

Land & Liberty

communiqué putting people at the heart of economics

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contents

- 1 HGF news
- 2 breaking ground
- 3 fresh thinking
- 4 diary and review

this issue comes with HGF's land value monitor

court Shapiro v Lincoln

For some years reformers had hoped to bring back to the fold what they saw as their errant land tax friends, the Lincoln Institute and Foundation of Cambridge, Massachusetts. However last month, the initiative suffered a setback. Its major legal lever, the Shapiro v Lincoln case, enjoined by the Robert Schalkenbach Foundation and the International Union for Land Value Taxation, has fallen on a technicality.

americas Venezuela to share resources

Venezuela's President Hugo Chavez seems to be embracing a radical new approach to land and resource policy.

The BBC reports (30th August) that the President has announced "the government plans to enforce a 2001 land law that allows it to either tax or seize unused land." Meanwhile, sitting on the world's fifth largest oil reserves, the country is increasingly seeking ways to recycle its resource wealth through public spending.

But the policies are not entirely to the liking of its major foreign oil customer, the US. Chavez' government has been the target of ongoing political attacks from land and resource monopolists.

The US-based Earthrights Institute is poised to help Chavez and his government bring about a fairer sharing of their nation's common wealth.

holyrood it's the new thing

The new Scottish Parliament complex at Holyrood has opened for business. **L&L** has been taken round the buildings. Visitors' and users' initial views on the architecture differ. But on one thing there is little argument - the new politics of Scotland cannot help but be well inspired by it.



the new Holyrood debating chamber

The Parliament continues to look at the issue of taxing land values. Following the fall of Mark Ballard's bill to reform local taxation, a cross-party grouping is putting together a new proposal. It seems that newly reformed parliamentary procedures will be supportive of the initiative. The new procedures in fact would have enabled Ballard's original bill to stand.

It is hoped that a new bill will be presented to the Parliament before the end of the year. The bill will use the new procedure to allow the benefits of taxing land values to be considered in a broad context, as part of a parliament-sponsored public consultation exercise.

The politics of the matter suggest that as the bill process progresses it is likely to disaggregate into discrete chunks of legislative action. At present it is likely that Business Rates will be the first hard target of legislative reform.

correction

In the last issue's Madrid report we mistakenly reported that Tim Glazier had offered "a novel alternative to the current home purchase and ownership system." This contribution, in fact, came from Bill Powell. We apologise for the error.

new politics the right realigns?

A new political party has been launched in Scotland. Aligned to the centre-right, the Scottish Enterprise Party is strongly nationalist. This combination, echoed by Scottish Tories' recent positioning, is a new combination on the Scottish political scene.

A party spokesperson told **L&L** that its policies will be nothing if not "bold". The founders are exasperated by what they see as "the left's presumption of a monopoly of righteousness". They hope their initiative will be key to building a new politics of the right - something the Scottish Tories have been trying since their 1997 election rout.

The party is in the course of developing its economic and land policies. The Henry George Foundation and the London-based Land Research Trust have been invited to contribute expert advice to that process.

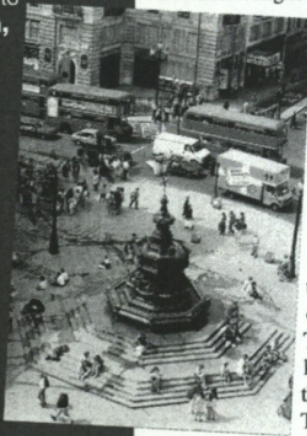
hgf going places change of address

As announced in the last issue of **L&L**, the Henry George Foundation is moving its London office. From the 24th September please send all correspondence to **Henry George Foundation, 212 Piccadilly, London, W1J 9HG**. Our telephone number (020 7377 8885) and web and email addresses remain the same.

On the day of the move you may experience difficulties with the London number as the line is transferred. To be sure of getting in touch with us on the 24th telephone Edinburgh instead, where someone will be ready to help you.

The International Union for Land Value Taxation will move along with the Foundation, continuing the long-standing accommodation-sharing arrangement between the two organisations.

Put the new address in your database and diary NOW!



Who owns the language that computers use to speak?



The rise of the West's new landed class

breaking ground

Delhi Government for development land tax

The North central Indian municipal territory of Delhi will introduce a development land tax - perhaps within a few months, reports *Delhi Newslines*.

