

# THE MERCURY

The Newsletter of the  
Henry George  
School of Northern California

Vol.4 - #3

Winter 1993-94

## Global Governance Council Looks At *Alternative Economics*

The Conference on Global Governance met this past September 25th-27th at The Episcopal Church Center and the UNITAR Building in New York City. Over 100 high powered individuals, organizational heads and associates participated. The conference combined the 9th World Citizens Assembly with the 4th Conference for a More Democratic United Nations. The United Nations Department of Public Information and 40 United Nations Non-Governmental Organizations (NGOs) sponsored the conference. The four key commissions that met during the conference in addition to the ongoing plenary sessions were: Global Structures for Security, Environment and Sustainable Development, Global Education, and Alternative Economics.

Alanna Hartzok, former Director of Education at the San Francisco Henry George School, served as co-convenor of The Alternative Economics Commission with Douglas Mattern. Mattern was the Conference Chair and is President of the Association of World Citizens. The commission began with a review of the work that came out of the 1992 Assembly in Stony Point,

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## Novgorod Plan *Challenge To Yeltsin*

By Fred Harrison

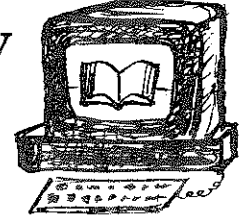
Center For Incentive Taxation - London

Boris Yeltsin finally got his way, or rather—the International Money Fund (IMF) did, as Yeltsin gave the order to shell his erstwhile colleagues in Parliament. The West had made its money conditional on "financial austerity". 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.

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## Info-Technology Power, Rights & Ownership

By Cliff Cobb



Videophones, personal communications, interactive media, computer library networks— are the new buzz-words of the information technology revolution. We are bombarded with descriptions of technologies that are set to further change the way we conduct our daily business. The methods and speed in accessing knowledge and even how we entertain ourselves is evolving again. Just as personal computers

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## 15 Pennsylvania cities...

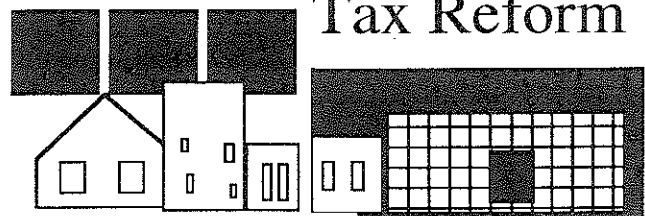
are pioneers in Pro-Housing Tax Reform Alternatives. In reducing property tax burdens on housing and concurrently shifting taxes onto land values, the cities engaged in such tax reform, are assured the same or an increase in revenues.

Research has verified the following beneficial results from the "up-taxing" of land and shifting taxes off buildings:

- Land prices are deflated and speculation curtailed, putting more sites for available use on the market.
- The hearts of cities are rejuvenated as owners are discouraged from holding prime sites idle. Construction and rehabilitation increases, adding to the housing supply and stabilizing rents.

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## A Pro-Housing Tax Reform



## A Pro-Housing Tax Reform *Continued From Page 1*

- The private sector can more effectively meet community housing needs.
- Revenues produced are equal to or greater than under the conventional property tax, but taxes are cut for average homeowners-taxpayers.

Pittsburgh cut tax rates on buildings to one-sixth the rate on land and has lower median housing prices than most large American cities. When Harrisburg made similar changes, almost all homeowners enjoyed a tax reduction. Clairton, an industrial suburb of Pittsburgh started to tax building assessments at 2.105% and land assessments at 10% *instead of both at 3.7%*. Clairton experienced an 8.5% surge in dollar value of new construction for the 3 years (1989-91) after the switch, compared to the 3 years before the switch, as measured by taxable building permits on file at Clairton's City Hall.

