

is nothing to be done and there is nothing that we intend to do about it . . .

"Then he (Sir Keith) said that if, somehow, the price of land were controlled, that would result in a reduction in the amount of land available for housing, and that, somehow or other, house-building land would disappear. Where would it disappear to? . . . Land is a physical fact. It cannot disappear . . .

"I am sorry that I have not been able to get a more positive reply from the Minister."

## NOTES AND NEWS

Apologies for Free Trade — Repetitious  
Fallacies about S.V.R. — Hankering  
after Land Nationalisation



### CAUTIOUS FREE TRADE

**BRITAIN'S FAILURE** to gain entry into the European

Common Market, the existence of the European Free Trade Area, the desire to foster closer economic links with the Commonwealth, and the approaches to be made through GATT for acceptance of the "Kennedy Round," have recently led economists to look closely again at the international trade situation. Among the analyses that have been made, that of Mr. G. T. Saunders, Director of the National Institute of Economic and Social Research, recently presented as an economic paper at the Woolwich Polytechnic, is worthy of close examination.

Mr. Saunders puts forward a reasoned plea for the gradual reduction of tariff barriers between highly developed industrial countries such as Japan, North America and the United Kingdom, and the rich primary-producing countries such as Australia and New Zealand. He considers, however, that there is a justifiable case for maintaining protective barriers against industrial and manufactured imports by the underdeveloped countries. Such a policy, it is maintained, would be justifiable on the grounds that it has been proved historically that underdeveloped countries can generally increase their national wealth totals only by some degree of industrial investment and not by reliance on primary products, i.e., the natural physical productive resources.

What is overlooked in this argument, of course, is that any impediment to trade decreases the total production of wealth. An "underdeveloped" country cannot possibly increase its national wealth by erecting tariff barriers. Industrial investment, which is certain to develop to some extent in every country in time, will come about naturally under conditions of free trade once the export of primary products has reached its maximum level.

Mr. Saunders concludes his treatise by pointing out that political factors in the U.K., America and Europe

With this last remark we would all agree. There are some of us, however, who might prefer a negative approach to a wrong one. Mr. Silverman cannot be blamed for examining all the possibilities briefly while highlighting his Party's proposals. To Mr. Silverman and a great number of members of parliament any measure would be better than none. We can only hope that eventually common sense will prevail and that the only just solution will find acceptance—the taxation of land values.

are likely to make any liberalisation of trade barriers a slow process, but he maintains that this should not preclude setting minds on a long distance goal.

It is an interesting feature of this paper that the author feels that he needs to defend his attitude in cautious terms, and indeed he goes out of his way to establish that he is not a "free trader" in the traditional sense of the term. In his argument for protection of the industrial economies of developing countries, he refers to Schumpeter, who was of the opinion that while universal free trade would tend to make the most efficient use of existing resources, it would not necessarily lead to the most effective *development* of resources. Put another way, the line of thought is that free trade would not necessarily lead to the most rapid economic progress of individual nations.

This is a remarkable and inconsistent conclusion for either Schumpeter or Mr. Saunders to come to. Free trade must inevitably lead to the most effective development of resources and to the most rapid economic progress of individual nations. It is in the constant development and replacement of existing techniques and methods of production, that free trade shows the greatest advantage.

While it cannot be denied that India's example has shown that industrialisation can speed up economic growth, it cannot be proved that this would not have occurred without foreign aid and protection if the distribution of wealth within the country had been different. To be more explicit, it is necessary to return to fundamentals. Henry George pointed out that the system of land tenure can restrict or encourage economic expansion while international free trade by itself tends to increase the rewards of land owners. The lesson here is that unless primary producers have access to the international markets and an enlightened system of land tenure, economic development will rest in the hands of those who are able to call the "investment" tune.

That differences in economic development exist between nations is clear. The problem is how to improve the situation of the poorer countries. This must be done initially at the root cause through land reform if any trade policy is to be effective. If this could be established, the rate of economic increase might be a surprise to all. The difficulty, of course, is that the basic monopoly is so well entrenched and rarely examined. Mr. Saunders, however, might benefit from further examining Hong Kong, the economic progress of which has been remarkable and where there is no primary production and no tariff barriers.

