

LAND AND LIBERTY

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THE ESSAY: THE CAUSES OF WAR

L.A. GANG PLAN FLOORED

HOUSING: THE SUPREME IRONY

JAPAN: THE COMING REVOLUTION

LAND AND LIBERTY

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CORRECTION

A printing error has disordered the volume numbers of *Land & Liberty*. The Nov./Dec. 1991 issue was 1154, not 1153. The correct number for Jan./Feb. 1992 was 1155, and the March/April 1992 issue was 1156.

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EDITORIAL

A Homeland for the Souls of Slaves

URBAN RIOTS in the United States were the cries of pain of the souls taken into bondage from Africa. That lesson is yet to be acknowledged.

President Bush adopts a spurious explanation for the disorder in Los Angeles. He blames the welfare system fathered by the liberals of the 1960s who sought to help the children of the men and women who slaved on the cotton fields. Many black men, we are told, fail to support their families. Black women have babies without getting married. All because of "welfare". And that's why their children resort to crime.

The superficial plausibility of this analysis distorts the reality. America's negroes are a people without a cultural identity, locked into a No Man's Land by history and the impoverished philosophy of the 1960s, in which the state resorted to welfare handouts. The poor were not emancipated; on the contrary, their condition of dependency was deepened.

Their ethnic roots, which give people much of their personality, were destroyed by the English sailors who snatched them from the soils of Africa. Emancipation could not restore traditional homelands to the slaves. So they were rootless, cut free to float in space, no cultural anchors to drag them back to earth.

Culture, to exist, needs the nurturing of a territorial context. Wrench people away from their land, and you destroy the lifeblood of their culture. No wonder the blacks have been leapfrogged by waves of immigrants who, though personally landless, were able to bring with them the semblance of a culture nurtured into them "back home".

Emancipation left the blacks shell-shocked, for they could not draw on the strength of ancient roots. Their lethargy and self-destruction are expressions of the post-traumatic stress syndrome. Occasionally they are jerked out of that mind-numbing condition by acts of injustice, to kick back at the society that stole their identities and gave them foodstamps.

There's no going back to Africa, but a practical formula can be articulated to make the land of America as much the homeland of blacks as that of the whites. The core of the appropriate philosophy says that the land belongs to all. This is not pious; sharing the rent of land through the public purse gives everyone an equal stake. It also removes the barriers that deny people the equal opportunity to work for their living.

This is the philosophy of empowerment that black America has yet to appreciate (see page 3). It's a philosophy that's been working for 100 years, in some places (see page 11). Black leaders should arm themselves with the one philosophy that would restore dignity to their people, which would give them that strong sense of place, of belonging, without which they will continue to live in limbo.

LAND MARKET'S DEATH BLOW TO GANG PLAN

DENIED the hope of a decent future, teenagers in the black ghettos of Los Angeles created gangs. They traded in drugs, children died in the spray of their bullets, and a new sub-culture solidified into a way of life which, nearly 30 years later, is arrogant enough to compete with the state itself.

Then came a truce between the gangs, based on the Camp David settlement between Egypt and Israel. A week later the Rodney King court

and no welfare handouts. And they want the drugs barons to pour their profits into new businesses in the derelict areas.

It sounds inspiring. It will fail, because the state retains its grip on the one tool that could make or break what they call The Plan: taxation.

Even if racism disappeared overnight; even if billions were poured in to Watts and the other ghettos, the spoils would not trickle down. It's a matter of economics. For no matter how prosperous a neighbourhood, the principal beneficiaries are the owners of land. For as money flows in, so land prices rise. Jobs may be created, but so long as the rental income is privately appropriated, the "surplus" - the fund most suited to finance community needs (as Adam Smith noted in *The Wealth of Nations*) - is channelled out.

President Bush is no help. Supply-siders who encouraged Ronald Reagan with the philosophy that turned the US into the biggest debtor nation in history, are urging Bush to "cut the capital gains tax". The logic was summarised by Jude Wanniski in the *New York Times* (Nov. 12, 1991):

"The capital gains tax remains the center of supply-side concerns about the economy...The Democrats are wrong that the tax benefits the rich the most...There is no other solution to this Bush recession....Until

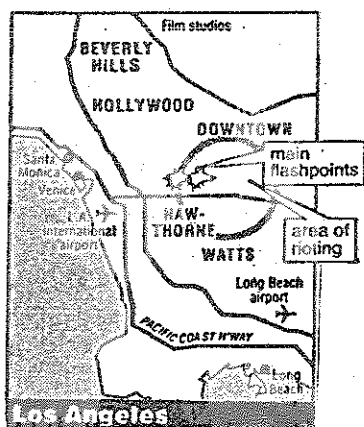
this tax on risk-taking, innovation and opportunity is sharply cut or eliminated, the economic decline will continue..."

That analysis is wrong, but the tax system could be restructured to benefit investment in new capital and job-creating enterprises. By itself, however, that would only widen the divide between rich and poor. For most of the cream from entrepreneurial profits would flow into the land market. That would not diffuse income among a wider number of people, especially in an economy like California's, where the labour market is under constant pressure from Mexican immigrants.

The White House, however, is not conscious of this subtle implication. That is why Housing secretary Jack Kemp is being allowed to set the President's agenda with his proposal for enterprise zones; but the tax benefits of these zones are capitalised into higher land prices, which harm the local economy (as London's East Enders discovered: see boxed insert).

Vice-president Dan Quayle blames the breakdown in the black family. Black men, he declares, should take responsibility for their babies. It is true that the negro family has failed to recover from the trauma of slavery. Family structure is the striking difference between blacks and the other immigrant groups, such as Korean shopkeepers. The latest immigrants "make it" by overriding the rent obstacle - temporarily (see *Land & Liberty*, May/June, 1990, p.38) - with the sweated labour of the extended kinship system.

How to rebuild the negro family will take decades of painful soul-searching and social reconstruction, but handing the ghettos to land speculators is not the solution - a fact which the "utopian" city planners (Ebenezer Howard in Britain, Frank Lloyd Wright in the US) noted long ago.



verdict triggered the April riots. But the truce held. The gang leaders seized the initiative: they want to renew their neighbourhoods, and are negotiating deals with the agencies of the State of California - and Big Business.

Leaders of the Bloods and the Crips have traded their sub-machine guns for pagars. They want jobs, new construction, improved education,

THE DEAD CANARY AND THE FOUL NEST

LONDON'S derelict docklands was designated an enterprise zone. A development corporation - inspiration of Michael Heseltine, the then Environment Secretary - was armed with draconian powers to buy land and sell to users. Relieved of the property tax, land prices were bound to rise. Speculators moved in, and land prices soared from £50,000 an acre to £3m and more. Land speculation destroyed local jobs and made houses unaffordable (see *Land & Liberty*, Jan./Feb. 1988). The Reichman brothers bought in at the peak. Their Canary Wharf foundered. The government refused to continue enterprise zone status. Capital worth billions of pounds is now marooned in a no-man's land.

Grounds for a non-socialist future

With the UK General Election and the subsequent local elections now passed, it is instructive to look back and assess some of the consequences. Of these, the most obvious is the formal laying to rest of the Social Democratic Party. Essentially a breakaway from the Labour Party in its final days of unacceptable, fellow-travelling socialism, this was a plant all of leaves and flowers, without stem or roots. It is no more. R.I.P.

The S.D.P. stood for a 'forward' policy towards European integration, for a managed economy of state and private 'partnership', and for redistributive welfare spending. This is virtually the contemporary Labour Party's position. It also handily describes the Liberal Democrats. One might even add that under John Major's leadership the Conservative Party too shows clear signs of SDP infection. Social democracy lives.

It is Liberalism which has died. R.I.P. The old Liberal Party was supported by liberals devoted to land value taxation and free trade and also by impatient welfarists of the social democratic stamp. The position of the former group significantly eroded over the last quarter century. The attenuated stream of traditional liberalism has not survived the Liberal Party's dalliance with the SDP. The Liberal Democratic Party welds social democratic policy to the old Liberal structure. It is liberal in name only.

