

NEWS AND COMMENT



AT IT AGAIN

THE *ESTATES GAZETTE* is committed to the support of private property in land. For many years its leader writers have promptly responded to any encroachment on the accepted and traditional system of land tenure, but in the light of the major domestic issues of high rents, expensive homes and prohibitive land costs, such supporters of the *status quo* are clearly beginning to feel the draught of impending change. They are raising their standards and digging the strongest of defences.

A recent issue of the *Estates Gazette* hits out hard at the Labour Party's proposed Land Commission. It points out that taxes on development have done three things in the past: they have failed to work, they have dried up the supply of land and they have resulted in shortage and higher prices. These comments are reasonable enough. But the leader writer is not content with this. Putting all land reform measures in the same category, he says: "Any tax on land (including site-value rating) whether it be levied on the owner or occupier will in the long run be passed on to the consumer, i.e. the occupier or the tenant unless some bar such as rent restriction be put in the way. It is in the nature of things that any direct levy—whether it be by betterment charge, development charge, site-value tax, compulsory acquisition followed by resale or lease—imposes a sum of money that can be simply and directly passed on by the developer. These proposals are inherently inflationary in character."

While these charges have validity as far as most forms of *property* tax are concerned, they have no application to site-value rating or land-value taxation. It is amazing that in the light of the teachings of even the modern school of economists such as Professors Cairncross, Samuelson and Colin Clark, the *Estates Gazette* is prepared to perpetuate such an economic blunder.

There can be no objection to opinions being expressed on moral issues or on the desirability of advocated economic reforms or economic policies. What is reprehensible is the propagation of economic error.

In the view of the leader writer, land should not be the subject of any charge. If fiscal measures are necessary he considers that these are best applied through "traditional taxation channels," i.e., the Board of Inland Revenue. This leads us back to income-tax, profits tax and capital gain taxes. A land problem as such, in the eyes of the leader writer, apparently does not exist.

To argue, as this editorial does, that "profits" from land are no different from profits from any other kind

of business activity deliberately clouds the issue, for since land has no cost of production, profits from land can have nothing in common with profits arising from production. Profits from production are earned; "profits" from land are unearned, being derived from permission to use natural resources.

It is only by taxing the truly unearned increment of land—its economic rent disregarding all improvements—that the problems of land "shortage," land speculation and high land prices can be eliminated within a democratic framework.

It may well be that the supporters of the *status quo* recognise this but put their own interests first (they would not, alas, be exceptional in this regard.) If so, let them say so, not hide behind a screen of economic fallacies.

REVOLUTION IN BRAZIL

IN SEPTEMBER a report came to us from Brazil commenting on the situation there since the end-of-March revolution.

The list of people of consequence who had been deprived of their political rights eventually ran to 630 names, and there was talk of extending it further.

Brazil's most eminent economist was classed as a communist on this list. He was then offered a university professorship in the United States. Writers, doctors, lawyers, politicians and trade union leaders went with him.

A Rio teacher was denounced by her pupils for saying that the revolution had not been wholly for the good. Three days later she was hauled before a staff meeting and accused of being a communist.

Government employees, who had not been paid since April, were wondering how much their cruzeiros would be worth when they eventually got them. Monetary inflation had increased 47 per cent in six months. (They could not borrow from the banks because times were too uncertain.) It is interesting to note that in this way they were paying their taxes even though they themselves remained unpaid.

The plan of one State Governor for increases in indirect taxation was rejected by his Senate. He dismissed it. Two newspapers criticised him for this. He confiscated them. The Senate leader spoke out at a large meeting. The Governor had him arrested immediately.

Pif-Paf, the *Private Eye* of Rio, warned its State Governor to stop interfering with the freedom of the Press. It was not seen again on any bookstall.

Huge blocks of flats, at enormous rents, were being

built all over Copacabana, Ipanema and the fashionable areas. Meanwhile the poor lived on free land (which they took over and from which they defied others to move them), where they built shacks huddled together on hair-raising slopes from which they would be washed by any heavy thunderstorm.

The food situation in Rio was as bad as ever. Rice and milk were frequently unobtainable.

