

Sun Yat-Sen And The
Future of Taiwan: p.83

LAND & LIBERTY



Photo: Duncan Baxter/Sunday Times

BRITISH entrepreneur Keith Grant sits astride the boundary of one of Prime Minister Margaret Thatcher's enterprise zones. These zones are supposed to generate new economic activity by reducing red tape and eliminating the obligation to pay property taxes. U.S. President Ronald Reagan's

advisers are wondering: is this the way to encourage investment and provide jobs for the millions of unemployed workers? *Land & Liberty* was sceptical from the start. Businessmen tempted by the tax advantages are in for a shock. Report: page 92.

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Land tenure and Ulster's sectarian violence



AS THE carnage continues in Northern Ireland, the politicians are baffled about what to do.

For over a decade, as innocent men and women have been gunned down in the streets of Belfast and blown up in the countryside byways, the solution has evaded the grasp of the peacemakers.

Is this because their analysis of the cause of the problem is faulty?

Raymond Crotty argues that the seeds of the sectarian violence were planted several hundred years ago, and are to be found in the transformation of the Irish land tenure system.

And he concludes that the initiative for a lasting solution has to come from Dublin, not Westminster.

His controversial report appears in the next issue of **Land & Liberty**.

LIBRARIANS

The attention of librarians is drawn to an error in the numbering sequence of recent issues of *Land & Liberty*. Index records should be amended. The July-August 1981 issue should be Nos. 1,046 & 1,047.



Retiring team - Vic Blundell (pictured above) and Fred Harrison (below).

New Appointments

VIC BLUNDELL retires this December after 24 years as the Secretary of the United Committee for the Taxation of Land Values.

Mr. Blundell joined the Committee in 1945, and since then has served in all the top positions.

He joined the staff of *Land & Liberty* in 1946, and also revived the Henry George School of Social Science. He became Secretary on the death of Arthur Madsen, and editor of this journal in 1961 when Peter Stubbings retired.

The new Secretary of the United Committee will be Mrs. Barbara Sobriello, who for many years has worked closely with Mr. Blundell at the London headquarters.

Mr. Blundell will continue to act as editorial consultant to *Land & Liberty*, which is acquiring a new editor.

Fred Harrison, who has been editor for the past three years, edits the November-December issue, and will then be succeeded by Mr. Michael Monk.

Mr. Monk, 48-year old former publisher of a periodical specialising in employment-related issues, has been an active campaigner for land value taxation for the past 30 years. He was a tutor at the North-West Kent branch of the Henry George School.



Taiwan & The Battle Of The Philosophers

"Every county, at the beginning of self-government, shall first assess the value of private land in the whole county, which value is to be declared by the owner himself. The local government shall tax private land on the basis of its assessed value and may purchase it at the same value. If, after this assessment, the land increases in value as a result of political advancement or social progress, such unearned increment should be set aside for the common benefit of the people in the whole county, and should not be kept by the landowner as private profit."

— Sun Yat-sen (pictured right) in his *Fundamentals of National Reconstruction*.

Report by Fred Harrison

TAIWAN'S economic success has not been matched by any other developing country. But tensions have now emerged in this dynamic society. These have been monitored by the authoritarian government, which is genuinely seeking an enlightened solution.

Prosperity and political stability will be determined by the choice now being made between the policies of two 19th century economists.

The philosophies of Henry George, an American, and John Stuart Mill, the English utilitarian, helped to shape the constitution of this powerful little trading nation off the Chinese mainland.

The contrasts between their views appear to be relatively minor. The subtleties, however, conceal major differences in policy-orientation which will determine whether Taiwan continues to flourish.

It looks as though J. S. Mill will emerge the victor — and that the people of Taiwan will pay a heavy economic price.

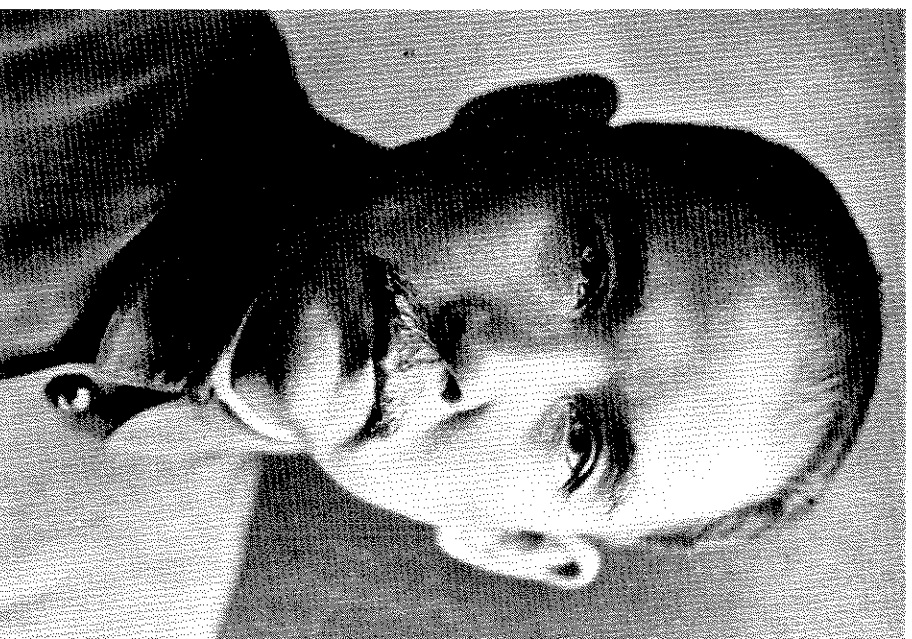
THE TAIWAN story begins with the father of Chinese nationalism, Sun Yat-sen.

During a tour of Europe and the US in 1896, he was exposed to the works of George and Mill,¹ whose strictures on the land question were subsequently incorporated into the Kuomintang programme through the notions of *land equalisation* and *land taxation*.

These principles were used to lay the foundations of the Taiwan economy in the 1950s.

Sun Yat-sen also had the benefit of seeing land taxation in action. In 1898 the Chinese leased 200 square miles to Germany. The civil commissioner was Dr. Ludwig Wilhelm Schrameier, an admirer of Henry George.²

Schrameier imposed a tax on the assessed value of land; the initial rate was 6%, rising for vacant land from



9% to 24% according to the length of time it was held idle.

Tsingtao, the urban centre, flourished. There was no land speculation, and the economy boomed. The land tax was abolished during the Japanese occupation (1915-22). Schrameier was invited by Sun Yat-sen to draft a land law for China, but he died in a car accident 10 days before the law was completed.

SUN YAT-SEN died in 1925, but his vision of a good society lived on in his Three Principles of the People (*San Min Chu I*).

The Chinese land law was completed in 1930. Although it was implemented in 1936, it was not successfully executed because of political instability, beginning with the Sino-Japanese War (1937-45) and the Communist Rebellion (1949).

Chiang Kai-Shek and his Kuomintang nationalist supporters took the reform programme with them when they sought refuge on what was then called Formosa in 1950. There, beginning in 1956, they began their land equalisation programme in earnest.

And the economy took off with growth rates that astonished socialist critics of the capitalist system.

Industrialists on the island have emphasised that it was the annual tax which shifted money away from the land market and into capital formation in the urban-industrial sector.³ By 1969-72, industry was growing at an annual rate of 21%, and GDP at an annual rate of over 10% in the 10 years to 1974. In 1978, it reached a 25% growth rate.

THE NATIONALIST leaders retained an authoritarian grip on the islanders. They were determined that one day they would return to the mainland and assume

TAIWAN LAND TAXES, 1956-1979, N.T.\$m.

	Land Value Tax		Land Value Increment Tax	
	Taiwan	Taipei ¹	Taiwan	Taipei
1956	0.155	—	0.008	—
1957-62	0.475	—	0.424	—
1963-67	1.166	—	0.322	—
1968-72	2.798	2.563	2.410	1.700
1973-77	6.643	4.635	12.524	6.769
1978	3.117	1.935	5.683	3.893
1979	6.211	3.034	9.970	3.990
	20.555	12.178	31.366	16.374
Grand total, 1956-79, both taxes: NT\$80,472,531				

¹Taipei was designated as a provincial city before it was promoted to special municipality in 1968.

NOTE: figures do not add up due to rounding.

is a tax on incremental increases above base values of land, levied at the point of sale — a fiscal policy shaped by the philosophy of John Stuart Mill. By 1979, over NT\$80m. was raised by these two taxes.

Something, however, was going wrong: speculation in land which the politicians wanted to eliminate was re-emerging as a serious problem. And peasants expressed discontent at the sight of urban landowners making fat profits out of trading in land.

Although the authorities used some force to clamp down on demonstrations, they were still determined to promote their ideological objectives — beating the communists on the mainland — by retaining the sympathies of Taiwan's population. Coercion, they knew, would not work in the long run.

Dr. Robert Lee, who has played a leading role in the rural reconstruction programme, told the first World Congress on Land Policy at Harvard University in June 1980: "Land value has continued to increase and speculation has not been checked".

He pinpointed the problem when he declared that the

'Fairness' & the compromise of John Stuart Mill

ANALYSIS BY
VIC BLUNDELL

THERE ARE countless examples throughout history where the forces of logical thought and clearly perceived moral principles have suffered at the hands of political expediency or entrenched interests.

Herbert Spencer's views on the injustice of private property in land¹ at first so clearly and logically stated, as to leave no doubt whatsoever as to his meaning, were many years later retracted — with less logic and clarity.²

It is arguable that this retraction was the result of self-deception rather than self-interest. John Stuart Mill, however, a logician of some renown, presented his logical contradiction in one volume.³ In the battle of logic and principle versus appeasement of the land-owning interest (based on a misguided idea of "fairness"), logic and principle lost the battle.

Let us first take some examples of Mill's views on private property in land. After defining the rights of property in the products of man as being ownership vested in the producer, Mill makes the

exception that the passage of time might preclude such rights being established because of lack of historical evidence of original ownership. This, however, cannot apply, he says, to the requirement not to disturb "acts of injustice of old date, unjust systems or institutions, since a bad law or usage is not one bad act, in the remote past, but a perpetual repetition of bad acts, as long as the law or usage lasts."⁴

This principle applies perfectly to the question of the injustice of the private ownership of land. As Herbert Spencer, Henry George, Thomas Paine and others have emphasised, the passage of time cannot turn a wrong into a right, and thus the continuing robbery of land rights of successive generations is a violation of natural justice.

Here, Mill is explicit on property rights in land:

"The essential principle of property being to assure to all persons what they have produced by their labour and accumulated by their abstinence, this principle cannot apply to what is not the

produce of labour, the raw material of the earth. If the land derived its productive power wholly from nature, and not at all from industry, or if there were any means of discriminating what is derived from each source, it not only would not be necessary, but it would be the height of injustice, to let the gift of nature be engrossed by a few."⁵

Mill adds that while the cultivator must be permitted to reap his crop for the time being and the land occupied for just one season, the State might then "be the universal landlord and the cultivators tenants under it."⁶ Mill again makes his point:

"When the sacredness of property is talked of, it should always be remembered that this sacredness does not belong in the same degree to landed property. No man made the land. It is the original inheritance of the whole species... It is some hardship to be born into the world and to find all nature's gifts previously engrossed, and no place left for the newcomer."⁷

the control over the destiny of China which they regarded as rightfully theirs.