The new tax - mimicking previous wrong-headed attempts in Britain - will be levied not only on plots immediately after they are developed: where local government facilities and infrastructure already exist, the civic body will levy the tax when a structure is 'reconstructed'.

Criticising the tax, opposition member Vijender Gupta alleged that the policy would "adversely affect the real estate market in Delhi. The tax is illegal, unconstitutional and anti-people."



Sri Lanka brings in '100% land tax'

The Sri Lanka parliament has voted to introduce a tax of 100% on land purchases by foreign nationals. Supporters of the tax argue that foreigners buying land - often for holiday luxury homes - have priced nationals out of the market. The initiative may indeed lower land prices. By doubling its acquisition cost to foreigners, it will certainly gear the market in favour of locals. But both local and foreign landowners will continue to enjoy the same ongoing privileges as at present. Reduced private investment will balance any increased public revenue: landless Sri Lankans will, as ever, be divorced from their common birthright.

Rise of the West's new landed class

Further evidence is emerging of the growth of a new class structure within Western economic democracies. Although traditional notions of the upper, middle of working class divide continue to have the upper hand in discussions, it is clear that they are increasingly meaningless and redundant.

Twenty-first century class structures are reverting to the principle form seen in the nineteenth century. The early Victorians distinguished in the first case between the landed classes and the rest of society. Other social divisions were considered secondary. The principle economic class distinction between Western citizens today lies in whether or not they are able to access potentially massive windfall gains from increasing urban property values.

New research published by Standard Life Bank and The Future Laboratory identifies how this new landed class is liquidising the equity it controls in property values. According to *The Guardian* (27th June 2004), this equity is being turned by its owners into a lucrative revenue stream.

The wealth is reported as being used to "start new businesses, live a more leisurely lifestyle or embark on new risks and adventures".

The West's new twenty-first century landless class of course has no recourse to these benefits. It would seem that a new class polarisation is developing, with increasing disparities of wealth and power.

The problem is growing. It is marked by some clear demographic features. There appears to be an increasingly strong age dimension. In conversation with *L&L*, the writer and campaigner George Monbiot identified the issue as "a very, very major problem of intergenerational justice".

Some social reformers argue that Western democracies require radical policy instruments that will allow more equitable sharing of rising land values, which are created by the progress of society as a whole. They say that failing to share the equity in rising property prices will increasingly crystallise this regressive new class structure - and that this would have potentially very dangerous social consequences indeed.

letter from the editor

Modern Western societies are sophisticated social constructs whose economic success is based on the division of labour. That division relies for its broad notional acceptability on the idea that the best interest of any part of society leads to the best interest of the whole. There are regulations and legislations that counter the deleterious effect of private interest. But broadly this arrangement relies on trust.

The economic division of labour fractures the common interest. All negotiations become sectoral, if not sectarian. But in the main this is not so important, because 'it all works out well in the end'. Increased personal or sectoral advantage usually bring increased common good.

Which leads me to wonder at the present situation of the surveying profession and its professional body the RICS. These are the people whose division of our collective labour is in providing society with "the leading source of land, property, construction and related environmental knowledge" and expertise. These are the people who guide our society in putting value on the merits in its larger-scale decision-making. More close-to-home, surveyors tell us how much to bid for our new house, and tell our mortgage lenders how much to stake on the deal. In our modern economies we rely on the expert guidance of surveyors to guide us on matters of which the rest of us are less than expert.

In their Residential Report for September the leading international property firm of FPD Savills discuss the prospects for the housing market in the UK. They report that "with year on year house price growth still running at 20% per annum a full blown slowdown to low single digit growth will require some further ratcheting up of interest rates. Judging by comments in the August Bank of England inflation report, the odds of this happening seem to be far from certain".

But a worry is dawning on the woman in the street that house prices will indeed not-only experience a "full-blown slowdown" - and that sooner rather than later - but that the housing market will soon be in deep recession - probably before Labour leaves office. Our recent collective memory suggests this is how things will go. Fred Harrison's forthcoming new book *Boom Bust* presents the inevitability of this outcome within longer-term consideration: the fact of the average metropolitan house price presently gearing eleven-times the average metropolitan wage for a key worker tells us that it is completely certain that it shall be so. Savills will be proven wrong without a doubt. So their positiveness is confusing. In whose interest is it to talk up the market like this?

