

Bob Clancy

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FRONT PAGE PORTRAIT: Social reformer Henry George (1839-97), whose philosophy offers the most comprehensive solutions to contemporary global problems.

Time to trust your people

THE economies in what used to be the USSR are in a shambles. No amount of western aid will rescue their industries until they understand the processes of the market.

because they do not have money to buy the rights of occupation. But that obstacle need not be of any relevance in the Soviet Union, which could establish a rational system in which new users of land were not penalised for not having money in the bank.

This is poignantly illustrated in the countryside, where food-production appears to be in a terminal condition of sclerosis.

The deciding factor should be ABILITY. If prospective users believed that they are best qualified to put land to good use, they would offer the highest rents — money that they would pay to the community AFTER they had sold their produce in the markets.

The politicians — and their advisers — still think that, to kick-start activity, the peasants need a pile of money. It is at this point that hands are thrown in the air: for most peasants have not been able to accumulate their own capital.

NOTHING will happen until a "market" in land is created. This is an unavoidable issue, and the Soviet economy will continue to be depressed until this fundamental step is taken.

Not having savings in the bank does make it impossible for farmers to buy land (or purchase long leases). But the view that this is a problem reveals that the Soviets still have a long way to go in understanding the nature of the problem before them.

The controversy is about the nature and structure of the market. Western economists continue to fail to supply the correct advice.

Having money in the bank is not a necessary condition for energizing the economy. That they continue to think that it is a first step, indicates that they have not yet plumbed the significance of the Law of Rent.

Given the problems, the only solution, one that can resolve the difficulties quickly, and with the minimum of disruption and the maximum of benefits, is based on the competitive bidding of rents.

WE HAVE proposed that, in the Soviet Union, the allocation of land should be determined by how much rent users are willing to offer.

The erstwhile Soviets are having difficulty grasping the implications of our model because they are still locked into the old error of thinking that people's wages are paid out of capital.

In the absence of prices (market signals) auctions would alert the state and its agencies (which possess the land) about the expectations and abilities of prospective users.

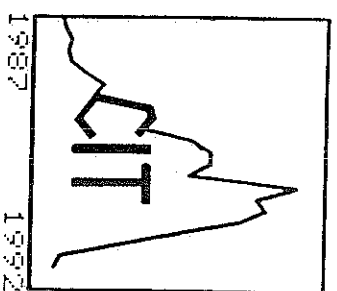
In fact, as Henry George argued, people — if free — produce their own wages out of current activity. So there is no need to worry about past difficulties: free the people, and they will get on with the job of generating wages — and rent.

The rent that prospective users would offer the community would not have to be paid in advance; it would be generated out of each year's production — the true economic surplus from the labour of the workers after their occupation of the land.

That is the challenge for the East European republics: will their leaders now realise that, if they create the conditions of freedom, the people can be trusted to generate the incomes that they — and their communities — need?

COMMENT by the Editor

ECONOMIC INTELLIGENCE

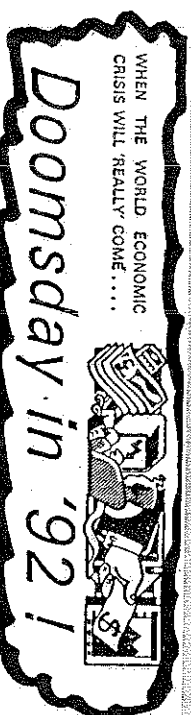


1987

1992

How we warned about the depression of '92

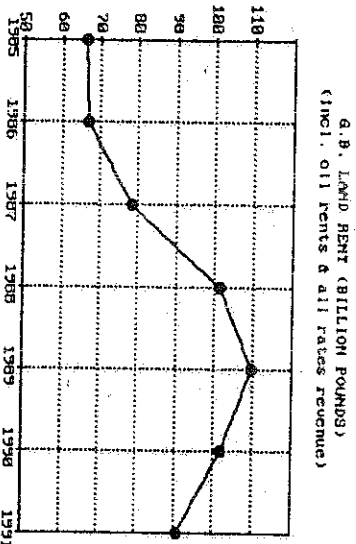
WE SAID it would be a depression, not a recession - and the state of the British and US economies is now being compared to the 1930s. We explained that 1992 was the year of crisis - and we said it four years ago, in January 1988.



How EI economist Fred Harrison warned of the crash - four years ago

Government forecasters refused to heed our warning. We knew there would be scepticism, so in the first edition of EI we suggested a simple test: we invited readers to compare our forecasts with events as they unfolded in the real world. For four years we anticipated and analysed the news. Then, last year, as presidents and prime ministers around the world assured their voters that the worst was over, EI suspended publication. Crunch time had come. Now, it was for the official monitoring agencies to deliver the verdict.

are being sharpened. When, in mid-December, Robin Leigh-Pemberton, the Governor of the Bank of England, reassured that the country was coming out of the recession, he was publicly accused of being a "fool" by Lord McAlpine, a former Treasurer of the Conservative Party. Mr Leigh-Pemberton, of course, has the finest economists at his disposal. But he resorted to a dangerous argument when he again claimed, on January 2,



Investors who took heed of our analysis are the richer for it; those who ignored our advice are now paying a price measured in billions of pounds wiped off asset values, which will not be recovered for many years. And what of economics? The most devastating critique comes from commentator Anthony Harris, delivering a New Year message to his readers in the *Financial Times*: "...the clearest lesson of this year has been that economists know next to nothing about the future." The influential London Business School's reputation, he wrote, "is gone...along with that of the whole profession..." And "...the eclipse of economics is no laughing matter."

They all got it wrong, and that includes the Treasury and the Bank of England. Not surprisingly, the knives

that Britain was now on the road to recovery. He said: "All forecasters, not only the Treasury and the Bank of England but all economists are saying '92 will be a year of recovery.'" But they all got it wrong in '91. Why, then, should investors - who have paid dearly for heeding the voices of government gunns - accept this assurance now?

Will '92 be the year of recovery? If not - why not? And where did it all go wrong? EI returns to address these questions.

Nothing can now be done to moderate the depression, but mid-term prospects can be enhanced. And this means paying special attention to trends in the land market. Our bulletins revealed how the macro-economic models employed by forecasters were fatally flawed by the absence of recognition of the land market's role in the economy.

The land market led the boom. Our theory of the economy told us a story that was diametrically opposed to the read-outs generated by the high-powered Treasury computer. We saw red warning lights where Cabinet ministers, lulled into complacency, were encouraged to make robust statements. Britain had finally reformed the inefficient labour and capital markets which - they said - had crippled the UK economy in the past. They turned a blind eye to the land market, where prices boomed after 1985.

We monitored similar trends in the USA, Japan and Australia: we sent out warnings for those economies. Nobody listened. The politicians put a brave face on it. In Canberra, Paul Keating - then the Treasurer, now Prime Minister - said that the worst slump in 60 years was "the recession Australia had to have". Not true; the slump need not have happened - if the politicians had taken the correct preventive action. But with one exception, governments adopted a tight-earred approach to policy-making in the 1980s. It was in Tokyo that the

Quest for new jobs through free trade

UNEMPLOYMENT is back on the political agenda. President Bush knows that his job is on the line, if he does not squeeze a deal out of the Japanese which can be translated into jobs in the US. This year the jobs issue will be even more potent as a political issue because the brunt of the recession is falling on regions and groups that used to suffer least.

In Britain: nearly 50 people are chasing every job in London. In the prosperous south-east of England, recent unemployment trends show a faster rise than in the industrial heartlands of the north. The capital lost 300,000 industrial jobs between 1985 and 1989, which shifted the focus of economic pain onto the financial and service sectors.