To accomplish their ends, they had to mobilise the wealth and energies of the peasants. They could have chosen the brutal path elected by Stalin during his determined industrialisation of Russia: expropriating the surplus product of the countryside for the benefit of industry and the war machine.

Instead, however, they enlisted the sympathies of the agricultural workers. As Dr. Archibald Woodruff has noted:

"A land reform which truly upgrades the economic conditions of the peasantry provides an important political power base for the government that engineers the reform."

Taiwan's leaders adopted the sensible approach, some of the elements of which were —

● *Rent controls.* The landlords' share of rural income was reduced from 66% to a maximum 37½%. Working farmers doubled their incomes.

● *Living standards.* Income levels were equalised from the bottom up. The ratio of income of the richest 20% to the poorest 20% was altered from 15:1 (1950) to 4.5:1 (1969).⁴ Unlike the experience in the rest of the Third World, rural incomes did not lag far behind urban incomes.

● *Land-to-the-tiller.* One-quarter of the land was redistributed to the men and women who sowed the seeds in the fields. Productivity increased by 220%. Fragmented holdings were combined into viable family farms.

● *Balanced growth.* The urban-industrial sector was nurtured along to provide off-farm jobs which supplemented rural incomes. The bridge between the two sectors allowed a swift flow of labour and resources to take advantage of a dynamic economy.

AT THE HEART of this strategy was the taxation of land values, which broke up large holdings and financed free education and a housing programme that elevated the life-styles of the islanders.

Taiwan's land taxation is in two forms. One is an annual tax, as advocated by Henry George.⁵ The other



ROBERT C. T. LEE
Chairman, Council for Agricultural
Planning and Development, Taiwan

land value increment tax, "the principle tool to achieve the equalisation of land rights in Taiwan", did not seem to be effective.

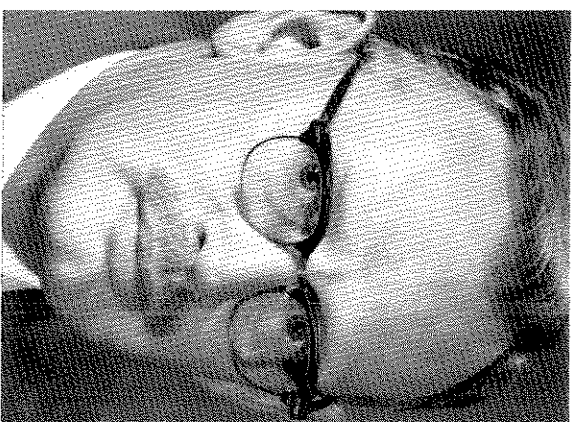
The reasons why this was so are revealing; unfortunately, the authorities have not taken the lessons to heart in their plans for reforming the fiscal system.

THE FAULT lies with the mistaken belief that the sales tax on incremental increases in land values (with a marginal tax rate of 60%) would secure the desired results.

This variant of the land tax highlights the confusion in the original philosophy, which has been authoritatively restated by Wei-I Chang, the Director of the Ministry of Interior's Department of Land Administration. He claims: "... to equalise the land rights is to levy the unearned natural increment of land from its owner for each

TAIWAN

POPULATION: 17m, 20% of whom are Chinese mainlanders in exile.
POLITICS: authoritarian regime dominated by anti-communist Kuomintang Government of President Chiang Ching-Kuo. Second-class status accorded to islanders lay behind riots in Kaohsiung in Dec. 1979.
ECONOMY: one of most successful in world; this, linked with growing political confidence, has led to greater liberalisation.
TRADE: \$32 bn in 1979, compared with China's \$29 bn.
DEFENCE: military and security forces absorb 40% of state budget.
DIPLOMACY: U.S. broke off relations as part of new relationship with China. Only 22 nations recognize Taipei regime.
FINANCE: expelled from I.M.F. and World Bank, but inflow of foreign investment reached new peak of \$480m. in 1980.



ARCHIBALD WOODRUFF
Executive committee member, Land
Reform Training Institute, Taiwan

citizen to have equal opportunity to enjoy it. It is obvious that the natural increment results from the public effort, not from the owner's investment. The landowner himself has done nothing for it."⁶

There is a persistent emphasis that the increments above a base value are socially-created.

"Consequently, this part of land value, the increment, should be levied by the government for public use. This is exactly what Dr. Sun Yat-sen said: 'The fruit of civilization and the result of social progress should be equally enjoyed by the people.'"

The process of assessing land values differentiates between current values and future increments. Chang explains:

"The assessed current value is the part that belongs to land owner while the incremental part which is not the result from the owners' investment or improvement, should be considered as public property."

The belief that existing land values should be retained

● Cont. on next page

Similar observations by Dove, George and others led them to the conclusion that, in order to establish equal rights without infringing upon the liberty of the individual, it was necessary to communalise the rent of land. Mill, however, arrived at a different conclusion. Out of concern for the land-owner, he proposed to tax only the increase in value which accrued between the date of the first necessary valuation and subsequent valuations. This became known as the "increment tax."

Clearly the proposal of a mere increment tax on land values does not square with his statement that "it would be the height of injustice to let the gift of nature be engrossed by a few," and "no man made the land. It is the original inheritance of the whole species."

MILL, in defending land owners' rights to all existing values, makes this curious statement: "The principle of property gives them (the land owners) no right to the land, but only a right to compensation for whatever portion of their interest in land it may be the policy of the state to deprive them of... or an annual income equal to what they derived from it."⁸

Henry George in *Progress & Poverty*, commenting on Mill's proposal for an increment tax, says -

"To say nothing of the practical difficulties which such cumbrous plans involve, in the extension of the functions of government which they would require and the corruption they would beget, their inherent and essential defect lies in the impossibility of bridging over by any compromise the radical difference between wrong and right. Just in proportion as the interests of the land holders are conserved, just in that proportion must general interests and general rights be disregarded, and if land holders are to lose nothing of their special privileges, the people at large can gain nothing. To buy up individual property rights would merely be to give the land holders in another form a claim to the same kind and amount that their possession of land now gives them; it would be to raise for them by taxation the same proportion of the earnings of labour and capital that they are now enabled to appropriate in rent. Their unjust advantage would be preserved and the unjust disadvantage of the non-landholders would be continued."

George adds that while Mill's proposal would not add to the injustice of the present distribution of wealth, it would not remedy it but he has no time for expediency and compromise in matters of justice: "Justice in men's mouths is cringingly humble when she first begins

a protest against a time-honoured wrong, and we of the English-speaking nations still wear the collar of the Saxon thrall, and have been educated to look upon the 'vested rights' of land owners with all the superstitious reverence that ancient Egyptians looked upon the crocodile."¹⁰

George spells it out thus:

If the land of any country belong to the people of that country, what right, in morality and justice, have the individuals called land owners to the rent?"¹¹

To implement John Stuart Mill's increment tax on land values instead of instituting justice is to pull out the top of a bad tooth and leave the root to fester and poison the system.

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11. *Ibid.* p.363.

by current owners, and that they should be compensated for the loss of that value, can be traced to J. S. Mill. So far as the Taiwanese are concerned, the moral basis of this base value is established as a result of "the owner's investment or improvement," which ignores the fundamental question of how the original land value below the base-line (and leaving aside the value of capital improvements) was created.

In policy terms, this means that there is a value to be traded in the market like any other asset, which must inevitably result in speculative activity. When Chang claims that "It is unfair that the land owner is allowed to monopolize the incremental part of land value," he is defining equity in an arbitrary way. *For the whole of the economic rent of land is socially-created, and ought – in all conscience – to be taxed away for the benefit of the community.*

IT IS NOT surprising, then, that the Statute for Equalization of Land Rights (1977), which relies heavily on the land value increment tax, has not succeeded in abolishing speculation.

The authorities have fallen back on bureaucratic planning in a bid to arrest speculation. According to Dr. Lee:

"Owning land in the urban fringe had become a quick way to get rich. Since 1976 all lands are subject to taxation of increment value. Although land speculation has not been completely arrested, the levy of increment tax combined with regional planning and land use restrictions have greatly improved the situation of uncontrolled urbanization."

This complimentary strategy – planning the land market with instruments such as zoning regulations, combined with the increment tax – introduces an ironic twist into Taiwan's politics. For her key ideological weapon against the Peking communists has been the superiority of the free market over the socialist economy on the mainland.

Certainly, the contrast in the material and spiritual welfare of the two populations has vindicated the Taiwan leaders. *But their policies are now being deflected along a path that, logically, must lead towards the socialist style of economic regulation that has been ridiculed for the past 30 years.*

There are dangers in this approach, apart from the loss of the propaganda initiative. The land use plans have introduced a rigidity that will limit the economy's ability to adjust to the sharper competitive edge that will begin to cut into international trade as the western economies

recover from the global recession.

Already, there is evidence of less intensive use of rural land, and an increased competition for industrial land which requires the flexibility of a free market to satisfy.

The disadvantages of the two main policy planks – a tax on incremental land values at the point of sale (why sell when you can avoid the tax by holding onto the land?), and stricter land use planning – cannot be offset by the additional power of levying a heavier annual tax on vacant land.

THE RATIONAL strategy would be to shift in Henry George's direction.

A very high tax on the annual value of all land (in recognition that the whole of the economic rent of land is socially-created) would deter speculation and bring vacant land into use; there would be no incentive to hold surplus land off the market, and no need to levy an additional tax at the point of sale.

Within this framework, there would be no need to plan land use according to bureaucratic criteria: the free market would determine the best use to which land should be put, subject to obvious environmentally-desirable regulations (such as the control of pollution).

This policy emphasis would accomplish the goals articulated by Taiwan's leaders, shifting the economy even further and faster in the desired direction by equipping the dynamic citizens of this tiny island to take on all-comers in the 1980s.

So far, Henry George appears to have lost out in the philosophical fracas with John Stuart Mill. This must bode ill for the people of Taiwan. But it is not too late to change course.

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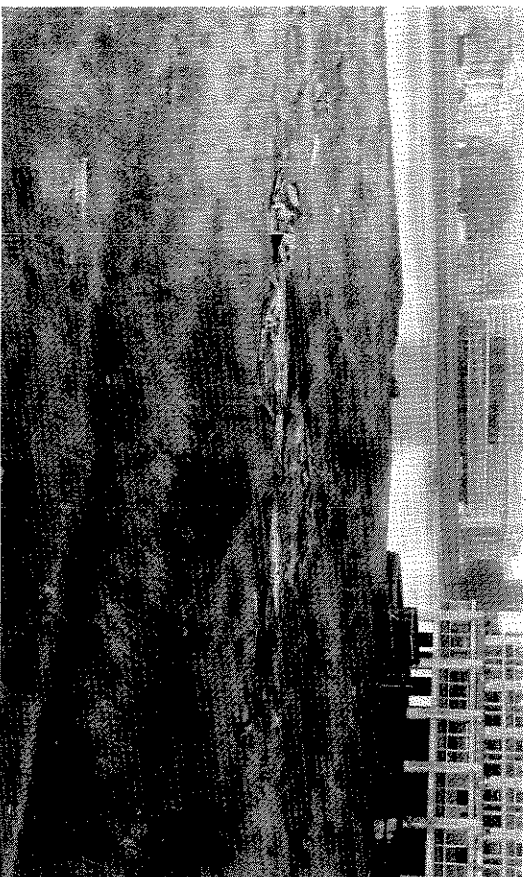
DERELICTION Inner Cities Search For A Policy

THE LONDON Borough of Lambeth has received quite a lot of press coverage in recent months. The Council has been bitterly attacked for defying the government's exhortations to reduce expenditure. Many ratepayers have protested vigorously about the decision to raise a supplementary rate averaging £50 per domestic payer. According to one article¹ the borough has been dubbed "The People's Republic of Lambeth". "Red Ted" – Council Leader Edward Knight – is a self-confessed Marxist who continues to rule locally although he was defeated when he recently stood as Labour candidate for the Greater London Council.

