

# LAND & LIBERTY

Editor: V. H. Blundell

JUNE & JULY, 1962

SIXPENCE



## EDITORIAL

### The Brainwashed Layman

**M**OST people get out of their depth when they try to fathom modern economic policies. They have been told too often that they must work harder to increase exports — irrespective of whether they are in the export business or not. This they do not understand. Nor do they understand that the way to a higher standard of living is through wage restraint. They are baffled by the repeated assertion that they are themselves responsible for the rise in the cost of living; that pay pauses are the way to prosperity, and that spending causes inflation. They get a sense of inferiority when they are told by economists for instance, that if Smith refrains from buying a car and lends his money to Brown so that he can buy a car instead (hire purchase), this too causes inflation.

#### The Two Faces of Economics

Indoctrinated for years, without any noticeable opposition, in the faith that tariff barriers are beneficial to wages, employment and production, and that protection is vital to the nation's "economy" they are suddenly asked to accept that the way to prosperity for our economy is to "give it a good dose of competition" via the Common Market. If this were simply a *volte face* — all protectionists having become free-traders due to some sudden economic discovery, hitherto overlooked by former administrators and their advisors — this would be understandable. But it is not. Free trade and protection they are told, are *both* good economic policies. All politicians seem to agree on subsidies for agriculture so what is there to worry about when there is a shortage of potatoes or an over-supply of beef? They must un-

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JOURNAL OF THE UNITED  
COMMITTEE FOR THE TAXATION  
OF LAND VALUES LTD.

177 Vauxhall Bridge Road, London, S.W.1.  
VICtoria 4266 & 4979

Annual Subscription:  
U.K. and Sterling Area, 8s.  
U.S.A. and Canada, \$1

Established  
JUNE, 1894  
VOL. LXIX, Nos. 817-818

JUNE & JULY, 1962

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derstand that this is in the natural order of things and it can all be so easily justified by the experts whose job it is to direct the economy, spend their money and generally run the country; ordinary men should not bother themselves with things they do not understand.

Because of the constant repetition of economic catch-phrases and political clichés which emanate from Press and Parliament, most people today accept manufactured dilemmas as natural ones. Complex proposals to resolve these dilemmas, which further distort the economy, are in their time equally accepted — subject only to the particular political trade-mark.

Over-familiarity can take the edge off shock also; the spending and wasting of colossal sums of money raised by taxation becomes, after a while, not more than a string of noughts after an inconsequential numeral; and although the mind may boggle at first, these incongruities of public expenditure are soon accepted as the most natural thing in the world.

### Manufactured Dilemmas in East and West

The Washington correspondent of *The Times* on May 3, presented his readers with a "Guide to U.S. Agricultural Surplus." He prefaced his article with a statement made by President Kennedy that he — the President — took some comfort from the fact that his farm problem was one of overproduction, while Mr. Khrushchev's was one of shortage. President Kennedy said that the problem which had haunted good men before him was that production had risen faster than consumption, and that under a price support system the Commodity Credit Corporation builds up a huge surplus stock.

Thrusting aside the thought that the ghosts of the classical economists must be haunting us, one is struck by the comparison of Khrushchev's economy with that of Kennedy's. Khrushchev has well nigh killed incentive in Russia by the collectivisation of farms, and production will never radically improve until he changes his farming policy so as to allow the law of supply and demand to follow its natural course and he obeys the moral law of the distribution of wealth i.e. "the produce to the producer."

Khrushchev's trouble is of course at the *supply* end, and this is what is distorting his economy. Kennedy's trouble is at the *demand* end, and this is what is distorting *his* economy. Where Khrushchev is artificially restricting supply, Kennedy is artificially increasing demand. Both have lots to learn, but not from each other. Kennedy's problem is just as great as Khrushchev's, and he has certainly no cause to congratulate himself on any account.

"Crop production in the U.S.A. rose by almost 20 per cent. in the past decade," says *The Times*, "and can rise by as much as 25 per cent. in the next five years. Production per acre has also increased."

It now costs \$1 to store every \$5 worth of food, and storage costs are \$1,000 million per annum. Stock piles include wheat, feed grains, dairy produce and milk.

### Distorted Production

The vital point is made that food consumption per head has hardly changed since 1950. It should not require a biologist to tell us that there is a limit to the amount of food that can be consumed by a human being irrespective of the supply, nor does it need an economist to tell us that there is no estimable limit to the amount of other goods which can be consumed by human beings, i.e. motor cars, houses, furniture, clothes, yachts, etc. In the natural order of things, as productive power increases, labour gradually shifts from the production of food (where the quantitative demand per person does not appreciably increase) to the production of the other requirements of man.

Indeed, in spite of the distortions during the last century, brought about by artificial conditions, this has been the process in most countries; it follows from the basic economic law that man seeks to satisfy his desires with the least possible exertion.

But governments legislate against these economic laws at the behest of agricultural interests who seem to weave some magic spell over governments. While demand for food remains more or less static, production is encouraged to continue, even though productive power grows with the march of science and invention; for no man must be put out of his job; no farmer must be obliged to turn to another occupation; no farmer's son is to be denied his right to be a farmer like his father and of course his own son will expect the same privilege of protection by the State.

