

THE "LAND PROBLEM" IN HONG KONG AND TAIWAN

Neither the Conference in Taipei nor the Symposium in Hong Hong will have achieved complete fulfilment unless as a result of them there is an improvement in the livelihood of the peoples of this region from 1981 onwards into the future.

Therefore I feel that I should be frank about what I consider to be deficiencies in the practical application of Sun Yat Sen's intent on "equalization of land rights" both in Hong Kong and in Taipei.

Your cities share with all other great cities of the world a common blight and curse. We suffer from it also in Australia. I am referring to the fact that your economies are being throttled and frustrated by the horrendous degree of speculation in the value of land. I had been in Taipei for only two days when there appeared in the English language newspaper there, an editorial on the urban land problem in Taipei, which commented on the fact that the SAN MIN CHU I ideal was proving hard to put into practice!

Sun Yat Sen was correct in his understanding that "unearned increment" should go to the community, but I would be less than honest if I did not state that, with respect, my opinion is that his solution for handling this problem was not the best one. I would like to discuss with you, constructively, this problem that is world-wide and that affects Australia just as much as it affects you. To repeat, it is this problem, with its dire anti-social effects, of the private capitalization of social and technological progress, into the selling price demanded for land.

Sun Yat Sen's approach, as I understand it, was that there should be a tax placed on capital appreciation in land at the time of its sale. By this means the community would share in the "unearned increment". But of course what happens is that the real profit at time of sale tends to go "under the counter."

What, then, is the effective answer?

It is at this point that I want to comment upon the alternative that we have evolved in Australia. The problems that Sun Yat Sen was thinking about in relation to land tenure at the turn of the century were very much the subject of active debate in Australia at the same time. I have documented this in my paper as printed, and can but ask you to study it and my exposition of the theory of land rent.

The very core idea is that the proceeds of all production can be divided into wages, interest and rent. Rent, in Georgeist economics, is the community's share. It is "unearned" as far as individuals are concerned, but is certainly "earned" as far as the community's rights to it are concerned. It can thus be called "the wages of community." In practical terms, it finds its commercial expression in the rent that land will fetch on the open market. In Hong Kong there is much enormously valuable land that has been originally obtained for a very low rent for 75 years, or even 999 years. But the current real market rent-value is astronomically higher than the nominal rent at which it was originally leased from the Crown. The DIFFERENCE between the rent actually payable to the Crown, ie., to the Community, and the rent-value now currently pocketed by the title-holders to leases has been "capitalized" into the enormous capital sums for which leases now sell. It is just as if there was full private monopoly of land in freehold.

I am suggesting that the answer to the problem in Hong Kong and Taipei is to change to the Australian system used for local government finance. Under the Australian system, land valuations are recorded by the Valuation Dept. for each and every title, and are constantly updated. Then, every year, a rate or tax is levied, based on this recorded site value, at a determined number of cents in the dollar of the site value;

and thereby hundreds of millions of dollars are collected annually for public revenue. In economic theory, this tax levied pro rata annually on site value is, in essence, the public appropriation of land rent, i.e., it is the continuous, ongoing collection of the so-called "unearned increment." You will understand that if ALL of the land rent were to be collected through the annual land-value tax method, then there would be nothing left in the hands of the private land holder which he could capitalize into the lump sum of selling price. In other words, the price of land would be virtually reduced to zero, and the value of land would then vest entirely in the community without it being at all necessary for the Government to spend public money on buying land back for large capital sums.

No-one would invest in land for speculation if there was henceforth no profit to be made out of it - they would have to put their capital into productive employment instead. There would now be no "unearned increment" arising to be taxed away at the end of the process, because, by the socialization of land rent under the annual land tax system, the earned wages of the community would have been secured to the community at their source. Land rights would thus be equalized.

So, no more "under the counter" deals, no more problems re high land price, and no possibility of tax evasion - for ownership of title is recorded, and hence held accountable for rental tax payment.

Sun Yat Sen was greatly concerned that the land problem should be solved. His vision saw the need for it. I seek to pay tribute to his intentions in spelling out the specific measure that experience suggests is the only effective way to bring those intentions to realization.

Kenneth N. Grigg

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