

Land & Liberty

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Illustration courtesy of Obama for America



OBAMA

defining change

a programme for President Obama's White House

"To resolve the Israeli-Palestinian conflict we Americans need greater awareness that resources and rents lie at the heart of this dispute. What has been called an ethnic or religious conflict is, at heart, a land conflict." —JOSHUA VINCENT addresses President Obama

vol 115 WINTER 2008/9

cover story

SHEPARD FAIREY'S iconic portrait of Barack Obama has come to symbolise hope and change for America. But the question on everyone's lips remains "what change, exactly?" (see p. 6)



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columnists

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Lars Rindsig is Executive Editor of *L&L*.
David Triggs is Executive Chairman of the Henry George Foundation, publisher of *L&L*.

news in brief ...

Scottish tidal leases The Crown Estate in Scotland has announced an application process for "sea bed lease options" for the UK's first commercial marine power sites, in the Pentland Firth between the mainland and Orkney. The Estate is owner of the seabed to the 12 nautical miles territorial sea limit. The Firth has one of the UK's most valuable tidal power resources. The first leasing round aims to harness the tide to deliver 700MW of power by 2020. An 'eTendering' system, probably by reverse auction, will be used for procurement.

UK workplace parking levy The UK government is proposing to empower local authorities to bring in workplace parking levy schemes. Authorities, business and campaign groups are already lining up for and against. Pioneer Nottingham City Council plans to impose a levy on businesses with more than 10 workplace parking spaces. A local high-profile anti parking levy campaign is backed by the chamber of commerce and the CBI. The Department for Transport's public consultation period ends on 5th March. Go to www.DFT.GOV.UK

New Orleans, old ghettos Worries about catastrophic future weather and a lack of trust in the authorities' response to protecting the city are playing havoc with New Orleans' land prices. Some areas are now uninsurable, rendering them unmortgageable: land values have evaporated and areas are re-ghettoising—along race lines, and to geographic boundaries harking back to segregation. The newly re-elected Louisiana Insurance Commissioner continues to face stout criticism. The authorities' role in raising land values is being laid bare in New Orleans in a very public way.

New UK coalition formed A dozen UK think-tanks, charities and political pressure groups have joined forces in a concerted effort to advance a fresh approach to solving the current global economic crisis. The Coalition for Economic Justice is proceeding on the basis that—as Einstein was reported saying in a previous case — "the world cannot get out of the current state of crisis with the same thinking that got it there in the first place". *L&L*'s publisher the Henry George Foundation is a founding member of the Coalition.

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Illustration courtesy of Obama for America, photo © iStockPhoto/Bartoc

Land&Liberty

No 1223 Vol 115 Winter 2008/9

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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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Land&Liberty is produced on a *pro bono* basis by the Henry George Foundation and printed by A Local Printer Ltd on Revive 100% post-consumer recycled paper.

ISSN 0023-7574



The Henry George Foundation is an independent economic and social justice think tank and public education group with offices in London and members throughout the UK. The Foundation deals in cutting-edge ideas, exploring and promoting principles for a just and prosperous society and a healthy environment.

The Henry George Foundation of Great Britain Limited is a company limited by guarantee, registered in England, no. 00956714, and a charity registered in England under the Charities Act 1960, no. 259194.

www.HenryGeorgeFoundation.org

The pioneers of the New African Age

Kenya The Kenya government is pursuing major reforms to comprehensively address the complex land question in the country. The Ministry of Lands has published a new Draft National Land Policy to “establish an appropriate land taxation system to mobilise revenue and discourage land speculation”.

Land scarcity is an enduring issue in Kenya—as all over East Africa. Clashes on the Kenyan side of Mount Elgon in 2007 left over 150 dead and displaced more than 60,000, according to Reuters.

The Ministry’s analysis concludes that “the land based revenue sector is not performing as it should” and that “it is imperative that reform measures are put in place in the interest of equity, discouraging land speculation, enhancing revenue collection, and making serviced land more accessible”.

