



● Francis Pym

## BRITAIN, ARGENTINA

● Lord Shackleton feared the worst. He warned that the Falkland Islands' future would be damaged if the British government rejected his call for land redistribution.

● On December 8, those fears were realised. Foreign Secretary Francis Pym announced schemes costing £31 m to improve the island economy. But he rejected

Shackleton's plan for land reform.

● Mr. Pym declared: "We are not convinced by Lord Shackleton's proposal for the wholesale transfer and sub-division of absentee-owned farms. We believe this is inappropriate and consider a gradual approach to land redistribution under the auspices of the Falkland Islands Development Agency more in keeping with the

# Shackleton – a failure

**L**ORD SHACKLETON was presented with a unique opportunity when he was invited to draw up proposals for the future of the Falkland Islands.

Innovation was imperative if Britain was to establish a solid basis for prosperity and the moral legitimacy of the British dependency.

Britain earned the right to define a new social order, that met the aspirations of all the islanders, when she committed herself to repelling the Argentine invaders.

The campaign cost over 200 British lives.

The price, however, was to be even higher – £75m in development aid – and to the financial advantage of the monopolists whose claims to land would have been worthless but for the loss of British blood.

● In September, Shackleton proposed that the land, which is largely owned by absentee landlords, should be *purchased* from the monopolists (cost: £18m) and sold to farmers.

● In October, the island council supported the plan by asking Westminster to end absentee ownership.

● In November, the Falklands Islands Company, which owns 43 per cent of the islands, declared its willingness to *sell* land to "pioneer families" from Britain at £1,000 a time, to set up farms along the road from Port Stanley to Darwin.

**S**HACKLETON had a clear appreciation of the economic processes at work on this cluster of South Atlantic islands.

Historically, absentee owners

had drained the economy of profits. This haemorrhage had to stop, especially if Britain was to provide aid to make the economy a viable one.

Absentee owners, declared Shackleton, would appropriate the aid by converting it into rental income and sending it back to Britain.<sup>1</sup> Family farmers, however, would plough back their profits.

Owner occupation, then, underpinned the Shackleton proposals for appropriating and redistributing land. *But is this the most sensible model?*

We argued in a previous issue that a single fiscal policy (land value taxation) would provide a wide range of advantages – economic, social and diplomatic – and constitute a firmer basis for geopolitical stability.<sup>2</sup>

Under a system of land value taxation, the British taxpayer would not be asked to make further financial sacrifices in these depressed times. For the absentee owners, who would not be able to meet all their fiscal obligations, would be obliged to release surplus land to farmers for nothing.

The farmers, at no cost to themselves in terms of capital outlay, would acquire holdings to which they would have secure legal possession for as long as they paid the economic rent to the island community.

Shackleton himself noted that the tenancy arrangement had the advantage of making smaller capital demands on the farmer. He also identified one of the key defects in the existing land tenure system:

"The disadvantage is that even assuming that a satisfactory law can be drawn up giving reasonable security of tenure, the tenant, at times of low wool prices, could well be squeezed out of business by a landowner anxious to maintain the level of his rent."<sup>3</sup>

**T**HIS CAN indeed occur under monopolistic conditions: landowners have no social obligations and are free to allow land to fall into disuse rather than accept lower rents. The expulsion of the Irish tenant farmers from their holdings in the 19th century, by absentee English owners, is a shameful example of this process.



# AND THE FALKLANDS

capacity of the islands' existing agricultural population and more consistent with realistic immigration prospects."

- This response was condemned by Mr. Terry Peek, a Falkland Islands legislative council member. The government's proposals, he said, would not break the stranglehold of absentee landowners.
- In the first of two articles,

FRED HARRISON argues that Lord Shackleton – as well as the British Government – failed to develop the ideal solution for the Falklands.

- In the second article, EDGAR BUCK highlights the economic factors behind Russia's support for Argentina during the Falklands crisis.



● Edgar Buck

*This would not happen under a system in which the community taxed away the economic rent of land for the benefit of all its citizens.*

For if prices fall, there is a lower surplus – economic rent – to be claimed by the exchequer. Regular revaluation of annual land values enables the tax authorities to sensitively adjust their fiscal claims.

