

To allow individuals to occupy valuable land without paying the proper dues to the community is to betray those whose well-being depends, to a considerable degree, on the best use being made of land.

For a land-value tax is not just a revenue raiser.

One of its essential purposes – perhaps its primary purpose – is to promote the good and economic use of land, this being the key to high levels of employment and rising standards of living. In this process, it is vital that owners of land should not only be *allowed* to develop their land without penalty – there should be a *powerful incentive* for them to do so.



● Winston Churchill – Barbados should recall how he demolished an argument long used to protect land owners

Such an incentive can exist only if land of equal value bears an equal weight of tax – irrespective of the use being made of it. To reduce one owner's tax because he is getting less income from his land than another whose land is of equal value would be to discriminate against the latter for doing what is likely to be of benefit to the whole community.

The people of Barbados suffered a grievous blow in 1975 when the island's land-value tax was corrupted by the taxing of improvements. Those whose sympathy for some owners would induce them to sabotage the tax further should ask themselves where the wider interests of the people lie.

Changes in the property tax are overdue, but Barbados would do well to heed the voice of Churchill rather than that of the *Sunday Advocate-News*.

**Land & Liberty*, May/June 1981, p.56.

BARBUDA

Land tax to protect heritage

A TOTAL population of 75,000 hardly suggests a power-hungry super-state. A sub-tropical island with an area of just 108 square miles and an economy based on sugar, cotton and tourism hardly seems the sort of realm which other communities need fear.

Yet if the island you lived on is an even smaller speck in the ocean, separated from the larger one by a trifling 30 miles of Caribbean sea and inhabited by a mere 1500 people, all intent on retaining the advantages of social custom enjoyed for well over a century, you might feel a little apprehensive if you woke up one morning to find your puny homeland placed under the jurisdiction of your larger neighbour.

Such is the situation today on the tiny Caribbean island of Barbuda. After centuries of existence as a British colony – one of the Leeward Islands – the 62-square-mile piece of limestone and topsoil is now linked with neighbouring Antigua in independence from the British Crown.

Yet instead of exulting in their newly-acquired independence, many Barbudans, according to a *Financial Times* report,¹ look to the future in apprehension and anxiety. To them, joint independence with Antigua, with St. Johns, Antigua, becoming the capital of the new state, is as inviting as being shackled up with Big Brother himself.

Trusting the Antiguans rather less than they trusted the British, they see the change as merely swapping one colonial ruler for another. They fear, under Antiguan dominance, their traditional way of life will be changed beyond recognition.

THE ROOT of their anxiety lies in the land, in those 62 square miles of shrub-covered coral. Since the abolition of slavery in 1834 no land on Barbuda has been privately owned; it has been held by the island council "in trust" for all Barbudans.

On Barbuda, there are no land rents, no land for sale, no land to be purchased and no mortgages. If a person wishes to build a house, he has only to obtain the approval of the 11-man council before he is free to go ahead and build. The same applies if he wishes to take over an extra piece of land for growing crops for his family.

The Barbudan Council, instead of manning the barricades to preserve their benign but out-moded system of land tenure, would do well to consider whether the interests of their citizens would be better served by abandoning the physical division of the land, with its built-in rigidities and prejudice against the foreigner, and introducing, in its place, a system of land-value taxation.

But the signs are that the bed of clover may soon get rather rumply.

A piece of legislation passed by the central government in St. Johns has brought Barbudan fears to a head. Called the Barbuda Ordinance (Amendment) Act, it sets up a land tribunal whose ostensible purpose is to compensate Barbudans who have a claim on land sold or leased by the Crown. According to the authorities in St. Johns, the Act does nothing more than "give Barbudans title over their land". Barbudans, however, see the measure as the thin end of the wedge which could undermine the position of their island's council and pave the way for land to be privately owned.

To reinforce these fears has come a series of development proposals relating to Barbuda, including a multi-million dollar project called "The Sovereign Order of New Aragon". According to the *Financial Times*, this would involve completing a new hotel, building roads, a port and a new airport. As a pre-condition, however, it would involve the acquisition of "rights" over about half the island's land area.

These events appear to confirm all the Barbudans' worst fears. Their system of land tenure – probably unique in the developed world – appears to be under serious threat.

THAT the Barbudans should seek to preserve their 150-year-old land system is far from surprising. A system that involves no payment of land rent to private landlords is a treasure indeed. In effect, the benefit of land rent is being shared by the whole population, although whether it produces completely fair results is difficult to determine. No doubt there are the usual difficulties inherent in a physical share-out of land; one citizen may be allotted very valuable land, another might get a less valuable plot while a third gets something palpably sub-standard. And it must be difficult to ensure that new generations of Barbudans – especially if population is increasing – are as well served as those of the present.

Of course, with only 1500 people living on the island, the problem of allotting sufficient living space to all of them might not be too great. But are there never any immigrants requiring somewhere to live? Can it be that for a foreigner to set up domicile on Barbuda is as difficult as becoming a citizen of, say, Monaco or Liechtenstein? The concern of the island council that the "foreigner" should be kept out is not difficult to understand.

