

# Round the world

## TAIPEI

### Tiger & the lamb

A VARIETY of land taxes - to prevent the landlords hoarding and speculating in land - played a significant role in turning Taiwan into one of Asia's tigers. But because the fiscal philosophy was imperfect - a significant share of land-rents was left in private hands - prosperity nurtured the seeds of an economic crisis.

Today, land prices on Taiwan are at unaffordable levels. But the new speculators - businessmen who have learnt how to reap large capital gains without creating wealth - now call the shots in the political system.

And their first sacrificial lamb is finance minister Wang Chien-Shien. He has just resigned to help the ruling Nationalist Party in the December parliamentary election. The party feared heavy losses because Wang wanted to curb land speculation.

Wang proposed a land transaction tax (with a sliding scale of taxes based on the real value of the transaction). Land transactions are currently taxed on the officially assessed value of the land, which are almost always far below market values. The need for corrective action has followed five years of escalating land prices. A recent survey revealed that a middle-class worker would never be able to afford to buy an apartment in Taipei, even if he saved his entire life's income.

Wang's reform was endorsed by 700 university professors, but that was not enough to save him from the heavy fire from the speculators and legislators from both the ruling and opposi-

tion parties.

Wang earned his reputation as "the small steel cannon" for his tough and clean image. Last May he was named Asia's Finance Minister of the Year by a Hong Kong magazine. None of this was enough to save his political career. Business leaders opposed his plan to cool the land market, even though analysts say that unaffordable land prices are one of the primary reasons why the profits of capital-intensive industries have been damaged.

The politicians, fearing Wang's land tax reform would injure their electoral prospects, decided he had to go.

## Cheaper in China

◆ Since 1987 Taiwan's entrepreneurs have invested \$3bn in factories on mainland China, where they can lease land at much lower prices than on Taiwan.

## SAO PAULO

### Food first

WHILE tens of thousands of fertile acres of food-growing land stand idle on the rich haciendas, hungry people have begun rioting in Brazil's two major cities. Now acting president Itamar Franco is preparing a £100m emergency food distribution programme. About 1.5m families will receive food parcels, in a bid to contain the urban violence which sociologists claim is the public expression of a 20-year trend towards social breakdown.

## WASHINGTON

### Ranchettes

MID-SIZE farmers continue to abandon their land, according to the US Agriculture Department. But at the same time, mini-farms and

"ranchettes" are sprouting in the suburbs. But this is not a sign of economic crisis, insists the USDA; it reflects the increasing productivity of farms. The data also shows a continuing concentration of land ownership, with the average size of the US farm growing from 427 acres in 1982 to 468 acres in 1992.

## LONDON

### Boom boom!

THE London Business School predicts that recession in Britain will continue for another six months, with only a slight upturn - at best - in 1993.

But a new report by Professor Gordon Pepper - published by the Institute of Economic Affairs - attacks the LBS forecasts as "not worth the paper they are written on" because they take too little account of abnormal levels of debt. The professor's criticism is also levelled at the Treasury and the National Institute of Economic and Social Research.

Private sector debt is based on what analysts call the "credit boom" - which was, in fact, generated by the latest round of speculation in land values. People borrowed heavily on the collateral of rising land prices, which turned into a financial trap for both themselves and the banks.

How this turned the UK economy lopsided - by skewing investment behaviour - is illustrated by the statistics. Bank lending to wealth-creating businesses made up almost 70% of bank loans in 1980, a figure which dropped to 52% in 1989. As the decade wore on, money was redirected to land speculation. The Thatcher government regarded the house price boom as a boon - evidence of a "property-owning democracy" prosperity.

Then the bubble burst. The policy-makers (and their

economic gurus) knew not what hit them. According to Prof. Pepper, they still don't.

## Council Tax

◆ Premier John Major's "council tax", which comes into effect next April, could prove as politically fatal as the poll tax was to the Thatcher Administration. Estimates of the average council tax bill are soaring to £600, but the government is resisting political pressure to find money to keep the average below this figure.

## TOKYO

### Rebirth quake

A MAJOR earthquake could come at any time, claim seismologists. Economists at a Japanese bank calculate that a major shock, in which 30% of Tokyo's buildings would be destroyed, would cut capital outflow and drive up US interest rates. The nation's growth rate would turn negative, but would rebound to 12% a year. And the demand for imports to rebuild Japan would give a strong boost to the world economy.

## ATHENS

### The pointless peach

COMMON MARKET subsidies have encouraged Greek peach farmers to triple production in the last 10 years, with new orchards planted on terraces cut higher into the hillsides around Skydra, the centre of peach-growing in Greece.

Production will reach 650,000 tonnes this year - up from 480,000 tonnes in 1991 - but processing capacity is limited to 250,000 tonnes. So over half the crop is being trucked from the orchards to a barren valley, where a bulldozer works round the clock to crush the crop.

# News in Brief

