

# FALKLANDS

## WHO REALLY OWNS THE ISLANDS?

**I** WRITE as the British naval task force heads towards the South Atlantic and a possible military engagement with the Argentinian occupying forces on the Falkland Islands. At the time the article is published it will be known whether the gamble paid off and the Argentinians withdrew or whether Britain has gotten involved in a calamitous war that cannot possibly serve the interests of the islanders, Britain or Argentina, no matter who the eventual military victor.

With the attention of the world focussed on the Falkland Islands there is a good opportunity to review the issues of principle that are involved. Once again the question of land rights is at the heart of a bitter and vital dispute. The central question is: who should own the land and share its benefits? Is it the first persons to arrive and stake a claim, and their descendants?

In an article in *Land and Liberty* on 'Pioneers And The Rights of Civil Society', (Nov./Dec. 1978) I rejected this facile approach to property rights inside the boundaries of a single nation. I concluded that pioneers may stake a right to occupy but that this right should be contingent on payment for the privilege if their holding assumes an exchange value by virtue of the growth of population and industry around them.

Since it is the community as a whole which creates the exchange value in land it is to the community that the value should belong. The growth of community enormously enhances the well-being of the pioneer. The value of his labour as well as the value of land is greatly increased by it. Even after he paid to the community the rental value of the land he occupies he would still be far better off than if he remained an isolated Robinson Crusoe figure. If as a result of his refusal to pay for the privilege of occupying valuable land he were to be ostracised by the community, with no-one trading or communicating with him, he would soon see that his best interests lay in agreeing to pay rent for the land.

**T**HIS ANALYSIS demonstrated that priority of occupation does not entitle the pioneer permanently to arrogate the fruits of the land unto himself and his descendants. He is entitled only to what he himself creates with his own efforts (and through exchange of his own products to the products of his fellows). Since he does not himself create the value adhering to land he is not similarly entitled to that value.

How does the question of the Falkland Islands fit into this framework?

Here is a group of islands that was discovered by an Englishman but first settled by French, followed by Spanish and then Argentinian citizens at a time when the land had little or no rental value because there were too few settlers relative to the amount of land in the islands in such a remote corner of the globe. Britain, however, had the strongest navy at the time and, for strategic and imperialistic reasons insisted on claiming sovereignty through 'naked aggression'. Thereafter it was mainly Britons who settled there, in small numbers.

Most of the islands were bought by the Falkland Islands Company (FIC) to exploit their potential for sheep rearing. Most of the islanders are tenant farmers living effectively in 'tied' cottages which have to be vacated at the end of the farmers' working lives. They pay rents for the privilege of living on the islands to the FIC.

The British government, through its colonial administration, levies taxes on the incomes of the islanders and of the company, without

- Samuel Fisher Lafone was given 800,000 acres on the Falkland Islands by the British Government: thus was formed the Falkland Islands Company, in 1851. The company rapidly acquired a near monopoly of the economy.

- In 1975 the islands were covered by 36 farms. Nine were partnerships and four were owner-occupied. Twenty-three farms were owned by 14 companies, the FIC being the largest landowner with eight farms.

- Over 2.88m acres are held on freehold, and only 16,300 acres on lease from the Crown. In 1976 the Shackleton Report\* declared:

"In an agricultural structure where the great majority of farms are large absentee owned ranches whose owners are often not resident in the Falkland Islands, it is inevitable that there should be considerable interest in the possibility of increasing the number of Falkland owners by the creation of more small holdings...

"... we feel that there are strong social and, possibly, economic reasons for creating small farm units in the Falkland Islands, and we would urge that the matter should receive early consideration."

- In this article, DR. ROGER SANDILANDS of Strathclyde University asks some fundamental questions: Who really owns the Falkland Islands? Are there any principles which could guide Britain and Argentina to a peaceful solution over the territorial conflict?



\**Economic Survey of the Falkland Islands*, 2 vols., London: Economist Intelligence Unit, May 1976, chairman: Lord Shackleton.

distinction between incomes from work and enterprise on the one hand, and income from land rents on the other. The expenses of administration, however, are not by any means covered by these state revenues. Of the 500 families who live there, about 100 are supported by the British government to provide community services of administration, education, health, transport, communication and, of course, defence.

Considering that the islands have a land mass about the size of Wales, they are evidently pretty marginal lands if they can only support 500 families, especially when the subsidies are considered. Admittedly, the subsidies may well be smaller if all the land rents were collected for state revenue instead of going to the FIC, with taxes on earned incomes correspondingly reduced to stimulate work and enterprise.

