

LAND & LIBERTY

JANUARY & FEBRUARY, 1977



The Public Domain

IN the heat and acrimony of the row concerning public expenditure and taxation, no one has yet given a concrete answer to the question of how large the public sector should be.

On the left of the political spectrum there are those who advocate constantly increasing public expenditure and taxation. They have a definite goal—that all economic resources should be concentrated in the public sector. It is

one which is abhorrent to those who value individual liberty.

Around the political centre are those who feel that taxation and public expenditure are already too high—that the State is appropriating too much of the resources of the country at the expense of both economic performance and individual liberties. Such people have a general idea that the function and powers of the State should be diminished, but where, how and by

how much, they rarely specify.

On the right, there are many of the opinion that the activities of the State should be restricted to the basic and essential functions of government so as to provide for a substantial reduction in taxation and public expenditure, with a consequent restoration of individual liberties and economic incentives.

But this latter group have placed themselves in a dilemma,

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for they must acknowledge that even if government activity were confined to its most basic functions (whatever they might be), the remaining taxation would still have some effect upon incentives and freedom.

Those who have studied the principles enunciated by Henry George enter this discussion with distinct advantages. The first of these is that they are acquainted with a method of raising revenue which does not tax man's productive effort, namely the taxation of the economic rent of land. Economic rent, the return to the passive factor of production, results not from individual actions but from land's superior natural fertility or its situation relative to areas of community activity. It can therefore justly be taken as public revenue.

Secondly, it is the *only* form of revenue that can rightly be regarded as public, so that it provides in justice a natural limit to the size of the public sector.

How can the above principle be related to present conditions where the wood cannot be seen for the trees? One can only reiterate that first, inflation which obscures the whole economic picture, must be ended. With the existing level of taxation and the pervasive stagnation of the economy, the public budget must be brought into balance by means of reductions in government spending. This will ultimately give us a stable currency—no more, no less.

Having restored the *status quo* and rejected the Keynesian "remedy" for economic sickness, our guiding principle must be utilised in the reformulation of public finance policy. We have tried the alternatives. There is just no other way to go.

ILL OMENS FOR LAND ACT

RATEPAYERS' confidence in local authorities' ability to make profits from land deals under the Community Land Act will not be heightened by a recent report in the *Guardian*. According to the report, the Greater London Council purchased a 5.4-acre site in Hackney for £1,032,000 in 1974. When the development scheme for the site was abandoned, it was sold in two lots at a loss of £325,000.

This means that ratepayers and

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taxpayers will now have to pay £33,000 a year interest forever on a loan which brought neither benefit nor capital asset.

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LANDOWNERS may not all be rich, and some developers do come a cropper from time to time, but it is hard to imagine anyone making a loss out of the steady business of owning agricultural land. Anyone but a government department, that is, for the Department of Agriculture and Fisheries for Scotland, as reported by the Comptroller and Auditor General, managed to make a loss of more than £1½ million last year on the ownership of 400,000 acres of let land.

Management costs alone totalled £990,000, while rents received amounted to only £383,000—less than £1 per acre.

Leaving aside the very low rents, one can hardly imagine a private landowner incurring management costs of almost £1 million for an estate even of 400,000 acres. Some hopes for the financial success of the Community Land Act!

PERFORMANCE AND PROMISES OF THE EEC

SOME idea of the tangled web of bureaucracy that follows from policies which go against economic laws is given by the EEC's proposals to deal with the growing butter and milk mountains generated by the Common Agricultural Policy.

The details given below are from a recent issue of *European Community* which is published on behalf of the Commission of the European Communities.

◆ "The cost to Community taxpayers of dealing with these surpluses is rising. For 1976 the dairy sector is expected to cost 1,900 million units of account, or more than 35 per cent of the total agricultural budget.

◆ "Quite apart from the high level of support prices which provide producers with a guaranteed outlet the position is worsened by the payment of national investment aids, increase in herd size, shrinking of outlets because of changing consumer attitudes and a cutback in the use of skimmed

milk powder for animal feed on farms. Demand is also affected by duty free or low duty imports of oils and fats and vegetable proteins which are in direct competition with dairy products.

◆ "The Commission proposed that farmers who agree not to market milk should be compensated according to their level of production.

◆ "The Commission proposed imposition of a levy on milk producers which would cut producer returns and establish a closer link between the production and marketing of milk. The rate of levy which the milk producer would have to pay would take account of the price of vegetable protein prevailing at the time. If this imported feeding-stuff were cheap, the levy could be fixed at a higher level than if the feedingstuff were dear. This would act as a deterrent on milk producers against using more high protein feeding-stuffs when prices of such products as soya bean were depressed.

◆ "Money raised from the levy would be used to expand markets both inside and outside the Community, for instance by increasing the subsidy for skimmed milk used for animal feed, promoting sales, market research and establishing long-term export contracts. The milk products consultative committee would be consulted on how the money was to be spent.

◆ "The Commission proposed a balancing levy on the processors of home-grown vegetable oils. The proceeds would be used to help developing countries, which provide a large proportion of the vegetable oils concerned.

◆ "The Commission proposes various measures to help increase consumption of milk products. These include existing measures such as subsidised sales to some categories of consumer and to the food industry and a further increase in subsidies on skimmed milk used for animal feed, especially for pork production. The Commission also invited the Council of Ministers to take a quick decision providing for exclusive use of milk products in certain foodstuffs—including ice cream."

This complicated and very costly process—artificially high prices,

storing of surpluses, payments *not* to produce, levies upon those who do produce, the use of the proceeds to artificially expand markets, penalising competing products, not to mention blatant destruction of surplus production, etc.—is quite unnecessary. None of it need ever have arisen had supply and demand been allowed to equate naturally through the price mechanism—to the enormous benefit of taxpayers and consumers alike. But then, as the Anti Dear Food Campaign argues, the C.A.P. is a deliberate dear food policy for the benefit of European landowners.

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SAYS *The Daily Telegraph*, December 1, "We entered Europe—remember?—with so much to contribute. Leadership, stable democratic institutions, unrivalled experience, even wealth: these were among the gifts we proudly promised. And now see what we actually supply—not leadership, except of the awkward squad, not stability but shameless threats of riot, revolution, collapse, totalitarianism and betrayal should our insatiable demands for money not be promptly met. The crafty foreigners—remember?—were going to fleece us. See with what surly truculence we now fleece them! Mr. Callaghan in Brussels said that the British people had already made great sacrifices: there was a limit. Indeed they have—grievous sacrifices of honour, dignity and pride."

True enough, but it is not only what we promised to contribute to the EEC that is important, it is what we were promised we were to receive—remember?

For those who knew the score and warned against entry to the EEC, we have got all we asked for and more, most notably, dear food.

SUBSCRIPTIONS TO LAND & LIBERTY

Due to increasing costs, it has been necessary to raise the sterling annual subscription to £3 post paid, commencing January 1, 1977. The USA and Canada subscriptions remain at \$5.