

## SQUATTERS CAPTURE THE LAND

"Jamaica is trying mightily to encourage enterprise and trade. One of its most desperate endeavors is to earn foreign exchange. It has tremendous debts to the IMF, and is severely constrained, under IMF guidelines, to qualify for loans. The manifestation of the problem -- poverty -- is strikingly demonstrated in the squatter communities in Montego Bay, the main entrance point for tourism. Recently conditions have become acutely worse.

"Squatting is now so firmly entrenched that many squatters are making extensive permanent improvements on land they do not own. Middle-income people are building attractive brick houses, for example. I met one woman who runs a school in a squatter district, to which people from well-to-do neighborhoods send their children!

"The process of squatting has been going on for a long time, but it began way back in the hinterland. As numbers have increased it has come fully into view. Attempts have been made to move squatters off, but they are generally back the next day. It would be impossible, though, to move whole mountainsides of squatters.

"One squatter area has been 'regularized' by the government. Roads, sewers, etc., have been provided, and the government has begun collecting property taxes. Of course, this is only an option when squatters are on land owned by the government.

"Clearly, the same situation that causes homelessness causes squatting. The difference is that here in the U.S. there is no land to use. I think the essence of this phenomenon is summed up by the term used by the squatters themselves: they speak of "capturing" the land, which evokes the idea of taking something back, the assertion that it is just as much mine as it is yours." - George Collins



## LEADING ECONOMISTS STUDY GROUND RENT IN EASTERN EUROPE

The conference on Concepts and Procedures for the Collection of Rent in the Soviet Union sponsored by the Robert Schalkenbach Foundation and the Henry George School in New York, August 22nd to the 24th, drew a delegation from Eastern Europe of one Estonian, a Hungarian, a Czechoslovakian, and five Russian economists. The conference also included twelve American, Canadian and British economists and technical specialists. Each paper was presented, and then evaluated by a Discussant whose critique will serve as the basis for revision. The revised papers will be edited into a book to be published soon.

In three days of deliberations, all came to acknowledge that land rent is a crucial issue in the establishment of free markets. The Soviet economists were fully aware of the element of land rent in their economy and were in total agreement that it had to be collected as public revenue. Prof. Mikhail Bronshtein, A People's Deputy of the Supreme Soviet of the USSR and Chairman of the Subcommittee on Economic Reform Issues, put it bluntly at the close of the conference, saying that without a transition to land value taxation as the dominant tax, the Soviet Union would never be able to mobilize production.

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*A mountainside of squatter dwellings in Jamaica's Montego Bay*

## ASSESSING JAMAICA:

### *An Interview with George Collins*

George L. Collins, Executive Director of the New York HGS, and Ted Gwartney, Major Loan appraiser for First Nationwide Bank of Canada (and an activist with Common Ground USA) traveled to Jamaica on October 18 - 29. Mr. Gwartney conducted a five-day training program for officers of Jamaica's Land Valuation Department. They also made presentations and distributed HGS books and teaching materials at six colleges and high schools in Jamaica.

**HGN: How was the connection made between the Henry George School and the Jamaica Land Valuation Department?**

**GLC:** Eighteen months ago, Dr. Steve Cord attended a land valuation conference in Taiwan, at the Taiwan Institute of Land Reform, and there he met Mr. Edwin Tulloch-Reid, a former Jamaican Revenue Commissioner. Steve was impressed by the paper presented by Mr. Tulloch-Reid, and by the fact that Jamaica has a property tax system based exclusively on land values. Mr. Tulloch-Reid expressed a need for better-trained land valuation officers in Jamaica. A visit was planned then, but fell through; this was the second attempt to set up a program.

**HGN: Jamaica's property tax system is based on land values only, but apparently the rates are too low to deter speculation. How did this system come about?**

**GLC:** The land-only property tax was introduced in 1956, by the government of a Jamaican national hero, Norman Washington Manley. Manley studied in Britain, and was influenced by British liberal advocates of LVT; at that time the British parliament had passed land value taxation bills. Back in Jamaica, he worked as a barrister, and became instrumental in the forming of one of the two political parties that led Jamaica from its colonial status to full independence in 1962. LVT was a plank in the platform of Manley's Socialist Party.

