

# AND THE FALKLANDS

capacity of the islands' existing agricultural population and more consistent with realistic immigration prospects."

● This response was condemned by Mr. Terry Peek, a Falkland Islands legislative council member. The government's proposals, he said, would not break the stranglehold of absentee landowners.

● In the first of two articles,

FRED HARRISON argues that Lord Shackleton – as well as the British Government – failed to develop the ideal solution for the Falklands.

● In the second article, EDGAR BUCK highlights the economic factors behind Russia's support for Argentina during the Falklands crisis.



● Edgar Buck

*This would not happen under a system in which the community taxed away the economic rent of land for the benefit of all its citizens.*

For if prices fall, there is a lower surplus – economic rent – to be claimed by the exchequer. Regular revaluation of annual land values enables the tax authorities to sensitively adjust their fiscal claims.

Thus, there would be no hardship, and no monopolistic barrier to men who wish to work on marginal land that can produce just sufficient income to pay for wages and interest on capital investments.

The attractions of raising exchequer revenue for the islands from its natural resources, rather than from labour and its products, were itemised by Prof. H. S. Ferns:

"As a place where there are no taxes on workers, no taxes on enterprise, none on exports, nor on imports, and no interference with honest productive activity, the Falklands would have enormous attractions for workers and business people in the unstable, chaotically 'managed' communities of southern South America."<sup>4</sup>

Shackleton could have exercised his influence in the direction of just such a prosperous, libertarian society. Instead, he reaffirmed the system of property relations that he had condemned as inequitable and inefficient.

Enlarging the number of land monopolists might present fresh opportunities for today's islanders, but what about the needs of the next generation?

## REFERENCES

1. *Falklands Islands Economic Study 1982*, London: HMSO, Cmnd. 8653, 1982, pp.9-10.
2. P. E. Poole, 'The Case for a Heritage Fund', *Land & Liberty*, July-August 1982.
3. *Op. cit.*, p.59.
4. H. S. Ferns, 'What Next for the Falklands?' *The Journal of Economic Affairs*, July 1982, p.251.

## When trade might have averted war

**T**HE APPARENTLY inexplicable factor in the Falklands crisis was the friendly relations between Russia, a communist country, and Argentina, ruled by a fascist junta.

The explanation for this is economic. Historically, Argentina and Britain were friends, and for many years, trade between them was substantial and profitable – both ways.

Argentina supplied, among other things, good cheap beef raised on great ranches and, in return, Britain supplied a variety of goods and services.

*When Britain joined the European Economic Community, all that changed.*

High tariffs were placed upon meat coming from outside countries. It is officially recorded that "exports of beef were considerably reduced from mid-1974 as a result of European Community Import Restrictions".<sup>1</sup>

This was serious because cattle ranching covers about half the total land area of Argentina, a third of its exports is meat and meat by-products, and the total contribution of agriculture to export income is 90 per cent.<sup>2</sup>

The European Economic Community was recommended as a free trade area which would benefit member States. But the words "free trade" are misleading, for they mask the true economic description which is: a "cartel to keep up prices". The tariff on beef imported from Argentina is 70p per lb.

The trade between the United Kingdom and Argentina was seriously affected as the table shows.

**A**POLOGISTS for the protectionist system let people believe that the tariff tax is paid by the foreigner, when clearly it is the British consumer who ultimately pays; and secondly, because the beef is placed on British wharves at its agreed price, and the 70p tax added, the price of the meat, plus the tax, becomes the sum upon which the importer expects to have a

profit on re-sale.

In the process of further dealing, the various handlers add their profits to the composite sum so that the consumer bears much more than the original 70p per lb tax.

There might well be a rejoinder that the object of the exercise is to keep the beef out, so that the total amount of the tax would not be all that large if the tariff were effective, because there would be no trade.

Either way, the British consumer pays the equivalent of the tax in the price of the meat, and its effect is to subsidise inefficient producers within the cartel. This is a direct reduction in the standard of life of the British people who, in addition, pay colossal sums to belong to this silly system.

This brings us back to the inexplicable factor in recent events: *Why was there no condemnation of Argentina by Russia?*

Clearly it was because Russia was receiving the cheap meat which, before Britain's entry into the E.E.C., had been imported for the benefit of British people. Obviously Russia did not want to surrender these cheap supplies, nor Argentina its market.

Free trade between nations establishes an inter-dependence which is a greater guarantee of peace and co-operation than all the treaties, charters and armies one can imagine.

In the case of the Falklands, therefore, it is worth asking: "Would the government of Argentina have invaded the Falklands had trade between Argentina and Britain been at the level it was before it was halved by the cartel tariffs of the Common Market?"

## REFERENCES

1. *Hints on Exports to Argentina*, British Overseas Trade Board, 1980/81.
2. *Atlas of Earth's Resources*, London: Mitchell Beazly, p.130.

U.K. – ARGENTINE TRADE (£m)		
	1973	1975
U.K. imports	106.1	53.4
U.K. exports & re-exports	41.7	67.7