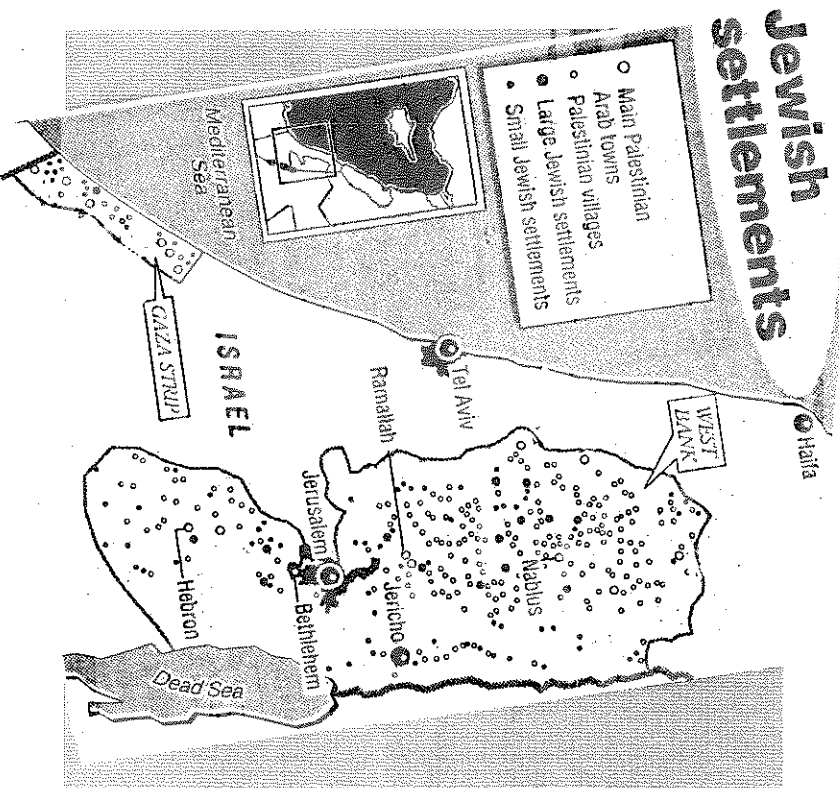


# LAND AND LIBERTY

ECONOMICS • POLITICS • PHILOSOPHY

September/October 1993 (UK)£2.00 (USA)\$3.50



RUSSIA: THE NOVGOROD PLAN  
MIDDLE EAST PEACE DIVIDEND  
ESSAY: TRIBES & INVISIBLE GOLD  
HYPOCRISY ON FREE TRADE

# LAND & LIBERTY

*Volume 100 No 1165*

*Established 1894*

## EDITORIAL

2

## NOVGOROD CHALLENGE

Fred Harrison

3

## TALKING POLITICS

Henry Wynstanley

4

## NEWS BRIEFS

5

## FEATURES

### HYPOCRISY AND TRADE

Peter Poole

6

### LAND & LIBERTY ESSAY TRIBES & INVISIBLE GOLD

Nicholas Denny

7

## BOOK REVIEW

Over-population?

Bert Brookes

Birtheright

Geoffrey Lee

12

## FRONT PAGE:

Siege settlements where peace is yielding a dividend in land rents.  
Story page 6

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

## Editorial Offices:

177 Vauxhall Bridge Road  
London SW1V 1EU  
Tele: 071 834 4266

121 East 30th Street  
New York, N.Y. 19916  
Tele: 212 889 8020

ISS No 0023 7574

Annual Subscription:  
U.K.: £12, USA \$20, Canada \$25,  
Australia \$25

Publisher: Land & Liberty International  
at the London editorial offices

## EDITORIAL

# RUSSIA: BLOOD MONEY FROM THE WEST

THE SHELLS from Boris Yeltsin's tanks destroyed more than Russia's parliament on October 5. They also shattered the illusion that the West had a creative contribution to make in the transformation of the former socialist countries.

The unconstitutional dissolution of Russia's parliament was a disgrace to everyone concerned - to Yeltsin, to his former allies who were leading the opposition in the Supreme Soviet, and to the people from the West who claimed to know best.

• The financial institutions, led by the IMF and the World Bank, insisted on tying loans to a financial austerity programme that was bound to cause unnecessary hardship and discredit the concept of "the market".

• Western governments applauded President Yeltsin when he broke the law and abolished parliament. No effort had been made by western leaders to help Russia's politicians to adopt the process by which consensus can be achieved through the art of democratic politics.

• Western journalists, on radio and TV - with a few honourable exceptions - presented the conflict in a language designed for comics. Yeltsin's opponents were "hardliners" who were "opposed to reform". This was a grotesque distortion of the truth, but it served its purpose: there was no deep analysis of the poverty of the western economic philosophy, which was at the root of the conflict.

There was no chance of a consensus because Yeltsin's administration was tied to a single vision of the future under the tutelage of the economists from the IMF which the people of Russia knew suffered from serious defects - like keeping 35 million people out of work in the leading market economies. Yeltsin's tanks were an indictment of the West, which has tied a \$1.5 billion loan to a package of austerity measures which the Russians, with their strong sense of social obligation, could not stomach. The West will be shamed by history, if it now supports President Yeltsin's bid to adopt the market economy in an unmodified form.

# NOVGOROD PLAN CHALLENGE TO YELTSIN

BORIS YELTSIN finally got his way; or rather, the International Monetary Fund did as he gave the order to shell his erstwhile colleagues in Parliament.

The West had made its money conditional on "financial austerity". President Yeltsin was in no position to argue: the IMF, and the rich nations that wanted to send aid, held back the cash until the Kremlin implemented a programme to their liking. Yeltsin, with \$80bn owed to the West, could not argue.

The reactionary extremists among the Deputies were in the minority. Opposition was not based on a refusal to accept the need for a market economy. Russian Khasbulatov, who stood shoulder-to-shoulder with Yeltsin in defence of Parliament when the Communists tried their coup in August 1991, is, if anything, even more pro-market than the President.\*

Most of the Deputies knew that, though change must come, it needed to be implemented humanely. Unlike the President, however, they were not going to be manipulated by the West. So the seeds were sown for a political tussle over power that ended with Boris Yeltsin's decision to flout the law and call in the tanks.

What now?

THE WEST is impatient, and wants the Yeltsin administration to forge ahead with the prescribed "shock therapy".

By closing opposition newspapers and terminating the Constitutional Court, Yeltsin has not created the conditions for honest exploration of alternative strategies. Much now depends on the elected councilmen in

\* Russian Khasbulatov, *The Struggle for Russian Power & Change in the Democratic Revolution*, London: Routledge, 1993.

the cities, who were largely opposed to Yeltsin's unconstitutional action.

Most of them are not "hardliners" opposed to reform. On the contrary, they are enthusiastically searching for solutions to the problems of balancing their budgets and maintaining employment. They have learnt that the Yeltsin strategy could create unemployment of 20% in some regions.

They believe, however, that a reform strategy is available that does not rely on the blunt financial instruments of the IMF.

The administrative cities of Russia are investigating a new model of public finance which would accelerate reindustrialisation. At the heart of that strategy is a new approach to public finance.

While accepting the need for privatisation of capital, this new plan emphasises that the rent of land should be the backbone of public revenue. As revenue was raised from rent, so taxes could be abolished. But how is that new system to be put into place?

The Union of Russian Cities had established a committee in Parliament that was drafting legislation. That approach collapsed with the shells from Yeltsin's tanks. But some cities had already decided not to rely on initiatives from Moscow. They decided that, even within the existing law, they could begin to implement the revenue-raising switch. Leading that strategy is the city of Novgorod.

NOVGOROD (population: 240,000) was the first capital of Russia. Its political and religious traditions extend back a thousand years. President Yeltsin, in a TV broadcast earlier this year, referred to the democratic traditions symbolised by the city.

Both the council and administration want to cut taxes and make up the shortfall in revenue from land-

rents. They invited the London-based Centre for Incentive Taxation to assist in preparing the groundwork.

Novgorod's leaders knew that, under the law, they could cut taxes by the amount of revenue that was spent locally, and raise the lost revenue by other means. The whole of the revenue from income tax is retained by the city: so the council could abolish that tax completely!

Just 5% of the profits tax is spent by the council: this would not make a large impact on investment. However, 45% of revenue from the profits tax is spent by the oblast (region): so Novgorod hopes that, if the region will participate, they could slash the profits tax in half.

