

Land & Liberty

communiqué

putting people at the heart of economics

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this issue comes with HGF's land value monitor

NSW Tax shift, please!

New South Wales vendor tax would be scrapped and stamp duty reduced in exchange for extending land tax to owner-occupied homes, under a radical plan put to the state's Treasurer, Andrew Refshauge by the Council of Social Services. The result would be revenue neutral, the Council said.

Taiwan Yuan passes land tax cuts

In a bid to boost Taiwan's recovering real estate market, the legislative Yuan has passed a proposal to permanently lower incremental land value tax rates as part of an overall tax reform strategy. The law makes permanent cuts to the land value increment tax - a capital gains tax on property transactions.

But many commentators are raising voices of criticism. Huang Yao-huei, an associate researcher at the Chung-Hwa Institution for Economic Research, has blamed the government for not taking heed of the Tax Reform Committee's recommendation of raising property taxes. The recommendations were not included in the revisions because the Ministry of Finance elected to leave them out of their proposal.

Criticism has also come from politicians: Chien Hsi-wei, the head of the Pan-Purple Alliance, uniting minority groups, added that the lower tax rates, without the extra provisions, deviated from the spirit of wealth redistribution, which he called the basic principle of taxation.

Remember the Henry George Foundation has moved its London office to **212 Piccadilly, London, W1J 9HG.** Our London telephone number remains the same: 020 7377 8885.

UBR Scots reform Bill on its way

A Scottish Parliamentary Bill to reform business rates is at the preliminary stage of drafting. The proposal would shift the tax base - away from positive wealth-creating business activity, and onto the negative value of our common resources that are monopolised by businesses. Expert advice is being provided by HGF.

The Bill's sponsors are counting on cross-party support for the legislation. Their optimism seems reasonable - several parliamentary parties at Holyrood are interested in or already supporting the policy move.



Perth

Australia Cuts follow land tax uproar

South Australia Premier Mike Rann has announced a \$245 million package to reduce land tax in the state.

The scheme will raise the tax-free threshold from \$50,000 to \$100,000. This means 44,000 investment property owners who currently pay land tax will no longer have to do so.

For more than 18 months the State Government has been under pressure from the Opposition and property owners to ease land tax rates. In some areas taxes have recently risen as much as 600%.

Queensland Premier Peter Beattie has flatly refused land tax cuts - he said the property industry was poised to be the largest beneficiary from massive planned state government infrastructure spending, and landowners should expect to foot the bill.

HGF news research and intern initiative

The Henry George Foundation has launched a new initiative to bring interns into work with the organisation. There are three interns presently based in the Edinburgh office. They bring fresh energy and new perspectives to the Foundation's work, and significantly gear up its productivity.

Interns are generally expected to complete a two month course of work while at the Foundation. Each intern - giving their time freely - is given a core project of research to pursue. They are also encouraged to be involved in wider Foundation activities. Individual work programmes are designed to be of maximum benefit to the intern and their career development, as well as to HGF.

With a masters in International and European Politics, Marcus Beltran day-jobs with the Scottish Executive. With the Foundation, Marcus is developing a research project designed to show how land values might be able to pay the funding shortfall with the new Edinburgh tram proposal.

Studying politics as an undergraduate at Edinburgh University is Thomas Wheeler. Thomas is conducting the Foundation's research project on 'trade justice through freedom to trade'. The project seeks to reconcile the Bretton Woods 'free trade' agenda with the anti-globalisation 'fair trade' agenda.

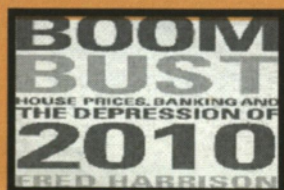
A graduate in politics, Rebecca Fairbairn is taking forward the Foundation's research work on housing affordability. A preliminary review paper will be published in spring, followed by a policy paper with perhaps a conference in the summer.

Suzanne Treen has a masters in International Studies from Leeds. Suzanne will be following a short internship looking at fresh approaches to the Israel / Palestine conflict.

Susanne Velke from the University of Maastricht is joining the Foundation in April to work on the housing project. Caroline Dundas from King's College comes in June to work on PR.

