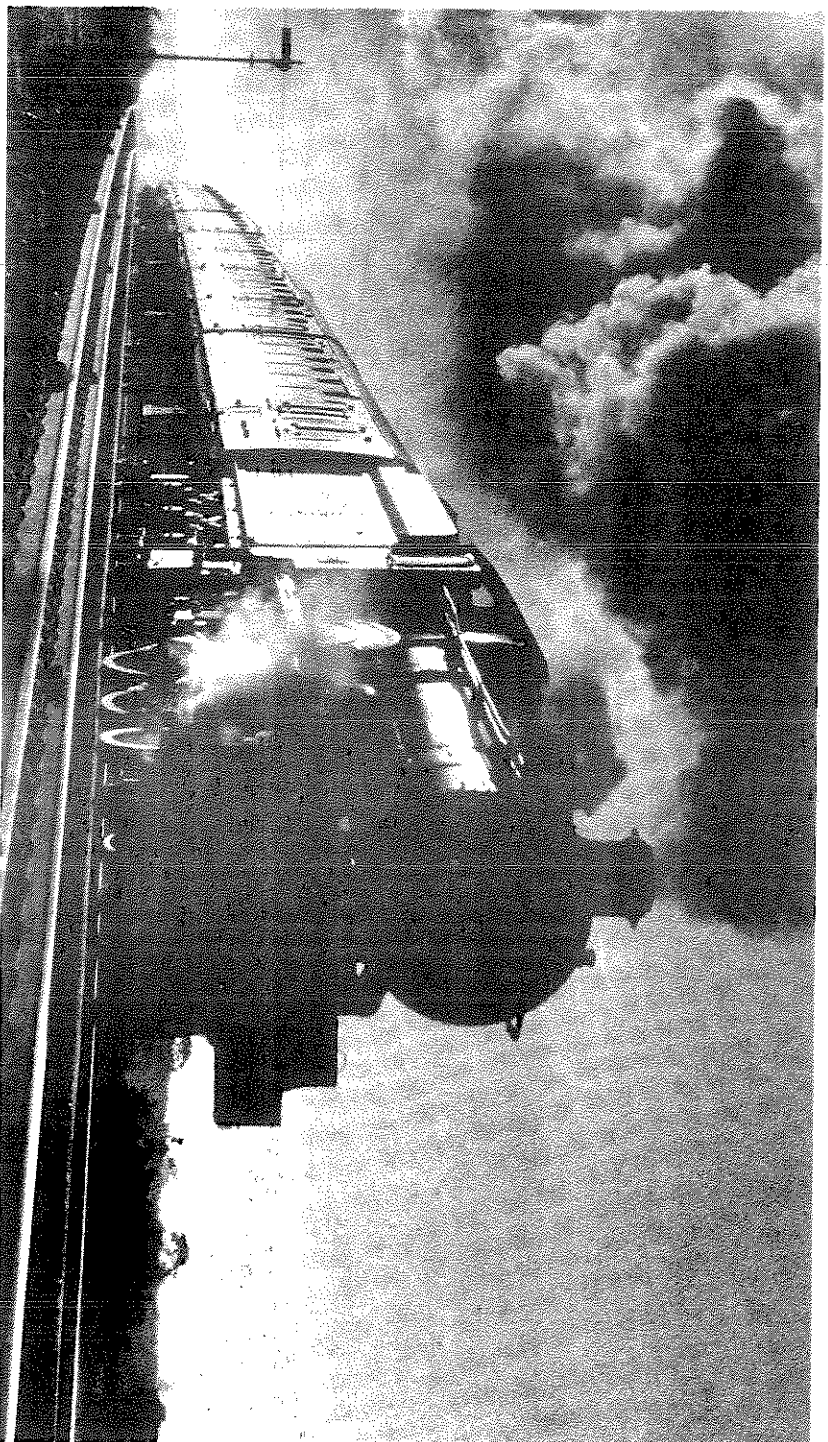

LAND AND LIBERTY

ECONOMICS • POLITICS • PHILOSOPHY

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LAND SCAMS DERAIL POLITICIANS
THE ESSAY: GARDEN CITIES
GRIM REAPINGS IN THE COUNTRYSIDE
POSTURES ON THE HUSTINGS

LAND

AND LIBERTY

Volume 99 No 1155

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SOCIAL PARADIGM

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Editor: Fred Harrison
Editorial Consultant: V.H. Blundell
Picture Editor: Keith Hammer
Art Editor: Nick Denny

Editorial Offices:
177 Vauxhall Bridge Road
London SW1V 1EU
Tel: 071 854 4566

121 East 30th Street
New York, N.Y. 10016
Tel: 212 889 8020

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WELCOME to the new-look *Land & Liberty*. The format enables us to publish more material. One innovation is the inclusion of *Economic Intelligence* as an insert, by agreement with the Centre for Incentive Taxation: we hope investors will find it rewarding, and that social activists will find it enlightening.

Land & Liberty is unique: it is the only magazine in the world that provides a sharp, authoritative survey of the one market that was steadfastly ignored by reforming governments during the 1980s. While the labour and capital markets were revived by new laws and competition in the marketplace, the land market remained free to betray the efforts of the wealth-creators. Tragically, the tax-and-tenure laws which drive the land market continue to encourage the abuse of the natural environment on which future generations rely for a sustainable, decent life.

Politicians have still not grasped the reality that, until they address the dynamics of the land market, their "best endeavours" must always come to nought. Result: blame for frictions in the economic system - such as this year's global rise in joblessness - is attributed to anything except the original culprit. The deregulation of the capital markets is a favourite scapegoat for the current depression. In truth, the trouble began - and it will end - in the land market. The 1980s are now being judged as the decade of licentiousness. Greed there was, but history will recognise the decade as a turning point for good in the labour and capital markets: the changes enhanced the prospects of a good life for many more millions of people.

Alas, the golden opportunity to restructure the land market was missed. In terms of intelligence and political freedom, Margaret Thatcher was the best placed of all political leaders to identify and rectify the problems in the property market. Her primary mission ought to have been to prevent the disruption caused by land speculation. Had she succeeded, most of the other changes in the labour and capital markets would have automatically flowed through increased efficiency and competition. Instead, she threw away the chance - her single greatest political mistake.

The peoples of the world, interdependent as never before, are now plunged into a state of flux unparalleled in the history of mankind. The most important issue confronting statesmen and citizens is the way in which we use and abuse the resources of nature. President Bush's concept of a "new world order" is composed of old-hat ideas and institutions that cannot lead to a better society in the 21st century. That is why the editorial philosophy of this journal is central to all debates about the future course of society.

To survive, mankind must construct new relationships based on the liberty of individuals integrated into wholesome institutions. The search is on for a new social paradigm: *Land & Liberty* is dedicated to this goal.

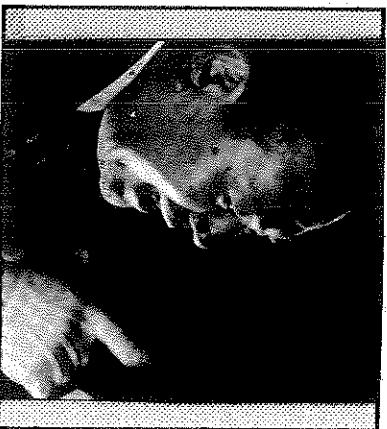
LAND DEAL SCAMS TOPPLE POLITICIANS

THE LATEST political scandals illustrate the rule that dodgy deals in land offer the most lucrative fortunes.

The reputations of politicians around the world are regularly tarnished by revelations that they were lured into get-rich-quick schemes that have nothing to do with increasing the sum of human happiness.

JAPAN: RULING PARTY CRISIS

Japan's prime ministers appear to be particularly vulnerable to



KAKUEI TANAKA

crooked land deals. In 1974, in the wake of the collapse of that period's bout of get-rich-quick fever, Prime Minister Kakuei Tanaka resigned in disgrace when - among other things - his land deals were exposed by journalists.

Now, Prime Minister Miyazawa is vulnerable as a result of new disclosures about land deals in Hokkaido island.

