

WHAT OTHERS ARE SAYING

Crystal-Gazing Bureaucrats

Graham Hutton in *Politics and Economic Growth**

TOO MANY of our contemporary British economists look forward only in visions, dreams and prophecies. If they had applied their measuring rods and policies to the problems of the British economy's development between 1800 and 1900, one wonders whether development at that rate and on that scale would ever have occurred. To judge from British experience of macro-economic forecasting, planning and capital investment and administration in the public sector in the last two decades, it not only would not have taken place; it could not have taken place . . . The rapid political expansion of the state's economic activities and its controls over the private sector of leading industrial countries . . . has created a class of specialists concerned with the *means* evolved by economists to help realise the *ends* set by politicians, public administrators and international organisations.

. . . the stage has now (1968-9) been reached at which the public sector as a whole takes just over 50 per cent of all our available savings in a year, whereas it took less than 40 per cent six and more years ago . . . much of the public sector's capital requirements go into non-productive, non-growth-making projects. In particular, the overwhelming bulk, over 95 per cent, of Britain's exports are made by the private sector in competitive foreign markets; . . . the costs of the public sector in Britain enter into our exporters' costs and prices.

The recent and (in peacetime) unprecedented growth of the public sector at the cost of the private sector, and of inflation, has led to a proliferation of managers, public functionaries, clerical or 'admin.' employees and operatives, both in private enterprise and in public services and industries—central and local government bodies and so on. The burden of this kind on the productive private enterprise sector in Britain must by now be the heaviest among industrial nations . . .

Without a Grain of Sense

—*The New York Times* Editorial, 19 September

FOR THIRTY-FIVE years efforts to stabilize farm prices through government control of production have failed, and they cannot possibly succeed in the future. Yet Republicans and Democrats in the House-Senate conference voted to extend the programs for another year and voted down a provision of the bill which would have sensibly limited individual subsidy payments to \$20,000.

Both parties—as their election platforms make clear—are committed to the perpetration of policies that burden the urban poor with higher food prices, benefit commercial farmers who don't need help and create shortages

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and gluts of commodities that would not occur in free markets.

Debates between the parties turn on the issue of who can best administer farm-price supports. The truth of the matter is that most commercial farmers would be better off if they could return to free commodity markets through the relaxation and eventual abandonment of government controls.

Since 1961 the Federal Government has paid farmers \$12 billion for not growing wheat, feed grains and cotton.

Stop Tinkering and Tax the Land

Haydon Bradshaw in *Investors' Guardian*, July, 1968

CONCERN for the tea producer is shared by several countries, and some form of quantitative control is suggested as the remedy. So it is interesting to take a look at the coffee quota situation, as some of the side effects of such controls might be foreseen, and the pitfalls avoided.

Direct government control of coffee production has expanded from the efforts of one Brazilian state in 1902, firstly to embrace all Brazil, then most of South America. Since 1962 all major producing and consuming countries have been involved in restricting the quantity of coffee on the world market.

One may observe that the settling of trade has moved out of the market place into political debate. Market conditions may be adjusted to suit political ends, rather than the immediate interest of the producer and his customer, so that overseas aid programmes, international quota adjustment tussles, the underlying fear of a complete breakdown of the agreement, and rumours of new regulations, swing the market in a way unknown where trading pressures meet freely . . .

Against the simple precision of the existing tea market, the most sophisticated controlled market can appear rather ham-fisted. To deal with the rising pressures within a commodity agreement, safety valves and police mechanisms need to be built in to prevent the scale of smuggling that has been possible in the coffee world . . .

Where international agreements are in force, individual countries have found it necessary to set up additional mechanisms to deal with the loopholes that appear. Marketing boards are common. All the following measures have been seen in operation in one country at the same time:

1. Administration of the export quota.
2. Financing of the storage of unsold coffee.
3. Destruction of coffee.
4. Subsidies for the destruction of coffee trees.
5. Encouragement of new planting with high yielding trees.
6. Restrictions on the movement of coffee into the ports.
7. Regulation of internal prices.

