

# LAND & LIBERTY

JULY & AUGUST  
1979

## In Defence of Wages...



### The tax we can't do without . . . .

**"There's a sense in which all taxes are antagonistic to free enterprise—and yet we need taxes . . . . So the question is, which are the least bad taxes? In my opinion the least bad tax is the property tax on the unimproved value of land, the Henry George argument of many, many years ago."**

—economist Milton Friedman quoted in *Human Events*, Nov. 18, 1978.

**IRELAND'S** urban workers have now taken to the streets to protest against the tax discrimination which hammers their wages while conceding privileges to farmers. The demonstrations in Dublin disclosed a mass appreciation of what is fundamentally wrong with the fiscal system: an understanding which is all the more striking because it reveals that ordinary workers have penetrated the confusions of policy which bedevil Western economies. Their anger expresses forcibly the demand for reform. In this issue, we argue a case which may appear paradoxical: farmers ought to actively promote the need for land value taxation. Such a proposal is a possibility in Ireland (the Irish Sovereignty Movement advocated it in March), despite the landowning lobby's grip on the political system. Much, however, depends on whether trade union chiefs now provide the right leadership, mobilising their members as a driving force for change to relieve the tax burden on the owners of labour and capital, the active agencies in the wealth-creating process. **TENANTS** would not lose out. Under competitive conditions, a tax on land values cannot be passed on in higher rents. But under present monopolistic conditions, landowners can squeeze unfair rents out of their tenants. Indeed, farm rents have now become an issue among members of Britain's National Farmers' Union. About half of the UK's farmers are tenants. They are feeling the pinch on their incomes, for landlords are pressing for higher rents. In addition, a heavy tax would reduce the buying price of land by removing the speculative element—making it easier for prospective farmers to break into agriculture. As it is, farmers have to borrow heavily to lay their hands on the extra acres they need to expand their holdings. Some **LANDOWNERS** would also gain. For revenue from land value taxation would be offset by reduced levels of taxes on earned incomes and on the goods and services which they buy as consumers. If, however, they suffer a net loss—because in the past they have relied on unearned rental income—the community would enjoy a net gain through the dynamic effect. Landowners would make up their incomes by working productively—like the rest of us. And the economy would grow at an accelerated rate, thanks to the removal of the disruptive influence of speculation in land which periodically enforces a sub-optimum use of resources.

# Land & Liberty

JOURNAL OF THE UNITED COMMITTEE FOR THE  
TAXATION OF LAND VALUES LTD.  
177 VAUXHALL BRIDGE ROAD, LONDON. S.W.1  
TELEPHONE 01 834 4266

JULY & AUGUST, 1979  
Established: JUNE, 1894  
Nos. 1,022 & 1,023  
VOL. LXXXVI  
Managing Editor  
V H. BLUNDELL

ISS No. 0023-7574  
Annual Subscription:  
U.K. and Sterling Area: £4.00  
USA \$10, Canada \$11  
Editor  
F. HARRISON



## FEATURES

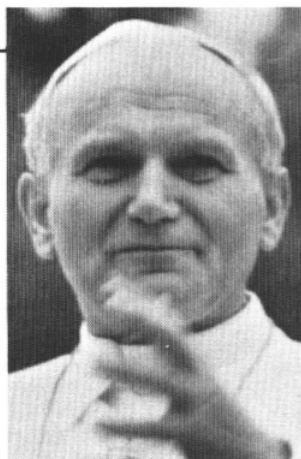
- Why Farmers Should Back  
The Land Tax  
**GEOFFREY LEE** 50
- The Paradox of Property  
**RICHARD CROTTY** 54
- The Great Chicago Rip-off!  
**HENRY TIDEMAN** 57
- The Land and Biblical  
Economics  
**ARCHER TORREY** 60

## REPORTS

- Too sensible for the  
real world?  
**ANTHONY HARRIS** 53
- The £1,000m. public  
property scandal  
**FRED HARRISON** 64