**S**INCE HISTORICALLY it was Britain that succeeded in claiming sovereignty over the islands, it is a British company that owns most of the land and extracts most of the land rents. Some of this is paid to the British administration in the form of 'income tax' to make a partial, but only a partial, contribution to the expenses of administering and defending the islands. Most of the islanders enjoy a standard of living more or less comparable to that of the average non-landowning family in Britain, whence many

of them have been recruited, and follow British customs.

Had the islands remained in Argentinian hands, the settlers would probably enjoy the standard of living, and customs, of the average non-landowning Argentinian family. Since Argentina is no more enlightened than Britain so far as land policy is concerned, the main beneficiaries from development in both countries are the owners of land who capture most of the community-created land rents.

Would my conclusion be any different if it were proved that there are vast oil reserves, easily recoverable, in and around the Falklands? To whom should such rentals belong? The Falklanders? The Argentinians? The United Nations?

Firstly, it should be said that, under present arrangements, if oil were discovered and exploited it would not be the Falklanders as a whole who would be the major beneficiaries, but rather the owners of the islands. It is quite possible that sheep farming would cease as an attractive use of land and the tenant farmers would be sent packing. The best they might do is gain alternative employment in the oil industry, at the going wage, in competition with immigrant oil workers.

Secondly, it is clear that in view of the disputed sovereignty issue, the Argentinian government would not cooperate with any oil exploration or exploitation project. Without the active cooperation of the neighbouring country, the costs of installing and operating the oil-related installations would be prohibitive in such an otherwise remote location. Thus, it would appear that so long as the sovereignty issue is not settled to Argentina's satisfaction, there can be no exploitation of the potential mineral wealth of the islands. Meanwhile, the islands are not worth much, economically, to Britain and their population will remain extremely sparse.

Would it therefore make economic sense to transfer sovereignty to Argentina, in order to realise the islands' economic potential? Who would be the main beneficiaries?

Would it be in the islanders' interests? If the islands were sold, they would gain nothing since they are not, in the main, the owners. If they were permitted to remain on the island they would simply be paying rents to a different landlord, while having to respect the rules and customs of the new landlord. At present they live in a democracy and their democratically-expressed wish has been to reject any such settlement. This certainly makes sense from their point of view, since they clearly have nothing to gain by swapping a British landlord for an Argentinian one, especially at the present time when they are rightly suspicious of the respect that would be accorded their human rights by the military junta.

Only if the Argentinian or British government offered them attractive compensation for their change of status - with a free choice whether to stay or leave and use their compensation to resettle elsewhere - would a democratic vote go in favour of a transfer to Argentina. Hitherto, no such offer has been made.

Would it be in the interests of the islands' owners, notably the Falkland Islands Company? Yes, if the Argentinians paid them the capitalised value of expected future land rents from the existing sheep farmers. Perhaps, however, the Company would try to hold out for an even larger settlement, reflecting the potential benefits from the oil and minerals that the Argentinians would be in a position to exploit. This would, and perhaps already has, been a stumbling block to any peaceful,

non-military resolution of the conflicting claims over the islands.

**WOULD IT** be in the interests of the rest of Britain to transfer sovereignty after commercial negotiations? Given the failure to raise state revenues from ground rents to cover the costs of administering and defending the islands, the answer must be yes. However, if land value taxation were introduced the cost to the British taxpayer could be lessened. Apart from the dubious benefit of its helping the sun never to set on the Union Jack, Britain's only real interest in maintaining sovereignty over the Falklands is to protect the interests of the islanders.

Given that the likely commercial value of the islands is much greater for Argentina than it is for Britain, it is possible that the interests of the tenant farmers – the majority of the islands' indigenous population – would best be served by a generous financial offer to compensate them for resettlement in Britain or, if they chose to stay in the Falklands, to compensate them for loss of their traditional way of life under an Argentinian administration. Argentina would be called on to foot the bill, but she may well consider this price worth paying.

**The main stumbling block could be the compensation the landowners might demand. They are in a position to exact a very high price that included the capitalised value of the higher rents that would accrue to their land for oil-related developments.**

If a time did arrive when substantial mineral reserves are discovered and exploited, how could a system of land taxation be made to operate in favour of the community that created the land (and mineral) values? If the Falkland Islands (or Islas Malvinas) administration collected the rents and spent or distributed these revenues entirely on island facilities or to island residents, the islands would quickly attract immigration from less favoured parts of Argentina, assuring free immigration. In principle, this would eventually equalise the standards of living of the islanders and other Argentinians.