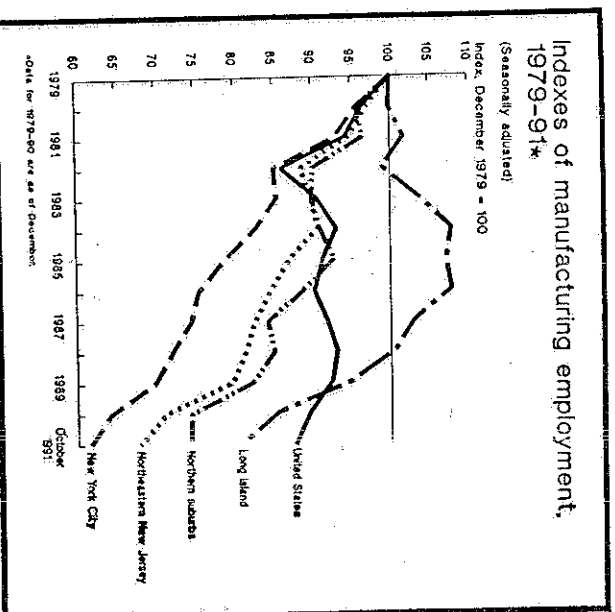
It is the same story in the United States, where the once-thriving north-east is suffering the most. In New York/Northeastern New Jersey, job losses were a massive 300,000 in the year to last October, reports Samuel Ehrenhalt, the Regional Commissioner of Labor Statistics. Over half of the job losses were in New York City itself, where the downturn ranks as the most severe contraction in the post-World War II period. Recession in the industrial economies has wiped out gains made during the boom years of the 1980s. Ehrenhalt calculates that, in his region, 40% of the growth has been erased since the jobs market peaked in February 1989.

How can governments help people to claw their way back into employment? The short-term options are few, but political decisions taken today are fateful. They will shape prospects for at least the next 10 years, and could shorten the depression. World trade will play a significant role. But the lessons of the 1930s - when politicians ran for cover under the cloak of protectionism - may not have been learnt.

Take agriculture. In 1933, President Roosevelt signed the first farm subsidy law. Today, worldwide, an estimated \$300 billion is spent in distorting trade through artificially high prices and budget-financed support for farmers. While visiting Australia on his recent Asian tour, George Bush said America would not reduce its Export Enhancement Programme - a device which costs Australian farmers about A\$1 billion in foreign markets. That lost income converts into under-employment in Australia.

The prospects for reform of the agricultural sector look bleak. The GATT talks have stalled because the Europeans are resisting American demands for a more competitive approach to selling foodstuffs - which, in turn, would translate into more jobs in the Third World. Yet it is in everyone's interests to free up the world markets. This is correct, in theory - and history. Yet governments, working to a political timetable, fake the lessons for the sake of short-term expediency.

President Bush, for example, is now going slow on talks about the North American Free Trade Agreement because popular prejudice claims that jobs would be lost to lower-wage workers in Mexico. This is short-sighted: Mexico is the third largest export market for American goods, and open access to each others markets would generate even more jobs. In 1990, 88% of America's economic growth was due to international trade. Every \$1 billion in US exports represents about 20,000 jobs for



American workers. So opening world markets even further would help to reverse current trends in the jobs market: the US is suffering from savage layoffs by firms like IBM and General Motors.

Workforces throughout the world will now expect statesmen to define constructive policies. For even people with jobs fear a turn in the dole queues. In the US, it is estimated that 25 million workers out of a workforce of 125 million - one in five people - were unemployed at some time during the last 12 months. In Britain, the fear of unemployment is encouraging the retrenchment in household spending which, in turn, leads to further job losses.

The world is midway through a drastic change in the structure of economic activity. Industrial jobs are moving to the "tigers" of Asia like Taiwan, and many more will soon shift to Eastern Europe. But to panic now would be disastrous. The transformation need not threaten the prospects of full employment in the rich countries - if reforms are implemented all-round. For example, countries that are losing manufacturing jobs would benefit from an increase in the \$800 billion-a-year world trade in services.

● *In forthcoming issues, EI will describe the tax reforms that provide some of the most potent solutions to the problem of global job-creation.*

Dated remedies

ECONOMIC and political crises around the world are finally giving definition to a view that has been emerging ever since the Club of Rome published *The Limits to Growth* 20 years ago.

The new perception finds its formal expression in a study called *The First Global Revolution*.¹ This report broadens the Club of Rome's original warnings about threats to the environment, now, its two senior officials add globally-based upheavals in politics and economics to provide a comprehensive overview of the spatial turmoil.

The authors identify what they call the "three imbalances" as:-

- Conversion of the military economy to a peacetime mode, most dramatically illustrated by the need to restructure the former socialist countries;
- Containment of global warming through reduced emission of carbon dioxide; and

- Confronting the First World's exploitation of Third World countries, which has contributed to crippling levels of poverty and the exhaustion of natural resources.

A rigorous analysis of how these complex layers are tensely interlocked into a single global crisis is indispensable. Unfortunately, the Club of Rome's insights are not matched by imaginative solutions. Their prescriptions are still rooted in the perceptions of the past.

They do not correspond to the global dimensions of the problem. We still need a satisfactory starting point for the articula-

INSITE analysis

tion of the new philosophy capable of addressing the challenge that faces mankind in the 21st century.

NONE of the established philosophies provides a satisfactory conceptual framework within which the problems can be analysed, let alone yield appropriate solutions.

Socialism is discredited, and the under-belly of capitalism is once again exposed as vulnerable to the vagaries — of what? The Club of Rome acknowledges the value of the free market, but *The First Global Revolution* stumbles over what to do to tackle deep-seated flaws in the western system of economics.

The Club of Rome emphasises that our world is a complex thing, made up of so many "feedback systems" that "it is difficult to design them within a comprehensive model."

Since this is correct, how do we re-regulate the world, tame the evil forces that cause so much heartbreak and death? Can we have any confidence in their prescription that "Only public intervention, based on political processes and often using market mechanisms as an instrument of public policy, can deal with these problems?"

Disappointingly, the Club of Rome's political insights are crass; they discuss contemporary politics in terms of "the law of the jungle," a formulation that has no sensible meaning (in fact, man's problems began when he abandoned the law of the jungle). The authors of the

Club of Rome report contradict themselves by trying to placate all interests. Action, they say, must be locally-based, by freely cooperating individuals; yet they assign a crucial role to "durable sovereign states," whose institutions are necessarily hostile to the freedoms that make local action possible.

This is no further advanced than liberals who advocate a bit of this (the free market) with a bit of that (state-regulated socialism) to try and balance the complex demands made on society and on nature by every family in the world. The Welfare State approach has failed all the tests. The time has come for a political philosophy to emerge that can provide us with new governing principles.

WHAT ARE the ideal qualities of the global philosophy for which the world is now searching?

The theoretical structure has to be one of simplicity, and yet comprehensive in its problem-solving capacity. Taking our cues from the analysis in *The First Global Revolution*, we identify three principles as essential to that philosophy.

First, the need to empower people. We can no longer rely on state-directed action. The territorial state is now an anachronism. We will have to build new, trans-national institutions, but individuals at the grass roots will have to operationalise the relevant policies. The individual is the agent of action.

Democracy must be refined to

Continued on page 84 •

liberate the citizen. European models, which effectively alienate many people from the decision-making process, have a long way to go before power is devolved to those from whence it is supposed to spring.

Second, the new philosophy will have to integrate society. Historically, we have been bamboozled by ideologists into accepting as unavoidable the divisions created by class (the Marxist view of history) and property rights (the persuasion of liberal philosophers).

Actually, the class-based problem is no more than social divisions created by unequal rights of access to property. In other words, if we are searching for ways to integrate society, we have to resolve the vexed question of property rights.

