

TRADE, LAND AND PEACE

by ROY DOUGLAS

PEOPLE WHO campaigned for Free Trade in the 19th Century saw it as a device for achieving prosperity. Some of them perceived that it was even more important as a great vehicle for promoting international peace. In the 20th Century, and particularly in the inter-war period, the dark obverse of the equation between trade and peace came to be seen. If Free Trade was the best guarantee of peace, then trade barriers provided an equally certain guarantee of war. As one of the wisest aphorisms of the period put it, "If goods cannot cross international frontiers, armies will."

Man is not very good at learning lessons from history, but since 1945 that message at least has been widely received. The record of the past half-century has been in many ways disappointing and discouraging; but we have nevertheless avoided wars in which the Great Powers were engaged on both sides. In the closing years of the 20th Century, one may reflect with satisfaction that the principal states of the world are - on the whole - more disposed to pull down commercial barriers than to erect them.

The great trading organisations of the late 20th Century - both public and private - have advanced Free Trade in some directions, but impeded it in others. Thus, the European Union secured the removal of customs barriers between member-states, but it also compelled countries like Britain to impose new trade barriers which they did not wish to erect towards non-European countries. Private multinational corporations have often acted oppressively towards competitors and others; yet by their very nature they have also acted as a powerful battering-ram against trade barriers. Organisations like the World Bank and GATT have also functioned in an ambivalent manner. But it is important to remember that - for all their faults - traders and financiers, unlike soldiers and nationalist politicians, usually perceive a strong interest in peace. This fact has been of major importance in averting major wars.

And yet wars on a lesser scale continue. What are people fighting about, now that trade is gradually becoming free?

THE GULF WAR, whose reverberations are still being heard, brought that point out with great clarity. If Kuwait had not happened to have a lot of oil beneath the ground few people would have cared much who controlled it. Yet a few years ago the Saudis, the Americans and the British, found themselves fighting a difficult, bloody, very dangerous and immensely costly war against Iraq over Kuwait.

The location of oil deposits has been an important factor in other conflicts. It is very likely that the suspicion that such deposits might be found in the South Atlantic played a substantial part in embroiling the British and Argentinians in war over the bleak and unproductive Falkland Islands.

The more technology advances, the more places in the world will be found to contain some vital mineral or other. It won't always be oil, of course; and many of those mineral-rich places will probably be unattractive spots like Kuwait or the Falkland Islands. It is not unlikely that rival claims to possession of such places will spark off serious international conflicts.

The main cause of contention remains to this day the same issue which, no doubt, was the major cause of contention between tribes of palaeolithic man, and for essentially the same reasons. Some places are more fertile, more pleasant to live in, more accessible, more rich in minerals, or in some other way preferable, to others. If people living in the less desirable spots find themselves disadvantaged by comparison with other people, then tensions are certain to develop, and in some circumstances these tensions will build up into civil violence or international wars. Free Trade permits people access to goods from any part of the world, and thereby reduces the risk of such troubles to a large degree; but it certainly does not remove the risk altogether, while the struggle for land continues.

A system has been devised for ensuring that the heat is taken out of the 'land problem!' within a particular country. It is known as land value taxation. Each individual who owns land would pay into the national exchequer periodically

(perhaps annually) a sum which is close to the full value of that land over the operative period. The money thereby collected would be used for national purposes, such as education, welfare or defence, which are the normal recipients of taxation revenue. At the same time, other taxes, like income tax or VAT, would be reduced. People would continue to live on pieces of land which are of unequal value; but those who find themselves at a disadvantage in that respect would be compensated for the disadvantage by paying less tax.

The effect which land value taxation would have in reducing potentially violent tensions within a nation-state is demonstrable. Thus, in Northern Ireland, Catholics live - on the whole - on poorer land than Protestants, and part of the 'Nationalist' complaint against the existing state of affairs in the province is based on the relative poverty which results. In the same way, many of the troubles which have arisen between people living in places which until recently formed part of the Soviet Union, or part of Yugoslavia, turn on the view that members of some ethnic groups have been disadvantaged in relation to others because they live on less desirable land. Such considerations are by no means the only cause of ill-feeling in Northern Ireland, or the ex-Soviet Union or ex-Yugoslavia; but they are certainly important among the causes. If land value taxation prevailed in those areas, that particular irritant would be removed.

But land value taxation within nation-states will not, by itself, remove the risk of international conflagrations. The background to the Gulf War, however, suggests how the principle behind land value taxation may be highly relevant to the cause of international peace.

