue Book grossly understates rental income for various reasons.

FIRSTLY, the accounts fail to differentiate between rent on land and rent on buildings. Secondly, in the case of owner-occupied property where no explicit rent is paid, imputed rent is assessed only for owner-occupied housing.

Imputed rent on owner-occupied factories, offices, shops and warehouses is all counted as "interest and dividends", despite the fact that around 35% of the value of industrial and commercial property inheres in the land.

Trading profits of companies and public corporations amounted to about 20% of national income in 1985. In that year non-residential land had a value approximately equal to national income. At, say 8% of national income, this leaves 12% as interest and dividends on non-residential capital.

It can thus be seen that such an amendment would go most of the way to reconciling the discrepancy between the figure for economic rent suggested by the national income statisticians' accountancy principles and that suggested by the fundamental economic principles employed by the authors of this pioneering study. It deserves a very wide readership.

* Dr Sandlands is Lecturer in Economics at the University of Strathclyde (Glasgow).