The scandal erupted when a former senior member of the ruling Liberal Democratic Party (Fumio Abe)

was arrested on a charge of receiving a bribe of ¥80m from Kyowa Corp, a property developer which has since gone bust as a result of the downturn in the land market. The money was in return for information supplied by Mr Abe's office about a planned motorway. Kyowa wanted to buy land along the route, before prices shot up!

The Prime Minister is vulnerable because Mr. Abe was manager of Mr Miyazawa's political faction until he quit because of the scandal.

SPAIN: GOVERNMENT MINISTER QUILTS

Spanish health minister Julian Garcia Valverde has resigned because of land deals executed by the state railway company Renfe, of which he was chairman in the 1980s.

The scam began when budget shortfalls forced Renfe to seek finance for a new route through the Madrid suburb of San Sebastian de los Reyes. Renfe decided to try and fill its coffers by buying land along the planned route and reselling it at inflated prices.

Landowners had other ideas. They decided that, if money was to be made out of speculation, they might as well pocket the profits. And that is what happened! Renfe spent nearly Pta2 billion (£10.9m) buying land worth a fraction of that amount.

The railway bought about 200 hectares which it expected to be rezoned for development. Expected profits: about Pta12 billion.

But the word got around, and land began to change ownership at ever-increasing sums before Renfe could start buying sites. The operator in one deal doubled his money on the same day, as a result of a transaction involving one plot. He bought the site for Pta59m, and on the same day he resold it to Renfe for Pta116 million.

Another site sold three times in a week. It was bought for Pta13.7m, sold a week later for Pta52m and resold the same day to Renfe for Pta238m.

Despite the buying spree, the land has still not been rezoned. This means that Renfe paid Pta2 billion for farmland which is estimated to be worth about one-fifth of that sum on the open market.

Last December, Mr Garcia Valverde defended himself in Parliament. He was acting under orders from the government, he said, and claimed that "there is no other way to do this sort of railroad operation".

HOW TO FUND RAILWAYS...

The Renfe rip-off is a perversion of the creative financing that would be possible if governments employed the tax system properly.

For example, Walter Eliás, the Director-General of Britain's National Economic Development Office, has proposed that transport infrastructure could be financed by a capital gains tax levy on land deals. And there is no doubt who would end up paying: "Given that land cannot be expanded or withdrawn except in a very limited sense, it is very difficult for landowners to pass taxes such as the present capital gains tax (insofar as it applies to land disposals) on to users," he wrote.

LAND TAX CONFERENCE IN SOUTH AFRICA

President F. W. De Klerk's referendum on March 17 - which will seal the fate of apartheid in South Africa - will be followed by a major conference on the feasibility of a land tax under a new constitution. Organised at the University of Pretoria by the Centre for Human Rights Studies, the conference will be addressed by a distinguished panel of scholars, including Professor Mason Gaffney of the University of California. A full report will appear in the next issue of *Land & Liberty*.

Your Pound in their Pocket

A general election is almost upon us. The three main political parties - and the Scottish, Welsh, and Northern Ireland parties too - will all be offering variations on the familiar themes of taxation on production, earning, saving, spending, and dying. None will propose a change to financing government by collecting the rental value of land.

The Conservatives, in office since 1979, have three main achievements in economic affairs. (1) They acted to curb trades union power and shake loose restrictions in the working of the labour market, which helped bring about increases in productivity. (2) They de-nationalised significant sectors of state-run industry. This has had the double effect of enabling private companies to make changes in activity and structure that would have been difficult in the politicised air of Whitehall, whilst at the same time freeing government of the need to provide capital funding and loan finance which now must be raised in the City. (3) They simplified and revised personal and corporate taxation, cutting the standard rate of income tax to 25% with one higher rate of 40%.

Against that, there are five important failures. (1) Local government finance has been a disaster area - rate-capping, the community charge, the council tax, and, to a lesser extent, the uniform business rate. (2) The European Community continues to run away with money, notably the ridiculous Common Agricultural Policy. There are also the distortions from constraining sterling within the monetary system. (3) Indirect taxes have risen, with v.a.t. now more than doubled at 17.5%. (4) Despite revenues from North Sea oil and gas, despite privatisation receipts and not having to provide for formerly nationalised industries, and despite a declared determination to curb state spending, taxes and expenditure are higher now than when the Conservatives took office. (5) Although there was success in the middle years in balancing budgets, matters are now again going seriously out of control. This year the deficit will be £12 billion and it will be twice as great next year even without additional commitments. National finances are in a mess.

I have not listed the failure to take note of feverish land speculation after 1985 and to foresee the current deep depression. None of the other parties did either. There is still no inkling that any of them understands how we got here or has any idea of how and when we may get out. The cry that "something must be done" is accompanied only by banalities, generalities, and the certainty that there will be more government spending at a time of falling receipts. If the Conservatives are returned, they too will doubtless be spending - and hoping.

There is no doubt that Labour wants to spend and tax more. This will redistribute income but taxes are harmful, they extend the bureaucracy, encourage high spending and probably fail to achieve the desired results. Nevertheless, there are some interesting observations to be made on Labour's proposal to levy a 9% National Insurance contribution on all earned income. This removes the last vestige of pretence that this is anything but income tax. Insurance implies a premium, and a premium does not depend on what one earns but on what cover one is buying. No improvement in cover is being offered to the higher earner; he is just being told to pay more because he earns more.

In reality, Labour will have tax rates of 34%, 49%, and 59%, against a progression of 34% via 25% to 40% now. The increase is steep, but might be felt tolerable provided it could be guaranteed to stop there. The parallel surcharge of 9% on allegedly "unearned" investment income over £3,000 panders to the politics of envy, especially when linked to statements that tax-free capital gains limits will be lowered. This is bound to deter the small saver and direct the big investor offshore.

ELECTION POSTURES?

Labour has been careful to limit its firm spending commitments, but of course there have been many pledges of spending (on health, housing, social security, transport, education, employment training, overseas aid, EC enthusiasm) "once the nation can afford it". The nation is not going to be able to afford it for some time to come. Either these pledges are mere electoral posturing, or they presage yet higher taxes and yet bigger budget deficits (which imply high interest rates, and ultimately inflation and devaluation of the £, EMS or no EMS).

The Liberal Democrats frankly offer higher taxes to finance their spending aims, and would combine income tax and National Insurance. Their upper rate would be 50%, but as they also want a local income tax, that is not going to leave some people far behind Labour's 59%.

You may be lucky and actually have a candidate declaring for land value taxation. Elsewhere the choice on taxation and economic policy generally, seems to be between rewarding the Conservatives for getting us into a mess, and voting Labour or Liberal Democrat knowing that either would dig us in deeper. My advice is just to make your decision on some other aspect of the parties' policies.



Round the world

OTTAWA INUIT LAND RIGHTS

In a landmark victory for tribal peoples, the Canadian government has agreed to create a new territory to settle land claims by its eskimos. The new territory, 2m square kilometers, will be roughly one-fifth of Canada's land mass and five times the size of California.

Called Nunavut, the territory will be home for 17,500 eskimo Inuit. The Inuit will also receive C\$1.15 billion (\$539m) over 14 years, to settle the claim for land against the federal government.

The Inuit have to accept the deal in a plebiscite. "If this deal is ratified we'll extinguish our aboriginal title to other lands and waters within the Northwest Territories," explained Tagak Curley, chief negotiator for the Tungavik Federation.

Strong opposition is expected from the Assembly of First Nations, which represents 500,000 Indians. One of their advisers, John Amagoulik, fears the deal would actual damage their attempts to rescue eskimo culture.

HONG KONG SPECULATION BOOSTS STOCK EXCHANGE

Speculation in residential property is causing concern for the government. Despite efforts to curb activity in the property market, the number of apartments that changed hands in 1991 was almost 40% up on the previous year, according to Registrar General Noel Gleeson. The government blames sky-high property prices as a major

cause of the double-digit inflation.

A fall in interest rates caused the current phase of property speculation, according to London brokers Save & Prosper. The property boom, in turn, encouraged the stock market.