Societies, today, are torn by factions which, at best, co-exist on an uneasy basis; at worst, are in open conflict. The importance placed on the means of coercion to maintain "peace" (police, army, physical boundaries, and so on) bears testimony to the need to *contain* people by force, beyond what would be necessary in a society in which every person was truly free.

Third, we have to devise means to harmonise mankind's demand on the natural environment: a mechanism has to be formulated to stabilise the relationship between man and land. That this is a problem now, but has not been one for several millions of years, indicates that the rights of access to land have changed in some fundamental way — and for the worse.

Over evolutionary timescales, men and women obeyed natural laws that precluded the depletion of resources to the point where their existence was threat-

ened by their own foolhardy actions. At some point, the socio-ecological secrets of a homeostatic relationship with nature were lost.

This summary is sufficient to highlight the impossibility of continuing to shape events on the basis of current values and perceptions. Mankind has no alternative but to evolve a new philosophy, one that is "fit" — in the Darwinian sense — to guide us through the current phase of social evolution.

WE ARE not likely to uncover the new philosophy entirely outside the realm of present experience.

A philosophy so rooted in abstraction that it has not found tangible expression (no matter how superficially) is not likely to afford us with a new starting point. The new philosophy has to have emerged, no matter how tentatively, as a result of the "felt need".

Historically, although we identify periods as "revolutions," the ideas on which those apparently sudden transformations were based are found to have been emerging for some while before they were legitimised by social institutions and processes.

Today, the only philosophy that appears fit to confront the challenge facing mankind is the one associated with American social reformer Henry George. The theory on which the Georgist programme is based has been explored by philosophers for at least 300 years.

Most importantly, however, to deal with some of the social and economic problems of the past century, some of the key tenets of the Georgist programme have been incorporated into the western social system in a way that validates it as the historically relevant philosophy.²

Our job, now, is to test that philosophy to its limits, so that

statesmen may have confidence in its formal adoption. A crucial starting point is to reflect on the major flaw in the market economy, which is summarised in these terms by the Club of Rome report:

"The market is ill adapted to deal with long-term effects, inter-generational responsibilities and common property resources. It responds essentially to short-term signals and thus its indications can be gravely misleading if applied to long-term needs. The system of the market economy countries based on competition is motivated by self-interest and ultimately on greed."

The Club of Rome makes the mistake of viewing "the market" as something apart from the millions of people whose activities are abstractedly summarised as "the market." We are talking about the behaviour of people. If people have short time horizons, and if they fail to nurture common property resources, we must ask why they are irresponsible. To shift the problem on to "the market" is to obscure issues in a way that does not lead to the articulation of appropriate solutions.

Critics of capitalism are compelled to demonise the market, because their accurate characterisation of what happens in the streets leaves us with a horrifying vision which we would rather not attach to real people. Thus, the Club of Rome notes:

"In the absence of all restraints, brutal operations of the market forces would lead to exploitation, neglect of social needs, environ-

mental destruction and the short-term consumption of resources essential for the future".³

We would not want to associate such travesties with people, would we? Better to ascribe them to something impersonal, "the market" — which lead, inexorably, to the vindication of those who demand state regulation of such threatening forces.

Henry George's major explanation for a malfunctioning market is associated with the system of property rights in land, which he adequately demonstrated was wholly inconsistent with individual freedom, inter-generational responsibility and sustainable environmental activities.

In other words, his critique is a relatively simple one. But is it comprehensive? Let us swiftly review global problems from a Geogist perspective.

WARS. The Madrid peace process on the Middle East turns on whether Israel would swap "land for peace". Nearly all wars are fought over territory — land.

ECONOMICS. The recessions in the USA and UK have as their basis the speculation in land, which disrupted the labour and capital markets. We cannot analyse the process here, but observe events in Japan today: the government formally acknowledges that what is called "the bubble" took the form of speculation in land (or specula-

tion in the shares of land-rich companies) which had to be throttled — and which is now causing a downturn in output.

ECOLOGY. Destruction of the environment, in its various forms, is due entirely to the failure to compel users to pay the full price of natural resources.

Land, land, land. Whichever way you turn, you discover that property rights in land are the basis of the major global problems. Yet if you search the pages of *The First Global Revolution*, you fail to find any discussion about property rights in land. There is a fleeting reference to the speculation in US real estate which caused the bust of banks and S&Ls, but greater importance is accorded to financial speculation (which did not destroy jobs in the 1980s).

The Club of Rome does note that, in the Third World, people are driven from the land and into urban centres; but they nebulously link this devastating process to poverty, rather than identify it with a malevolent system of property rights.

The only philosophy that elevates land to its rightful place in the grand scheme of things was articulated by Henry George a century ago!⁴ It is, therefore, likely to be the philosophy that now commands our respect.

HENRY George argued that man-made goods should be privately owned, but that the

economic value of land — rent — ought to be socialised.

The adoption of this simple, yet sophisticated, formulation of property rights, is the one necessary condition for the peaceful resolution of most of the major social and economic problems of the world today. Without it, for example, there can be no final solution to the problem of war.

George argued that a socially harmonious world required individual liberty (the key principle of western philosophy) underpinned by a strong communal spirit (the key principle of socialism). His philosophy synthesises these two elements into a single — unique — system.

On the "three immediacies" identified by the Club of Rome, two — war and poverty — are exhaustively addressed in George's works. The third — ecology — was treated superficially; but the theory, because it recognises the importance of land and rental income, affords a complete solution to the sustainable use of natural resources.⁵ (The "green" character of the Geogist philosophy is explored in a new book edited by Sara Parkin, to be reviewed next issue).

The problem of how to allocate common property (land) to individuals for their exclusive use, is resolved through the tax system. George noted that tenants pay rent to their landlords; that rent is a "tax" on some users of land, and all we need to do is generalise that system — and make the community the beneficiary of the rent.

This, argued George, would generate sufficient income so that it would not be necessary to tax people's wages or the interest received from their capital investments. Economists have not been able to fault this

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ANC case for fair share-out of land

SOUTH Africa remains a powder keg, as the races and tribes jockey for power in the post-apartheid era. White farmers are likely to be the focus for violent reaction, particularly if the African National Congress redistributes land in favour of blacks, writes IAN BARRON.

Land reform will determine the outcome of the historical conflict over territory. The ANC's thinking was discussed by five representatives at a seminar in Cambridge, Mass., in September.

Reformers are approaching the problem in terms of blaming apartheid. This is colouring analysis to the point where serious policy errors could result.

That the ANC should desire a share-out of land based on justice — and to rectify historical crimes — is understandable.

Sammy Mhinga, from the Transvaal, explained how land laws were used to separate tribes from their traditional territories; and split families apart, such as



• Derek Hanekom

forcing men to migrate in search of work.

To be effective, however, the ANC must learn that property rights can be constructed to exclude people from economic opportunities, even when the law grants formal equality to all citizens.

LAST July the ANC National Conference adopted a Land Manifesto which assigns a major role to government: the market mechanism is treated with suspicion.

On rural issues, the manifesto declares:

The state must play a key role in the acquisition and allocation of land.

The state must have the power to acquire land in a variety of ways: expropriation with just compensation, purchase, grants of state land, taxes on land and other mechanisms can be used to ensure this.

The land tax is viewed as merely one of many tools that can serve policy objectives.

On urban land problems and the need for low-cost housing, the manifesto says the government must

pass laws preventing developers from speculating in land; [and] generating revenue that will help to meet the costs of such a programme.