There was not even a whisper of strike action, perhaps because army pay had been doubled and paid almost up to date.

The revolution brought one change. It seems that the Presidential term of office was increased by one year. This caused one disgusted potential contender for the job to say that he was fed-up with this revolution and he would be glad when the next one came along.

MISSING THE POINT

THE REPORTS of the Food and Agriculture Organisation of the United Nations and the statements of officials of that body are as varied as its members. While in some reports the agricultural and economic advisers look earnestly and intelligently at world food problems, their colleagues in other circumstances and in other places appear to rely on the superficial stock remedies with the all too familiar jargon.

Opening the first African training centre founded by the F.A.O. for marketing basic food crops, Mr. Hans Joachim Mittendorf stated: "The growing food needs of Africa demand the organisation of efficient marketing systems as essential towards giving incentives to the farmers and assuring fair prices and quality to the consumer."

No one would deny that African food production needs to be increased. Nor would it be reasonable to dispute that Africa is in need of modern equipment, storage facilities, transportation and processing plant. Technical equipment and trained staff are certainly needed. What is more important, however, is the distribution of the food and other wealth at present produced. If much of this is being siphoned off by land owners and other monopolists, technical "knowhow" and modern machinery will not necessarily result in a higher standard of living.

Mr. Oris Wells, F.A.O. Deputy Director-General, speaking at a seminar on agricultural aspects of economic development held in Turkey, stated: "No satisfactory solution to the problem of economic growth in developing countries is possible without or until an adequate supply of food at reasonable prices is assured by one means or another, usually in largest part by developing agriculture."

While it is correct to assume that underdeveloped countries need a firm agricultural footing to set them on their way to increased development, the first question that needs to be answered is why is insufficient food being produced now? The answer to this is that food is pro-

duced only according to the *effective* demand for it. Need is not an economic concept and of itself cannot bring about production. The production of food follows the same laws of supply and (effective) demand as does the production of clothes, cars, furniture and all other kinds of wealth.

Unless the underdeveloped countries have just systems of land tenure, and real demand is backed by effective demand by way of *an increased share in what is produced*, economic aid and increased production cannot guarantee a solution to the hunger and poverty problem.

Conservatism

(From Ole Wang, Norway)

AFTER MORE than thirty years I have been re-reading Mr. Keith Feiling's *What is Conservatism?* (Faber and Faber, 1930).

The author states that the first object of his pamphlet is to recall the existence of a Conservatism superior in age and vitality to the Conservative Party. A few quotations may serve to indicate what, in Mr. Feiling's opinion, this Conservatism is:

"There are lasting principles in politics which sooner or later put out their tested power."

"Never did nature say one thing and wisdom say another." (Quotation from Burke.)

"Conservatism can only successfully meet the Socialist principle with a rival principle; it can only win such success by giving that principle its full development. . . . If we believe in the principle (of property), we can hardly justify the perpetuation of a system of property which effectually debars one-third, perhaps, of the population from enjoying it at all."

Mr. Feiling recommends "a sharper restriction of wealth which can be called anti-social or wholly un-earned."

There is nothing in this cogent pamphlet which debars Conservatives from accepting land-value taxation; on the contrary. It contains, in fact, one remark which shows that the author may have seen the beginning of the right track, namely where he blames the Conservatives for having defended something which on a candid view of history is indefensible, like mineral royalties. The word "royalty" is here probably used for the payment made to the owner of land for using the mineral deposits under the surface. However, if such royalty were forgone by the land owner, it (i.e. the economic rent) would go to the mine operators, and be just as "indefensible" as before.

Mr. Feiling states that the cause of Conservatism "survives by continued absorption of liberal ideas." Compare with this what the famous Swedish liberal economist Eli F. Heckscher said: "It seems to me that it is impossible for a new economic liberalism to reject in principle the idea of the community appropriating the yields of the natural resources."

Mr. Feiling's pamphlet is a heart-felt plea for justice and liberty within a society based on the unceasing laws of nature. It is a pity that he did not see the way in which this could be achieved by a radical course of action.