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INSITE explains why an unjust tax structure has provoked wage workers to stage a dangerous revolt which threatens to lead to anarchy. For Dr. Garret Fitzgerald, the choice is clear: either he overrides the vested interests that have obstructed the idea of a tax on land values or he risks political instability.

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ROBERT CLANCY is sceptical about the value of orthodox economic advice, and suggests that it may be time for the "experts" to get their theories right - or button up.

THE MOST serious form of civil disobedience is the refusal to pay taxes.

By cutting off revenue to the nation's exchequer, the existence of the State is undermined. That is why the recent Waterford workers' threat to withhold income taxes is a signal that the future of the Irish Republic is now at stake.

The deep-seated discontent among employees is not an indication of revolutionary intentions, but that does not alter the profound significance of a threat to the financial viability of the political system.

The Republic's politicians should now begin a thorough reappraisal of the events that have brought the nation to this crisis. The heart of the dilemma is the distribution of income.

URBAN-BASED workers staged their biggest demonstration in January 1980, when 700,000 walked through city streets.

This was a forceful expression of anger at the overwhelming bias of the tax burden against their wages within a fiscal system that favoured income from property.

The target for their vocal anger has continued to be the farmer, but in economic terms this is a misleading personalisation of the problem. We have to take a closer look at the processes at issue before rational reforms can be instituted.

Taxes can be a deterrent to personal incentives. They can distort the process of production. They can create a sense of injustice in the community. The maldistribution of income is at the centre of the great economic depressions of the past 200 years.

The essential issues have manifested themselves in stark form in Ireland.

The record shows that unemployment is created at the end of a period during which rental income rises, while the returns to capital (buildings, machines, lorries, and so on) decline.

There is a break-down in the system because the purchasing power of incomes received by labour and capital diminish to levels that cannot sustain full employment.

Just before the economic collapse there is a frantic period of land speculation, as the dealers cash in on their assets. They are the shrewd ones, who have held valuable land idle or in an underused state for many years, awaiting the right moment to capitalise on their good fortune.

At this point, wage earners find

IRELAND – a nation at the crossroads

that they have to lay out an increased proportion of their wages in the form of rents and mortgage payments.

Entrepreneurs cannot expand their businesses without paying an insupportable rent to landowners. Unemployment is the inevitable consequence, as consumer markets shrink and employers cut back on production and the size of their workforces.

WHAT CAN be done about this structural defect in the modern economy?

The problem is to relieve wages and profits of their burden, and the weight has to be carried by rental income. The mechanism that would achieve this is an annual tax on the value of land.

The revenue raised from land would be offset by a reduction in income taxes. This would stimulate the demand for goods and services and reduce the dole queues.

Ireland, with public borrowing running at a fifth of gross national product, is peculiarly disadvantaged in her finances compared with the other developed trading nations.

For the tax on rental income is derisory. The reciprocal of this is that the tax burden on wages and profits is agonisingly heavy.

Thus, the urban wage-worker is saying something of vital importance when he takes to the streets to protest against the favourable treatment accorded to the farmer.



● Dr. Garret FitzGerald – need to act

‘Civil nonpayment of taxes is indeed the last stage in non-cooperation. We must not resort to it till we have tried the other forms of civil disobedience.’

– GANDHI

But it is not the *wage* of the farmer that is at issue; he is entitled to receive a fair return for his *labour*, like anyone else.

The trouble arises because the tax system, supported by the special treatment accorded to food production by the Common Market, generates very high land values which yield a pitiful sum for the national exchequer.

But it is not just the rural landowner who is favoured. The decision was taken six years ago to eliminate the tax on domestic property. This placed the homeowner at an advantage over the family that lives in rented accommodation.

AN INSITE Investigation

The loss of revenue to the town halls now has to be made up out of income taxes. This year the government will pay out £138m in lieu of domestic rates, and another £300m on services such as housing.

This is yet another shift of the tax system in favour of those who enjoy the benefits of property. The wage worker, in other words – whether he be the Waterford glass worker, the Dublin clerk or the tenant farmer – carries the burden that now threatens the political fabric of the State.

A TAX ON rental income set at the rate of 100 per cent would yield £1,500m.

This is the estimate of Raymond Crotty, a lecturer at Trinity College, Dublin, and an authority on the Irish agricultural sector.¹

Such a sum would be more than sufficient to abolish income taxes. Extensive additional benefits would also accrue but these have yet to be calculated with precision.

For example, taxes are a direct cause of unemployment, because they increase the total costs of employing labour. Unemployment, in turn, causes crime, a heavier demand on the health service, the need for a larger bureaucracy, and payments in the form of unemployment benefits and make-work schemes.

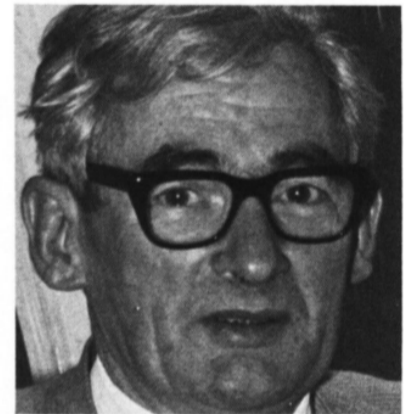
Mr. Michael Horsman, a farmer in Arklow, Co. Wicklow, has provisionally calculated that the savings arising from these quarters – if the tax on subsistence wages was abolished and employment increased – amount to something like £500m.

This calculation does not take into account the increased income that would be produced by the 170,000 people who are currently jobless. Mr. Horsman argues that each worker would produce £5,000, which amounts to an extra £850 million for the gross domestic product.