Every Pennsylvania city which has gone two-rate (shifting to a higher rate on land assessments and to a lower rate on buildings) and for which studies exist, has experienced a construction spurt following it's two rate adoption— thus, the result, when you "down-tax" buildings. If you "up tax" land, the city recovers the revenue it loses while simultaneously encouraging landowners to use their sites more fully. If landowners choose not to use their sites fully, they'll have a greater tax expense covered by too little income from inadequate improvements or lack of improvements. It is obvious that no real improvement in our urban economies can be made as long as the bulk of the property tax comes from buildings, making them less affordable, while land is minimally taxed and therefore underused.

Were there other favorable factors that might have caused this contra-cyclical spurt in new construction in Clairton? There were none that came to light. Its municipal government was officially declared financially distressed by the state. It dispensed with its police force and turned to using county police. The Center For The Study of Economics studied Clairton and found that an 8.5% increase in taxable construction occurred, despite horrendous economic problems that Clairton faced in 1989-91. Clairton's taxable new construction was compared to the national average (both taxable & non-taxable) for 1989-91 as compared to 1986-88. The U.S. national average actually decreased by 5.8%! □

For further info contact:

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## Global Conference Looks At Alternatives



New York. There they had adopted several value and vision statements and the eight principles from the Treaty On Alternative Economics. This treaty was created by several global NGOs at the Earth Summit In Rio.

Hartzok gave an extensive presentation explaining three-factor economics, focusing on the problems relating to land, and highlighting the importance of *land value taxation ground rent* as a source of public revenue.

The Alternative Economics Commission Assembly voted to adopt six resolutions, the first of which is most relevant to the Georgist Movement: "Although the free market is useful in regards to the products of labor, whatever is derived directly from nature— water, air, land, mineral resources, electromagnetic spectrum, satellite orbit zones, etc., should be considered the common heritage of all. The value of these resources should thus be the primary source of funding for governmental activities from local to global levels".

Hartzok reported these statements to the entire conference body and stressed the importance of connecting the issue of fair earth tenure with public finance policy. Hartzok introduced the "International Declaration on Individual & Common Rights to The Earth" (see insert this issue) and distributed the document to all members in attendance.

Members of the prestigious Independent International Commission on Global Governance (similar to the Brandt Commission) convened on the last day of the assembly at the UNITAR building across from the UN. Dr. I.G. Patel, former director of the London School of Economics and current Governor of the Reserve Bank of India and associated with the World Bank, brought into the discussion the recommendation for "user fees" for natural resources globally. □

*Alanna Hartzok is a NGO delegate representing The International Union of Land Value Taxation and Free Trade at the United Nations.*

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# For Whom Are We Saving The Earth?

By Mary Rose Kaczorowski

Deep Ecology, the Rio Earth Summit, and the Environmental Movement are significant steps by the human species to take a serious look at how we treat our sole habitat. Yet, not any single movement has brought to the forefront the big question: "For Whom Are We Saving The Earth? It is assumed that we, the people, will be the benefactors, along with our fellow creatures with whom we coexist on this biosphere. Without taking into account that the land beneath our feet, for the most part, is actually owned and controlled by a few; who *actually* benefits becomes quite significant! See sidebar for some enlightening statistics.

In looking at land itself, it's crucial to examine how we treat the natural gifts of the earth. Paul Erlich speaks of the genetic diversity that is the part of the inheritance of "capital". Homo-sapiens are squandering these genetic resources on a unprecedented basis along with fossil fuels, rich soils, ancient groundwater reserves and mineral deposits. He points out how current decimation of organic diversity will affect crop yields due to loss of dependable water supplies and assaults by pests as a direct result of massive pesticide use. This terminates an eco-systems balance. Whole populations of insects that plant pollination is dependent upon are wiped out.

Sterilization of land is encouraged by our present agricultural practices and by our consumer demand for having all produce at low cost available year round rather than within season or on a sustainable basis. The U.S. Department of Agriculture, agri-business, and International Monetary Foundation (IMF) policies and operations have these practices entrenched in our economies. Again, we need to question who owns all the land where this is actually happening and who is profiting from these practices.

The realization that we all share the same life supporting elements and that our land is a connected system of sub-ecosystems dependent and balanced upon each other, changes the notion of private property and land ownership. Now, lets look at land and neighborhood communities that occupy land in the same light.

