

Liberals and LVT

P. E. POOLE'S article on the Liberal Party, "Ideology and the Liberals" in your September/October issue was more critical of the Party than it need have been. However that is not altogether his fault. Over the past few years the Liberal Party has been preparing proposals for a major overhaul of the tax system and those proposals were debated and approved by the Party at its Assembly this year at Southport, presumably after Mr. Poole's article had been written. The result is that the Liberal position is now much closer to Mr. Poole's than he might imagine, although he would no doubt feel that we could go further.

Our policy may be summarized as follows:

1. reducing the basic rate of income tax to 20 pence and the top rate to 50 pence.
2. substantial rises in the threshold at which people first pay income tax and at which they first pay the standard rate of income tax;
3. deducting annual net savings from taxable income;
4. raising additional revenue by making V.A.T., where payable, at a single rate;
5. introducing a regionally varied payroll tax in place of the employer's national insurance contribution;
6. the introduction of taxation on the unimproved value of all land (except for agricultural land) to its optimum permitted use, phased over a period of not more than five years, to the point where the community collects at least 75% of the annual value of each parcel of land;
7. the abolition of the present rating system (and the dependence of local authorities on central government handouts) and its replacement with a local income tax collected by the Inland Revenue regionally in accordance with the Liberal Party's proposals for devolution of powers to the regions of England, Wales and Scotland.

BERNARD GREAVES, the Liberals' Director of Policy Promotion, replies to P. E. Poole's assessment of the party's ideology.

From this it can be seen that the Liberal Party has now completely abandoned site value rating in favour of land value taxation on a substantial scale. We are proposing a major shift of taxation away from that on income to that on land, wealth and spending. We face the difficulty that we do not know how much our prospects for land value taxation will raise in revenue. My own assessment is that our proposals as a whole will raise too much and that V.A.T. could be eliminated entirely so that national government would be financed mainly out of land value taxation and local, and ultimately regional, government out of Income Tax.

As to the question of emphasis the Liberal Party will be fighting the General Election on four major themes. These are (1) Reform of Government; (2) Reform of Industry; (3) Reform of Taxation; and (4) the Environment and Ecology. Taxation of land values is a central part of our taxation proposals and

is certain to receive some prominence. Nevertheless I think there are few people in the Party who regard it still as a potent vote-winner, unlike our proposals to reduce income tax and abolish rates which undoubtedly are. So it may not receive the emphasis it merits.

As to Mr. Poole's criticisms over our over-centralized and interventionist approach to inflation he may genuinely have misunderstood our proposals. Our position is this:-

The long-term solution to inflation rests with the introduction of a comprehensive system of industrial democracy and profit sharing leading to an end of the polarization of industry into two sides and of national wage bargaining as we currently understand it. Our policy here is perhaps more radical than Mr. Poole has realized and is likely (until the benefits become evident) to result in determined opposition from both the CBI and the TUC.

In the short-term we recognize the need to introduce a prices and incomes policy which is effective in preventing inflation, but permits flexibility in individual earnings. Far from being bureaucratic and centralized our proposals are as

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NAV and all that

IN A RECENT High Court action the plaintiff,* a mortgagee, sought to recover the mortgaged property which comprised a house with 12 acres of land with a total net annual value (NAV) in the valuation list of £742, and 218 acres of agricultural land not assessed because it was exempt.

The defendant argued that only a County Court had jurisdiction in the case because the NAV did not exceed £1000. This argument failed because, as the judge pointed out somewhat blandly, "it is not strictly accurate to say that land which is not liable to be rated has a 'rateable value of nil', or to put it another way, there is a difference between a property not being liable to be rated at all and having a nil NAV for rating."

You could put it yet another way: "The plot of 218 acres in question is not liable to be rated at all be-

cause it has no NAV because it is not in the valuation list because it is exempt from a valuation which would include it in the list because it had a NAV based upon what it might be expected to secure in rent with the tenant paying all outgoings including rates which would have been based on the NAV included in the valuation list for the purpose of assessing the said rates payable by the tenant. . . ." and so on, if you follow.

