LAND and LIBERTY

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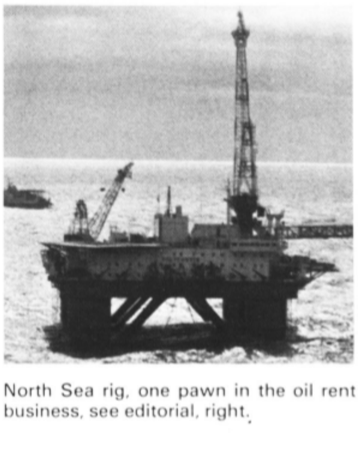

North Sea rig, one pawn in the oil rent business, see editorial, right.

NOT SO FAST!

OPEC, the oil cartel, wants to raise the price of petroleum by cutting output.

Oil producers have had it nearly all their way for the last 12 years. During that period, the price of crude rose from a few dollars to more than $30 a barrel.

Billions of dollars in oil rent gushed into the coffers of desert kingdoms, authoritarian states and the oil-exporting democracies whose shores define the North Sea.

Now, however, the price has collapsed to one-third of its peak, and the users – reverting to the pre-1974 situation – are pocketing the oil rent. While this has caused a cash crisis for a few countries, such as Mexico and Nigeria, consumers in the importing countries are enjoying an increase in the real value of wages and salaries.

THE WORLD economy is now supposed to enjoy what the London Economist **called "its single biggest boost in a dozen years". Economists are optimistically predicting faster growth, slower inflation and lower interest rates.**

We beg to differ.

Economists who were caught wrong-footed in 1974 – they failed lamentably to predict the global depression – tried to cover their tracks by claiming that the "oil crisis" (they did not, and still do not, correctly define it as an "oil rent crisis") caused the crash.

It did not.

The seeds of the depression were being sown in countries around the world from the late 1960s, when the cycle in land rents was rising towards its peak: the wealth-creators were being squeezed out by the land speculators.

The oil rent crisis came late in the day, and was no more than an added aggravation to the general rent crisis.

The level of rents in the land market have slipped back since their peaks around 1974, but not by enough to enable many entrepreneurs to start up new businesses. The major obstacle to renewed economic growth continues to be the monopolistic power of the landowning class, which can (and usually does) determine the supply and price of land.

The solution to that problem is to socialise rent, which the private sector appropriates by adopting inefficient land use policies that distort both economic activity and social relations. Which brings us back to the Organisation of Petroleum Exporting Countries.

Is there any good moral reason why a fortunate few countries should be free to appropriate a vast amount of wealth through the simple expedient of exercising monopoly power over a natural resource? We think not. That resource is the common heritage of us all, and in a civilised world it would be enjoyed as such through an appropriate distribution via the united nations of mankind.

But we live in a less-than-perfect world: does this mean that nothing can be done to neutralise the likes of the oil cartel?

No!

Governments can raise a larger part of their revenues from oil rents. By increasing the tax on petroleum, as Britain's Chancellor of the Exchequer, Nigel Lawson, started to do in his spring budget, they would socialise the income from a natural resource which, because it belongs to no-one, belongs to us all.

As a result, the oil producers would have less scope for artificially raising the price of petroleum to enable them to speculate in real estate in London and New York.

OPEC's attempt to achieve higher revenues by curtailing supply would impede economic activity.

But if the governments of user-countries raised prices at the pump through higher taxes, they would not be interrupting the flow of energy.

At the same time, however, they would be able to cut the tax burden on wages and profits – and so create the conditions of increased investment and consumption, which is the only way to make jobs available for the millions of people who are unemployed.