Putting up a fence or emergency alert systems does not protect a community from what happens on "privately owned" land as a community in the East Bay Area of Richmond, California discovered. Toxic leaks have become business as usual. In Riverside, California—citizens formed a coalition to challenge a theme park expansion that would have a negative impact upon their community. Northern Californian residents rallied to stop the creation of a toxic waste holding site near their homes in a canyon area of the Berkeley Hills.

These neighborhood and community coalitions, have unfortunately encountered evidence by way of their own experience, that proves capitalism's business economics and most public policy does not take into account the community's best interests. Nor does it concern itself with a community's future viability, especially in

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## Statistics On Wealth in the U.S.

As of 1990, the richest 1% of the U.S. population (2.5 million Americans averaging \$400,000 per year after taxes) enjoy almost as much income as the bottom 40% (93-94 million Americans).-

*"Drifting Apart: New Findings on Growing Income Disparities between the Rich, The Poor, And The Middle Class" - Center on Budget & Policy Priorities July 1990*

The wealthiest (1.6%) of U.S. adults had \$4.3 trillion in 1986, more than the entire GNP of the U.S. for that year! - *Associated Press: "Pork Barrell Gets Star Wars Cash", October 1986*

Individuals earning more than \$1 million a year had salaries increased by 2,184% in the 1980's.-

*"Caught In The Middle" by Donald L. Bartlett and James B. Steele, Philadelphia Inquirer, Series of six articles, Nov. 3-8 1991*

## Statistics On Land Ownership

In California, 1% of the population owns over two-thirds of the private land.- *Congressional Record 1981, p.S-12323*

A United Nations Study of 83 Countries showed that less than 5% of rural landholders, control three-quarters of the land.

"The most pressing cause of abject poverty which millions of people in this world endure, is that a mere 2.5% of landowners with more than 100 hectares control nearly three-quarters of all the land in the world— with the top 0.23% controlling over half" - *"How The Other Half Dies", Susan George, Penguin Books, 1976*

"At best, a generous interpretation... would suggest that about 3% of the population owns 95% of the privately held land in the U.S." - *"Land Rush: A Survey Of America's Land-Who Owns It, Who Controls It, How Much is Left" by Peter Meyer, Harpers Magazine, January, 1979*

## For Whom Are We Saving The Earth?

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regards to the basics of clean air, uncontaminated water and land.

The trend toward corporate "greenwashing" at-tests to the power of the citizens voice— yet if you look at the track records of corporations, there is no real change toward implementing technology that would address the very health concerns and that consider the well being of communities.

Urban wasteland, abandoned strip mines, Super Fund toxic clean-up sites, and sterilized land is proof enough that the components of production and profits do not factor or internalize such damage or "negative externalities" in their planning or cost/benefits analysis— nor do they have the incentive to!

Land is still erroneously considered as capital— something to be battered, bartered, owned, and sold. Despite our technological advances- the basic means of production is still tied to land. Whether it's robotics, agriculture, or information technology, the means of production still takes place on a given site or uses a given resource (air, water, minerals, etc.) or are housed in buildings that are set upon land, or transported via land, or airspace above land.

Now we are back at the question who owns land. We don't have a fair chance in saving the earth, or cleaning it up for that matter, as long as it's in the hands of a few. No matter how much we legislate, regulate, and slap on fines, the basic problem still exists! The root system of land tenure is still left in place! This still leaves the minority holding all the land (outside of public reserves and national forests). We end up paying high rates in rent or home purchase prices on that which is available. We pay double with our health and quality of life since we have to live with the irresponsibility that causes damage to the environment and toxic waste. Citizen coalitions will always be on the run to clean up, protest, or protect while business is allowed to go on as usual.

Land Tenure needs a reversal from land ownership to land stewardship. Land has to become subject to sustainable policy making in favor of community and eco-systems that inhabit the land. Stewardship needs to be redefined to include the idea of "collecting a land use fee" rather than to buy and sell, and withhold from use that which has always been here to begin with!

