

Land speculation is still

of agenda

AMERICAN industrialist John C. Lincoln's will contained a generous bequest to promote the ideas of reformer Henry George. Today, the Lincoln Foundation, which has \$100m., funds the Lincoln Institute for Land Policy, of Cambridge, Massachusetts.

Initially, the Foundation did advocate Georgist ideas. For most of the postwar years, however, its attention strayed elsewhere. This would have grieved John Lincoln, who stood for Vice-President of the US on the Land Commonwealth Party platform in 1924.

Remarkably, however, Georgist perspectives are now being rediscovered: at its congress last September the Lincoln Institute's officials disclosed a renewed interest in the aspirations of its benefactor.

John Lincoln's son, David, opened the congress with this statement: "Dad was attracted by the concept of making the benefits of land available to all, but doing that without making land common property. He was also attracted by the tax plan that took for society what society created and left for the individual what the individual had created."

DAVID Lincoln emphasised that the Lincoln Institute had to be at the "cutting edge" of policy formation, which — in his view — explained the shift in their emphasis in the last few decades.

He told 200 delegates from 55 countries: "We realise today that there are many new facets to land policy that were not present 100 years ago. The world is a very different place today than it was then. These new forces are vital to the study of land policy, and must be taken into account in any programme of land policy study."

Yet it was difficult to discover anything new in the problems that were identified by the high-powered professionals who attended the week-long congress. This suggested that little has changed since Henry George published *Progress and Poverty* in 1879.

A primary example: today's economic recession in the USA (and the UK, Australia, other spots around the world — and now beginning in Japan). Henry George argued that land speculation was the major cause of economic recessions ... and the central problem of the current recession is precisely that: the speculation in land during the 1980s.

• Karl Case, a professor of economics at Wellesley College, Wellesley, Mass., explained that New England banks were going bust because of loans to real estate — which, he acknowledged, actually meant land speculators. "The bubble is now bursting because the land values were not justified by the fundamentals in the early 1980s," he added.

How do you stop the modern economy from cyclically diving into recession? Prof. Case said: "The problem may simply be that we do not have the political will to raise land taxes to levels high enough to really retard boom cycles. How high is high enough? No-one knows, but it is probably closer to Henry George's 100% than to the current laws around the world."

Lincoln Institute officials cite the global dimension as evidence

FRED HARRISON reports on a turning point in the outlook of the Lincoln Institute for Land Policy, the US-based research organisation which may now be returning to its philosophical roots.

of the alleged shift in the nature of problems from a century ago, when Henry George was drafting his critique of land monopoly from his home in San Francisco.

In fact, delegates found themselves addressing the same problems, but with sharper international implications. For example, on Eastern Europe, Prof. Case warned that "the explosion in land prices has already started, and unless controlled there will be an explosion the like of which we have not seen before."

• Japan's problems were analysed by Koichi Mera, a professor at Tokyo International University Urban Development Institute. He explained how the rapid increase in land prices encouraged speculators to underuse land — a classic Georgist conclusion, but an insight that orthodox economists have yet to incorporate into their macro-economic models.

As part of trade negotiations, the US government asked Japan to deal with land prices. Tokyo did appear to act decisively. The Japanese government instituted a tax on land values, to retard the rate of increase of prices, which had severely distorted the economy.

At the last minute, however, the rate of the new tax on land was reduced. Prof. Mera observed: "The agreement was reached between the two governments in Mex 1990. Then a shifting orientation by the Tax Commission took place immediately after the agreement between the two governments. Maybe the US government should have postponed the negotiations and kept the issues alive for a longer period."

HOW should scholars now focus their research? The Lincoln Institute's views are important for it exercises considerable influence through its international symposia.

While insisting that the world is a different place from the one in which Henry George lived, the institute is hard-put to define qualitatively new phenomena in need of academic scrutiny. All that has changed is the scale of problems that have persisted for two centuries.