In September, two of CIT's consultants from South Africa - land economist Godfrey Dunkley and property assessor Peter Meakin - flew to Novgorod. Their reports emphasise the importance of helping industry as the first step in the graduated introduction of the new fiscal system.

TO IMPLEMENT the Novgorod plan, a free market in land must be created; that market, however, need not slavishly emulate the western model.

But Yeltsin's Western advisers believe that the imperative step is to establish a market based on western principles of property rights. Refinements to the western system, they presumably believe, can follow once the communist regime has been destroyed. This attitude ignores history, which tells us that once a system has been put in place, it is very hard to change.

But instead of initiating a radical debate, the West has favoured an orthodox approach to property rights - arguing, for example, that land has to be privately "owned" so that deeds

Continued on page 6.

# No Faith in Democracy

WHEN OUR LEADING spokesmen lose faith in, the capacity of the political system to meet its obligations, we know that the world is at a dangerous crossroad.

Jean-Claude Paye, secretary general of the 24-nation Organisation for Economic Co-operation and Development, confessed on Sept.30 that the US and European models of economic life have failed to sustain growth and employment. He was speaking to the Council of Europe's parliament in Strasbourg.

A similar pessimism now rules in the stratospheric layers of the world's financial system. In Washington DC, the managing director of the IMF implicitly agrees that there is something seriously wrong, for he now wants all nations to tie their policies into a uniform straitjacket.

To speak the unspeakable is unforgivable in a civil servant - unless it is the prelude to a proposal for fruitful dialogue about serious change; change that can encompass new ideas which, based on popular consensus, can reasonably direct society towards its goals. Alas, there are no statesmen among the current crop of politicians, which means that leadership will sooner or later have to come out of the wilderness.

IF WE ARE to make headway, the very language that we use will have to be refashioned to suit the new needs. Take the concept of democracy. It is an institution that most politicians would not dare to challenge, for fear of the electoral price they would have to pay. And yet, democracy - that public process in which people peacefully resolve conflicts over competing rights of access over limited resources - has been severely discredited.

What are people to make of the statement of Senator Patrick Leahy, chairman of the Senate subcommittee handling foreign aid? In earmarking \$2.5bn for Russia, he said that "It is in our best interest to put our faith and hope in democracy in Russia. I think that the United States and the free world ought to hang in there with a person that is clearly the most committed to democracy and market reform of all the people now operating in Russia."

He was speaking as President Yeltsin's armoured vehicles were laying siege to the White House, Moscow's Parliament. Stalin was a democrat. Hitler claimed the mantle, as well. So did Mussolini, et al. Come on...

FROM Japan and South Korea, in the east, to Italy and the Brussels-based institutions of the European Common Market, in the West, the stench of corruption in High Places has led to an uproar that leaves no one in any doubt: it is not possible for so many politicians to be taking bribes, and stealing from the public purse, without there being

something seriously wrong with the very system itself.

The starting point for analysing the problem is the essential dishonesty of the politician himself. By that, I mean that men and women who would otherwise not dream of lying, or bending the truth, do so when they get up to address a crowd of prospective voters. Why do they lie? There are two broad reasons.

First, they lie because they are arrogant; they do not trust the people to make the correct choice, in the national interest. Second, they lie because the votes are necessary to gain control over the public purse.

And so governments come and go, but nothing changes; the politicians lie, and the people find that their only option is to seek refuge in inertia - they stay away from the voting booth at elections.

OCCASIONALLY, the camouflage is destroyed. That has just happened in Britain.

Premier John Major and his Conservative Party resist the idea of reforming the voting system, on the grounds that proportional representation would lead to backroom horse-trading, and coalition governments for which people were not able to vote at the time of the election.

This studiously ignores the fact that modern political parties are, de facto, coalitions of interests. They may call themselves "Conservative", but that label encompasses belief systems from rightwing fascism to left-wing "liberalism". So to oppose a fairer system of voting, which would incorporate everyone's views into the democratic process, is not only spurious; it's a bare-faced lie.

The Tories, to whip up the necessary votes in support of Mr Major's Bill on Maastricht - which would diminish British sovereignty, by extending the EEC's control over UK laws - had to do some horse-trading of their own.

• Ulster politicians were brought into the fold with promises of new rights. They would not have received these benefits, but for their ability to hold the government to ransom in the division lobbies. The Tory Party is now a coalition of Conservatives and Ulster Unionists.

• To weaken resistance to the Bill within the Tory ranks, the rebels had to be given powers to write the next election manifesto: the Tory Party is now a coalition of Conservatives/Ulster Unionists/anti-Maastricht rebels.

Politics, today, wherever you look in the world, is not about principles or philosophy. It's a barefaced quest for power, to gain access to the money of taxpayers. It's called rent-seeking; sometimes overt, other times covert. But either way, the people pay.

HENRY WYNSTANLEY

# Round the world

## BERLIN Settling titles

**REVIVING** the former communist economies is dogged by the problem of titles to land.

In East Germany, fewer than a quarter of the 1.2m claims on 2.63m titles have been resolved. Now the draft law on compensating former owners has been declared as unconstitutional. The issues being reconsidered, which is threatening new investment.

In Lithuania, collective farms were broken up into 413,000 small plots of no more than three hectares. Output on the 100,000 new private family farms has crashed. But the process has not ended: 450,000 applications for land are still being considered.

The two other Baltic states - Lithuania and Estonia - adopted an alternative approach: they sold land to the highest bidders, and former owners are being compensated with shares in industrial enterprises.

## ISLAMABAD Wealth tax

**PAKISTAN** landowners, who are exempt from income and wealth taxes, face the prospect of a new wealth tax. Previous governments failed to tax their incomes because they feared the political power of landowners. But, according to government officials, the current government is determined to widen the tax net to share the richest class in the country - the landowners.

## TEL AVIV Peace dividend

**AN ECONOMIC** boom in the Palestinian enclaves was forecast as Israel Prime

Minister Rabin met PLO leader Yasser Arafat for talks in Cairo on October 5. For peace brings the spoils of victory - for the land speculators.

Now that the sworn enemies are friends, the World Bank proposes to sink \$3 bn into the occupied territories of the West Bank and the Gaza strip. The money will go into infrastructure, the first benefits of which will be reflected in a rise in the rental value of land.

In Ramallah, for example, plots for houses have tripled in price to \$180,000. In Gaza, according to Business Week (Sept 27) a parcel of prime commercial property goes for \$1 m.

Prime sites in Israel will also rise in value. The lifting of the Arab boycott will increase trade by \$2 bn a year.

Jordan, too, will benefit with the opening of the bridges that link the kingdom with Israel. This would generate new trade worth an estimated \$1 bn.

But as the politicians talk, a new fear lurks in the background for the Jewish families that moved to the occupied territories because house prices were relatively cheap. Peace, if it is lasting, will raise the price of housing and introduce a new element of conflict among people who want to live in the land given by God.

## LONDON Agro-economics

**BRITISH** taxpayers continue to pay a heavy price for the EEC's farm policy. Under the "reformed" agricultural policy, farmers were paid to leave land idle. This was supposed to reduce food stockpiles. Although the total area planted with cereals fell by 13% to 3m hectares, Dalgey Agriculture estimates that the grain harvest

will be even higher this year. That's because farmers pocketed extra money for setting aside their poorest land and increased the production from the fields they ploughed!

## HARARE Land rights

**THE WAR** of words over Zimbabwe's plan to appropriate white-owned farmland is getting hotter. The country's High Commissioner in London, Dr. N.T. Chideya, wrote to The Guardian (Sept. 26) to point out that the last white colonial government - after it declared unilateral independence from Britain - passed a Land Tenure Act: "Under the Act vast tracts of land were seized from African people and given at nominal cost to immigrants from Europe."

"It is acknowledged that the war of liberation that we waged for 15 years was mainly over the land issue."

"We must recall that there was no outcry when successive white governments forcibly drove millions of peasants from their lands. It is ironical that illegal occupiers of this land now see Zimbabwe Government actions as 'Hitler-like' when they spend decades buttressing and fighting a war that was motivated by their hatred for the Africans."

## CHESTER Primogeniture

**THE DUKE** of Westminster inherited 11,000 feudal acres in Cheshire, which have been in the family since William the Conqueror granted the estate to the Grosvenors in 1068 for fighting alongside the Normans at the Battle of Hastings in 1066.