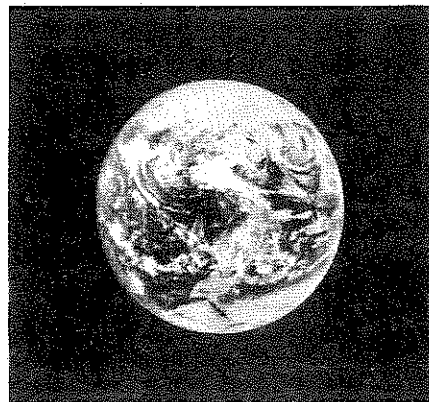
We talk about hard work and a right to profits— owning land and profiting from land is not actually very hard work. The truly moral question is "How can we as human beings hold or confiscate land out of use from others when everything that we do is upon land?" We human beings have placed value on land and created the illusion that land can be owned, and all that happens upon it can be mastered. To continue to work within this "framework" will add again to the fact that history repeats itself! This practice of the few owning what belongs to all has toppled great civilizations.

If we insist on systemizing a value system to land we can at least now use it as the basis for which we can implement "user fees" or Land Value Taxation. Taxes are taken off the buildings, labor, and tools of technology. Developers are not subsidized nor does money leave the area after the developers leave with the profits in their pocket. The "User Fees" or *Land Value Tax* stays in the community to support infrastructure systems such as roads, sewers, public transit etc. User fees are tiered so that holding land for speculation, or employing land destroying measures (strip mining, land sterilization, toxic spills) are discouraged by strictly implementing higher users fees. The assessment system is already in place to implement this.

The economics system we use, will be now forced to factor in environmentally sound practices and technologies in order to benefit from the lower user fees.

What about property held by federal and local governments? Surplus properties can be released for use by leasing out the land based on a land value tax system. Property is no longer given away for ridiculously low prices or land schemes nor are bond issues needed to raise "enticements" for developers.

Land use can now be based upon the needs of the region, with respect to existing eco-systems. Research and development in clean technologies is encouraged. Sound environmental practices are enforced by a fair system that looks toward the implementation of a sustainable economy. Who owns land and who has access to it— is a key to looking at the bigger picture of a sustainable future. Of course returning to a respect for our earth is paramount. It's a matter of taking land out of hostage to serve a system that is poisoning our own planet. Yes, it does matter that we realize that we each are caretakers of the earth. Yes, it does matter how we do business, and the products we insist on having. Yet, it's all done on land! □



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**INFO-TECHNOLOGY***...Continued From Page 1*

and videotape rental stores were unthinkable to most people in the early 1970's, few of us can imagine what the world of information processing will be like twenty years from now.

Information technologies raise a host of unprecedented issues that are just beginning to filter into the public consciousness. Some analysts are especially concerned about the potential for totalitarian control of society, in the form of electronic traces and compiling of personal transactions as in the same manner that credit information is now collected and stored. Others are concerned that universal access to information would be compromised, thereby eroding the process that is implicit to our functioning as a democracy. Although these issues relating to privacy and democracy are not the focus of this article, they are significant concerns that should not be lost to or displaced by efforts that seek to promote efficiency and justice.

**Property Rights & Information Transmission**

Congress and the FCC are being forced to grapple with a host of questions about how to regulate the new technologies in order to prevent excessive concentration of ownership and to ensure that the public receives

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universal access to the services that provides new information channels. The fundamental issue is whether to treat information transmission systems as natural monopolies or to promote competition by restricting common ownership of telephone and cable companies in the same service area. Since the front-end cost of these information systems is so high, there is concern that over-regulation to protect local competition and access may inhibit investments.

The greatest economic relevance of the new information technology is the challenge of fair allocation of the "right" to transmit information. Companies that distribute information through a scarce public resource (such as the electromagnetic spectrum) should be required to compensate the community. However, if the information is transmitted using capital (wires), the company sending the signal uses no public resource, and no royalty or rent should be collected (this presumes that the capital comes from private investment, not government sources).