MOSCOW - EPITAPH

Michael Gorbachev wrote the epitaph for the Communist Party when he declared, in his last address to the Soviet Union:

"Destiny so ruled that, when I found myself at the helm of this state, it already was clear that something was wrong. We had a lot of everything - land, oil and gas, other natural resources - and there was intellect and talent in abundance. However, we were living much worse than people in the industrialised countries. The reason was obvious. This country was suffocating in the shackles of the bureaucratic command system. Doomed to cater to ideology, and suffer and carry the onerous burden of the arms race, it found itself at breaking point."

LONG ISLAND LAND STOLEN

Columbia University professor of environmental law Frank Grad was puzzled when a garbage hauling company was indicted for stealing state land worth over \$1m. - the company persistently dumped rubbish on land belonging to a hospital. The professor told *The New York Times*: "There seems to be one of the normal rules of law that you can't steal land."

HANOI FREE MARKET?

Ideological gymnastics underpin Vietnam's draft of a new constitution, which reaffirms one-party Communist rule but claims to introduce the free market. The draft ends guaranteed rights - such as to work, housing, education and health care. The state would retain ownership of land but allocate plots to individual users.

BRAZIL DWARFISM AND LAND

Politicians usually argue over the issue of land reform in terms of property rights and economic efficiency: the human costs of a malfunctioning land-use system are rarely counted. Yet in Brazil the human costs can be measured with scientific precision.

Over 44 million people are officially classified as of stunted growth - the result of hunger. The highest percentage of dwarfs live in the northeast, where men eke out a pitiful living under the threat of death from the guns of hired killers who are employed by cattle ranchers.

Medical research has now revealed that men under 4ft 10ins - the average height of Africa's pygmies - are common in the north east.

Yet Brazil is one of the bread-baskets of the world. As Latin America's largest economy, last year she exported food worth \$4.2 billion. One of the country's top nutrition experts says that "Brazil could feed almost half the world and yet it can't even feed its own people."

A variety of explanations are offered for a recent decline in agricultural productivity,

from the cut in subsidies to last year's drought. But these do not offer a fundamental explanation, for a paediatrician, Dr. Meraldo Zisman - he is researching the problem for a book - is quoted by the London Observer as stating: "In the past 30 years not only height, but also weight, thorax size and brain content have been falling in the north-east."

The explanation is to be found in the way Brazil condones the misuse of its fertile soil in the south, where hundreds of thousands of acres on latifundia are allowed to lie fallow by landlords who refuse access to landless peasants.

Result: families suffering from malnutrition head north - where they contribute to the over-exploitation of the Amazon basin - or seek refuge in the urban slums, there to forage for food on the rubbish dumps.

BRUSSELS ID FOR COWS

The European Commission wants to count every field and farm animal in Europe. The proposal stems from plans to switch from price support to direct "compensation" worth £7 billion a year, to be allocated on the basis of the size of a farmer's land and flocks.

The new Donneday Book is criticised by Britain's agricultural minister, John Gummer, as "in the realm of science fiction."

EEC farm commissioner Ray MacSharry wants payments to be made direct to farmers.

The formula to prevent fraud would mean that every cow in Europe would have to have a special identification tag.

News in Brief



A HUMAN TRAGEDY of fatal proportions is being played out in Britain's countryside.

The recession is pushing many farmers to the brink of suicide. Their isolation and financial hardship (UK farm incomes crashed by 14% last year) has alarmed the agricultural industry. At least three farmers a week are killing themselves, making a suicide rate second only to the medical profession.

Nine volunteers are manning a Gloucestershire helpline, for Cotswold farmers, 24 hours a day. The other side of this state of helplessness, however, is a cosseted life of luxury and security, in which some farmers are receiving over £70,000 (\$119,000) from the EEC for doing nothing.

This anomalous situation exposes the social and political tensions that flow from a distortion of the market for food.

In the good times of the mid-1980s, farmers were enticed into buying land at inflated prices. Then the Tory government panicked and raised interest rates - which made it impossible for many farmers to finance their mortgages.

Trapped by the financial squeeze, many are confronted with suicide as the only alternative to the shame of not maintaining the farming traditions that have been in their families for generations. One of them, Hampshire farmer Robert Biggs, 52, killed his wife Christine with a shotgun and then turned a pistol on himself after writing a suicide note. His final message to Britain's Prime Minister declared: "There is no recession Mr Major - or is there? Open your eyes."

Other farmers, however, have benefited from the Common Agricultural Policy's attempt at cutting back surplus production in the guise of nature conservation. This involves the receipt of large annual sums in return for agreeing to set-aside land from production.

In England, 70 farmers received more than £30,000 under this scheme. Six of them, and one in Scotland, receive over £70,000 a year, reveals Dr. David Clark, the Labour Party's agricultural spokesman in Parliament.

But their windfall does not stop there. Having agreed not to farm the land, the farmers are free to establish other money-spinning ventures - like

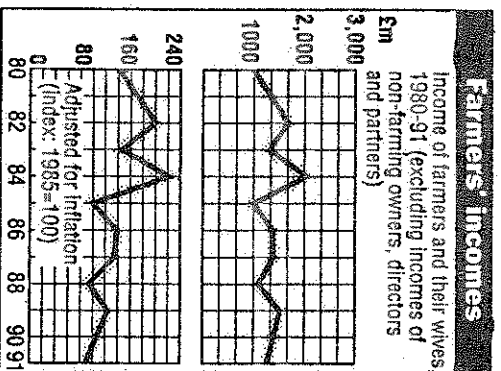
A L C H E M Y in the Countryside

by Ian Barron

livery stables, stud farms or golf courses - on their land. This further increases their incomes!

The output of grain, however, has not been curtailed. Although 400,000 acres - 4% of cereal land - will be out of production by the end of the fourth year of the set-aside programme, output did not decrease. Farmers produced 22.7m tons last year - the same level as output in 1989.

Why? Explains Dr. Clark: "Farmers are taking out of production only the most marginal land on which cereal growing was difficult anyway." There was no rule to forbid them intensifying production on their better quality land!



But the windfalls turned other farmers - those who still have to work for their money - green with envy. One victim of their animosity was Cambridgeshire farmer Roger Everdell, who withdrew all his land from production in return for £80,000 a year (£80 an acre).

Mr. Everdell took pride in watching sparrowhawks return to his idle land for the first time in 30 years - one of the objectives of the "green" policies of the EEC. His neighbours, however, bitterly objected when they saw

weeds flourishing in his fallow fields. That did not deter Mr Everdell, however. The Royal Society for the Protection of Birds supported his application for extra payments of up to £48 an acre from the Department of the Environment, which was disharding out money under its Countryside Premium Scheme to make land even "greener."

The human tragedy in Britain, however, is multiplied many times over, when the global consequences are examined.

The world is on the verge of a serious political crisis induced by the protectionism afforded to farmers in Europe and North America. The GATT talks - which are aimed at liberalising world trade - are about to fail, because the EEC refuses to accede to requests for concessions from the USA.

But the heaviest price is being paid by the marginal soil tillers in the Third World. They cannot compete on the world markets, where the supply and price of food is distorted by protectionism in Europe and North America.

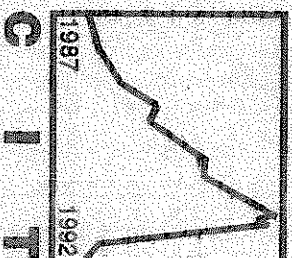
The Ministry of Agriculture has announced that farmers will be paid up to £300 per hectare a year to produce less food in a further 12 "environmentally sensitive" areas of Britain. Officials say the action is designed to keep small farmers in the countryside and prevent yuppies from buying their homes as weekend cottages.

In Denmark the rich farmers will gain most from "reforms," according to a local government research report. According to Niels Groes: "All they will have to do in future is to pretend they are cultivating the land, drive the old Ferguson tractor over the fields when they have the time and the sun is shining, and then drive past the bank to draw their subsidy."