● Turn to P.34

... Reports by BERT BROOKES

The graded tax, which levies higher rates on land than on buildings, is used by five cities in Pennsylvania. This may be a hidden treasure – “like finding gold in our own backyard” – claims WILLIAM J. COYNE, a Pittsburgh Representative in Congress. Here he explains why.

‘An idea we must nurture’



● William Coyne

THE LAND TAX may have a critical role to play in halting the unemployment problem.

This may be viewed from the perspective of three related issues: America’s economic strengths, land speculation and market incentives.

America’s economic strengths are many.

The U.S. is still a very rich nation by any measure. We are blessed with vast natural resources. Our workforce is well-educated and highly skilled. We have no lack of needs and desires to keep production humming.

Yet our economy is on the skids. One out of every 10 workers is jobless. Clearly something must be missing from this formula.

This brings us to land speculation.

Imagine a little country where the people are willing to work but where the population is near starvation. Then you find that much of the fertile farmland is fenced off so it cannot be used.

You will find it easy to recommend a solution: let the people cultivate that good soil so that they can feed them-

selves.

Surprisingly, this story closely parallels what is actually happening in America’s cities, where some of the most productive sites are, in essence, fenced out of use.

Let me quote from a Congressional report, *Compact Cities*.

● In 1971, the average city had 25 per cent of its land vacant;

● In 86 cities, land that was both vacant and usable amounted to over a million acres;

● Public agencies trying to buy up sites for public housing encounter high prices.

This brings us to market incentives.

Rarely have we heard why the market system did not save us from the Great Depression, or from the current prolonged recession.

If the tax system makes it more profitable to hold land out of use than to put it into production, the market system is undermined.

When land speculation becomes a national sport, the enterprise system is in deep trouble.

THE MISSING element in our formula for a dynamic economy is a device to put our idle land back into use.

The differential tax deals with these incentives in a rational way. Despite a national recession and despite a regional steel crisis, the five cities that are taxing land values more heavily and keeping their taxes on wages and buildings relatively low, are managing to show signs of economic growth unmatched by their neighbours.

This should be big news at a time when so many plants are closing, so many businesses going bankrupt, so many men and women searching for work. At the very least, these issues merit careful study.

● I would like to see our journalists do some investigative reporting about who owns Pennsylvania’s urban land and natural resources – and how much those who are simply sitting on these resources are being taxed for them.

● I would like to see state and local officials look more carefully into the extent to which land values are being created by public works and services, and how much the recapture of these publicly-generated values could ease the tax burdens on housing, factories and other productive activities.

● I believe we in Pennsylvania are on to something exciting. I do not want to claim too much for it. But I would like to see us nurture it and make the most of it.

There is great appeal, in principle, to the idea of a new federalism that returns more powers to localities. But this cannot make much practical headway until and unless local governments tap into stronger revenue sources. It appears that land value taxation may be one of the most politically palatable and economically beneficial avenues toward increased autonomy.

Federal programmes aimed at helping cities obviously will be ineffective to the extent that these efforts are eroded by perverse local taxes that favour land speculation and that weigh too heavily on wage earners, homeowners and small businesses.

● **BARBUDA:** From P. 33

With Antiguan pressure for the development of the land of its junior partner, it is almost inevitable that a land-tenure system as elementary as this will begin to creak at the seams. A physical share-out of land – the division of 60-odd square miles among several hundred families – must involve a degree of fragmentation. And in the modern world, with larger units of land needed for the advance of industry and commerce – to say nothing of leisure and recreation – fragmentation becomes a major obstacle to progress.

The Barbudan system of land tenure, benign though it may be to its beneficiaries, can hardly hold back the currents for very long.

But all need not be lost. It is quite feasible for the islanders to modify the system so as to preserve its benefits without perpetuating its shortcomings. It is quite possible for them to continue to enjoy the benefits of the land rent; indeed, it is possible to arrange for future citizens, whether born on Barbuda or not, also to participate in its benefits. Yet there need be no bar to the use of land in large units for industrial or commercial purposes.

The secret is to cease giving individuals a physical share of the land and give them, instead, a share of the land rent.

The key is to require the land user to pay the appropriate land rent but to pay it, not into the pockets of private landlords, but into the public treasury from where it would be used for the benefit of all citizens.

For convenience, we call it a land-value tax. For convenience, the land can be privately owned and the owners can be granted title deeds. But periodical valuations of the land and an annual levy on those valuations would ensure that, as nearly as possible, the annual value of the land (effectively, the land rent) would be taken into the public purse.

The Barbudan Council, instead of manning the barricades to preserve their benign but out-moded system of land tenure, would do well to consider whether the interests of their citizens would be better served by abandoning the physical division of the land, with its built-in rigidities and prejudice against the foreigner, and introducing, in its place, a system of land-value taxation.

Many local authorities in the Commonwealth – for example, those in New South Wales and Queensland – would be happy to advise them on how to set about it.

REFERENCE

1. *Financial Times*, 21.5.82.