The Liberal Democrats are almost as politically marginalised as the old Liberals ever were. They are 20 in a House of 651. Most of their seats are rural, scattered round the Highlands, the Borders, and the South-West. Only three (Southwark and Bermondsey, Liverpool Mossley Hill, and Rochdale) are true city seats won from and held against the Labour Party. Whatever the SDP brought the Liberals, it certainly was not the stomach to challenge Labour in its run-down industrial and inner-city heartlands.

The Scottish Nationalists are no more successful than the Liberal Democrats in seeking to overthrow Labour in its strongholds, but at least they know that that is what they have to do, and they do keep trying. Their Welsh counterparts seem restricted to Welsh-speaking rural Wales. Except for three Northern Irish parties, all the other small-fry were beaten out of sight.

The contemporary party political scene offers little obvious comfort to the LVT supporter and the free trader. Amongst the Liberal Democrats, LVT survives, just, in much etiolated form as part (part!) of changes proposed in local government finance. Of course there will be old-style liberals who continue to work amongst the Liberal Democrats, and there are those

who find other aspects of a particular party's policy appealing in its own right - politics, after all, is not just about land, or even just about economics. For all the rest, though, is LVT as dead an issue as it might look?

Fortunately it is not. If a week is a long time in politics, a decade is even longer. Who, ten years ago, would have forecast Labour still solidly established but unable to win, successfully casting aside many of the accoutrements of socialism and now looking to a non-socialist future? Labour did not adopt socialism until after World War I, and still supported LVT and free trade well through the '30s. Having thrice since World War II disgraced itself with development taxes, is it too much to hope that it will again recognise that all land must bear an annual duty related purely to its

site value, regardless of the use to which it is actually being put? The challenge is to distinguish land from capital, and to place reasoned exposition of a fundamental

"LVT is up for grabs. Who, when the next century starts in 2001, will have seized it? LVT supporters should work on the big parties."

case before the easy but now totally unconvincing rhetoric of soaking the rich and squeezing until the pips squeak.

It is also wrong to dismiss the possibility that a future Conservative government might reach for LVT. Just as the Trades Union Barons have lost predominance within Labour, so the Knights of the Shires no longer dictate to the Conservative Party. Dedication to the defence of what at law is still treated as private property, land, may give way to pragmatic acceptance that indeed it is different from man-made wealth. Free-market capitalists thrive all the more without the yoke of landlordism.

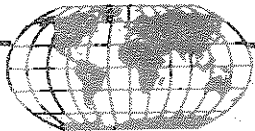
LVT is up for grabs. Who, when the next century starts in 2001, will have seized it? LVT supporters should work on the big parties.

OURS NOT MINE! YOURS?

ARE YOU weary of politicians who talk of our farmers, our industry, our green belt, our exports, our film-makers, and so forth, as if we are all interested parties?

Personally I have no stake in anything agrarian. I have a little money in company shares, but scarcely sufficient to take a proprietorial view. As for the green belt, I am, like most, denied access to much of it, and never consider it mine. I derive not the slightest sense of personal ownership from any foreign sales statistics. What I want to hear is a politician legislating for collection of our land values for the public revenue.

LEWIS LITTLE

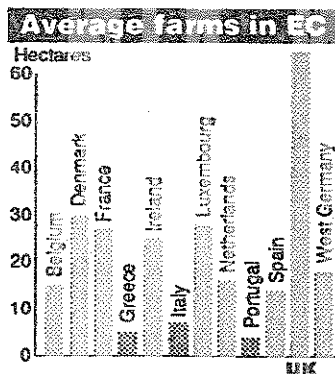


Round the world

BRUSSELS Rent-seekers

COMMON Market ministers claimed a major victory when they sealed a deal to restructure the common agricultural policy (CAP). Pressured by Washington, the Europeans finally agreed to adopt policies aimed at reducing market distortions.

They are not the only guilty ones. Globally, taxpayers and consumers in industrial countries are worse off to the tune of \$100 bn (£57 bn) because of agricultural support. Where does the money go? According to *Lloyds Bank Economic Bulletin* (May): "Around half is transferred to landowners, and the rest is lost in inefficiency. Poor farmers and farm labourers appear to gain little." A British professor, David Harvey of Newcastle University, estimates that a higher figure - two-thirds - of the CAP's £26 bn slush-fund is wasted.



Europe's new plan will shift subsidies from output (for the stockpiles) to direct payments to farmers - including large farmers, at Britain's insistence. Analysts now note that this will not significantly reduce production nor food prices.

So who reaps the rewards? *Lloyds Bank* notes that a cut in subsidies ought to work in a reverse direc-

tion: be passed on to owners in the form of lower land values. The new plan, however, increases the cost of CAP and requires the setting aside of 15% of land from production - for which owners will be rewarded. Result: an increase in Brussels' bureaucracy, a buoyancy in land rental values, and a return of food surpluses by the decade's end.

LONDON Kerb-crawlers

Police have been confronted by a new "explanation" by kerb-crawlers, in recent months. Suspicious-looking motorists, questioned for loitering in neighbourhoods, have said they are valuing properties for the council! The "valuation" involves 21 million residential properties, which become liable for property taxation when the notorious poll tax is scrapped next year. Valuations, at fees between 20p and £10.95 per property, have to be completed within 20 weeks.

MOSCOW Private farms

Food production will reach its crisis level this winter, according to Leonid Abalkin, director of the Institute of Economics at the Russian Academy of Sciences. By last February, the number of private farmers had reached 60,000, each farming 40 hectares on average. But the transition from collective farms will result in a collapse in sowing areas by between 40 to 60%.

COSTA RICA Land Boom

Speculators are being coaxed into buying land in this central American state, which is noted as a haven of political stability.

According to Taipan, an investment bulletin, "Costa Rican property has been appreciating at breath-taking speed. Prices have doubled, even tripled in some of the most sought-after areas over the past five years."

Choice area for real estate is being identified in the Central Valley, where an acre of land "typically costs between US\$15,000 and \$150,000. But in other parts of the country, land can be bought for US\$3,000 to \$4,000 an acre."

SÃO PAULO Farm slavery

The scope for turning homeless workers into slaves is blamed on the IMF by an official of the State National Social Security Institute. Brazil officially abolished slavery 104 years ago. Last year, however, nearly 5,000 people were kept as slaves on 27 agricultural establishments (mainly Amazon cattle ranches or sugar cane distilleries), according to the Roman Catholic's pastoral land commission.

OXFORD Right of way

Lord Rotherwick, who recently bought a 1,500-acre property in Oxfordshire, forced a council to take legal action because he blocked people's access to footpaths. Now the lord wants £1.5m compensation. A similar deal was struck by the Duke of Westminster over a six-mile footpath in the Trough of Bowland. Landowners, criticised by ramblers for closing vast tracts of countryside, claim their action is motivated by the need to conserve wildlife.

Sydney Court ruling

The fiction that Australia was

not inhabited before the arrival of the white man has been scotched by a high court, which quashed the legal doctrine used by Captain Cook to seize Australia for Britain. The doctrine, known as *terra nullius*, was overruled by 6-1. The judges concluded that aboriginals were entitled to "possession, occupation, use and enjoyment of the Murray Islands." Aboriginal leaders are now demanding a new treaty that recognises their land claims.

RIO DE JANEIRO Alternative Tribal Summit

A group representing indigenous peoples published an alternative declaration at the Rio environment summit, which called for self-determination and recognition that they owned the natural resources taken from their lands.

TEL AVIV Peace prospects

Israel's Likud party - which refused to accept the principle of swapping land for peace - lost the election on June 23 to Yitzhak Rabin's more conciliatory Labour Party, which promised to reach an interim agreement over Arab control of the West Bank.

WASHINGTON Right to pollute

Wisconsin Power and Light's right to pollute the air has been sold to a company 1,000 miles away. Wisconsin is a "clean" company based near the Canadian border. It is now richer by nearly \$3m (\$300 for each polluting ton), having struck the first air-rent deal in a new commodity market with the Tennessee Valley authority.