In the north and most valuable part of the borough the

battle over the redevelopment of the Coin Street site continues between community groups and Environment Secretary Michael Heseltine. And then there have been the Brixton riots. A sad tale for a deprived area.

The Council has tried to maintain a large rolling programme of public housing. It owns 33,500 homes, of which 3,750 were empty at the start of this year. The borough's capital debt is at least £370m and there is no doubt that a substantial part of this sum is due to property acquisition, development costs and a low rents policy. What about vacant and derelict land? A 1980 estimate by the community group L.I.C.C.G.² suggests that there are about 120 acres of derelict land in the borough, most of



Ownership of vacant land in Lambeth (1980)

	No. of sites	Acres
Lambeth Council	47	27
G.L.C.	27	29
Statutory Authorities	8	15
Others (with consent)	28	9
Others (no consent)	51	15
Totals	161	96

● *A prime – but vacant – site by The Thames in London. Report by PAUL KNIGHT. Picture by MARK BRANGWYN.*

which has no firm proposals for development. The "official figures from Lambeth give a total of 95 acres with 27 acres owned by the Council and 29 acres by the Greater London Council (see table).

The Council's survey identifies 79 sites in private ownership of which 28 had planning permission for development of some kind. However, the L.I.C.C.G. report makes the point that even where planning permission has been granted in the past many of the permissions have expired because development has not taken place within the prescribed periods. The report continues: "...there is little evidence of any (private) interest in carrying out developments on the land." And "the inner city economy, particularly in periods of recession, is apparently not strong enough for the private sector to see investment as worthwhile."

The report also notes that although the Greater London Council took a policy decision to sell eight sites for private housing development ranging from one thought suitable for 13 dwellings to one where 170 homes had previously been planned, over a year later sales still had to be agreed and there was no immediate prospect of any new building. The value of these sites on the market is (according to the report) less than the amount the G.L.C. had spent on acquiring, planning and preparing them. "Many of them," the report continues, "are in areas that are unlikely to appeal to private housebuilders, who have anyway shown little enthusiasm for building in the inner area of Lambeth."

Lambeth Council does not approve of the sale of sites in public ownership, but it would be prepared to enter into suitable leasehold arrangements with private developers who were willing to undertake industrial or commercial development in selected areas.

THE COMMUNITY group report also draws attention to land held by other public bodies and cites cases of land held by British Rail, the Area Health Authority and the Inner London Education Authority. The total picture is one of delay in building plans resulting in dereliction and decay. And along the valuable riverfront at Vauxhall and Waterloo the three major Esso, Efra and Coin Street sites are still awaiting development at various stages in the planning process and have been vacant for years.

In searching for a solution to contemporary dereliction the report concludes that there is no easy solution to the problem of wasteland in Lambeth. There are many small

sites (the report claims), and examples highlight the problems of effective planning for new homes, parks, factories, schools, health facilities and offices; subject as they are to changing policies and finances – particularly cuts in government programmes.

On the positive side the report includes a number of examples showing how community groups have helped to improve the local environment in co-operation with the public authorities by establishing playgrounds and temporary parks. These small gains were achieved in spite of many difficulties and sometimes long delays as the paperwork was shuffled within the bureaucracies.

What are the lessons to be learnt from the study? The report makes 13 main recommendations including the charging of rates on vacant land in private ownership. It advocates that government grants should be made available to treat derelict sites in inner city areas and that a national programme of wasteland clearance should be established. It also urges the speeding up of the planning permission process and modification of the rules for land transfers between public authorities to facilitate speedy transactions. Changes in the compensation code is also advocated to enable compulsory land purchases to be made at current use value.

These recommendations are all well-intentioned: the objective is to get something done to ameliorate inner city dereliction. The report confirms that in the past some public spending programmes were over-ambitious and that the decision-making process has been slow. There has also been some speculation and also a lack of determination as well as funds.

The problems of the inner city are complex. It is true (but not much help) to point out that many of the problems would not have arisen if there had been a tax on site values as advocated by the former London County Council in 1939. However, to introduce a vacant sites tax now would certainly be a start in the right direction even if a little late in the day. There is certainly a need for continuing pressure in this and other directions if the inner cities are to be made more self-sufficient and economically viable. Lambeth is certainly not alone in the fight against poverty and decay.

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THE SHOOTING GALLERY IN A PARADISE LOST

MY CONNECTIONS with Guatemala go back before my birth. My uncle emigrated from Europe and settled there in the early 1940s. After World War II my parents also left the Old World and moved to Guatemala. I was but a year old then, and spent my early childhood there before we emigrated to the United States.

I returned to Guatemala for visits in 1973, 1975, and in February 1981. The country has undergone substantial changes in development over the past 30 years, but in many ways not much has changed for centuries.

Before the Spanish conquest the Mayan Indians had achieved one of the most magnificent civilisations the world has ever known. In their territory ranging from southern Mexico to northern Central America, the Mayas erected ceremonial sites marked by elaborate palaces and steep pyramids built of stone. These "Greeks of the Americas" developed an hieroglyph script and a number system that they used to track the planets and create an incredibly accurate calendar. A remarkable feature of the their civilisation is that many of its greatest centres were located in what is now a thick jungle that has overgrown their monuments.

The Mayas reached a cultural peak at about 800 AD and then rapidly abandoned their ceremonial sites. This decline has puzzled archaeologists, who have come up with various theories. Henry George noted the fall of the Mayas in *Progress and Poverty*:

"Could we find the key to the records of the long-buried civilisations that lie entombed in the gigantic ruins of Yucatan and Guatemala, telling at once of the pride of a ruling class and the unrequited toil to which the masses were condemned, we should read, in all human probability, of a slavery imposed upon the great body of the people through the appropriation of the land as the property of a few — of another illustration of the universal truth that they who possess the land are masters of the men who dwell upon it."¹

From what evidence remains, we gather that the Mayas had a theocratic hierarchical society and there probably was a widespread peasants' revolt. In some archaeological sites I

saw stelias (stone markers) where the heads had been defaced and others which had been toppled in antiquity, and then reassembled in odd positions. Revolutions are nothing new in Central America!

Latin American Notebook

BY FRED FOLDVARY



BUT THIS was not the end of the Mayan civilisation. The cities of the Yucatan flourished and in Guatemala the high mountain region to the south became a new centre of Mayan culture. These continued until the brutal conquest by the Spanish in the early 1500s. The Spaniards not only subjugated the Mayas into a feudal serfdom, but also burned their books and killed their leaders.

The legacy of the Mayas continues in the highlands, where the Mayas have kept their languages, their colourful local clothing, and some of their religion. The outdoor markets are brimming with produce and handicrafts. The area is rather densely populated, mostly with Indians whose small plots of land manage to feed the country. Though some seem to live adequately from their farms or handicrafts, many

Indians, with little or no land, have to work on the coffee, cotton, and banana plantations of the south coast and eastern part of the country, for a meagre subsistence.

The small farmers own 88% of the farms, constituting 14% of the farmland, while the large landholders own 2.1% of the farms and 72% of the land, large areas of which are kept idle.² Another source claims that "there is a close relation between the land shortage and the low farm wage ... [which] forces the *minifundio* [small farm] peasant to hire himself out cheaply to the latifundio [plantation] farmer."³

THERE IS some homesteading. The government is distributing lands in the Northern Transversal Strip to landless peasant farmers. This is an area stretching across the country between the mountainous south and the hot, flat jungle north, which is sparsely populated. According to *The Guatemala News*, grant recipients must pay the government up to Q\$500 (equal to US \$500) within 20 years. Five to ten hectares may be granted if the land is good. Roads are being built through the region, and the government is attempting to communicate news of the project to the Indians.⁴

Land redistribution has had a stormy history in Guatemala. In 1944 the Revolutionary Party, led by Arevalo, won the elections and expropriated large landholdings. The government also set up co-operatives. These policies were continued by his successor, Arbenz, who also tried to reduce the holdings of the United Fruit Company. He was accused of being a communist by some of the military, the church, large landowners, and the US government. In 1954 Arbenz was toppled and the new government returned the lands to the previous owners.

In the ensuing years a guerrilla movement that festered in the eastern mountains has spread to other parts of the country. There are reports or claims that many Indians suspected of contact with the guerrillas have been killed. Labour leaders, professors, students and liberal politicians have been shot. The opposition in turn has murdered soldiers, police, businessmen and con-

servative politicians. It is often difficult to really know what is going on and who is responsible. The average Guatemalan would simply like to go about his business in peace.

The Mayan Indians make up about 50% of the population of 6m. Another 40% is of mixed Indian and caucasian ancestry. These *Ladinos* generally form the working and lower-middle classes, and have largely divorced themselves from the culture of their Indian ancestors.

GUATEMALA City teems with activity, with stores full of goods and other vendors hawking their wares from sidewalk stands and outdoor markets. The city swarms with shoeshine boys, men selling lottery tickets and hot dogs, and women selling fruits, tamales, and corn on the cob. (All delicious!) The streets are clogged with bicycles, cars and smoke-belching buses. And then occasionally one sees an open truck go by, manned with soldiers carrying rifles, who seem ready to use them upon command, a reminder to those who would upset the established order.

Guatemala City also has a plentiful supply of beggars. Some of them are crippled and live a pitiful existence from the coins they manage to collect. Yet even they have not lost their Mayan dignity – often in exchange for a coin they offer a blessing.

For the tourist, if he stays out of the current hot spots, a visit to Guatemala is still pleasant, safe, and rather inexpensive. A decent hotel can be had for \$5. In Guatemala City a

bus trip is 5c and if you don't wish to eat in a restaurant there is food galore in the streets from vendors. A piece of fruit or a tamala costs 10c. I was pleased with the apparent lack of sales taxes, but later I found out that Guatemala has all the usual taxes – income, social security, and real estate, as well as a gross receipts tax paid by the shops. According to one source, "tax collection" is "7.3 per cent of the domestic product," but "the largest haciendas pay taxes of [only] six per thousand" (0.6%) "on landed property." The bulk of the taxes seems to come from the tax on consumption.⁵

In Guatemala City I visited the Universidad Francisco Marroquin, a private university that emphasises the free market economics of the "Austrian" school. Their library has a Spanish translation of *Progress and Poverty*, though the predominant teachings are from Ludwig von Mises and other Austrian economists.

WE FLEW to Flores, the main town in the northern jungle area. This town was the last stronghold of the Mayas, not conquered until 1697. From there we went by bus to Tikal, the largest of the Mayan ruins. The jungle background gives the pyramids and palaces of Tikal a dramatic setting, and it is impressive to realise that when the ancient Mayas lived there, the land was settled for miles around, the excavated part being only the ceremonial centre.