The ANC has not yet realised that a land-value tax, at penal rates, is both the necessary and sufficient condition for preventing land speculation. This realisation may emerge when they learn that:

(1) No government, anywhere

TAX CHANGE TO TRANSFORM PROSPECTS

LAND disputes threaten the prospect of peace between black and whites in South Africa. Discriminatory land laws, in 1913 and 1936, divided the races. They have now been deleted, but the legacy is a stark one: 87% of the land is held by the white minority; and the 13% held by blacks is the worst quality land.

South Africa has a sophisticated land valuation system. Most municipalities raise part of their revenue direct from the rental value of land (Godfrey Dunkley, *That All May Live* Roosevelt Park, A. Whyte, 1990).

Aspirations about the use and distribution of land are explored by Albie Sachs in *Protecting Human Rights In A New South Africa* (Cape Town: Oxford UP, 1990).

Absent from the political debate, however, is a vision of how tax reform — raising the bulk of public revenue from

the rental value of land, thereby diminishing the damaging impact of other forms of taxation — can transform prospects, by

- Harmonising racial relations,
- Accelerating economic growth, and
- Diffusing wealth.

The African National Congress believes that it would receive over 50% of the popular vote. It has now joined the Pan-Africanist congress to lead the Patriotic Front. One objective: the formation of an interim government to oversee the transition to a non-racial society.

The ANC regards this as vital, for it fears the de Klerk government will pass laws to preserve discriminatory institutions — in particular, those dealing with the land.

in the world — except in the command economies of the East — has succeeded in “preventing developers from speculating in land”; and

(2) unless the land-value tax option is exercised, the government will be obliged to raise revenue from other sources of income — which retards economic development.

The manifesto touches on a range of issues that are best resolved by land-value taxation and the free market. For example, the ANC points to the need for “A programme for the renewal of inner cities”, but it is attracted to solutions based on government action:

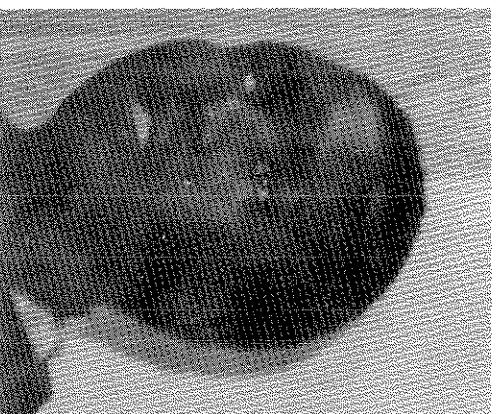
A programme for the transformation of the apartheid city must include affirmative action for the provision of land for affordable accommodation, commerce and industry.

LVT IS the only tool that provides a *comprehensive* solution to vital issues such as cultural renewal and economic security.

Heinz Klug, a member of the ANC's Land Commission Secretariat, is a law lecturer at the University of Witwatersrand, Johannesburg. He stresses that the “free” market in land means little for the impoverished farm labourer who could not raise the capital to buy a white-owned farm.

Klug said: “There could be a land tax to try and get land to change hands. But as far as I am concerned that is going to be totally inadequate. For the massive redistribution that is required to create an agrarian structure that is acceptable, it would be impossible to rely on the present market structure”.

Klug is not aware of the benign impact of a very high tax



• **Sammy Mlinga**

rate on land rents. But the ANC will have to work this out, if it is to comply with its intention of maintaining current levels of agricultural productivity.

THE restitution of land to those who have historical claims is a high priority. The ANC proposes a Land Claims Court. Compensation would be paid to disappointed claimants.

The ANC does not plan to nationalise land; where people are dispossessed, they would be compensated. This implies fear-some financial problems.

That the ANC has an enormous job of self-education on its hands is illustrated by some of the problems which it is now posing.

For example, Klug asked “How do you establish when a person has sufficient land? Should ‘underused’ land set the limit on possession?” Resolving such issues through bureaucratic mechanisms would entail the postponement of the day when everyone was free to participate in a full-employment economy.

Dennis Davis, Director of the Center for Applied Legal Studies at the University of Witwatersrand, acknowledged that tax policy was important.

He said, for example: “Tax might be used to redistribute land by ensuring that people are pushed off,” and tax revenue

was needed by the Land Claims Court “to buy out land or engage in reparations”.

In the homelands, Davis noted, “because you don’t have private land ownership, there is no tax base”. In fact, this “problem” affords an opportunity for demonstrating that LVT is an ethically-based system that accords with anthropological tradition.

He then asked a tough question:

Q: “Would a South African agricultural land tax raise revenue of substantial amounts?”

A: A 2% site-value tax would generate 1.2 billion rands, but this was “far too high, because any realistic property tax would have to take account of exemptions. So we are talking about less than a 1 billion rand tax haul. If that is so, it is not a major revenue haul, so we have to be cautious about the land tax ... it is not a major money spinner”.

International precedent did favour a land-value tax, he said, but drafting the law would be difficult, to avoid penalising “the people you want to benefit”.

That comment indicates the bias in favour of trying to rectify the result of apartheid, rather than treating all prospective farmers as equal, allowing the most efficient to possess the land, and ensuring — through a 100% LVT — the equal enjoyment of the value of land by everyone.

The full-time Co-ordinator of the ANC Land Commission is Derek Hanekom. His wife served four years in prison for possessing ANC literature.

To evolve policies from the grassroots up, the ANC has divided the country into 14 areas, each with a Land Commission. Their lessons, he says, will have to be drawn from the “miracle economies” of the Third World.

Land speculation

AMERICAN industrialist John C. Lincoln's will contained a generous bequest to promote the ideas of reformer Henry George. Today, the Lincoln Foundation, which has \$100m., funds the Lincoln Institute for Land Policy, of Cambridge, Massachusetts.

Initially, the Foundation did advocate Georgist ideas. For most of the postwar years, however, its attention strayed elsewhere. This would have grieved John Lincoln, who stood for Vice-President of the US on the Land Commonwealth Party platform in 1924.

Remarkably, however, Georgist perspectives are now being rediscovered: at its congress last September the Lincoln Institute's officials disclosed a renewed interest in the aspirations of its benefactor.

John Lincoln's son, David, opened the congress with this statement: "Dad was attracted by the concept of making the benefits of land available to all, but doing that without making land common property. He was also attracted by the tax plan that took for society what society created and left for the individual what the individual had created."

DAVID Lincoln emphasised that the Lincoln Institute had to be at the "cutting edge" of policy formation, which — in his view — explained the shift in their emphasis in the last few decades.

He told 200 delegates from 55 countries: "We realise today that there are many new facets to land policy that were not present 100 years ago. The world is a very different place today than it was then. These new forces are vital to the study of land policy, and must be taken into account in any programme of land policy study."

Yet it was difficult to discover anything new in the problems that were identified by the high-powered professionals who attended the week-long congress. This suggested that little has changed since Henry George published *Progress and Poverty* in 1879.

A primary example: today's economic recession in the USA (and the UK, Australia, other spots around the world — and now beginning in Japan). Henry George argued that land speculation was the major cause of economic recessions ... and the central problem of the current recession is precisely that: the speculation in land during the 1980s.

• Karl Case, a professor of economics at Wellesley College, Wellesley, Mass., explained that New England banks were going bust because of loans to real estate — which, he acknowledged, actually meant land speculators. "The bubble is now bursting because the land values were not justified by the fundamentals in the early 1980s," he added.

How do you stop the modern economy from cyclically diving into recession? Prof. Case said: "The problem may simply be that we do not have the political will to raise land taxes to levels high enough to really retard boom cycles. How high is high enough? No-one knows, but it is probably closer to Henry George's 100% than to the current laws around the world."

