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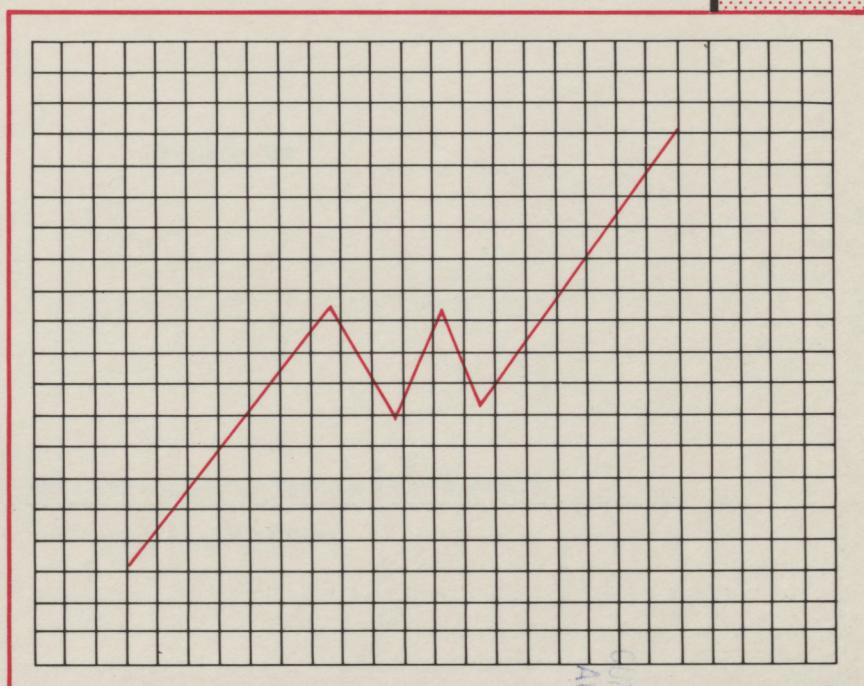
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# ANNOUNCEMENTS, COMMENTS AND NOTES

## COMMENT

### TAXING AGRICULTURAL LAND

#### Comment by S.G. Fiske

In claiming that taxes can be calculated on the criteria of efficiency versus equity, Prof Nieuwoudt (*Agrekon* 26(2)) has given eloquent expression to a dangerous notion which has infected mainstream economic thinking since the mid-19th Century.

Although we pay lip-service to Adam Smith as the founder of our discipline, his central message - that there is no conflict between equity and efficiency - has quietly been discarded.

A few of us (most noticeably those of the Austrian school) still baulk when our imperfect but calculating minds are tempted by 'economic fixes' which seem to require the temporary suspension of ethical standards. The rest, without realising it, have become worshippers of Mammon.

In the same issue of *Agrekon* Prof. Groenewald complains about agricultural economists changing their tunes with changes of employment. Is it surprising that they should do so when their professors are teaching them that 'equity is a subjective concept' (Nieuwoudt, *op. cit.*, quoting Hyman)?

Even if economists could demonstrate a conflict between efficiency and equity (which they cannot) they would still, surely, have a moral duty to recommend equitable solutions rather than 'efficient' ones to social problems.

The alternative is a totally lawless society. If economists are to be allowed to disregard the ethical ramifications of their advice and decisions why should anyone else (politicians? lawyers? judges? journalists? professors? businessmen?) be obliged to regard them?

I tried, but obviously failed, to get this message through to South African agricultural economists in the paper I delivered at the 1985 LEVSA Congress in Bloemfontein. In social transactions, means are more important than ends. As long as men are moral, God will provide. The hidden hand does work. Justice is rewarded.

When economists were still moral philosophers they understood that bad trees could not bear good fruit. Moral men, particularly those who also claim some understanding of agriculture, should be

distressed that this opinion has fallen from fashion.

I do not wish to detract from the many excellent and valid points which Prof. Nieuwoudt makes in his article. I cannot let it pass, however, without drawing attention to the fact that his near-dismissal of land taxes, and his advocacy of labour subsidies are premised on:

- (a) The invalid assumption that an economist is incapable of defining (or even borrowing a definition of) equity.
- (b) An apparent misconception that farmers would pay the lion's share of a land tax. (In fact, the rental value of urban, industrial and residential land and of mineral rights, wayleaves, etc. is much greater than that of farm land.)
- (c) The red herring he raises about the need to ascertain the capital value of bare land in order to work back to its rental value. (In practice, renting becomes more common and rental values of bare land more visible when land taxes instead of income taxes and inflation are used to finance public expenditure. This is because owner-occupiers who cannot recoup the rental value of land are given a greater incentive to find a tenant who can.)
- (d) The assumption that a land tax would not cover all state expenditure. This argument ignores the fact (admirably elucidated by Henry George) that most state expenditure is also indefensible on grounds of equity (and efficiency) and that one of the main reasons why social programmes and 'job-creating' programmes are now necessary is that land rents (created by the community) have been monopolised in title-deeds and then bestowed upon a privileged few. The rest of mankind is thereby reduced to a state of near-beggary when it wants to live and work while the privileged few are guaranteed a perpetual income - for doing nothing.

Prof. Nieuwoudt has done a valuable service in reminding us that a tax on land is not a disincentive to effort and that it does not distort resource allocation. Henry George did better still. He showed why the absence of a tax on privately held land would necessarily constitute a disincentive to effort, why it would necessitate other, more damaging and less equitable forms of taxation and why it would inevitably distort all other resource allocations.