"By 1980, says *The Times*, the food and fibre needs of a population of 245 million can be met by production from 407 million acres of cropland. In 1961 there were 458 million acres classified as cropland, of which 296 million were harvested." To get rid of some of this embarrassing surplus, virtue is made of a necessity by passing surplus food on to needy Americans through food-stamp programmes, direct distribution and school lunch programmes.

### Evasive and Fatuous Proposals

For his problem President Kennedy proposes the following solutions: The first is to increase consumption (!) The second is to adjust production of commodities that are in "oversupply." The third, is a better and safer use of natural resources, and the fourth, rural renewal, fuller employment and community facilities.

To use surpluses, artificially manufactured by subsidies and guaranteed sales as a pace-maker for consumption, is to stand economics on its head, and is a pitiful first solution.

The second solution is the popular pastime of directing farming from a government desk. The third is open to

speculation — what is a “better” and “safer” use of natural resources? Presumably “safer” refers to political safety. The fourth is sufficiently vague to be of no consequence.

The report ends with an expansion of these solutions which reads as follows:—

“Land would be taken out of crop production and diverted to recreation, wild-life, and green belts. Supply would be tailored to demand by estimating annual requirements and allotting a farmer the number of acres he should cultivate. Compensation would be paid for land not used. Under-production would be planned until the surplus had been used up.”

Thus does privilege make a mockery of the science of political economy and the rights of man.

## IN PARLIAMENT

# No Hope For The Homeless

CONSERVATIVE policy on housing is “not a policy based on any consideration of real needs, but a policy based on an ideology, on the belief that one should seek continually to discourage public enterprise in the provision of housing and act in the faith and hope that private enterprise will somehow provide an answer to our problems.” This was the charge made by Mr. Michael Stewart (Lab. Fulham) in opening the debate on housing and local authority finance in the House of Commons on May 2.

He said that owing to the cost of land and high interest rates the 1961 index of house prices had risen by 22 per cent. since 1956, the Rent Act had not brought more rented accommodation on to the market at reasonable rents, and the Government’s financial policy towards local authorities had forced them to suspend their services of help to house purchasers, and to cut down on their own rate of building.

He wished to see housing regarded, like education, as a social service, for the idea that reliance on private enterprise and the forces of the market could solve the problem had been repeatedly disproved. He felt that this principle was already accepted in part by rebates on Income Tax allowed to the owner-occupier, and by the proposals to abolish part of the Schedule A Tax. It was also recognised in the case of the council tenant who pays less than the market rent. Here was almost an admission that the housing problem was not really one of who was to *provide* houses, but of who was to *pay*. And of course this is at the heart of the problem. He also suggested that one other approach might be to bring down the technical cost of house-building by improvements in productivity by way of amalgamation of small

firms and the co-operation of the trade unions.

Concerning slum clearance, Mr. Stewart said that in 1961, 74,000 houses were pulled down and 69,000 Council houses were built for people who required more than one bedroom, leaving 5,000 fewer houses for people on ordinary Council housing lists.

One of the main causes in the decline in the rate of building houses he said, had been the high cost of land. Assuming that the Government was not prepared to do anything to control land prices, or to bring land into public ownership, he asked whether they could at least try to spread its demand more evenly over the country by considering the re-location of industry.

Although mentioning the desirability of alternative methods of local government finance, Mr. Stewart did not introduce the subject of site-value rating.

In a predictable speech, the joint Parliamentary Secretary of the Ministry of Housing and Local Government (Mr. Geoffrey Rippon), claimed that many of the present housing problems stem directly from the operation of the Rent Restriction Acts over the years. He went on to boast about the number of new houses completed under Conservative administration, and the number that had been modernised. These were described as “formidable” achievements.

He claimed the problem was now qualitative rather than quantitative and largely the result of rising standards of general prosperity. This is of course humbug, for in economic terms an effective demand must produce a supply. He continued: “The actual rate of progress is limited solely and necessarily by the physical availability of resources, including particularly land and labour, and our ability to make the best use of them.” This is the Malthusian idea applied to housing and most misleading for those with cupidity enough to swallow it. Land is not scarce, but its purchase price is, and it is often a speculative one and a major factor of cost to the potential house owner.

Referring to the ability of the building industry to cope with the problem he said that it was still suffering from a measure of overstrain. Presumably he has overlooked the simple fact that as the “housing shortage” has been with us for many years demand would have seen to it that production increased by making it more profitable for the industry’s labour and capital. He is too young of course to remember the late 1930’s when estate agents were running prospective purchasers (shopmen, bus drivers, bank clerks and others earning £3. 10s. to £4 a week) around in cars to view new houses for sale at £430. The simple fact is that the price of a house today is beyond the reach of many people and the right solution lies in policies which will raise real wages and lower the cost of houses — *policies by r.o means inconsistent.*

In criticising the suggestion that a specially low rate of interest be provided for housing loans Mr. Rippon