I don't know if the land value tax rates were ever any higher than they are today. They are unlikely to be increased, as is the case here, because of the prevailing view that other broad-based taxes are better able to get at wages and interest. Jamaica's land value tax

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## LVT Seen as Crucial to Post-Communist Economy

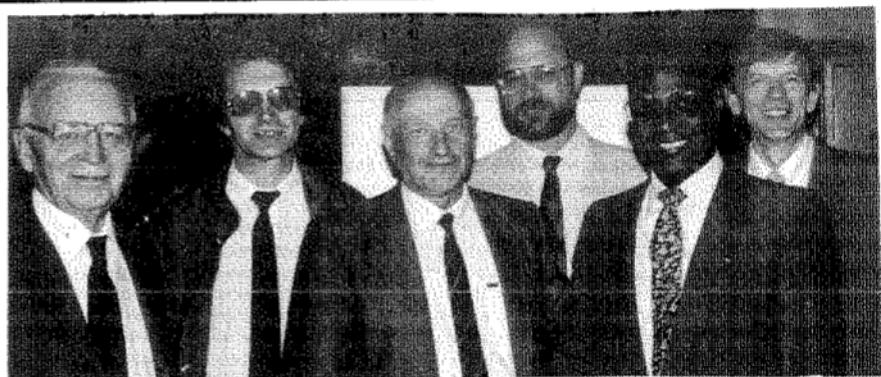
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Earlier Prof. Bronshtein told the conference that he had calculated land rent for over 30 years. "We have the theory," said he, "but no practice." In his estimation, the sale of 15 per cent of the land could yield enough revenue to cover government costs and pay off their national debt. There are problems with privatization however. How is the value of land to be determined? Who owns the office buildings and apartments in Moscow and other cities? Does the government have a right to sell what it took without compensation? Compensation to satisfy previous owners would reduce the treasury to zero and require new taxes.

A panel of land tax experts, including well-known Georgist names and other prominent scholars, was called on to offer guidance through the complexities of political and economic change. First was Prof. Mason Gaffney discussing *Moral and Efficiency Arguments for the Social Collection of Rent*. His early comment that rent is being collected by someone in the Soviet Union was later underscored by Prof. Elizabeth Clayton, University of Missouri, when she pointed out that the controlled rent paid to municipal governments has resulted in some people's obtaining two apartments and renting out one at the market price. Prof. Kenneth Gray, the Russian-speaking representative of the U.S. Dept. of Agriculture, noted that state monopoly is the major issue in the Soviet Union. Rent is dissipated due to non-use and poor use of land. In his commentary, Prof. Lowell Harriss, Columbia Univ. Emeritus, President of the Schalkenbach Foundation, noted that as the change to a market economy makes some people so much better off than others, the private collection of rent will have to be dealt with.

In his paper *Some Aspects of Leaseholding in the Soviet Union* Prof. Alexander Meyendorff revealed that rent was discussed in the Soviet Union in the 1920's. However, until very recently, socialist dogma created calculations based on fictional "price zones" and "polar rent" that demanded acquiescence from economists who knew better. One who knew better was Prof. Bronshtein, the Discussant for his paper. Today, analysts are no longer forced to ignore economic laws, and outside sources of knowledge, such as the conference was providing, could be examined openly.

Dr. Gene Wunderlich, head of the Economic Research Service, U.S. Department of Agriculture, summed up the question of whether leaseholds or privatization is preferable, concluding that private ownership with taxation is the equivalent of common ownership with rent. Prof. Robert Dorfman, Harvard University, reviewed colleague Prof. Karen Brooks' paper *Price Adjustment and Valuation of Agricultural Land: A View Using*



L to R: Dr. Alexander Meyendorff, Victor A. Shcheglov, Dr. Mikhail Bronshtein, Dr. Kenneth Gray, George Collins, Dr. Nikolai Borkhunov

*Lithuanian Farm Data*, which showed that all values relating to Soviet farm output, work force, value, and price, were suspect because they were derived through negotiations with the farm bureau.

