

THE UNITED NATION'S Conference on the Law of the Sea (UNCLOS) had a hopeful start in 1973 and is currently recovering from its eighth abortive session. The global Law of the Sea has yet to be signed.

The seabed is on the way to becoming a massive scrambling ground for riches. Large powers and small jostle each other for a place where they can grab what they can, as soon as they can, from the immense wealth that lies under the ocean floor. Developments in ocean technology have enabled a vast array of mineral deposits including petroleum, coal and natural gas to be uncovered. In addition there is cobalt, copper, gold, nickel, uranium to name but a few of these unexpected new

and highly valuable commodities. S.O.S. — "Save Our Seas" could well be the heartfelt cry from the peoples of the world when they really awake to these facts.

A decade ago grave warnings had been given about the marine crisis to come and many countries called upon The United Nations to hold a Conference to discuss the many problems. Not only was it the ownership of the sea bed and the mineral rights that were provoking dis-

cussion, but questions relating to fisheries, the limitation of maritime boundaries, marine pollution and the control of scientific research.

At the first conference, held in Geneva in 1973, delegates were quick to declare all international waters and their resources to be "the common heritage of mankind." It was proposed that a moratorium on the development of seabed resources be established until an international organisation to control exploration of

THE SEABED:

Analytical confusions, the price mechanism and land value taxes

THAT THERE should be doubts among non-economists about the practical application of land value taxation is exusable.

It is even understandable if professional economists qualify their judgments about its practical application (after all, they can't all be expected to know that it is applied in limited forms in a number of places around the world).

But it is indefensible when an academic economist gets elementary theory wrong, and then proceeds to castigate others — like John Stuart Mill — for their "considerable analytical confusion."

Such is the case with Dr. Graham Hallett, a senior economics lecturer at University College, Cardiff, whose book *Housing & Land Policies in West Germany & Britain* (London: Macmillan, 1977) devotes a section to the "extremely influential" Henry George and *Progress & Poverty*.

It is gratifying for *Land & Liberty* to get a passing mention (p.112): but does Dr. Hallett read this Journal? For if so, how could he in turn be guilty of "considerable analytical confusion"?

He says, for instance, that the tax on land values, by eliminating all net rent, "was designed to reduce the value of land to zero." Wrong. A 100% tax on land values would destroy capital values, the selling price calculated on the basis of an anticipated income stream over a given number of years. But it would not "reduce the value of land to

zero." That value would still continue to exist as a measure of the contribution (location and fertility) of land to production.

Dr. Hallett claims that the main objection to land value taxation relates to resource allocation.

"If all profits from land use are eliminated, there is no incentive for any change in land use to take place."

This claim is used by land speculators who wish to defend their exploitation of unearned money. It is used by developers who (naturally) wish to take money out of land as well as their capital improvements.

For example, property companies have been claiming that the 99-year leases ordained under the Community Land Act are insufficient, and are therefore a deterrent to development in Britain. This is a curious argument which only makes sense as propaganda. Hong Kong, for example, is currently experiencing a multi-million dollar development boom: and the leases sold by the colony's government are for 20 years or less!

Dr. Hallett completes his extrapolation from theory to the real world by deducing this:

"In other words, the price system would be eliminated as a means of allocating land between competing uses, and it would be necessary for all development and allocation to be

undertaken on a purely administrative basis by the State."

If correct, this would indeed be ironical, as Dr. Hallett affirms, since it would be "quite contrary to Henry George's ideals: he somehow thought that his land tax would permit a system of unrestrained private enterprise, and this confusion has continued down to the present" (p.113).

The correct facts are these.

Land would retain its value, expressed in annual payments of rent by the users (to the exchequer, where there was a 100% land value tax). The market would continue to determine rental levels. These land values would change through time, with shifts in population, economic growth, technological innovations — all the influences which determine values under the present regime where a minority of people monopolise natural resources.