The Ministry’s policy response includes “in urban areas the Unimproved Site Value and Improvement Value Taxation”; for unplanned settlements “a special revenue collection system such as House Tax or Area Tax... designed to tap into the emerging commercial property markets in the slums and also facilitate improvement efforts”, and; a “Development and Capital Gains Tax... applied in order to capture for society some of the value created through public infrastructure improvement”.

According to government sources, Kenya Minister for Lands, Mr. James Orengo recently told the East African Legislative Assembly that the Draft National Land Policy would soon be discussed by the Kenyan cabinet before being debated in Parliament.

In a further move, Kenyan members of the Assembly have called for harmonisation of land laws across member states—Uganda, Tanzania, Burundi and Rwanda as well as Kenya—a region of 1.8 million square



kilometres with a population of 100 million.

us President Obama’s father was a Luo from Nyang’oma Kogelo in Kenya’s Nyanza Province. The President keeps an interest in Kenyan affairs.

For more information about the policy and to download a copy go to www.ARDHL.GO.KE

Ethiopia The Ethiopian authorities are in discussions with UK-based reformers about their land and tax policies. Prime Minister Meles Zenawi has a personal insight and understanding of his country’s land-based problems that place him at the forefront of what some are foreseeing as the new African age.

Zimbabwe The Zimbabwe government’s controversial land reform programme now lies in tatters after a Southern African Development Community tribunal ruling. The Constitution of Zimbabwe Amendment Act 17 nationalised the country’s land in 2005, and remaining white farmers were served with eviction notices.

The SADC case was brought by a group of evictees. The ruling reads: “We... hold that in implementing (Constitutional) Amendment 17, the respondent [Zimbabwe government] has discriminated against the applicants [farmers]

on the basis of race and thereby violated its obligation under Article 6 (2) of the [SADC] Treaty”. Morgan Tsvangirai’s MDC’s progressive land and tax reform policy [L&L 1222] awaits a tipping point in Zimbabwe’s fortunes.

Republic of South Africa Discussions are far advanced within the government on a proposal to introduce a land tax, the Land Affairs Minister Lulama Xingwana has told a Parliamentary Committee, according to a report in *BusinessDay*. Such a tax would assist the government’s bid to fast-track its land reform programme, the minister said.

Meanwhile, in the voluntary sector, a “historic legal challenge” is being mounted to South Africa’s Income and Property Rates Acts. The initiative is being led by the South African Constitutional Property Rights Foundation, a Cape Town-based public benefit organisation. The Foundation’s mission is “to make land affordable for everyone by challenging those South African tax laws which contradict the Constitution”. Foundation director Peter Meakin told L&L “we will be arguing that equity means affordability for everyone, however poor. That is, by law, unused land should have no entry cost”. Go to www.SACPRIF.ORG

HGF report

AGM This year’s AGM of the Henry George Foundation, held at 11 Mandeville Place, London, in September, was a happy and positive affair, helped by the abundance of good news that could be reported from the past year. More new members and supporters were recruited than for many years past and a corresponding increase in donations gave a significantly enhanced revenue. Members appreciated the successful development of the new educational courses held throughout the year. The retirement of Jose Mernane and Julia Bastian from the Council of Management—two long-standing stalwarts—was regretted with sincere appreciation for their contributions over many years. Three new

members—Michael Learoyd, Peter Bowman and Renate Schmidt—were elected to the Council.

Friday Library Group The autumn programme of Friday afternoon meetings of the Library Group continues to attract established and new supporters to hear talks from speakers from both within and outside the Foundation. The Group has been encouraged by the continuing stream of people drawn to visit following contact through the HGF website.

Principles of Political Economy The spring course programme is now under way. Encouraged by the success of the autumn course (The Condition of Labour), a new ten week course on the ‘Principles of Political Economy’ started on 9th January (see *diary* and HGF website). Enrollment continues enthusiastically.

Authors 2008 Around 70 came to the HGF-sponsored party in December to celebrate the work in 2008 of authors John Stewart, Brian Hodgkinson and Geoffrey Lee, and publisher Anthony Werner of Shephard-Walwyn.