The issue of farm size was taken up by Prof. Albert Berry, University of Toronto, and his Discussant, Prof. Eli Noam, Columbia University. No study of agriculture in other developing countries showed any important economies of scale on large farms. Infrastructural needs of large and small farms were different. Large farming has had to use slavery, indenture, and other means of enforcement to keep labor. Nicolai Borkhunov, head of the Pricing Department of the All-Union Agricultural Academy of Lenin, pointed out that 70 per cent of Soviet agricultural production takes place on large farms mainly because they are easier to control from Moscow. Many very small farms are in operation and they are clearly more productive.

By the time Prof. Ivar Raig took the podium, enough land tax information had been imparted so that he could make a bold plea for the Henry George School to conduct courses in Estonia. Prof. Raig, of the University of Tartu, Estonia, is a People's Deputy in the Estonian Supreme Soviet and USSR Supreme Soviet, a member of the Committee on Agrarian Issues, and a member of the Congress of Estonia. He urged that Georgist material be translated into Russian and distributed in the Soviet Union. Prof. Raig is a strong proponent of Estonian independence. The Soviets are not Soviet, he declared. Cooperatives are not cooperative. In Estonia only 40 per cent of the wealth produced goes to the workers. That must be changed, he stressed, to 70-80 per cent. To emphasize the urgency of the situation he rephrased the slogan "Power to the People" with "Property to the People."

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## CHICAGO NOTES

Chicago's Henry George School has announced its addition of Michael Cohen to its Board of Trustees. Mr. Cohen is a graduate of the three-course program in *Principles of Political Economy*. Another graduate of the *Principles* program, Scott Walton, has been hired as the School's first staff person, beginning part-time. Mr. Walton's term as Secretary of the Illinois Libertarian Party expires next April. His wife, Sue, is currently Illinois Party Chairman.

These additions to the ranks proved to be more than timely, as School President Sam Venturella underwent emergency surgery in September. His recovery is going well, but doctor's orders are to do no work until recovery is complete. Sam, who has been doing most of the work of the school since its recent revival, plans to return to active duty early in 1991. Richard Noyes, Deputy Chairman of the Council of Georgist Organizations, is filling in for Sam until he is able to resume his post as CGO Chairman.

## STUDENTS FILL NYC CLASSES

The New York HGS received a surprisingly large registration for its fall term of courses. Oversubscription required the addition of a fourth section of *Fundamental Economics* in English, as well as additional sections of *Classical Analysis I* and *Practical Writing*. The only course that did not fare well was *Classical Analysis II*, which had to be dropped because of low registrations. Also, Manuel Felix has been invited to teach an additional *Fundamental Economics* class in Spanish to members of an organization in Jersey City; that class is meeting on Tuesday nights. All told, 487 enrollees began attending fifteen classes on September 24th. As usual, a drop-off occurred after the first two weeks of classes. However, better than half remained by the midpoint of the term, so the School will probably have a larger graduating

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## Ground Rent in Eastern Europe

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Still to come were more specific explanations of the land tax and assessment practices. Details on *Principles for Collection of Rent from Exhaustible Natural Resources* were given by Prof. Anthony Clunies-Ross, University of Strathclyde, with Prof. Frank Genovese, Babson College, editor of the Schalkenbach publication, *The American Journal of Economics and Sociology*, as his discussant. A *Simple Practical Protocol for Assigning Rental Value to Land*, by Ted Gwartney, a bank appraiser and former Assessment Commissioner for British Columbia, Canada, and the commentary of his discussant M. Manning Cleveland, a former President of the San Francisco Henry George School, outlined the practical steps and methodologies for ascertaining values. Prof. Dick Netzer, New York University, brought his expertise to analysis of the paper *A Market-Based System for Assigning Rental Value to Land*, delivered by the organizer of the conference Prof. Nicolaus Tideman, Virginia Inst. of Technology.