From Flores we rode another bus to the Belize border. Our bus was

stopped by the army three times; each time we had to get out while our luggage was searched, the men frisked, and passports examined. There had apparently been some trouble in the area.

On the way to Belize I was surprised at how cultivated was the area surrounding the road. Typically we would see a thatched roof one-room house, chickens running around, a couple of pigs, some banana trees, a field of corn, and the inevitable little boy standing by the door watching the bus go by, wearing only an undershirt.

Belize, which was a British Colony, presented us with an entirely different culture. Though English is spoken, we could sometimes barely comprehend the "Creole" dialect. Most of the population is black, with some Indians, Mayan and Carib, and some Europeans and those of mixed ancestry. Unlike the reserved Mayas, the Belizians are very high spirited. Again, I was surprised at how extensively the area by the road to the coast was cultivated: I had expected to see nothing but thick jungle.

After returning to Guatemala, we travelled to Copan, a few miles over a rough road across the border into Honduras. There we visited the ruins famous for their carvings. Honduras is criss-crossed with mountains and is less populated than Guatemala, but the farmers there also work on small plots or large plantations.

In Guatemala City there is a unique relief map of the country, some 50 metres across, with the height of the mountains exaggerated.

● Cont. on P. 92, col. 2

INTERNATIONAL UNION FOR LAND VALUE TAXATION AND FREE TRADE
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HOW TO PAY FOR A NEW RAIL SYSTEM

HONG KONG is but a speck on the south-east coast of China – a territory of some 1,000 sq. kms. (400 sq. miles) in all – yet it provides a home and a livelihood for over five million people. The greater part of the territory is made up of unproductive hills or uninhabited islands and well over half the population is concentrated around the harbour, the traditional centre of commerce. In this region of roughly 50 sq. kms. (20 sq. miles) over three and a half million people live, work, go to school, eat and enjoy life, at a density averaging 70,000 persons per square kilometre or 175,000 persons per square mile. It is through this area that the main transit railway (MTR) has been threaded. Opened in October 1979, it now carries approaching one million persons per day.

Underground railways become necessary when the population of a city reaches a level and a sophistication at which surface transportation is no longer adequate to meet the demand of the travelling public. When this point is reached the cost of land for the right of way and frequent stations – the value of which arises precisely because of the concentration of population – is such as to make the cost of construction higher than many cities appear able to afford without heavy public subsidies. On the other hand such a territory, particularly one like Hong Kong with exceptional concentration of population and a high demand for short distance transportation combined with low private car ownership, provides the environment in which commercial operation is likely to prove most financially viable once the system is built.

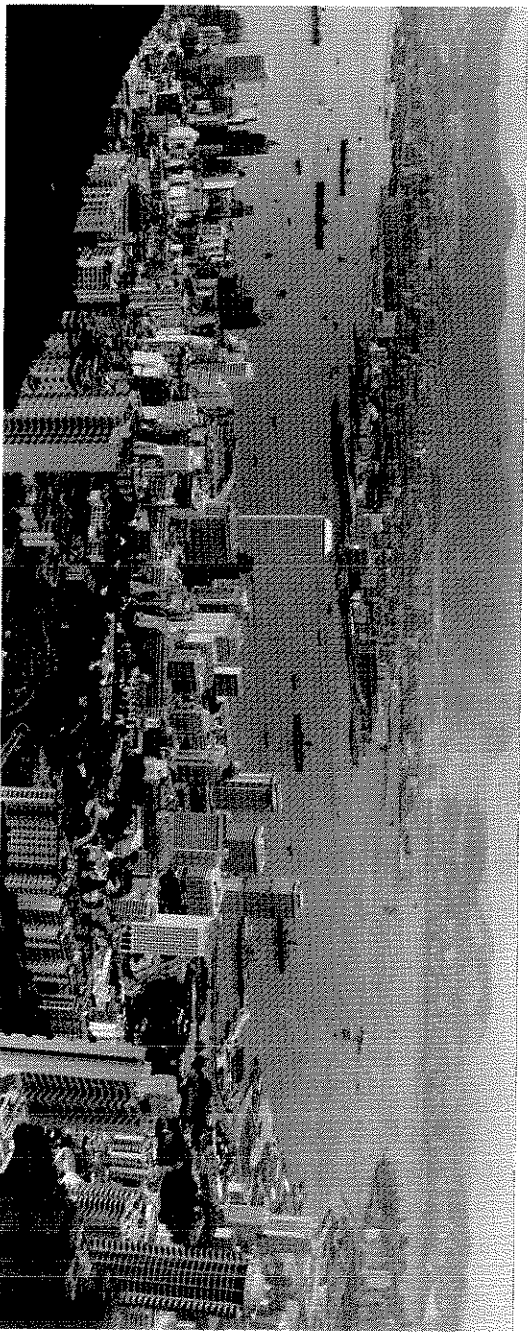
Apart from the MTR and the main railway to China, public transport in Hong Kong is and always has been operated by private enterprise without government subsidy. There are two separate bus companies, two tramway companies, two main ferry services and a large number of privately operated mini buses. These latter started as the result of strike action by some of the workers in the main bus companies during the Cultural Revolution in 1967 and provided so valuable a service that they have been retained and expanded; 4,000 14-seater minibuses now carry 1.5m passengers a day.

The MTR, the first section of which came into operation in October 1979, represents a direct challenge to the established bus and ferry services and now, with the decision to build the Island Line, the Hong Kong Tramways, The Hong Kong Government, with its basic philosophy of and belief in the benefits of free enterprise, would have preferred to have obtained the added service of the MTR harbour tunnel. However, for one reason or another no organisation came forward to undertake the construction and operation of the MTR as a private venture. Hence, having accepted that another level of transportation was essential for the well being (and that means the economic welfare) of the people, the Government set about getting the system designed and finding the finance to undertake the construction.

LONG TERM Government loans are not practicable in Hong Kong and contractor finance was not adequate or readily available. So for construction purposes the choice lay with international bank loans of relatively short term underwritten by the Government combined with internal Hong Kong resources.

Traditionally in Hong Kong most public development projects – reservoirs, highways, public housing – were and are financed out of current revenue. This was inadequate to cover the major construction aspects of so large a project as the MTR and Government sought other ways to raise the greater part of the cost. *The enhanced value of land particularly at main stations arising from the operation of the MTR was an obvious choice.*

Land in Hong Kong was declared to be Crown land when the colony was founded. The sale of Crown leases and the renewal and regrant of these leases has been a source of revenue ever since. Thus when the MTR came to be built it was not a difficult matter to establish the route and in most cases to set aside crownland for the stations and the marshalling and maintenance depots. In many cases stations were located under existing streets but in a number, particularly important ones in the central district



NEWS ANALYSIS by RICHARD CLARKE

● *The author (right) worked in Hong Kong for 26 years, and is an expert on the British colony's land tenure system.*


of Hong Kong Island, they were located under valuable crownland sites recently freed from earlier development.

In these circumstances the Government had a choice. It could have sold (by auction or tender to the highest bidder) the land on which the stations were to be built with a requirement that the purchaser should provide space for the MTR. Or it could sell the site by private treaty to the MTR Corporation allowing the latter to make such arrangements as it could to capitalise on the development potential of the site over and above the requirements of the railway. It chose the latter method. This approach was somewhat different from that adopted where stations were built largely under public streets when in certain cases private developers were required to provide access points and other facilities required by the MTR.

But we are concerned with the sites granted to the MTR. These have included three important commercial sites and one large depot site in connection with the Modified Initial System (MIS), two significant sites on the Tsuen Wan extension and no less than 13 potential sites in connection with the Island line, construction of which has now started. The cost of the MIS was in round figures \$7,000 millions, roughly \$60 millions per mile or three times London underground costs. The Tsuen Wan extension will raise the cost to \$12,000m and the Island line when completed in 1985 will raise the total cost (at 1980 prices) to \$20,000m. In 1980 the profit from the two commercial sites on the Island was \$572m at which time only part disposal had taken place. More recent figures are unfortunately not yet available but it is estimated that upwards of 20 per cent of the cost of construction of the system will eventually be recovered from property development. The financial arrangements are designed to recover all debt by 1993 and it seems likely to be the only Mass Transit System built in recent times which will be financially as well as socially successful. Compare the San Francisco Bay Rapid Transit which cannot even cover its running costs.

NEVERTHELESS, whilst they can be described as progressive, the financial arrangements call for some comment. The depot and station sites were sold to the MTR by private treaty rather than by some form of public competition with auction or tender normally adopted by the Hong Kong Government when disposing of crownland for commercial purposes. In a rising market and from the very nature of the process, the price laid by the MTR, whilst theoretically the market value, in practice was invariably less than would have been achieved had the site gone to public competition. Thus it can be said that the gain to the MTR was a loss to the public purse. The critics of the system claim that the process is an under-cover method of providing a public subsidy detrimental to the interests of the other public transport systems operated by private enterprise. There is some truth in this.

On the other hand since the sites in question had to provide a major MTR facility (station or depot), it would have been difficult to develop such sites other than in co-



operation with the MTR. By allowing the MTR to use the air rights for commercial purposes, the Government maximised the value of the sites. Also the MTR in its negotiations with potential developers was able to use a system of public tender and adopt financial arrangements enabling the MTR to capture the larger part of the land value for the benefit of the travelling public.

However, whilst these arrangements will enable the MTR to cover a significant part of the cost of the system from the sale of air rights, it will capture only a small part of the total increase in land value resulting from the operation of the MTR. The major part of such increase will accrue to private leaseholders of land served by the system and a lesser part to Government by the increase in value of common land sites still in Government hands. An illustration of this is the sale by Government last year of a 4,600 sq. metre site at the end of the Tsuen Wan extension for \$234m. Compare this with a similar commercial site in central Hong Kong at the other end of the line, a site of 3,214 sq. metres, sold for \$908 millions or \$282,514, say £24,000 per sq. metre.

HONG KONG is fortunate in its recognition of the basic importance of land value in the economy of its territory. Its land policy and dedication to free trade is largely responsible for the success of its economy. It has a first class system of registration of land transactions, ownership, prices, realised, etc., every parcel of land being fully detailed by cadastral survey and lot number. It would thus be a simple matter to adapt the present rating system based on the UK practice of rateable values (land and buildings) to one of land value only. The present system brought in a revenue of some \$800m in 1978/79, about six per cent of the total colony revenue. On the other hand, the sale of just a few acres of crownland (by public auction or tender) brought in over \$2,000m in the same financial year. The following year the site revenue doubled whilst rate return increased only slightly.

There is clearly scope for obtaining a much greater part of Government revenue from land value taxation (LVT) but historical and political considerations make such a change unlikely. In these circumstances the adoption of the arrangements used to assist the financing of the MTR by the capture of land value on major sites must be welcomed. It seems to illustrate the level of revenue which could be recovered by a system of LVT. And it explains in part why, despite a healthy economy and some wise government policies, the distribution of wealth in Hong Kong remains inequitable.

Enterprise Zones: how landowners cash-in on benefits

REPORT BY P. E. POOLE

ENTERPRENEURS wanting to set up shop in Britain's new enterprise zones have been shocked to discover that the fiscal advantage of not having to pay property tax is wiped out by higher rents.