UK Coalition The Foundation is a founding partner in the new UK initiative the Coalition for Economic Justice (see *news in brief...*). HGF Executive Chairman David Triggs said: “We are pleased to join with other groups advocating the collection of the unimproved value of land for public revenue as a replacement for taxes that inhibit production. It’s the way to solve the current crisis.” Through the office of Vince Cable MP a seminar has been arranged in the House of Commons on 24th March. HGF members are urged to bring the event to their MP’s attention.

CAP reform

Paul Flynn MP writes: a Scottish dairy farmer has caused a political uproar after it was revealed that he is to receive £1 million a year in farm subsidies: nine times more than the subsidy entitlement for the milk his cows produce.

William Hamilton (and Sons) of Meldrum Farm, Blairdrummond, Stirling, is the first Scottish farm to receive a single year payment of more than a million pounds (£1.47 million). The new single farm payment scheme pays farmers on the amount of land they own. Producing crops is irrelevant. They can stay in bed all day and still get the handouts. Even better they can sell their farm subsidy entitlements to investors—who may never have set foot on a farm.

At a recent public auction of farm subsidy entitlements in Scotland an investor paid £562.82 for a subsidy entitlement that is worth £306 a year indefinitely.

Under EU regulations, only someone classified as a farmer can buy the right to receive subsidies, but to be classified officially as a farmer, people need only hold a lease on a minimum of 1.7 acres for ten months of the year, and never need to visit it. Scottish landowners are now leasing out vast tracts of rocky highland for as little as £5 an acre a year, so that investors can claim to be farmers. For each acre you lease, you can buy annual subsidies averaging £100 an acre, but which can rise to over £1,000 an acre.

Still 40% of the EU budget is spent on wasteful single payments. At a time when tottering industry is in dire need of a helping hand, this is a chronic misuse of money.

Dip into *Paul Flynn MP’s lively daily blog* on www.PAULFLYNNMP.CO.UK

Meet the Social Liberalists

A new political party with a double difference has been launched in the UK. The Social Liberalist Party’s first difference is that most of its members, including its front bench team, are still teenagers. The second difference is that the party’s policy platform is built on “switching taxation away from earned income onto unearned wealth”. The party’s manifesto announces it as a ‘liberal’ party and sets out detailed national land tax calculations.

The party already has 13 branches across the country and hopes to count its members in the thousands by the end of the year.

Party leader Anton Howes (17) told L&L why they supported land value taxation: “It’s just a great idea, especially for first-time buyers and those unable to get onto the housing market”.

Renegade Economist

The Renegade Economist is a weekly 30 minute episode of the channel, see *Scotland*, a ‘Geost’ interpretation of Karl Fitzgerald (K2) and co-hosts delve into the shine the spotlight on motivations and policy with experts such as Bill Harrison, Alanna Harris hitting Michael Hudson.

K2 told L&L: “Look out for an interview with Fred Foldvary through geo-anarchism and anarcho-libertarianism and Austria”.

The modern age has software: listeners in the can sign onto the podcast to the radio show at anarcho-libertarianism and Austria. The modern age has software: listeners in the can sign onto the podcast to the radio show at anarcho-libertarianism and Austria. The modern age has software: listeners in the can sign onto the podcast to the radio show at anarcho-libertarianism and Austria.

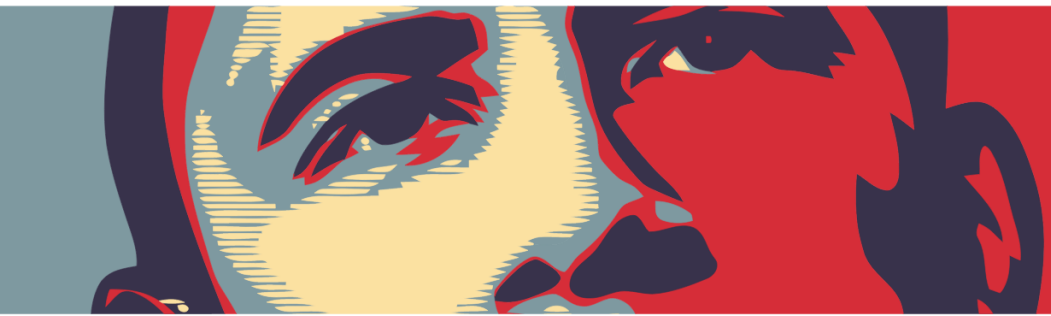
Ecuador rights



The Blue-footed Booby native to Ecuador and the Pacific’s southern islands

The people of Ecuador a new constitution that to recognise legally entities, nature, or ecosystem rights. Community Environment Fund. The Fund says the status of ecosystems from property under the law rights-bearing entities.