Lincoln Executive Director Ronald Smith examined their



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'PROPHET' FRIGHT IN THE USSR

WRANGLING over the distribution of power has taken the former Soviet republics to the abyss, writes Peter Poole.

This warning came from President Gorbachev on Nov. 10. At the heart of the crisis is controversy over whether to take united action on policies such as those covering banking, financial policy and taxation.

Illuminating the friction in the debating chambers was the reaction to *Land and Liberty's* proposal that the post-socialist societies ought to institute a heavy tax on the annual rental value of land.

This received close attention at the Central Institute for Town Planning in Moscow, and the outcome is revealed by a senior research fellow, Professor Yuri Bocharov.

He has studied the economic theories of Henry George, who proposed that socially-necessary expenditure should be financed by a single tax — on the community-created rental value of land (LVT).

"Henry George is a prophet", said Prof. Bocharov, "but we must combine his ideas with other ideas. Implement it [LVT], of course, where possible, but step by step. It may be better for Estonia to adopt it, but in some areas it would not be possible. How do you explain it to a people with 200 languages?"

The idea that the USSR could be the first country in the world to introduce a full-blown Single Tax programme frightened Prof. Bocharov's colleagues. They had read *Land and Liberty* editor Fred Harrison's chapter on the subject in a new book.*

The plan, reports Prof. Bocharov, "is too simplified. It is a good idea, but the tax system must be changed step by step. We have heard simple ideas many times, and they are dangerous. The state always deceived the people, so now they are suspicious of parliamentary decrees".

In the past, said Prof. Bocharov, ideas were instituted by



• Yuri Bocharov
force. "Lenin used an armoured car, and Yeltsin used a tank, so my colleagues said, 'Give Fred a tank'."

Responding to grass-roots aspirations, Prof. Bocharov — now a harsh critic of communism — said that small, autonomous regions should be free to make decisions about land tenure and taxation.

In his view, the break-up of the empire may produce up to 60 autonomous states. "One day, they will return to some kind of free federation; but right now, they want to restore their culture by any means disregarding economics. They will be happy on bread and potatoes."

It was vital for policy advisors from the West to realise that the empire included people who were still living in the 18th century. "The idea of a Single Tax and better land use is good — for the educated people.

"Economic zones will attract enterprising people and western technology, and be covered by international law, and the firms can pay to rent the land as Henry George advises them, and they will be confident that it can work.

"But for now, people say, 'Why pay tax for land, it is free from God!'"

* Richard Noyes (editor) *Now The Synthesis: Capitalism, Socialism And The New Social Contract*, London: Shephard-Walwyn/New York: Holmes & Meier.

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tion Dennis Robinson said that the relevance of Henry George was now dramatised by the devolution of political power and the global process of urbanisation. These produced problems which lead "to the challenge from Henry George: how do we balance and deal with the dual challenge of equitable social and economic development?"

PROBLEMS associated with property rights were addressed by lawyer Joan Youngman, who is Resident Senior Fellow of the Institute. She noted that it was Henry George who highlighted the fact that property was

characterised by a multiplicity of interests.

The treatment of Henry George by some of the professionals was confusing. For example, one of them said that, if we were starting from scratch in the Third World, Henry George's Single Tax — in which the bulk of government revenue would be derived from the rental value of land — would be appropriate; but that was not the case. Thailand was his example, where the absence of a tax on vacant sites resulted — after the land boom had turned to bust — in owners holding on to empty sites for up to five years.

He then suggested that an appropriate property tax would reduce the price and increase the supply of land. *No-one poin-*

ted out to him that this was precisely what the Georgist tax on the annual rental value of land would achieve!

The congress was exciting for the wealth of data that poured in from around the world. The scholars continue to limit their explorations to economic issues; they have not yet absorbed the comprehensive vision of Henry George, who saw that land monopoly corroded every corner of culture.

Nevertheless, thanks to Lincoln's decision to focus some of its research on the insights elucidated by Henry George, we can expect future congresses to confront a wider spectrum of social problems, those that flow from dysfunctional systems of land tenure and taxation.