

have been squeezed in the process, especially in the past year, when big rises of plot prices took place.

"In January 1962 building costs per room — excluding land — in houses offered by private contractors ranged between £5,700* (in smaller northern townships) and £8,500 (in Jerusalem and Tel Aviv). The land prices, however, varied from £1,300 to £7,200 per room, depending on the locality. The relation of land prices to building cost proper per room was 1:4, and even 1:5 in the smaller townships, but 1:2 in Haifa, 1:1.7 in Jerusalem, and 1:1.1 in Tel Aviv."

Building costs — excluding land — reflect nothing but the general trend of inflation and local differences. But land prices went far beyond the general rise of prices. Why? Simply because the value of land is but another word for the number of people living and working on the land, and for their commercial and industrial activities. The more people living in a town, the higher their output and the higher the value and price of land in that town. Building costs, on the other hand, are real costs. You will have to pay £10 for a certain number of bricks, if their production, including some reasonable profit, costs just so much — and the number of working inhabitants or their output *does not influence this price*. The above figures show exactly how far people prefer to live and to work in Tel Aviv, to some lesser extent in Jerusalem, and that Haifa is only their third choice. But now the article goes on:

"These figures do not, of course, reflect the situation in public housing, for there the authorities and the publicly controlled companies are in a position to secure land at prices much below these inflated levels."

The truth is that virtually all public housing estates are built on land owned by the Jewish National Fund. This Fund does not sell the land. It gives it on long-term lease for a revisable ground rent. This ground rent recoups for the community the rising land value created by that same community (or at least an appreciable part of it) so the price of this land is not going up that fast.

Unfortunately, the land owned by the National Fund is nearly all the agricultural land in Israel, but only a rather small part of urban land. The fact that a farmer can obtain from the Fund as many acres of agricultural land as he needs, keeps down the price of agricultural land which does not belong to the Fund. But the lack of Fund-owned urban lands results in the Fund's failure to influence the general price level of urban lands. We learn from this failure that land-value taxation, or letting for public ground rents, *must be general* in order to exercise real influence upon a country's economy.

—Dr. David B. Ascher.

* Israeli Pounds.

NEWS FROM DENMARK

The Stax in the Lab

By Our Danish Correspondent



A BOOK written in the thirties was called "Denmark — A Social Laboratory." In the past summer, this laboratory assumed a novel and rather weird function. It showed the world what happens when certain government measures, intended to stabilise the national economy, are announced some six weeks before they take effect.

If people are told that a new tax will be levied on most consumer goods six weeks from now, raising the prices quite some, what will they do?

Everyone—even the few who are still blissfully ignorant of that jumble called modern psychology — can answer that one.

Well, people in Denmark did. They bought as much as they could possibly afford before the price went up. They exhausted every possible source of credit and depleted their savings in order to stock up on goods — maybe goods they did not actually need "right then," for who knows the future?

The new sales tax — nine per cent., levied when the goods enter the retail stage — has been nicknamed the *Oms*. The name makes no sense in Danish or any other language, in which respect it fits the tax well. It is simply the first three letters of a compound word of unmanageable Scandinavian proportions. In England, a corresponding terminological monstrosity might have been the "stax."

Another new word has been coined — *bukke vare*. A blunt translation would be "bow-and-scrape goods," i.e. goods one obtains by kissing the businessman's big toe (figuratively speaking, of course). The sale of cars went up by more than 50 per cent. Stores were cleared of vacuum-cleaners; refrigerators and even wardrobes became about as rare as ostriches in Hyde Park.

The retailer bends down to find the rare item in some hidden cache of the counter. The customer bows because he gets the darn thing. Hence the name.

Hence, also, an excellent laboratory demonstration of how politics and ethics are interwoven.

By August it was all over. The flowers had withered, the beer gone flat and the festoons limp. The worst hang-over, as everyone (but not the Danish government) could have foretold, was suffered by the National Bank for whose sick baby, the foreign exchange reserve, the whole show had been produced!

People are already asking: "When will the STAX be increased?" The politicians say "Never . . . !" but the general feeling is that they will cross that STYX when they get to it.