The secret of old wealth, explains the present duke - he

is reckoned to be the fifth richest man in England (a drop in the wealth league, thanks to the collapse in property prices) - is simpler: "Those who have made money...well, the first thing they do is go out and buy land."

## CANTERBURY Subdivide & Multiply

**COUNCILS** in southern England want the government to curb the sale of farmland for use as caravan sites. A row has focused on the activities of Victor Gladwisch, who has made a handsome living out of dividing fields up for mobile homes - without first gaining planning permission.

Farmers' claim (The Guardian, Aug. 30) that he stands to make £500,000 out of a 47-acre site in Kent worth £50,000. Acting as agent for the owner, Mr. Gladwisch divided the land into 147 plots and advertised them for up to £10,000. To a farmer, the average price for this land is no more than £400 an acre.

Councils have had to spend money on legal action to remove dwellers. One of them was widower James Chisholm, who paid £9,000 for a quarter-acre site. He spent five days in prison for refusing to pay a fine imposed by magistrates for illegally placing a caravan on farmland. "I was a complete twit," he says. "Mr. Gladwisch obviously saw me coming."

## MOSCOW

A land-tenure-as-public-revenue research project will be conducted in Tatarstan by CIT's Dr. Fred Foldvary in November. Dr. Foldvary has just completed a year teaching economics at a university in Latvia. Tatarstan is one of the republics that has refused to hand over its tax revenue to Moscow.

# News in Brief





# HYPOCRISY and World Trade

by Peter Poole

THE WEST has been mean towards Russia over financial aid, but even more serious has been the reluctance to open up the markets to Russian goods. Free trade for Russia would do far more to facilitate the switch to a market economy than the infusion of dollars that add to inflation.

But there's the rub: Europe, in particular, is keen not to underwrite reindustrialisation of Russia at the expense of her own industries. Which is why the EEC is dragging its heels over President Boris Yeltsin's demand for greater access to Europe's consumers.

This contradiction in global policy reflects a general hypocrisy towards free trade.

Bringing down the trade barriers would make the world richer. The World Bank estimates that the loss of income due to existing protectionist measures is mind-boggling - about \$477 bn. by the year 2,002, which is the additional value that would be generated if all distortions associated with protectionism (subsidies and tariffs) were removed.

So the prize of truly free trade is a great one. Yet the world's trading nations may still not be able to conclude a General Agreement on Tariffs and Trade deal by Dec. 15.

A new study by the World Bank and OECD calculates the benefits if there was just a 30% removal of tariffs and subsidies. In agriculture alone, the gains for OECD countries would be \$120 bn; for the developing and former Soviet countries, the gains would be \$70 bn. For manufactured goods, the total gains would be \$23 bn.

These numbers reflect the enormous constraint on the freedom of people around the world to produce as much wealth as they would like. The World Bank has not produced an estimate of the millions of jobs that would be available, if people were free to trade as they will.

THE POORER countries of the Third World would have the most to lose from free trade. Yet they have made constructive contributions to the Uruguay Round of talks, even though their farmers would be at a further disadvantage, when confronted by the power of the food exporting economies of Europe and North America.

France in particular is not satis-

fied. She threatens to block the GATT agreement unless her subsidised farm goods are offered even greater protection. The US government has refused to be intimidated, and so the future of GATT hangs in the balance.

If the GATT deal is not struck, it would not be "business as usual". The global implications are alarming.

• According to the world's three most powerful monetary officials - the heads of the IMF, the World Bank and GATT - the failure would fuel a "rising wave of protectionism". One result, they warn, would be to jeopardise the efforts of East European countries to shift towards democracy.

• Political unity of the EEC is also likely to be jeopardised. France threatened that if she did not secure a better deal for her rent-seeking farmers, she would exercise a veto to block future European activity. Britain retaliated by warning that she would do exactly the same if France succeeded!

• The world financial system would also be at risk, for the Third World debt continues to pose serious problems. How are debtor countries supposed to pay, if they cannot expand their exports on the world markets?

If France proves that it pays to be bloody minded, the United States is likely to fall prey to the protectionists.

The winner would be billionaire Ross Perot, the would-be president who is twisting statistics to argue against freer trade between the US/Mexico/Canada. The US economy already suffers from severe distortions to trade:

• Since Bill Clinton took office, the US has imposed new textile import quotas on more than 15 nations; • This year, US taxpayers will hand over \$2 bn as federal subsidies to wheat producers this year.

A GATT failure would lead to mutual trade recriminations in which everyone loses. Except, of course, the owners of French farmland.

---

Continued from page 3.

can be handed over to banks by entrepreneurs who want to borrow money. This betrays a serious misunderstanding of the fundamental influence exercised by the tax system on people's lives. It is too important to be treated as an afterthought. For sensible answers cannot be given to these kinds of issues, until the system of public revenue has first been defined:

• In which localities should the entrepreneur invest? And in what kinds of enterprises? How should the most valuable sites in a town be used? Incentives that encourage risk-taking and innovation cannot be designed without first identifying the principles on which the revenue-raising system is to be founded.

• The economics ministry in Moscow says that Russia needs \$30-50 bn a year in foreign investment until

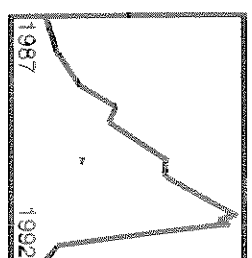
---

the end of the century, to help revive the economy: will the tax system encourage foreigners to take risks in Russia?

• Should Russians work for wages, or does taxation encourage entrepreneurial activity? Should people create wealth, or would they make more money as speculators?

• How can a society redefine its relationship with its natural habitat (as Russia needs to do) without first taking taxation into account?

Boris Fyodorov, the deputy prime minister of finance, is now working on a tax plan to devolve taxation powers to the regions and republics. President Yeltsin hopes to use the public revenue route to satisfy the need for local autonomy. The cities now have their own plan to put to the president. The political realities might yet save the day for Russia.



EJ/40 OCT 1993

# INTELLIGENCE

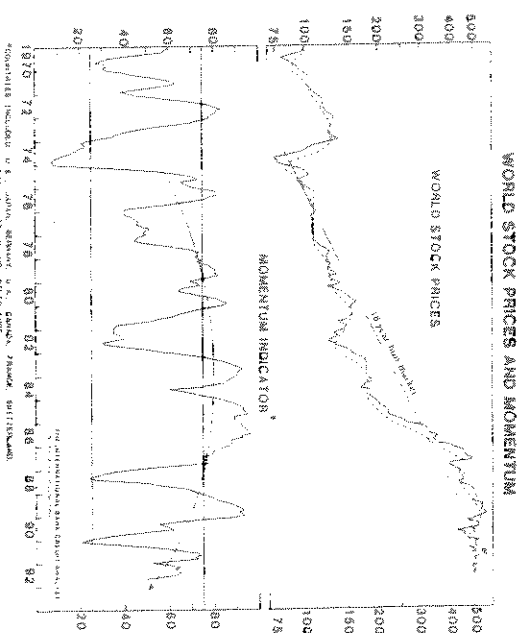
## BLACK HOLE 1: THE WORLD ECONOMY

**BLACK HOLES** feature in this issue. The stories are to caution the investors who are fuelling the worldwide boom in the so-called "emerging market funds". Faced with low rates of interest on their money in the bank, punters are throwing their cash at these funds, which are supposed to invest in the high-growth sectors. Last year, US institutions alone poured \$9.7 billion net into emerging markets.

Analysts have now concluded that private investors have put at risk too high a proportion of their wealth. The implications for the global economy are serious: if the emerging markets now submerge, the wipe-out of wealth will further retard recovery in the old industrial economies. What are the prospects?

The world economy continues to consolidate the conditions

for a depression that will last for at least another two years. The pathetic beacons of light here and there serve no purpose apart from buoying up the hopes of a few politicians. Reflect on the case of Japan, which had hoped to sell more cars in the booming Chinese market (page 2). It's not happening (for the reason why, see page 3).



**THE BLACK HOLES** in the numbers appear to preclude effective management of the kind that is supposed to enable policy-makers to plan the economy back to full employment.

◆ Start with the IMF. Despite working parties galore that have been ferreting away for nine years, the Washington, DC-based conscience of the world's financial systems still cannot figure out how Earth could have a deficit with itself. In theory, the current accounts of all countries should sum to zero. Yet according to the accounts, the world's deficit is \$119 billion.

