

to deal with. It is clearly time for a fundamental re-examination of economic policy.

Assume that we attain the pre-Keynesian situation. We have the so-called "natural unemployment" rate bolstered by the effects of taxation upon production. But surely no rate of unemployment can be called natural if men want work, people want goods and ser-

VICES, employers want profits and the natural resources are available. We know that the first three conditions are fulfilled, but frequently natural resources—land—are not available.

There is one method of raising public revenue that encourages the availability of natural resources and at the same time *does not* discourage production and employ-

ment, thus removing both sources of "pre-Keynesian" unemployment. The method is site-value taxation in substitution for existing taxation.

It is high time that the economic principles underlying this measure took their rightful place in the great economic and political debate.

Carving up the Oil Revenues

PAUL KNIGHT

A PROPOSAL to convert the North Sea oil "bonanza" into a national dividend for everyone in the UK is advanced by Samuel Brittan in an article in the *Financial Times*, October 13. The dividend would arise from an allocated share in the North Sea enterprise and such shares could be capitalised and sold on the market if the holder so wished.

Mr. Brittan's starting point is an interesting one. It is that "North Sea oil is an income earning asset held by the Government in custodianship on behalf of the citizens of this country. It is like a publicly owned investment trust in which every family holds a stake." The immediate thoughts that this statement sparks off have been admirably expressed in a letter from Mr. N. H. Slater which was published in the *Financial Times* October 24 and is reprinted below.

In a preface to his explanation of how the scheme would work, Mr. Brittan warns of the dangers of financing tax cuts with the printing of more money which could still occur despite the "pseudo-monetarist climate of opinion."

If the tax cuts are to remain and more monetary inflation not resorted to, North Sea oil revenues will have to finance any further large net additions to public expenditure, says Mr. Brittan, and these revenues are expected to rise to £3,000,000,000 in 1980-81 and to perhaps £4,000,000,000 in the early 1980's. This latter figure at 1977 prices, works out to £220 per annum per household and the "dividend" would then have a

capital value (at a 10 per cent yield) of £2,200.

Mr. Brittan has devised a number of ways in which these "North Sea Certificates" could be distributed but basically they would be distributed "as a right" to every household. It follows from this scheme to take oil revenues out of the Government's hands, (and thus remove the temptation to renege on promised tax cuts) that individuals would be able to sell or otherwise dispose of their certificates as they thought fit—and of course to pledge them for a loan if desired.

Mr. Brittan anticipates some objections to the scheme and answers them fairly well. The two main ones are: "the politicians would never wear it" and "people could not be trusted to use their holdings wisely, but would sell them quickly to engage in a spending spree."

The latter objection is of interest because it is a clue to the inequity of the whole proposal. Mr. Brittan's answer to it is in effect "So what?" He argues that if people want to spend it all now, it is their privilege.

The all-important question that is neither put nor answered and which has a bearing on the disposability of a North Sea oil certificate is how would future generations fare?

Establishing equal rights to oil revenues is essentially the same as establishing equal rights to land revenues, (pure rent), since in economics the sea is classified a natural resource and comes under the basic classification "land" and in equity the community's claim

to one is as ethically justifiable as to the other.

However, in almost every land reform scheme proposed and applied throughout the world, whether stemming from political expediency or from revolution real or threatened, *only the present generation is considered.*

The fatal flaw in distributing land rights among the population whether in the form of plots of land or of certificates is that it is regarded as the end of the problem. Nothing could be more dangerous than this assumption, for on the contrary, it would be sowing the seeds of precisely the same problem for the future.

The origins of land ownership include those where land became a marketable "commodity". The landless of today are told that they have no rights to land because the present owners bought their land or inherited from a forebear who bought it. (Let's leave aside the acquisition through force, fraud or patronage.)

When legal rights to oil revenues now, and for future times, have been disposed of once and for all—no matter how fairly—among the present generation, the rights of the unborn are violated.

Explaining to an "oil-less" young man that the current oil revenues were shared out years before his time and that he should apply to his father or grandfather for his share would be as much a consolation to him as it would to a landless peasant who was told that his rights to land were disposed of by his ancestors.

Samuel Brittan's article has opened up a very important issue. But how many of his readers will be aware of it, when he himself appears not to have thought through the ethical consequences of sharing out oil revenues on a once-and-for-all basis, let alone note where his declaration of equal

rights to oil revenues leads him.