The move is considered expansion of the field of Commentators are diving it goodbye to the common or a barrier to the common the forces of privatisation fruits of nature? Go to



OBAMA: defining change

L&L commissioned ten top American economic reformers to address Barack Obama's election call for 'change for America' and to offer ideas for a programme for President Obama's White House. Here we set out some of the goals and policies that the new President could pursue in order to *really* change America, both in itself—profoundly and permanently right across its society—and in what it is to the world

“The president should explain to the people that the biggest subsidy in the economy is the land rent generated by government public works and services. To eliminate this subsidy that largely goes to the rich, the Federal government should enact a national levy on land value.”

—FRED FOLDVARY addresses President Obama

first shift tax in the right direction

Change Federal tax policy in such ways as to down-tax labor in all its honest forms, and up-tax income from holding real property, especially land and natural resources. MG

Define once and for all the distinction between capital gains and land value gains on Federal tax. Tax the true capital less, and the true land-rent gains more. JV

Refocus state and local taxation on the property tax, remembering that whatever the tax collector relinquishes is simply 'freed' to be paid to the banks as interest. MH

and go into tax a bit deeper

Reform our economic base to shift to a fairer economic system based on land value taxation and land value capture. Regard land and natural resources as a commonwealth: let communities benefit from their value and from providing access for businesses and individuals that use the land or resources. From this base, strong economies can emerge and continue to support communities for long term sustainability. AG

Our Federal tax system has been written and enforced as an agreement between rentiers and their partners in elective office. To demonstrate the 'new way' promised by the Obama administration, the Federal Tax Code must immediately take steps to end the farcical process of allowing buildings to be deducted

from tax many times over their useful life. Strengthen the prohibition of land value deduction by insisting that corporate entities submit their appraisals: too many examples exist where a plot of land that sells for \$1 million shows on the books at \$100,000. JV

Land value is fictitious capital, an asset and store of value for individuals that has no real social capital behind it. We should tax unearned increments to land values (miscalled 'capital gains' by some). By taxing land value and lowering its value we do not destroy any capital. On the contrary, we raise the owners' propensity to save and create real capital to restore the missing store of value. MG

Let's bring some sanity to the tax code and connect levies to expenditures. If you get the income tax right, you can lose the death tax and corporate tax. Just close all loopholes and instead exempt up to the first \$50,000. After that, set a rate that will fund only the military budget and related expenditures like Homeland Security and Veterans Affairs. For incomes above \$250,000, set a rate that will pay off the Federal budget in two terms. Once the debt is gone, that upper rate goes, too. And once the world gets peaceful, the lower rate goes down, too. JS

Levy a 20% tax on locally assessed land values, using the revenue to either reduce Federal taxes or remit it to the localities provided they reduce non-land taxes. SC

Replace the current individual income tax with a graduated tax that exempts all individuals who earn up to national median income. Above that income, a graduated rate would be applied that increases up to a maximum on very high marginal incomes. ED

Close the practice of offshore tax avoidance, and bring criminal cases against accounting firms abetting this practice. MH

Tax capital gains at the same rate as wages and profits, rather than at half the rate; and make these taxes be paid at the point of sale of real estate or other assets, not deferred *ad infinitum* if the gains simply are invested in yet more wealth. MH

Terminate the deferral of capital gains taxes, using all possible means. The devices are so numerous, and the possible means of termination so equally so, that the short recommendation is simply to make this a goal. MG

Revive the sales/assessment ratio studies

that were published quite recently, by the US Census. These served once, and help upgrade local tax. By instructing the Census values more, especially which they previously serve better than before.

