

LAND and LIBERTY

Established June 1894

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ISS No. 0023 7574
Vol. XCIII
Nos. 1, 112 & 1,113

Annual subscription:
U.K. & Sterling area: £5
USA \$10, Canada \$11



New Economies	
David Richards	19
Liberals' Environment	
Roy Douglas	21
Importance of Land	
John C. Holliday	22
Thatcher and Unemployment	
Fred Harrison	24
Feudal Capitalism	
Walter Rybeck	27
USA Tax Reform	
Bob Clancy	29
Society and Justice	
Ed Dodson	30
Common Market "Disaster"	
Roy Douglas	31
Open University Update	
Bert Brookes	32

● COVER PICTURE: British economist John Maynard Keynes whose theories, 41 years after his death, are blamed by many for Britain's unemployment troubles. See centre pages.

Recipe for resentment

THE POLICIES of British Premier Margaret Thatcher have not enjoyed universal acclaim. Even so, they have been underpinned by an iron logic that has fitted consistently with her ideology.

The one exception has been Mrs Thatcher's fanatical determination to get rid of the tax on property. For 10 years she has advocated the abolition of what is called the rating system, which in its earliest form was a land tax.

Nine hundred years ago the Norman conquerors compiled Domesday Book, to calculate what could be raised from the value of people's real property. But at the beginning of the 19th century the landowners who dominated the Mother of Parliaments saw it as in their interests to shift taxes onto wages and entrepreneurial profits.

And now Mrs Thatcher is about to complete the process: the House of Commons has been presented with a Bill to abolish the rates on domestic properties in Scotland. This is a prelude to abolition of rates in England and Wales if the Conservatives win the next General Election.

Spurious arguments, which are more sensibly directed against other forms of taxation, have been used to defend the change. But ought we to be dismayed?

ABOLISHING the property tax will create a tremendous backlash.

● The price of many houses will rocket, as owners convert their tax savings into higher prices. Against this capital gain will be the losers — those who will find it even more difficult to buy homes for their families.

● Town councils, robbed of much of their democratic independence by a Tory administration 12 years ago, will be even more dependent on centralised power.

● The poll tax now proposed by the government as a substitute will fall most heavily on low income families in the poorest

areas, generating further social resentment.

● The general level of cynicism towards State institutions, and their rapacious role in people's lives, will increase.

Now view these trends in terms of the macro-economic implications. Without the property tax, investors will be further attracted towards real estate. Speculation will be encouraged. Capital investments which create jobs will become relatively less attractive, and this will put even more people out of work.

With more than three million unemployed today, how will people react? The demand for tax reforms (as opposed to simple cuts in favour of vested interests) will become irresistible. We foresee the day when government will be dominated by a genuinely radical party of politicians who, owing no allegiance to any sectional interest, will feel free to do what is objectively right in the long-term interests of the nation.

Pious optimism? Maybe!

But we are not advocating acquiescence in the British government's assault on the most ancient of taxes.

DEFECTS in the rating system are due entirely to the way that it has been administered.

ANGER — confined to a small section of Scottish property owners — is due almost entirely to a history of political cowardice (the fear of complying with the law, which requires regular revaluations).

But even so, there is an overwhelming case for a reform of that system, directed at eliminating the tax on the value of buildings (which is a constraint on construction) and raising all the revenue from land (the value of which is created by the community).

Successive British governments have ducked the logic of that reform. So could it be that the quickest route to the best form of property tax is via Mrs Thatcher's misguided desire for total abolition of the rating system?