

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

NOVEMBER & DECEMBER, 1978

Established: JUNE, 1894

Nos. 1,1014 & 1,015

VOL. LXXXV

Managing Editor

V. H. BLUNDELL

ISS No. 0023-7574

Annual Subscription:

U.K. and Sterling Area: £4.00

U.S.A. and Canada: \$7.50

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FEATURES

Who Is Crippling the Free
Market ?

P. E. POOLE 82

Ralph Borsodi's principles for
homesteaders

MILDRED LOOMIS 85

Somoza: the Making of A
Blood Sucker

FRED HARRISON 88

Property And The Church

C. W. F. WATKINSON 90

Pioneers And The Rights Of
Civil Society

ROGER SANDILANDS 92

REPORTS

NEWS DIGEST 87

RENT CONTROLS 93

LIBERALS AND LVT 94

Book Reviews

The Japanese Bogey

NICK BILITCH 84

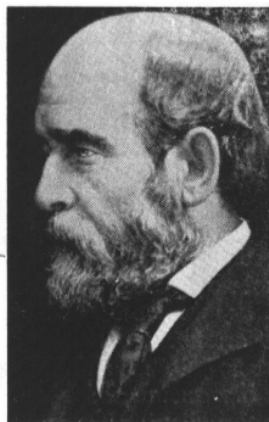
Pyramids and public works

BOB CLANCY 95

Guest Columnist

Hillside squatters

FRED HARRISON 96



Conference in San Francisco

HENRY GEORGE'S seminal book *Progress & Poverty* was published 99 years ago. To celebrate the centenary, an international conference will be held in San Francisco between Aug. 20 and 25. Venue: The Jack Tar Hotel, Van Ness and Geary Avenues (rates: single rooms \$37, doubles \$44). Distinguished speakers will present papers on the work and continuing relevance of Henry George's economics and political philosophy. There will be seminars, workshops and a rally in Union Square. Chairman of the Centennial Committee is Terry Newland, 3098 California St., No. 26, San Francisco, CA 94115, USA. Details of the full programme will be published in *Land & Liberty* when they become available.

PROFESSOR Friedrich von Hayek, Nobel prize-winner in economics, has no doubt about the main cause of Britain's problems: trade unions, he declares

"have become in Britain the chief cause of unemployment and the falling standard of living of the working class."¹

So the coercive power which he says was given to unions 70 years ago should be withdrawn.

Hayek has been highly esteemed by the political Right ever since he wrote *The Road to Serfdom*,² his onslaught on communism. He is a powerful influence on Tory leader Margaret Thatcher and the group around her chief economic adviser, Sir Keith Joseph. His philosophy, then, is of considerable relevance to the contemporary political scene.

HAYEK'S analysis of the economic consequences of union power is not faulty.

Unions which wield coercive influence (they are in a minority) can adversely affect the labour market, as Hayek says. By pushing wages above their competitive level, fewer people are employed and firms are forced to turn to capital-intensive methods of production when labour-intensive methods would otherwise have been just as good.

But it is the professor's interpretation of the general consequences of this which has serious implications for policy formation. He says that unions are the *chief cause* of our high unemployment, a conclusion which reinforces the prejudices of a large number of politicians and academics. Other causes of the recession—which, upon objective examination, may turn out to be of greater importance than union power—are consequently neglected.

MONOPOLY power distorts the free market to the disadvantage, ultimately, of the consumer.

Our thesis is that land monopoly is the *chief cause* of Britain's high unemployment; unions became aggressive in their wage bargaining after Edward Heath's Chancellor of the Exchequer, Tony (now Lord) Barber boosted the money supply to inflation-inducing proportions

P. E. POOLE EXAMINES HAYEK'S VIEWS, AND ASKS:

Who Is Crippling The Free Market?

in 1972. Can our competing explanation stand examination?

