

Piggybacking the crisis

The global crisis opens up tremendous opportunities for significant social change, **Karl Fitzgerald** tells reformers—those opportunities just need to be acknowledged and acted upon

Japan

A poor Japanese taxation system oversaw the world's biggest property bubble in the late eighties. Holding-charges on land had been less than one third of one percent since the seventies. When the bubble burst and the economy collapsed, Japan's efforts at pump-priming were counter-productive. Short term employment was provided, but value-adding pressure was applied to neighbouring locations. This halted the correction required in the land market. As a result, people paid more in rent and had less for food and fun, savings and investment. The tug of war between neo-Keynesian beautification programs and market sentiments wishing for lower land prices stalled Japan's economy for a record sixteen-year period.

HOW IS the Western World being conned into mimicking late-twentieth century Japan—proponent of the world's least effective economic policies in the last fifty years? From 'trickle down' to print pressing, policy makers are snookering themselves. Michael Hudson argues that policies like the Bernanke Doctrine (printing money to reflate the economy—and perhaps undermining us debt via high inflation) is motivating countries like Russia, China and Iran to de-dollarise. This will have a profound effect on the us economy. With inflationary pressures to refloat the housing bubble, and lower demand for the us dollar giving its exporters a chance, the tax system will have to shift in support of productive activities. There is no other way the us will pay off it's multi-generational debt. This opens up tremendous opportunities for land reformers.

For policy makers some fresh thinking clearly is imperative. A recent interview on the Renegade Economists podcast with Nicholas Francis MBE, author of *The End of Charity*, summed up what we need. "The market system is amoral. The tax system must guide the pricing system to reflect the values we as a society respect." A number of key contemporary issues are pointing to this policy in an increasingly urgent manner. Neo-Keynesianism will be sent packing in due time. The debt trap is sitting pride of place as a reform amongst many left-of-centre gold bugs, but, of course, debt is primarily used to finance the purchase of land or licensed monopolies. To make use of the emerging opportunities, reformers also need to rethink their approach.

With Western debt at never-before levels, and infrastructure deficits abounding, value capture for public infrastructure will be looked at more seriously by policy makers. Climate change

The next generation will expect reformers to have piggybacked the crisis—not allowed policymakers to ride it out



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is also playing into land reformer's hands—forcing people to adjust their behaviour in a more localised manner. Land value capture can assist by providing cheaper land and housing at a higher density, and also better public transport; and from this, allow more headroom for sustainable infrastructure like micro power generation.

Climate change will also increase the amount of marginal land, especially here in drought stricken Australia. An article in *Inside Story* on 16th May 2009 pointed out that the Goyder Line (defining marginal land in South Australia) is going to move a hundred and twenty kilometres south, wiping out some of the most productive vineyards in the country. Less arable land per worker will both push up land rents and drive down worker's wages.

The process of globalisation sees Chinese firms buying up strategic Aussie locations gifted with iron ore. This has aroused controversy in political circles. But as Bryan Kavanagh wisely notes: "It doesn't matter who owns the land, it's who pays the rent!" Land rental payments can help harmonise the conflicting interests of foreign ownership and sovereignty that rear their ugly head during times of desperation. This is another debate towards which reformers can contribute.

How can land rent policies be positioned to be taken seriously? With recent examples of zero-impact activism (Geldof) and critiques of 'dead-aid' (Dambisa Moyo) abounding, we must find ways to build up practical examples of our ideals. The community land trust model, for instance, seems an appropriate vehicle for reformers' efforts (see p.20 overleaf). Such policy angles could give us both a local and global perspective.

Internal operational reforms are needed as well if reform efforts are to benefit from this unique point in time. With many land rent reformers in the twilight of their careers, their unique experiences and wisdom must be recorded and secured for the benefit of future generations.

It is imperative to put in place operational processes that work, and make careful note on why others fail. For us in Australia this could mean developing an operational manual

on who our most likely supporters will be (engineers, lawyers, greens?), what our most advantageous policy perspective is (land value capture for infrastructure financing?) and how we have in the past been successful at building relationships with certain kinds of organisations. Prosper Australia is entering into a strategic review of the work ahead: it will no doubt plan out some of this, assign target markets and prioritise our projects based on our most likely supporters. A manual developed from this process would be useful for all the one-person offices run by reformers around the world.

Reformers also need to develop campaigns that both build the public's knowledge base and simultaneously mobilise public opinion. A present example is how ethical investment firms include land banking in their portfolio as if it was an ethical practice. We need to move on from letter-writing—towards campaigning: so a dedicated web page might be set up with a short text outlining the unethical nature of land speculation, with perhaps a cartoon to back it up, and a petition; emails could be collected and a database created. Stall-holders worldwide could find such a resource useful.

The general public will see a practical application of land value capture ideas. Once the advantage of lower taxes leads to export competitiveness, globalisation terminology can be used to turn business leaders towards reform. Reformers need to lobby genuine capitalists—those willing to take risks to create productive products and services. They will be the first to see the importance of capturing nature's bounty in favour of the public interest.

Another key area is the formal lobbying of politicians. How many activists know how to call up a politician and present them with a recent report? Try taking a print out of Gavin Putland's latest report on 'From the subprime to the terrigenous: Recession begins at home' (www.LVRG.ORG.AU), which depicts how it is national property tax policies rather than a sub-prime flu that is to blame for the global financial crisis. MP's must meet their local constituents and will appreciate our policy perspective for the sheer synergy it creates amongst the traditional 'silo' policy problems.

For the land reform movement to be well positioned at the end of this downturn, it must make the most of the navel gazing going on in conventional economics. Articles must be written and published in the mainstream media. The orthodox economic knowledge base has been shot to pieces (though it is always surprising to hear how many more decision-makers know about rent for revenue principles than let on). It is encouraging to see the increasing number of YouTube clips that are appearing.

A coordination of global research projects is needed to align the media with reformers' views via a constant barrage of key reports. As a matter of priority, reformers need better training in media communication, such as drafting press releases. Some land reformers have modernised their public appearance: WWW.RENEGADEECONOMIST.COM has taken over from WWW.PROSPER.ORG.AU and South Korea's LAND.KIMC.NET as the world's most professional looking land reform website. To be taken seriously and for their efforts to be successful, reformers need to think strategically and push their work farther in these directions. **L&L**

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(See overleaf for Karl Fitzgerald's reflections on the community land trust model as a vehicle for reformers' efforts.)