An ongoing managed programme of new intakes of interns ensures project development, continuity, and the ultimate worth of the work to the Foundation's purposes.

the newsletter of the Henry George Foundation



Here's the remedy -
finance ministers
around the world
stop your searching



HUMWE
African people
born with
African land rights

breaking ground

review Land Reform Policy

Rob Dow reviews

The book *Land Reform Policy, The Challenge of Human Rights Law* by Ben Chigara, professor of international law at London's Brunel University, is an attempt "to formulate and recommend a juridical model for the resolution of past and continuing social injustices that are rooted in colonial or some other experience of States".

Chigara's particular interest is the situation surrounding the South African social development treaty. In the book he discusses the many issues of reforming rights of ownership and access to land within the region.

The author reviews the effects of colonialism on the original patterns of land use practised by indigenous populations. He discusses rights of access to land in what are for the most part agrarian economies.

That Chigara's first points of reference (the frameworks of international and developing human rights law) are not sufficient for the purpose is neatly illustrated by his account of the age-old African concept of 'humwe'. Humwe is a philosophy of the relationship between people and land. It rejects private property rights. It requires that "those holding land beyond their need/use should accept that the poverty of land of their fellow countrymen in the midst of their excess of it dehumanises themselves." It connects the rights to land of successive generations.

That account and his references to philosopher John Rawls' 'original position', where justice is created by humans deprived of the ability to seek personal advantage from it, are useful reinforcements

to the thinking of Henry George.

While the book is useful reference material, it should have been much better proofed and edited to serve adequately this complex and interesting subject.

The book left me wondering whether we can ever expect politics or law to deliver justice, riven as both are by so many different creeds and faiths. I was reminded that no government can give humans more rights than those they are born with.

Ashgate, 2004. ISBN 0754622932

European Social Forum London

Jon Mendel on land rights and human rights at the ESF

More than 20,000 people from almost 70 countries spent a long weekend together in London to discuss how another, better world might be possible. This third European Social Forum



was made up of hundreds of seminars, lectures and cultural events, both as part of the 'official' forum and on the 'fringe'. Thanks in large part

to the presence of the Henry George Foundation and the Labour Land Campaign, it also had a noticeable land reform component.

The LLC led a seminar on housing problems in the UK. Delegates heard how taxing land values could help to make quality homes more affordable.

In partnership with the LLC and the food rights group FIAN, the Henry George Foundation presented a seminar on land rights and human rights - looking at the links between our rights to life and dignity and our rights to land. Throughout the three day event, LLC ran a book stall offering a wide range of literature. As well as the georgist presence, there were countless other seminars on issues such as international wealth distribution, genetic modification and patenting, the global commons and many more. Issues of land rights - even if those discussing them did not talk about 'land' - received a great deal of attention at the Forum.

One memorable moment came from the occasion which ended the forum - a remark overheard at the massive anti-war and anti-capitalist march through central London: when asked why he was walking with the communist section of the protest, one marcher replied "I'm just with them to get somewhere else".

There was much about the Social Forum which was out of harmony with the georgist paradigm. But even those who disagree vehemently with much that happened at the European Social Forum could benefit from walking with new companions. We have to be with them to get them somewhere else.

letter from the editor

Fred Harrison's forecasted economic depression for 2010 may ease the problem of house affordability - albeit at a heavy cost elsewhere to society. But the UK government, recognising that affordability remains a serious problem, has launched *Sustainable Communities: Homes for All* - a "five year plan offering everyone the opportunity of a decent home at a price they can afford."

One key aim is to lower the first rung of that hankered-after property ladder. The plan is to construct around 80,000 new homes with "about 30% ... built to a target cost of £60,000". The government selling price will equal the construction cost only: the cost of the land beneath the houses will not figure. Purchasers will acquire 'shares' in the property's bricks and mortar: the land will be held in trust. It seems the government has seen that land is the key.

On the apportionment of the equity, the plan proposes that "the share of the home the buyer purchases will, at a minimum, need to be large enough to cover the home's construction costs. The landowner will retain a share worth up to the full value of the land."

Most of the homes will be built on "surplus" public land. "When buyers move on," according to the plan, "the landowner will have first refusal to buy back the home so that it can be used to help another first time buyer". It adds "any increase in the value of the share they own can be used to help them move on as their housing needs change". But any change in the bricks and mortar value is likely to be small, certainly in comparison to falls or rises in the land value.

