

ECO-LICENSES

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However, even an amoeba-like capacity to surround and ingest any object cannot, for true land revenue, make digestible a tax that lacks the Georgist stamp: no one parts with his earnings, either from capital or labour, to pay the tax. By e-mail I did question the digestibility of the pollution tax. Some amazing denials of any problem promptly appeared on my screen, mostly from fellow Americans. Two examples:

- Eco-taxes do not fall on the labour and capital of appropriating either land (with a fence around one's land) or clean air (with the polluter's smokestacks).
- Because some labour and capital produce low pollution, like electric cars, and because pollution taxes wouldn't exceed harm done by polluters (however that is calculated), taxing pollution "doesn't deserve to be called taxing labour and capital".

Neither example can get around what pollution is: an inescapable product of consuming energy, which takes labour and capital. Taxing pollution taxes labour and capital as surely as the consumption VAT and sales tax do. Does calling the tax at the gas pump a pollution tax instead of a sales tax change anything? We know we're not taxing only the oil in the ground that nature alone created.

A tax-the-bad policy by itself has severe difficulties. Noting that governments love to tax rather than to regulate, the Green Tax-Shift page concludes: "Within five years, the Green Tax Shift will be the major focus of all environmental activism". Let us hope not, because if we tax the bad, we make revenue dependent upon environmental abuse. This dependence is justified only if the revenue is then committed to helping this eco-tax to end the abuse, that is, to end itself. Only in a Wonderland world could a Cheshire Cat of a tax bent on disappearing bring about a tax-shift. ("One needs new bad things to tax", said the Red Queen to Alice). Then again, the Cat might linger because revenue-hungry politicians want the damage to continue. Would we really want to shift from income or sales taxes to the eco-tax? In a state unpredictably between disappearing and lingering, taxing environmental damage can't possibly provide the dependable revenue that licensing land-use would, certainly not for financing basic income.

Justice would require distributing resource-use licenses, or the proceeds therefrom, equally to every person affected, which may be what Edward Goldsmith, editor of *The Ecologist*, meant by "Of course eco-licenses are more equitable [than eco-taxes]", when I asked him what he thought of both. But any system can be abused, including licensing.

The World Bank, promoter of fossil fuels development, plans to broker the sale of cheap carbon licenses from third world countries to

Hong Kong □ Property Slump Asia crisis threat to ex-colony's low tax regime

PROSPERITY in this former British colony was driven by a low tax regime that was underwritten by a flow of rental income to the government from the sale of land leases. But since last year's transfer of the trading centre back to China, the policy of public revenue from the rent of land has come under threat.

But while property prices are recovering, will policy remain untouched? Serious discussion is under way around the proposal to reduce dependence on revenue from land. The recommendation that a sales tax should be introduced is favoured by the Bank of East Asia as being more transparent than the "invisible consumption tax" drawn from property.

There are even calls for increases in the rate of income tax. Such policy proposals are being fostered by a view that "the root cause of Hong Kong's problems is its land policy," according to Sin-ming Shaw (*Time*, Feb. 15). He views this economic fact as offensive, and his evidence was that "no government elsewhere relies as much on real estate for its income".

He adds: "It is a myth that Hong Kong is a low-tax haven, as there is a steep implicit tax in the form of artificially high land prices

that the government engineers by limiting the amount of land sold to the community. Hong Kong's famous fiscal reserves are nothing but cumulative land-tax revenues".

The facts are clear about the low level of taxes on labour.

- Half the workforce pay no income tax, and less than 10% pay the top rate of an effective 15%.
- Government spending is about 20% of GDP, half the share taken by most advanced trading nations.
- The territory has accumulated reserves of US\$90 bn on the back of a fiscal policy established by Britain 150 years ago.

But passions rather than cool reason are directing the debate on fiscal policy as a result of the onset of that rare event in Hong Kong – a budget deficit (of HK\$50 bn [£4 bn]). The recovery may have come too late to sustain Hong Kong's traditional approach to public finance.



■ The bygone building boom of the 1970s

Confusion began after the savage drop in property prices since the Asian crisis in 1997. Real estate and related activities account for between 33% and 40% of GDP, and 40% of government revenue derives from real estate. So when property prices crashed in response to a weakened global trading market, the government lost revenue. One response was a moratorium on the auction of land sites. Tung Chee-hwa, leader of the former colony, was criticised as favouring the property barons, who had suffered a 50% drop in the value of their assets since the peak in 1997.

One result of the moratorium: a chronic shortage of new apartments.

The sale of land resumed in April. Three plots were purchased at prices that were sharply higher than market expectations. The first plot to be auctioned, a residential site, fetched HK\$590 million (£47 million). The auction results suggested that developers were banking on a 30-40% rise in property values.

companies of the North who want more licensing for their own greenhouse emissions. This destructive policy is typical of the global economy, whose development projects Goldsmith rightly considers the environmental problem. What makes the problem devastating is that governments no longer control corporations; corporations now control governments, a point Goldsmith emphasized. Common sense tells us that in this situation eco-taxing well-heeled corporate wrong-doing, perhaps indistinguishable from

politicians' accepting a buy-off from corporations, is at best a feel-good substitute ("cop out" in American slang) for the real antidote, revenue-producing licensing with conditions to be met for using land at all. Those conditions, drawn up by an indignant public, wouldn't just have teeth in them, they'd have fangs.

- Whole-system oriented, Mary Lehmann believes in and works for "resource-use licensing yielding basic income trade exchange collateral" ("the rulybitec" to insiders).