Re-introduce the estate (very least) the Clinton schedule. MH

End the deduction of interest by owner-occupied dwellings imputed income of savings and their 'capital' gain.

Require a cost-benefit analysis of infrastructure to recapture all 'external' windfall real estate price of financing such investments.

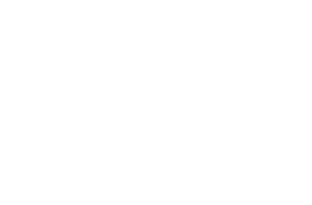
We can and should level the family of user charges' on, over, and under cities, charge people, cities, water companies, and others from surface and underground harnessing power drops.

then sort banks

Follow the UK's initiative on banks? Well, the US Congress to "coin money value thereof". So may we should be thinking of topic for another day—

Write down mortgage of property owners to market value. Banks that these borrowers must their decision that the to pay. Even better, app





existing Fraudulent Conveyance law, and simply annual loans that are beyond the ability of debtors to pay. **MH**

In the sphere of bad-debt banking, when a government agency takes over a bank or company that has negative net worth, the stockholders must be wiped out as their stock has lost all market value. Bondholders must stand in line behind the government in case of insolvency. **MH**

Prohibit banks from providing credit for land acquisition. This will remove a good measure of the 'speculative fuel' from land markets, requiring purchasers to accumulate savings as a down payment (and equity interest) on property. **ED**

Prohibit the banking and financial sector from loaning wealth using land value/ownership as collateral. The essence of the boom cycle is based on inflation of land values. The bust cycle need not inevitably follow. **JV**

Tax shifting would stabilize land and thus housing prices and prevent recurrence of land speculation that has recently fueled the land price bubble—and that ultimately contributed substantially to the subprime mortgage crisis. **AH**

As us government bonds mature, they should be refunded with fully amortizing bonds that repay both interest and principal to investors. The revenue required to service this debt should be budgeted for in the determination of tax rates and ranges of income to be taxed under the individual income tax. **ED**

accord fair dues—not welfare

Close the cavernous wealth and income gap: it's due not to hard work and smart investments at one end and laziness and stupidity at the other but to corporate welfare and tax loopholes. Acknowledge that society does have a surplus, that it is part of the commons, and that presently a few get to enclose the commons for themselves alone. Instead, use a portion of the revenue raised by bringing fees for privilege up to full market value to pay every voter a Citizen's Dividend. Going to everybody eliminates the stigma of welfare and being barely enough to get by it would not eliminate the incentive to work (by the poor, nobody cares if the rich don't work). **JS**

protect our common assets

Raise taxes on severing resources from the ground, with a special surtax on hydrocarbons to combat global warming. Lower taxes on processing and refining these same resources, thus changing from the present emphasis on raping the earth to a new emphasis on making the most of the resources that are extracted. **MG**

At the same time, raise taxes on holding resources unused in the ground. An *ad valorem* tax on resources *in situ* has this effect, and could be rationalized legally under the 16th Amendment. Lease contracts on public lands can be modified the same way by increasing the 'delay rental' element in the lease. **MG**

Raise the 'capital' gains tax rate on sales of resources *in situ*. **MG**

Require that private exploitation of natural resources on public lands be allocated by leaseholds awarded under competitive bidding, with annual leasing fees adjusted periodically based on the results of current bids. **ED**

Start to disengage from the general process of taxation of work and investment. From a Federal perspective, vast areas of the nation are owned and leased by the Federal government. Mining, ranching and other interests lease the land at pennies on the actual-worth dollar, and with long-term leases. Introduce market-value leases, renewable after full review every three years. **JV**

Review Federal land and resource holdings with particular attention to whether or not the Federal government is receiving rents and lease fees based on full market value. If not, implement reform so that the public receives full value for public resources with environmental safeguards built-in. **AH**

Stop the bargain bin sale of the broadcast spectrum. This ethereal version of land belongs to us all. Again rentals should be renegotiated to allow government to capture any increases in the rent of the broadcast spectrum. The amount can easily surpass \$500 million annually. **JV**