In Western societies the interests of the sectors will always be less than fully comprehensible or useful to the whole. So an element of trust and a sense of our common interest has to have a place in the hearts of our professionals. So why is the surveying profession supporting this economic delusion as we walk on up to this housing market precipice? Is it somehow in their interests to do so? Surely - in the long term certainly, if not the shorter - commerce is built on trust.

There's trouble ahead. A housing crash is coming. Society needs to be warned. The surveyors need to wake us up.

Peter Gibb
gibb@LandandLiberty.net

fresh thinking

Use the source

Jon Mendel on open source software, patents and common property

The software which make computers work are commercial secrets patented and copyrighted by the developers who write them. Eminently, Bill Gates and the Microsoft Corporation have grown rich by their computer code.

But recently significant security holes have been discovered in Microsoft Internet Explorer and Outlook Express software - the company's web browsing and email messaging programmes. The rise of internet commerce and banking, among other things, has brought a concomitant need for robust security for the storage and transit of sensitive information. Such problems have directed attention to what is known as 'open source' software. The Linux operating system and especially Mozilla software are widely viewed as much more secure than their Microsoft counterparts.

Open source software is, as the name suggests, software for which the source code is made publicly available and is not held under any restrictive copyright - that is to say, it is issued under a licence that maintains its free availability to all. This means that anyone who wants to can view the way the code is written and may edit it - to revise the programme or create new software. The past ten years have seen a rise of a culture where basic elements of some computer software are shared freely between developers.

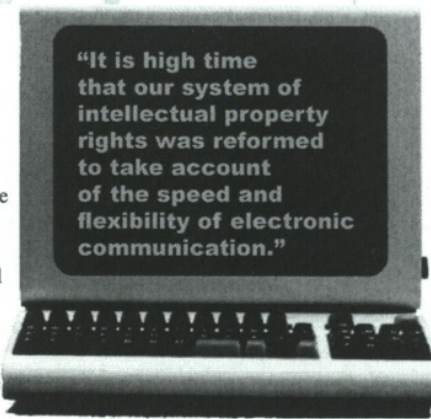
The open development of such software means that it is exceptionally customisable. The large number of people who have access to and improve the code means that new features can be added and bugs (faults) can be dealt with at impressive speed.

This approach can be extremely efficient - for example, the responsiveness with which the Mozilla Foundation releases fixes to security holes in their software leaves Microsoft's development cycle in the shade.

Users of conventional software are required to pay for periodic 'upgrades' of their purchases, in order to ensure their software's 'improvement' and continuing compatibility and usability. The communications expert Jeremy Valentine has argued that, when analysing the distribution of software under standard patent laws, "the distribution and sale of narcotics is the only example which compares here". The user is given a little

of the product cheaply, to help them develop a taste for or reliance upon it, then charged again and again to maintain what is seen as a reliable supply. Perhaps what may ultimately cause this model of software supply to collapse is that - with recent security problems - Microsoft is no longer seen as a reliable 'dealer'.

Open source software, on the contrary, follows a different model. It is one which is much closer to that which the US academic Richard Doyle found in the development of new strains of cannabis, in communities which allow its use. Many hands working together, and allowing others to build freely on their work, can achieve a remarkable amount of progress very quickly. Rather



than trying to retain exclusive use of their developments, knowledge that is developed in common can spread very rapidly through our societies - in Doyle's terms, 'overgrowing' them. In the case of open source software, one might be better to talk of 'overcoding' the globe.

So we see that the value of openly applied labour and expertise melds into the IT commonweal. The process is perhaps analogous to the embodiment of certain 'improvements' of land - such as in the conditioning of agricultural soil over time - into what is considered its 'unimproved' value. This is labour as gift, in a new modern sense.

Open source models of copyright thus offer us an exciting opportunity to move beyond the damaging models of ownership in which individuals can manufacture monopolies over particular inventions which become a foundation of progress. Microsoft is thus entirely

misguided to argue - as it does - that open source software destroys intellectual property: instead, it transforms it. In the best examples of open source software, the type of 'common' property seen is not the type of commons that will be easily eroded by damaging individual use, but instead a commons which is strongly defended by its users. Mozilla's rigorous 'peer review' system for modifications to its source code would be a key example here. This is property which is commonly owned and freely available to all, but also very effectively defended by its users. Code becomes an infinite resource, freed of monopoly, free of rent.