If Earth's financiers cannot add up the statistics in the double-entry books, how can we be sure they even know the nature of the problem facing the world?

◆ Britain's Treasury has been formulating policy as if it knew where the economy was going - when it didn't. This year, the trade figures have been an unknown quantity. The figures for trade with other EEC countries have not been available because of an administrative change.

If there is no knowing what has been happening to the

country's trade balance, how can the government formulate a coherent strategy for industry?

◆ Then there is the stock market. Analysts declaim on the trends, as a way of whipping up trade. But how reliable are their forecasts? A year ago, the International Bank Credit Analyst (see their graph) warned: "End of an 18-year Bull Market?" Since then, stocks appear to have recovered in markets like the City of London. There have been few voices to warn (like a recent article in the *Financial Times*): "Peril of losing touch with the real world".

The problem, of course, is in not knowing the precise nature of the reality about which we are supposed to be cautious!

**WHICH BRINGS US** to the **Blake Holes** in theory. Economists fail to accord the appropriate weight to the signals that matter. Take housing. Economists believe that rising house prices signify recovery; yet such rises may reflect price trends in the land market that could be counterproductive. Japan again, illustrates the point. For the UK story, see page 4.

Which brings us back to the IMF. Its managing director, Michel Camdessus, wants a uniform approach to policy. He told his 178 members on September 28 that they need "to refocus boldly" their policies. A diversity of approaches apparently would not be tolerated by the financial markets.

But what if the single policy favoured by the influential IMF proved to be incorrect? That governments do not know what they are doing is authoritatively affirmed by Jean-Claude Paye, secretary general of the Organisation of Economic Co-operation and Development. He has drawn attention to "the apparent failure of the US and European models of economic life in sustaining growth and jobs" (*Financial Times*, October 1).

If all countries follow a single policy - the one favoured by the IMF, of course - isn't it likely that we would all go down the same pan in a global depression, 1930s style? A dangerously deep hole is being dug, and the policy-makers do not even know it.

JAPAN'S deepening depression will exercise a bad influence over the world economy for at least two years. Not because industrialists are failing to cut their costs - they are doing just that. Nor can the government be blamed: it assumed power a few weeks ago, after the fall of the party that monopolised power for the last 40-odd years.

The principal problem lies with the confusions of economics as a social science. When dealing with economic issues, problems that seem clear enough - like peering into a pool of clean water - have the knack of turning into inscrutable mud.

The government, for example, believes that a cut in income taxes would be the quickest way to rebuild consumer confidence. Plausible. Sales at department stores and the large retail outlets dropped by over 4% in August compared with the same month last year: the fifteen-month monthly fall in a row. Encouraging people to spend is an obviously sensible suggestion, but would this be achieved by a cut in taxes? No; not in the current circumstances. An increase in disposable incomes would encourage greater savings, but would not be reflected in higher investment in capital goods.

THE PRIMARY problem remains with the price of land, which has fallen - but not (yet) by enough.

Residential land prices have dropped for the second year running - by an average of 3.6% for the country (3.8% the previous year). As a result, investment in private housing during April-June rose by 5% over the previous quarter: lower prices for condos reflected the drop in the cost of residential land. Builders have been able to tempt the young, first-time buyers.

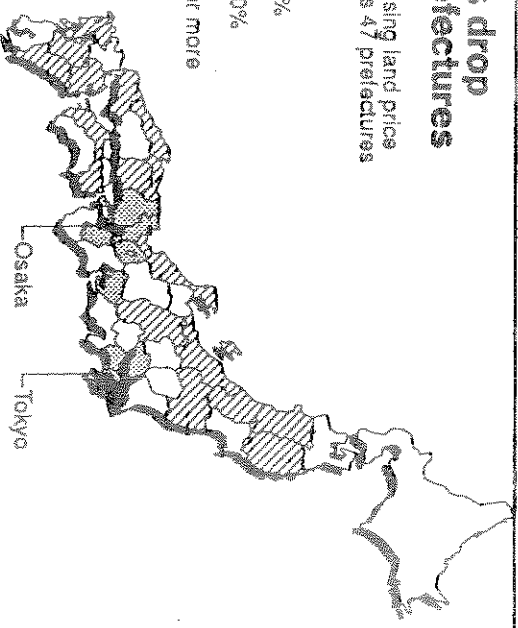
But if you want to buy a "cut-price" condo you still have to raise nearly half-a-million dollars! Not surprisingly, couples are postponing nuptials. The average dating period before marriage is about three years, according to a recent survey, one year longer than the figure recorded 1.5 years ago. Unfortunately, the increase in the sale of condos is patchy, and analysts expect the sector to run out of steam within a year.

For commercial land, the price fall in the past year was 7.7% (4.9% the previous year), according to data collated by the National Land Agency in July. Commercial activity is suffering because the rest of the world is stuck in a rut.

## BLACK HOLE 2: THE CASE OF JAPAN

### Land prices drop in most prefectures

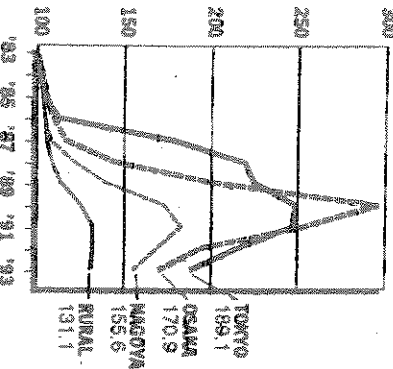
Year-on-year housing land price change in Japan's 47 prefectures



Source: National Land Agency

### Land prices down

Housing land price index for metropolitan and rural areas (100 = 1983)



Source: National Land Agency

For example, Japan had hoped for an increase in exports to China. Car sales, however, reveal the prospects: exports to China increased by 3.3% in August, emphasising a seven-month downward trend. Communist China will not save the market economies, for reasons that further illuminate the flaw in the foundations of the market economy.

THE CORRECT stimulus would be for the government in Tokyo to shift the tax burden off earned incomes, and onto the rental income of land.

True, the first step in that direction was taken last year, with beneficial effect

in the urban housing sector. But the new government, led by Prime Minister Morihiro Hosokawa, is not likely to press this radical fiscal policy to its logical conclusion. The coalition government holds power on the back of a crusade against political corruption, and that is where it will focus its energies.

In the past three months, 22 provincial government officials and construction company executives have been arrested. They were joined in September by the governor of a prefecture just north of Tokyo, who is accused of accepting a bribe of ¥20m.

The government is well aware of the need to stimulate construction, however, which is why it has announced a plan to provide ¥2.9 trillion (\$27.6 bn) to the housing-loan budgets of two organisations. The money will be loaned at interest rates below the cost of borrowing from banks.

Japan's economists disagree on precisely how much of the government's prime-pumping money will actually end up as *manizu* ("real water"). In fact, their calculations understate the problem. The new money will aggravate the crisis, by slowing up the decline in the price of land. Houses will continue to be priced beyond the means of the very people who would otherwise spend the economy back to full employment.

"Problems that seem clear enough - like peering into a pool of clean water - have the knack of turning into inscrutable mud"



# BLACK HOLE 3: CHINA'S JING-SHANG-RE

CHINA was doing something correct: growth rates achieved 13% - and a whopping 20% during the first half of this year in some of the coastal regions. Why, then, are Peking's politicians struggling to prevent the economy slumping into an abyss? They have just decided to freeze prices of government-regulated products and services, as well as the wages of workers in the public sector, in an effort to control inflation that is running at dangerous levels.

Under Deng Xiao-ping, the Politburo decided that communism had to embrace the market. That was in 1978. Capital could be privately owned, and workers could be hired for wages by entrepreneurs. That triggered a growth rate that attracted foreign investment that totalled \$9.4bn in the first half of 1993, a 180% rise on the same period in 1992.

All the ingredients for satisfying the pent-up demands of a billion consumers were in place. But there was a flaw in the new system: entrepreneurs could obtain land on leases for rents that were below the market levels. So why bother to invest in the production of wealth, if you could make more money out of speculating in land?

That was a lesson that Party officials were smart enough to learn fast! Even the bureaucracies went into business as real estate developers - to cash in on the rents that Peking could have legitimately charged to cover the costs of spending in the public sector.