## BOOK REVIEW

- Policies & Urban Growth  
**PETER HUDSON** 59



*THE MODERN secular state has failed its citizens – and is now under threat from the world's religious leaders. The Pope (above) flew to Poland, behind the Iron Curtain, and challenged the communist system with his provocative Christian ideals. The Ayatollah Khomeini, preaching the Islamic faith from a bungalow in Paris, managed to topple the Shah of Iran, one of the "free world's" staunchest supporters in the Middle East. But do these leaders, drawing on the ancient religious scriptures for their power, offer the prospect of success? In the next issue of Land & Liberty we examine the issue of –*

*Church v  
the State*

IT IS A daunting task to suggest that someone should back a new tax, and when that someone is a farmer and the subject of the tax is land the task becomes doubly difficult. However, the word tax is a misnomer here; land value taxation is no more a tax than the rental charge for hiring a car or a television set is a tax. In the latter two cases private firms are paid for the services they provide, in the former case the community is paid for the services which it provides. It is much more a location or situation rent than a tax.

If we look back into our history and see how our forebears tackled the land problem we find the medieval open field system where every farmer had a strip of land in each large field so that all shared equally the good and poor quality land. The system worked well. In ploughing, for instance, when a team of oxen had completed one field it ensured that everyone had part of his land ploughed at the same time, rather than having to wait, as he would have done if each held separate fields; and some would, indeed, have run the risk of not getting their fields ploughed at all if the weather broke. The Lord of the Manor carrying out the administration of the community, the soldiers protecting it, and the priest attending to its spiritual needs were all supported by the landholders in return for those services.

Perhaps only in some unrecorded golden age did such a system work perfectly, but it did provide a basis for individual independence and communal justice. The Enclosure Acts, starting with the Statute of Merton in 1236, changed all this, although the open-field system could not have continued for long beyond the moment that improved farm technology made it uneconomic. Often freeholders and villains exchanged strips so that they could consolidate them into blocks of land, and, if possible, add portions of the common pasture. The large-scale grazing of sheep demanded more land and fewer men. The sheep, as Sir Thomas More put it, "consume, distroye, and devoure whole fieldes, houses and cities."

The enclosure movement saw the end of the idea of land being held in common and allowed the rise of the individual entrepreneur. For him, enclosure made sound economic sense. Being one of a group of land monopolists, he could pick and choose who was to work for him and what wages he would pay. For the dispossessed farmer there was

# WHY FARMERS SHOULD BACK THE LAND TAX

little choice but to accept a low wage or starve. The problem of the vagabonds, tramps and sturdy beggars adrift on the highways was to bedevil governments for many years to come—until the Industrial Revolution mopped them up as cheap labour. The financial and psychological consequences of depriving so many self-reliant Englishmen of the use of land are still with us. Francis Bacon complained that enclosures “bred a decay of people, and by consequence a decay of towns, churches, tithes, and the like.”

**B**UT once the enclosures started it became difficult for the open fields to compete. In a society that was simply seeking a rigorously fair self-sufficiency the open fields had no rival. But in a complex world where farm surpluses could be traded for town-made goods, more efficient production methods were demanded. Despite protest and active rebellion the enclosures made relentless progress. In the end the strips of land cultivated in common gave way to enclosed farms under the control of one man. Between 1700 and 1845 over six million acres were enclosed, generating one of the most extraordinary periods of unsettlement and resettlement in our history.

The enclosures fundamentally altered the relationship of men with the land, and gradually reduced the contribution that land made to the community's budget. The first Whitstable Report<sup>1</sup> says that for 150 years after the Norman conquest land provided 100% of the country's revenue.

For the next 150 years ...	95%.
For the next century (until Richard III) ...	90%.
Until Mary I ...	75%.
Until the Restoration ...	50%.
Until Anne ...	25%.
Until mid-19th century ...	4%.