## SHOULD THE LAND BE NATIONALISED?

AN ARTICLE by Colin Clark in *The Director* condemning land nationalisation was the subject of widespread reports in the daily papers (perhaps the nearness of the General Election had something to do with this) but another article on the same subject by Mr. A. C. Thomas, F.R.I.C.S. in the *Municipal Journal* attracted less attention.

In his skilfully written and entertaining article Mr. Thomas puts forward the case for land nationalisation, not on any grounds of political dogma or social justice, nor even primarily in order to recoup for the community future increases in land value—although he says that this argument “contains enough truth to be convincing.” What Mr. Thomas is really concerned about is the spiritual rather than the material. “Basically,” he says, “we want to go on improving the human environment in the spheres which govern our spiritual development; on the basis of abundance we want to re-create for everyone the possibilities of spacious, all-round living which were once enjoyed by the few; in place of the factory-hand at the conveyor belt and the commuter with his briefcase we want to encourage a re-birth of the complete, many-sided individual who flourished briefly in the renaissance.”

These objectives are perfectly feasible, says Mr. Thomas, and are attainable without the nationalisation of industry. But, he goes on, “I do not see it being done within the framework of the continued private ownership of building land.” The reason Mr. Thomas gives for this view is that the society he envisages depends first of all upon material prosperity, that material prosperity depends upon economic flexibility and that economic flexibility is hindered by the individual ownership of plots of land.

While we would not agree with Mr. Thomas' line of reasoning, nor with his solution to the problem, we are in strong sympathy with his objectives. His concern that society will never reach its peak under a system of private land ownership is ours. Mr. Thomas does not go into the details of land nationalisation. “How best to achieve the transfer (to public ownership) is very much another matter,” he says. Maybe he would be happy to accept a 100 per cent tax on land rent as achieving the same object.

Speaking of the “classless technician” he says, “... they are prepared to differentiate between what is earned and what is unearned; between what is replaceable and what is irreplaceable; between private ownership of the game's apparatus and private ownership of the pitch on which the game is played; and they will expect the legislature to be capable of similarly differentiating.” Let us hope he is right.

Colin Clark's article in *The Director* was very much in contrast. Any attempt to recoup increased land values for the community through land commissions or regulated land sales, he said, is completely and utterly impracticable. The same object could be more simply and efficiently attained by a tax on the unimproved value of land.

This last comment did not find its way into every newspaper report but many of them enthusiastically quoted a defence of land speculation. “It is one of the simplest propositions of elementary economic theory,” said Mr. Clark, “that speculation, so interminably denounced from political platforms, is in fact socially beneficial. If land speculation ceased, buyers and sellers would be faced with even more violent price movements than they are at present.”

It is difficult to know exactly how Colin Clark defines land speculation. The land agent, the man who buys and sells land in the same way that an estate agent buys and sells houses, is obviously performing a useful and very necessary service in bringing buyer and seller together and satisfying the market. Naturally he makes money out of it — he must be compensated for his services under the present system. The middleman, the “speculator”—if one likes to call him that—performs a valuable economic function, but not the man who buys up plots in the path of new development—acting on shrewd judgment or perhaps on “inside information”—who is content to sit back for many years, ready to make a “killing” when the time is ripe; this man performs no useful service, he is a bane to society, although it is society by its land tenure laws which encourages such acts and that is ultimately responsible.

A land-value tax such as Colin Clark envisages would of course put paid to the second type of speculator but would leave the first largely unaffected.

## SITE-VALUE RATING IN THE LIMELIGHT

THE SUCCESSFUL COMPLETION of the Whitstable

Survey on site-value rating conducted by the Rating and Valuation Association has led to much further discussion and criticism of the problems and principles involved. This is all to the good, for the wider publicity that the report has obtained has regenerated interest in a subject of major importance that has been allowed to lapse too long. More important, perhaps, is the recurring nature of these rigorous analyses. Criticism, suggestions, wholehearted support and outright condemnation continue unabated.