The fact that the oil reserves and thus the revenue may one day run out does nothing to alter the above principles.

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Letter from N. H. Slater published in the Financial Times, Oct. 24.

Mr. Brittan in his excellent article "Oil and tax: an alternative manifesto" (October 13) states that "North Sea oil is an income-earning asset held by the Government in custodianship on behalf of the citizens of this country." This statement is profound because it acknowledges that what has been provided by nature is rightfully the property of all. Mr. Brittan could, with complete logic and justice, extend his manifesto along the following lines.

Similar to the income deriving from oil is the income accruing from the very presence of the peoples of these islands on the land surface. The land, of which the oil is only a part, was provided by nature for the benefit of all and its appropriation by a small minority is an injustice, the magnitude and repercussions of which are

little realised. Each concentration of people causes the site value of the land to be enhanced and this site value produces an annual income which is at present appropriated by those whom history, privilege or whatever has allowed legal possession of the title deeds.

We have acknowledged the right of all to the revenue from oil. To be logical we have to denounce the laws which perpetuate private property rights to the earth's surface. The injustice of the private appropriation of large speculative gains resulting from land sales has been recognised by all political parties for a long time. All legislation both enacted and proposed to deal with this injustice has been misconceived. Such legislation only reduces the supply of land, and inhibits development.

The correct approach would be to allow the landowner to develop in accordance with permitted use in exchange for an annual payment equivalent to the unimproved site value. The imposition of a site-value tax on to the "passive" factor of production would encourage optimum use, thereby promoting

trade and industry, surely a great advance on our present penalising and confiscatory tax structure.

What would be the total revenue from such a tax? I submit that it would be immense and would enable the present tax structure to be abolished. The result would be dramatic, for economic development would be positively encouraged, the restraining effect of the present tax structure would be removed and Government expenditure would reduce as employment would be stimulated, industry would no longer require subsidies and poverty would be virtually abolished. There would be a natural movement of valuable human resources away from the negative activities associated with the present tax structure towards positive activities associated with wealth creation.

It would be a revolutionary change to hear politicians arguing about the fairest means of distributing surplus central revenue rather than listening to the sophism which all but deafens so many of us.

BEHIND THE FRONT

THE bitter and often violent antagonism between the National Front and those of Marxist persuasion, reflects not a struggle between rival philosophies but a struggle for power by two factions having basically the same philosophy. This is the conclusion of a newly published booklet* that examines the policy proposals of the National Front.

Two paragraphs from a socialist booklet by Paul Foot are placed together with two paragraphs from a National Front publication. Readers are asked to identify the sources. It's not easy. They both condemn capitalism and the profit system, and want a state-planned economy and more nationalisation. But not only are their basic policies almost identical, their language is the same and so are their methods, says Stephen Eyres, the author. It is interesting to read of his commitment to free trade which he reveals in his examina-

tion of the nationalistic and protectionist policies of the Front. And Hong Kong is cited as an outstanding example of the virtues of free trade.

A National Front Government would control investment capital, institute workers' participation and profit-sharing, determine the location of industry, consider nationalising the entire banking system, restrict imports and nationalise monopolies. Other policies include the licensing of every trader, large or small. The City, the Stock Exchange, speculators, financiers and "cigar-puffing tycoons" all come under fire in the Front's manifesto. The author has an easy task in making his point, for the National Front are self-confessed left-wing socialists, although they may not like the term. Indeed, fascism, as an economic ideology is but a form of socialism—state control of the means of production and distribution. "The racialist dimension of the National Front does not cut it off from the mainstream of Soc-

alism," says the author.

The booklet is written in an easy readable style—here is a sample:

"The National Front join with others on the left in demanding yet more socialism to repair the damage that earlier doses have caused. I thought it was a bit of a cheek for the Communist miners' leader, Mick McGahey, to goad his striking miners into supporting the election of a Labour Government in February 1974, in order to build 'a truly socialist society.' His miners, more than most, were already living in one. They were, after all, employees of the State, their wages at that time were being determined by an agency of the State, their buses to and from work were owned by the State, their houses provided by the State, their children educated by the State, their families provided with social security from the State—even, in Fife, the local colliery band was subsidised by the State. Not much there of the rough-and-tumble of the capitalist system! And the National Front want to give us more from the State as a way out of our problems!"

**The National Front is a Socialist Front*, Stephen Eyres, Aims for Freedom and Enterprise, 45p.