The world-wide slump in the mid-'70s is popularly attributed to the huge increase in oil prices. This is a dramatic example of the way a cartel (OPEC) can exploit the monopoly control over a natural resource without reference to the economic well-being of the rest of the world community. But the oil effect, following the rapid rise in prices from October 1973, was just an additional influence on top of pre-established trends. . . .

The boom and speculation in land values during the 1960s reached a crescendo in 1973—the recession was about to occur even without the intervention of oil producers!

During the 1960s financial institutions had sprung up to fuel land speculation: real estate investment trusts (USA), fringe banks (UK), *Sicomis* (France) and property trusts (Australia) to mention a few.

So the crash was inevitable and predictable. In Britain it was signalled by the collapse of the first

of a string of fringe banks (London & County Securities) in Nov. 1973.

The effect on employment was felt immediately in the construction industry, whose fortunes are directly influenced by land values. As we can see from the following index (1970=100), the number of employees in the industry began to shrink rapidly in advance of unemployment in other sectors (even those heavily dependent upon oil).

1974 January	99.2
April	96.6
July	95.9
October	95.8
1975 January	93.7
1976 January	92.8

SO THE speculative exploitation of the resources of nature—first by land monopolists in the industrialised nations, then by oil owners in the Third World—crushed the world economy.

The consequences of land speculation were analysed by Henry George in *Progress & Poverty*. He proposed that industrialised economies should adopt a single tax—one which fell on land

values—which would prevent speculation and redistribute socially-created income to the whole community.

What does Hayek think of George's solution? He finds it attractive. In *The Constitution of Liberty*³ he states:

If the factual assumptions on which it is based were correct, i.e., if it were possible to distinguish clearly between the value of 'the permanent and indestructible powers of the soil,' on the one hand, and, on the other, the value due to the two different kinds of improvement—that due to communal efforts and that due to the efforts of the individual owner—the argument for its adoption would be very strong.

Powerful endorsement — potentially — for land value taxation. But Hayek concludes that the policy is an impractical one, for "no such distinction can be drawn with any degree of certainty."⁴ Thus, he says, it would be necessary to grant leases (which would have to be freely transferable) at fixed rents for such long periods as to become little different from private property, "and all the problems of individual property would reappear."

Hayek, then, concedes the importance of land value taxation, but withdraws from it because of the alleged empirical problems. Only a few objections to his analysis need be made here. First of all, location advantages (which he chooses to ignore)—not soil fertility—are the main source of land values. There can surely be no ambiguity as to either (a) who causes these values, or (b) how to separate them from values arising from capital improvements upon the land? This exercise is performed daily by professional surveyors and valuers!

A CHRISTMAS GIFT

Land & Liberty celebrates the centenary of the publication of *Progress & Poverty* with six bumper issues in 1979.

Special articles will re-examine Henry George's philosophy and its relevance to contemporary societies. *These souvenir editions would make a fine Christmas gift: WHY NOT TAKE OUT A YEAR'S SUBSCRIPTION FOR A FRIEND? Despite increased costs, you can order Land & Liberty at the existing rate of £4 or US \$7.50.*

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But Hayek appears to be anxious to create artificial problems. For example, it is not necessary to distinguish between the value arising from natural soil fertility (which is a feature only of the agricultural sector) and values arising from communal effort. For practical purposes, these can be considered one and the same thing.

As for separating values created by individuals from those which are communally-created, this is—again, for practical purposes—an exercise performed daily by bargaining in the market on behalf of labour and capital.

AND YET, when it comes down to brass tacks, Hayek ignores land monopoly in favour of promoting the trade union threat to liberty. Boldly, he asserts that “the whole basis of our free society is gravely threatened by the powers arrogated by the unions.”⁵

Socially important industries, such as building, will be greatly hampered in their development and will conspicuously fail to satisfy urgent needs simply because their character offers the unions special opportunities for coercive monopolistic practices.

Yet the professor has ruled out, on the basis of faulty logic and a deficient appreciation of valuation techniques, the policy which would wipe out the land monopoly which directly undermines “socially important industries, such as building.”

