

In that event the occupier should be entitled to deduct from his rent a sum equal to the site value rate, if the rent he pays is equal to or greater than the assessed annual site value. If the rent he pays is less, then he is to that extent in enjoyment of part of the site value and should be empowered to deduct from his rent a sum calculated upon it at the rate at which the site value rate is assessed.

The rate until paid should be a first charge on the land taking priority over all other estates or interests. Under efficient administration the costs of collection should be low, and bad debts should be negligible.

EXEMPTIONS FROM RATING

The practice of granting exemption from rating to land owned by charitable or other bodies is not uncommon. It is submitted that such land should not be exempted from valuation. The ratepayers are entitled to know or be able to calculate the amount of the benefit which they are subscribing in higher rates.

The subsidy so granted is arbitrary, depending upon the amount and value of land held by the exempted body, and is totally unrelated to what its needs and deserts may be. A better plan is not to exempt any land from liability to rates, but if it is desirable that the ratepayers should subsidize some activity on grounds of its public utility, then the local authority should be empowered to make a direct grant of such an amount as it may think is proper in the circumstances of each individual case, having regard to the funds available to the body from other sources and the need for and value of its work. Only in this way can adequate control be exercised.

TOWN AND COUNTRY PLANNING

An adequate valuation of sites is an indispensable prerequisite of town and country planning. It provides vital information of the values which the market has put upon the land involved. It enables reasonably accurate estimates to be made of the cost of imposing restrictions on development, or of the cost of acquisition of land required for road widening or other public purposes including redevelopment where it is necessary that this should be undertaken by the planning authority. Where land is acquired for public purposes the valuation provides a means of measuring the compensation to be paid, and if the valuations are made fairly frequently, it should not be open to the owner to argue successfully that any very substantial increase in value has since accrued.

CONCLUSION

Economic reasoning and practical experience have both demonstrated that a rate on site values is the best means of raising the tax revenue required by local authorities.

It provides a true local revenue based upon the degree to which the community by its public and private activities has made the locality desirable to live in. It is a source of revenue which is unearned by the individual owner but is earned by the community.

It enables buildings and other structures made to land

to be exempted from rates and so encourages land development. Conversely it discourages the holding of land undeveloped or badly developed, and also encourages industry and commerce and home ownership.

No other system of local taxation can be found which provides all these advantages.

CITY COLUMN

Michael D. K. Turner



IN DECIDING which companies to mention each month I have two considerations in mind. The first is to covet excellence wherever it is to be found, and the second is to hope that readers will in time acquire a better judgement than I have. If this happens I will feel that I have done a good job

Pursuing the theme of excellence, we come to the accounts of *Ashanti Goldfields Corporation Limited*. There may be one or two veterans from the Ashanti Wars left in the Royal Hospital at Chelsea who know a good deal about this part of the world but to the rest of us the name only suggests a part of Ghana. The corporation is headed by Major General Sir Edward Spears. As a gold mining company the accounts include the highly technical Consulting Engineer's Report. The Chairman's statement for this company is published separately and those who are writing to the Company Registrar should ask for both documents. In his statement Sir Edward mentions the commonsense considerations that guide the affairs of this company. He also tells us that 76 per cent of the profits are absorbed in local taxes and that the company has been severely penalised by the 1965 Finance Act. We also learn that gold is being sold on the free market.

An item we have yet to see in these or any other accounts is the breakdown in income between returns to land and the interest on the capital deployed. We might then get some picture of the proportion of tax that represents land rent if only in a rough and ready way.

At the time of writing the shares stand at 13s. and have their attractions.

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My second choice this month is another overseas company *Algoma Central Railway*. The report gives a map of Ontario Province and the Great Lakes region of Canada, and from this we can see just where it operates. The head office is at Sault Sainte Marie and the company operates only a fraction of the mileage of Canadian Pacific or Canadian National Railways. Why then mention it at all? It is an interesting company for several reasons. In the first place it makes a profit, and one could make a long list of railways around the world that do not. It achieves this through the constant exercise of financial discipline, because this produces one long training

in judgment, and the necessity of making day to day adjustments stimulates the decision making faculty. This is an aspect that does not receive nearly enough attention these days. Next, the company has developed all its resources—it is exploring its land concessions for minerals and re-building its shipping side. The latest gondola type ore carrying trucks and rail track maintenance machinery have been introduced, and the new vessels have such features as bow steering propellers and self unloading gear, all designed to economise on labour.