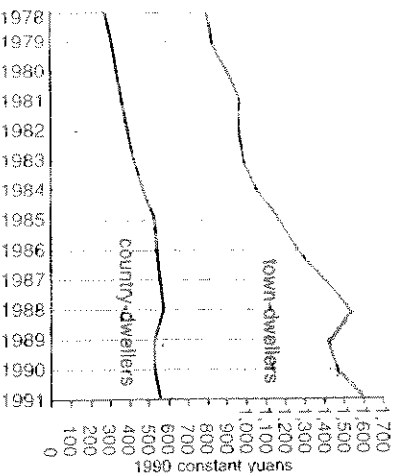
The financial sector went wild, participating in an explosive increase in loans to real estate. Banks even established subsidiaries through which they participated directly in the management of real estate brokerages and construction firms. And so, without realising what they were doing, the Chinese had their first taste of *jing-shang-re*: business fever.

The Politburo stepped in to try and smother the speculation. Banks were ordered to cut back on loans to real estate, and over 1,000 special economic development zones have

been closed down since August.

A circular from the State Council last August declared that there would be "no approval, no licence, no land and no loans for such expensive projects as horse race tracks and golf courses", and the list went on to include villas, luxury apartments, holiday villages and other buildings "with limited market potential". The politicians had realised this activity was attracting the cash that was more urgently needed for roads and railways.

STANDARD OF LIVING  
total annual expenditure per inhabitant



Source: Statistical Annual on China, 1992

According to China-watcher Satoshi Imai, a senior economist at the Japan External Trade Organization: "Because the economic bubble has diverted money to property acquisition and stock speculation, other major sectors including agriculture and transportation have found it harder to come by the funds they need."

LAND PRICES went into a tailspin. They have fallen by between 20% and 30% from their peak in May.

Too late. Unemployment will now start to rise. Worse than that, however, is the threat of serious political instability, for expectations have been raised to petrious heights. Millions of rural workers, whose living standards lag far behind urban standards (see

graph) are migrating to the cities in search of jobs.

Peking has still not fathomed out how economic activity could break so completely loose from its grasp and cause chaos. According to John Wong, director of the Institute of East Asian Political Economy in Singapore: "The Chinese authorities have not published any specific guideline spelling out how a socialist market economy should function. Above all, the exact role and function of government in such an economy has remained unclear and undefined. China's socialist market economy is still operating in an institutional vacuum."

Prof. Wong points an accusing finger at the "rent-seeking activity" of the state's bureaucracy. But he is referring to graft in its various guises (from under-the-counter cash payments, to the extraordinary profits derived from a market that has been rigged against competition). Peking, because of its authoritarianism, can deal swiftly with such graft: for example, eight financial workers were executed on Sept. 27 for their part in a case of corruption.

Not so easy to deal with, however, is the role played by the privatisation of the rent of land. The full market rent had to be paid by the user of land, if productive factors were to be efficiently allocated according to their correct proportions. But we know from 200 years of history that the private pursuit of land-rent has been the major source of economic instability in the modern market economy.

China could have avoided this risk, by reading the warnings of Sun Yat-sen. The Politburo's ideologists failed to do so. Although they have kept the ownership of land in the public sector, the leases were flawed. They allowed a leakage of rent into the private sector - and it was this honey in the pot that caused the *jing-shang-re*.

# NOW WAIT FOR THE 8.5-YEAR HITCH!

BRITAIN'S Treasury has begun a drastic overhaul of the information used to track economic trends. Statistics and data from surveys are being re-evaluated, to calculate whether they really help to predict turning points in the business cycle; points that, traditionally, escape the attention of forecasters.

One sector that the Treasury mandarins will continue to ignore is the land market, even though Sir Terry Burns, the Chief Secretary of the Treasury, was interested in land-price trends during the Lawson years.

Pity if the Treasury listened to EI - which has successfully employed land-price theory as a forecasting tool - it would learn about the next major cloud on the horizon: the eight-year hitch.

TO SUMMARISE: EI warned of the Crash of '92 early in 1988. Sure enough, output peaked in the summer of 1990, with the housing sector leading the downturn, causing a weakening in employment expectations during that year which other forecasters ignored. Then came the rush into the Valley of Death for hundreds of businesses that would otherwise have thrived, if policy-makers had listened to EI and taken the appropriate preventive measures.

The UK has now passed through the worst; but is at the starting point for the next major phase - the upswing that will terminate in a recession in the year 2,000 (when, it is not unreasonable to presume, Sir Terry will still be reading the runes in the Treasury). This is the midpoint in the next 18-year cycle in land values, which terminates in depression in 2,010 - far enough away for the banks, the builders and the other mugs (the ones that will be left holding overpriced land) to have forgotten the "Barber Boom" (1972) and the "Lawson Boom" (1988).

Why the year 2,000? Because in the UK, people borrow money to buy homes which they occupy on average for over 8.5 years. So towards the end of the century, the increased turnover in the housing market will encourage a new phase of speculation (called "trading up") which will induce the mid-cycle crash, before recovering in time to restart the final surge towards the end of the classic 18-year cycle in land prices - the major boom that precedes the major bust.

That process has begun. Already builders are reporting that land prices are once again hardening up. Bryant Group, in the West Midlands, spent £70m on buying land last year, and it plans to spend more this year. But its chief executive, Andrew MacKenzie, warns that there were signs of "some pressure" on land prices, particularly in the south.

House-builders continue to suffer, turning in low profits while trying to survive the blizzard that has swept their sector for four years. The companies that were caught with large banks of land that was bought at the top end of the speculation cycle have been particularly badly squeezed. Like Barratt Developments, the country's third largest housebuilder, which saw the average price of its houses fall by £5,000 to £74,800. It has

had to build more smaller homes for first-time buyers - another way of saying that it has had to squeeze as many units as possible onto its sites. But on the very expensively acquired plots, carried over from the last phase of land speculation, Barratt had to build luxury homes that yielded very low margins or even incurred losses.

But the expectations of landowners have once again been raised. The low cost of borrowing is being reflected in a hardening of land prices. Savills, the London real estate agency, notes in its current Residential Research report that the price of housing land rose by an average of 7.4% in the first half of 1993. Across the country, building land prices are up 9.3% on their June 1992 levels "and are therefore rising faster than the price of most houses".

Similar signals are coming from the commercial property market. Despite the staggering volume of empty offices in city centres, institutional investors are back in the market, anxious to buy properties occupied by tenants on long leases. Since May, there has been a recovery in property values.

**BUT THE** British economy is not out of the woods. Look, again, at housing.

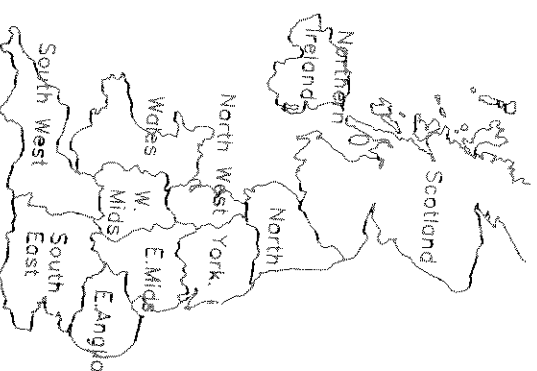
◆ The number of households that are more than 12 months in arrears with mortgage repayments increased from 147,000 (second half, 1992) to 158,000 (first half of '93).

◆ The number of households with negative equity - their mortgages are larger than the market value of their homes - rose from 1m (second quarter, '92) to 1.8m (first quarter, '93).

Homeowners are still too deep in debt for a generalised recovery to reduce unemployment. The few bright spots in the kingdom are the peripheral areas of Ulster and Scotland, which suffered least from the last land-price speculation.

Consumption in Ulster remains buoyant. "When house prices start to rise repeatedly, you get a speculative effect," says Graham Gudgeon, director of the Northern Ireland Economic Research Council. "People borrow more money than they can afford merely because they see gains to be made greater than their income. It never happened here." Because the land-price boom passed Ulster by, the cost of living is the lowest in the UK. So turnover in high street shops has kept the Ulster retail sector at the top of the UK league. "There is simply more disposable income here," the owner of one department store told *The Independent* on Sunday (Aug 8).

Scotland also suffered a relatively lower rate of increase in land prices - with commensurate commercial benefits. According to the Halifax Building Society, Scotland and Ulster were the only two regions to experience a rise in house prices, on an annualised basis. Scottish house prices rose by 2.2% over the 12-months to last summer, compared with a drop of 5.1% for Greater London and a drop of 4.5% for the South-East. The Treasury should look closely at land-price theory; alas, it won't.