CENTRE FOR INCENTIVE TAXATION ECONOMIC

INTELLIGENCE

EV/31 MARCH 1992



BUSH: A PYRRHIC VICTORY

GEORGE BUSH will be re-elected as President of the USA, an outcome with considerable economic implications for the world economy. More importantly, however, EI is now prepared to alert readers to a momentous shift in geo-politics, the outcome of which will be a change of epochal proportions. Here, we look at the prospects for the November elections; on page 2, we turn to the economic implications; and on page 3, we explain why the U.S. is on the precipice of a fundamental change that far exceeds the traditional switch of political allegiance.

First, readers are reminded that EI based its successful prediction of the 1992 economic trauma on trends in the land market. We examined the empirical evidence for the hypothesis (which originated in the USA)

that land-values operate in 18-year cycles. The hypothesis, it turned out, was powerful in explaining trends (particularly the all-important turning points) in other sectors of the market economy. And on the basis of historical evidence, 1992 was "bound" to be the trough of the latest cycle. Since we published the prediction four years ago, there was no 20/20 hindsight vision here!

Now consider the political cycles. American historians have for a long time drawn attention to 36-year cycles in the fortunes of Republicans and Democrats; the latest scholar to explore these cycles is Arthur M. Schlesinger.* The data is assembled in the table, which reveals a crucial relationship. We find that an earthshaking shift in American politics always followed - by three years - every second major economic recession. The only exception was the five-year gap between the first recession and Andrew Jackson's moral victory over the landowning Whig aristocracy in 1824 (Jackson was founder of the modern Democrat Party).

Each of the succeeding political earthquakes took place

three years after the preceding recession, and represented a fall in the American history book: 1860 (election of Abe Lincoln, the first Republican president, ushering in a period of close party competition), 1896 (Democrats returned to the South, Republicans gained the national majority), 1932 (Roosevelt terminated Republican dominance and launched the New Deal).

What does all this tell us about the fortunes of George Bush and his challengers?

If the cyclical rhythms had continued, the first postwar change would have been in 1968. But as with the economic cycle (the Nazi threat boosted spending on munitions, which prevented the serious recession that was due in the late 1920s),

U. S. ECONOMIC & POLITICAL CYCLES

Land value peak	Building cycle peak	Economic recession	Political upheaval
1818	-	1819	1788
1836	1836	1837	1824
1854	1856	1857	1860
1872	1871	1873	-
1890	1892	1893	1896
1925	1916	1918	-
	1927	1929	1932

POSTWAR CYCLE BEGINS IN 1955

1972	1973	1974	-
1989	1990	1991/2	1996*

*Economic Intelligence prediction

the Second World War was a sufficiently powerful event to disrupt the political cycle. No-one claims that these trends are mechanistic. Judgment has to be exercised in dating the origins of the postwar economic and political cycles.

EI accepts the consensus view of historians that 1955 saw the normalisation of the economy. Two 18-year land-value cycles brings us to the recession of 1991. Add three years to that, and we are tantalised by the prospect of political upheaval in the following presidential election - 1995.

Now cross-check this with the political cycle. When did it start? Add 36 years to 1955 and we leap to 1968 - the year Nixon snatched victory from the Democrats (JFK having been assassinated in 1963). Convenient, because Nixon was the first of the rightwing Republicans. That date suggests the continued dominance of the Republicans into the millennium. Such a conclusion, however, is inconsistent with the economic cycle. Can we make the two cycles concurrent without bending the facts of history?

* *The Cycles of American History*, Boston: Houghton Mifflin, 1986. The economic data in the table is drawn from Fred Harrison, *The Power in the Land* (1983), London: Shephard-Walwyn, p.65; available in the USA from Robert Schalkenbach Foundation, New York.

Schlesinger offers us the solution. He stresses the importance of the generational cycle on political motivation. He examines the postwar baby boom, and concludes that 1957 divided the Roosevelt/Truman generations from the Kennedy/Johnson generation. "The baby-boomers thus consist of two

distinct generations, with 1957 as (roughly) the dividing line, the older generation attuned to democratic purpose, the younger to private interest." If 1957 did see the onset of a new political cycle, an additional 36 years takes us to 1993.

Now, that suggests that Bush ought to scrape through. But what about the mood of the voters? Historically, it has taken three years for the impact of the second major land-induced recession to sink deep enough into the collective consciousness to activate sufficient grassroots dissatisfaction of the kind that generates a change in political destiny. What does that mean for this year's presidential election? With people still shell-shocked by the current economic collapse, it will take them the best part of the next administration to recover and whip the politicians into doing their bidding; in other words, it will take another defeat at the hands of Bush to force the Democrats to formulate the policies that will give the next political cycle its distinctive character.

So El concludes that Bush will make it back to the White House. Bad news for the millions who are today without work, but at least this enables the smart people to prepare a medium term plan to maximise the returns on their investments; they can now make best-guess assumptions about the economic strategy of a re-elected President Bush.

BANKRUPT BY ANY OTHER NAME

IT WAS the rhetoric of a war leader, but the president's ammunition, delivered in his State of the Union speech, was a damp squib. With the US economy careering into the worst slump since the Great Depression, George Bush could do no more than deliver what *Business Week* characterised as a "grab bag" of policies.

If ever there was an occasion for setting a new course, this was it. Instead, President Bush's main vote-catcher was to allow the average family to retain an extra \$350 in their pay cheques - five bucks a week, the price of a couple of hamburgers.

But even that sop is actually an illusion, for as *The Wall Street Journal* noted: "The total tax bite will ultimately be the same; that amount will be made up at tax time next year, when refunds will be smaller or taxes due will increase."

With a federal budget deficit aiming for \$352 billion, and climbing, the real message from Washington is the bankruptcy in ideas. Quite simply, no-one knows what to do about the malaise that is afflicting the American economy. Which is why the president's prescriptions - wrapped in the language of Desert Storm - are ones of retreat.

Literally. For his plan to revive the economy is a series of measures that reverse the Tax Reform Act (1986). That act helped to reduce taxes and increase the budget deficit, but in doing so created some problems for the citizens. Take the need to help citizens to provide themselves with decent shelter. The 1986 Act succeeded in raising, rather than lowering, the marginal, after-tax cost of home-ownership for a family of three earning \$40,000 by over 8%. As for the rented sector, the changes were such that any investor public spirited enough to provide accommodation for others to occupy had to raise rents by between 15-20% to maintain the same rate of return on their investment.

Something needed to be changed, and the president - a high-seas angler - thought it appropriate, in these times of high unemployment, to propose the repeal of the luxury tax on expensive boats.

"Gimmicks" was how the President's Housing Secretary, Jack Kemp, characterised the package - until, after phone

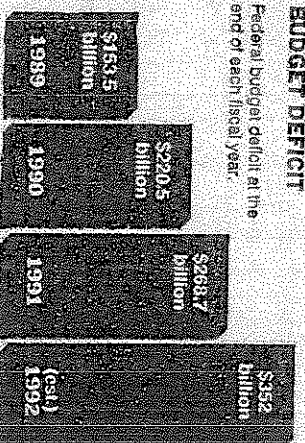
calls from the White House, he dutifully backed down.

Most of the focus was on the president's heartfelt desire to cut the capital gains tax, from 28% to 15.4% for assets held for three years or more. The idea is to encourage investment, but (a) would it? and (b) who gains? The best deals in town today are in land. Valuable sites are being sold for knock-down prices, and they can be withheld from use (which would do nothing to create new jobs) and at low cost (which provides no incentive to invest in wealth-creating activities on it). So the plan to cut the capital gains tax provides the most incentives to the least enterprising - hardly an imaginative strategy for lifting a wounded economy out of the sickbed. And the Treasury effectively admits this, for it predicts that - instead of encouraging new investment - the cut in capital gains tax would encourage people to sell assets, to take advantage of the lower rate. A second effect: by 1997, the Treasury would be losing \$200m revenue, thereby increasing the budget deficit.

As for who gains - the congressional Joint Committee on Taxation calculates

BUDGET DEFICIT

Federal budget deficit at the end of each fiscal year.



