

# J U S T I C E

## in South Africa

by Peter Poole

**POLICY-MAKERS** were exposed to the radical nature of a full-blown land-value tax, during a series of seminars and top-level political meetings in South Africa.

The policy assumes a special significance, following President F.W. de Klerk's success in winning a referendum majority to abolish the trappings of apartheid and seek a deal with the black majority.

For even with plans to make everyone equal before the law, land hunger would remain the most vexatious issue. As other post-colonial countries like Zimbabwe have discovered, political independence by itself does not satisfy demands for land.

That is why the message taken to South Africa in March by three American professors of economics could prove to be crucial. They conferred with government tax advisers and senior officials of Nelson Mandela's African National Congress, exploring the comprehensive contribution which land-value taxation (LVT) could make in fulfilling the aspirations of the destitute majority.

FIRST to fly in was African-born Rex Ahene, of Lafayette College, Pennsylvania. He visited polling booths in Johannesburg on the day of the historic referendum, before being joined by Mason Gaffney of the University of California. The two professors then joined John Strasma of the University of Wisconsin-Madison, to address a seminar at the University of Pretoria.

Godfrey Dunkley, a Cape Town-based advocate of tax reform, co-ordinated a series of meetings with ANC and government officials.

Initial scepticism among ANC officials mellowed, as the radical implications of the land-value tax were elaborated. Among the sceptics was Derek Hanekom, the ANC's Land Commission co-ordinator (see *Land & Liberty*, November/December 1991, p.86). Prof. Gaffney directly challenged Mr Hanekom to reveal whether the ANC had a more radical policy. He failed to reply, and later told Gaffney: "You may have converted me."

Among other community leaders participating in the discussions was Frank van der Velde, the mayor of Cape Town (which is the only major municipality in South Africa that does not levy a tax directly on the value of

land). The mayor publicly declared that he planned to move in the direction of LVT, though the reason he gave was the cost of assessing the value of buildings, rather than the dynamic benefits of socialising rental income.

Daniel G. Franzsen, a special tax adviser to the Republic's Treasury for many years, publicly declared his support for the policy. He revealed that an old friend - Lowell Harriss, emeritus professor of economics at Columbia University and President of the New York-based Robert Schalkenbach Foundation - had urged him on a number of occasions to "tax land".

Most South African municipalities levy a tax on land rents, but in Prof. Gaffney's view, however, the major benefits of LVT were not being

reaped, partly because of the low tax rates, and partly because the tax was administered locally - "they have not learnt the lesson that if you spend the revenue locally, you don't get a high degree of equity between different localities," he told *Land & Liberty*.

PROF. STRASMA, in his Pretoria paper, addressed the problem of the tax rate, especially as it affected rural land. Experience in other parts of the world, he reported, suggested that a land-value tax of "2% of market value per year is high enough to be effective, and generates enough revenues to justify the effort".

The equity aspects of LVT were stressed by Prof. Gaffney, who argued: "Conventional land reform is likely to select a few token blacks for restitution or subsidy, leaving the mass as miserable as before. If given an 'anti-racist racist' spin, it would do nothing good, and perhaps some damage, to landlesswhites. Tax reform does justice among whites, and among blacks, among coloureds, and among Indians, not just between groups.

"Tax reform is comprehensive in its impact. It truly levels the playing field, tapping unearned rents now taken by a tiny minority of South Africans (plus a few foreigners of great wealth) and distributing them equally among all citizens of the Republic."

◆ The land tax featured in the ANC's draft economic policy document, which was published on April 28. The document will be debated at the organisation's first policy conference on May 28.



DEREK HANEKOM



NELSON MANDELA

"Today's economic playing field may be visualized as the cross-section of a hill, the hill consisting of resource rents. Those on top stand taller because of what they have, not what they are. Measured differences of ability among persons are very small compared with measured differences in their ownership of resources. Tapping those rents and dividing them equally is what it will take truly to 'level the playing field.' The rest of the rhetoric one hears and reads is so much trivia by comparison.

- Professor Mason Gaffney