

Cash bonus or tax cut?

Sir: In your last issue, Professor Stephen Cord, in his article "Land Value Taxation: Six Steps to Meet Objections", by conceding too much to objectors, offers some very doubtful steps to meet them.

He says that under LVT, some small farmers would pay more taxes than they are now paying, as would "some poor elderly homeowners". But how can he know, unless he has already decided himself what the rate of tax is to be and what particular taxes would be removed as a consequence?

Small farmers under LVT paying low or no income tax, property tax or duties on their equipment etc., must find themselves better off. A small farmer is not defined; he may be a farmer working marginal land or land of very low value (in which case he would pay little or no tax) or he may own valuable horticultural land.

However, one does not need to know the conditions of small farmers and the elderly poor. If hardship arises, for whatever reason, (possibly a change in taxation or a natural calamity), welfare services should be available without recourse to corrupting the principle of LVT, which requires those who enjoy the rent of land either directly or indirectly to pay the appropriate charge.

Prof. Cord makes a good point when he argues that every attempt should be made to secure overall political acceptance for LVT; at first sight, the idea of a national dividend might appear attractive. However, to give back part of the land value tax as a cash handout would mean less provision for cutting other taxes. Surely the best way to secure general acceptance for LVT would be to argue for the removal of specific general taxes — those which the majority find most objectionable. Would this not be the equivalent to a cash bonus? Even the poorest people still pay taxes in one way or another. A cash bonus sounds gimmicky and too obviously a scheme to buy votes.

BBRITAIN'S Country Landowners' Association has embroiled itself in a row over the obligations of landowners.

The *Guardian* declared in an editorial on April 4: "All land belongs to the Queen, and the people in possession of it are her tenants. The land, in other words, is nationalised. Although this state of affairs is now no more than a disregarded relic of feudal law, it expresses a valuable principle which is due for reassertion."

"The principle is that the occupation of land carries with it obligations to the ultimate owner which is the community through the Crown, as well as rights to the tenant."

CLA Director-General James Douglas rejected the duties *The Guardian* sought to impose on landowners and warned that the Labour Party would nationalise all agricultural land.

LETTERS TO THE EDITOR

As for an Agricultural Land Tax Index, I fail to see why land value taxation should take account of bad and good years for farmers. When people go into farming, manufacturing umbrellas, or selling ice cream, they do so with open eyes and take the bad seasons with the good. The most governments should be prepared to do is to postpone part of the payment of a land value tax in a particularly bad year, recovering it in a subsequent year — and do it for umbrella manufacturers as well if they are suffering hardship!

However, if the valuation of agricultural land is done correctly, it will reflect the rent people will pay, whatever the vagaries of the weather. And what is to prevent the agricultural community from establishing a co-operative insurance scheme funded from the good years?

The weather, and world prices, are not the only things that affect returns to the entrepreneur. What of fashion, the invention of substitute materials, change of habits, mechanisation, etc.? This is all part of the free market. If concessions are made to sugar producers along the lines indicated, then the producers of every other kind would

decide what ten per cent above normal price was, and what 20 per cent below normal production was? The scheme would be hopelessly bureaucratic as well as unnecessary.

By all means let the land value tax be paid by instalments if required, as indeed local taxes in the UK often are, and let an annual reassessment of land value be the rule. As Prof. Cord says, this would solve many problems and prevent a build-up of liabilities where land values increase, but it would also serve the farmer better than the other scheme.

The Tax Deferred idea of allowing a land value tax to remain a lien on the property until it is sold or transferred is an excellent one in cases of hardship, whether the owners be the elderly poor, widows, orphans or just plain impecunious.

Prof. Cord's Purchase and Demolition (PAD) Guarantee to protect property owners from marked changes in planning law which devalue the market value of their building sounds a good idea and a form of government compulsory purchase at previous market price for "blighted buildings" seems a necessary step. After all, the higher land values released should more than pay for the compensation.

I think Prof. Cord has opened up a useful and necessary debate, but it is a pity he did not give just a little more thought to some of his suggested remedies.

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U.S. farms: worthless forecasts

Sir: The interesting article by your correspondent in Washington (*Land & Liberty*, May-June) raises more questions than it answers.

Certainly the Farmland Protection Policy Act (1981) does well if it cuts back on the use of Federal funds used to finance speculative projects in order to make them financially viable, but apparently this applies only to land "which ought not to be converted into alternative uses". But what of farmland which ought, or is, to be used for other purposes? Does that get Federal aid? All aid must finally be capitalised in land prices.

Agricultural experts in Washington, it is said, predict that by the year 2020, food prices will have increased threefold on the basis of present population and productivity. Does this take into account inflation, i.e. the fall in the value of money? In any case, such predictions are worthless. Population experts have been forecasting for years, only to reject their estimates for new ones according to the trend of the moment.

The picture of land losing its productivity, and being lost to other uses, implies that food is produced in accordance with the need for it. In fact food production is keyed to the effective demand for it, which isn't the same thing, particularly if government steps in to artificially increase that demand by guaranteeing that all that is produced will be bought.

And what of farm subsidies, land

banks and the subsidies to keep agricultural land out of use? What part does this play in the assessment of agricultural production? Why does the United States have to improve its food-producing capacity? It implies a danger of a food shortage (imports apart). If this happens to any degree, then prices will rise which should displace the agricultural subsidies, but these are not mentioned. I wonder why not!

Donald Baron, USDA economist, is reported as saying that the absentee landlord does not have much say about the inputs and types of crop to be produced, but why should he? And I would be most interested to know why land owners who may be expected to jealously guard their land-owning rights, allow their assets to be eroded by a mere tenant. Maybe they do, but I would like to know the reason. I should have thought that with the experience of dust bowls of the past, land owners would take every care to protect their property.

Whatever the answers to the foregoing questions, a system of taxing the annual value of agricultural land which assesses it as though it were in good heart (the land value tax has to be paid no matter how badly the land is used) should take care of man-made soil erosion, particularly if the tenant must surrender his land in good heart when departing.

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