

The Recovery Myth

Bryan Kavanagh

Land Values Research Group (Australia), 1994, 20pp, £1.50

Promises of economic recovery regularly gush from the lips of politicians and their advisers. For anyone who instinctively mistrusts such assurances but doesn't quite know why, this booklet is an essential read.

The author, Bryan Kavanagh, refers to the historical analyses of three economists who made early forecasts of the 1990s recession - the Australian Phil Ruthven, the American Ravi Batra and Britain's Fred Harrison. In particular he draws on the work of Harrison, who linked the pattern of economic boom and slump to the perceived 18-year cycle in land prices. Harrison demonstrated that tax regimes such as ours, which penalise capital investment while favouring real estate, produce speculative peaks in land prices which are then followed by economic troughs. Kavanagh examines this analysis in the light of research by the Russian economist, Nikolai

Kondratieff, who in 1922 had indicated a pattern of long wave economic cycles, each lasting some 50-60 years.

The correlation is impressive. A brief outline of the last 200 years of economic trends embraces four long wave cycles, each of which itself falls into four distinct periods of growth and decline. The whole period from 1738 to the present day is represented schematically by a graph which is reproduced on the front cover of the book, showing how the peaks in the US land market and subsequent economic troughs fit into Kondratieff's long wave cycles. We are now nearing the end of the fourth wave and, it would appear, poised on the brink of economic depression.

The second part of the book is devoted largely to an examination of how recent trends in the author's native Australia fit the cycle. Official statistics are presented, comparing activity in the land market with national income and

total taxation, and with the equities market. Although some of the detail may be unfamiliar to non-Australian readers, the general pattern and timing of events are easily recognized in a worldwide context. The result is a compelling endorsement of the preceding analysis.

In his conclusion, the author appears to assume a prior knowledge among his readers of land-value taxation. While clearly advocating it, he does not elaborate on how the use of land rent as the prime source of public revenue would liberate productive enterprise from the burden of disincentive taxation while preventing the formation of the land price bubble which, upon bursting, precipitates economic collapse.

Extrapolating from his own graph, Kavanagh estimates the year 2003 as the bottom of the economic trough into which he suggests we are now sliding. If this is correct, incoming governments should beware; public misunderstanding of this subject is so profound that whoever holds political power at the time is likely to be held immediately responsible by the electorate.

JOHN DIGNEY

OUR FUTURE

The 22nd International Conference of

the International Union for the Taxation of Land Values and Free Trade

will be held at the Royal Albion Hotel, Brighton, England from 27th July to 3rd August 1997.

It is hoped that the programme will include workshops on methods of unifying and co-ordinating the worldwide movement, conducted by our President and leaders of the US and UK organisations, and sessions on:

- methods of valuing natural resources — currently the subject of serious research in Russia;
 - our contribution to the UN via our membership as a non-governmental organisation;
 - how we can unite with the activists and the ecologists of the world;
 - progress in Russia.

Time will also be allowed for short papers from our members.

As 1997 is the centenary of the death of Henry George, it is intended to mark this by a memorial session.

IF YOU ARE NOT already a member, details of membership can be obtained from the General Secretary at
177 Vauxhall Bridge Road, London, SW1V 1EU.