

Land & Liberty

JOURNAL OF THE UNITED COMMITTEE FOR THE
TAXATION OF LAND VALUES LTD.
177 VAUXHALL BRIDGE ROAD, LONDON. S.W.1
TELEPHONE 01 834 4266

JULY & AUGUST, 1981
Established: JUNE, 1894
Nos. 1,044 & 1,045
VOL. LXXXVIII
Managing Editor
V. H. BLUNDELL

ISS No. 0023-7574
Annual Subscription:
U.K. and Sterling Area: £4.00
USA \$10, Canada \$11
Editor
F. HARRISON



FEATURES

- HOW TO ABOLISH THE
INCOME TAX
Fred Harrison 62
- SPECULATION, IDLE LAND
AND A REASON TO MARCH
P. E. Poole 64
- EARTH DAY: 2% ROYALTY
PLAN FOR SHARING
RESOURCES
Mark Sullivan 68
- THE MAKING OF AN ASSASSIN
Fred Harrison 70
- THE VIKING ROOT TO JUSTICE
J. P. Skou 72
- LAND-LOCKED! WHY
AUSTRALIA TURNED TO
LAND VALUE TAXATION
Airlie Worrall 74

REPORTS

- LONDON IS SINKING! SO
WHO IS PAYING?
Bert Brookes 66
- DO RENT CONTROLS CURTAIL
HOUSE BUILDING?
Ian Barron 69
- RADICAL, PRACTICAL AND
LOGICAL - SO IGNORED!
Jeffery Roberts 76

REVIEWS

- COMPUTING THE PLANNED
ECONOMY - SOVIET-STYLE
Tony Carter 17
- MARXISM: DEAD DUCKS AND
DOGMATISM
Herbert Meyer 78
- IS THERE NEED FOR PLANNING
IN AN EFFICIENT LAND
MARKET
Paul Knight 79
- REAGANOMICS: SUPPLY-SIDERS
HEAD BACK TO SQUARE ONE
Bob Clancy 80

Idle Land from front page

years would be banned).

We agree that "small businessmen will prove to be considerably more imaginative than public bodies in thinking up profitable uses for land hitherto considered useless." But the scheme proposed by London's entrepreneurs is ill-conceived.

Is there any need to tie up large sums of cash in the purchase of land? Capital should be invested in machines which provide jobs.

Other means can be found to force owners of vacant land (both public and private) to put their sites to use; and the users should be obliged only to pay rent for the secure possession of the land.

Is there any reason to believe that the vacant land, if transferred into private hands, would be put to better use? Speculators would certainly win a share of the auctioned land. Their targets would be the prime sites, the ones which it would pay them to continue to hold vacant until the economy recovers sufficiently to squeeze speculatively high prices out of the wealth-creators!

Despite these criticisms, it is refreshing that entrepreneurs are finally taking an active interest in land use. They need to think a great deal more about the solutions: but at least they are beginning to see that their fortunes are linked with the way in which we use (or misuse) land.

IRELAND'S income tax could be abolished if the full annual rental value of land was captured for the benefit of the community.

Under the present fiscal system, under 1% of the people born in Ireland own over half of the land, and last year they paid only £250,000 in taxes on their land.

A radical change in the tax structure would boost output and employment, reduce emigration and eliminate budget deficits. These are some of the key points made to the Irish Commission on Taxation which is taking evidence in Dublin.

The land tax calculations were made by Mr. Raymond Crotty, an ex-farmer who now devotes himself full-time to research into the country's economic history.¹ His controversial proposals are summarised in the table.

MR. CROTTY used extremely conservative estimates to arrive at total revenue to be derived from a tax on the annual value of land. He states:

"Given that Irish farmland is worth £1,500 an acre, that conacre rents are £100 an acre, that urban land sells at millions of pounds an acre, there is clearly scope for raising much revenue by taxing it... The question of how much revenue can be raised is, under the circumstances, academic."

He arrived at the figure of £1,500m., which is well over the £1bn. raised in income taxes in 1980, by noting that there are 12m. acres of good agricultural land and 5m. acres of rough grazing land. He further assumed that urban land is worth half the value of rural land (in Denmark, notes Mr. Crotty, urban land is worth approximately double the value of rural land).