And then there is the additional wealth that would be generated by the 20,000 public employees who could be transferred out of the bureaucracy. This assumes that the scale of the Welfare State's services could be reduced in line with the increase in people's ability to directly finance their own needs.

THE LAND value tax would do more than eliminate the aggravation caused by the pay-as-you-earn system, however. It would also eliminate land speculation.

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● Raymond Crotty – Irish authority

ABOUT 82m acres of US farmland will be left idle because of President Reagan's payment-in-kind (PIK) programme, under which farmers will sit back and yet receive 80-90 per cent of the previous year's production.

A leading British real estate agency, Savill's, has now published a report by Dr. Richard Douglas - No. 3 in the US Department of Agriculture hierarchy - which predicts rising values which make US farmland a good buy for foreign investors.

An unprecedented \$40/50bn in subsidies and other benefits will be provided to the US farm sector this year to reduce surplus supplies and raise farm income, according to a report by the economic research department of Chemical Bank.

MAFIA LAND

MAFIA "families" in Sicily are speculating on a failure of the top level bid for a deal on nuclear arms between the USA and the USSR.

They have bought up land around a NATO cruise missile base in the belief that values will rise as up to 4,000 American servicemen and their dependents move in over the next four years.

Land in Comiso will be needed as the base expands, and the Mafia expect to make a cash "killing".

The Italian authorities are investigating the land purchases, which they believe have been financed from the profits of heroin deals.

About 30 per cent of the land around the base is involved.

HIGH land values, artificially inflated by the massive injection of public funds, not only raises the cost of land purchase by public or charitable bodies - they also encourage farmers "to become obsessed by land values, and motivate them to manage their land with an eye to capital appreciation. The implications for conservation are very serious indeed."

So says the London-based Council for National Parks in its report *New Life for the hills*.

The authors believe that policies designed to sustain the farming population are unlikely to succeed if ownership and tenancies are concentrated in to fewer hands.

THE KEY ISSUE

THE GENEVA-based World Council of Churches has decided to shift its policy away from giving financial backing to Third World liberation movements. In future, greater emphasis will be placed on helping native peoples in their struggle for land rights, which the council believes will be one of the key issues of the 1980s.

JAPAN'S RICH

SIXTY EIGHT of the top 100 income earners in Japan last year were landlords. "Owning large chunks of land, Japan's most precious commodity, has long been a sure way to make the Who's Who of the Japanese rich," reported Roger Bolton in *The Sunday Times* (London) on May 8.

not a new one. It has been discussed in Ireland in recent years by trade unions, some of the small left-wing groups, and nationalist organisations such as the Irish Sovereignty Movement.

But it has not reached the realms of serious politics because the vested interests are powerful.

Ireland, however, has now reached a political crossroad. It is no longer a question of borrowing more in order to finance the national debt. Public discontent is a direct challenge to the fabric of the State itself.

The government of Dr Garret FitzGerald now has to undertake a radical reappraisal of the medium term political prospects for the country, which must lead to a thorough overhaul of the way in which revenue is raised.

For if Ireland continues to favour rental income against wages and profits, it will jeopardise the stability of the State itself. And that way lies anarchy.

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Taxes:

RONALD REAGAN's 25 per cent tax cuts will delay economic recovery for another year.

The President is duplicating two events from US fiscal history which terminated in recessions. So economies which are expected to emerge from the slump on the coat-tails of the giant American economy will be disappointed.

Britain, for example, relies on world trade for 30 per cent of her national income. A further contraction in activity by the end of this year will disappoint the 3m-plus people who are seeking jobs.

This conclusion is reached on the basis of an examination of trends in the real estate market which are not weighed in the balance by the forecasting institutions.

Growth rates will be insufficient to reduce unemployment. Thus, the underlying trend in long-term unemployment will continue upwards.

This tragic outcome is due entirely to a failure to take into account the impact of land speculation on the economy.

TWO ATTEMPTS have been made in the past to engineer a substantial reduction in income taxes and force up the rate of growth of the US economy.

Case One: In 1924, Secretary to the Treasury Andrew Mellon gave taxpayers a 25 per cent reduction retroactive to 1923 income. He brought the top tax rate (71 per cent in 1921) down to 46 per cent.

Case Two: The Kennedy round of tax cuts were made between 1964-66. The maximum tax rate in 1963 was 91 per cent. It ended up at 70 per cent in 1965.

Both experiments ended up in disaster.

For a large slice of the tax savings, instead of going into job-creating capital investment, were pumped in to land deals.

The 1925 Florida boom - in which people were even duped in to buying worthless swampland - led the way to the frenetic speculation that resulted in a downturn in housing construction in 1925, and by example on to the stock exchange dementia of 1929.

Something like an extra \$35bn went in to land during the mid-1960s, and the economy slumped in to a

Ireland's crisis

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This activity is not a productive one. Land speculators do not add one iota to the wealth of the nation. But the practice of hoarding valuable land in a vacant state, which people need for homes, shops and factories, does reduce the capacity to create new wealth.

Restrictions on the supply of land make it more difficult for firms to expand or come into existence in the first place. The high price of land is the principal reason for the marked downturn in construction, the industry which ought to be playing a leading role in pulling the Irish economy out of the slump.

Speculation, furthermore, creates urban sprawl, and increases the costs of transportation as people are forced to travel further to work. And it forces the government and councils to spend more on public projects (roads, schools and social amenities) - more than would be necessary if communities were more compact.

The idea of a tax on land values is