

Putting The Boot In

LONG-TERM MONEY LENDERS in the U.S.A. disgruntled by inflation's erosion of the dollar, no longer look upon a fixed return as sufficient reward for their investment says the *Wall Street Journal*, July 14. The additional reward they ask for, commonly known as the "kicker", is a share of the return accruing to the development financed by their loan. "My clients aren't entirely sure this 1969 dollar will be worth a damn thirty years from now," says an attorney who advises several large pension funds on their lending activities.

The borrowers' view is given by an official of a New York development concern who says: "We don't need partners who share our profits but not our losses." But many lenders reply that the inflationary spiral is expected to continue and that even today's commercial mortgage rates of 9½ per cent or more are not adequate when money is lent for twenty-five years or more.

The use of "kickers" is stimulated by mounting competition from other types of investment. The scarcity of lenders of money is another factor; borrowers cannot get money elsewhere, and find themselves obliged to agree to "kicker" clauses.

Free Trade a Fair-Weather Friend

PROPOSALS for the phasing out of all trade restrictions between the United Kingdom and Japan is likely to meet with increasing opposition from several industries, (reports *The Financial Times*, October 6).

The argument that cheap Japanese labour leads to unfair competition is likely to be taken from the cupboard, dusted and paraded once again.

Under the proposals, import quotas would be progressively eased, beginning early next year. The final date for the removal of all barriers would probably be "early in the 1970s" says a Ministry official.

In Japan, Mr. Anthony Crosland then President of the Board of Trade, referred to the idea as "a bold proposal," and added that "there are those in all countries who counsel caution and prefer protection to competition."

The proposal is regarded by the British Government as being more of a political risk than a trade risk, for British trade figures with Japan show an encouraging upswing in Britain's favour.

In the setting of our tariff-ridden economy, the proposals are bold. It is a pity, though, that the idea of free trade is confined to trade with Japan. Somehow this proposal must be squared with the Government's intention to take Britain into the tariff fortress of the Common Market.



Review and Reflection

BY

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WHATEVER HAPPENED to the War on Poverty?

This was a brave new programme initiated by the Johnson administration. Although we have another administration now, many items are carried forward—such as social security, the Vietnam war, the tax burden. Why not the War on Poverty? We cannot pretend that poverty went away, as we did in the 1950s. Welfare rolls continue their steep rise in the cities; and rural poverty, far from diminishing, is worsening.

The prevalence of poverty depends, of course, on how you define it. A decade ago, J. K. Galbraith came out with *The Affluent Society* in which he painted a picture of great private prosperity in the U.S., with the "public sector" not getting enough, but at any rate with poverty as only a minor and residual problem. Galbraith defined poverty as a family living on less than \$1,000 a year—which, with U.S. prices, would not keep you in beans and a tar-paper shack. Accordingly, he could say there was not much poverty. Apparently, everybody else was affluent!

A few years later, however, the country was jolted by a series of studies* that showed that poverty was as deeply entrenched as ever; that thirty years of New Deal legislation had not basically altered the distribution of wealth; that the few rich were as rich as ever and maybe richer; and that the percentage of poor among the population ranged, according to how you defined poverty, from one-seventh to the "one-third of a nation" we heard about during the Depression. The definition of poverty ranges from a condition of outright hunger and deprivation to a standard of living lower than the prevailing rate of productivity and technology would indicate.

There may be jokes about the television antennae found in Shantytown, but these people frequently deprive themselves of the necessities of life in order to enjoy one of the attractions offered by modern technology. Nor does the ownership of an automobile prove much, as it has become a necessity especially for rural families; it does not diminish their poverty.

Poverty is by no means isolated or residual; its existence affects the entire society. We cannot

*Gabriel Kolko, *Wealth and Power in America*; Robert Lampman, *The Share of Top Wealth-holders in National Wealth*; Michael Harrington, *The Other America*.

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arbitrarily draw a "cut-off" line below which there is poverty and above which there is not. Society is interdependent; the bottom level affects those above it, and so on up to the top. This is seen in the competition for jobs, in the fear and insecurity from which no one is exempt (certainly not affluent Wall Street gamblers), and in the low quality of goods mass-produced for quick sales.

Just as there is a great deal of wealthiness disguised for tax-evasion purposes, so there is a great deal of poverty disguised for various reasons. We have become used to poverty in cities; not so conspicuous is the "new poverty" in suburbia. Middle-class people—and those aspiring to join the middle class—fleeing from the city, buy homes in suburban communities and learn that it is an expensive proposition. They find themselves on a treadmill to keep up payments, and are often reduced to a poverty level, but disguise it for reasons of pride and social image.

No doubt the War on Poverty programme missed these nuances, but it was an interesting venture. The Office of Economic Opportunity was set up to handle the problem of poverty. It resulted in much fanfare, the passing around of money, the creation of a new bureaucracy, scandals and corruption—and very little in the way of reducing poverty.

Yet there was still a core of effort in the OEO, and there were cases where a lift had been given to some communities of poor people, with job-training, job offers and some improved conditions. The poor were roused by these efforts and looked forward to better things—

and that created a new problem.

According to a more recent study, *Permanent Poverty: An American Syndrome*, by Ben Seligman, the War on Poverty was tolerated so long as it treated poverty on an individual basis, that is, helping poor individuals. Where it showed the possibility of lifting poor people to better opportunities, there was resistance. It was felt to be a threat to the *status quo*, and the programme got increasing opposition from organised labour, congressmen, and other respectable sources. No basic cure for poverty was wanted. "The main thrust," says Professor Seligman, "is still to keep the poor in their proper place with a handout and a housing project." Poverty "has congealed and hardened into a kind of subculture that represents a social syndrome, an ineradicable condition."

Thus the War on Poverty was already on the skids during the Johnson administration, and a change of President has given the occasion to finish it off. The OEO is still in existence but it has become essentially a charitable organisation. The Nixon administration has come out with a gigantic federal welfare programme whereby relief funds will be shared with the States. This was the result of mounting pressure for federal welfare aid on the part of cities and states that have thrown up their hands in despair at the increasing burden of welfare for the poor and the unemployed. It was bound to come sooner or later, under any administration.

The story could hardly end differently when the effort to solve the problem of poverty is deliberately abandoned. The only trouble is, that is not the end. The institutionalizing of poverty does not freeze it into a static condition where it can be kept under wraps. Poverty is a symptom of deep economic maladjustments, which, if not solved, will keep on increasing the damage done to the entire social fabric—as indeed it is doing today.

Let's Wait and See!

From the *Christian Science Monitor*, October 7



NINETY YEARS after Henry George said it, Britain is beginning to think the American might have been right. George urged that a tax based on the value of land only—whether built upon or empty—could have important social and economic advantages. On the other hand, taxes on buildings obviously have serious drawbacks. One advantage of the land-only tax is that it would encourage maximum use of land, which by its nature is not unlimited in supply.

In more human terms, this type of taxation could help solve the problem of the homeless. It is this homelessness, recently emphasised by squatters and riotous hippies, that now is turning ministerial thoughts to this angle of the Henry George thesis. So a rising scale of taxes for developers who leave property unused is under active consideration at the Ministry of Housing and Local Government.