On the matter of land concessions generally, it is my belief that it is wrong for governments to sell, or otherwise alienate land, whether to mining, finance houses, railway companies or otherwise, even if this land has never been explored. Nor should it be leased in such a way that if mineral wealth is discovered later the rent cannot be raised. If the economic rent does rise, then the government encourages the owners of capital to exploit such wealth as soon as it is discovered, or make way for others who will.

The shares of par value of Canadian \$2 are quoted on the London Stock Exchange at about £4 16s. each. The dividend is 32 cents per common share out of earnings of 56 cents per share, but the cash flow is as high as \$1.49 per share, which indicates the prudent management of the company. The Chairman is Sir Denys Lawson, and the London end is managed from No. 56 Gresham Street. In due course we will see that all companies operating from this address regularly turn in excellent results.

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Lastly I mention *The Rugby Portland Cement Company Ltd.* Sir Halford Reddish never misses a counter-punch, and his statement makes splendid reading, but while I do not disagree with anything he says about the need for leadership and personal freedom, I am not convinced that Sir Halford yet understands the free trade argument.

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"Very few politicians appreciate the immense amount of unnecessary paperwork with which business is saddled . . . it is significant that the Government's bill for printing now exceeds £35 million year."—Sir John Benn, in his report on The United Kingdom Provident Institution, referring to the eight National Insurance Acts produced in the last ten years.

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"Most of these so-called national or world problems are of similar origin and nature—each of us is trying to manage everyone's business but his own."—Leonard E. Read, President, The Foundation for Economic Education, Inc., New York.

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Addresses

The Registrar, Ashanti Goldfields Corporation Ltd., 6 Greencoat Place, London, S.W.1.

The Registrar, Algoma Central Railway, 56 Gresham Street, London, E.C.2.

The Registrar, The Rugby Portland Cement Co., Ltd., 103 Cannon Street London E.C.4.

Money Supply the Root of Inflation

PAUL KNIGHT

A COMPREHENSIVE programme to deal with growing inflation, the increasing balance-of-payments deficits, and the continued attack on the dollar has been offered by the Research and Policy Committee of the Committee for Economic Development (CED). In a statement entitled *The National Economy and the Vietnam War*, the Committee said that since the middle of 1965, the start of the substantial military build-up for Vietnam, the nation has faltered in dealing with the economic impact of the rapid increase in government spending. The statement also considers the economic problems to be faced when the war ends, including transition problems for industries and localities.

For 1968, the CED statement declares the main goal of economic policy must be to eliminate inflation which is the basis of the excessive growth of total demand. Because total demand for goods and services has been fed for so long by budget deficits and a growing money supply there is imperative need now for a combination of fiscal and monetary measures to "slow down the inflation and bring it to a halt . . . To achieve this, a combination of three instruments must be used—further restraint in the growth of the money supply, a reduction in the increase in government expenditures, and the imposition of higher taxes on a temporary basis."

Economic policy for 1968 must start with a determination to stop inflation, says the statement. "For almost three years policy has been based on the hope that inflation would not come, or if it did come would go away by itself, or could be stopped by policy measures that would be painless or invisible. These hopes have proved in vain. The country cannot count on inflation ending unless the country is determined to stop it."

"One of the first areas in which the consequences of inflation appears is economic relations with the rest of the world," the CED report contends. "The accelerated inflation of the past few years, and fear of future American inflation, have been important contributors to the persistent U.S. balance-of-payments deficit and weakness of the U.S. dollar. These in turn have led to limitations on the conduct of U.S. foreign policy and restrictions on the activities of American citizens, culminating in mandatory restraint of foreign investment and the suggestion of repressive taxation on foreign travel. Thus the strongest economy in history, and presumably the one most devoted to economic freedom, is paying a high price for shortcomings in its basic economic policies. That the nation should have come to this point is evidence of the powerful effect of an economic mismanagement that has led to acceptance of inflation."

In the absence of appropriate fiscal actions there is now danger of extension of direct controls to other sectors