Users would pay lower taxes if the land they occupied declined in value. They would pay higher taxes (= rents) if the value of the land increased. If they could not adapt their use of the land in recognition of increasing values, they would be compelled — through pressures of the market, not the state's bureaucracy — to relinquish the land to others who would make more efficient use of it.

The rest of Dr. Hallett's book might be theoretically sound: but what incentive is there left to bother to read it and find out?

STEAL IT OR SHARE IT?

these resources could be set up.

The idea that such an administrative agency should control and apportion benefits to all other nations in need was greeted with enthusiasm. There was universal agreement that the task was urgent – “for the sake of future generations.” There was much talk of co-operation, constructive international action, sharing and caring, but at this point the conference became bogged down in the business of ‘legitimising’ numerous annexations of the sea to individual countries – far beyond the age-old ‘three-mile limit’ which had been the national boundary of coastal nations for centuries*.

In a short time some sixty ‘coastal’ states including Great Britain, had appropriated about one-third of all ocean area which they called their “Exclusive Economic Zone” (EEZ). These new territorial waters extended 200-miles around the coasts. In the case of the U.K. the area is four times our land size, making the U.K. the second largest ‘country’ in the EEC. It gives Britain tremendous potential for expansion since opportunities are not limited to oil and gas. There is the chance to change from sea fishing to fish-farming, and to mine new seams of coal under the seabed.

Beyond the territorial waters lie the international waters, the common ‘property’ of all mankind and free for all to navigate or fish, as nations have done for centuries. But here a further complication arose; some nations suddenly claimed the whole continental shelf around their country as “belonging” to them.

Canada, Australia, New Zealand and Iceland all voted in favour of the 200-mile Economic Zone. Many nations also wanted exclusive rights not only to fish but also to exploit mineral resources as well. The U.S.A. – opposing the Economic Zone idea – wanted exclusive rights to the mineral



JULIA BASTIAN, who is on the staff of the Inland Waterways Amenity Advisory Council, reports

resources over the whole of the continental shelf.

By 1977 a law had become effective which provided the U.S.A. with 2.5 million square miles of exclusive fishing zone, which is equal to about 70 per cent of its land area. Other nations wishing to fish in those waters must now apply for licences.

The conference has thus proved to be one of the most expensive and long-winded in the history of conferences. Sessions have been held around the world, from New York, Venezuela, Caracas and Geneva, and back again to New York. At one, the UNCLOS delegates wasted ten days, at a cost of over £100,000 per day, in selecting a chairman.

Admittedly progress is not easy. Trying to get 158 nations to agree a new international regime for the oceans and prevent a gigantic free-for-all needs diplomacy of the most delicate kind, and wisdom, if the large powers are not to knock over the smaller countries in the scramble to appropriate further tracts of the seabed.

More than a hundred developing states from the Third World, represented at the conference by The Group of 77, are bitter about the present situation. They can only stand by and observe the countries with advanced technology, who have both the finance and the know-how to conduct operations on the seabed. If at present they are unable to take part in the mining, they argue, they are at least anxious to share in the huge profits which will be made. Outside territorial zones the sea is supposed to be used “for the benefit of all mankind” they point out. That right has been conceded from the outset.

One positive move is the setting up of the International Sea-Bed Authority to control exploitation, and to ensure that the poorer countries

get their share. So far it has not been given ‘teeth’ since the mining consortia are unable to accept such a regime which would have dictatorial powers over their actions. They are in it for profits and such strings as the Sea-Bed Authority might apply would tie their hands.

Currently, however, the U.S. Senate and House of representatives have Bills which will allow certain mining consortia to go ahead. They have been waiting a long time. This will mean that developing countries as yet will get nothing while the consortia will reap monetary rewards without obligations.

There is also the question of the landlocked countries and the geographically ‘disadvantaged’ states having no access to the sea. Should they be able to participate in activities such as seabed mining, and fishing? And should they qualify for United Nation’s handouts?

