

duit.

One must look at the possibility that some of the land value being taxed for the support of this system might not in fact have resulted from this provision of free mass transportation. Land values do not come with little labels which say that this part is due to good roads and that part due to good schools, this part due to municipal garbage collection and that part due to the provision of parks and playgrounds, this part due to police protection and that part due to fire protection, this part due to the fact that someone has built a nearby shopping centre and that part due to the fact that someone has built, accessibly, an office building or a factory where many people are employed, to list but a few of the contributory factors. Is it fair then, to collect land-rent money for mass transportation costs?

#### Land-value Taxation and Justice

To bring the question of justice into questions of taxation is, in its way, a breath of fresh air, and the objection is welcome. But if land values, as the question points out, are the creation not of the landholder, but of the community as a whole, are they not uniquely the proper source of needed community funds? If others than the landholder have created these land values in their capacities as producers and consumers, are not land values the source—perhaps, even, the only proper source—to which the community ought to turn to government income needed to pay for any purposes, including mass transportation to serve us all?

Beyond this, what would the landholder lose by our replacing any part or all of our existing government fund-raising system by land-value taxation?

Every penalty upon activities we should be encouraging, whether the construction of a building or the use of mass transportation in place of driving, introduces an element of friction that inhibits the activity and reduces land values. Consider, for instance, the condition of a man who has an entirely average value home on an entirely average value piece of land. Even if we were to take taxes entirely off buildings and put

them entirely on land values, we would not increase his taxes or lower the value of his land. The tax on his building would go down in the same amount that the tax on his land rose. His total tax bill would be exactly the same as it was before. The difference in this, the average case, would be in the future. He could now paint this house and his taxes would not rise; he could now add a wing, and his taxes would not rise. He could get a building permit when he builds that recreation room in the basement or adds that needed powder room, instead of doing it surreptitiously, and his taxes would not rise. Naturally, he would do more of this sort of thing. We would have removed what I call a friction, a penalty upon activities. Production, not only in this particular relatively insignificant case, but in the world of production in general, would

rise appreciably, with resulting social advantages. The value of our example's land would not drop. It would be just as useful to him or to anyone else as it was before; more, in fact. Land values would not decline; they would rise, the land tax notwithstanding.

The case of the user of mass transportation is a parallel one. If we really want a man to use mass transportation, why penalize him—ask for a fare—when he does? We add the element of friction, and he walks or drives or stays home. We have discouraged him when we should have encouraged him. Let him ride free, let the advantage of that riding appear in land rents, and collect back the money by a tax on land values, which will at the same time push land into use for housing. Abolish the friction and watch the wheels turn.

## Left, Right and Wrong

GEOFFREY LEE

I must confess that I skimmed through the first part of a new book\* by Hugh Stretton without much interest. Mr. Stretton begins his book with sketches purporting to show the alternative futures that face the world. The future is so unpredictable that such speculations have little value and quickly become out-of-date. A random glance finds the author suggesting: "For example Chrysler lost patience with their English labour, shut their English plants and got ready to supply the United Kingdom market from Spain and Germany. The Social Democratic government of the Federal Republic waited till the reorganization was complete then acquired 51 per cent of the German operation: British and German governments prohibited Spanish-built imports, and what remained of the Chrysler English plants were acquired and split 51/49 between the Industrial Development Corporation (public) and British Leyland (private). American markets were promptly closed to British and German cars." And so it goes on. Well we can all invent scenarios like

that and little use they are to anyone.

The rest of the book does take a look at the realities of life, although it is not helped much by the author's insistence on describing governments in terms of "Left" and "Right", and speaking of ruling classes even though he often means the communist party elite who lord it over the Russian people. "Their masters, who own everything just as the masters did in Marx's day . . ." he says, or "The hard left—Marxist and technocratic—thus works as hard as any capitalist to kill the most promising of all socialist opportunities, and to perpetuate the alienation which Marx condemned as the worst effect of primitive industrial capitalism."

