

# LAND & LIBERTY

FALKLANDS: The Case  
For A Heritage Fund - P.68

WHEN JAMAICA transformed her property tax to one based exclusively on the market value of land, it was the large estate owners – not the small farmers or the urban middle classes – who raised the fiercest objections.

In the event, however, the shortcomings of the reform programme were as much to do with the ideological confusions of Michael Manley's left-wing government as the vested interests of the land monopolists. A commitment to socialism persuaded the Manley Government of the 1970s to develop a planning system and state controls, while (paradoxically) preserving the monopolistic interests of landowners even at the expense of the community in general.

In 1980, Edward Seaga's Labour Party was returned to power on a manifesto of free market economics which found favour with Washington. There was bound to be a substantial delay before the economy recovered from the turmoil of the '70s. Seaga had to confront an unenviable world record – eight consecutive years of negative growth – and the onset of the U.S. recession which reduced demand for bauxite, Jamaica's chief export.

Pressure on Seaga has mounted this year:

- Manufacturers have closed down because, they complain, they have not been able to obtain the licences that they need to import their vital raw materials; unemployment continues at well over 20 per cent.
- Foreign exchange is critically short, despite the initial financial support rendered by Ronald Reagan to the country in the Caribbean that the U.S. President regards as his staunchest anti-marxist ally in America's sensitive geopolitical backyard.

The economic recovery that Edward Seaga promised – via the free market – will generate new jobs and wealth quickly only if the Prime Minister rationalises his country's tax system. An effective policy on land value taxation must be at the heart of such a review. Without this, the island's landowners will be the main beneficiaries of new prosperity.

For example, \$50m has been promised to Jamaica by President Reagan under his recent Caribbean Basin Initiative. *The benefits of that money, which will be spent on improving Jamaica's infrastructure, will be capitalised into higher land values.* This is what happened when new irrigation works were created on the arid Mid-Clarendon Plain in the 1950s. Land increased in value from under £10 to £80-100 per acre within a few years; and values on neighbouring land accelerated in anticipation of the extension of the irrigation system. The same thing happens when new roads are built in the less accessible parts of the island.

Why, today, should the benefits of new public investments be mopped up into the bank accounts of private citizens? It would not be unreasonable for the donors of foreign aid to stipulate that the value of infrastructural investments should be completely captured for the benefit of the community for which it was intended in the first place, and reinvested in socially-necessary projects. This additional income from a 100 per cent recovery of annual land values would enable the Government to reduce taxes on labour and capital, and thereby induce fresh investment



● PRIME MINISTER EDWARD SEAGA

and enterprise – the goals to which Edward Seaga has dedicated his Premiership.

The fiscal steps taken by Mr. Seaga this year do not augur well. In March, he announced a change in the basis of taxes on some consumer items which, in future, will take an *ad valorem* form: the tax-take will rise with the increase in the value of the goods. And as Mr. Seaga admitted to the House of Representatives, this tends to increase prices and depress the volume of production – a contradiction of all that he stands for.

An effective tax on land values, however, has no such depressing effect: it does not curb output or raise prices. On the contrary, it stimulates production and consequently reduces prices through lower unit costs and greater competition among suppliers in the marketplace. The Jamaican Government now needs to radically improve its system of land value taxation.

Substantial improvements in this one fiscal policy would accomplish more than a tenfold increase in the donation of aid from U.S. taxpayers. The big estate owners would, once again, squeal, but Edward Seaga could carry the people with him if he made a determined bid to base his economics on equity as well as efficiency. One thing is certain: without such an approach he will fail to attain the commendable goals that he has set for his government. Jamaica would not blaze the trail to that social and economic enlightenment which he proclaimed when, immediately after his election, he told the fourth Miami Conference on Caribbean Trade Investment and Development in November 1980: "Jamaica, has, in fact, become more than any other, the Caribbean symbol of this transformation."

## JAMAICA: The Making of a Land Value Tax

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