"For the landowners — private, local authority and the state — are taking the view that the firms there can afford higher rents because they are exempt from rates," report Chris Tighe and James Tucker.

The zones were established in last year's Budget to transform Britain's industrial wastelands and encourage new capital investment.

No free ride from railways

WHO OWNS the fresh air — and the daylight — that we all need?

Frank Turnbull, the director of an electrical company, believed that it was free.

Until British Rail sent him a letter informing him that he would have to pay £50 for the light that pours through four small windows of the wall that his company owns in East Ham, London.

J. D. Jones & Co., a family firm created in 1880, owns the land on which its factory stands. In 1932, they built an extension which placed the four windows just two feet from the boundary of the railway land.

The railways could have blocked the light by building an advertising hoarding on the boundary of their land.

They decided that they would charge a rent for the light and air passing through the windows!

A peppercorn rent of 13p. was agreed upon — until this year, when the railway's surveyor revealed that property rights in the light at £50.

Mr. Turnbull was furious. "They are taking us for a ride," he declared. "Britain is a free country — at least, air is free."

"There should be a gentleman's agreement about these things. We don't mind paying a peppercorn rent, because British Rail want to protect their legal rights."

"But they should not be allowed to arbitrarily make a profit out of it. What could a person do if he depended upon the light? I would rather brick up the windows than pay the new rent."

Following adverse Press publicity, a British Rail spokesman announced: "There has been an error. We are not revising the rent."

He explained that the original rental agreement was reached because the company wanted to instal windows overlooking railway property — on which they might one day want to build.

So the rent was charged to remove all doubt that the company "enjoys its light by our consent."

● A COMMON LAW rule dictates *cuius est solum ejus est usque ad coelum et ad inferos* — "to whom the land belongs to him it belongs all the way to the sky and to the infernal regions."

"But the people most likely to make a profit out of the scheme are the landowners. Land values in Enterprise Zones are rising, rents are soaring and the developers are set to make a killing."

This response was predicted in *Land & Liberty*.² The Government has not only recognised the land values effect,³ but even condones it. For a Minister at the Department of the Environment has declared:

"As I said, it does seem to me that the extent to which rents rise inside enterprise zones to allow for the lack of rates may well reduce the sharp differential at the boundary ... So long as the result is to bring the zones into development, increased rents seem perfectly acceptable."

The DOE has commissioned a firm of land economists (Roger Tym and Partners) to monitor the zones. One of the topics that may be studied is "the extent to which the local property market is able to adjust to allow private investment to take place in the EZs."

One of the businessmen who could offer some sharp-tongued advice is shed manufacturer Keith Grant.

He wanted to take advantage of the 10-year

Latin American diary: cont. from P. 89

Real water runs over the course of the major rivers into the "oceans," and small penannants identify the volcanos of the highlands. Gazing at the map, I thought of the paradise the fertile country could be if the people could simply stop shooting at one another. But peace will not come until the Mayas regain an equitable share of the land that was once theirs. As it is written in the *Popol Vuh*, sacred book of the ancient Quiche highland Mayas, "Truly here shall be our mountains and our valleys ... May the people have peace, much peace, and may they be happy; and give us good life and useful existence!"⁶

VILLAGE BUYING SPREE

INDIA'S farmland owners know how to consolidate the riches which have been brought by the "green revolution."

Their prosperity, however, is reported to be creating a "crisis of success." For example, new jobs have been attracted to the Punjab, and this has threatened to raise the wages of farm labourers.

The landowners, however, have vigorously promoted a solution to this "problem" — they are importing cheap labour from Bihar and Uttar Pradesh.

And to make sure that the benefits of the "green revolution" remain with them, they are keeping up the pressure on the politicians.

"Farmers do not have to pay income tax and from time to time the State government remits other taxes in frank pursuit of the farm vote," report Michelle Misquitta and Kevin Rafferty.*

And what do they do with their extra riches? Invest in job-creating machines in the urban sector for the benefit of the landless rural workers?

rates-free offer by moving his business just a few yards to a unit within the Galeshead zone in N.E. England.

But he was shocked when his landlords, the Estates Corporation, quoted a rent of £2,40p per sq. ft., almost 50% more than the rent agreed on his present nearly identical premises last December.

Businessmen interested in the Swansea zone in South Wales have also discovered that their profits are not to be boosted at the expense of the land monopolists.

An Environment spokesman said: "We would expect those fortunate enough to own land to share some of the benefits with those who are deriving benefits from rate-free periods."

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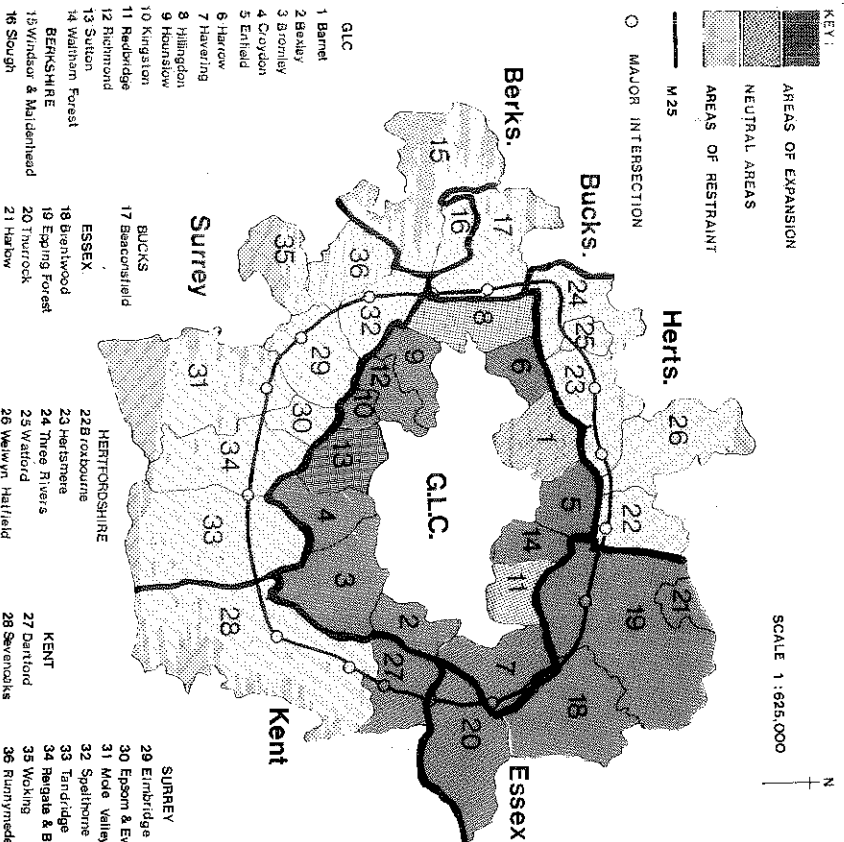
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Not all of them, at any rate.

"The question of size of landholdings and capitalist farming is relevant to the Punjab because one of the profitable — and strictly illegal — investments that some Punjabi farmers are making is in land in neighbouring states. In some cases farmers are buying whole villages of land, which is potentially more fertile than their Punjab farms, at a tenth of the price."

*India's Punjab granary faces crisis of success, *Financial Times*, 1.7.81.



The Goldlined Moneybelt

BERT BROOKES reviews the report by Nathaniel Lichfield & Partners and Goldstein Leigh Associates - *M25 London Orbital: Property Market Effects* - which reveals how public investment is converted into private gain.



● Nat Lichfield

A valuable assessment of some of the more specific effects that the M25 will exert on the lives and livelihoods of those living and working in its vicinity are given in a recently-published report. This asserts that the motorway - 120 miles in length and costing £600 m to build - will be the most important development to affect London and the south-east since the construction of the London Underground.

About 35 miles of the road are now open to traffic with another 57 miles under construction. By 1983 the north-eastern and eastern segments will be complete, providing a continuous motorway route from the A1 to the M2 and M20 and on to the Channel ports. By 1984 Heathrow and Gatwick airports will be linked to the Channel ports and the whole circuit should be in business two years later.

The economic effects of all this should be dramatic. Heavy traffic from all parts of the country will be able to reach the London airports, docks and the Channel ports without running the gauntlet through the capital. A lorry going from Dartford to Southampton will take about 115 minutes instead of 150. The road time from Tilbury Docks to Heathrow, at present about four hours, will be telescoped into 90 minutes. The journey from Brentwood to Dover will take 95 minutes instead of 145. The report lists a large number of other typical journeys, all of which will enjoy considerable savings of time when the M25 is open.

ALL RIGHT, so my getting to Henley without expiring en route from traffic frustration will be a pure bonus. But it seems that I shall not be alone in reaping a tangible and personal benefit from that huge slice of public expenditure.

According to the report, the completion of the M25 will trigger a near explosion in land values around the capital's perimeter and the owners concerned will strike a new bonanza.

FROM WHERE I live, on the south-eastern outskirts of London's commuter-land, it takes me close on two hours to motor to my favourite riverside resort - Henley-on-Thames. By far the greater part of this time is spent in inching through the urban congestion of Croydon, Esher, Walton, Feltham etc. Then, having reached the M4 at Harlington and set free from the traffic like a greyhound released from its trap, I thankfully do a "Surfing Moss" down the outer lane to reach Henley in a cloud of motorway dust.

The increasingly funereal crawl to the M4 has steadily offset the attraction of a day in the Thames countryside and for a long time I have feared that my trips to Henley will soon have to cease, becoming just one more casualty of the juggernaut growth of the horseless carriage.

But not it seems that the black outlook may have a silver lining. In five years, if the forecasts are right, the M25 motorway will weave a six-lane girdle around London at a radius of about 15 miles. Subject to the cost of petrol, I shall then be able to drive the few miles from my home to the M25 entry point at Godstone, follow the westerly curve of the new road all the way to the M4 join-up near Slough and from there make my final dash to Henley. Instead of two hours, the journey will probably take little more than one.

I RECOGNISE, of course, that the M25 is not being built simply to provide quick and easy access to Henley, Marlow and Cookham, important though this may be to maintain the morale of suburban Londoners. As far as the government are concerned, the motorway (which they call London's Orbital Route) will fill an urgent national need. They expect it to provide a substantial easing of the present congestion in Inner London, to make a significant cut in the transport costs of industry and to give a shot in the arm to our vital trade with Europe.

Whereas the demand for premises in Inner London will probably fall, there will be a big increase in demand in many areas of Outer London and the Home Counties all along the motorway route.

The report identifies more than 50 "areas of opportunity," including places such as Barnet, Bexley, Orpington, Hounslow, Kingston, where the increased demands of commerce and industry will generate pressure for development or re-development. Owners of land will find their rental values zooming skywards.

Within these areas, the most favoured sites will be the junction points where the M25 crosses the existing "feeder" roads. Businesses located close to these junctions "will enjoy crucial advantages in freight costs and convenience."

Among the industrial activities of the London area, the report selects "warehousing" as the one for which land values will be most affected. Rental values for warehousing sites are at present much higher around Heathrow than elsewhere. The new road will change all this. Rental values for warehousing sites all along the motorway route will move up smartly to come closely into line with those near Heathrow.