# INVISIBLE GOLD

## The Vulnerability of Russia's Indigenous People and Forests

NICHOLAS DENNYs, who is to participate in a Russian government study of land rights for the Cossacks, analyses the problems that undermine Indigenous Peoples of the Soviet North

"On July 22 at least 14 Yanomami [Indians] from the community of Haximu were brutally murdered by garimpeiros [poor goldminers from a group of some 600] working illegally on the borders of Brazil and Venezuela. Nine Yanomami children had been hacked to death with machetes. The women and children were surrounded as they collected peach palm fruit in their garden...."

This atrocity highlights the authorities' total lack of political will to uphold the integrity of the Yanomami reserve..... Many local politicians and businessmen have interests in the minerals in the reserve."

Survival International, whose report<sup>3</sup> of this atrocity is quoted above, have undoubtedly had some success in protecting tribes and their environments including the Yanomami. They pursue their work with vigour and integrity. Yet Survival reports that violence against the Yanomami is increasing, that the massacre took place in territory officially demarcated by the state as a Yanomami reserve, and after Survival had campaigned on their behalf for 22 years. The general picture is one of increasing retreat by indigenous peoples and their environments before the onslaught of commercial and demographic pressure.

Many believe that the destruction of life and hope that goes on in the world is a consequence of human wickedness. But the engine of destruction that compels many huge groups to spread chaos and aridity to whole regions of the earth, and to commit the genocide of entire peoples is not within the power of any individual. It lies in the anti-human structure of the organisation of states and communities. It is maintained here that the most damaging flaw, present in every country in the world, is the failure of the state to collect communally created land values,

while protecting the right of private institutions and individuals to do so. The demographic and economic effects of this failure render communal place incidents of the kind reported by Survival.

Communally created value (land rent) is the value that land still has even when there is no development on it. That value is a measure of the demand for the land's advantages of location and its natural resources. The demand results from the development of the surrounding community. These benefits to the occupier are not created by him. Yet the landowner is given the right to exclude others from land and either to leave it idle or to charge others a rent for the use of it, and to sell the land to others who will expect thereby to acquire the same right. He is not required to add value, nor is he put under any obligation to the state that is protecting his right which is proportional to the privilege granted. Thus persons and institutions emerge, empowered to appropriate far more land than they use and thereby to accumulate wealth which is often used, particularly in economically undeveloped states, to dominate government, commercial relations with other countries, and

much else. A very sizeable minority of people also emerge who, confined to poor land or excluded altogether, are without hope of access to the primary natural resource on which a working life must be built.

As any land speculator or resource exploiter could tell you, these values are real, they are not merely an economic concept. They are an invisible gold strewn across the surface of the earth by the productive activity of communities of people. The failure to collect these values for the community, and properly account for them, causes an enormous waste of natural resources, labour, and capital. It enables the private appropriation of land values, the creation of a land market in them, land speculation which causes vast areas of good land to be held out of use and people to have no place to work or live, the corruption that plagues those, in both democratic and totalitarian societies responsible for granting permissions to individuals and institutions to exploit these improperly accounted resources. Above all it enables the phenomenon of landlessness which forces millions of people to move about the earth in desperate poverty bringing further devastation to peo-

ples, such as indigenous peoples, into whose areas they move.

Yet the correction of this flaw is within the power of the state both administratively, for it is simple, and politically, because it gives the state an interest, through the retention of rental value, in ending these problems which are too formidable and widespread for any other interest than government to combat. Although the interests exploiting this flaw are powerful the constituency of potential opposition includes other equally powerful interests. Furthermore, in Russia, because the state currently owns the land, the system is already in place, if unused, and all that is required is to begin collecting the rental value.

The reforms which the West is pressing on Russia are like a bright red apple with a worm in the centre. The shiny colourful promise of western free market democracy, which always looks brighter than it tastes, has some nourishing substance, but much of it is consumed before the consumer and the voter, in whose name the apple is grown, can set their teeth to it. It seems sometimes as if the bugs are running the orchard. It is not that in Russia communally created land values are collected, they are not. But in most of the rest of the world, both advanced and developing, this flaw has been set in concrete through property rights which protect the right of the few to own and the many to pay, whether capitalised in the form of premiums and mortgages, or annualised in the form of rent. This has not yet become the arrangement in Russia and until it does there exists a greater opportunity there than perhaps anywhere for a transition to the collection of communally created land values.

### THE CONSEQUENCES OF NOT COLLECTING LAND VALUES

If a market in land values is created in Russia, indigenous people and wildernesses will face problems which, though peculiar to their localities in some respects, will be

essentially similar to those in other countries. The driving force of these problems is the same throughout the world - the failure to collect the rent. So it will perhaps be useful to look at Russia's problems in a world context first.

### Deforestation

The forests of Siberia, 6 million sq. km., are twice the size of the Amazon basin. The pressure to exploit them is increasing, as the recent case fought by the Udege people against the logging interests of the South Korean commercial giant Hyundai shows. Many multinationals are taking advantage of the chaos in Russia to sign ill-considered contracts to exploit resources.

It can be shown<sup>1</sup> that throughout the world there is no correlation between forest destruction and either levels of population or rates of increase of population. The constant factor is the attempt by governments, corporations, and individuals to extract value and power from the control of territory. This has been so throughout history. In Britain probably the greatest period of forest reduction was in Roman times, by commercial and military interests within the Empire, when, to Rome, Britain was a third world country. For the multinationals Siberia is an opportunity for resource extraction and the profit will accrue to the parent company. The halving of Central America's forest area between 1950 and 1990 was due to a concentration of land amongst a small number of ranchers and landowners clearing forest to raise bananas, cotton, coffee, and cattle. (In 18th and 19th century Scotland it was grouse and sheep for which Scottish landlords cleared the highlands of people.) The exclusive landownership system creates landless people who in turn cause as much and often more damage through desperate attempts to clear unsuitable forest land on which to scrape a living.

Tropical forests being destroyed at a rate equivalent to the whole of the Siberian forest in about four years.

The principle use has been for agriculture. An even larger area has been degraded, principally by logging. These depredations are so large they are almost unbelievable. But they are real. In Central America only 18% of the original forest remains. The mention of 'agriculture' suggests something positive. However, the agriculture is mostly that of impoverished farmers forced off better land who have no choice but to clear unsuitable forest land which soon falls, forcing them to move on and clear more. (In the Amazon only 7% of forest soil is suitable for annual cultivation). Their principal route into the forests is along the roads built by the extractive companies and government. Myers<sup>2</sup> has calculated that for every cubic meter of harvested timber, approximately 1/5 hectare of forest is destroyed by farmers who come in along the roads.

### Landlessness

The land market works by exclusion. Whatever the size of a population a small number of powerful or rich individuals and institutions obtain a disproportionate share of land thereby ensuring that a large number of people are made landless. In developed countries this problem is partially alleviated by the welfare state which hides the scar and makes a dependant class out of the landless.

In Brazil 170 million hectares of viable agricultural land is held out of use. Yet the landless people, many of whom are destroying the rainforest, can be numbered in millions.

Landlessness has caused the migration of hundreds of thousands of people across national borders. Large landowners perpetually expel small farmers and take over their land even when the latter have legal title. Some 300,000 displaced peasants in southern Brazil moved into Paraguay after the 1960s and cleared forest areas that are homelands to the Maya Indian. About half of these have had to move back again, excluded by Paraguayan absentee landlords who asserted land claims over the peasant's newly cleared holdings. These

---

## ❖ THE LAND & LIBERTY ESSAY ❖

---

people now face desperate conditions and worsening rural violence. In West Africa migration has been too massive for computation and has resulted in widespread deforestation and disruption of tribal areas. According to the Food and Agriculture Organisation of the United Nations, the total number of landless people and mini landholders will be 220 million by the year 2000. But this figure lies against a background of 1.2 billion people in 1990 who were living below the poverty line in developing countries. This is a figure which also expresses landlessness, for this impoverishment exists in economies where good land which could support productive employment is kept idle and represents the displacement of poor people to low quality land.

Speculation is a major cause of the twin phenomenon of landlessness with good land held idle. In Brazil most of the land owned by the large landowners (0.8% own 43%) is held unused and traded like stocks and shares. Its capital value is swollen in relation to its productive yield. Antonio Cabrera, Agriculture Minister of Brazil, owns 200,000 hectares but keeps only 41,000 head of cattle on it. Small landholders are frequently evicted from land, to which they have legal right, at gun point.