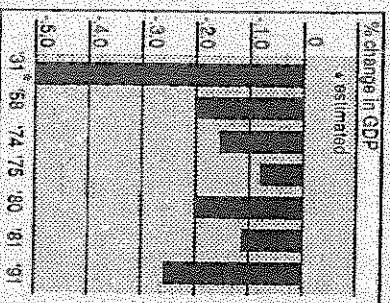
Source: Congressional Budget Office

that nearly 70% of the benefit would go to those who make over \$100,000 a year. If you earn over \$200,000 a year, you save an average of \$18,000 as a result of lower capital-gains rates; while those earning under \$50,000 would save \$300.

It appears safe to assume that anyone looking for leadership in the economy will wait in vain. As *The Wall Street Journal* editorialised on February 6, "So it goes in Washington, where tax policy has no tangible relation to what actually goes on in the real economy."

Sit tight for a drawn-out fight for survival.

BRITAIN'S SLUMPS



OFFICIAL figures released by the Central Statistical Office have now confirmed EI's forecast - originally published four years ago - that Britain would be in a depression in 1992. City of London financial analysts are now admitting publicly that it is now misleading to call the downturn a recession. Britain last year suffered the biggest single year slump in output since the Great Depression of the 1930s.

NOTHING NEW FROM NEW HAMPSHIRE

.....TILL 1996

THE OUTCOME of the New Hampshire primary reinforces the view that nothing dramatic will happen to disturb the American political terrain this time round. Both the candidates and their policies are lacklustre; nothing sufficiently powerful to terminate the dying era - yet, America is in the philosophic doldrums - the calm before the storm.

But the next political upheaval will be qualitatively different from the previous ones. Indeed, EI predicts a paradigm shift in the texture of US (and, come to that, global) politics. But first, what is there about the current situation that encourages us to believe that, at the level of the street, people are beginning to feel that past trends cannot be allowed to continue?

First, President Bush said in his State of the Union speech: "I know we're in hard times. But I know something else: this will not stand." Well, people do not believe him. They read his lips - about taxation - and saw a forked tongue. But opposition candidates are equally unimaginative. And so, given the absence of real choice, enough people will abide by the rule that you stick with the devil you know.

Not for long. Ordinary families are now taking stock of life in the New World, and they do not like what they see. Take the influence of that basic of commitments, the household mortgage. Millions of families are refinancing their mortgages (see page 4): the result is an uncharacteristic extension of indebtedness, which is forcing voters to soberly assess their prospects by peering deep into the future. For good financial reasons - they are committing themselves to repaying mortgages over a 30-year time span - they now have to take stock of the character of their country, to relate the political and economic conditions to their personal prospects.

And they are disturbed, a fact which is finding expression in the ominous statements of commentators. Typical is the depressing assessment by Anthony Lewis in *The New York Times* (February 14): "America is more like the *ancien regime* in France than ever before." A *Time* magazine essay called the social process of disintegration "The Fraying of America" (February 3). Lewis identifies a socially inequitable tax system as being at the heart of the problem. The latest studies reveal that, as the poor get poorer and the rich get richer, the middle class is being squeezed to extinction. Lewis does not offer a radical solution, but he is on the right track.

Why do we expect this dissatisfaction to express itself in something more dramatic, in 1996? Traditionally, control of the American political system has alternated between the pursuit of private interest (Republicans) and dedication to public service (Democrats). But that choice is no longer available. Schlesinger summarises the threat to the power structure in terms of "double failure and double obsolescence". Today, people can draw on memories to conclude that the liberal interventionist state failed, and so did the neo-conservatism of Nixon/Reagan/Bush.

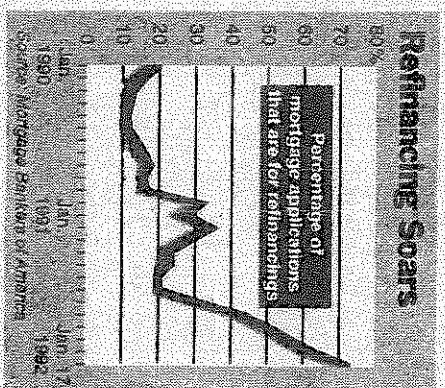
"When the counter-revolution only deepens national troubles, people will see

a 'double failure' of both welfare-state and free-market alternatives," writes Schlesinger. "The cyclical alternation will lose its legitimacy."

EI agrees.

"The accumulation of discontent will subvert the traditional political order and rush American politics into new and dangerous times." Those words, published in 1986, are prescient: the dangerous times have arrived. Literally. When women and children die in the streets from the stray bullets of gangsters and socially alienated delinquents - as is happening almost every day in New York - we can expect an explosive reaction.

The double failure has arrived, but the 1992 presidential candidates have not risen to the occasion. There is no hint of an understanding of how to change the course of society; yet people will not tolerate the anarchy that now defines American culture.



cans believe the economy needs a "complete overhaul" - hardly evidence of a complacent attitude to the system that is supposed to provide one's daily bread-and-butter.

The emerging awareness of a deep-rooted crisis is undermining the national identity. This has now found one expression in animosity for a new enemy: Japan. Fueled by tactless statements by Tokyo politicians, who are characterising American workers as lazy, the calls for protectionism are pushing Washington into flitting with nationalistic insularity - the harbinger of fatal mistakes that will crush international trade and lock the world trading system into a downward economic spiral that could collapse into a geo-political crisis.

A few writers (such as Robert Reich in *The Work of Nations* [New York: Vintage Books, 1992]) are trying to define a new identity for Americans, but the outcome will reflect latent conditions. Current trends will define the nature of economic activity for at least the next 30 years. Correctly anticipating those trends will generate fortunes, whereas making decisions today based on past behaviour will probably break a few fortunes. EI will monitor the trends and anticipate the policies that will establish the framework for the jobs market and the investment opportunities for capital in the 21st century.



Housing: HUD commission slams speculation

HOUSING in the USA continues to reflect the state of the economy. New home sales dropped 6.6% in December, dragging 1991's total to the lowest level in nine years.

In an effort to stave off disaster, families are refinancing their homes, attracted by interest rates which are now at an 18-year low. The rate on a 30-year, fixed-mortgage has dropped from 14.7% (1984) to 8.3% last month.

◆ *In January, over 70% of mortgage applications were refinancing deals.*

Last year, 1.5 million households saved \$3 billion by refinancing their mortgages, and another 3 million are expected to do so this year, which will provide households with an additional \$6 billion in spending power.

The scramble to lower monthly outgoings from the budget has rammed home the painful message that family wealth has declined drastically. As many as half of the applicants are confronted with the news that the value of their homes has dropped by as much as 25% to 30%.

The fall in residential land values has caused havoc. For example, small construction firms are unable to borrow money from banks to finance new output. The credit crunch is estimated to have prevented the start of about 150,000 residential units last year.

◆ *According to the Commerce Department, 1991 was the worst year for housing starts since*

World War II.

The construction industry is being decimated, with smaller builders being wiped out to the advantage of the bigger firms, which are increasing their market share.

The macro-economic implications of the housing tragedy are not yet reflected in policies in Washington, DC, even though the evidence - that downturns in the housing market point to (indeed, cause) recession - is unambiguous.

The graph (inset) tracks the weighted average of median prices of new and existing homes which have been sold, deflated by the consumer price index. Similar graphs could be constructed for other aspects of the housing market, but they are all no more than proxies for the real story: it is the downturn in the value of land beneath the buildings that registers the dynamic impact on the rest of the economy. The sequence is now a classic one: a downturn in land values precedes a downturn in the housing sector, which in turn precedes recession.

It is the failure to maintain a stable relationship between incomes and house prices that generates the instability. That havoc is caused by speculation in the land market, a damaging activity which governments have consistently failed to address.

One result, according to the Census Bureau, last year 91% of America's renters could not afford to buy a median-priced house.

The facts are not in dispute, and have been documented in voluminous reports over the past 20 years. The latest is last year's report commissioned by Jack Kemp, Secretary of the US Department of Housing and Urban Development. This affirms the role of the property tax as contributing to both the cause of - and solution to - the problem of unaffordable land. The report acknowledges that a single tax on the value of both land and buildings rewards the holding of land in an undeveloped state.