Lincoln Institute officials cite the global dimension as evidence

of a

FRED HARRISON reports on
of the Lincoln Institute for
research organisation which
philosophy

of the alleged shift in the nature when Henry George was drafted from his home in San Francisco

In fact, delegates found their problems, but with sharper international Eastern Europe, Prof. Case was prices has already started, and explosion the like of which we

• Japan's problems were analysed Tokyo International University explained how the rapid increase in land prices — an insight that orthodox economists their macro-economic models.

As part of trade negotiations, deal with land prices. Tokyo Japanese government instituted rate of increase of prices, in economy.

At the last minute, however, it reduced. Prof. Mera observed: between the two governments in Mexico by the Tax Commission took place between the two governments, have postponed the negotiations period."

HOW should scholars now for Institute's views are important influence through its international

While insisting that the world which Henry George lived, the qualitatively new phenomena in has changed is the scale of previous centuries.

Lincoln Executive Director

n is still at top

Jenda

*a turning point in the outlook
Land Policy, the US-based
may now be returning to its
ical roots.*

of problems from a century ago,
ing his critique of land monopoly
selves addressing the same pro-
onal implications. For example, on
ned that "the explosion in land
unless controlled there will be an
ave not seen before."

sed by Koichi Mera, a professor at
Urban Development Institute. He
ase in land prices encouraged
a classic Georgist conclusion, but
alists have yet to incorporate into

ne US government asked Japan to
d appear to act decisively. The
tax on land values, to retard the
ich had severely distorted the

rate of the new tax on land was
The agreement was reached bet-
y 1990. Then a shifting orientation
e immediately after the agreement
laybe the US government should
and kept the issues alive for a lon-

us their research? The Lincoln
; for it exercises considerable
al symposia.

s a different place from the one in
institute is hard-put to define
need of academic scrutiny. All that
lems that have persisted for two

Ronald Smith examined their



• Karl Case

prospectus for the next few
years, and listed four areas of
interest:

1. Henry George's philo-
sophy, which "has been the
traditional core of land policy."
But now research had to take
account of globalisation.

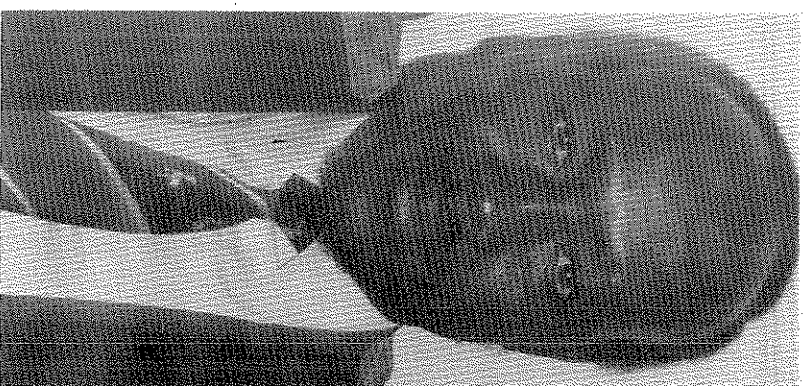
2. Land policy and land-
related taxation.

3. Environment and natural
resources: "these address Henry
George's 'land', the creation of
nature. In economic terms it is a
free good, to be used for produc-
tion. Increasingly, herein the
US, courts are giving precedence
to maintaining the integrity of
ecological systems over eco-
nomic rights in property."

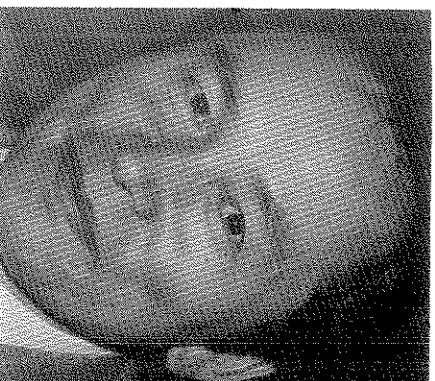
4. Governance. There was
now a need to study the role and
function of government, rather
than its organisation and struc-
ture, because governance was
"growing more problematic
owing to the fragmentation of
government."

Lincoln Director of Educa-

Continued on back page ➤



• Prediction by John Okellokello,
above, of the Ministry of Lands,
Kampala, Uganda: "We don't have
enough manpower to handle com-
plicated buildings and structures.
There is going to be a move away
from the annual rating of develop-
ments, towards site-value rating. I
use the word rating because in
Uganda we have shied away from
'tax', which people resist."



• Koichi Mera

• *THE CRASH in Britain's property market has not eased the pressure on commercial tenants, reports HENRY LAW*

SPECULATION is a major factor in the problem of vacant land in Britain. The private sector land market, far from acting as a dynamic and efficient allocator of resources, presents a picture of sloth.

This is one of the conclusions of a study of vacant urban land* carried out by Arup Economic Consultants (AEC) for the Department of the Environment, with the aim of evaluating government policy instruments designed to speed the development of urban land.

The survey investigated over 900 vacant sites in 20 local authority areas in England. The sites were grouped into two samples, of 706 sites which had been vacant in 1979, and 249 sites which had become vacant between 1979 and 1984. Many of the government policy instruments worked well, when applied to individual sites. But, the report continues: "Closer inspection of the sites which remain vacant from the two national samples revealed a number of reasons for continued vacancy.

"Only a relatively small proportion of sites, 34.1% of the 1979 sample and 39.8% of the 1984 sample, remained vacant because of physical constraints of the kind that typically are addressed by many of the policy instruments, particularly grants.

"It was found that 32.2% of the 1979 sample and 39.8% of the 1984 sample of sites which remained vacant did so because of the owners' intentions to keep them vacant for a variety of reasons, such as holding them vacant for an improved market.

"About 18.6% of the 1979 sample and 25.0% of the 1984 sample were vacant because of an apparently poor demand. However, in the judgement of the research team, there were very few of these vacant sites that were incapable of beneficial use."

The report observes that there

★

was little that existing policy instruments could do to bring these sites forward for development and it is difficult to envisage what else could be done. In conclusion, the authors of the report suggest that: "Delays due to owners' intentions to keep land vacant could be reduced by the introduction of incentives and/or penalties...

"One difficulty is that two-thirds of sites in this category are in private ownership and Government has expressed a desire to maintain an arm's length relation with the private sector land market. However, it might be possible to consider some form of vacant land tax to help speed up their development."

WITHIN its terms of reference, this study is a useful contribution to the rather limited fund of information on the land market.

Unfortunately, to maintain comparability with previous statistics, sites of under 0.2 hectares were excluded from the survey. This must lead to a systematic under-reporting of

**Tracking Vacant Land, Arup Economic Consultants, £13.75, London HMSO.*

'Holding' tax would end land market slothfulness

small town-centre sites, and these would generally be in private ownership.

A site of 0.2 ha is not negligible if developed to inner urban densities, it could accommodate eight houses or five small industrial units, to provide jobs for 20 people; the development potential of city centre sites of this size is considerably more.

Rather than set the cut-off point in site area, it would have been more useful to fix the cut-off in terms of site value, as value is a much better indicator than area of the economic potential of the land, and the loss of productive capacity resulting from its continuing lack of use.

Vacant land is, however, only one aspect of a larger problem, but the authors' suggestion of a tax on vacant land indicates that they may not be altogether aware of this. Vacant sites stand at one end of a spectrum which includes under-used land and vacant and under-used premises; the boarded up shops at present lining so many of Britain's high streets are probably of greater significance for the economy than the acres of dereliction on the urban fringe.

Thus, a tax on vacant land would only deal with part of the problem, and, moreover, it would be subject to legal argu-

ments over definition, since vacant sites could easily be put into low-grade use to enable owners to avoid the tax.