The proposal is an attempt to neuter rent. It seems the government is willing to write-off the land values created by public investment in services and infrastructure.

The question of how these houses are exchanged from the first owner onwards is a pertinent one. If they were re-allocated by some bureaucratic method then the houses would remain 'affordable' - but simply because individuals would be unable to exercise preference in a market situation. On the other hand, if these properties were to be bought and sold freely on an open market, then there will arise, no matter the tenurial arrangements in place, a premium to be paid for the most advantageously located houses. It does seem that the second, market, solution is the one which will operate. Unless the land share holder's right of preemption is *systematically* exercised, effectively acting as a market spoiler, the paying of a capitalised sum (for rent) will continue. Affordability will evaporate - near-instantly - as first purchasers cash-in a publicly-funded windfall gift.

But if preemption is operated, then the scheme is effectively a return to the realms of feudalism: though statist or corporate feudalism. Without radical action to eliminate the capitalisation of location values, those land interests will burgeon in asset value. The massive aggregate value of the land beneath those 'affordable' homes, lying somewhere on the public accounts, will surely come to the attention of a future chancellor. Right to buy will be extended again, and the government's land interest equity will be disposed of. Land assets will be transferred, into corporate hands. Publicly created land value will slip further from the hands of the community.

Peter Gibb
gibb@LandandLiberty.net

Boom Bust

House prices, banking and the depression of 2010

Fred Harrison's crucial new book sets out the remedy finance ministers around the world are searching for. The author tells **Land&Liberty** why Gordon Brown would ignore it at his peril

A core function of government is ensuring economic stability, so that captains of industry and homeowners can save and invest with confidence. Unfortunately, inherent in the capitalist system is a destabilising mechanism economists prefer to ignore.

Governments are advised to 'manage' the 'free market' through interest rates. The nine years of uninterrupted economic growth in the United States under the management of Alan Greenspan, the Chairman of the Federal Reserve Bank, persuaded many that the secrets of a 'new economy' had been discovered, from which the booms and busts of the old economy had been banished - till the dot.com crash.

Eliminating the damaging swings of the business cycle has been the dream of UK Chancellors down the years. Gordon Brown is no exception. Delivering his 2004 Budget speech, he claimed: 'I can report that since 1997 Britain has sustained growth not just through one economic cycle but through two, without suffering the old British disease of stop go'.

A week before at the Labour Party Spring Conference, he made clear his intent: 'When I present my budget next week, the first, the central and most important theme ... will [be], for hard working families, to lock in economic stability ... not just for a year or two, not just for an economic cycle. Our aim should be to lock in stability for a generation'.

I would challenge the Chancellor's ability to do this: not because I disagree with the objective, but because, relying on a flawed economic analysis, he will be frustrated, just as his predecessors were, by a virus lurking undetected in the economic system. Basing my own analysis on a careful study of 18-year property cycles covering the same 200 years as the recent Treasury report, my new book *Boom Bust* makes the chilling prediction that the market will crash in 2007/8, sinking into the depths of a depression by 2010. There is a remedy, but Gordon Brown has staked his reputation on having solved the problem.

'Most stop-go problems that Britain has suffered in the last fifty years

BOOM BUST

HOUSE PRICES, BANKING AND THE DEPRESSION OF 2010

2010

FRED HARRISON

have been led or influenced by the more highly cyclical and often more volatile nature of our housing market'

GORDON BROWN

As a young investigative reporter, I was alerted to this 18-year cycle by a Chicago-based property speculator. His early research into this phenomenon in the UK, US, Japan and Australia was published in my first book, *The Power in the Land*. Twenty years later, and having witnessed one more cycle play itself out, *Boom Bust* returns to the subject with renewed confidence that the shrewd old speculator was onto something - something the economists advising the Treasury, the Bank of England and other institutions have missed.