News in Brief

NORMAN LAMONT, Britain's Chancellor of the Exchequer, brought cheer to families threatened with repossession of their homes. Politicians want his emergency measures (including a "holiday" from the payment of stamp duty) extended beyond the mid-August deadline. **RICHARD BRAMHALL** welcomes Lamont's action as a "a gesture of compassion." But he has strong reservations about the remedy.

H O U S I N G

Tragedy behind the irony

by Richard Bramhall

THERE IS one elementary observation which Norman Lamont - in common with the Opposition - failed to make about the steps he took to rescue the distressed families who are losing their homes by the thousand.

Whenever something makes home ownership easier, the market will generally adjust so that prices swallow up the advantage.

So is there any hope for the disadvantaged of our society? The answer, I fear is "No" - not while there is no tax liability on idle land and under-utilised housing; not while society fails to recoup the values conferred on land by society's own need to use it. So long as the owners of potential building land are unwilling to sell below speculatively high prices - which in a recession means that there is no real attempt to reach agreement on a sale - the land element of a house will continue to be high enough to cause hardship.

A supreme irony lies behind the tragedy of homelessness, bed-and-breakfast accommodation, and mortgage repossessions: none of it is necessary. There is no shortage of land for housing. A 1981 report (one of the very, very few pieces of hard information available on the pattern of land use and misuse) revealed that 1.3 million acres of land in Britain were underused, idle, or derelict. Nothing much has happened in the intervening decade to put it to good productive use, though it is, in total, roughly the same area as the whole county of Powys. Yet in the 1980's the building industry's biggest headache was the apparent shortage of affordable building land.

Tens of thousands of acres of agricultural land were lost each year to sprawling towns and cities which were forced to leapfrog underused land which speculators refused to develop while they waited for larger gains in

the future. The miserly supply of land that does find its way onto the market gobbles up anything from a fifth to a third of the selling price of a house, which compares starkly with the paltry 1.2% discount represented by Norman Lamont's temporary suspension of stamp duty on an average house sale.

If the Chancellor really wants to kick-start the housing market he has to persuade his colleagues to bring genuine competitiveness to the land market by implementing the Green Party's Site Value Taxation policy. This system of raising public revenue cuts at the root of the problem of housing shortage by taxing land owners for the value of their sites as if the land were being used to the full potential allowed under local planning.

The immediate effect would be to cause such owners to compete to develop their holdings as permitted under local plans, since they would be paying the same rate of tax on derelict sites as on fully-used ones. A competitive free market in land would bring down prices, and builders would be able to provide affordable housing at less risk to their businesses.

I don't envy Mr. Lamont his task of bringing fairness to the housing market - his own party and the land-owning class that supports it would crucify him rather than admit the basic injustice of a system which allows a small number of people to keep for themselves most of the benefits of owning a vital commodity which none of us created nor ever could create.

He certainly won't find an ally in Teresa Gorman, if we are to judge from her intervention in the Commons on the day he announced his package of measures on mortgage repossessions. Ms. Gorman suggested that we in the UK should adopt the same standards as Japan, where it is usual for mortgages to run for 60 years,

as against 25 years in Britain. The lady rarely opens her mouth but to shoot herself in the foot, and this was no exception: the Japanese economic miracle has been achieved at the cost of having one of the worst-housed workforces of all the industrialised nations.

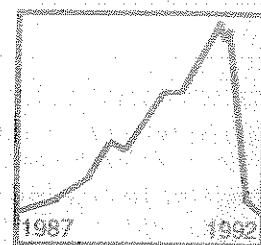
Sixty-year mortgages can only be needed where the price of land for building is astronomically high, as in Japan, due to the national hobby of land speculation. Some measure of the resulting human misery can be found in the incidence of the deaths of whole families: it is not, I hear, uncommon to read in the Japanese press, reports of the heads of households murdering their children and then committing suicide, so oppressed are they by the unseen forces of greed and land monopoly. I hope that Ms. Gorman will take account of this before she seeks to add life-long mortgage terms to the crushing armoury of weapons which are already lined up against the poor and disadvantaged in Britain.

Somehow I can't see anyone in the Major government taking on this cause: the conservatives are too apt to claim that competition does exist in the land market, since there are so many landowners. This glib argument takes no account of the fact that everyone needs land to live and work on, while the few who control its supply generally can afford to wait for a price that is satisfactory to them.

But until someone does grasp this nettle, the Chancellor's little present will not benefit hard-pressed home owners. In the short term it will inflate house prices: in the long term it will inexorably make its way into the pockets of the very people who need it least - the landowners.

The author is press officer of the Wales Green Party.

CENTRE FOR INCENTIVE TAXATION ECONOMIC INTELLIGENCE



C I T

EI/33 JULY 1992

USA: HOUSE PRICE TAILSPIN LOOMS

SNAKE-OIL SOLUTIONS are once again in vogue in the USA, in this jittery period of presidential election campaigns and urban riots. The global economy will pay the price in protracted under-employment. The US economy has not hit the bottom; nor has the UK's. Linked to belt-tightening traumas in Japan and Germany - which will last another 12 months - a depressing picture emerges of a sustained increase in the loss of people's jobs.

The focus of EI's concern has now switched from the depth of the downturn (we have been warning about 1992 since early '88), to official illusions about the upturn. These are creating false expectations among households and corporations, the price for which, of course, will not be paid by governments. Despite data which continue to falsify the last numbers conjured up by the forecasters, the tone of official pronouncements is upbeat. Why? Because policymakers still do not have an appreciation of the cause of the current depression (that's not an allegation that can be levelled against Tokyo's mandarins). Result: the absence of appropriate policies for the 1990s exposes European and North American corporations to the Japanese scalp-hunters, who are even now tooling up for the blood-letting (see page 2).

WHY WILL THERE BE a dragged-out depression? Two reasons. First, the most fundamental of "fundamentals" (the price of land) has not yet hit bottom. Second, governments are operating in a philosophic vacuum - precisely because trends in

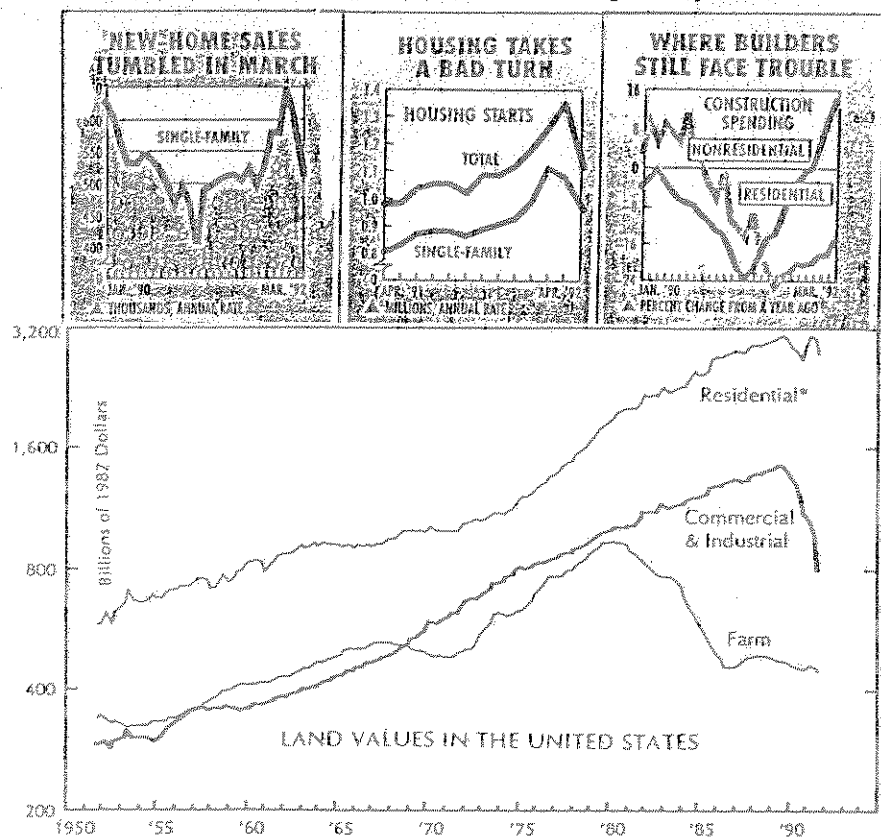
the land market are not used to illuminate problems.