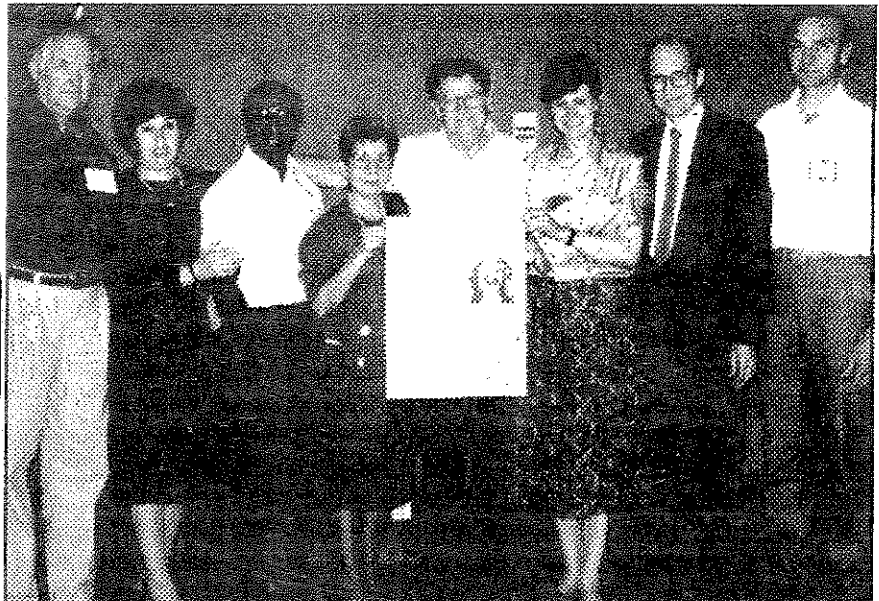
**Property Rights & Information Ownership**

The information revolution raises economic issues beyond those dealing with electronic transmission of data. It also poses dilemmas about the ownership of information itself. As information becomes an increasingly crucial factor in productivity and competitive market positions, there will be a tendency for information that was previously in the public domain to be privatized.

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## The International Declaration Of Individual And Common Rights To The Earth

At the 1993 Council of Georgist Organizations Conference in Los Angeles CA, the International Declaration Of Individual & Common Rights to the Earth was re-introduced by "Georgists" from around the world. This document was written in 1949 and first presented at the International Conference for Land Value Taxation & Free Trade in London later that year. Alanna Hartzok resurrected this document and created the poster size version for the CGO Conference. Mary Rose Kaczorowski has since compiled and written the material for the reverse side of the document. This joint collaboration by Hartzok & Kaczorowski is an effort that continues the evolution of a concise vision and a solution toward the fundamental issues of land tenure. This document has been distributed to U.N. NGO Organizations, at the '93 San Francisco Whole Life Expo and is making its way through Russia— and around the world. A copy of this document is enclosed in this issue of The Mercury. You are welcomed to use it as a tool for change.



L. to R.: Olaf Klassen, British Columbia Assessment Authority. Tamara Chistyakova, Director, Eco-Grad Institute, St. Petersburg, Russia. Dr. Rex Ahene, Professor of Economics, Lafayette College. Lucy Silva, Director, Henry George School, Dominican Republic. Dr. Mason Gaffney, Professor of Economics, UC Riverside, 1993 CGO Conference Co-Chair. Tatyana Roskoshnaya, Director of Research, Eco-Grad Institute, St. Petersburg, Russia. Henn Elmet, Director of The Estonian Institute, Professor University of Tartu., Estonia. Dr. Nicolaus Tideman, Professor of Economics at Virginia Poly Tech Institute.

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## Info-Technology

Financial support for public libraries may decline as more information is contained in electronic format. This may lead to increased stratification by social classes simply defined by the differential access to information. Decisions have already been made by the government (Reagan Administration) that had created new privileges in the ownership of information. As part of a move to "privatize" government operations, information that was generated at government expense (such as satellite photos) was given to private companies, which then sold it at a profit! This circumvented the Freedom of Information Act, which may have been the purpose of this policy.

