

LAND and LIBERTY

Established: June 1894

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ISS No. 0023-7574
Vol. LXXXX
Nos. 1,074 & 1,075

Annual subscription:
U.K. & Sterling area: £5
USA \$10, Canada \$11



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A tax policy without pain

SUMMER-TIME hopes of an economic recovery began to wither with the fall of the autumn leaves.

Last spring, politicians and commentators alike were predicting an upturn: some of them are still doing so, but the blips in the industrial cardiographs have failed to justify the hope that the worst is over.

The optimistic forecasts were wrong, but understandable. Even the most ardent critics of the conservative administrations in Washington and London yearn for good news. More important, however, is the failure to understand how the economy works.

Land, one of the three factors of production, is ignored, which means that the analysts who grapple with trends in the labour and capital markets are producing conclusions that are little better than hit-or-miss guesswork.

● While governments worry about pay rates, they fail to dampen the overblown level of rents.

● While capitalists worry about interest rates, they fail to identify the price of land as a major obstacle to new investment.

● While consumers worry about inflation, they fail to recognise that an increase in mortgage repayments as a proportion of incomes has a crushing effect on the purchase (and therefore the production) of goods.

● While commentators take the short-term view of trends, they fail to identify land speculation in the early 1970s as the original cause of the recession of the past ten years.

Until these influences are identified, quantified and analysed, governments cannot hope to develop corrective policies that would work.

In Britain, Mrs. Thatcher's government now has no reason to blame anyone if the economy

does not improve in a striking way. The Prime Minister has had a free hand with her monetary policy, and her favourite *bête noire* – the trade unions – are quiescent: left-wingers were routed at the Trades Union Congress's assembly in Blackpool in September, and union leaders agreed to talk turkey with the Tory Government on union law reforms.

In the USA, Ronald Reagan has got most of what he wanted, and especially over tax cuts. The President cannot blame anyone else for the fact that his supply-side strategy has so far failed to deliver the results he wanted.

True, inflation has come down throughout the industrialised world. Even nominally socialist governments, such as the one in France, have adopted fiscal stringency and acknowledged the disciplines of the so-called "free" market.

Yet there has been no fundamental improvement in activity. Trends in the housing and car industries are illusory – so far as sustained growth is concerned – and the slight drop in US unemployment has been largely limited to the unskilled female workforce.

Land and Liberty's predictions continue to emphasise the bad news, but we believe that a radically new policy orientation could rescue the economies of the West without the pain that is currently being inflicted.

The facts point in one direction: the need for reform of the tax system so that people pay less out of their wages and profits from capital investments, but more on the income from land.

The outcome would be higher consumption and production, less speculation in the value of a community's natural resources, and a quantum jump in employment and investment.