Not in Japan. There, economists at Shearson Lehman Brothers Inc. suggest that falling land prices are exerting strong downward pressure on consumption. Reports *Business Week* (April 6): "Land is by far the largest component of Japanese households' net worth, accounting for more than half of their wealth. With land prices down 10% in 1991 and another 10% so far this year, Japanese consumers appear to be retrenching. And if consumption actually falls as households try to rebuild lost wealth, warns Shearson Lehman, the risks of a real recession will grow."

No parallel analysis is available for the USA, despite the availability of data which reveals a strikingly similar story. In the May issue of its *Research Reports*, the American Institute for Economic Research (AIER) analyses the land-value data compiled by the Federal Reserve Board. True, the information is poor; during the last 12 months, the estimates of total land values were adjusted upwards by as much as one-third for the years 1945-90! So the graph (left) may give a seriously misleading picture: it certainly does so for the turning points in the trend (which, of course, are the bits that matter). Even so, developments in the past two years are beyond doubt: values have crashed, as the various crises - S&Ls, banks, property companies - converged on a grand slam.

One result: small businesses - vital for employment prospects - have now suffered the worst sales decline in 18-years. They continue to fire workers, liquidate inventories and put capital spending on hold.

In construction, sales of new single-family homes dropped nearly 15% in March, the largest decline in 10 years. Non-residential construction has fallen



* Includes vacant land.

Source: Federal Reserve Board, Flow of Funds.

JAPAN: THE SECOND REVOLUTION

15% from its pace a year ago. Banks refuse to lend money for new commercial and industrial building projects, as well they might in the face of the huge oversupply throughout the continent - a fact that sealed the fate of Olympia & York, the Canadian giant which thought it could beat the global trend in land values by championing the Canary Wharf project in London's Docklands.

The AIER insists that comparisons with the 1930s are "fatuous" - but then notes: "In one respect, however, the 1990-91 recession appears to have been more severe than any since the Great Depression." Land values dropped from a peak of \$5.5 tn at the end of 1989 to \$4.8 tn at the end of 1991 - a loss of \$725 bn, or 13%. In constant dollar terms, the decrease was over 19%.

SANGUINE assessments about the depth of the downturn, now being broadcast by governments, rest on a willingness to underplay the significance of land in the economy (an error not committed in Tokyo - or even in Washington, where analysts nonetheless restrict their observations to trends in Japan!).

Do trends in the value of land disclose anything about the next two years? So far, major losses have been in the commercial and industrial sectors. But the AIER wonders whether "a similar 'shake-out' lies ahead for residential land values, which remain relatively close to their all-time peaks." If that "shake-out" does occur (which it will), families will see the asset value of their homes plummet. Result: disillusion, a further cut-back in consumption, and an intensified downward spiral of the economy.

EI expects this to happen, and the politicians have nothing up their sleeves to moderate the result. And this grim prospect does not factor in the financial crisis which will send Wall Street - and Washington - into a panic, as Japanese corporations and banks pull out their cash from North America (a process already begun in London) to compensate for the decline in the value of land in Japan.

MIXED SIGNALS are creating confusion about Japan's economy. Serious, because the global economy is now heavily dependent on Japan's fate. Example: with the collapse in the value of her land, Japan's banks are now borrowing ferociously in the world money markets, helping to harden interest rates and hurt Europe and the USA.

The most pessimistic thesis - that Japan is on the verge of a social collapse - comes from Brian Reading, one of the few contemporary economists to whom it is worth listening. EI appreciates Reading's analysis, but differs markedly over his conclusions.¹

EI's research suggests a strikingly different - but equally alarming - conclusion. Japan is about to go into overdrive. She is on the verge of a social and economic revolution every bit as fatal, for the world, as the Meiji Restoration, which transformed a feudal society into a muscular industrial power.

Japan's prospects are partly obscured by the strong reservations expressed by Japanese intellectuals who now argue that they should not supplant the USA as No.1 in the world. They want to settle for No.2. But a momentum is under way that will deny them the luxury of the supporting role. As we saw over President Bush's vascillation on the Rio ecology conference, Tokyo became impatient and embarrassed Washington by forcefully declaring an intention to give a lot of money to help clean up the environment.

EI has completed a study of trends in Japan, and concludes that Japan is on the verge of becoming the world pacesetter in a number of crucial economic areas: for example, in technology (see page 3). It is unlikely that the U.S. or Europe will be able to match her.

JAPAN has launched a debate which will lead to *perestroika* in the Orient. That the intellectual explorations are being led by the bureaucracy makes it all the more certain that a radical shift will take place in the social and economic structure.

It began in January, when Prime Minister Kiichi Miyazawa instructed the Economic Planning Agency to produce a plan for the 21st century. Had the result been published in any other country, we

would have been entitled to treat it with scepticism. But the Japanese mean business. And what is more, when the verbiage is cleared out, we discover that they actually know what they are talking about.

The groups that make the consensus in Japan are tooling up for a change in social attitudes and economic behaviour which will prove lethal to her economic competitors. Why this stark conclusion?

First, the Japanese are the only people who have a clear understanding of what makes the industrial economy malfunction. That means their corrective strategy is likely to succeed, which will provide Japanese industrialists with an even sharper edge in the battle for customers over the next 18-year business cycle.

True to national character, the Japanese are not acknowledging the sweeping implications of their firm intention to solve the one issue that has provoked their current crisis - land speculation. Their planners limit the analysis to quality-of-life considerations, when they declare their intention to implement "comprehensive land policies which will accelerate increases in the supply of housing and housing sites through encouragement of planned housing construction on agricultural land in urban areas, the efficient use of vacant and under-utilized lots, and the planned development of new housing areas, provide for balanced and appropriate estimations of taxes on fixed capitals, make appropriate use of existing tax systems by strictly enforcing the land tax and ensure the appropriate utilization of land through detailed city planning and other means."²

Land-value taxation was at the heart of the political strategy to scrap the feudalism of the Tokugawa era in the 1870s. In two decades, Japan had accomplished the most remarkable transformation achieved by any agricultural society. Now she is ready to do it again, posing a serious threat - in terms of price-advantage - to her industrial competitors.

1 Brian Reading, *Japan - The Coming Collapse*, London: Weidenfeld & Nicholson, 1992.

2 *Basic Principles for Japan's New Economic Plan, and the Directions of the Investigation*, Tokyo: Economic Planning Agency, April 15, 1992.

* For a critical assessment of the defects in official land data in the US national accounts - and the mystery of the missing billions - see Appendix 2 in Ronald Banks (ed.), *Costing the Earth* (1989), New York: Robert Schalkenbach Foundation.

BEWARE THE SAMURAI PSYCHE!

DOWNWARD pressure on wages in the mid-1990s will create severe crises for the European and North American economies. When the new trade treaties are signed, US manufacturers will have greater access to Mexican labour, and in Europe the skills of eastern workers will come on tap for the EEC. But while this will benefit the pace-setting market leaders, the prospects are grim for the economies as a whole unless they devise their own version of *perestroika*.

Britain and the US are particularly vulnerable because their labour markets were squeezed hard during the Reagan/Thatcher years. Trade union membership has fallen dramatically, in line with the decline in strikes. The workers have been tamed. How, then, if firms are to retain their market shares, can prices be further reduced, to render them competitive in the export markets?

The Japanese are already psyching themselves up to the challenge. Under pressure from a critical shortage of labour, they have defined the problem: "In order to respond to the long-term decrease in the labor force, the ageing of society and the globalization of our economy it is necessary to shift to more sophisticated industries, facilitate a smooth industrial restructuring through support of rationalization and labor- and energy-saving, [and] promote the revolution in information technologies and research and development."

How? The Japanese bureaucrats have figured out the solution. The key areas are investment and taxation, and the two are linked in what they call "a national land plan".