In his 25-page report, Mr. Crotty discusses the objections that could be raised against his estimate, and takes account of the flow of land onto the market if it was taxed at its full annual rental value. He concludes that his estimate is not an exaggerated one. More controversial, however, are some of his proposals for the reduction of State expenditure.

FOR A START, Mr. Crotty believes that the Irish Government should disavow any obligation to continue financing the public debt. This would save £750m.

Within the new tax regime that he outlines, governments would not have to resort to deficit financing. And, reasons Mr. Crotty, "if it is no longer necessary to expand public debt, it



● **Raymond Crotty**

ceases to be necessary or expedient to service existing debt." He points out:

"The justification for taxpayers now servicing debts imposed on them by past politicians, who undertook expenditures that they were unwilling to finance from current taxation, is to make it possible for politicians now to incur further public debt to be serviced in due course by future taxpayers."

Invoking what he calls "the basic principle of responsible government, that rulers shall spend only what the ruled provide," Mr. Crotty then proposes that other charges on central government funds should be abandoned, such as public sector pensions.

He calculates that government expenditure could be reduced by an additional £1bn. In all, Ireland would be better off to the tune of £2bn. net. But what would be the economic impact of such a dramatic change in fiscal policy?

ONE WAY to distribute the freed resources would be to allocate each adult an equal share: £1,000 p.a., or £20 per week.

Direct and/or indirect tax rates could be reduced, consumption would rise, and there would be a significant increase in investment and output. This, in turn, would increase employment, and reduce the need for the large-scale emigration which has

How To Abolish the Income Tax

THE CASE OF IRELAND: REPORT BY FRED HARRISON

| | I £s millions |
|--|---------------|
| Additional revenue from land tax | 1,500 |
| Savings on public debt service | 750 |
| Savings on pensions & export subsidies | 500 |
| Savings on defence and unemployment | 500 |
| | <hr/> 3,250 |
| Less borrowing foregone | 1,250 |
| | <hr/> 2,000 |
| Total freed resources, p.a. | 2,000 |

characterised Irish history over the past 150 years. Some taxes, such as VAT, could be abolished.

The dynamic influences are noted, but Mr. Crotty is concerned to hammer home a central point:

"The mechanics of the distribution of the fiscal benefits from taxing land are secondary. The primary point is that taxing land would appropriate for social purposes that surplus which accrues to land and which now insulates its proprietors from market forces and enables them to use land inefficiently."

The land tax would force the redistribution of land to more efficient users; this would increase agricultural output, and consequently raise the level of demand for non-agricultural goods.

This, notes Mr. Crotty, appears to square two circles.

FIRST, the land tax does not decrease output; it increases production (though it does reduce the amount of land used for a given output).

SECOND, it increases incomes while simultaneously lowering variable production costs. Mr. Crotty demonstrates, diagrammatically, that the annual payment of £1,000 to each adult would reduce labour costs, though not incomes. And this, through economies of scale, would lead to more profitable and competitive industries.

PARTS OF Mr. Crotty's report will be unpopular. Many people will react strongly against his view that public sector pensions should be disallowed. They will not be impressed by his argument that the equity reason for doing this is that

these claims on future taxpayers were created without reference to the ability or willingness of future taxpayers to meet them.

But this does not detract from the importance of the economic consequences of land value taxation. Balanced budgets, for example, remove the need for a monetary policy that generates inflation.

His proposals, however, also have important sociological results.

● Higher incomes and lower unemployment would reduce trade union militancy;

● Families would not be torn apart: zero emigration would be possible for the first time in many generations;

And there would be many other psycho-social benefits from the conscious application of the ancient Brehon tribal law that land should serve the interests of the whole community. But in Mr. Crotty's view, time is running out for the Irish economy. The burden of public expenditure, the misallocation of resources and a distorted economy are rapidly leading to what he calls "a situation verging on complete public finance and economic collapse."

His diagnosis of the problems, and his central prescription — the need to capture the market rent of all land for the public benefit — are sound. They could be equally well applied to the other industrialized economies of the Western world.

REFERENCES:

1. Mr. Crotty's works include *Irish Agriculture and the EEC*, Dublin (1971), *The Cattle Crisis and the Small Farmer*, Dublin (1974), and *Cattle, Economics and Development*, Farnham Royal (1980).