The process of stratification has also begun on an international basis. The protection of "intellectual property rights" (patents, copyrights, formulas etc.) is one of the central issues in the recent Uruguay Round of GATT negotiations. Developing countries are incensed by the idea that they should have to pay royalties to pharmaceutical companies for drugs derived from tropical plants or that farmers should have to pay for seed varieties that exist only because peasant farmers in Mexico, Turkey, or Tanzania have preserved genetic diversity in their farming practices.<sup>1</sup>

The issue of genetic diversity raises an important philosophical question: to what extent is information discovered in nature and to what extent is it created by human activity? If information is "given", then the benefits should be made available universally. If it is based on human activity, then the people who create it should be able to reap the rewards of their efforts. Many forms of information (as the medicinal formulas derived from tropical plants) include both "land" and "labor" in which case it may be impossible to untangle the contributions of each to the final value. Thus the, information revolution has posed a range of new problems for regulators. It also confronts those who are concerned about public access to the benefits of natural resources with unprecedented questions.

The Georgist Movement needs to consider the broader implications of the changes brought about by these information technologies and further scrutinize the social justice equity issues. □

(<sup>1</sup> Editor's Note: Indigenous people's rights, heritage, or their culture is not insured by GATT or NAFTA nor do these agreements call to compensate the co-opting of these cultures from such industries as agricultural, tourism etc.).

## Information Technologies Facts & Info—

□ A heavy-duty telephone cable (composed of hundreds of pairs of copper wires) can carry 1300 two-way conversations. Copper wire is narrowband and therefore cannot carry enough bits of information to produce a hi-resolution (HDTV) video image. New compression technologies may change that.

□ A coaxial cable, which is now used to carry video images to households, is broadband. That means it can carry a high density of information—potentially up to 500 TV channels. Currently, however, cable information goes in one direction because the operators lack the high-speed computers (known as 'switches') that permit the efficient routing of telephone calls.

□ Fiber -Optic cable is broadband and more efficient than coaxial cable, but also more expensive. A thin bundle of fibers will be able to carry millions of telephone conversations or tens of thousands of video images.

□ Telephone companies (telcoms) and cable operators are shifting over to fiber optics. The cost being \$65 billion is estimated to span 25 years. If the rate of transmission was doubled (as some analysts suggested may be necessary to keep up with Japan & Europe), the cost will rise by an additional \$24 billion. In order to make the "information highway" open to two-way communication, \$50 billion in ultra high speed computers (switches) will be needed. The total cost over 25 years is thus around \$140 billion.

□ Just to confuse matters, an unrelated wireless technology using ultra-high frequency microwaves might undermine the market for many of the "wired technologies". Cellular Vision, a New Jersey company, has already received a Federal Communications Commission (FCC) license to operate a demonstration project. For purposes of transmitting one-directional video images, the system is estimated to cost only \$300 per household, compared to \$1000 per residence for a cable system (coaxial or fiber optic). Note, however, that the Cellular Vision system relies on the electromagnetic spectrum.

□ Historically, wired technologies have been used for narrowband communication (telephone conversations) whereas wireless technologies have been used for broadband communication (radio & TV). A reversal may be underway. Cellular telephones use the airwaves (wireless), while cable television uses cable (wires). Experts believe this will become the norm.

### THE MERCURY

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# The International Declaration Of Individual & Common Rights To The Earth

This declaration addresses the Human Right to land and is an extension of the Human Rights issue. We talk about social & environmental problems, problems of hunger and homelessness. What about the question of who has access to land and who doesn't?

If our political agenda and corporate policies did not dominate or waste resources, we would not need this document. The question of land ownership is mirrored throughout history in the rise and fall of civilizations

**Fact:** A United Nations study of 83 countries showed less than 5% of rural landowners control 3/4's of the land.

**Fact:** The most pressing cause of the abject poverty which millions of people in the world endure is that a mere 2.5% of landowners with more than 100 hectares control nearly three-quarters of all the land in the world with the top 0.23% controlling over half! -Susan George "How The Other Half Dies"

**Fact:** At best, a generous interpretation...would suggest that about 3% of the population owns 95% of the privately held land in the United States". - Peter Meyer "Land Rush: A Survey of America's Land - Who Owns It, Who controls It, How Much Is Left" Harpers Magazine 1979.