What we are really dealing with here is the chronic sluggishness of the property market as a whole. If one believes that the market is the most efficient mechanism for the allocation of resources, then it is vital that the property market should be sensitive to variations in supply and demand.

It is evident that the land market does not function in the same way as other markets, with surplus supplies causing prices to fall to market-clearing levels, and high prices calling for increases in supply.

What happens in reality is precisely the opposite; when demand is slack, land is held off the market in the hope of increased demand, and when prices are rising, there is a scramble to get on the bandwagon, and price rises accelerate. Large vacant sites are only the most obvious examples of this breakdown in the market mechanism.

THIS MARKET breakdown has been little recognised by economists and politicians, although there are signs of a change. Vanessa Houlder, writing in the *Financial Times* on August 9 1991, reported the views expressed by Mike Ruddell, in charge of property at Boots, the UK chain of chemists.

Attacking the system of 25-year leases with upwards-only rent reviews, Ruddell points out that these take little account of trading profitability, and he proposes a shift in the landlord/tenant relationship, suggesting that it should more closely resemble the supplier/customer relationship that is prevalent elsewhere in the retailing industry.

"Retailers and suppliers

should have a co-operative relationship, with give and take on both sides, even to the point where contracts are set aside if one party encounters difficulties there is no real incentive for the landlord to do anything", he says, alluding to an empty warehouse for which the rent has just doubled even though it has been empty for five years.

"I think the upward only review is every unfortunate. It avoids bringing down property to clearing price" - a highly pertinent remark in view of the very high commercial vacancy rates which have prevailed throughout 1991; there are almost 13 million square feet of unoccupied offices in the City of London, almost 18% of the total, according to Debenham Tewson Research.

The recession

The theme cropped up again in the *Financial Times* on August 13. Chris Batchelor gave an account of protests against rent rises in the fashionable Covent Garden shopping district in Central London. He observed: "The recession, the effect of the Gulf War on tourism and sharply higher business rates have all affected John Shuttleworth's Covent Garden restaurant.

"In addition to these problems, Shuttleworth's landlord, Prudential Assurance, has proposed increasing his annual rent from £45,000 to £210,000 - a more than four-fold rise. Nor is the Pru alone in attempting to jack up rents, despite the proliferation of To Let signs now sprouting in central London and many other cities.

"Imagine the effect that will have on my business," says Shuttleworth. "I can't put my prices up by that amount." He has spent the past 14 months trying to negotiate a lower increase. The Prudential responds that it is merely seeking a fair rent

based on what its advisers say are comparable properties.

Shuttleworth believes his dilemma is the result of what many tenants and even some property professionals see as Britain's outdated system of commercial property leases.

"The system is grossly unfair," comments Sydney Burnstein, who owns several fashion shops in another high-class central London shopping parade, South Molton Street. "It leads to a bad mix of shops, leases are totally weighted on the side of the landlord."

Among the causes of complaint are:

- Unrealistic expectations as landlords base leases on rents set at the height of the boom and do not take account of the subsequent recession;
- Confidentiality clauses which prevent the dissemination of market information which might bring a downward pressure on rents;
- Upwards only revision clauses;
- Onerous assignment clauses; and
- An arbitration system which smaller tenants believe is weighted against them.

Legislating against some of these practices would, to some extent, help to even up the bargaining position of tenants, but the solution really lies in imposing, through the tax system, a substantial holding cost on land regardless of whether it was developed or in use, or not. Were such a tax in place, landlords could no longer risk squeezing their tenants to the point where they were left with vacant premises on their hands.

The property market would then be subject to the normal market mechanism, with supply and demand in balance and rents maintaining themselves at around market-clearing levels.

Poverty without hair shirts

FITZWILLIAM, founded in 1966, combines the outward elegance of the old-style Cambridge college architecture with all the interior amenities taken for granted these days by moderately well-off people committed above all to what they consider to be a high standard of living.

The food was good; and the service provided extended as far as daily bedmaking, daily cleaning of the study/bedrooms, and regular replenishing of the supply of materials for the early morning cup of tea.

Generally speaking, it would be hard to object to any of this; but, in the particular circumstances of a conference devoted to the Catholic Church's ideas on what should be done about European and world-wide poverty, as they are set out in seven papal "social" encyclicals, namely *Rerum Novarum* (1891), *Quadragesimo Anno* (1931), *Mater et Magistra* (1961), *Populorum Progressio* (1966), *Laborem Exercens* (1971), *Sollicitudo Rei Socialis* (1987) and *Centesimus Annus* (1991), a little more of the

• *CONFERENCES of religious bodies are essentially comfortable affairs. DAVID REDFEARN found the one held in July at Fitzwilliam College, Cambridge, subject 'Rerum Novarum', 1891-1991 - Four Revolutions: An Unfinished Agenda, was no exception.*

hair shirt would perhaps have given extra encouragement to serious consideration of a radical remedy.

Instead, there was a reliance on traditional appeals to altruism, and the recitation of abstractions that are comprehensible only to a select few.

THESE last were of fairly regular occurrence; and I was not the only one to find them a little puzzling. It is not easy, for example, to see how the problem of poverty, an essentially practical one that admits of a practical solution, can be solved in such terms as: "The positivist epistemology of transcendental ontology and precognitive phenomenology are cognitively-marginal to the temporality of determinate judgment and the ineffable alterity of an incom-

mensurable language gain."

It must be admitted, however, that one of the exponents of such philosophical gems also produced a criticism of one of Leo XIII's arguments in *Rerum Novarum* for retaining private ownership of land, namely that it enabled the passing on from fathers to sons of "all that is needful to enable them honorably to keep themselves from want and misery in the uncertainties of this mortal life."

The Pope, he pointed out, appeared to be unaware that, by the end of the 19th Century the household (*oikos*) was no longer the normal productive unit.

He himself was evidently unaware of Henry George's more serious objection concerning the type of land the Pope must have been thinking about: "...It is land that will yield an income to the owner as owner, and therefore that will permit the owner to appropriate the products of labor without doing labor, its profitability to the individual involving the robbery of other individuals."

Contrary to the usual conception of the Catholic Church as a monolithic structure ("When Father says turn, we all turn"), questionings of received doctrine and of official policies were fairly common, and aroused no automatic opposition.

It would seem, for example, that in the United States, to the disappointment of most of those present, the question of abortion - "a horrendous moral evil" it has been called - arouses more excitement among the higher-ranking clergy than does the question of war, the ultimate consequence of poverty, and, one would have thought, the

► From page 85

scheme, on theoretical grounds; in fact, they acknowledge that a tax on the economic rent of land is the most efficient of all taxes.

But that Single Tax also accords with the general desire to view nature as a common heritage: in other words, it is an efficient fiscal policy with an ethical foundation. Implement it, argued Henry George, and watch poverty evaporate before your eyes, as idle hands are put

to work on land that was kept idle by proprietors for speculative purposes.

Whether we turn to the problem of ethnic conflict in South Africa (see page 86), or the need to create a new social system in the former republics of the USSR (see back page), we find that land is the central issue.

Socialism and capitalism underplay the importance of land, which is why both social systems are in a mess today. Georgism fits the missing pieces into the jigsaw puzzle.

Continued on page 94 ►

Enter conservancy

— the third way to a better land set-up

IT HAS LONG been recognized that wealth comes from the land. In primitive societies, land was almost always held in common. Gradually this common ownership has eroded into a system of private ownership. This wealth, concentrated in the hands of a few people, to the detriment of all the rest, is the root cause of poverty. To create a just society it is necessary that the values originating in land ownership be divided among all.

