

effect of the capital gains tax. Where a sale of land is deemed to have taken place, for example, on inheritance by a son, a 30 per cent gains tax is levied. If funds are insufficient to meet this demand some land may have to be sold, and a marginally efficient farm can then become



an inefficient one. The capital gains tax, of course, was introduced to tax some of the profits made from land sales in a period of increasing land prices. It has never been claimed that the tax would reduce the price of land.

The *Estates Gazette*, in pointing out the paradox of trying to increase the size of agricultural units on the one hand and doing the opposite by taxation on the other, has overlooked two important points. In the first place, the capital gains tax, although ill conceived, does have the effect in some instances of breaking up large estates which are managed inefficiently or are under-used. Although these instances may be relatively few, the estates themselves are often very large indeed. In the second place, really efficient agricultural production is unlikely to be encouraged by the present land tenure system with or without government subsidies, bribes and persuasion.

If, however, an annual tax were to be levied on agricultural land value assessed according to the inherent productive capacity of the soil, two things would tend to happen simultaneously. First of all those who were unable to invest the necessary capital in equipment would tend to sell to those who could, thus facilitating amalgamations. In the second place the value of marginal land would fall significantly, thus encouraging use by the farmer with slender capital resources. Only by restoring a free market in agricultural land to replace the present monopolistic *status quo* can true competitive and economic agricultural reforms be effected. This can only be done by taxing pure land rents. This point has been illustrated by eminent land economists throughout the world.

LESSON FROM CANADA

THERE IS no housing shortage in Canada because there is no rent control or subsidised housing. The Canadian free market system has ensured that there are always enough apartments and houses for rent or sale. While prospective tenants in Sweden may have to wait ten years for a home, the Canadian tenant pays a market price and has a wide choice.

Writing in *Property*, Irvine H. Graham explained why he pinned his faith in market prices.

"The world's foremost economic thinkers," he wrote, "would not try to refute the principle that when any government interferes with supply and demand and artificially lowers the price of a commodity everyone wants it but

no one wants to produce it. . . . The reason the politician promotes rent control is because he figures that there are more tenants than owners, and that by protecting the tenant he will get more votes to extend his political existence; so, when he finds that rent control creates a shortage of housing, he turns to subsidised housing to correct the situation. He will build cheap housing for his political followers at taxpayer's expense, and thus keep their votes. The amount of subsidised housing that can be built is limited by the extra taxation the total population can stand. Since private enterprise is discouraged from building, a situation of continuous shortage of housing accommodation is created."

Rarely has the "housing problem" been so adequately explained in so few words; but whatever the motives of politicians may be, it must not be forgotten that behind every accommodation problem there is the obstacle of land price. In Canada, where the population is relatively small in relation to land area, *per capita* land values are relatively low. Moreover, in some areas only the sites are taxed and in nearly all areas vacant land is taxed to some degree. The effects of these taxation policies on influencing land prices cannot be ignored. Even so, in the more populous parts of the country land values are high enough to cause considerable political concern and poor housing conditions exist in some inner-urban areas.

Those people who, like Mr. Graham, would pin their hopes on market forces, have gone far in lifting the shroud of economic misconception about housing policies. The underlying issue of unsatisfactory systems of land tenure, however, needs to be illuminated by those who seek a full and satisfying remedy to the shortage of houses where the need is greatest. Only sound taxation policies can redress the balance between socialist idealism and true individual liberty. Freedom of choice implies the economic ability to choose. Land reform is the starting point and priorities must be clearly stated.

SHORE VALUES AND THE CROWN

WHOO OWNS Britain's beaches? Most of the foreshore around Britain (the area between high and low water marks) is owned by the Crown. The major exceptions to this are the counties of Cornwall and Lancashire, where the foreshore belongs to the Duchies of Cornwall and Lancaster respectively. The sea bed between the low water mark and the boundary of territorial waters is all owned by the Crown and administered by the Crown Estate Commissioners.

In their annual report the Commissioners point out that there is always pressure for them to dispose of foreshore interests in land, particularly to public bodies, at concession prices. The Commissioners have a statutory duty not to dispose of any Crown land "except for the best consideration that can reasonably be obtained" and port authorities or commercial undertakings will continue