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whose product prices are high in relation to production costs – i.e., where the rental returns are significant. Petroleum is a good example, but this

attempt at capturing rental income is not a satisfactory one. It is very much a second-best solution, no more than a crude and indirect attempt to capture rental revenue.

A RATIONAL government should move swiftly to the direct taxation of land values.

This entails a planned reduction of existing taxes while carefully

monitoring the ensuing transformation in the structure of prices to capture that part of the national product that would otherwise be funnelled into the pockets of land owners through higher rental income.

What are the consequences of not implementing this fiscal reform?

● The industrial economy would not recover without suffering serious side-effects of an economic and, possibly, political nature.

● And long-term prospects would be bleak, for when the economy finally recovered, we would have left a legacy for our children for which they would not thank us: a depression at the turn of the century of the proportions of the 1930s and 1980s.

POLAND

New private land law

POLAND'S Parliament – the Sejm – has passed a law that hardens private property rights in land.

The Warsaw-published *Polish Economic News* reported on Jan. 30:

“In order to increase the interest of private farmers in rational use of their land, the durability of their land ownership has been confirmed by a Sejm law. The law

also covers inheritance rights of children.

“Also, proper conditions have been created for an easy trade in farmland. This is true of both the trade among private farmers and between them and the other sectors of agriculture.

“Much stress is being put on a better utilization of the 900,000 hectares of land now in possession of the State Land Fund. The fund is a transitional owner of plots bought from retiring farmers as well as the land not under cultivation. It is envisaged that conditions for sales of land from the fund will be relaxed further and that agricultural settlement will be encouraged.”

Ian Barron writes: Poland's communist authorities clearly imagine that they can emulate some of the West's food-producing successes by copying the land tenure system.

But the Western model of land tenure has had a disruptive effect on the agricultural sector, and this will now sharply materialise in Poland.

The new market-orientated strategy – price incentives, in particular, and the provision of more capital equipment and improved transportation systems – will help to ease the food crisis in Poland.

Eventually, however, the farmer will become increasingly preoccupied with speculating in the unearned increments in land values: and that is when the new economic strategy will fall into disrepute, provoking demands for a return to the centrally-planned command economy.

RATES

RATES – Britain's local property tax – have risen significantly in the past three years.

Industrialists claim that these increases are an unsupportable burden on their profits, and are causing some firms to shed jobs.

But according to the Ricardian theory of rent, a tax on land ultimately falls on the landowner. Thus, we would expect part of the rates burden – which falls on both land and buildings – to be shifted by tenants on to their landlords.

Evidence is accumulating that this is now happening.

Judy Hillman, consultant to the London Docklands Development Corporation, reports that

● In Newham, a large freehold building was on the market for only £200,000 simply because the rates due last year were £40,000;

● On the border of the City and Islington similar properties used to have the same asking rents. This is no longer the case because higher rates in Islington have forced down rents to keep them competitive;

● Because the rates bill for International House in St. Katharine Docks had risen to £600,000, the lowest asking rent has been reduced from £16 to £11.

These results are reported in *Estates Gazette* (5.2.83) and show quite clearly that new tenants are discounting the increase in rates.

REFERENCES

1. Fred Harrison, *The Power in the Land*, London: Shephard Walwyn, 1983.
2. *Economic Outlook*, Paris: OECD, July 1982, p.6.

The Power in the Land

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