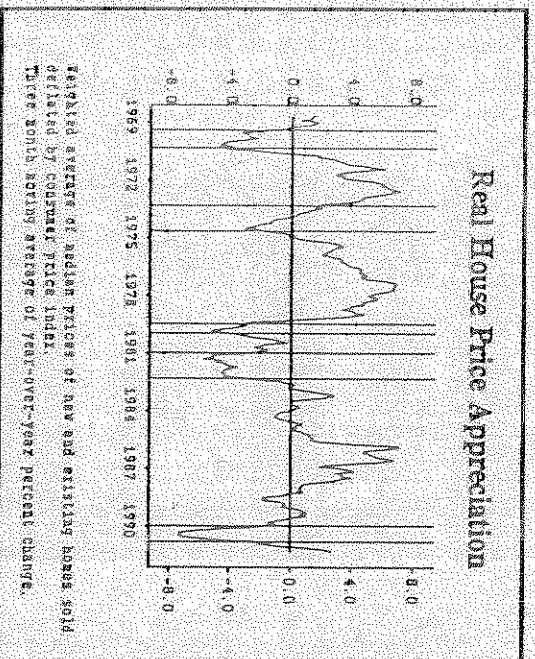
The property tax (called rates in Britain - until Margaret Thatcher abolished them), "encourages land price inflation, by encouraging land holding and speculation. It also penalizes investment that would improve and maintain existing housing, by imposing relatively high property tax rates on land improvements."*

The Commission was attracted by the two-rate tax, which placed the burden on land values and reduced the tax rate on buildings. Pittsburgh is among the 15 Pennsylvania towns that employ a two-rate tax. Would this fiscal policy reduce land prices and make houses affordable to all levels of incomes?

Studies have proved that the switch to a two-rate tax encourages faster construction of homes, relative to trends in neighbouring communities. Good. But in economy-wide terms, the municipal-level strategy is hopeless. Here, again, the evidence is unambiguous. As the HUD Commission noted, the two-rate tax operates "in other parts of the world" - for example, throughout New Zealand and Denmark. Better still, most municipalities in Australia and South Africa even benefit from a land-value only tax. Alas, none of these countries has been exempt from land speculation. All of them have been driven into recessions when the price of land was raised to commercially unaffordable levels. The land-tax rates were too low to abolish the propensity to speculate in the prospect of huge capital gains.

Ultimately, there is one way only for the market economy to be released from the constraints of land speculation: when central governments use land-value taxation as a macro-economic tool to achieve full employment. That entails the imposition of a very heavy tax rate on land rents, with offsetting cuts in taxes on other forms of income.

* Advisory Commission on Regulatory Barriers to Affordable Housing, *Not in My Back Yard* (1991). Report to President Bush and Secretary Kemp, Washington DC, pp. 8-10.



RENT.

the 'centre of gravity' for a 'City of Liberated Labour'

*ALAN SPENCE, a London community architect
and planner, argues that the Russians should help
the Germans to settle in new towns constructed
on the philosophy of Britain's "garden cities".*



Russian President Boris Yeltsin has promised to re-establish an autonomous district or republic for two million ethnic Germans, whose original Volga republic was dissolved by Stalin in 1941, after the Nazi attack on the Soviet Union.

Yeltsin has offered a former military exercise area alongside the river as the new homeland. The territorial concession is aimed at halting the influx of ethnic Germans into Germany, where they are guaranteed automatic citizenship.

But how will the Germans be settled in the new Volga republic? Bonn is prepared to put up the money: DM200m (£69m) has been earmarked to finance the resettlement.

✧

AN ACT OF INJUSTICE was inflicted on the Volga Germans by Stalin's infamous decision to expel them from their Volga Homeland in 1940 and disperse them throughout the Soviet Union. Some 200,000 of them should be allowed to build a Garden City on an underused site within the Saratov Region - their former homeland - in the Russian Federation.

Today, two million of them live scattered and fragmented lives. Hopes raised by sympathetic voices are collapsing as the Central Government fails to ideologically take on board the entrenched opposition of Saratov's rulers.

To counter this mood and to campaign for a solution, a group of Volga Germans set up the All-Union

Society of Germans (Revival). The central part of its programme is the establishment of an autonomous region within its former Volga homeland.

In spite of initial support from Boris Yeltsin, who said that "the Soviet German national problem shall be solved," the situation has not improved sufficiently to satisfy the mass of the Volga Germans and the increasing numbers of them returning to Germany. Revival leaders are beginning to advocate that all Soviet Germans should return to the reunited Germany of Chancellor Kohl.

Compounding the lethargy of the Russian Federal authority is the resistance of officialdom in the Saratov Region itself - and particularly from the area inhabited by the Volga Germans.

NEW REPUBLIC

These officials exaggerate the opposition of local Russians to the return of the Germans. Independent surveys by newspapers show that resentment does not correspond to what officials claim. And, in any case, opposition is founded on the mistaken belief that the Volga Germans want the full restoration of their former land, and that two million will be involved in the process.

This, in fact, is not so. For Revival recognises the impracticability of relocating such a huge number in one area. Heinrich Groul, the President of the organisation, told me that "just 200,000 resettlers would be enough. Soviet Germans need a

republic both as a token of their equality and as a centre to promote their development."

We met in the Volgograd Region, the nearest point to his father's former village which lies 50 miles away, and where he has been able to settle after leaving North Kazakhstan. Our meeting provoked in my mind a train of thought which may help to resolve the conflict of interests between Saratov people, local officials, Volga Germans, and the German Government - whose hands are already more than full to overflowing with refugees.

SEMYONOV

Another look should be taken at the city planning philosophy of the architect from Volgograd, or Stalin-grad as it was known when plans for its construction were developed in the late 1920s and 30s.

The architect was Vladimir Semyonov. He lived along and noble life, most of which was spent in the pursuit of improving the architecture and its concomitant space arrangements (a neglected field in his early days when most architects were simply concerned with individual buildings) within a balanced, harmonious, and economically sound settlement pattern.

During his early years, Semyonov worked as an architect in England and experienced the building of Letchworth Garden City. The ideals which precipitated the garden city movement were part of the thinking of advanced architects and others

concerned with the appalling living conditions of workers crowded into the poisonous slums of early industrialism. Letchworth was based on the principles expressed by Ebenezer Howard in his book *Garden Cities of Tomorrow*, written in 1903 and as valid today as it was then. I regard these principles as the answer to the deformation of cities, the plundering of nature and the unhappiness of most of mankind.

On his return to Moscow, Semyonov was able to persuade the Moscow/Kazan Railway Company (a company based on cooperative principles) to give him in 1912 the contract to build a new town for its workers at Prozorovka (Kratovo) - 40 kilometres to the SE of Moscow, and, furthermore, the right to construct Garden City layout principles.

That there is something of universal validity in Howard's proposals seems a legitimate deduction from the variety of national delegates who attended the first International Conference of the Garden City Association when it met in 1913 in London. Significantly, the Russian contingent formed the third largest group after the British and German, and, no doubt, this Russian interest was encouraged by the translation into Russian of Howard's book by Alexander Block in 1911.

The support of Germany for the Garden City idea manifested itself in a major way in the work done by post WW1 German architects as they built to overcome the deprivations of industrialism and war through the welfare programmes initiated by the Weimar Republic. Hence the ready response from so many German architects when asked to participate in the city building programme of the new Soviet Union during the late 1920's and early 30's.

Semyonov, as noted earlier, was the architect/planner for the new tractor-building city of Stalingrad, and this he planned on Garden City principles. He kept firmly to the need to modify the concentric principles of Howard's model with the linear topography of the Volga river.

After this, Semyonov went on to become the chief architect for Moscow and the strategist of its 1925 Plan, which came to be defined as the 'model socialist city'. This model directly influenced the teams led by Patrick Abercrombie when they came to prepare the County of London and the Greater London Plans, to rebuild a blitzed London.