This change in the concept of land, from its being held in common to the idea that private ownership was acceptable and even desirable, happened in many countries. It went hand in hand with the rise of capitalism, and followed the European colonisers across the world. It was introduced by us into India, when we took it upon ourselves to endow the Moghul and his governors with private ownership of the land at the expense of the ancient property rights of the village communities. Previous conquerors had already damaged the old system, but our act, and the following years of interference (often with the most benevolent of intentions), helped to bring the Indian sub-continent to the sorry state that it is in today.

The same thing happened in Algeria when the French arrived. They too broke down a communal land system, taking the Arab clan lands for settlement by French colonists.

**I**N SIMPLE terms this change of ownership from the community into private hands meant that those who worked the land had to pay rent to others. There was now no common fund to meet communal needs and so taxation had to be applied. If there was a bad harvest the taxes and the rent still had to be paid, usually borrowed at usurious

rates from the only people who now had the opportunity to accumulate money—the new landowners.

Similar stories can be found throughout Africa and in many other parts of the world. President Julius Nyerere of Tanzania has described the situation very clearly:

“To us in Africa land was always recognised as belonging to the community. Each individual within our society had a right to the use of land, because otherwise he could not earn his living and one cannot have the right to life without also having the right to some means of maintaining life. But the African's right to land was simply the right to use it; he had no other right to it, nor did it occur to him to try and claim one.

“The foreigner introduced a completely different concept—the concept of land as a marketable commodity. According to this system, a person could claim a piece of land as his own private property whether he intended to use it or not. I could take a few square miles of land, call them ‘mine’, and then go off to the moon. All I had to do to gain a living from ‘my’ land was to charge a rent to the people who wanted to use it. If this piece of land was in an urban area I had no need to develop it at all; I could leave it to the fools who were prepared to develop all the other pieces of land surrounding ‘my’ piece, and in doing so automatically to raise the market value of mine. Then I could come down from the moon and demand these fools to pay me through their noses for the high value of ‘my’ land—a value which they themselves had created for me while I was enjoying myself on the moon! Such a system is not only foreign to us, it is completely wrong.”<sup>2</sup>

It is this unearned increment that land value taxation (LVT) seeks to take, and not the fruits of the farmer's hard work. Henry George defined it clearly and simply enough:

“The tax upon land values is the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit and upon them in proportion to the benefit they receive. It is the taking by the community, for the use of the community, of that value which is the creation of the community. It is the application of the common property to common uses.”

We are talking about the unimproved value of the land, and in

**GEOFFREY LEE explains why land taxation helps farmers**

the case of farmland this will be low. However, all the speculative value will have gone. No one will pay £1,500-£2,000 an acre for good farmland—which is the average price at the moment (1979)—and much more if there is a likelihood of obtaining planning permission for building, when the farming value of the land is about £600 to £800. They will not pay it because as soon as planning permission is granted the full additional value would be turned into an annual rental value and taken by LVT. After all, the community granted the planning permission and created the value—the landlord, as President Nyerere rightly says, has created nothing.

The argument is put forward that it is unjust to the landlord, particularly to one who has just bought the land, to wipe out most of its value in this way. Sir Henry Campbell-Bannerman countered such a notion in a speech in 1903:

“Let the value of the land be assessed independently of the buildings upon it, and upon such valuation let contribution be made to those public services which create the value. This is not to disturb the balance of equity, but to redress it. There is no unfairness in it. The unfairness is in the present state of things. Why should one man reap what another man sows? We would give to the landowner all that is his, but we would prevent him taking something which belongs to other people.”

This is the key to understanding LVT. It is the taking of the added value given to the site by virtue of

## W. E. FOX

We are sorry to announce the death of “Wally” Fox who died at his home in Battersea in May this year. He was 88. To our knowledge he had no living relatives.

Walter Fox joined the United Committee in 1938 and served on the executive committee for many years. He was one of the earliest tutors for the Henry George School of Social Science and did much to assist in the revival of the economic classes in 1947.