The report makes no estimate of the precise extent to which land values in the opportunity areas will rise, but there seems no doubt that many a killing will be made by private landowners as a result of this public expenditure. They have merely to sit tight to see those higher rents come rolling in. For those at the critical junction points, London's motorway girdle will prove a gold-lined money-belt.

We can only surmise what the effect of the M25 on public revenues might have been if only a British government in the past had had the foresight and the will to introduce a stiff tax on land values. Not only would the building of the motorway itself have been cheaper (the land for it would have been less costly), but a share in the increases in land values occurring along its route – and even farther afield – would have gone into the Exchequer instead of the whole of it into private pockets.

In a most informative report there is, perhaps, one small omission. There is no mention of the effect of the motorway on the Thames Valley resorts to which many Londoners besides myself will, come 1986, have quicker and easier access. Industries serving the needs of visitors to these places will surely receive a boost. Perhaps, on my next trip to Henley, I should cut short my lazing by the tow-path and go looking for a useful investment...



Neo-Georgism & Libertarianism

My esteemed friend:

As one who has for many years opposed those who have sought to use the Georgist movement to promote various statist schemes, it distresses me to find myself linked with them in your article, "Neo-Georgism Violates Natural Rights and Enhances State Power" (*Land & Liberty*, May and June, 1981). You write from a perspective of Georgist orthodoxy, expressing, through a parenthetical exclamation point, astonishment at my suggestion that we

might make better headway with a name that did not imply agreement with *all* the reforms and analyses George put forward. Yet you did confess to me, at the 1980 Joint Georgist Conference of North America, that you were yourself unable to reconcile the single tax with your own non-governmental libertarianism.

You note that I praise the Libertarians, but ask if I have examined their argument. However, the thrust of your own arguments would seem to exclude from libertarian ranks all who

Robert Andelson (pictured left) replies to the strictures from Mark Sullivan (right)



acknowledge *any* legitimate role, however minimal, for the nation-state. Are Ludwig von Mises, F. A. Hayek, Frank Meyer, Leonard Read, John Hospers and Robert Nozick, then, not to be accounted libertarians? For shame! As for me, my sympathy for libertarianism is no new thing. On my college campus as an undergraduate, I was a libertarian minority of one. I have considered myself a libertarian since long before the term came into general use, long before there was a Libertarian Party, long before – I

BUILDERS FACE LAND FAMINE

HOUSEBUILDERS cannot help to drag the British economy out of recession because they cannot lay their hands on enough land, writes *Ian Barron*.

The Conservative Government has repeatedly claimed that sufficient land was available to meet the housebuilding programme for up to five years.

Builders, however, were sceptical. So the Federation of Master Builders surveyed their members, and the message came back loud and clear: 85% reported an acute shortage of land.¹

Half of them said that supplies would last them for under one year at present production rates; but if the demand for new homes picked up, then over 60% said that their land banks would last them for under 12 months.

So far, the government has resorted to exhorting local authorities to release land to the private sector. This strategy has not worked, however: only 11% of the 445 building firms that supplied information had secured publicly-owned land.

THE COUNTRYSIDE Commission has published a report² which reveals why land is held back from use. Speculators corner urban fringe land and hold it vacant in the expectation of large capital gains. As a result, agriculture has suffered.

"Hope value" has been one of the main causes of change in estate management and farming practice, as long-term capital investment in the farm becomes less worthwhile for land-owner, tenant and grant-aiding body alike," the report states.

The Commission recommends that there should be greater public ownership of land, to ensure improved use of the countryside. But its own evidence contradicts the underlying philosophy of such a strategy. In one area in Essex which was surveyed in detail, 32% of publicly-owned land was held in a vacant state.

ADDITIONAL evidence from Nottingham contradicts the government's assumption that sufficient land is available. The findings also challenge the Countryside Commission's view that greater public ownership would get the land market moving.

A case study of the city was undertaken by the Dept. of Land Economy, Cambridge University.³

Over 480 vacant sites were identified. After a detailed survey of 379 of these, covering 1,770 acres, it was concluded that two-thirds were potentially suitable for residential development and most of the sites were in public ownership.

But: "Most of the sites identified as suitable for residential development were not, in fact, available to private housebuilders."

1. Federation of Master Builders, *Future for Housebuilding*, London, June 1981, £2.50.
2. Countryside Management in the Urban Fringe, Cheltenham: Countryside Commission, £10.30.
3. D. C. Nicholls *et al.*, *Private Housing Development Process*, London: Dept. of the Environment, £4.35.

venture to say – you were even born!

You assert that I endorse the concept that the state, rather than “the people of a given community” embodies society, and contend that my Neo-Georgism is a variant, not of libertarianism, but of the doctrine that individuals and society exist to serve the state. In fact, my orientation is individualistic and decentralist. Yet were the Daley (Chicago), Hague (Jersey City) and Crump (Memphis) machines any the less authoritarian for being local? And would you have the local community undertake to provide for protection against foreign aggression? As I see it, the nation-state is simply a wider and more attenuated community. Like narrower political communities, its only valid reason for being is to protect the rights of individuals. Because it is more attenuated than the others, its functions should be very few, indeed, restricted primarily to national defence. But it should be given the resources to fulfill them adequately.

I am well aware that national defence is a catchword that has, historically, been employed to justify what Gareth Garrett called “the rise of empire.” (Yes, I have read Garrett, and Francis Neilson, and the revisionist histories of my late friend, Harry Elmer Barnes.) Knowing the potential for abuse that lies in that direction, I

believe that military expenditure should be subjected to severe legislative oversight, that secret diplomacy should be eschewed, and that foreign policy should begin with a negative presumption against entangling alliances. I do not doubt that you are correct in saying that “national emergencies” always increase state power and government spending,” and I concede that government tends to define all of its services as necessary. The truth of these statements, however, does not demonstrate that national emergencies are never real, or that there is no need for government.

You say that the Libertarian Party of the United States claims that one-third can be cut from the defence budget and still leave the U.S. “as well, if not better, defended as now.” I devoutly hope that it is right, but, after all, what is at issue there is merely a question of magnitudes. I gather that your premises would not permit any defence budget at all since the very existence of such a budget would open the door to the expansion of state power.

Henry George, of course, believed that the adoption of his reform would usher in an age of peace, and virtually eliminate the need for military spending. But he could not have foreseen the worldwide threat of Soviet imperialism. You hold that the arms

race endangers our security, and that fear of communism is imposed upon us by the nation-state as a device of domination. Well, what is your alternative to the arms race? Would you have us entrust our security to the humanity and good will of the U.S.S.R.? Jimmy Carter, too, once spoke of the “inordinate fear of communism.” But that was before Afghanistan. Unfortunately, the causes of war can never be extirpated by the *unilateral* adoption of just social and economic institutions – the reform would have to be universal to have any significant impact of that nature. Unless we have the capability to repel armed menace from abroad, the most idyllic social system is a fool’s paradise, for domestic prosperity without military preparedness is an open invitation to aggression.

You charge me with being a “multi-taxer,” and I accept the charge – with reservations. I would permit other taxes only if the public appropriation of land rent proved insufficient to support necessary protective services, and then only according to a serial order regulated by the principle of payment for benefits. I admit the attractiveness of the idea that government should live within its proper income, and that its most proper income is land rent. But it would be folly to allow rigid purism on this point to render us helpless against predation, whether foreign or domestic.

What I have attempted to do in maintaining that circumstances may justify the collection of public revenues over and above what can be garnered by a tax on land values is simply to set forth a series of scenarios for increasingly “worse-case” situations. Is this not the duty of anyone who offers serious policy proposals? Or do you think it responsible to provide only for the most favourable situations, and to leave the rest to chance? I should like very much to believe that all truly legitimate public services could be funded from land rent, and, over the past few months, I have encountered reasons that make me more optimistic than formerly about that possibility. But one does not ground conscientious policy proposals only upon optimism.

With sincere good wishes,
Robert V. Andelson

●Professor Andelson is editor of *Critics of Henry George* (Fairleigh Dickinson University Press, 1979).

THE ECONOMICS OF FARMING

THE Country Landowners' Association's attempt to defend the interests of British “farmers” by pleading that income has dropped (*Land & Liberty*, July-Aug., 1981, p. 77) will not do, writes Ian Barron.

In our May-June issue, we argued that farm subsidies were capitalised into higher land prices. This proposition is consistent with economic theory, and is supported by the facts (see table below).

The working farmer's returns to his capital and labour have not been abnormally high. UK agricultural policy in the year to 1973, and EEC policy from then until now, has not worked to *his* (or his workers') benefit.

The advantages of the multi-million pound subsidies, the “quality” controls and regulatory organisations have not produced the lowest prices for the housewives or the highest incomes for the working farmers; but they have poured money into the pockets of the owners of land.

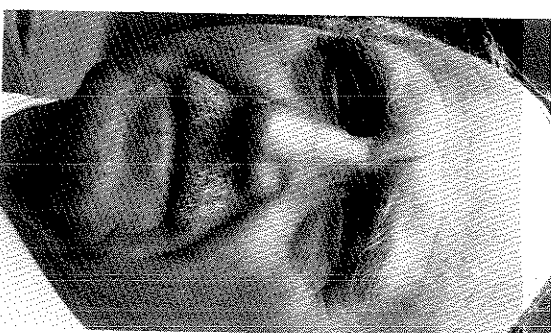
In 1953, land and buildings as a proportion of all assets in UK agriculture was 53.4%; this rose to 57.7% (1963), 65.4% (1970) and reached 78.9% in 1974, the peak year for land prices before the mid-decade recession.

Aggregate farming net income (UK), and land prices in England & Wales (1955 = 100).

	Land prices	Farming net income
1955	100	100
1960	146	115
1965	300	151
1970	379	193
1975	904	431

SOURCE: Ministry of Agriculture, cited in *Capital for Agriculture* Centre for Agricultural Strategy, Reading, 1978, p. 51.

Unemployment & The Micro-chip



R. J. RENNIE
reports on the financial
effects of a scientific
revolution

EVER SINCE Mrs. Thatcher's Government came to power in 1979 the continuous increase in unemployment and decrease in production has been attributed to the worldwide recession. Now in 1981 there are more than 2.5m. unemployed. Government spokesmen have eagerly seized upon a recent reduction in the rate of rise in unemployment as proof that the recession is "bottoming out."

There are many who view the prospect for employment less optimistically. This was made clear in two B.B.C. broadcasts. The first, on television, illustrated many manufacturing processes carried out entirely by robots and the second, on Radio 4, predicted 5m. unemployed in this country within the next decade.

The first industrial revolution in Britain, 150 years or so ago, started the replacement of human labour by machines. The second, which could be called 'the silicon chip revolution,' is now upon us. This miniature marvel of modern technology, the microprocessor, will enable thousands of tasks in factories and offices, now performed by people, to be done entirely by machines. This process, as yet hardly started in Britain, is already established in other industrialised nations, notably in Japan.

THE BURDEN which maintenance of the unemployed now imposes upon our national revenue, even with massive assistance from North Sea oil, compelled an increase in taxation in the 1981 budget. The prospect for 1990, with double the number of unemployed and a declining revenue from oil, seems bleak indeed and may well result in the breakdown of our present system of taxation.