There are two widely recognized methods by which community-created land values can be recovered by society for the benefit of everyone. The first is government ownership of land, as proposed by Karl Marx and others. The second is to collect the annual value of the land, from the private owners, in the form of a land tax. Unfortunately, neither of these solutions have gained wide enough acceptance to see them implemented. And even in socialist economies where governments have confiscated land, the rest of the economic system has been so out of balance that these economies have done very poorly, in spite of the common ownership of land.

There is actually a third method for collecting, for society, the land values which really belong to everyone and which largely result from the development of the community infrastructure. The value of land is best determined on the open market, when a sale takes place. Under the current system, every time a sale takes place the seller is able to pocket not only his original investment plus whatever improvements were made to the property, but also the increased values which originated in community investment. This community created wealth, when pocketed by individuals, is an unearned increment enriching the land owner at the expense of everyone else.

WERE society to place a tax on the sale of land equal to the unearned increment (actually the sum of the annual rent (tax) payments that would have been due under a land tax system), it would be collecting the values which it had created. Such values could then be distributed among those of us who do not monopolize land.

Land conservancy actually combines common land ownership, providing secure use rights to users, and the collection of the economic rent for the community. It is a private method of doing that which the government is unwilling or unable to do. Land is held in a trusteeship, for the common good, in such a way that use rights are guaranteed but the land itself may never be sold. Users pay to the community an economic rent (lease fee) equal to the annual value of the land. So the conservancy removes land

• Ecologist JUBAL STUCKI proposes an alternative strategy for bringing land into communal ownership – Fair Share Land Conservancy

from private ownership and recovers all of or most of the economic rent for the community.

That is the ideal. Unfortunately there are some circumstances which prevent the ideal from being fully realized, at least in the short run, and some compromises are necessary. It is not much different from what is happening in Pennsylvania. The ideal is to have real estate taxes on land only, and all other activities and goods, including improvements, should be tax free. That has not been possible so the next best thing has been to begin a system of gradually reducing the taxes on improvements and increasing the taxes on land. A half a loaf is better than no loaf at all.

In land conservancies similar situations sometimes exist. Perhaps some scenarios of how the land conservancy works would clarify. The following scenarios progress from the most to the least desirable and apply primarily to land in use. All or a portion of each property may be placed into a conservation preserve, and the scenarios apply to those portions which are designated for private human use.

The purpose of the conservancy is to: a. Protect land, both land in use and land in preservation, from ecological abuse. b. Collect community created land values, for the community, while at the same time providing secure tenure for users.

Community created land values can be calculated and quantified. We can define community created values as those monetary values which accrue to any particular piece of land, over a period of time, from societal and community action, and not from the individual effort and investment of the user. We can use a formula such as: $A - B(K) = C$.

If A is the current fair market value of the land, and B is the fair market value of the land at a previous time (the base period), and K is the adjustment, inflation, factor to express the formula in constant dollars, and if all improvements on the land are excluded, then C becomes the community created value. If a piece of land was valued at \$10,000 in the base period and inflation was at the rate of 4% per year for 10 years then $B(K)$ would equal \$14,000, which would represent the users equity in the land, if the user had indeed invested \$10,000 in that piece of land. If the fair market value of the land at the end of the period

Continued on page 95 ➤

most horrendous moral evil facing the world today.

I would have liked to point out that abortion is an issue that affects individuals only, and may therefore be condemned with impunity, but that powerful corporations have interests bound up with war. My waving arm, however failed to attract the attention of the chair.

AS A RULE, wherever the rich and powerful are involved, the church's "guidelines" offer a convenient method of steering between the Scylla of state authority and the Charybdis of popular unrest. Churchmen, it is laid down, should distinguish carefully between principle and policy, and avoid becoming involved in day-to-day events. This does not always happen.

One speaker reported an incident in the Philippines when a priest broke the secrecy of the confessional to warn the army of a peasant revolt in preparation. How could the peasants trust the church after that?

On the other hand, as I was able to tell the speaker and the audience, there was the story related by the Bishop of Shrewsbury² of the priest in the Philippines who ended up in prison after a deputation of peasants had stimulated him, by asking him how the Church proposed to carry out its policy of mediation by building a bridge, starting from the middle, between themselves, living on a bare subsistence, and the landlords, living luxuriously on the remainder of their produce.

Discontent with the church's attitude was expressed also, in the very strongest terms, by a speaker from Sri Lanka, who deplored its acceptance of native

peoples' deprivation of rights to the land in the country where they had been born.

But, on the whole, the conference participants seemed satisfied with its advice that those with the whip hand should exercise forbearance, and consider the interests of those less fortunate than themselves.

Such unrealistic optimism was no doubt made less accessible to reason by a continuing failure, dating, so far as the Catholic Church is concerned from *Rerum Novarum*, to distribute the term "property" between "land" and "wealth". The majority of those present, in failing to see this distinction, would not have been able to make even the first step towards an understanding of the origins of poverty.

There were, however, notable exceptions, such as an American academic who provided us with a detailed analysis of Henry George's criticisms of *Rerum Novarum*, an Anglican chaplain of another Cambridge college who revealed that he had long had an interest in George's proposition of the single tax on the value of land, and an elderly Italian Jesuit who said that what needed consideration above all was the inequality of rights to natural resources.

His gratitude to me after I reinforced his statement by quoting Henry George's analogy of a theatre where a minority had appropriated all the seats, made it seem likely that his opinion had not found much favour hitherto.

It is to be hoped that the next conference of this type will devote more time to the question of unequal rights to land; for this one, running in triplicate to ena-

ble 58 papers to be presented within three days, could hardly be expected to come to any practical conclusion.

When it is considered that the scope of the papers ranged from Thomistic social philosophy through theology and social science to economics and the contemporary world, this impression is strongly confirmed.

NEVERTHELESS, there was one moment of unexpected revelation. An English speaker had referred in passing to Leo XIII's having been helped in the writing of his encyclical by a group of "Counts and Barons". This was one of the times when I failed to get in a question; but, on a subsequent occasion I asked him whether I had heard him correctly. "Yes", he said, "in fact, they wrote it". "Does this not," I resumed, "help to explain the encyclical's advocacy of the private ownership of land?" He replied "It certainly does".

He then went on to explain that the whole question was tied up with the "Risorgimento," or unification of Italy in the 19th century. At the time of the writing of *Rerum Novarum*, all hope of regaining the Papal States, and of re-establishing the Pope as a temporal prince and rent receiver had not been abandoned. In fact, the last remnants of the Papal court were not dispersed until the 1980s.

When I asked my informant where if anywhere, all this was recorded, he replied that this was not the kind of history that historians write. He had learned it in Italy by word of mouth.

Did Henry George have any inkling of it when he wrote *The Condition of Labour*? Probably not; but it adds another dimension to our thought on the subject of papal pronouncements on questions concerning social justice.

REFERENCES

1. Henry George. *The Condition of Labour* (1891), page 46, in Henry George, *The Land Question*, Etc. New York: Robert Schalkenbach Foundation, 1941. 2. Rt. Rev. John D. Davies, "God's laws, Land - And The Creation of Wealth" in *Land & Liberty*, March/April, 1991.

NOYES GIVEN THE CHANCE TO ADVANCE INFLUENCE OF LVT

NEWSPAPER editor Richard Noyes has been appointed a member of New Hampshire's Economic Development Committee.

New Hampshire, which in the 1980s boasted one of the fastest growing economies in the union, is now suffering from one of the worst banking crises in its history.

In Richard Noyes' view, the reason is a simple one: the state failed to levy a high tax on the rental value of land — a failure which encouraged land specu-

lation during the boom years.

Governor Judd Gregg has decided to re-examine economic policies, in a bid to find solutions to the crisis, and has asked Noyes to offer his insights.

Noyes is the editor of *Now The Synthesis: Capitalism, Socialism And The New Social Contract** which offers a Georgist critique of current economic policies.