No doubt the market would operate just that little bit more smoothly if unions could not enforce restrictive practices. But the cyclical problem of unemployment, and the ever-present scandal of low wages for many people, would still be with us.

As with the power of capital, which was derived from the imperfect market conditions existing at the time of the Industrial Revolution, trade union power arose as a result of pre-existing exploitative conditions. Only after a radical transformation of the monopolistic distribution of natural resources can we reasonably expect to deal with secondary problems like union power.

REFERENCES

1. *The Times*, 10.10.78.
2. Routledge & Kegan Paul, 1962; first published 1944.
3. Routledge & Kegan Paul, 1960, p. 352.
4. *Ibid.*, p. 353.
5. *Ibid.*, p. 269.

--The Japanese Bogey--

SOCIETIES with declining economic performance frequently search for the bad guys who are assumed to be the cause of falling living standards.

Japan has been cast by the West as the favourite bogeyman. In brief, according to various business and political spokesmen, the Japs do not play fair! Antipathy towards Japanese commercial expansion and phenomenal economic growth is not of recent origin. Alarm bells were being rung before World War I: the message was that Japanese industrial expansion was a potential “threat” to western economic supremacy in the Far East.

to counteract what was seen to be a direct menace to their commercial interests, the US in particular—and to a lesser extent the British Empire and Commonwealth—indulged in a number of petty restrictionist activities which naturally irritated and angered the Japanese. The result of this unholy commercial alliance against Japan ultimately led to anti-liberal forces gaining control of domestic politics; this led to military expansion in Korea and China as a means of gaining access to the raw materials which Japan lacked, and an overseas market for her output.

The hostile attitude to Japan was often repeated elsewhere, when and wherever Britain and the USA felt the competition of overseas rivals; in Britain’s case, Germany was the industrial rival most feared. It seems to me that the two world wars were more concerned with destroying the commercial rivals of these two countries rather than the oft-repeated aim of making the world fit for freedom and democracy.

It says much for the resilience and determination of both Germany and Japan that both have emerged economically fitter, stronger and more efficient than their victorious enemies.

The latest contribution from the prolific publications department of the Institute of Economic Affairs is concerned with the workings of current Japanese trading practises. The author, Prof. G. C. Allen, is an old “Japanese hand,” in that he lectured in economics there between 1922 and 1925. Now retired, he was, until 1967, Professor of Political Economy at University College, London. His

book *How Japan Competes* contains a useful commentary from a leading Japanese economist, Yukihide Okano.

Although largely concerned with examining the charge that the Japanese are guilty of “dumping,” there are some useful and informative passages dealing with the history of the economic growth of modern Japan.

The author draws attention to the many myths and misunderstandings regarding Japanese commercial practises. It would seem that Japan is no more guilty of bad economic practises than her principal rivals. Her success has come largely from her own efforts, skill and native genius, and not from pursuing a policy of begging her competitors. Her very success has made her the scapegoat for our own failures and inept economic policies. The U.S.A. is once again picking on her to explain away America’s economic failure to come to grips with domestic inflation and economic stagnation in such traditional areas like steel, motor cars and electronics.

As far as the UK is concerned, Prof. Allen points out that the hysteria regarding imported Japanese goods is both unwarranted and short-sighted. “Japan’s share of the British market for a few products (e.g. motor vehicles and electronic goods) is relatively high but her *total sales to Britain* account for well under 3 per cent of Britain’s imports. Moreover, the imbalance is largely redressed by Britain’s surplus of invisibles in her trade with Japan.” (My italics.) That would seem a normal and healthy state to be in. Let each country do that which it does best; free exchange will then benefit both parties.

The division of labour and comparative advantage is working to the benefit of both countries. If the Japanese appear to be doing better, it might help in arriving at the truth if we and the Americans took a little more notice of our respective government expenditure and budget deficits, and stopped bullying and hectoring the Japanese; this would also apply to the periodic niggling against Germany in which we periodically indulge.

NICK BILITCH