8. A high tax on exports.
9. A wide variety of currency regulations including the creation of the "coffee dollar."
10. Tax and other privileges for sections of the trade.

Beyond this thicket of complexities, one must recognise that the world customer is always right, and that in the long run, an unrealistic rise in price or an erosion of quality will turn her to other products: increased publicity is really effective in the long term only if the product and price is right.

Rather than imitate past quota schemes, maybe we should take advantage of the nature of tea—a semi-perishable commodity, in production for all or most of the year. It has been suggested that if physical controls are the order of the day, it would make better sense to ration the use of nitrogenous manures. Perhaps if the research institutions could propose a practical manure ration that maintains the health and quality of the bush but controls growth, the manures may be diverted to more needy crops and manufacturing labour and costs would not be wasted on unwanted tea.

However, this is still tinkering with results rather than seeking the cause of the problem. One pace nearer the core of the situation brings one up against taxes that are levied in such a way that quality production, and production itself, is penalised. It falls heavily on the marginal estate—the estate that is less well sited to produce quality and/or quantity or bears heavier transport costs, etc.—the estate that feels the pinch quickly even when efficiently run. Transferring the tax on to the unimproved land value would reverse these effects, avoiding protection of the inefficient, and allowing overloaded estates to become internationally competitive with other tea producers and competing beverages.

Taxman Spare That Tree

—*Daily Mail*, October 10

THE landed dukes and wealthy tycoons are hectically planting trees and more trees—positively acres of them—in a bid to dodge death duties. And, what's more, a perfectly legitimate bid.

The Duke of Argyll is planting 250 acres a year. Charles Clore is having a go down in Herefordshire, Lord Lovat is adding 200 acres a year to his forests for his son.

On the estates belonging to the Marquis of Salisbury's family in Hertfordshire they've stepped things up so that they are planting about 100 to 150 acres a year.

The Duke of Devonshire has about 1,000 acres of timber on the family estates in Derbyshire now.

As the Duke of Argyll says: "You don't pay death duties on standing timber . . . so it's a very good investment."

But where it becomes an excellent investment is in cases where death duty has to be paid twice on the same estate in a very short period.

Often when an estate passes quickly from father to son and from son to grandson, the double death duties

are so great that the family's finances are crippled and the estate has to be sold.

But not this way.

Plant that timber, leave it standing and die. Your son inherits it but pays nothing on the trees. He leaves them standing and dies. Only when at some future date, his son cuts them down does he pay duty—and then only once.

Although it has been possible to do this for some years now, it is only lately that many of the large land owners have realised all the advantages of what you might call the family tree plan.



Terrified Tories

Peter Simple—*Daily Telegraph*, September 25

TWENTY years ago, moderate Conservative people, people of the Centre, were people who believed in patriotism, in putting the interests of this country first; they also believed (keep your laughter for later on) in principles like common decency, honour, tradition, and so on.

These are ancient principles, which the progressive Establishment, through its virtual monopoly of the Press and television, has for twenty years been doing its best to devalue. The Conservative party, meanwhile, terrified of being thought conservative, has done precious little to stand up for those principles.

The whole operation has so far succeeded that principles once accepted as moderately and respectably Conservative have come to be regarded as the mark of "extremists," of the "far right," even of the "backwoods-men" and "the lunatic fringe."

Lost Liberals

—*The Daily Telegraph*, 23 September

IF THE Young Liberals are a nuisance, haven't the old Liberals asked for it? It is they, who have failed to define what a Liberal is; and, if a lot of anarchists, Trotskyites, Marxists, syndicalists and other cranks turn up and pretend to be Liberals, what is thus to prevent them? It seems absurd to suggest to a small party that it will never grow bigger until it gets smaller still. Yet is there not a case for a purge and a new start?

FORM OF BEQUEST

I bequeath, free of duty, to the United Committee for the Taxation of Land Values, Limited, the sum of £