Exorcism and Landlordism

GUARDIAN correspondent John Rette, reporting on the slaughter of innocent people in El Salvador (21 July), wondered why the right-wing death squads indiscriminately used "obscene torture." He offered a possible explanation:

"Perhaps it lies deep in the collective psyche of the landowning elite who followed the Spanish Conquistadores half a millennium ago and never accepted that the Indians on the land they took were fully human. Calling itself Christian, though willing to murder priests and even an archbishop, this isolated elite sees anyone trying to alter the God-given order of things as the Devil incarnate, the modern term for whom is 'Communist.' Devils can be exorcised only by the most devilish methods, which also serve to encourage *les autres*."

Who is on the headline?

QUOTE from the *Mail Street Journal* (June 17): "By now we should have learned that it is probably not bad housing that makes poverty and its attendant social problems, but the other way around; if you're really out to fight poverty, handing out dough to builders and landlords is not a very efficient way to do it."

That the production of wealth will increase as machines displace labour cannot be doubted, for otherwise, in a free society, such a change would not take place. In *Progress and Poverty* Henry George demonstrated that all improvements in the means of production tend to increase the proportion of wealth distributed in the form of rent. What we now know of the potential of modern technology makes what he wrote in 1871 the more remarkable:

And as we can assign no limits to the progress of invention, neither can we assign any limits to the increase of rent, short of the whole produce. For, if labour-saving inventions went on until perfection was attained, and the necessity for labour in the production of wealth was entirely done away with, then everything that the earth could yield could be obtained without labour and the margin of cultivation would be extended to zero. Wages would be nothing and interest would be nothing, while rent would take everything. For the owners of the land, being enabled without labour to obtain all the wealth that could be produced from nature, there would be no use for either labour or capital, and no possible way in which either could compel any share of the wealth produced.

This point, of the absolute perfection of labour-saving inventions, may seem very remote, if not impossible of attainment; but it is a point toward which the march of invention is every day more strongly tending.*

Thus the increased wealth which will result from the widespread use of the micro-processor will go almost exclusively to landowners; capitalists and wage-earners will gain virtually nothing. This tendency for the rich to grow richer and become less numerous and for the poor to become poorer and more numerous, will increase as time goes on and so will the social tensions such conditions engender.

In attempting to forecast the probable consequences of the enormous technical progress in recent years, three basic economic principles must be borne in mind. The first, that "man's desires are unlimited," implies that natural resources are freely available and that there should never be any involuntary unemployment. The second, that "man always tends to satisfy his desires with the minimum of effort," is an axiom which needs no explanation. The third, that "improvement in the means of production of one commodity is equivalent to an improvement in that of all others," can be illustrated the world over: for instance the extensive use of mechanisation in agriculture in the U.S.A. released a great source of man-power for other productivity purposes and may be said to have put men on the moon.

With the foregoing principles in mind, I consider that the displacement of people by machines in industry and

**Progress and Poverty* (1879), 52nd Anniversary Edition, p 179.

commerce may not result in permanent unemployment for those made redundant. The cost of manufacture and of energy consumed by robots will place limitations on their use and there will always be some jobs more economically done by hand. Also, part of the increased wealth these robots will make available will be used to finance enhanced leisure services and so provide some alternative employment. Workers displaced by power in the 19th century eventually found other employment, so it is probable that those displaced by the silicon chip in the 20th century will do likewise, especially if the measures proposed below are adopted.

DURING THE past year estate agents have expressed their fears that developments in data transmission and office equipment generally may reduce the demand for office space, particularly in inner city areas. To some extent this may take place in the short term, but inevitably more efficient production will be followed by rising land values throughout the whole country in which city sites will share, thus tending to sustain the value of properties thereon. The tendencies to which I have referred in the preceding paragraph will also assist in maintaining the value of such properties.

Perhaps in the future, when the second industrial

revolution really makes its impact, the inability of the present system of taxation to meet the nation's needs and the consequent threat to social stability and law and order will force those in power in Westminster to hearken to Henry George. He strove to convince everyone that the rent of land is the only source of revenue which governments have an absolute right to collect and indeed a bounden duty to do so to ensure equity in the distribution of wealth throughout the community.

Successive governments have floundered along in a mass of futile measures to remedy unemployment and other social ills arising from the private appropriation of the annual value of land. In future taxes on wages, which inhibit effort, and on capital, which discourage investment in industry, will yield relatively less. But a tax on the annual value of all land would yield relatively more. In addition, such a tax would put an end to speculation in land and so make it more readily and cheaply available. This would facilitate the transfer of labour, displaced by the silicon chip, to ther useful employment. The combination of modern technology and the collection of the whole economic rent of all land as the sole source of public revenue would banish poverty and unemployment and usher in a degree of equity and prosperity hitherto unknown.

PROPERTY AND THE INVESTMENT PROCESS

INVESTMENT in property by both UK pension funds and insurance companies rose sharply in 1980. The recession may be hitting wage-earners, but money is still to be made; and the property sector is yielding the best returns.

The Metropolitan Pensions Association has now analysed the performance of 18 property unit trusts and 17 life office managed property funds with a total value at the end of 1980 of over £2.4bn.¹

In the five years following the 1974/5 recession, the average property fund had a total rate of return, including capital gains and gross income, of 19% p.a. This was well over the increase in the retail price index for 1976-80 (13.5% p.a.) and the earnings index (14.6% p.a.). Over the 1972-80 period, the average property fund gave better returns than investment in equities and gilts.

It is not surprising, therefore, that as the recession bit deeper into the profits of industry and commerce, investment in land and property accelerated towards the end of last year.

OVER THE past 25 years, the wealthy insurance and pension funds have been pumping an increasing proportion of their income into property.

This trend has been encouraged by the tax system. For example, the Corporation Tax, introduced in 1965, made investment in property companies an unattractive way of obtaining a stake in property for tax-privileged life and pension funds. So many of them slowed down the provision of mortgage finance or investment in property companies. They switched to direct acquisition of property, thereby establishing a sharpened awareness of the benefits of this form of investment... and they have never looked back.

But the successful investment record has not silenced the critics. Trade unionists, in particular – the people who hope to live on decent pensions when they retire – are aware that they may be trading off a few pennies more in retirement for wage packets now. They are pointing out that investments yielding rental income may not be the most productive from the economy's viewpoint.

Miners, for example – their pension fund is currently worth £1bn. – are complaining that the bidding up of asset values is doing nothing to create new jobs for the unemployed workers in the valleys of South Wales.

Unionists are particularly aggrieved by the flow into foreign property. One union chief, Clive Jenkins (ASTMS general secretary), says that when Chancellor of the Exchequer Geoffrey Howe abandoned exchange control, millions of pounds flooded out of the country – much of it from workers' pension funds.

"It was put into Las Vegas properties or huge shopping precincts in Palm Beach West, or buying up part of Watergate or building office blocks in Brussels or Paris. Now I can't see how that helps us here."²

IAN BARROW comments: The Trades Union Congress has proposed action which would not achieve the results that they desire.

● Pension fund members – the trade unionists – ought to be represented on the boards. But will this make a difference to the investment strategy of the funds? It has not done so with the miners' pension fund – which has 50% union representation.

● A National Investment Bank, composed of members from the institutions, the unions and the Government, should have the power to direct more pension money into manufacturing.

Surely the best way of tackling the problem is to make industry profitable? This would attract funds into fresh capital formation. The TUC, however, does not have faith in working trade unionists, for it wants to safeguard them against poor performance; it suggests that future pensioners' interests should be protected by a government guarantee that the rate of return paid to the institutions by the bank would equal the return on gilt edged stock.

Ultimately, in a free and dynamic economy, the only way to direct funds into productive investments is to terminate the unearned income from land. That means drawing away the beneficial interests in land (= economic rent) for the benefit of the community – through the tax system – and off-setting this revenue by a reduction in the taxes which at present penalise labour and capital.

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1. *Property Funds for Pension Schemes*, London: MPA, 1981.
2. Clive Fleury, 'What brothers want from pension funds', *Estates Times*, 17.4.81.

TRANSACTIONS IN LAND, PROPERTY AND GROUND RENTS, UK: £m

	Insurance companies		General funds		Investment trusts		Unit trusts & property unit trusts		Building societies	
	Total	Pension funds	Long-term funds	General funds	Investment trusts	Unit trusts	& property unit trusts	Building societies		
1979	1,322	499	576	57	—	90	—	100		
1980	1,821	855	789	68	10	99	—	—		

THE MORE favourable political climate in Spain has made possible the publication of this book (in Spanish), which in a concise form presents the historical facts that created and maintain the economic slavery in Andalusia and also the struggle for liberation.

Santos Lopez recalls the situation at the beginning of the 19th century when the liberal ideas of the French revolution spread through Spain and caused a decline of the feudal system which would soon disappear altogether, giving way to new methods of production.

The land, which up to that time was largely administered by the nobility or by co-operative bodies like hospitals, the church, municipalities, etc., in a very short time became private property, being sold at public auction at very low prices. This put an end to serfdom but introduced the economic slavery that still remains.

The nobles and rich merchants who in acquiring what was previously communal property, thereby became also owners of the non-proprietors. Both capital and labour fell under their power of monopoly: the capitalist had to pay a maximum price for the use of a locality or for access to raw materials, and the labourer had to accept a minimum wage, just enough to remain alive.

The value of land increased with the increase in productivity brought about by technology, or as a result of public investment, or because of an increase in demand due to the increase in population. That is, land increased in value without any effort from its proprietors.

When the effects of this modern slavery began to show, people reacted in various ways, with uprisings, protests, strikes. This was the situation in 1913 when the first international conference of land tax supporters took place in Ronda. By then Henry George's ideas were already pointing at land monopoly, created by the law, as the source from which emanated the Andalusian evils: poverty, fear of temporary or permanent unemployment, emigration.

But to be able to do away with the evils, it was necessary to extirpate their cause. The Physiocratic postulates of the Ronda conference became known and accepted by political leaders like Blas Infante, thus adding a new dimension to their movement for Andalusian autonomy, the Georgeist solution to their land problem.

Andalusia: Physiocracy & the fight for autonomy

La Tierra: Physiocracy & Autonomy in Andalusia, by J. M. Santos, M. R. Lagos and E. L. Ortega, Jerez: Centro de Estudios Histórico Jerezanos, 1980.

BY GERMAN LEMA

The history presented by Santos Lopez is the history of social transformation in Spain: the conversion of serfs with limited rights into dispossessed labourers. And that is the present situation under both dictatorship and democracy.

MANUEL Ruiz Lagos, a keen researcher who continues to present the Spanish speaking world with evidence, facts and figures that could very well have disappeared during the forty years' duration of the latest Spanish dark age.

He analyses the Physiocratic activity in Andalusia. The manifesto, 'Land and Liberty' (1911), opened the door to the international conference at Ronda (1913), followed by the manifesto of Blas Infante (1916), the Ronda Assembly (1916) and the Cordoba Assembly (1919). The formation of the Juntas Liberalistas, a political body, gave backing to the Georgeist ideology that shaped the project for agrarian reform during the short-lived Second Republic.

Ruiz Lagos points out this peculiarity of the Andalusian movement in contrast to the Catalanian autonomy movement backed by protectionist interests and with the merely political autonomy movement of the Basque country. Free trade and land reform still inspire the Andalusian leaders of today.