It is high time that our system of intellectual property rights was reformed in order to take account of the speed and flexibility of electronic communications. The effect of 'open source' gift effort will be key in this. By keeping their source code patented and largely secret, and by trying to defend their monopoly, Microsoft could be doing huge damage to the computer industry, and limiting the ways in which their own software may be developed. It is this restrictive model of patenting that destroys intellectual property. (How many users have lost valuable data due to problems with proprietary software!) It is models of more-open copyright that might better conserve intellectual property.

Although a wider move to an open source model of software development might be bad news for the Microsoft Corporation, it would, as *The Economist* argues, "benefit customers - through greater competition, lower prices and, not least, better software". Such a move would be exceptionally productive of intellectual property - common property in which all whose lives are affected by information technology can share. **L&L**

*Jon Mendel is currently studying for his PhD degree at the University of Newcastle. A referenced version of this paper is available at **LandandLiberty.net***

*The **LandandLiberty.net** magazine operates using the open source software package PHPNuke. The decision to use this software was as ethically-based as it was based on practicality and cost.*

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the quarterly newsletter of the Henry George Foundation

diary

Sep 28th to Oct 1st 2004, Jalisco, México
**Conference Optimizing Property Tax
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Go to <http://www.indetec.gob.mx>

letters

Sir,

I am sorry that **L&L** published Sir Kenneth Jupp's obituary without mentioning his biblical scholarship, in both Greek and Hebrew languages, or of his connections between the Hebrew Scriptures, the New Testament and "the heart of Henry George's vision". We are not to be moved, let alone persuaded by replacing this vision with a "mechanical ticker", however important it is to demonstrate that "it works" (private letter, September 1997).

Of even greater importance at the present is the emphasis he placed on the content shared between the Jewish and Christian Scriptures and the Koran concerning the ownership and use of land.

Yours faithfully,
George Ticehurst, Bath

Sandy Lindsay 1924-2004

Sandy Lindsay, cheery Scottish land reform stalwart and founder member of Land Reform Scotland, has died aged 80 at his home in Kingussie, Inverness-shire.

Sandy's presence added a positive gleam to any newspaper's letters page or any reform conference. He was also passionately opposed to nuclear arms and served as a Highland councillor for four decades.

Rob Gibson MSP said in *The Herald* that he was "a truly radical Scot". Sandy is survived by his wife Morag, also a founder member of LRS, and their two children.

review Land Value Taxation in Britain

reviewed by Geoffrey Lee

Owen Connellan's book is an important guide to the history of land value taxation in Britain and, even more importantly, to its current state of play. Scotland, now with its own parliament, is seriously considering introducing the policy, and Oxfordshire County Council would like to run a pilot scheme (see **L&L** 1209). Liverpool and Whitstable in Kent have ongoing studies in the subject. The book also details the success and failure of land value taxation across the world.

The author goes into the pros and cons of the idea with admirable frankness. No objection is swept aside, no question unanswered. Taxation is the theme of this book and Britain's experience with property taxation and its expertise on valuation make it the ideal place to work out viable legislation to tax land values.

Past failures with lvt have often been due to the complexities of its proposed system and implementation costs. This book suggests simplicity and gradualism. Revaluations due in 2005 and 2010 could be used to make apportionments of assessments between land values and property values. Dual taxation rates could then be applied and the property element eventually being phased out. The author suggests the speed and extent of such progressions would have to be measured against political and social expediency.

This book is a bible for all students, professionals and interested laymen and should be an essential part of their economic library.

Land Value Taxation in Britain by Owen Connellan is published by the Lincoln Institute. Buy it from HGF at www.henrygeorgefoundation.org/bookshop

write to

office@LandandLiberty.net

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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.

Editor Peter Gibb
Executive Editor Lars Rindsig
Publisher David Triggs
Contributors Duncan Elliott,
Peter Gibb, Geoffrey Lee,
Jon Mendel, Lars Rindsig

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Henry George Foundation

424 London Fruit Exchange
Brushfield Street, London, E1 6EL
Tel 0207 377 8885
Fax 0207 377 8686

and

58 Haymarket Terrace
Edinburgh, EH12 5LA
Tel 0131 346 7139
Fax 0131 346 7139

office@HenryGeorgeFoundation.org
www.HenryGeorgeFoundation.org

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