WHAT OTHERS ARE SAYING

Mounting Surpluses in the Common Market

The Individualist, December, 1968

WHILE New Zealand is desperately trying to sell its surplus butter, mountains of the stuff have been accumulating in the warehouses of the Common Market. The Commission reckons that 150,000 tons is surplus to normal stock requirements, with another 40,000 tons piling up inexorably each year. The Common Market farm fund was expected to pay out $850m. in the 1968-9 farm year for milk and dairy produce subsidies alone. At least butter can be stored; but thousands of tons of food have had to be destroyed throughout the community this year—peaches, pears and fish in France, cauliflowers and potatoes in Belgium. In 1967-8 season, 30,000 tons of Italian oranges were destroyed, and grapes and apples are expected to join them.

Well, that's how the guaranteed price works. The community pays the cost of assuring a stable income to the farmer, an assurance which is given to few other producers. Admitted that in few industries does supply depend to such an extent on the unpredictable weather. Nevertheless, there are many industries in which profits fluctuate wildly. Many of them would like a state-guaranteed income, but compared with the farming lobby, their voting power is small, so they do what any sensible man does in such circumstances, they diversify their operations. But the ordinary farmer just goes stolidly on growing food, and when prices fall because the sun shines too brightly, he lobbies for higher subsidies or more protection.

Confusing the Land Tax Issue

Progress, Melbourne, December 1968

THERE HAS BEEN much concern in Western Australia about rising land prices and land speculation. So it is disappointing to find that Premier Brand's recent measures are a mixed bag, to say the least.

The land tax rate on improved land is to be cut; the average householder (i.e., voter) will pay considerably less. On the other hand, there is a new scale for people holding unimproved land idle, with higher rates for those holding bigger parcels of land.

The proposals betray a lamentable ignorance of the nature and significance of economic rent, and bear all the marks of abritrary *ad hoc* impositions. Improvements should be rewarded, not by lowering levies on the value of their site, but by reducing taxes on labour and industry.

To add to all the confusion, a Perth University economist has asserted that the increased land tax on vacant land will boost prices. But with the neglect of basic principles by academic economics, this assertion really is not surprising.

Another nonsensical measure is the cash rebate for when a home is built on a block.

The esssentially simple and correct thing to do is to impose a uniform levy, without exemption. Upon the value of all land, while simultaneously reducing taxes on goods, earnings and consumer services. The patchwork proposals of Premier Brand will cause confusion, and do at least as much harm as good.

Land Speculation in Canada

From *Chatelaine*, Toronto, October, 1968

THE LAND near 110th Street and 52nd Avenue, in southwest Edmonton used to be mink farm; part of it is still empty bush except for farm shacks, including an outhouse, and a lingering smell of animal dirt.

Since December, 1959, lawyer Tony Nugent has been buying this land. By February, 1967 he had bought 12.82 acres for a total of $95,675, about $7,400 an acre.

Veterans built to the north of Nugent's land after the war, and in the early sixties the land to the east was subdivided, sold at about $3,000 a lot, and planted with neat stucco bungalows. Apartments went up to the west. Last year the city extended sewers, street lighting and side-walks to the Nugent property. There already was a good four-lane road giving fifteen-minute access by car to the city centre.

On February 9, 1968, Tony Nugent sold 1.55 acres, a fraction of his holdings, for $170,000 for a ninety-six-suite apartment building. Edmonton city records show that so far Nugent has sold 6.99 acres of land for about half a million dollars, or $68.500 an acre! He made an 800 per cent profit for doing nothing. The taxpayers, the neighbours and time did it all. Last August, Nugent left Edmonton to live in balmy Victoria.

One reason houses cost so much is that lots cost so much, at least twice the price ten years ago (1957 Canadian average, $2,250; 1967, $4,500). In Toronto, land costs have doubled, not in ten years, but in three. Toronto lots, at $10,000 are the highest priced in

North America. One reason: speculation.

In Edmonton, Chief City Commissioner, Dr. Peter Bargen, said: "There's nothing the city can do. Land speculators have their rights by legislation. We can't even do anything about the unsightly shacks."

Whether we can condemn land speculators personally is a matter of social ethics. If a man can make a thousand or five thousand bucks by adding it to the cost of a vital commodity and get away with it, should he? Whether he *should* is his decision. Whether he *can* is ours.

"I don't think he should be able to speculate," said Bargen. "Controls are possible. Provincial legislation could change the taxation base to motivate a landowner to develop land or sell to someone who can."

Dr. Bargen suggests assessing land at its *potential* use. High taxes would then make speculation unprofitable.

The same principle applies in the slum cores of cities. Land covered by decrepit factories, warehouses and tenements is taxed so cheaply that owners can afford to hold it until the city buys the land for urban renewal and re-sells it to developers. To give the developers a profit, the city marks the land costs down as much as 100 per cent, and the taxpayer, again, pays the difference. But if the owner himself improves the property, by rehabilitation or by demolition and re-building, his taxes then go up with the buildings.

Dr. Bargen's solution, taxing the *potential* use of the *land*, not the buildings, works in Pittsburgh, which taxes land twice as high as buildings; in Brisbane, Australia, where buildings are tax-free and land is taxed up to 19 per cent of its value a year, and in Denmark. With provincial legislation to make it possible, it could work in Canadian municipalities, too.

Getting Down to Fundamentals

PETER TRACEY

VARIOUS NAMES have been suggested to describe the times we live in, and in the realm of economics none could be more apt than the Age of Superficiality. Almost everything today is studied "in depth," but economic problems, unfortunately, are not.

The *basic* cause of the recent international monetary crisis, we are told by Dr. Alfred Hartmann, general manager of the Union Bank of Switzerland, is the tendency of nations to grow at different rates, and, particularly, for their currencies to depreciate at different rates. "The *basic problem* we face," says Dr. Hartmann, is how to bring the inflation rates of the major countries more nearly into line"

So by standardising our rates of inflation we can solve our international monetary problems, but that still leaves us, of course with the internal effects of inflation. However, Mr. Guy E. Noyes, senior vice-president of the Morgan Guaranty Trust Company, has some thoughts on this subject. "I've been impressed," he says. "When the public concludes that there is no sense in looking for prices and for interest rates to drop, the result is even more inflation."

"So to stop inflation, presumably, or at any rate to slow it down, all we have to do is to stop expecting it.

This theory of economic control by thinking of the desired result has its counterpart in Britain. Last month an extraordinary week-end meeting was held at Chequers at which it was solemnly decided that if Britain is to get into surplus with its balance of payments this year the economic growth rate for 1969 should be 3 per cent. This decision, we are told, was reached after lengthy discussion. What form the discussion could have taken that led to such a fatuous proposition is beyond my imagination, but if cabinet ministers and representatives of industry and trade unions have such astonishing powers of economic clairvoyance, it is indeed strange that the country is in the mess it is.

However, it is the Common Market that provides this month's leading sample of economic insanity. As is well known, the agricultural price support system in this protectionist haven has resulted in huge surpluses of dairy products, notably, butter. What is not so well known, perhaps, is Dr. Mansholt's proposed remedy. This eminent gentleman, who is the agricultural boss of the Common Market, suggests a large tax on cattle feed! This, it is reasoned, would make it less rewarding for farmers to increase their dairy herds.

Of course, to reduce the price supports would be too simple a solution and to restore a free market would be unthinkable. Without guaranteed prices and cattle feed taxes, not only would administrators of the agriculture be out of a job, but production would be unplanned. Without planning, the bureaucrats would argue, there would probably be all sorts of undesirable effects like huge surpluses of dairy products, notably butter . . . but isn't that where we came in!