Unlike their western competitors, Japanese firms have begun to visualise the technological needs of the 21st century. These include the "clean" technologies for an environment-sensitive world. This strategy contrasts with the Bush Administration's complicity in the protection of the technology of the 20th century: this was inherited from the primitive investment policies of the 19th century, which were distorted by entrepreneurial cost structures that did not reflect the full costs of production. In the main, what this means is that entrepreneurs

of land. The philosophy for that fiscal strategy was put in place this year.

The implications of a tax structure underpinned by land-value taxation are not inscrutable. They were spelled out by Adam Smith in *The Wealth of Nations*, and (grudgingly) by most economists since. The crux of that policy is this: a tax on land values cannot be passed on in higher product prices - whereas practically all other taxes make goods more expensive.

WHY DO WE believe that Japan is about to employ this fiscal strategy, one that would have a revolutionary impact on her manufacturing productivity (which lags behind the leading competitors) and on the shape of competition and production in the 21st century?

History. A century ago, the Meiji restoration distinguished itself by funding most of the nation's infrastructural investment and scientific research out of the rent of land.¹ As a result, Japan lay the foundations which enabled her to challenge the world. Her military ambitions turned into a blind alley. Her industrial sector, however - building on the benign labour relations that were a direct result of the tax-and-land tenure policies of the 1880s and 1890s - proved itself a world beater.

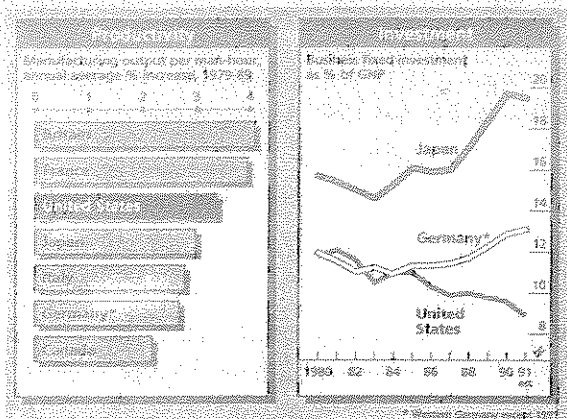
Japanese policy-makers are not employing aggressive language, the kind that would alert the world to their intentions. That would be uncharacteristic. But behind the soothing phrases of their analyses, there is clear determination to forge ahead with policies which, during the Meiji restoration, proved lethal in the foreign markets. Note the following combination:

"Policies...for reducing working hours and responding to the land problem are also related to the creation of an economy that is in harmony with the global community."

In one swift sentence the Tokyo bureaucrats - reflecting the intelligence of their predecessors, the samurai-turned-civil servants of the Meiji era - linked the four key components: labour, land, enterprising economy, world markets.

When the bureaucrats declare Japan's goal as "quality-oriented, domestic demand-led, non-inflationary and sustainable growth" - you better believe it! When they insist that "The promotion of science and technology are not only necessary for the resolution of global environmental issues and the establishment of a better quality of life; they are also necessary for the construction of the developmental base for our economy and society" - you better believe it!

If they had intended financing the changes out of higher taxes on labour and capital, competitors - who suffer such burdens - could have breathed easily. For that would have meant higher prices, with the taxes passed on to the consumers. And that would have eroded Japan's price advantage. But they do not intend to do any such thing. They know that, to retain price-competitiveness, they will have to accentuate the land-value tax. That's the fiscal peril for the profit-seeking investors in the rest of the world.



escaped from paying the rental cost of polluting the "commons" - rivers, oceans, skies.²

But in addition to pressure from labour shortages, Japan will set the pace for technology in the millenium because of the tax incentive. She is already well ahead of the major competitors in investment (see graph, inset). In the next two decades, however, EI expects her plans for massive investment in social infrastructure will be financed out of a tax on the value

1 R. V. Andelson, *Commons without Tragedy*, London: Shephard Walwyn/Savage, MD: Barnes & Noble, 1991.

2 Fred Harrison, *The Power in the Land*, London: Shephard Walwyn, 1983, Ch.11.

HOUSING: NORMAN IN WONDERLAND

NORMAN LAMONT, Britain's chancellor of the exchequer, told the House of Commons on December 12, 1990: "There is reason to think that the recession will be relatively shallow and short-lived." In his New Year's message, published by *The Financial Times* a few weeks later on January 2, 1991, Lamont comforted the public with this assurance: "There is certainly no question of a slump or of the economy going into free fall." Britain has since suffered seven quarters of continuous recession, with GDP down 4% on the peak reached in spring 1990.

So who is kidding whom? That question has disturbed editorial writers at the right-wing *Daily Telegraph*, which is spotlighting the debilitated state of the construction industry, which has suffered what the true-blue newspaper called "the longest and deepest recession since the Great Depression of the 1930s."

The facts, which Treasury analysts are not allowed to use to colour the conclusions in speeches by government spokesmen, make grim reading.

* The government is paying over £1 billion a year towards the mortgages of people who are out of work.

* Shelter, the housing charity, reports that 144 houses a day were repossessed in the January-March period. And because they have fallen behind in their mortgage repayments, 290,000 families are now at risk of losing the roofs over their heads.

THE GLOBAL STORY is similar. People reduced consumption as they watched their wealth deteriorate around them. Stable house prices are crucial to prosperity - vital for families that have to plan their spending over a 20-year period. When prices collapse, as they have done in the past three or four years - illustrated by the data produced by the Bank for International Settlement (see graph) - the gameplan changes.

In Britain, for example, the real price of houses has fallen 23% since the price peak in 1989. People are restoring their net balances by cutting back on spending until incomes rise to levels sufficient to meet their needs. Meanwhile, the manufacturing and retail sectors are suffering.

Where - when - will it all end? In Britain, with the election safely out of the way, all pretence at knowing the answers have now gone out of the window. Mr Lamont has found a new trick:

instead of looking into the future through the sharp end of his looking glass, he has reversed his instrument - to derive comfort from hindsight! By looking backwards, the future looks rosy! Mr Lamont has leaped three years into the future to discover that "In two or three years' time, I believe people will look back and see that it was now, during this critical period, that the right decisions were taken."

This may not give employees or investors anything to take to the bank, but the UK government is on-course for the "success" now being enjoyed by the French government, which claims one of the industrial world's lowest inflation rates and

an unemployment rate of nearly 10%. But the dangers of this strategy are now worrying the gnomes of Zurich. The Switzerland-based BIS recently warned, in its annual report: "Real estate price deflation...might be considered to be a new phenomenon in the postwar economic history of the industrial countries....If not contained, it could not only have further repercussions on financial institutions in the countries concerned but also affect the prospects for full economic recovery."

In other words: if people cut consumption in line with the downward spiral of the value of their homes, banks might go bust.

But this is not a new event in postwar history. It happened after the land speculation that began in the late 1960s, which generated a boom that led to the bust of 1974. House prices turned south, but high levels of inflation disguised the effect - though not the impact on the labour market. Result: because the official response was inappropriate, and because there was no world war-type rescue operation, the industrial countries suffered protracted levels of high unemployment.

Investors trying to maximise their returns should expect a similar outcome in the 1990s. Reconstruction in the ex-Soviet economies will not materialise in time to save many jobs; and there are no political programmes to enliven the economies of the west. Which adds up to more deflation, and stalemate until it suits the domestic needs of the German and Japanese economies; then the financial lifeblood will start to coarse through the global arteries, once again, leading to the beginnings of recovery in about 18 months from now.