Distribute the resource rent of Federal lands and the electromagnetic spectrum directly to individuals in the form of annual dividend payments, similar to the Alaska Permanent Fund Dividend Division. **AH**

build a better environment for business

Increase regulations for corporate accountability and responsibility. Regulate so corporate profits cannot be transferred out of a geographical region to another part of a corporation in an attempt to avoid bankruptcy or other financial problems. **AG**

Replace the existing business profits tax with a graduated tax on gross revenue, exempting the revenue of small business (for example the first \$250,000 in revenue). Firms would no longer receive tax advantages as a result of their borrowing and would, therefore, borrow only on the basis of sound business reasons. **ED**

Lessen tax subsidies and loan guarantees that go into corporate welfare, and so help rebuild our nation's economic capacity and avoid politics from having to cater to the demands of corporations. **AG**

Tax corporate borrowing that is used merely to pay stock dividends or buy back one's own stock, at least at 50%. **MH**

Support Cooperative and Collective business models, providing incentives through tax subsidies and fairer tax and regulatory structures. **AG**

tackle carbon and pollution

Discard plans for a pollution permit trading system. Levy a tax on all sources of pollution. Pollution charges will bring in annual revenues. Levies focused on the pollution itself provide the most efficient way to reduce pollution. **FF**

Government militates against environmental assault with one hand and paves the way for such degradation with the other. That is, every single environmental problem people agitate to solve, government first worsens by subsidizing agri-biz, loggers, nuclear power, etc. Reform liability limits so that the burden of proof falls not on victims but on those who alter the natural world for profit. Require full responsibility of polluters and shift subsidies out of grey ways and taxes off green ways, and appropriate technology would flood the market, making the us a world leader again in a field that matters. **JS**

(continued on p. 15)

First come, first served?

Where to from here for the Treaty of Waitangi? asks **Bob Keall**

The Treaty of Waitangi established the formal terms of the relationship between New Zealand's Maori people and the British colonists. The Treaty was signed on 6th February 1840 and since has been the basis for mediating competing claims for land and natural resources between 'indigenous' groups and the country's European 'settlers'. In September 2008 the standing Waitangi Tribunal closed its doors to new historic claims. In November the country's general election brought in a new multi-party government with ministerial positions for the Maori Party. So, where now for Waitangi?

THE TREATY of Waitangi is regarded as New Zealand's founding document. Still, over the years since its signing, the Treaty has proven contentious. A permanent government commission—the Waitangi Tribunal—was established in 1975 to mediate competing claims over New Zealand's land and resources, so far as they relate to breaches of promise made in the Treaty. The Tribunal's work has been problematic. Many argue that the Treaty does not serve its function. Difficulties have arisen not least because the Treaty's Maori and English language versions differ greatly in their meanings: significantly, the British Crown claimed (in English) 'sovereignty', while the Maori ceded (in Maori) 'governance'. These different notions are key to any formulation of a future Waitangi.

In 1840, through the Treaty, the Maori engaged the British to govern or administer the country that they had occupied for a thousand years (see box). The Maori placed law and order foremost in their purposes: with the arrival of the settlers the country was descending into lawlessness. The Maori of 1840 were predominant among the islands' population—with 125,000 individuals, to only 2,000 Europeans.

Unsurprisingly the Maori presumed to

retain sovereignty. In the treaty to which they put their names they in fact specifically retained possession or ownership of the land. It was the Maori language version of the Treaty that was signed both by the Maori chiefs and (for the Crown) by William Hobson, Consul & Lieutenant Governor. That version (here translated by Hon. Sir Apirana Ngata) ceded to the British Crown "the shadow of the land but the soil remained"—which is interpreted as 'governance'. But the official English translation of the Treaty from the time said something quite different, with the Maori to cede "all the rights and powers of sovereignty" over their territories. Critically it has been this English language version which has held sway among the authorities. What do its differences mean?

There are many inside and outside Parliament who understand the problem. What they cannot conceive, however, is how to address the implications of the problems that are inherent in the Treaty and its interpretation. These people attempt to settle with *koha* (the New Zealand Maori custom of gift-giving), and with token mollifications (apart from contractual settlements).