George Monbiot<sup>1</sup> charts the numbers of people, hectares, and murders involved in land conflicts in Brazil and notes a decline since 1985. Then there were 636 land conflicts involving 9.5 million hectares, 405,000 people, and 139 rural assassinations. Things are roughly half as bad now. Monbiot notes, however, that "killings now seldom take place at the behest of a single landlord: gunmen are commissioned jointly by the local members of the UDR (the Ranchers' Union). As UDR members include mayors and judges, this pooled responsibility serves to institutionalize the crime."

**RUSSIA**  
In Russia the Indigenous Peoples of

the Soviet North have a long history that is not dissimilar. The command economy has been as terrible a persecutor as any. But today Russia is in a new situation, a moment of choice. It is clear too that there is some support for indigenous peoples at the highest levels. It is unusual to find the President and his prime minister attending an indigenous peoples conference as President Gorbachev and Prime Minister Rysikov did in 1990. The Udege people's recent struggle for their land received wide support including from President Yeltsin, but not from their local administration!

The destructive feature most peculiar to Russia is pollution. The land of the Khanty in the Khanty-Mansiisk district has become widely fouled by large scale clumsy oil extraction. There has also been an influx of people into their traditional areas following the development of the oil industry - an expansion from 100,000 to 1.5 million people since 1961. 25 years ago they made up 25% of the population and now only 1.8%. Until the 1930s the Khanty were more or less an autonomous people. During Stalin's period their reindeer herds, pasture land, and hunting rights were taken over by the state, their nomadic ways of life forbidden, shamans murdered or thrown into concentration camps, and children removed to boarding schools. As Survival International describes it<sup>2</sup>,

"Pipelines carve through most of their territory, the forests are cut down and burnt, the tlichen on which the reindeer feed is destroyed by the fires and oil and gas leaks from poorly made pipes, leaving a landscape scarred by black lakes and poisoned trees. The pipelines block the migration routes of the elk and reindeer and leakages destroy the fish and water plants. Oil and gas wells are dotted all over the taiga; day and night each well is crowned by a continual fire burning off excess gas. The flames and their smoky streamers can be seen from miles away, and

---

## INVISIBLE GOLD

---

their smell pervades the air. There is a very high rate of illness, especially lung diseases caused by pollution. The birth rate is falling very fast and life expectancy (45 years for men, 55 for women) is 18 years below the average for the rest of Russia."

A Khanty tribesman summed up their dilemma at a conference organised by Surgutneftegas, the principal oil company of the region (in part to give themselves a public relations opportunity).

"I was born here, and I hope that my children can go on living here. We used to have many reindeer, but now we have few left. When the petrol workers arrived, they promised us that we would be happy, but we know now that it was not true, and we have lost our reindeer. The taiga is empty now, and we don't have enough animals, fish or birds. How are we to survive?"

It is a picture of obliteration.

### The Need for Local Control of Land Use

At the 1990 conference of Indigenous Peoples of the Soviet North reports of pollution were frequent, indicating that the state has a history of disinterest in sustainable land management. Tuberculosis is now one of the most common sicknesses. The Nenets of the Arctic Sea complain of increased sickness due to radiation from the nuclear testing carried out in the fifties and sixties at Novaya Zemlya. Throughout the north reindeer are decreasing, as are fish in the large river systems of Siberia, and uncontrolled traffic in the summers is destroying the fragile plants of the permafrost which can take decades to recover from being trodden down. As the report of the conference states, "The global significance of this northern ecology is presumably unknown, but if the industrial process continues unchanged, most of these indigenous cultures will disappear." Interestingly, the indigenous people do not ask for the extractive indus-



tries to cease, only that they should extract in a manner that does not destroy the land, or the culture, or the people. This requirement is one common to any society including the most developed. People using land in a locality are able to appreciate the significance of proposed developments. It is clear that the state has been unable to do so.

Local control of land use has an efficiency that derives from the knowledge of costs and advantages being proximate to the sites proposed for use. If the rent is also partly retained by the local community it will not only empower them financially to manage their own affairs but will create a context for choice which will integrate them with the wider community. The people in control will be those who experience the costs of development by outside commercial forces, but they will also be those who will benefit from an increase in rental returns through managing development. This will create for indigenous people a basis for chosen, as opposed to forced, integration. It will also help to manage the severe problem of the influx of outsiders. In the 1920s and 30s when the 26 Peoples, as the indigenous peoples are known, were allotted their autonomous areas they were all a majority within them. Now all are minorities, fewer and fewer speak their mother tongue, and the influx of outsiders has caused their dispersal across wide areas. As Professor Chuner Taksami<sup>2</sup>, a spokesman, put it at the Conference,

"This is how one way of life, one world-view, and one system of values is crushed by other ones. When a people loses its feeling of being master in its own house, it also loses its feeling of worth and dignity, and this loss is irreparable."

Russia has two laws in place which promise to be of great help. In the case of the Udege People against Hyundai Corporation, the Russian Supreme Court ruled that Hyundai's plan, supported by the

local administration but few others, to clearcut 300,000 hectares of Siberian forest for logging was illegal for two reasons. It did not have the consent of local people and it had not received environmental clearance. But the commercial interests gearing up to sign contracts for resource extraction in Russia are truly formidable. They will also have the capacity to influence government at the highest levels and, as everywhere, will seek to encourage a politics that favours their interests. The law will not be sufficient, and will not deal with the myriad tiny incursions that landless people and other causes can make. A people cannot go to law all the time.

Russia, if it privatises the rent of land, will begin to experience the kind of problems faced by other countries. Large numbers of people will be made landless. The opportunities for the private appropriation of land value will bring with it the other ills - exploitative resource extraction, corruption, social conflict, and poverty.

### The Need to Collect Rent

The pattern and intensity of factors affecting land exploitation depends on local conditions in each country, including such peculiarities as the nature of government incentives and regulations, and techniques used by landlords to avoid agrarian reform. In Russia the pattern will be different again. But in every country the failure to collect the rental value of land provides the occasion for the operation of these factors.

Susan Hecht<sup>1</sup> usefully identifies three basic ways value can be extracted from land.

- 1) Extraction, which is of two kinds - renewable and irrevocable.
- 2) Production, involving the application of labour and capital. She writes, "Production implies far more complex and organized forms of intervention in the natural world than simple extraction, and incorporates the idea that energy and resources are applied to land to generate something of value not inher-

ent in the land resource itself."

- 3) Speculation. Ownership of land provides an opportunity to "capture fiscal resources, such as capital gains, ... institutional rents, such as credits and subsidies, and as a means for claiming other assets. In this case the value of the resource or land has little to do with its actual characteristics or the labour and resources applied to it. Or what has been called 'directly unproductive profit seeking activities'".

It is useful to consider the effect of the state retaining the rental value of land in terms of these three forms of value extraction.

1. Extraction always takes place in a context of choice. The area from which extraction is to take place has costs attached to it. Areas territorially outside the developed economy are seen as relatively cost free. There are no rents to be paid for access and government subsidies are often available. Officials can often be bribed to grant permits at a cost much less than the payment of a rent. (Corruption is possible because the briber and the bribed share the uncollected rent). Were rental values of these areas to be annually assessed and charged to the users it would ensure firstly, that areas within the already industrialised territory would appear more suitable - again because the cost difference would no longer be so great - and secondly, it would give the state or local authority a vested interest in sound land management. Long term sustainable forms of extraction and a commitment to land value husbandry would be politically arguable because they would protect revenues. Pollution would be costed through its effect on the land value of neighbouring areas, downriver sites, and so on. Where the full rent was collected and land values publicly assessed corruption would be reduced and where a proper local democratic control - including indigenous peoples and their areas - was in place, discussion and evaluation of land use choices could be made in a manageable and costed way.



2. Production. The effect of avoiding the creation of a land market and relying instead on the collection of rent would greatly assist production. As the large purchase price of land, known confusingly as the capitalised price, derives from the purchase of several years' right to the annual value, the charge of a full rent in proportion to the annual value removes the capital price. The costs of beginning productive work on a site would be reduced to the costs of initial capital plus merely a rent paid to the community. A community thus financed would be in a position to reduce taxes on capital and labour which would further reduce the costs of new work. This would greatly increase within already developed areas the proportion of people able to demand and deploy capital and labour, and the number able to live off their own. It would also mostly eliminate the large number of landless people who are forced to try to develop marginal land, thereby disrupting the lives and cultures of indigenous peoples.