When reading the step-by-step programme drafted by Blas Infante for the legal removal of land monopoly,

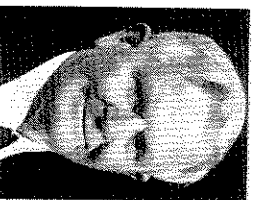
which would enable the Andalusian people to obtain their economic freedom, one does not need to look further for the reasons for his political murder in 1936.

LEMOS ORTEGA, author of *Certas a la Cuidencia de los Intelectuales* and thousands of letters and newspaper articles, secretary of Junta Georgista in Seville before the civil war, and collaborator in the Georgeist magazine 'La Reforma Social' 1934-1936, refers to the various modifications to the proposed agrarian reform by elements who were ignorant of its base. Some demanded the immediate implementation of this reform throughout the country (not just in the areas most affected by unemployment as suggested by the reformers), and some, willing to compromise, wanted to allow landowners to keep some of their privileges.

All that these debates did was to delay the final results, which practically came to nought. No political party was prepared to push the legislation through (perhaps a lesson for the Anglo-Saxon world), while the enemies of the reform — church, nobility and landowners — joined forces to present a united front to a divided government.

La Tierra includes appendices giving details of the Physiocratic manifesto of 1911, Blas Infante's proposals to the international conference in Ronda (1913) and to the Andalusians of the Cordoba Assembly (1919), and of the agrarian reform project for the solution of the problem of latifundism (1931).

All three documents were destroyed by fire, but repression has not been able to weaken the resolution of those who stood and stand by the Andalusian ideals: Physiocracy & autonomy.



Land Rent As Public Revenue in Australia

BY ALLAN R. HUTCHINSON

— a quantitative evaluation of potential exchequer revenue to be derived from land value taxation

Price (includes p & p): UK — £3.50; US — \$8.50;

Australia — \$7.50; Canada — \$9; from Land & Liberty Press, 177 Vauxhall Bridge Road, London SW1, England

**GEORGETOWN
ESSAY NO. 3**

Bromides And Landmines Beneath Britain's Acres

GRAHAM MOSS, architect, philosopher, planner and "rural land use consultant" has advanced the important process of ministering to the propagation of enlightenment to the masses on the land question, by judiciously assembling pertinent facts and figures concerning land use and abuse in the British Isles.

This book is an invaluable addition to the armoury of necessary facts which all those interested in the land question will require to have at their fingertips in the coming days of political/economic confrontation.

The motives of Mr. Moss no doubt are of the highest, his diligence, care and research beyond reproach, his concern, intelligence and industry cannot be gainsaid; yet in the end his book is a grave disappointment.

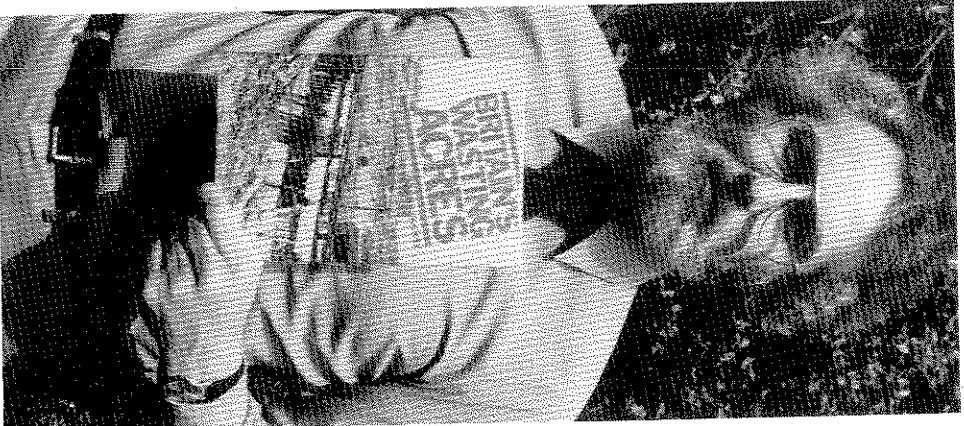
Why should this be so? Setting aside some minor but infuriating errors, the mis-spelling of Lewis Mumford as "Munford" (an error which increasingly crops up, especially in recent architectural books), the attribution of "you never had it so good" to the wrong election (1959, Mr. Moss, *not* 1963!), all these can be forgiven. What is not forgivable is that in a survey of 230 pages discussing the vital question of land dereliction, inadequate attention is paid to the underlying and fundamental issue, namely the legal basis of British land tenure, and its causal connection with land dereliction and high land costs.

In a tantalising reprint of an 1880 party poster for site value taxation, the author does allow a suspicion to dawn that in political economy it is perhaps the real question of *rent* which determines the problems of land just as in the real world it is the question of wages which determines the problems of labour and the real question of profit which determines the problems of capitalism. But rather than face this real problem and confront the crucial land issue, Mr. Moss retails and re-runs the old bromides of an over-crowded small island, energy crisis, pressure/size of population, lack of resources and political ineptness.

These stale bromides of the conservationist lobby are, however, totally belied by the very statistics that Mr. Moss has so painstakingly gathered. As he himself shows, and as can be easily demonstrated by reference to land statistics, Great Britain is *not* an "overcrowded" island. Just because there is approximately one acre per person, this does not mean that we are under-endowed with land. 80% of the land

Britain's wasting acres, Graham Moss, Architectural Press, 230 pp, £13.50.

BY HERBERT MEYER



● Graham Moss

surface of Great Britain is in fact sparsely, if at all, inhabited. Of the total population of 55m., barely 2.5m. are scattered over 47m. acres, while almost 53m. are concentrated into less than 9m. acres. It is not quantity of population but pressure of population that is the major issue of land distribution in the UK, both of people and of inherited wealth.

In the face of inner-city vandalism, terrorism, muggings, crime, alienation and poverty, Mr. Moss calmly points to the land dereliction which is growing apace throughout the civilized world and then trots out the same old conservationist panaceas as

given by the so-called experts in land use.

These panaceas are familiar friends: stop growth; give up growth; save it and conserve it; small is beautiful; back to the rural land use; use intermediate technology; proclaim reclamation and prefabrication; build up park spaces, adventure playgrounds and grass over the inner cities.

Mr. Moss does not or will not see that dereliction is the end result of the dead hand of rent monopolised by an oligarchy of absentee landlords, both in rural situations and in urban inner city areas.

Even in this very year, even with the unique "advantage" of untaxed farmland, the British farmers have suffered a catastrophic 50% decline in their earnings. Yet while in the House of Lords those landed gentry representing the farm interests moan about the low prices obtained from farmers, farmland prices which reflect capitalised rent are at astronomical levels. Is it really true, as the contented rentier owners of broadacres tell us, that "there are just too many people," or is it more likely that there are in fact too many rich landlords? If 80% of the nation's land in the UK is in the hands of less than 3% of the native population, is it likely that the few will be able to continue to rule the many as the few get richer and fewer while the many get poorer and more?

In 1981 as in 1880, idle land means idle men, and as more and more land is made idle by its monopoly control so the unemployment queues grow. If "labour isn't working" it is because idle land is enclosed while idle men are shut out. It is a pity that with all his erudition and knowledge, Mr. Moss cannot see the land for the fields nor hear the fatal time bomb that is quietly ticking away beneath those broad acres of the British ruling class. In the words of Christopher Brasher:

"The problem will continue as long as land is allowed to be treated like any other commodity, to be bought and sold, sometimes without thought to its future or regard for those who live and work here. Surely it is their land to be cherished and protected from speculators."

Those are the greatest speculators who speculate that the lords and landlords of the land cannot and will not be changed.

THE RT. HON. Michael Ray
Dibdin Heseltine, Privy
Councillor, Member of Parliament
for Henley, and Secretary of State
for the Environment since 1979,
believes that he is solving Britain's
"land problem."

The instrument for this solution
is a register of publicly-owned
vacant land.

Thirty-three councils were asked
to register vacant sites of over one
acre. The first 27 registers have
now revealed 1,640 sites amount-
ing to 15,249 acres.

"These highly-encouraging
figures show that the registers are
already providing house-builders,
industrialists and others with
opportunities for finding the
development land they need," he
told the House of Commons.¹

"On first analysis, about one-
third of the acreage registered is
suitable for development. I have
set up teams to scrutinise each
register with the task of stimulating
the disposal of this land and of
finding beneficial uses for the
remainder. I shall be considering
the extension of the scheme to
other areas after the summer."



● Michael Heseltine

THE REAL LAND SCANDAL

BRITAIN will spend nearly £300m.
this year on programmes specifically
aimed at improving the living and
working conditions of the most
deprived inner cities. These program-
mes have hitherto failed to provide
sufficient jobs and create a humane
environment for the tens of thousands
of low-wage families who live in
places like Brixton and Toxteth
(Liverpool), which led the riots and
looting throughout the nation in July.
Prime Minister Margaret Thatcher
asked her Secretary of State for
the Environment, Michael Heseltine,
to report on what action can be taken
to ensure that similar civil distur-
bances do not occur again.

The source of the problem, we
believe, is the way in which
monopolists – in both the public and
private sectors – are able to misuse
the land which people need for homes
and jobs. Mr. Heseltine seems to miss
the point.

Owners have kept their sites
vacant for a variety of reasons, as
a result of which people have been
prevented from securing the jobs
that they are otherwise able and
willing to undertake.

WE ALL KNOW – to quote
Mr. Heseltine – that a lot
of land is just lying idle or derelict.
And Heseltine's registers have
endorsed this view with a few
figures.

But is the Minister dealing with
"the land problem?"

While under attack from the

opposition in the Commons, he
aggressively countered by review-
ing the dismal record of the last
Labour government, and then
added:

"We are now revealing through
the land registers where *the real*
scandal of land lies. It lies in the
thousands of acres of unused and
underused publicly-owned land in
the inner cities..."²

Mr. Heseltine has claimed that his
land registers are not a party
political issue; but his perception
of "the real scandal" can be
explained only in terms of his Con-
servative ideology.

For the real scandal resides in
the land tenure system as an
institution.

● Hundreds of thousands of
privately-owned acres lie idle or
underused throughout Britain;

● A small minority of the citizens
are making fat unearned profits
out of their dealings in land;

● Wage-earners are deprived of
the full benefits of their labours
because governments tax away
large chunks of their income
instead of deriving the exchequer
revenue from the unearned
economic rent of land; and

● Manufacturers are molested by
the fiscal system, which slashes
profits and distorts investment.

These are the elements of the
real scandal. Mr. Heseltine,
however, prefers to focus on public
sector landowners. It seems
inconceivable to him that private
land monopolists would behave in
a similar fashion.

Until Mr. Heseltine develops a
coherent theory of how the land
market malfunctions, he will not be
able to solve the land problem.

His registers, for all the good
that they will do in the face of the
scale of the problem, are a mere
distraction.

He may kid himself he is
unlocking the land for the use of
people who want jobs, homes and
higher living standards; but he is
not kidding the unemployed people
who have taken to the streets of
Brixton and Toxteth.

REFERENCES

1. *Hansard*, 26. 6. 81, p. 118.
2. Conservative Central Office News
Release, 27. 6. 81; italics added.
3. *Hansard*, 30. 6. 81, p. 614; italics
added.

P. E. POOLE