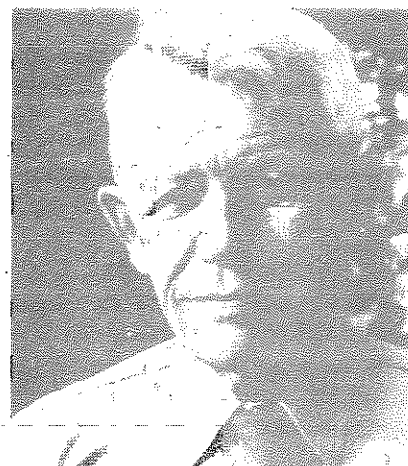
Property prices

Adjusted for inflation 1982 = 100 (semi-log scale)



WAR: land-value taxation and the survival of the species

*Bloody Balkan warfare
illustrates the folly of mankind,
and threatens extinction,
laments DAVID REDFEARN*



THERE WAS ONCE an Englishman who, returning to England on retirement from a university post in Zimbabwe as a lecturer in biology, was presented with a copy of Henry George's *Progress and poverty*.¹ When he had finished reading it, he wrote in the following terms: 'I find I agree with Henry George except on one point, that I don't think he understood Darwin on Evolution'. The clue to this at first sight mysterious comment is to be found in the 'Conclusion' to the unabridged edition, where George states that many people's religious belief is undermined in two ways. Firstly, they cannot reconcile the idea of a beneficent Creator with the obvious "wretchedness and degradation" of the mass of mankind. In the second place, "the idea that man mentally and physically is the result of slow modifications perpetuated by heredity irresistibly suggests the idea that it is the race life, not the individual life, which is the object of human existence."

Both these statements are valid, but leave more to be said. George's proof that mankind's "wretchedness and degradation" are self-inflicted in so far as they stem from the maldistribution of wealth goes no way to explain misery related to natural causes beyond our control. Yet this too is capable, and with more justification, of destroying faith in a beneficent Creator. More importantly for our present purpose, cumulative evidence, unavailable to George, of the vast time scale over which evolution has operated, as compared with the infancy of the human race, makes

it appear less and less likely that our existence has any object outside itself, or that the individual human life is any more than an infinitesimally small moment in a universal drama in which our 5 billion-year-old planet itself has but a short part.

Moreover, the human race is only one among countless other species, both existing and extinct, and the chances of its having been singled out, as George came to believe, for the privilege of a life after death for its members are small indeed. Perhaps, if he were alive now, he would be ready to reconsider his attempt, by reference to the failure of our individual worldly existences to conform to the otherwise universal pattern of cause and effect, to prove such an after-life. The good life, he argued, often comes to a sad end that looks like a punishment, while the evil life appears to be rewarded. Therefore death is not the end.

TWO QUESTIONS

A reconsideration of this syllogism, hardly more convincing than the one Plato devised to prove the same theory,² would enable him to put his matchless eloquence and powers of persuasion to the more useful purpose of demonstrating that, after all, the life of the human race is more important than that of its individual members, and that one of its numerous current follies is going to be the conspicuous cause of an irreversible effect - its extinction. Of these follies, war seems at present most likely to apply the *coup de grace*.

Whenever war is considered, the question must arise as to whether the taste for it is part of man's instinctual make-up, and therefore linked to the remote origins and history of the human race, or, on the other hand, whether it is an economic phenomenon of more recent provenance. Part of the answer must certainly be that the immediate causes of war are verifiably economic, and have been established beyond all reasonable doubt. They may be summarised as follows.

(1) Economy of effort

The first law of political economy, and the one on which all economic reasoning ultimately depends, is that we aim to satisfy our needs and desires with the least possible effort. Cooperation in the hunting of big game, for example, and the accompanying challenges to our mental faculties, including the devising of more effective weapons and more sophisticated strategies, are considered to have brought about our development, over a period, brief in evolutionary terms, of half a million years or so, from the status of *homo erectus* to that of *homo sapiens sapiens*. The invention and rapid spread of domestic labour-saving devices such as the vacuum cleaner, the refrigerator and the washing machine are modern examples of the same drive.

(2) Exploitation

None of this presents an immediate threat; but it is when the im-

pulse is pushed to the limit of seeking to exert no effort at all that the dangers arise. It would have been after the invention of agriculture some time during the 7th millennium BC, that the thought must have occurred to some ambitious tribe that, rather than cultivate their own plots, they would invade those of their neighbours, and enslave their occupants. Thus would be brought into being the embryo of a two-tier society of producers held in subjection by a ruling military caste of non-producers; and the pattern would have been set for the early empires of the Middle East, the violent nature of whose founding and maintenance is attested by both the archaeological and the literary records. At some time, varying from place to place, the rulers would have come to realise that ownership of the land would establish the most effective claim to an unearned share of its produce. The biblical story of how Joseph made Pharaoh the owner of the land of Egypt is an interesting example of this development.³

THE ANCIENT WORLD

The earliest wars of which we have evidence took place from c.3050 BC to c.2750 BC between the rival Sumerian city-kingdoms of Mesopotamia, who were striving to increase their holdings of land, and with them the wealth and power of their rulers. These petty states were at last forced to combine against the incursions of Semitic nomad Akkadians from the north; but the nomads at length prevailed, and formed with the Sumerians a United States of Sumer and Akkad. The tendency of such enclaves of spoliation to grow has been constant through the ages. By 2100 BC this union had come under the control of the Amorite kings of Babylon, the most notable of whom were Sargon and Hammurabi. These events were typical of the ancient Middle East, as were also the successive supremacies of the Egyptian Empire (15th century BC), the Assyrian Empire (7th century BC), and the Persian Empire (6th century

BC). They were based on inequality, oppression and conquest, which have always led to failure in the end.⁴

The spread of the Persian Empire into Europe was halted by the Athenians in 490 BC; and the Empire itself was destroyed by the combined Macedonians and Greeks under Alexander the Great in the following century. Long before this, however, in the 7th century BC, increasing maritime skills had begun to encourage warring nations to extend their activities westwards across the Mediterranean, in search, not only of new lands to occupy, but also of new openings for trade. The fertile island of Sicily was the main prize in wars, first between Greeks and Carthaginians, then between Carthaginians and Romans. The second war between the latter contestants, in the 3rd century BC, was carried by the Carthaginians on to the mainland of Italy, thus both hastening the ruin of the Italian peasantry and intensifying the desire of the ruling oligarchy for yet more plunder overseas. They found it in all the countries bordering on the Mediterranean, and finally in Britain. The Empire so built up seemed supreme and unassailable until it collapsed, first in the west, where the apathy of the dispossessed cleared the way for Germanic tribes migrating under pressure from Attila's Huns, then in the east, under the assaults of the Turks.

THE MODERN WORLD

Modern history has been little but a repetition, on a world-wide scale, of the ancient history that was centred on the Mediterranean. When the chaos of minor conflicts had been resolved, and the common danger to Europe from Arabs and Turks removed, the same force of maldistribution of wealth, leading to land-hunger and competitive selling overseas of goods unsaleable at home by reason of poverty induced by land monopoly, brought about wars involving Spain, Holland, Britain, France, Russia and Germany, culmi-

nating in the First World War between the Austro-Hungarian and German Empires on the one hand, and, initially, the British, French and Russian Empires on the other. In the last year, after the Russian defeat, the British and French were joined by the United States of America, which then made their first significant entry into the field of international conflict.

The Second World War, which was for all intents and purposes a re-run of the First, except for the entry of Italy and Japan "on the German side" (they were allied with England, France and the USA in the First!) finished, as is well known, with two colossal empires, the USA and the Union of Socialist Republics, facing each other across the Atlantic and Pacific Oceans. The point at issue was whether or not the command economy, with the 'means of production' owned by the State, and industry and trade under the direction of departments of a bureaucracy, should spread, or be prevented from spreading, from its homeland of the USSR and its more recent converts of Poland, East Germany and China. What was the nature of these two empires or superpowers, as they came to be known?

SUPERPOWERS

* The USA

When Cornwallis surrendered at Yorktown in the Spring of 1782, the 13 newly independent American colonies would have seemed the least likely candidates for becoming a world power within little more than a century and a half, especially since the popular feeling was against any form of union other than a loose federation, with the chief political power remaining with the states themselves. This was the ideal of Thomas Jefferson, who considered that only thus could the rights of the individual be adequately secured. The opposite view was held by Alexander Hamilton, who, with his associates, was all for a strong central authority.

There was a good reason for this.