Other parties (who may also understand the issue), nevertheless persist in asserting the English translation. For 'translation'—or mis-translation—is what the English-language Treaty is. To assert the English language document is wrong in British law: the document signed and understood—the Maori version—is the one that takes precedence. The motivation for any persistence in doing otherwise has to be questioned.

Then there are others again who certainly understand the differences in the Treaty versions, but see the significance only when land or resources are sold to *overseas* interests—for example Auckland's publicly owned foreshore marinas. And many simply are unaware or uncaring of the differences, and legitimately ask: "So what? and where to from here? There is no way back!"

Generally the public is encouraged to think of the ownership of land and natural resources (and the gain therefrom) as unimportant. We are encouraged to think that far more important is the minutiae of infinite regulation that attempt to rectify the imbalance and disparity caused by, say, private rather than public ownership of things. We are encouraged to think that native concerns are misplaced. At the same time we vaunt the attraction of real estate investment, even to cult status.

The Treaty of Waitangi included an exclusive right of pre-emption providing for any alienation of land or resources to be to the Crown. Circumvention of that provision by confiscation or breach of contract, including non payment (being addressed by the Waitangi Tribunal), or private deals by both Maori and Pakeha (New Zealanders of European descent), is irrelevant to the status of the two parties to the Treaty. Their status remains unchanged and is the basis of the Maori claim to sovereignty. That sovereignty could not apply to authentically alienated land after the Governorship was ceded to the British.

With the passage of time, and with events and changes in population, the 'administrators' have become predominant and the majority; and the parties racially mixed, frequently more Pakeha than Maori. That the small part Maori child of mixed parents of this generation could somehow be more sovereignly *tangata whenua* (see box) than the equally indigenous non-Maori parent, is nearly as absurd as the conflict of interest within the child itself.

What incenses the descendants of the original *tangata whenua*—as well as others—is seeing 'their' natural resources privatised and sold off. Such things are seen as being not "in the full spirit and meaning" required of the deal to which their forefathers signed.

The Treaty of Waitangi was essentially a device for peaceful co-existence at that time: and for the British it provided a constitutional framework for the early colonial development of the country. But in a rapidly shrinking and changing world, the Treaty cannot possibly be considered a blueprint for all time. Nor, in justice, can any generation bind posterity irrevocably. Yet the Treaty of Waitangi, in spite of its doubtfully understood terms, is defended as immutable.

There seem to be three options now for the future of the Treaty—ratification, abrogation or renegotiation. The changes of time, population and circumstances make ratification impossible even if desirable. Recent affirmation and the acknowledgement of current Tribunal claims preclude abrogation now as an option for Pakeha: yet at the same time failure by Maori to recognise the laws of the land effectively repudiates the Treaty and releases the other party. So the only solution for the Treaty of Waitangi seems to be its renegotiation.

There is a unique way to satisfy the ongoing interest of the *tangata whenua*, both old and new. That way is the renegotiation of the Treaty

The Maori and the populating of New Zealand

New Zealand is one of the world's most recently populated land masses. The Maori are the 'indigenous' Polynesian people of Aotearoa (New Zealand). It is thought people arrived on the islands—a final destination for a saga of island-hopping sea voyages—in several landings between about 800 and 1300. The settlers spread throughout the islands and developed their own distinct identity and culture.

The Maori use the term *tangata whenua* to describe themselves. The term means literally 'the people of the land'. By naming themselves in this way they can emphasise their relationship with a particular locality or with all New Zealand.

The islands seem to have come to the attention of Europeans first in 1645. But it was only after Captain Cook's first voyage of 1768-71—and his mapping of the coastline—that trading with the islands began in earnest. European settlement, from the early 19th century, was led by Christian missionaries.

But soon an increasingly lawless condition developed in the country. The Treaty of Waitangi and formal British colonial dominion sought to regularise the situation. The Treaty resulted in an influx of settlers, particularly from Britain. However the particulars of settlement and the acquisition of Maori land have always remained controversial.

enlightened by a full sense of environmental, economic and social justice. There must be two conditions to any renegotiation: that private enterprise must not include private ownership of the elements of life; and that free trade in land and resources must not include the freedom to 'invest' in owning others' natural resources that are rightfully their source of revenue.