The International Declaration Of Individual & Common Rights To The Earth was written in 1949 by The International Union of Land Value Taxation & Free Trade. This document does not favor one system of government over another. The present system of land ownership operates on the assumption that at one time or another, someone had the power or right to carve up and dispose of land to favored individuals who in turn had the right and power to demand monopoly rent, products of labor from land, or a price to this owned land. Initially land was never held as private tenure. With permanent land settlement and this idea of individual land ownership, title claims led the way to land being treated as a commodity. Land as a commodity was now set to be used, misused, and withheld from use. Even the right to misuse land and withhold it from the good of the community was established as a right of land ownership.

There is now outrage against the poisoned rivers, pesticide ridden agricultural practices, polluted air, and illness resulting in such abuse to our habitat. There is a cry to protect the earth and to save the environment. But who are we saving the earth for, if so much land is in the hands of a few?

This declaration outlines a solution. It does not call for overthrow or anarchy. It calls for a fair system that allows use of land in exchange for rents paid to the community. It frees up land held out of use for purely speculative purposes. It encourages the use and access to blocks upon blocks of boarded up buildings as an alternative to urban blight. It creates the incentive to keep tax revenues where they are created. It takes power away from "build & run" non-resident developers and gives that power back to the community. It gives us a new way to use closed military sites, abandoned factory sites, and foreclosed property held in government hands. It gives a continual source of revenue rather than just a one time sale price. Land Value Taxation is the recapture of the value of land for the community and not the minority of individuals. It is an idea being considered and applied simultaneously around the world as a viable option, based upon a growing number of successful models.

A New Paradigm is needed to replace what has proven to be the fall of many economies and civilizations. This document proposes a rethinking of our relationship to land, and moves away from allowing a small percentage of individuals and trans-national corporations to dictate where, how, and by what means we should all live.

The call to heal the earth is our challenge. This spiritual opportunity supercedes and is more powerful than any known religious revival. For centuries major faiths have proclaimed and engaged in moral discourse on the evils of human behaviors, yet none has seriously challenged the evils of holding land subservient to the power of a few. Seekers of social justice have sought the spiritual fulfillment of natural law - that which speaks of the rightful human access to land. This is not just honoring a human need. This is honoring the highest spiritual law.

If the earth is truly our mother, our means of physical existence, we must give up holding her for ransom. How far are we willing to change, to question, to re-invent, to empower, in order to proclaim that *The Earth Is The Birthright Of All People?*

# AN INTERNATIONAL DECLARATION ON INDIVIDUAL AND COMMON RIGHTS TO EARTH

We hereby declare that the earth is the common heritage of all and that all people have natural and equal rights to the land of the planet. By the term "land" is meant all natural resources.

Subject always to these natural and equal rights in land and to this common ownership, individuals can and should enjoy certain subsidiary rights in land.

These rights properly enjoyed by individuals are:

1. The right to secure exclusive occupation of land.
2. The right to exclusive use of land occupied.
3. The right to the free transfer of land according to the laws of the country.
4. The right to transmit land by inheritance.



These individual rights do not include:

1. The right to use land in a manner contrary to the common good of all, e.g., in such a manner as to destroy or impair the common heritage.

2. The right to appropriate what economists call the Economic Rent of land.

The Economic Rent is the annual value attaching to the land alone apart from any improvements thereon created by labor. This value is created by the existence of and the functioning of the whole community wherein the individual lives and is in justice the property of the community. To allow this value to be appropriated by individuals enables land to be used not only for the production of wealth but as an instrument of oppression of human by human leading to severe social consequences which are everywhere evident.

All humans have natural and equal rights in land. Those rights may be exercised in two ways:

1. By holding land as individuals and/or
2. Sharing in the common use of the Economic Rent of land.

The Economic Rent of land can be collected for the use of the community by methods similar to those by which real estate taxes are now collected. That is what is meant by the policy of Land Value Taxation. Were this community created land value collected, the many taxes which impede the production of wealth and limit purchasing power could be abolished.