A preoccupation with the surface appearance prevents Hugh Stretton from looking deeper, from trying to get at the fundamental reasons for the present unsatisfactory distribution of wealth. He says: "Some pessimists believe that existing inequalities have defences as automatic as the laws of motion. Every action brings an equal and opposite reaction. At one extreme a dollar added to poor

\**Capitalism, Socialism and the Environment*, Oxford University Press, £2.95.

wages or pensions returns to the rich via rent or price adjustments. At the other, communist revolution may lop a few tall poppies but it leaves fewer people than ever in control of the means of production. . . . Russian inequalities are not much different from American." He passes over the key words in the key phrase: "a dollar added to poor wages . . . returns . . . via rent." Although later on he examines the land question, he cannot see a solution other than in terms of state interference, and indeed the confiscation of wealth and its forcible redistribution.

The simple truth that a 100 per cent annual taxation of the site rental value will knock out the speculative price of land eludes him. Nor does the logic of this tax—that the community as a whole should receive the site value it creates, and that natural distribution of income would follow—come into his arguments. No: "Land and housing should be traded in managed markets" and there should be a "once-for-all redistribution" of wealth. People with more than a figure set somewhere between one and three times the annual national income will have their personal holdings above the limit confiscated and redistributed to those citizens below the limit. Having satisfied the author's sense of justice, amazed the improvident and robbed those foolish enough to save money, Hugh Stretton then goes on to propose that "thereafter, taxation should be designed to make it difficult to accumulate new fortunes above the limit."

The author does admit to the problems his proposals would create, and tempers his Draconian measures with a touch of mercy. It would be interesting to see the effects on the economy if ever such a plan approached the statute book. The boom created by people spending and gambling their way through the money they were going to have confiscated, to say nothing of the rush into gold sovereigns and penny blacks to be hidden under the floorboards, would probably bring us temporarily out of the present slump at the speed of an overheated moon rocket.

Hugh Stretton will need to dig

deeper if we are to have lasting solutions to problems at their causal level rather than naive and unworkable manipulations of end

## Towards a Better Understanding

ROY DOUGLAS

**T**HERE are many good books on twentieth-century political history, and many on British economic history of the same period. Until recently, however, one would have been rather at a loss to recommend a work which looked at the economy of Europe as a whole since the outbreak of the First World War.

Professor Derek Aldcroft's new book\* goes a long way towards filling the gap. As the title suggests, the author tries to see the several economies of Europe constantly interacting with each other. No doubt readers of *Land & Liberty* will applaud the recognition that policies of economic autarky were harmful. As the old aphorism puts it, "If goods cannot cross international frontiers, armies will." Readers may feel, as your reviewer did, that the land question was not discussed as much as it should have been. A powerful argument exists for the view that one of the main reasons why the military and political frontiers of Russian communism now stand in the very centre of Europe, is that people did not adequately tackle the land question in the period before 1939.

History is now developing more and more as an integrated study; and this book is a contribution in that direction. The picture of Hitler's Europe seems particularly valuable in that sense. We all hear so much about the political and military history of the period that we sometimes neglect a point which is here brought out well:

"The Nazis never had a very clear idea of what was involved in setting up the New Order. No complete and comprehensive plan for the restructuring of Europe was ever published so that the concept remained vague and confused. . . . As a result of the rapid acquisition

results. Mr. Stretton's heart seems to be in the right place, the great pity is that it seems his brains are not.

of new territories the Nazi regime was occupied with the immediate task of administering them. . . ."

Like other planners before and since, the Nazi planners just didn't plan. Successful centralised economic planning presupposes a measure of prescience which is never vouchsafed to mortals. May facts like these provide a large part of the explanation of Nazi Germany's collapse?

In time, no doubt, the "integrating" process of history will go further. We shall one day come to see more fully how economics and politics have received their inputs from science, technology, the fine arts, literature and religion. How big a part, for example, did engineers or industrialists play in the development of Europe's twentieth-century economics? Five hundred years from now, may historians decide that men from those fields played a bigger part in shaping human life in this century than all the politicians, soldiers and economists put together? Again, are we perhaps too prone to assume that deliberate human intervention necessarily produces some large effect, whether for weal or woe? Since 1945, there have been some spectacular economic upsurges, both in the "capitalist" West and in the "socialist" East. May we one day come to decide that these upsurges were due far more to the development or spread of technological knowledge than to the economic system within which that knowledge was received? Is it fair to say that conscious intervention by organs of government in economic processes usually either generates no significant effect at all—or, if it does generate an effect, is counter-productive?

Your reviewer does not pretend to know the answers to all these questions, but this book has encouraged him to think about them.

\**The European Economy 1914-1970*, Croom Helm, £6.95.