3. The most crucial effect of all for indigenous people and millions of landless people would be the end of land speculation. The large areas of unused and underused land which exist throughout the world - and will do so in Russia if it privatises land rent - would be forced out of the hands of those who hoard it. They could no longer justify holding out of use something on which they had to pay a charge because there would be no capital sale value on which to speculate. The landless person would find himself in a world where all he needed to begin work in his local economy would be his own hands and brain. Land would be for the user, and the great migration to the lands of indigenous people would reduce to the point where it was controllable. In such circumstances the possibility of locally created demand backed by local production would reduce the disastrous combination of cash crops and landlessness. It would end too the ridiculous but frequent anomaly where government subsidies for development do not go

into production by the user but are siphoned off by the landowner/land speculator in increased rents and capital gains.

#### Common Needs

Indigenous peoples suffer not so much from commercial progress as from the failure to collect land value for communal purposes. They need not look far for allies. There are few people in any country of the world who are not also affected detrimentally in some way and many whose survival is threatened. Land is needed for everything we do, and so the conditions of access to it affect everything we do. There are good grounds for associating the cyclical booms and slumps of the developed economies with the surge of credit (equity extraction) that accompanies a rising land market. The pattern of millions being unemployed and homeless, while matching acreage of land and housing is idle, is everywhere. The high access costs of land can make the acquisition of a home or place of work a lifetime's burden, even for those considered well off, or put it outside the reach of many, and can make escape from disadvantage or dependency impossible.

The renewal of life and work that can be achieved by changes of place is vital if people are to escape poor working or residential conditions, family violence, punitive sectarian practices, racism, and many other forms of abuse. Thus we share common ground with indigenous people throughout the world and no one has expressed better than they the importance of land to human beings or the importance that our respect for it has to land. It is the ground on which we all stand.

Whether we live in the city or in the country we must have land on which to work and play. Unless we have somewhere to lie down, we cannot sleep. We cannot read a book without space to put our chair, nor hear even a joke without somewhere to laugh. We need place to be angry and place to love. We even say we need grounds for belief. And for the

environment of our planet to have no endless prospect of health destroys our sense that the Earth sustains us.

We live in a world in which not one of us can be confident of all these foundational rights and beliefs and there are millions of people who have them only with constant harassment. If the rules which govern our access and use of ground are ill formed they bind our whole lives into a knot from which many of us can never escape, if they do not kill us.

The devastation that is caused to people who are made landless, and to indigenous people whose environments are invaded and destroyed by the extractive companies and the landless millions, is a devastation common to all our histories for hundreds of years. The hundreds of thousands who moved into the Victorian cities of Britain were driven by the land speculation of the enclosures. Because of the continued existence of the land market and rent seeking practices by institutions, and individuals it is a potential devastation for us all. The invisible gold of rental value is left lying on the ground. Until it is collected by the state it will remain there, a source of discord and poverty.

#### References

1. Colchester, M. and Lohmann, L., edit, *The Struggle for Land and the Fate of the Forests*. World Rainforest Movement, The Ecologist, and Zed Books. 87 Cantonment Road, 10250 Penang, Malaysia, 1993; (A remarkable and recent survey - vital reading)
2. *Indigenous Peoples of the Soviet North*, Document 67, published by the International Workgroup for Indigenous Affairs. International Secretariat, Fiolstræde 10 DK-1171, Copenhagen K, Denmark. July 1990;
3. Newsletters and bulletins on Russian affairs published by Survival International, 310 Edgeware Rd, London W12 1DY, UK;
4. Fred Harrison, *The Power in the Land*, Shephard Walwyn, London, 1983.

## BOOK REVIEWS

### BIRTHRIGHT

*The Birthright of our Sires\**  
George Curtis, £5.75

GEORGE CURTIS tells his story of life in rural England when horses pulled the plough and men humped 18-stone sacks of wheat. Born the son of a Lincolnshire farmworker in 1925, he worked on the land until he was 34 and for 30 years following this was a full-time representative of the Farmworkers Union in the county.

Life in the county was primitive. Even as late as 1947 there was an earth closet outside the farm cottage which had to be emptied once a week. Drinking water was fetched from the village pump. A pig in the garden provided bacon. Crops were grown by rotation and all farming was organic.

In his youth he was an ardent Methodist preacher and his interest in religion is reflected in this book. Evocative photographs of Lincolnshire in the war years and the '50s and '60s are accompanied by a detailed examination of those times.

Curtis became interested in Henry George and the book is imbued with Georgist thought and ideas. He quotes a report he wrote in 1990 for a local TCGWU conference. After referring to the effects of the property boom, he says: "A Land Value Taxation policy would not only kill off all such speculative advance at a stroke. It would restore to all equal, inalienable, God-given rights of access to the land denied by the Enclosure Acts which gave rise to the traditional rhyme:

They hang the man and flog the woman,  
Who steal the goose from off the

Common,  
But let the greater criminal loose,  
Who steals the Common from the goose."

As one who was always close to the land, perhaps he sees more clearly than most the effects of those Acts.

History, religion and Henry George are mixed in this book. The connections add weight to a slim volume - an interesting addition to the land value taxation literature.

\* Published by the author at 23 Estate Ave., Broughton, Briggs, South Humberside DN20 0JY.

### OVER-POPULATION: A PROCRUSTEAN SOLUTION

*The Third Revolution*  
Paul Harrison, Penguin, £6.99

AFTER his revealing survey of Third World poverty and its shameful origins, which made an earlier work into a classic best-seller,\* Paul Harrison's new book is a disappointment. Here, he attempts to forecast the economic future of Planet Earth and the social consequences for its inhabitants.

The population of the world, he notes, is over 5 billion and increasing. UN projections are some 11 billion by the year 2100. The world would then face major resource crises. Reserves of aluminium, copper, zinc, oil and coal will be used up and many countries pushing against limits of land, water and food. Threats from deforestation, soil erosion, climatic desiccation and global warming which will then face us, will make today's worldwide environmental problems seem like little local difficulties. Countering these dangers, he asserts, needs a revolution - in population, consumption and technology, but plainly the main focus of his attention is on population.

In *Inside the Third World*, he noted a number of factors which exploded the myth that the basic malady of those stricken areas was simply a matter of over-population. The hunger that stalks the Third World, he asserted, was the result of poverty and the lack of "effective demand" among the Third World's underdogs. And poverty, he noted, could occur in the midst of plenty as, for example, where huge areas of the most productive land have been grabbed by powerful local elites, and where "labour surpluses" are deliberately created by vast stretches of land being kept under weeds and shrubs, all this leading to "grinding poverty among those without adequate access to land".

Mr. Harrison has not forgotten these oppressive, man-made barriers

to proper use of the Earth's resources. But here they are accepted as part of the social scenery; immutable conditions to which, in the style of Procrustes, population must be cut to fit.

The expropriation of land, he admits, "has driven large numbers of people into marginal or smaller areas." But there is no talk now of the need for land reform. Instead, the blame for the resulting abysmal living conditions seems to fall on the victims themselves, on the grounds that their crowding into left-overs of wasteland "artificially boosts population density".

Mr. Harrison's view now, apparently, is that population is the variable factor which must adjust itself - or be forcibly adjusted - according to the degree of tyranny endured by the people. If land-grabbing by local barons forces the people into marginal or unwholesome areas, their numbers must be restricted so as to avoid "over-population".

Mr. Harrison claims to be objective, to give weight to the apocalyptic forecasts of Malthusians, the reservations of the "radical right", as well as the teachings of Henry George. But his understanding of George is so weak as to suggest that he studied him on a quick visit to the public library just before closing time. He refers to George's main work as "Poverty and Progress" and garbles the American reformer's diagnosis of poverty's causes as "unjust laws, warfare, excessive rents and lack of secure tenancies".

Superficially, *The Third Revolution* is an impressive work with extensive discussion of factors which affect the environment and man's ability to use intelligently the great reservoir of natural resources. But until he appreciates the significance of social injustice in the use of natural resources and the key importance of land ownership in particular, the author's efforts rise no higher than the academic and, in a practical world, are largely wasted.

\* *Inside the Third World*, Penguin, 1979.

BERT BROOKES

GEOFFREY LEE