A BALKAN EXECUTION CAUGHT BY A CAMERAMAN FOR THE INDEPENDENT ON SUNDAY

Obtaining a title to land in advance of occupation, purely as a speculative investment, had been a feature of life in the American colonies from the outset; and it was the London government's attempt, in its own interest, to restrict this practice to land to the east of the Mississippi and Ohio rivers, rather than any dispute over duties on tea, that had led to the rebellion in the first place. It was therefore a profitable policy on the part of the leading American politicians, many of whom had made fortunes from land speculation, to keep such operations under Congressional control.

The way in which they achieved their end was of dubious legality. The original Articles of Confederation, following Jefferson, provided that no change should be made to them except with the consent of all 13 state legislatures. The constitution devised by the Convention of 1787, however, and passed by it on September 17, was to take effect after ratification by only nine of them, and in fact did so. This revolutionary step ensured that the USA started its new life, despite protestations about liberty and the pursuit of happiness, as an enclave of spoliation after the European models from which their citizens' fore-

bears had escaped.

It were so to remain throughout its expansion to the western seaboard and beyond by means of settlement, purchase and war; and the principle of union was confirmed with blood in the Civil War of 1861-5. The southern states, with their outmoded economies based on slavery, had seen their influence in Congress dwindling with the founding of each new 'free' state, and felt the need to establish an independent political power as the Confederate States of America. When, in response to their secession, the Union government ordered the provisioning of Fort Sumter on the border, they took this as a warlike gesture, and the fighting began that was to put an end for the foreseeable future to any prospect of upsetting the monolithic structure of the giant state.

* The USSR

Matters were to turn out differently for the Union of Soviet Socialist Republics, whose predecessor, the Russian Empire, was founded with blood rather than with adroit diplomacy. This Empire was assembled piecemeal over a long period with

vague legendary beginnings in the time of the Vikings, some of whose leaders are said to have been invited to rule over turbulent tribes who lived in the forests between Lake Ladoga and the upper reaches of the Dnieper. By the beginning of the 13th century, the local princes so set up had extended their possessions as far south as Kiev; and the first among them, by right of superior force, were the Princes of Muscovy. Then, after two centuries during which Tartar conquerors reaped the benefit of Russian peasants' labour, these Princes resumed their conquests, and the power and unearned wealth that went with them, assuming eventually the title of Tsar of all the Russias.

The process of forcible annexation continued until not far short of the Revolution of 1917, and as far south as the Caucasus. The Revolution, unfortunately, disappointed expectations, in that it replaced privilege based on land ownership with privilege based on Communist Party membership, and left the condition of the people at large but little improved.⁵

Now, with the dissolution of the Soviet Union in 1991, two of the Tsars' acquisitions from the early part of the 19th century, namely Armenia and Azerbaijan, are making both war and history. The questions we may ask in the context of these crucial local events are: 'What will happen to the components of a superpower when once the force that held them together has been withdrawn? Will individual rights become the public concern, as Jefferson had hoped they would in America? What would be the effect in Armenia and Azerbaijan of the application of Henry George's solution to the economic problem? Are there psychological barriers, rooted in our evolutionary history, and therefore unfamiliar to Henry George, to the application of his solution? If so, what more can be done to keep our hopes of peaceful co-existence alive?'

The answers to the first two questions are simple and admit of no doubt. In this particular instance they

are fighting; and no widespread concern for individual rights is as yet apparent. Enmity between peoples of different ethnic origin and religious persuasion in this former outpost of the Ottoman Empire, between the Black and Caspian Seas, has been endemic for centuries; but the present war between Christian Armenia and Muslim Azerbaijan broke out in February 1988, only to become intensified in 1992 as the power of the former Red Army to act as a 'peace-keeping force' steadily declined. The situation is made all the more intractable by the fact that Azerbaijan, whose capital is Baku, an important port on the Caspian Sea, contains the autonomous region of Nagorny Karabakh, inhabited mainly by Armenians.

ECONOMIC REMEDY

As a matter of economic principle, Henry George's single tax on the value of land would be capable of solving the practical problems underlying this war, which is "a struggle for land and resources,"⁶ if all the parties concerned could somehow be induced to behave according to the dictates of reason and morality. The concept of land "ownership", which is now, and has been for five millennia, a potent instrument of exploitation and oppression, and one that is surfacing again in the former Soviet Union after more than 70 years of Marxist ideology, would gradually give way to the concepts of land-holding for use and the right of the community as a whole to the economic rent, or "the return to landownership [as now conceived] over and above the return which is sufficient to induce use."⁷

The oilfields of Baku, which are said to contain 15% of the world's oil reserves, constitute a case apart. Why, after all, should people who merely happen to inhabit such a region have any special claim to vast riches that were accumulating millions of years before anything resembling humanity appeared on Earth? A scheme, based on ratios of local populations to the population of the world, for the international sharing of royalties

on non-renewable mineral resources, including oil, has been formulated by Professor Nicolaus Tideman of the Virginia Polytechnic Institute and State University.⁸ It may not be the last word to be said on the subject, but would be a useful starting point for negotiation.

ALTRUISM

Here we have the germs of peaceful solutions to the economic and political problems, not only of the Caucasus, but of the whole world; but is the human race psychologically capable of rising to such heights of altruism? We are now in the realms of speculation; but a little consideration of our evolutionary background will furnish us with some guidelines.

The territorial imperative, which we share with most other vertebrates, is likely to cause most trouble. Just like the robin in the back garden, we think: "This land belongs to me!" or, like the troop of howler monkeys, gesticulating and screaming at the troop across their border: "This land belongs to us!" It is a far step from all this to thinking: "The Earth is the common heritage of mankind."

Next comes the killer instinct. Our cousins the baboons, endowed by the evolutionary process with built-in lethal weapons in the shape of four long fangs and a powerful jaw to drive them home, have acquired at the same time the complementary endowment of restraint in their use. They threaten each other in the course of establishing hierarchies within their troops of between fifty and a hundred, but that is all. The troops are mutually hostile, but take the safe course of avoiding each other. As an example of what they can do in case of need, two male baboons have been observed to attack and kill a leopard that was stalking their troop, losing their own lives in doing so.

The same evolutionary process has so far neglected to give the human race any such restraining instinct; for our ancestors adopted hand-held external weapons somewhere between twenty and two million years

ago, and gradually lost their natural ones of teeth adapted for fighting. A fair proportion of us, in the absence of serious provocation, do refrain from killing our own kind; but all except a small minority can be turned into fighters by military training, which teaches people above all to do unquestioningly what they are told to do. Perhaps in the absence of such training the peaceful elements among us would on the whole prevail. Even in the Caucasus we have the evidence of Armenian survivors from a pogrom in Baku that Azeri neighbours had saved from the bands of killers.⁹

Our best hope lies in this. Though we are swayed by animal instincts, we are also the animal to make most use of reason, and to work out consciously a moral code common in theory to both Christianity and Islam, among other religions. We need not wait, we cannot wait, for evolutionary forces to teach us to live with each other in peace. *We can and must learn.*

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BOOK REVIEWS

AN AUSTRALIAN CITY SHOWS HESELTINE HOW

Committee of Inquiry into Valuation and Rating, Summary, and Vols. I-II.
Brisbane City (1989)

DURING THE Major government's frantic retreat from the shambles of the poll tax, when Michael Heseltine, desperate for an anodyne replacement, was busy ruling nothing in and nothing out, one fact soon became clear: few of the local-tax pundits, in politics or the press, were prepared to take time to study the systems of local taxation in use overseas. It came as no great surprise, therefore, when the replacement nostra to which the political parties eventually nailed their colours were as wide-open to criticism as the poll tax itself.

Long before the exit of Margaret Thatcher, the Labour Party had declared its intention of returning to a version of the old rates, a scheme at once branded by the Tories as a "roof tax". Yet, as the flagship foundered, and after much burning of midnight oil by Mr. Heseltine, they themselves came up with a roof tax: a more complex Tory version, brazenly biased in favour of the duke in his stately home, but still a roof tax. Neither party, it seems, harbours the slightest concern for the way a tax on houses places the mark of the pariah on the citizen who dares to invest in a good quality home, using no one's money but his own.