If, on the other hand, the Argentinian government collected the revenues and handed back to the islanders only a small portion of these revenues, spending the rest on community facilities in mainland Argentina,

there would be less immigration into the islands and the standard of living of the two communities would be equalised in a different way. In both cases, however, the overall standard of living of the two communities would be greater for having had the opportunity to exploit and share the benefits of the natural resource potential of the islands than is presently the case.

Unfortunately, there is no presumption that a system of land taxation would result from a transfer of sovereignty from Britain to Argentina. In such circumstances the islanders, whoever they may be and however else they may be governed, will in general suffer a common exploitation: the exploitation of the landless by the landed classes.

How exhilarating it would be, instead of going to war at such gruesome cost to both sides, Britain and Argentina could enter an economic competition to devise the fairest and most efficient solution to the land problem that lies at the heart of this dispute. It is only by resolving this issue that the interests of the inhabitants of the islands, of whatever nationality they be (and why not both Britons and Argentinians or any other nationality?), will be served.

# FLAW IN THE GLC's 'FAIR' FARES

**H**AMPSTEAD and Blackheath are among the most attractive parts of London. They were self-contained villages before the tidal wave of bricks and mortar swept over them in the nineteenth century, but their individuality and period charm still remain today. Both places boast many fine Georgian houses that are now enjoying protected status as listed historic buildings, whilst their designation as Conservation Areas is a guarantee that the local councils will apply stringent planning controls to keep out unwelcome intrusions. The two places are similar in other ways – Hampstead is close to the famous Heath, Blackheath adjoins

## BY HENRY LAW

Greenwich Park, and their distance from central London is similar. These amenities naturally affect property prices, for houses in both areas are highly sought after; but why does a house in Hampstead cost about £20,000 more than a comparable one in Blackheath?

Largely, of course, because, for good geographical reasons, the centre of London developed to the north of the Thames, and the river remains a great psychological barrier; but part of the explanation lies in the transport

system. Look at the map of the London Underground and compare the lines north and south of the river; South London sees very little of the Tube. True there are plenty of British Rail routes, but these provide a different kind of service, and the trains are much less frequent. Passengers from Blackheath need to know the timetable, whereas Hampstead travellers have only to turn up at the station, knowing that a train is sure to be along in a few minutes.

Blackheath residents tend to grumble about not being on the Tube but, in doing so, they forget an important point. If the Tube had been there before they arrived, their attractive period houses would have been much more expensive – and many people who live in Blackheath would not have been able to afford property there.

The transport divide between the north and south was the fatal flaw in the Greater London Council's "Fares Fair" policy which slashed fares on London Transport trains and buses last October and levied a supplementary rate to pay for it. It did little for South London commuters, who generally use British Rail services; they were faced with a 9% increase in fares in November on top of their extra rate demand. Thus it was the South London borough of Bromley which challenged the GLC's policy in a court action which ended in a decision by the Law Lords declaring the transport subsidy illegal. North of the

## Suriname: Right-wing backlashed

**THE COUP** attempt by army officers in Suriname, the former Dutch colony in the Caribbean, was an inevitable reaction from the Right-wing, writes Ian Barron.

The ruling Left-wing junta came to power in February 1980 with the overthrow of the democratically-elected government of Henk Arron.

Discontent in this deep-seated. Land speculation had forced many small farmers off their land, housing was inadequate, the unemployed migrated to Holland by the thousand, and children died of malnutrition.

When Lt.-Col. Daysi Bouterse came to power, he declared 1981 the "Year of Land Policy and

Employment." A special unit was established in the office of the Garrison Commander, Maj. Roy Hord, to implement the new land policy, which was supposed to stop speculation and stimulate increased production through an improved use of land.<sup>1</sup>

The Right-wing, however, does not understand the economic processes through which the under-utilisation of land leads to low wages, hunger and unemployment. This is illustrated by a statement by one of the leaders of the successful coup in Guatemala in March:

"Most outsiders know nothing about Guatemala. They talk about guerrillas

being the result of poverty. On the contrary, poverty is the result of guerrillas. Two-thirds of the farms in the western part of Guatemala have had to close. They talk about an unequal distribution of wealth when it is really an unequal production of wealth."<sup>2</sup>

The Right-wing backlash in Suriname failed, and on March 2 Bouterse announced that the coup leader, Sgt. Maj. Wilfred Hawker, had been shot at dawn.

1. Rickey Singh, 'The Shape of Suriname's Two-Year Revolution', *Caribbean Contact*, February 1982.
2. Jonathan Steele, 'US was "not aware" of plans for coup', *The Guardian*, 27.3.82.

● Cont. on P.54