

L&L launches a new service for readers, with summaries of specialist papers and articles that are likely to be of interest to policy-makers and scholars. Readers are invited to write to Katharine Deighton with suggestions for reviews that would reach a wide audience in the fields of public finance, property rights and social reform.

Forward thinking

AN ANALYSIS of how the rent of land and natural resources could fit into new fiscal strategies for sustainable development in Europe has been published. Author James Robertson (pictured right) distils his wisdom in *The New Economics of Sustainable Development: A Briefing for Policy Makers*, which was commissioned by the Institute for Prospective Technological Studies for the Forward Studies Unit of the European Commission, which reports directly to the President. Robertson claims that conventional economics thinking does not provide the framework to support sustainable development. The report has been published by Kogan Page, London, £13.99. Mr. Robertson is the author of books that include *The Sane Alternative* (1993) and *Future Wealth: A New Economics for the 21st Century* (1990).



Tax-driven construction

The Effect of Two-Rate Property Taxes on Construction.

Florenz Plassman and Nicolaus Tideman, accepted for the *Journal of Urban Economics*, May 1999

THE LEVEL of construction in Pennsylvania municipalities over more than 20 years up to 1994 is surveyed. A comparison is drawn between 15 municipalities where structures are taxed at a lower rate than land with 204 municipalities where structures and land are taxed at equal rates. Theory predicts that a revenue neutral shift to a two-rate tax will produce greater construction activity. However, this is often difficult to see in practice due to other factors, such as the existing amount of development and the economic situation as well as not looking at a sufficiently long time span.

By taking these factors into account, the authors are able to conclude that there is higher construction activity in municipalities with the two-rate tax.

Puzzle of income tax policy

Income Tax, Property Tax, and Tariff in a Small Open Economy

Charles Ka Yui Leung, *Review of International Economics*, Volume 7(3) 1999

THIS PAPER looks at why some countries enjoy high economic growth, while others suffer in low growth traps, and why the tax policies in different countries are so different. If it is these policies that contribute to the different fates of the economies then it makes sense for countries to adopt different policies but there may be reasons why this can not happen. These questions are investigated by modelling small open economies. In Hong Kong and Singapore, government expenditure is financed by income tax, but this is different for Taiwan and Korea where tariffs are more important.

The author concludes that the initial amount of wealth is the most important factor in determining the choice of tax instrument, with small amounts of wealth needing high economic growth rates and vice versa. The author also asks why income tax is used to some extent in all these countries since it never leads to the highest welfare level.

A "poor-friendly" way

Farm Size and Productivity in Malawian Smallholder Agriculture

Andrew Dorward in *The Journal of Development Studies*, Volume 35(5) 1999

CONTRARY to many studies, Dorward finds that productivity increases with farm size, whether under conditions of land scarcity or labour scarcity. The reason for this unusual finding is explained by the acute capital constraints in land, capital and produce markets as this affects capital and labour inputs on smaller farms most.

The author recommends that where land is a constraint, there needs to be increased access to working capital for the poor, through increased opportunities for off season income and improved credit markets. In addition, the land markets should allow redistribution to those with the resources to cultivate it most effectively. The author emphasises that this needs to be done in a "poor-friendly" way.

Duma report

RUSSIA'S state Duma held Parliamentary Hearings on land policy on January 19. The proceedings were published under the title *Natural Resources, the National Wealth of Russia* (Moscow: State Duma, 1999).

It contains reports on the need to base public finance on the rental income from land and natural resources from two US economists, Drs. Mason Gaffney and Nic Tideman, and from Fred Harrison of the London-based Centre for Land Policy Studies. Estimates of the value of Russia's resource rents were contained in the report from Dr. Dmitry Lvov, Academician-Secretary of the Economic Department of the Russian Academy of Sciences.

Dr. Vyacheslav Zvolinsky, the Chairman of the Duma's Land and Ecology sub-committee who initiated the Hearings, reports that there has been a heavy demand for the publication from the Yeltsin government which surprised him. "The government asked for 500 copies so I am asking the Duma to print a second edition," reports Dr. Zvolinsky.