There are thousands of acres of land vacant in towns and cities, as well as agricultural land, which have no NAV for rating purposes simply BECAUSE they are vacant, but to imagine for a moment that this land has no actual rental value is about as absurd as the system which suggests it.

*P. B. Frost Ltd. v Green (1978) RA 73.

UNEMPLOYMENT has plagued societies from early days to the present. A new book* attempts to put it all together and the author believes his is the first that covers unemployment in history.

John Garraty is a Professor of History at Columbia University. He tackles his job as a study of "how the condition of being without work has been perceived and dealt with" throughout history. It is evident that it has been a pervasive condition that has troubled all societies, ancient and modern.

The pyramid building in Egypt and the bread and circuses of Rome indicate a large-scale unemployment problem. In feudal days people were more or less fixed in place but as towns grew, so did unemployment. In the 16th century in England and Europe, vagrants, beggars, loafers and thieves swarmed city and country. Thomas More had an inkling that this was caused by the enclosure of the common lands, but nobody was paying much attention. The main thing that was noticed was that this was a great nuisance. Not just stealing, but begging too was counted a crime punishable by flogging and even by death.

In the grey dawn of political economy in the 17th century, some thinkers finally concluded that a great potential for production was being wasted and that those without work ought to be put to work—but nobody seemed to have a clear idea as to how to do it.

Some public works programs were instituted and then the workhouses were started, no better than loathsome prisons. These programs always cost more than they yielded—yet they were kept up. For the idea persisted through the 19th century that the poor were inferior beings, responsible for their own poverty, and that they were not working because they were lazy. Thus it became more important to put them to work to teach them a lesson than to be productive—and ironically, they were to be kept poor lest they become strong and insolent and indulge in riotous living (that was only for the lords). One wonders why the poor and unemployed tolerated for so long being treated with such inhuman contempt.

BOB CLANCY

Pyramids, public works and the causes of mass unemployment



Garraty provides us with a fair summary of Henry George's answer to poverty and unemployment and makes it sound plausible, then simply concludes (historically):

"But, despite his argument that his reform would injure no class and cause no social disruption, no government dared to enact the single tax."

In the 20th century, unemployment received increasing attention. It became virtually the world's number one problem with the Great Depression of the 1930's, and Keynes advanced his theories of deficit financing in his **General Theory**, which soon became popular. Applying Keynesian economics, one only had to watch the balance between unemployment and inflation. Economists became Keynesians and it was thought that the problem was at last solved.

But then came the 1970's. Inflation and unemployment increased together, baffling economists and statesmen and undermining Keynes. We are now said to be in the "post-Keynes era," and economic theory is currently in disarray.

Finally, in the 19th century, some thinkers looked for general causes of poverty and unemployment. There was Malthus who found the cause in the tendency of population to increase beyond the means of substance, and the remedy was to let the surplus die off. However, even the very poor were unwilling to "die philantro-

pically for the greater glory of the principles of Malthus," as one critic put it; indeed they became restless and troublesome.

Other theories were advanced. Some saw the evil in the mechanization of the Industrial Revolution which put men out of work; others saw the remedy in cooperative communities in which work and wealth would be shared; and of course there was Karl Marx, who saw the evil in the entire capitalist system.

Garraty has made a significant contribution by undertaking this survey. It is hard to understand why it hasn't been done before.

The theories about unemployment and the remedies for it range through punishment for idleness, uncontrollable natural forces, public charity and state control. The only one who seems to have had the idea of abolishing involuntary unemployment by opening up natural opportunities was Henry George. Maybe we had better go back to him and start daring to apply his ideas.

**Unemployment in History: Economic Thought and Public Policy, John A. Garraty. Harper & Row, New York, 1978. \$15.*

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decentralized as possible and create the maximum degree of incentive in each enterprise. Wage increases would be determined by collective bargaining albeit to maintaining the ratio of labour costs to added value in each enterprise; enforcement would be by taxing any increase above this ratio.

I hope your readers will now have a fuller and more accurate picture of our policy and recognize that they fall within the broad tradition of Liberal economics.