Using the housing market to bring home how critical this is to our well-being, I explain in *Boom Bust* why the property market operates differently from all other markets. Land, on which all buildings stand, is in fixed supply. As Bob Hope said: 'They ain't making any more of it'. Therefore, when the demand for land increases, the market forces - which would normally lead to an increase in supply - cannot operate. Therefore, prices can only rise as demand increases. The situation is made worse when banks increase lending to property, driving up prices faster till they become unsustainable and they crash. This renders families who bought near the peak vulnerable to negative equity, one of the pre-conditions for the collapse of credit; the banking system is undermined; there is widespread unemployment - all sectors of the economy suffer from the contraction, the classic depression. This is the iceberg unseen by the proud Chancellor on the good ship Titanic.

Fred Harrison is Research Director of the Land Research Trust, London. During the 1990s he was advisor to a number of Russian academic and political bodies, including the Russian parliament, in their efforts to implement a more equitable transition to a market economy. Boom Bust will be published on the 4th of April. Buy the book from Reformers, the Foundation's bookshop, or go direct to the publishers at 020 7721 7666 or www.Shepherd-Walwyn.co.uk

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Land&Libertyannual

the printed compendium of the year's best writing

Land&Libertycommuniqué

the quarterly newsletter of the Henry George Foundation



HENRY GEORGE
FOUNDATION

diary

24th February 2005, London

Conference: **Can development gains help build sustainable communities?**

Go to www.estatesgazettegroup.com

2nd to 8th July 2006, London

25th World conference of the IU

Go to www.interunion.org.uk

letter

Sir,

In response to your letter from the editor in **L&L** 1209 I have long felt that the use of the term 'land value tax' does not help to promote the cause amongst the uninitiated. I suggest that a better term would be 'location tax'. Land values, after all, simply reflect the value of a particular location.

With my own attempts to explain to friends the principle of community created value all is well until one mentions the word 'land'. Then the shutters come down and everyone runs for the barricades, as though one were attacking their prized ambition; the acquisition of property, which for them naturally includes land. I think 'location' would stand a better chance of acceptance.

The words we choose are part of the presentation of the ideas to those who might be interested. In that sense the description 'site value tax' is perhaps slightly more to the point but seems to have gone out of fashion.

Opponents of the tax invariably describe it as a 'land tax', which casts it in its worst light.

In terms of public perception taxing an abstraction such as value or location is I suggest generally more acceptable than taxing a 'commodity' such as land.

To most people who are not interested in economics, let alone taxation, but can understand fairness, a tax related to location would make more sense. They can

3rd to 7th August 2005, Philadelphia, USA

25th Conference of the CGO

Go to www.progress.org/cgo

29th September to 2nd October 2006,

Chicago, USA

AMI Monetary Reform Conference

Go to www.monetary.org/2005conference

comprehend that a three bedroom semi in the leafy suburbs of a town in the South-East commands two or three times the price of an identical semi in the leafy suburbs of almost any provincial town, especially in the North. They know that location affects value. Estate Agents of course have always known this and the adage of 'location, location and location' is credited to them with good reason. I notice this is now the title of a popular British TV programme.

The use of the word location would I believe help to explain to the general public what the whole issue is about.

The American adoption of the expression 'smart tax' is perhaps a way of avoiding the use of the provocative word 'land' but it does not really help to explain anything.

If we are to persuade people towards the georgist principles of taxation we owe it to them to explain it in the simplest way.

Taxes are generally seen as a necessary evil. However the day when the payment of one's taxes may be seen as a privilege is a long way off, I'm sure.

Ian Hopton,
Lauroux, France

Stop press: Labour Land Campaign calls for a meeting of UK groups advocating land value taxation to discuss the language they use. A date has yet to be determined. Contact DaveWetzel@tfl.gov.uk

write to

office@LandandLiberty.net

Become a supporter of the Henry George Foundation and receive the quarterly newsletter **Land&Libertycommuniqué**, the **Land&Libertyannual** and full subscriber access to **LandandLiberty.net**. You'll also receive mailings, invitations to events and be eligible for discounts on selected titles from the Foundation's bookshop. To have details sent to you email us, or fill in this slip and post it to us.

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Land&Liberty has chronicled world events for over 100 years. It has offered a unique perspective with its reports, analysis and comment on the core issues of political economy. And that uniqueness remains. **Land&Liberty** aims to explore how our common wealth should be used - and to demonstrate that this is the key to building the bridge of sustainability between private life, the public sector and our resources - between the individual, the community and the environment. **Land&Liberty** - putting people at the heart of economics.

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