Unfortunately the Greater London Plan, like its stablemate the Moscow Plan, was never put into action. Hence the massive overcrowding in both capital cities and the spatial deformities of gigantic and unloved high-rise dwellings and office blocks.

The failure to keep the populations of Moscow and London within appropriate bounds has had the consequence that both cities have ballooned out, and, like all things extending beyond natural boundaries, they will burst. Paradoxically, though, in the case of the built environment, the explosion internalises itself into garroting its citizens through pollution, congestion, and industrial sclerosis.

My belief is that if the settlement pattern established at Prozorovka by Semyonov had been emulated by British and Soviet planners, the trauma gripping both cities would have been avoided, and the Soviet Union - because of its different economic structure - would have been well advanced in its construction of a socialist civilization, or, as Vladimir Semyonov would have it, as 'Garden City - City of Liberated Labour'. A far cry indeed this is from a city such as Novokuznetsk where conditions of life and labour are such that a male life expectancy of 58 years puts it on a par with Victorian England.

LEITCHWORTH

Where Semyonov failed, and this failure implies no criticism of him, was the inability to put into practice the economic and democratic basis of Howard's principles. He, in commenting on *Garden Cities of Tomorrow*, said: "The centre of gravity of the whole project is in the figures and

data given, in the calculations showing its practical reality, even its profitability."

When Semyonov wrote this in 1912, it was still a hypothesis. It still awaited the proof of practice, though to him and other supporters it stood up to the test of the strands of empirical evidence then available. Today, however, we have the proof now available through a study of Letchworth Garden City which, from its inception in 1903, has been able to weather many vicissitudes. Today its prosperity is clear for all to see. Town ownership of the land on which it is built, with local determination of its use, leads to a dynamic initiative in the employment of community assets. Profitably running its own science park, farms, commercial premises, housing and leasing land for other uses adds to the wealth of the whole town and the welfare and prosperity of its 30,000 inhabitants.

FINANCED BY RENT

This insight into the economic strength of Howard's scheme encouraged Semyonov to propose, in 1922, a new settlement near Moscow. As at Letchworth, Semyonov would have formed a joint-stock company to build it. To pay the dividend on the shareholding (I suppose this would be fixed at 5% per annum, as Howard's was at Letchworth), and until ground rents were generated from leases, timber from the property would be sold.

"The centre of gravity" to which Semyonov attached so much importance, was derived from ground rent. This is the economic basis of the Garden City concept. Land is not sold but leased. Each user of land - whether for residential, commercial, industrial, agricultural use and irrespective of whether the user is a private individual or a local or national state authority - pays a market rent for the ground. The community receives back what society has or is investing in the soil.

Land is the common inheritance of people, but its value improves



VLADIMIR SEMYONOV

through constant social investment. Individual families congregate for a common purpose - say a group of settlers moving into thinly populated and underdeveloped territory. With the application of labour the area becomes more prosperous and begins to attract more settlers and commercial interests. These latter serve some common village interest, say a bakery or mechanics shop, and, at a more advanced stage, a large industrial cooperative believes there is a large enough market to warrant its location there. So it obtains planning permission from the villagers and builds its factory. Clearly, it is the sum total of people within the area which provides the need for the individual business to site its building on land within the community.

The individual farmer or industrial cooperative receives its reward from its 'profit or enterprise', i.e. having paid by bidding at auction a fair market rent for that use of land. Products are produced, be they agricultural or industrial, and become commodities for sale. Their quality in normal circumstances determines their price. And this price measures whether 'enterprise' is high, average or low. Thus, both community and

individual citizens - either as self-employed or as workers in a cooperative - receive or pay a just price for the use of land.

In Britain such individuals or privately owned companies purchase land from the existing landowner or obtain a lease for 10, 15 or 20 years from a freeholder, the person who owns the land outright. Some families have owned the land for 1,000 years, and through leasing they own the land in perpetuity. After the lease expires, the land is returned to the freeholder - including all the buildings on that piece of land.

The Duke of Westminster, for example, leased in 1885 a site in central London to a charitable organisation for it to build a hospital for the poor. This lease was for 100 years and, therefore, expired in 1985, so, the present Duke claimed it back. In spite of the fact that all hospitals became the property of the National Health Service when it was formed in 1948, the Duke received the hospital as well. He then sold on the emptied hospital to a developer for £10m, rented him a lease for another 100 years, and will also collect an annual ground rent from the hotel. Little wonder that such a system makes

English aristocrats rich - the present Duke of Westminster, for example, is said to be 'worth' £4,000m.

KNOWLEDGE of this system of land tenure was, of course, well-known to Semyonov and his contemporaries, for it was the daily stock-in-trade of Czarist land economics, and, more generally, capitalist land economics. Translating this knowledge into the structure of Garden Cities and devising a mechanism whereby the value of collective social investment could be returned to a municipal treasury for re-investment in the infrastructure and general welfare was the invention of Ebenezer Howard. In this he was profoundly influenced by the American land reformer, Henry George, one of whose most earnest advocates was Leo Tolstoy. These two both suggested that land be priced through competition for its use, either by tender or by auction.

This process of collecting rent for community use is no different when dealing with agricultural land. The latter is good or bad, or suitable for this or that purpose, and in England, commercial values determine with great accuracy the price of land simply by noting the results of sales and auctions. There was a sound basis to Semyonov's view that land economics was grounded on an empirical foundation.

RUSSIAN FEATURES

However, in my view, it was the way Semyonov modified the Garden City form, and used Russia's indigenous materials for construction, that brought him his greatest success. He wrote:

'We cannot copy any one ready-made model... Too different are we in both natural conditions and in character to repeat European examples without modification. We must work out a Russian type of town, answering to our severe climate and the spaciousness of the land and our national resources.'

Still, no matter how large or small a settlement is, or wherever it is situ-

ated geographically, a universal requirement is for there to be a 'central place' which locates all the buildings and facilities a community needs to service the community.

At Prozorovka, Semyonov followed this generalisation and clustered in the centre the theatre, library, etc. He broke the Russian tradition, however, by building some of his public buildings - the hospital, for example - in wood, the same material used for his house building. Later, during the 1920s, others such as Vladimir Tatlin, Peter Miturich, Nikolai Markovnikov and the Derfak school - a study of which offers boundless lessons for today's environmental and human settlement problems - advocated the same.

Semyonov's houses were carefully costed, in different unit sizes, and designed to be self-built by industrial workers and agriculturists.

Prozorovka, however, was not an all-round Garden City with its own economic base, but a residential settlement for workers on the Moscow/Kazan railway. In this respect it did not achieve Howard's definition:

'A Garden City is a Town designed for healthy living and industry; of a size that makes possible a full measure of social life but not larger; surrounded by a rural belt; the whole of the land being in public ownership or held in trust for the community.'

To help clarify his concept, Howard showed three diagrams. The first illustrated neighbourhoods of some 5,000 people, six of which went into the making of his city. The city itself would be of 30,000, six of which surrounded a larger city of 60,000; the whole constellation with its Central City making a Social City of 250,000 people. Howard time and again said that his diagrams were models meant to explain the principles. Application would be determined by topography, etc. To translate these principles into a Master Plan for a site in the Saratov Region suitable for building a Garden City for the Volga Germans is, basically, a technical job.

We should learn from history, however, and one lesson is the need

to avoid hardships suffered by building workers and their families during the early phase of construction, when in the past these families have been expected to live in barrack-blocks.

To dramatically reduce this period of hardship, and after an outline Master Plan has been prepared, a neighbourhood can be selected and built as a complete unit - with shops, schools, hospital, theatre, etc. This becomes the village for the people and their families involved in the further phases of construction.

SELF BUILD

Semyonov designed houses for self-building - a long tradition in Russian history, as this quote from El Lissitzky shows:

'The dwellings of the City of Moscow are built of wood... the roofs are covered with wood shingles ... hence, the great conflagrations.... Outside the city walls one can find on display in a special market a number of houses ready for assembly. They are available at reasonable cost and can be easily assembled on any other building site. The above described house market is located in a certain district of the city... the purchased house can be delivered within two days ready for assembly in any other district of the city. The timber framework has been pre-cut and matched and it remains only to fill the crevices with moss...' - A. Olearius (1686) *Journey to Moscovium*.