*Published in the US by Holmes & Meier, and available through all good bookshops price \$29.95.



• Richard Noyes

— From page 93

were \$17,000, then the community created value (excluding all improvements) would be \$3,000.

In the land conservancy, the users of the land would pay all taxes, a small administration fee to the conservancy and when use rights change hands they would pay C, the community created values to the conservancy as representative of the community.

SCENARIO I: LAND IS DONATED TO THE CONSERVANCY

A. Both land and improvements are donated, without any strings attached. Donor will not remain on the property, and has no particular agenda for how the land is to be used. 1. The conservancy negotiates a long term lease for the payment of an annual economic rent on the land, with a user or a group of users. Users pay taxes, annual rent and an administration fee. 2. The improvements are sold to the users.

B. Land only is donated, without strings attached. 1. Same as above. 2. Not applicable.

C. Land is donated, but with strings attached. Might include a life estate for donor and/or for donors' family, or specific requirements for how the land is to be used, and may include the donor or donors family or associates using the land, with nominal or no lease fees. 1. In this scenario, economic rent is not collected in the short run, but the conservancy gets an administration fee and most importantly the land has been set free of the private ownership system, so that in the future economic rent may be collected from future users.

D. Land (or land and improvements) is donated, but donor's do not feel comfortable with both freeing the land from the private ownership system and paying an annual economic rent, in addition. 1. A partial equity lease can be

• In the last issue of *Land & Liberty* we reviewed *Some Lives!* by David Widgery. The book is published by Sinclair-Stevenson, London, £15.95.

arranged, whereby the donor retains an equity in the land, but gives to the conservancy all future community created land values. This is compromise but is sometimes necessary. In the long run the unearned increment is collected.

SCENARIO II - LAND THAT IS BEING PURCHASED IS DONATED, BUT HELP IN FINANCING IS REQUIRED

A. Mr X approaches the conservancy to propose placing the land they wish to purchase into the conservancy, but they need help with financing the purchase. 1. A lease is negotiated, similar to those in Scenario I above, but it may also include a loan. 2. Either annual economic rent or collection of the unearned increment at the time of transfer of use rights, is included in the lease.

B. There may be many permutations of this scenario, similar to Scenario I above.

SCENARIO III - LAND IS PURCHASED FOR THE CONSERVANCY

A. There are many opportunities to buy land, if the conservancy has the funds to do so. In general this is something we seek to avoid. However, there may be some opportunities for the conservancy to obtain land for the trust in a developmental manner, in such a way that it both accomplishes the goals of the conservancy and provides substantial income. Here are a couple of possibilities.

1. The conservancy buys the development rights only. 2. The conservancy purchases a piece of property, subdivides and leases the lots on a partial equity lease, thereby recovering the investment, placing the property into common ownership, and collecting the unearned increment ever time the use rights change hands. 3. The conservancy may also be able to work with municipalities on some similar basis, to place underused or abandoned properties into use, thus increasing the tax base, and still meeting the objectives of the conservancy.

Fair Share Land Conservancy* is a national membership organization that would facilitate, educate, organize and actively engage in acquiring land for local and regional conservancies.

*3030 Sleepy Hollow Road, Falls Church, VA 22042, USA.

'PROPHET' FRIGHT IN THE USSR

WRANGLING over the distribution of power has taken the former Soviet republics to the abyss, writes Peter Poole.

This warning came from President Gorbachev on Nov.

10. At the heart of the crisis is controversy over whether to take united action on policies such as those covering banking, financial policy and taxation.

Illuminating the friction in the debating chambers was the reaction to *Land and Liberty's* proposal that the post-socialist societies ought to institute a heavy tax on the annual rental value of land.

This received close attention at the Central Institute for Town Planning in Moscow, and the outcome is revealed by a senior research fellow, Professor Yuri Bocharov.

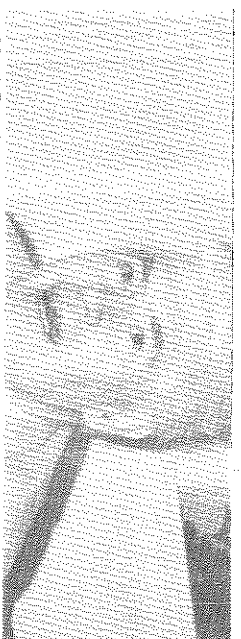
He has studied the economic theories of Henry George, who proposed that socially-necessary expenditure should be financed by a single tax — on the community-created rental value of land (LVT).

"Henry George is a prophet", said Prof. Bocharov, "but we must combine his ideas with other ideas. Implement it [LVT], of course, where possible, but step by step. It may be better for Estonia to adopt it, but in some areas it would not be possible. How do you explain it to a people with 200 languages?"

The idea that the USSR could be the first country in the world to introduce a full-blown Single Tax programme frightened Prof. Bocharov's colleagues. They had read *Land and Liberty* editor Fred Harrison's chapter on the subject in a new book.*

The plan, reports Prof. Bocharov, "is too simplified. It is a good idea, but the tax system must be changed step by step. We have heard simple ideas many times, and they are dangerous. The state always deceived the people, so now they are suspicious of parliamentary decrees".

In the past, said Prof. Bocharov, ideas were instituted by



* Yuri Bocharov

force. "Lenin used an armoured car, and Yeltsin used a tank, so my colleagues said, 'Give Fred a tank'."

Responding to grass-roots aspirations, Prof. Bocharov — now a harsh critic of communism — said that small, autonomous regions should be free to make decisions about land tenure and taxation.

In his view, the break-up of the empire may produce up to 60 autonomous states. "One day, they will return to some kind of free federation; but right now, they want to restore their culture by any means disregarding economics. They will be happy on bread and potatoes."

It was vital for policy advisors from the West to realise that the empire included people who were still living in the 18th century. "The idea of a Single Tax and better land use is good — for the educated people."

"Economic zones will attract enterprising people and western technology, and be covered by international law, and the firms can pay to rent the land as Henry George advises them, and they will be confident that it can work."

"But for now, people say, 'Why pay tax for land, it is free from God!'"

* Richard Noyes (editor) *Now The Synthesis: Capitalism, Socialism And The New Social Contract*, London: Shephard-Waityrn/New York: Holmes & Meier.

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tion Dennis Robinson said that the relevance of Henry George was now dramatised by the devolution of political power and the global process of urbanisation. These produced problems which lead "to the challenge from Henry George: how do we balance and deal with the dual challenge of equitable social and economic development?"

PROBLEMS associated with property rights were addressed by lawyer Joan Youngman, who is Resident Senior Fellow of the Institute. She noted that it was Henry George who highlighted the fact that property was

characterised by a multiplicity of interests.

The treatment of Henry George by some of the professionals was confusing. For example, one of them said that, if we were starting from scratch in the Third World, Henry George's Single Tax — in which the bulk of government revenue would be derived from the rental value of land — would be appropriate; but that was not the case. Thailand was his example, where the absence of a tax on vacant sites resulted — after the land boom had turned to bust — in owners holding on to empty sites for up to five years.

He then suggested that an appropriate property tax would reduce the price and increase the supply of land. *No-one point*

ted out to him that this was precisely what the Georgist tax on the annual rental value of land would achieve!

The congress was exciting for the wealth of data that poured in from around the world. The scholars continue to limit their explorations to economic issues: they have not yet absorbed the comprehensive vision of Henry George, who saw that land monopoly corroded every corner of culture.

Nevertheless, thanks to Lincoln's decision to focus some of its research on the insights elucidated by Henry George, we can expect future congresses to confront a wider spectrum of social problems, those that flow from dysfunctional systems of land tenure and taxation.