LAND and LIBERTY

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COVER PICTURE: Nuffield College's John Muellbauer, the British economist who identified land speculation as a major problem for Margaret Thatcher's administration. Story, Page 51.

Land is back centre stage!

HYPOCRISY reigns in the so-called market economies of the West.

Smugness will deepen as we witness the turmoil in the former command economies of Eastern Europe.

Yet many of the most vociferous advocates of free enterprise who relish the triumph of capitalism over communism are among the most active pickers of the public purse.

The market is allowed to operate, provided its disciplines do not disturb the power of the "vested interests".

Government must stay out of the way of the entrepreneur, provided it supplies protection and subsidies that prevent the bottom line sagging too far down the corporate balance sheet.

Bureaucracy must not interfere with the way of the entrepreneur, provided it is there with its regulations to keep out the awkward fellows who threaten to introduce new competition into the marketplace.

Plunder, in other words, is an institutionalised feature of the market economy today. It manifests itself in the form of monopoly power – but rarely is it labelled as such.

A variety of convoluted reasons are advanced to justify the subordination of the market to the special interests that all too often devote time and money to excluding competition from their markets.

In the United States, for example, the Bureau of Reclamation underprices irrigation water in the arid West. That subsidy is worth nearly $15bn a year, according to one estimate.

Result: a scarce resource is rapidly depleted, while the beneficiaries are given an artificial comparative advantage.

In Europe, the common agricultural policy holds the prices of some products above world levels, at the expense of consumers and the taxpayer.

Result: marginal land is ploughed when it should be left fallow, while the farmers of the Third World are successfully excluded from a market that would give them a living.

When analysed market distortions in the main are found to benefit the owners of natural resources. Rarely, however, do analysts employ the concept of rent, even when they are dealing directly with the economics of natural resources.

Take *The Economist*, the international news magazine that has the facts at its fingertips. On May 5, in editorialising against the distortions to market economics, it noted:

"By cutting taxes on labour, goverments can remove one disincentive to join the job market; by cutting taxes on capital, one disincentive to save.

"But by taxing the use of natural resources – be they oil, or cadmium, or the dirt-absorbing capacity of the atmosphere – governments can not only pay for lower taxes on labour and saving; they can also make markets work better, by ensuring that prices reflect the full costs of economic activity."

This is the economic philosophy of American social reformer Henry George, who did not shy away from using the word "rent", or from calling his policy land value taxation.

***The Economist* advocates the economics of Henry George; but does not publicly say so: that would be to admit that the bulk of the economic theorising of the past 100 years is not worth the paper on which it is written.**

A century has been wasted; in which generations were sacrificed to the vested interests of the monopolist, in the West, and his adversarial ideologue, in the East.

But the land has reasserted its rightful place in the centre of our lives: and with that new awakening, the analyst will have to retrieve the concept of economic rent from the dusty pages of the classical textbooks.

And with it will come a programme of *perestroika* for the market economies.