The Liberal Democrats, in their turn, fully demonstrated their current preference for the naive over the radical. Elbowing aside their leader's advocacy of a tax on land values, published the previous year,¹ they opted for nothing more subtle than a local income tax, a tax as frightening to administer locally as the poll tax and one whose primary side-effect is to exacerbate the disincentives already dispensed nationally by the Chancellor of the Exchequer.

None of three parties, it seemed, had been swayed by the plea of Professor John Kay, who had earlier appealed for feet to be kept on the ground. "What we need", he had insisted, "is not a bright new idea... (but) ...a measure which we know, from our own experience and that of other countries, can be made to work."²

In referring to "other countries", Kay was more prescient than he knew, for around the time he was writing, the citizens of a major Commonwealth city were studying the report of an official review of their city's rating system, a form of local taxation that, with common consent, had been in force for 100 years. And it was plain from the report that the system had been given the seal of approval for a further 100 years.

THE CITY was Brisbane, capital of Queensland. Since as long ago as 1890, in common with the rest of the State and much of the rest of Australia, the city has levied its local taxation on the site value of land.

To the citizens of Brisbane, the tax is firmly part of

the Australian way of life, so long has it been a pillar of their local finance. While, in the early years of this century, Lloyd George's Liberals were campaigning for the introduction of land-value taxation in Britain - and being thwarted by the House of Lords - Brisbane was operating it as a matter of annual routine. And while, in the 1930s, Herbert Morrison and his Labour and Liberal supporters were introducing a bill in the House of Commons designed to allow the London County Council to raise London's rates on land values, Brisbane had been doing just that for half a century.

So while today, the British Tory government defends the taxation of people's hearths and homes, and while the unified rate on business premises continues to burden the costs of British industry and commerce, the bricks and mortar of Brisbane's buildings - houses, shops, warehouses, factories - remain free of taxation, as they have done since the time of Queen Victoria.

IT WAS in May 1987, following complaints about the effects of a delayed re-valuation, that Brisbane's Lord Mayor decided to set up a committee of eminent local government and real estate experts, planners and economists, to study the city's system of raising its local revenues.

The committee were enjoined to make a wide-ranging review, taking account of other "methods and mechanisms for valuation and rating practised throughout Australia and overseas." Its report, two and a half years later, contains 60 workmanlike pages of recommendations and comment. Cogent, pithy and succinct, it impresses as a valuable treatise for all concerned with local government finance.

Right from the outset, the committee turned its back on the principle of "ability to pay". Income, they firmly asserted, was not an acceptable basis for a local tax. Not all residents of the city earned their incomes within its walls; and not all those who earned their livings in the city were residents of it. Moreover, income taxes fell indiscriminately, regardless of the services used or the benefits enjoyed. And, capping all these objections, was the fact that the redistribution of wealth, implicit in income taxes, was no business of local government.

The most equitable and rational basis for local taxes, the committee declared, was the "benefits principle": the principle that, to the maximum possible extent, those who receive the benefits of local services should pay for them.

Clearly, the broad spectrum of the city council's activities could be funded only on a communal basis, but here the committee did what should have been done in Britain: they reviewed exhaustively all the possible options - property taxes, poll taxes, sales taxes et al - testing them all against the criteria of equity and efficiency and their conformity with the basic benefits principle.

Without hesitation, the committee rejected the poll tax, despite the fact that, at the time, the community charge bandwagon was rolling strongly in the United

Kingdom. Anticipating by a year or more the common verdict of the people of Britain, it condemned poll taxes as unfair to the lower income-earners, besides involving major problems of collection and administration.

As for a sales tax, or indeed any form of consumption tax, this was another "undiscriminating revenue-raising device unrelated to the benefits and costs of city services."

Finally, the committee came down emphatically, and unanimously, in favour of the city's existing system - a tax on property but levied on the land alone, not on the buildings or other improvements erected on the land. A charge on buildings or other improvements, they insisted, would penalise enterprise and development. In the committee's view, every citizen of the city, and every activity conducted in the city, used or occupied land. It followed that, if every plot of land in the city were valued, taking account of any planning restrictions upon it, "a land-value charge should accurately reflect the benefit derived from its use or occupation."

But fairness as between citizens was not the only attribute that the committee saw in the land-value system. They declared that:

- a. it encouraged development;
- b. it discouraged the speculative withholding of vacant land from productive use;
- c. it was relatively simple and cheap to administer;
- d. it was impossible to evade;
- e. it did not affect the free-market allocation of resources;
- f. land owners could not pass it on to tenants;
- g. it tended to make land cheaper.

They also stressed the vital importance of keeping rating assessments up to date. Annual revaluations, which they strongly recommended, would ensure that anomalies and surprise increases - such as had led the Lord Mayor to launch the enquiry - would be rare.

THE COMMITTEE were unanimous that a rate levied on the value of unimproved land was an appropriate means of local government revenue-raising. Indeed, most of its members went further and considered that such a revenue-raiser was not merely "appropriate" but was "the most efficient and equitable source of general revenue, both in principle and practice."

The Brisbane committee had full powers to recommend to the city council any system of local taxation whose merits appealed to them. Like Mr Heseltine, they had complete discretion to rule anything in or out. Yet, despite the virtues of the many alternatives they studied, they came down in favour of the land-value tax, the system that had been tried and tested on their home ground for over a century, the tax method of which every member of the committee had had first-hand experience. In these circumstances, the soundness and value of the committee's recommendation can hardly be open to question.

Certainly, as Mr. Major's government contemplates the debut of its untried scheme - controversial, carrying a huge political L-plate, cooked up overnight in an attempt to save his party from what was perceived as the threat of electoral disaster - it must fervently wish that it could face the future with anything like the confidence of the city council of Brisbane.

1 *The Independent*, Feb.17, 1989.

2 *The Daily Telegraph*, Dec.6, 1990.

B. W. BROOKES

RE-VISION OF THE PROMISED LAND

From Wasteland to Promised Land: Liberation Theology for a Post Marxist World,

Robert F. Andelson and James M. Dawsey,
Orbis Books, Maryknoll, New York/Shepherd-
Walwyn, London, £9.95

Liberation theology, much in vogue in South America, has in spite of its good intentions been a failure because in the main it operates through a vision blinkered by Marxist theories.

This book, as the Bishop of Shrewsbury points out in a foreword, answers the need for an alternative view, and is written by authors with competence in theology, economics and modern history. What emerges is a discussion of the biblical vision of land and human community informed with knowledge and directed with precision.

When the children of Israel sought the Promised Land it was clearly understood that the earth was the Lords, and not the landlords. That all had the right to use land (provided they paid in some form a rent to the community) but not the right to own the land. "The profit of the earth is for all" as the Old Testament puts it. This was something also understood by Black Africans, native Americans and Canadians, and indeed by all early societies.

It was Western man who came along with a different theory which at best was "finders keepers" and at worst possession by force. As this book points out - does the first passenger in a train have the right to scatter his belongings over all the seats and exclude other passengers from using them (or charging them if they do)? Of course not, but that is what someone who takes more land than he can use and rents out the surplus does. He takes what he has not created and pockets the proceeds.

It is quite extraordinary that people do not see the devastating fact that this has on the dispossessed. The fact that land is now bought and sold gives a kind of spurious legitimacy to ownership, but does not hide the reality of its original theft, nor of the fact that its value is created by the community around it.

In some measure this latter point is seen. For example, the Jubilee extension to Canary Wharf was dependent upon the owner, Olympia and York, putting £400,000,000 towards its cost. If Canary Wharf is to succeed it needs this transport link, so it is perfectly reasonable that it should contribute to its cost. The fact that Olympia and York is now in the hands of liquidators is another aspect of the land story which would need a book in its own right to explain.

From Wasteland to Promised Land examines a wide range of communities, and investigates their history relative to the land question. It ends with a dissertation upon Henry George, who the authors rightly describe as a Liberationist for All Seasons.

This book is a valuable contribution to the debate about the state of the world now and particularly about the widening gap between rich and poor. The Los Angeles riots must make even the most complacent of our politicians see what the breeding of an underclass does. Let us hope some of them will at last tackle the causes and not just try to alleviate the consequences.

GEOFFREY LEE