Professor William Vickery, Columbia Univ., had Richard Ericson, also of Columbia, as his discussant for the paper *Rent and the Provision of Public Services*. Rent is enhanced by economies of scale and economies of density, he explained, and public services such as transportation, communication, and power make such economies possible. He stressed that a

proper land tax should thus be independent of the current use being made of properties.

Prof. Steven Cord, President, Center for the Study of Economics, in his paper, *Land Value Taxation and Insurance for Premature Obsolescence of Improvements*, raised the issue of possible unfair penalties to some property owners. His discussant, Fred Foldvary, PhD. candidate, George Mason University, helped to resolve the troubling questions Dr. Cord had raised. No old building could be made prematurely obsolescent, Foldvary argued, because the owner had gotten good return on his investment over the life of the building. Rising rent may force any user, owner or renter to abandon a site. A market economy should avoid subsidies and restraints which would lead to overproduction.

Whether all the land of the Soviet Union and its republics is privatized or some state and collective ownership is retained, there was no question that land rent collection would be promoted. Dr. Jaromir Kolar, research economist from Prague, said that he will surely take it back to Czechoslovakia. Victor Scheglov, head of the Department of Economics and Social Research of the Institute for Town Planning, explained in his paper *Payments for Urban Land in the USSR*, that a rough approach to rent based on locational advantage is already being pursued. Dr. Ka-



Prof. Ivar Raig

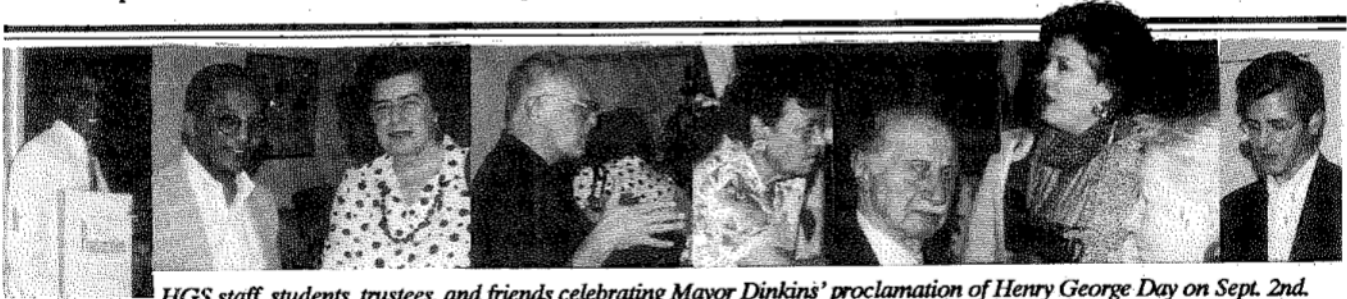
roly Ravasz of Hungary, Deputy President of the International Union for Land Value Taxation and Free Trade, confirmed that values are easily determined even in a transitional period. In Hungary, co-operatives have put their land up for sale and market values were established within hours.

Only one thing, it seemed, would stand in the way of rent

collection making its way into the Soviet economic structure: public resistance. But that is likely only if structures are retained which remind people too much of the past. At an informal post-conference round table on the final evening, Prof. Meyendorff raised that issue. He had no confidence the Soviet citizens, farmers in particular, would feel secure enough, despite the terms of the lease, to devote their labor and resources to the level of capital improvement necessary to achieve economic growth if the state still owned the land. Honored Architect Igor Nerush of Leningrad seized the opportunity to continue the examination of land rent in his city, requesting a program in Leningrad when the show goes on the road to Estonia.

So the green light seems to be on in Eastern Europe. The programs in Estonia and Leningrad, scheduled for spring 1991, are being planned by Nicolaus Tideman, Ted Gwartney, and myself. In the words of Prof. Mikhail Bronshtein, "Land tax is the objective."

-- George L. Collins



HGS staff, students, trustees, and friends celebrating Mayor Dinkins' proclamation of Henry George Day on Sept. 2nd.

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HAPPY HOLIDAYS  
from the Director  
and Staff of the  
Henry George School!