He was an officer for many years in his local Labour Party and was on the Board of Governors of the local school.

Those who knew him well will remember with affection the kindness and humour with which he tempered his no-nonsense approach to political and economic questions.

the services the community provides—roads, schools, hospitals and so on.

Governments have never felt themselves beholden to compensate for new taxes—indeed such a step would nullify the tax. Whisky duty or petrol tax is put up and the producers are left to deal with the possibility that sales may fall. Even in the case of Government stocks the State has not felt itself under any obligation to compensate for the fall in value to the holders. For example, 3½% War Loan was issued at £100 and is now worth £28, which in real terms (allowing for inflation) is a minuscule fraction of its original price! When War Loan was issued at £100 it would have bought a small house or a cottage. If sold now, at £28, it would just about pay for a meal for two at a decent restaurant.

**T**HE TENANT farmer will be unaffected by the introduction of LVT since it is the landlord who pays, and he pays out of the rent—it cannot be passed back to the tenant as an addition to his existing rent. In bringing down the price of land it will give more opportunity to a young farmer to buy a farm of his own. At the moment he cannot do so. A Yorkshire estate agent stated in *Country Life* on January 11, 1979: “The prospects for young people interested in taking up farming as a career can only be described as remote, unless they are wealthy, when one realises that even small farms around 100 acres are fetching £200,000.”

The chances at the moment of renting a farm are nil; the security of tenure for agricultural holdings and the right of succession given by the Agriculture (Miscellaneous Provisions) Act 1976 are destroying the landlord and tenant system. The same estate agent went on to say: “Farms once vacant are rarely being re-let; they are either being sold or managed by the landlord, or let under a grazing licence for a season at a time. Few landlords are prepared to become re-involved in a full tenancy once released.”

With LVT in force farmland prices would be low, and the big institutionally-controlled estates may be broken up into medium-sized units each in the hands of individual farmers. Big is not particularly beautiful in farming, as this extract from a report by the Agricultural Economic Unit at Wye College<sup>3</sup> shows: “There are no grounds to support the argument that these large farms are on average more efficient

than medium-sized farms. Indeed, among Cropping and Mixed farms there is evidence that the largest performed noticeably less well than some smaller size groups.”

The authors go on to say: “Whatever other support the protagonist for the protection of the large farm against the impact of taxation may justifiably summon, it would be misleading on the evidence available to predict a widespread fall-off in the general efficiency of the British agricultural industry as a direct result of a reduction in numbers of the very large farms, even of their total disappearance.”

The land problem is universal—once unrestricted rights are given to owners, all the temptations to speculate follow. In Nigeria, for instance, which is a country with enormous agricultural potential, there has been in recent years stagnation in the production of many crops and a marked decline in others. A *Financial Times* survey of August 30, 1978, explained it thus:

“There has been abundant evidence in recent years that land tenure has become a serious problem. Both businesses and individuals have had trouble acquiring land because rapidly rising values have encouraged customary owners and speculators to retain their holdings. Plots on the outskirts of Lagos which were available for about N400, 10 to 15 years ago increased to over N4,000 before land-owning families found they could get much more through leasehold arrangements and stopped selling . . . The communal ownership of land has broken down in many areas, being replaced by individual ownership of purchased land . . . Tenant farmers, moving from overcrowded areas, work at very unfavourable terms for absentee landlords but have no chance of acquiring the land they farm because they are ‘strangers’.”

Unfortunately the Nigerian answer to the problem has been to effectively nationalise all land, and rent it through the military governor of each state. This simply replaces the present owner with an even bigger absentee landlord, to say nothing of the bureaucracy and the possibility of the corrupt practices that can go with state control.

Pakistan is another country with vast agricultural potential. The land is fertile, and the Indus supplies enough water to irrigate it, so that there should be an over-abundance of staple crops like wheat and rice, and plentiful exports of cotton.