Three quarters of a century ago, Kuwait was an unnoticed patch of desert, whose principal export was dates, and whose people had a very low standard of living. Then oil was found under the soil. Because of this oil bonanza, and for no other reason, Kuwait eventually attained a GNP which,

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Good news as Cape Town chooses SVR

A miraculous turn of events has led to a major decision to change Cape Town's mixed bag of rating systems directly to Site Value Rating within eighteen months. This is not for a town or a city, but for a complete metropolitan area. Valuation rolls will be updated in 1997 and SVR will be introduced in July 1998.

A greater Cape Metropolitan Area has been established which has brought together thirty-nine former municipal areas with a total population of approximately two and a half million people. This covers an area of approximately 120km from north to south and 60km across. It includes all townships bordering on Table Bay and False Bay, such as Cape Town, Simons Town, Strand and Gordons Bay, and inland areas like Bellville and Somerset West.

This Cape Metropolitan Area has now been subdivided into six substructures, some still unnamed. Each includes a mixture of different rating structures with different percentages of composite rating and flat rating. Valuation rolls vary vastly in age and accuracy. This has created the opportunity for introducing Site Value Rating.

Change started when the Southern Substructure, tentatively named South Peninsula, appointed a special Rating Committee under the chairmanship of Councillor W. Stibbe. I was fortunate in making contact with him, providing him with information, and sitting in on some of their earlier meetings, but with little opportunity to speak. Presentations were made by a number of officials from Cape Town Planning and Rating Departments who were in favour of going directly to SVR and simplifying the updating of the valuation rolls on an urgent basis. Cape Town had experienced a severe setback a few years ago when its new valuation roll was declared invalid by a court decision based on some technicalities.

After a few meetings, the Rating Committee agreed to recommend Site Value Rating, to be introduced in July 1998. This was then approved by the South Peninsula Council.

The above mentioned Rating Committee in turn influenced the Cape Metropolitan Council, which then adopted the same measure in October 1996 and then persuaded the other five substructures

to agree to adopt the same measures.

The following was agreed upon:

- ▶ The Property Valuation Ordinance to be revised to allow for rating of land values only and to remove technical obstacles to revaluation of all metropolitan properties. This to be completed by the end of 1996 (not yet confirmed).
- ▶ Revaluation of all six substructures by the end of 1997, with emphasis on land values only.
- ▶ That nothing be done to preclude a possible return to a land and improvements valuation system.
- ▶ That the Metropolitan Council should set the valuation base date and the methodology. The individual municipalities will carry out the valuations and maintain valuation rolls, levy rates and decide on rebates and remissions, if any.

There already is, and there will continue to be, a fair amount of opposition to the agreed changes. Former municipalities varied considerably in their system of rating: from Flat or Total Value Rating in the case of Cape Town, to as high as thirty times the amount on land as on improvements in the case of Milnerton. None were on SVR. An extra complication is that the Cape Town valuation roll is now sixteen years out of date and reflects wildly inaccurate values which vary between some 5% and 50% of the actual market value. In many cases slumlords have been having

a field day, and will be threatened by the change which will take place. In the past they have presented a very powerful lobby, prepared to take strong action to protect their unearned income.

The changes which have already taken place will make it almost impossible to compare post-1998 to pre-1997 municipal and city statistics. It will take a considerable time to ascertain growth trends. However, it may be possible to arrive at a comparison between the relative number and value of building plans passed within given periods, provided the new local authorities are prepared to co-operate.

When the above changes have taken place, there will be only one major city in South Africa still on Flat Rating, namely Port Elizabeth. The subjects of a land tax and of Site Value Rating are more in the public dialogue now than in many a decade, and large numbers of people in government realise that something has to be done about distribution of land ownership and land tenure, both urban and rural. It is only a pity that there is not a strong organisation in RSA to lobby the cause of a land tax to replace all existing taxes, and to help consolidate SVR, which could now come under threat in other parts of the country. This could happen because of the radical changes in local government officials who may not yet understand the effects of various systems of rating.

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when measured per head of the population, is vastly higher than that of any major state in the world.

At the other end of the scale, some parts of Africa are currently witnessing an extension of the Sahara which is turning fertile land into desert, and is bringing massive poverty and actual starvation. Nobody can blame the people living on the Sahara fringes for the disasters they have sustained, any more than the great boom which the Kuwaitis have experienced owes much to Kuwaiti efforts. When disparities of this kind appear, it is hardly surprising that tensions arise between people living in different places.

In the end, peace can only be guaranteed when an international system is devised which draws on the essential principle behind the 'national' policy of land value taxation. This requires that nobody should derive great benefit, or sustain great loss, through the accident that he, or the nation of which he is a member, happens to sit on one piece of land rather than another. Equal access for all peoples to the world's goods through Free Trade, and equal access for all peoples to the benefits attaching to land worldwide, are two aspects of the same principle. In the last analysis, a policy which is morally right is also expedient.