In my view self-build is necessary not only in the Soviet Union but universally, to enable mankind to overcome many social and environmental problems. Another look at Semyonov's houses will provide extremely useful information. Of course, modern technology has added much to self-build housing - though the number of ill-fated forays into such activity suggests a cautious approach. However, one that seems well tested and proved in Britain was developed by the Swiss/German architect Walter Segal.

Segal came to Britain in the 1930s,

and remained until his death in 1983. During this time he worked intensively on this idea of self-build housing from readily available components. During the past score years those built to his specifications have weathered well. His model is so well appreciated that it is becoming something of a yardstick in self-build housing projects and, therefore, could be looked at carefully to see if it is suitable for a Volga German Garden City.

RESOLVING DISPUTES

We return now to the plight of the Volga Germans. It seems clear that the Garden City idea could make a starting point for discussions between Saratov citizens and those Volga Germans who want to return to their homeland, to which, incidentally, they were originally invited by Catherine the Great two centuries ago.

A Garden City of 200,000 people (Revival's figure) would occupy much less than a 100th of the size of their former republic. A careful survey of the Saratov Region would identify an area of the appropriate size which is thinly populated. With proper explanations to the existing inhabitants - including the substantial benefits they would gain by living in a garden city - I believe the Volga Germans would be welcomed by the Volga Russians.

Of enormous importance in helping to resolve disputes would be the substantial finances available from Germany for resettlement. If this could be arranged, then the initial problem of any Garden City proposal - early finances - is resolved. And with support from Saratov's people, the Russian Federation, and the Soviet Parliament, this sad but still running sore - the displacement of the Volga Germans from their homes - would become a thing of the past.

This solution would be a model for other ethnic minorities who seek their own place in the sun. Nonetheless, it would be wise to heed the words of Semyonov, who wrote:

'Never forget 'politics' for it is precisely here that the centre of the question lies.'

BOOK REVIEWS

ECO-WARRIORS AND ECO-FEMINISTS

by Meia Heller

ECO-warriors and eco-feminists are needed in the world today, not just to fight large corporations or to save the Earth's resources, but to bring about a social and economic order that is neither market-oriented (capitalistic) nor centrally-planned (socialistic or fascist) but anarchistic. Anarchy in the modern sense means individuals who are self-governing in the workplace, in the community, and in harmony with nature.

Is this possible, given the disintegration of both major economic systems in the world? Yes, say the authors of two books: *Ecology as Politics* by Andre Gorz, a French political scientist, and *For the Common Good* by Herman E. Daly, an economist, and John B. Cobb, Jr., a Protestant theologian.

Furthermore, there is no alternative to a convivial free society in which people have more control over their lives, except "technofascism" (as Gorz calls it) in which multinational corporations rule countries in which they reside, prompting governments to enforce power over citizens by coercion through bureaucracies, police forces, armies and private security forces. Under such conditions, the ecological complexities of the Earth are doomed, for technocrats would have control of the task of calculating "optimal" norms of pollution control and production. But, also doomed would be freedom in society, for people would be "programmed" to try to survive in a less and less hospitable environment.

As Gorz points out, this prospectus is highly probable if capitalism is compelled to integrate ecological costs without being challenged at all levels by alternative social practices and alternative visions of human civilization. "The advocates of growth are right on one point: within the framework of the existing society and consumption patterns - based on disparity, privilege, and the quest for profit - zero or negative growth can only mean stagnation, unemployment, and a widening gap between rich and poor. Within the framework of the existing mode of production, it is impossible to limit or suppress growth while simultaneously distributing goods more equitably."

Daly and Cobb agree, though they explain the realities of global economics in a different way. They stress the need to proceed from individualism to person-in-community, from cosmopolitanism to communities of communities, based on bioregionalism. They explain how abstractions in economic thought have lead us astray from reality. When economic theory reduces all the physical world to "matter" and defines all land and its resources in terms of "rent" (the return on the use of land or its resources therein and thereupon), little wonder we have such a mess.

Gorz suggests how we can get from "here to there" based on European experience. Daly and Cobb recommend specific changes in the USA's fiscal policy (taxes) at the three levels of government - federal, state, and local. It is a masterpiece

of design which makes taxes understandable. In effect they would take from the rich and give to the poor via a federal inheritance tax and the income tax (with a guaranteed annual minimum income, also endorsed by Gorz). They would give states more autonomy by letting them collect exclusively the sales tax, all excise taxes, and the petroleum tax, but also give them more responsibilities (for all education, health, safety, agriculture and highways). To local governments they reserve the best tax of all, a land-value form of property tax, with a high rate on land values and a low rate on buildings; this generates many good things, such as more jobs, efficient land use, lower land prices and affordable housing. Since most land in any capitalistic country is owned by 1-2% of the richest people (who can prevent others from using it and who are free to misuse or underuse it themselves), this simple change goes a long way towards equalizing wealth distribution.

In the Soviet republics, where land is still publicly owned, Russia has adopted a land-value leasing system to underwrite costs of government as the socially equitable thing to do. They may have no other taxes on wages, sales, or profits, thus setting a precedent in building autonomous, self-governing communities, regions, republics.

Why do we need eco-warriors and eco-feminists to fight for a sustainable Earth and a sane society based on community, reciprocity and freedom? Because ecologically-sensitive people are aware of what is happening to our Earth and to our societies. They care. The ecologically-sensitive can sharpen their attacks - through courtrrooms, non-violent actions, demonstrations and public relations - if they understand more about economics, taxes, the pitfalls of "markets" or central planning, if they understand the growth mentality and what generates the unequal distribution of wealth.

We are not necessarily poorer if we have fewer goods more evenly distributed, as all the authors point out. We can enjoy a far richer life in a sustainable environment. We can simply enjoy! By emphasizing the ecological imperative, both books equip us to be competent eco-warriors and eco-feminists.

1. *Ecology as Politics*, by Andre Gorz, South End Press, 116 St. Botolph Street, Boston, MA 02115, 1980. (First published by Editions Galilée, Paris, France, 1975).
2. *For the Common Good: Redirecting the Economy Toward Community, the Environment, and a Sustainable Future*, by Herman E. Daly and John B. Cobb, Jr., Beacon Press, Boston, 1989.

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BOOK REVIEW

THE PRICE OF LAND

*A Harvest of Discontent:
The Land Question in South Africa*
Michael de Klerk (editor)
IDASA: Cape Town

SOUTH Africa's future turns on how the warring factions finally resolve the land question, writes Peter Poole. Fortunately, the country has one of the best land-taxing systems in the world. This opens up an option - sharing the nation's rental income through government expenditure - that was not available to any of the other African countries in their post-colonial phase of development.

The wealth of fiscal information enables economists to calculate how much income could be raised from the efficient use of natural resources, and then disbursed on the basis of equal shares.

One estimate is contained in the final chapter by the editor of this useful collection of essays. De Klerk, a senior lecturer in the School of Economics at the University of Cape Town, suggests that one alternative to land nationalisation was the socialisation of rental income.

He reports that this would be achieved with a tax of 4% or 5% per annum on the value of land. "As a percentage of net profit, this would be substantial - about 25% on average, enough to shift many farmers into the sub-marginal bracket."

It is not clear why de Klerk ignores the rental income of urban land.

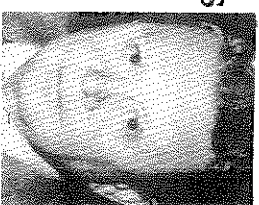
But he correctly notes that "A major advantage of land taxes is that they ought not to have a negative effect on output" - thereby avoiding the fate that has befallen many other African countries, whose land reforms impaired production without alleviating the demand for plots of land.

PAUL KNIGHT

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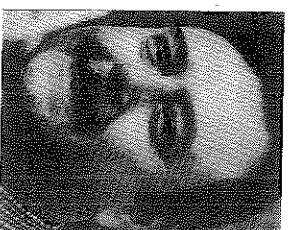


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