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A Letter to University Liberals

I DIFFER fundamentally from your movement in assumptions and priorities, a University Liberal wrote to us last month, *although I would support a form of land-value taxation, and certainly land value rating. I would like to set out my attitudes in some detail and, if you can reply in time, I will undertake to read the full text of your letter to the Oxford University Liberal Party Group on February 14. It is only fair to say that all the economists in the Group are more or less Keynesians, due to some extent to the teaching in this University which is overwhelmingly Keynesian.* Following is our reply, sent in good time.

WE share your distrust of "theoretical economics and long-term measures which fail to take account of short-term difficulties." Nor do we contest your view that the word "palliative" need not always be pejorative. Such measures often serve a useful, perhaps necessary purpose. Our objection is to the fatuous dissipation of thought, effort and wealth involved in erecting palliative upon palliative and the almost total disregard of the fundamental wrong in society—the mis-appropriation of the rental value of land.

The outstanding example is the vaunted Welfare State. Attention is so focussed on what we receive that we tend to forget what we pay. How many consider for a moment that the whole costly, bureaucratic scheme is merely a mask to widespread poverty as cruel and undeserved and unnecessary as any the modern world ever has known? How many ask why able-bodied men should need assistance? Yet is it not the most important question in economics and politics, the one which should most occupy the thoughts of all social reformers? Knowing how wealth is produced, one could understand if the idle were poor. But does our society hold any greater paradox than that men and women, with untold horsepower at their command, are so poor that they need to be spoon-fed on state paternalism?

Sophists dismiss such questions as antediluvian—and

proffer some further expedient. There appears to be a vested interest in complexity. It grows in power and influence as each new superficial gloss is added. At the same time individual responsibility and initiative decline.

How long is it envisaged the transition from present conditions to full free trade and Single Tax would take, you ask. Unfortunately the question cannot be answered; subjective crystal-gazing merely invites ridicule. However, the obvious may be stated: the goal will never be reached if the first step is not taken. There is no practical or economic reason why a national land valuation should not be put in hand immediately. It need take no more than a year or two to complete. Local authorities could immediately levy their rates on this valuation. The Chancellor could, if he were so minded, impose a uniform national tax upon it. The size of this levy could be progressively increased until it collected each year the full rental value of land.

Similarly, there is no practical reason why tariff duties, etc. should not be immediately reduced "across the board" and in a few further steps abolished completely. Only the political power of entrenched interests stands in the way. They must be defeated.

YOU question what is meant by a "just distribution of wealth" and doubt whether a free market could achieve it. We contend—what surely is self-evident—that the producer is entitled to the whole of what he produces. It is, in effect, a part of his life, part of his mind and muscle impressed on inert matter. To deprive him of any or all of it is comparable to depriving him of some of his members or faculties. Our premise is that a man has a right to himself and therefore, by extension, to his products.

It is neither practicable nor desirable for the factory worker to take home as wages his actual "production". So the value of his effort has to be measured. The only known means available is the market. If it is not free it will give an inaccurate answer.

Necessary and indeed wonderful though it is, the free market cannot alone secure economic justice. Wealth is unfairly distributed wherever one person can charge another for the opportunity to occupy and use land.

The graduated income tax which you favour, or any form of income taxation, is wrong in principle because it takes from the individual part of what is his exclusive property. In practice it has been proved to be harmful. Perhaps it is, as you remark, a fairly straightforward way of controlling the economy. But is that a desirable objective? "The economy" is people and their activities in making a living. What prompts this assumption that it is necessary for politicians and bureaucrats to control them? Left alone they will produce in abundance those goods and services which are profitable—what their fellows desire. Better by far that they should receive their orders from tens of millions of consumers than from a small fallible group subject to lobbying and bribery.

FREE trade is like mercy — both parties involved are thrice blessed. It is natural, healthy and pure: protection is corrupt, debilitating and wasteful. Complex industrial societies and primitive "backward" countries alike stand to gain from the removal of obstacles to exchange. No country or industry deliberately denies itself the benefits of machinery and modern production techniques. Rather the contrary. Everywhere the cry is for more capital, for atomic power and other aids to increase productivity and output. Trade is but a part of production. It enables the greatest possible return to be secured for the least effort. Restraint of trade is comparable to machine wrecking. It should not be tolerated.

Satisfaction of the customer is the object and end of trade. While disagreeing with their politics, a liberal may buy his groceries from a conservative, his linen from a socialist and his newspaper from a communist. Why should he draw the line, as you suggest, at buying Russian tin and Polish coal?

If your evidence is correct that these commodities are being sold to the West at uneconomic prices it is we, the purchasers, who benefit: we receive more than we give in return. That will strengthen, not weaken, the West. Given a free economy, there can be no such thing as "over-production".

One could understand, without accepting or endorsing, a case for governments to buy and stockpile materials dumped with the object of dislocating western economies. That would quickly stop such "warfare". But to refuse to accept cheap commodities from any supplier (for any reason) is just plain daft.

The bathroom floor will be flooded if a ton of tin is dumped into a partly filled bath. Dumped into the sea, the rise in the water level will be imperceptible. Open ports and a free market is the real answer to economic warfare. It has the added merit of making friends out of enemies for trade is the foundation of peace as well

as of prosperity: it cements sellers and buyers together with goodwill. The free trade policy is an economic interpretation of the Christmas message: Peace and Goodwill towards *all* men.

Inevitably change always brings in its train gains for some and losses for others. As you remark, return to free trading might mean that people would have to change their jobs more frequently. There can be no objection in principle to a system of government re-training grants to temporarily redundant workers. Whether they would be necessary is another question. Some industries would expand so rapidly, and would so urgently need new workers, that they would probably be only too pleased to train every potentially suitable person they could engage. They did so in war time. The unions, too, could help. But these are comparatively trivial questions.

Would we favour direction of industry, you ask. Indeed, no. That is the negation and antithesis of free trade. The market, not politicians, would determine where any particular industry or firm could be most profitably located.

MOST of your remaining questions have been answered already. For instance, you ask whether shipping interests, overseas investments and enterprises, such as taxi services which use comparatively little land, would be taxed under the "Single Tax". Obviously they would not. The goal is to make the rental value of land bear the full cost of central and local government. Here it should be remembered that vast expenditures to mitigate poverty would certainly no longer be required. Similarly free trade *ought* to make possible vast reductions in the arms bill. Furthermore, the tremendous development which "free" land and free trade would promote would be reflected in greatly increased land values. There is, therefore, little danger that the revenue available would be insufficient; rather the contrary. But if it were, government would have to reduce its activities and live within its means, as do private individuals. That would be no bad thing.

Your final question relates to town and country planning. On the one hand this would be facilitated: on the other it would become progressively less necessary as the land-value tax was increased. The case which can be advanced in its favour at present rests on the existence and effects of land monopoly. It is this, too, which has brought to nought so many planners' dreams of a healthier, more beautiful Britain. The hideous eyesores which are everywhere to be seen are primarily the fruit of a tax system which should be abolished.

If planning continues when land values are taxed it should not be used in the way you suggest—to prevent all London theatres from being turned into office blocks. The market can interpret people's wishes whether theatres should be left standing or be demolished. Earlier generations elected that they should be built in their present positions. If today or tomorrow we wish them to stand elsewhere, why should some town planner say "no"!