Thus, there would be no hardship, and no monopolistic barrier to men who wish to work on marginal land that can produce just sufficient income to pay for wages and interest on capital investments.

The attractions of raising exchequer revenue for the islands from its natural resources, rather than from labour and its products, were itemised by Prof. H. S. Ferns:

"As a place where there are no taxes on workers, no taxes on enterprise, none on exports, nor on imports, and no interference with honest productive activity, the Falklands would have enormous attractions for workers and business people in the unstable, chaotically 'managed' communities of southern South America."<sup>4</sup>

Shackleton could have exercised his influence in the direction of just such a prosperous, libertarian society. Instead, he reaffirmed the system of property relations that he had condemned as inequitable and inefficient.

Enlarging the number of land monopolists might present fresh opportunities for today's islanders, but what about the needs of the next generation?

## REFERENCES

1. *Falklands Islands Economic Study 1982*, London: HMSO, Cmnd. 8653, 1982, pp.9-10.
2. P. E. Poole, 'The Case for a Heritage Fund', *Land & Liberty*, July-August 1982.
3. *Op. cit.*, p.59.
4. H. S. Ferns, 'What Next for the Falklands?' *The Journal of Economic Affairs*, July 1982, p.251.

## When trade might have averted war

**T**HE APPARENTLY inexplicable factor in the Falklands crisis was the friendly relations between Russia, a communist country, and Argentina, ruled by a fascist junta.

The explanation for this is economic. Historically, Argentina and Britain were friends, and for many years, trade between them was substantial and profitable – both ways.

Argentina supplied, among other things, good cheap beef raised on great ranches and, in return, Britain supplied a variety of goods and services.

*When Britain joined the European Economic Community, all that changed.*

High tariffs were placed upon meat coming from outside countries. It is officially recorded that "exports of beef were considerably reduced from mid-1974 as a result of European Community Import Restrictions".<sup>1</sup>

This was serious because cattle ranching covers about half the total land area of Argentina, a third of its exports is meat and meat by-products, and the total contribution of agriculture to export income is 90 per cent.<sup>2</sup>

The European Economic Community was recommended as a free trade area which would benefit member States. But the words "free trade" are misleading, for they mask the true economic description which is: a "cartel to keep up prices". The tariff on beef imported from Argentina is 70p per lb.

The trade between the United Kingdom and Argentina was seriously affected as the table shows.

**A**POLOGISTS for the protectionist system let people believe that the tariff tax is paid by the foreigner, when clearly it is the British consumer who ultimately pays; and secondly, because the beef is placed on British wharves at its agreed price, and the 70p tax added, the price of the meat, plus the tax, becomes the sum upon which the importer expects to have a

profit on re-sale.

In the process of further dealing, the various handlers add their profits to the composite sum so that the consumer bears much more than the original 70p per lb tax.

There might well be a rejoinder that the object of the exercise is to keep the beef out, so that the total amount of the tax would not be all that large if the tariff were effective, because there would be no trade.

Either way, the British consumer pays the equivalent of the tax in the price of the meat, and its effect is to subsidise inefficient producers within the cartel. This is a direct reduction in the standard of life of the British people who, in addition, pay colossal sums to belong to this silly system.

This brings us back to the inexplicable factor in recent events: *Why was there no condemnation of Argentina by Russia?*

Clearly it was because Russia was receiving the cheap meat which, before Britain's entry into the E.E.C., had been imported for the benefit of British people. Obviously Russia did not want to surrender these cheap supplies, nor Argentina its market.

Free trade between nations establishes an inter-dependence which is a greater guarantee of peace and co-operation than all the treaties, charters and armies one can imagine.

In the case of the Falklands, therefore, it is worth asking: "Would the government of Argentina have invaded the Falklands had trade between Argentina and Britain been at the level it was before it was halved by the cartel tariffs of the Common Market?"

## REFERENCES

1. *Hints on Exports to Argentina*, British Overseas Trade Board, 1980/81.
2. *Atlas of Earth's Resources*, London: Mitchell Beazly, p.130.

U.K. – ARGENTINE TRADE (£m)		
	1973	1975
U.K. imports	106.1	53.4
U.K. exports & re-exports	41.7	67.7