According to one respected egg-head, the industrialised nations should exploit the resources as rapidly as possible – irrespective of the suggestion that the oceans are ‘the common heritage of mankind’. Presumably the prospecting countries will pass on the ‘crumbs’ from their table to Third World countries, in the hope that they will be content with these.

In addition to seabed treasure, however, there are vast areas of metal-rich sediments existing in all the world’s lakes and inland waters. Technology could help to bring these to the surface. And the potential wealth from wave energy, heat from the sun, wind power, protein from seaweed etc. all appear to have been overlooked, or not taken too seriously in the great energy debate. The harnessing of these elements is free for all.

It can be argued that if the resources under the high seas are

*The origin of the 3-mile limit is obscure. By 1974 it was established that only 25 nations upheld this demarcation line; another 14 were in favour of a four-to-ten mile limit, while 55 nations were in favour of a 12-mile limit, and 21 nations for up to 200-mile limit. At a later conference the 12-mile limit was adopted. Subsequently the “Exclusive Economic Zone” (EEZ) or the 200-mile limit emerged as a broadly accepted rule of international law.

the common heritage of man, so too are the resources that lie under the land masses. Many accept that the opportunity to discover, harness and enjoy the fruits of these resources belongs to whoever, or whichever country, has the guts, the capital and the know-how, the time and imagination to set about it – with the proviso that in return for the privilege of so doing, a percentage return is made to the common purse – via the U.N. – to be distributed for the common good.

Exploration of the seabed is one thing; claiming ownership of tracts of the seabed is quite another. The U.N. has for long been moralising about the ownership of the seabed – yet is there any need for ownership? There is simply a need to return the annual rental for its use. Risk capital must of course find due reward but the rental income from the 'site' could be disbursed for the benefit of all in need – and how better than to channel such a return through the U.N.

There could be a time when it need not matter who or which country moves into an area, mounting their flag on a raft in the middle of the ocean to mark the spot – provided they make a suitable financial return to the U.N. annually. Such an income would certainly grow rapidly so that they would be in a position to hand out increasingly large benefits to Third World countries, to assist multi-national projects both large and small.

The seabed, like dry land, is God-given. In equity it cannot be a marketable commodity. Only the site can claim an annual return for its use, the value thus finding its way back to the people of the world.

Leaving aside the acquisition of land by force, fraud or patronage, the present owners of land bought it or inherited it from a forebear who bought it. The landless today have little chance of buying land, or homes, except at inflated prices. It would be tragic to think that the seabed might be treated in the same way with absolute possession or ownership until there was no more seabed left for the unborn. With a U.N. rental system in operation the economic development would not only be dramatic, but there could be a natural move of human resources away from the negative activities associated with the present social structure towards exciting and stimulating activities by the year 2000 that could add up to national well being, adventure, success and happiness.

CORRUPT!

THE LAND boom in the early 1970s turned Sir Eric Miller into a millionaire.

But it took more than the crash in 1974 to ruin him. He had to sell his shares to pay back the money which he had used as bribes. Then he took a gun and shot himself in his garden on 22 September, 1977, the Jewish Day of Atonement.

A Department of Trade investigation was launched to unravel the affairs of Miller and Peachey Properties, of which he was chairman.

The inspectors, Raymond Kidwell and Stanley Samwell, decided that "we are investigating the affairs of the Company, not the affairs of the nation."¹ This restricted perspective

has been rightly criticised,² for Miller's lying, cheating, forging and speculating exemplified a particular – corrupt – system.

It is easy to exonerate that system by emphasising the psychological characteristics of one man; the inspectors say that Miller had "mesmeric qualities."

The value of the report, however, is that it illuminates the ethos of a society which encourages people to seek their fortune at the expense of others. It is, therefore, an indictment of the system itself.

MILLER spent £188,700 on "introductory commissions" – a euphemism for bribes.³ The inspectors declare:

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