THE SEABED:

THE UNITED NATION'S Conference on the Law of the Sea (UNCLOS) had a hopeful start in 1973 and is currently recovering from its eighth abortive session. The global Law of the Sea has yet to be signed.

The seabed is on the way to becoming a massive scrambling ground for riches. Large powers and small jostle each other for a place where they can grab what they can, as soon as they can, from the immense wealth that lies under the ocean floor. Developments in ocean technology have enabled a vast array of mineral deposits including petroleum, coal and natural gas to be uncovered. In addition there is cobalt, copper, gold, nickel, uranium to name but a few of these unexpected new and highly valuable commodities. S.O.S. – "Save Our Seas" could well be the heartfelt cry from the peoples of the world when they really awake to these facts.

A decade ago grave warnings had been given about the marine crisis to come and many countries called upon The United Nations to hold a Conference to discuss the many problems. Not only was it the ownership of the sea bed and the mineral rights that were provoking discussion, but questions relating to fisheries, the limitation of maritime boundaries, marine pollution and the control of scientific research.

At the first conference, held in Geneva in 1973, delegates were quick to declare all international waters and their resources to be "the common heritage of mankind." It was proposed that a moratoriam on the development of seabed resources be established until an international organisation to control exploration of

Analytical confusions, the price mechanism and land value taxes

THAT THERE should be doubts among non-economists about the *practical* application of land value taxation is exusable.

It is even understandable if professional economists qualify their judgments abouts its practical application (after all, they can't all be expected to know that it is applied in limited forms in a number of places around the world).

But it is indefensible when an academic economist gets elementary theory wrong, and then proceeds to castigate others – like John Stuart Mill – for their "considerable analytical confusion."

Such is the case with Dr. Graham Hallett, a senior economics lecturer at University College, Cardiff, whose book *Housing & Land Policies in West Germany & Britain* (London: Macmillan, 1977) devotes a section to the "extremely influential" Henry George and *Progress & Poverty*.

It is gratifying for *Land & Liberty* to get a passing mention (p.112): but does Dr. Hallett read this Journal? For if so, how could he in turn be guilty of "considerable analytical confusion"?

He says, for instance, that the tax on land values, by eliminating all net rent, "was designed to reduce the value of land to zero." Wrong. A 100% tax on land values would destroy *capital* values, the selling price calculated on the basis of an anticipated income stream over a given number of years. But it would **not** "reduce the value of land to zero." That value would still continue to exist as a measure of the contribution (location and fertility) of land to production.

Dr. Hallett claims that the main objection to land value taxation relates to resource allocation.

> **"If all profits from land use are eliminated, there is no incentive for any change in land use to take place."**

This claim is used by land speculators who wish to defend their exploitation of unearned money. It is used by developers who (naturally) wish to take money out of land as well as their capital improvements.

For example, property companies have been claiming that the 99-year leases ordained under the Community Land Act are insufficient, and are therefore a deterrent to development in Britain. This is a curious argument which only makes sense as propaganda. Hong Kong, for example, is currently experiencing a multi-million dollar development boom: and the leases sold by the colony's government are for 20 years or less!

Dr. Hallett completes his extrapolation from theory to the real world by deducing this:

> **"In other words, the price system would be eliminated as a means of allocating land between competing uses, and it would be necessary for all development and allocation to be undertaken on a purely administrative basis by the State."**

If correct, this would indeed be ironical, as Dr. Hallett affirms, since it would be "quite contrary to Henry George's ideals: he somehow thought that his land tax would permit a system of unrestrained private enterprise, and this confusion has continued down to the present" (p.113).

The correct facts are these.

Land would retain its value, expressed in annual payments of rent by the users (to the exchequer, where there was a 100% land value tax). The market would continue to determine rental levels. These land values would change through time, with shifts in population, economic growth, technological innovations – all the influences which determine values under the present regime where a minority of people monopolise natural resources.

Users would pay lower taxes if the land they occupied declined in value. They would pay higher taxes (= rents) if the value of the land increased. If they could not adapt their use of the land in recognition of increasing values, they would be compelled – through pressures of the market, not the state's bureaucracy – to relinquish the land to others who would make more efficient use of it.

The rest of Dr. Hallett's book might be theoretically sound: but what incentive is there left to bother to read it and find out?