The exercise of both common and individual rights in land is essential to a society based on justice. But the rights of individuals in natural resources are limited by the just rights of the community. Denying the existence of common rights in land creates a condition of society wherein the exercise of individual rights becomes impossible for the great mass of the people.

**WE THEREFORE DECLARE THAT THE EARTH IS THE BIRTHRIGHT OF ALL PEOPLE.**

The International Union Of Land Value Taxation & Free Trade has achieved recognition by the United Nations and is registered as a Non-Governmental Organization.

Although authored by The International Union Of Land Value Taxation & Free Trade, this document belongs to all people.

To create a new vision, pass this document on- xerox it, fax it., mail it, discuss it! For more information contact: 415-661-0172 or phone/fax 717-263-2820



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## NOVGOROD Plan

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 Yeltsin, they were not going to be manipulated by the West. The seeds were sown for a political tussle over the 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 a 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 council representatives in 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 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 re-industrialisation. At the heart of that strategy is a new approach to public finance. While accepting the need for privatisation of capital, this new plan emphasizes that the rent of land should be the backbone of public revenue. As revenue was raised from rent, taxes could be abolished. 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, within the existing law, they could begin to implement the revenue-raising switch. Leading in 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. Novgorod's council and administration want to cut taxes and make up the shortfall in revenue from land rents. They invited the London

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based Center for Incentive Taxation (CIT) to assist in preparing the groundwork.

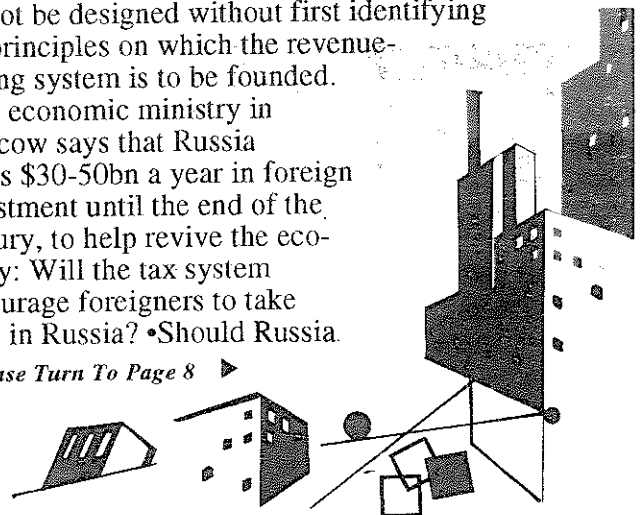
Novgorod's leaders knew that, under the law, they could cut taxes by the amount of revenue that was spent locally, and raise the lost revenue by other means. The whole of the revenue from income tax is retained by the city, so the council could abolish that tax completely! Just 5% of the profits tax is spent by the council: this would not make a large impact on investment. However, 45% of the 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 emphasize 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.

Instead of initiating a radical debate, the West has favored an orthodox approach to property rights—arguing for example, that land has to be privately "owned" so that deeds 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. Sensible answers cannot be given to these kinds of issues, until the system of public revenue has first been defined: •In what 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 economic ministry in Moscow says that Russia needs \$30-50bn 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 Russia

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## NOVGOROD Plan

encourage entrepreneurial activity? 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. □

## Notes From ... HGS Sacramento

### —Public Forum Meetings Held in Fall:

- *NAFTA* Pro & Con Debate
- *"Why Star Wars Continues To Be A Threat"* presented by Pallo Deftereos, Union Of Concerned Scientists

—**The Land Question in Classic Films** has been coordinated by Gayle Voeller and was kicked off with the showing of: "Chinatown" & "The Westerner".

—**Luncheon seminar/meetings** are in the plans, as an addition to the popular monthly dinner meetings. For further info call: 916-331-1490

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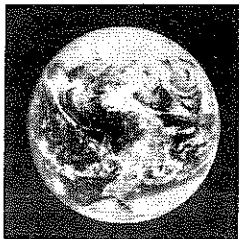
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