All *de facto* present-day tenures of lands and resources must be secured by the obligation to periodically compensate the whole of New Zealand for the privilege received. So the unique solution to the problem of renegotiating the Treaty of Waitangi is to collect a market rental for all natural resources on behalf of all New Zealanders of all ethnicities—so we all are *tangata whenua*. Ownership in common now has to be recognised, and joint administration arranged accordingly, and the public collection of resource rentals for revenue does exactly that.

Such a renegotiation would be entirely consistent with Maori lore. It would also be consistent with British law as expressed in the original meaning of 'fee simple'—that is, a holding 'in fee' or on trust from the Crown (on behalf of the whole community) and on payment of the required fee or rent.

(That original and natural law was forgotten when the obligation was replaced by taxes on the serfs, and the baronial privilege was fragmented and sold as freehold title: yet successful governance and well established sovereignty are contingent on it.)

On the rediscovery of that law, and the reversal of that tort, depends the future of the Treaty of Waitangi, and the resolution of a current impasse. [L&L](#)

Bob Keall is director of the Auckland-based Resource Rentals for Revenue Association.

technology". Jeff Bezos, Amazon's CEO, is himself critical of IP law. He proposes the lifespan of software patents should be shortened from 17 years to between three and five: "At internet speed" he says, "you don't need 17 years".

Many argue Amazon's patent has sloped the playing field steeply against its competition. Originally only a bookseller, the company has taken the opportunity of the intervening years since 1999 to develop itself into the web's leading department store. So is it - Click the clearest example of 'patent stupidity'?

Developers of commercial material such as software code also use copyrights to protect their commercial interests. People and businesses that buy software do not buy the code. They buy a right only to 'execute' the software—a 'use' right in other words. Consequently purchasers have no right to modify that software for their own use (beyond the manufacturer's intended scope for personalisation), or to improve the software by correcting errors or adding new functions. They have to use the software as it is. In order to improve it purchasers would need legal rights to modify it. In most cases that is not possible, or not financially viable.

'Open' software is a developing feature in the information technology field. The term implies that the code is openly accessible for more than a restricted group of developers. The computing operating system Linux for instance was created—and is kept updated—by an open global community of internet-linked developers that have access to the code and legal rights to modify it. Many core office and home applications have also been created and are available on an 'open' basis. Firefox is the world's second-most popular web browser in use worldwide—after Microsoft's Internet Explorer (about which IP issues have raged to the highest courts)—and is open source.

The open software movement arose as a response to the closed world of traditional software development, where developers do what they can to keep all software rights to themselves. That is not to say that copyright on open software like Firefox does not exist, or that rights are not protected—it is simply that such copyrights (and the intellectual property they protect) are held in public trust, and defended for the public benefit. In Firefox's case this is achieved through the Mozilla Corporation and Mozilla Foundation—a not-for-profit organisation that exists to lead and support the Corporation's open source projects.

So it might be said that a battle has been joined in the open software movement: between the virtual *Enclosers* on the one hand, and the virtual *Diggers* on the other; with the battleground being rights to the functional language of our digital life—of what some argue

is the 'virtual commons'.

The term 'commons' originated as a reference to an unenclosed area of the earth over which a community could exercise certain traditional practical rights: for instance, a right to pasture cattle or other animals; a right to fish; a right to cut firewood or take sods of turf for fuel; a right to take sand and gravel; or a right to take sufficient timber for the construction of the commoner's house.

Recently the term 'commons' has been used to denote shared access to and use of resources in a broader sense than the literal one of the unenclosed natural world. The Creative Commons, for instance [see lower box p.13], is an initiative whose very idea can be seen as a systematic way in which copyrights can be softened by their owners, in order to allow others to modify works according to specific and author-prescribed rules. For example, a composer of a piece of music may let others create new compositions around it, whilst keeping the copyright to the original piece. Open software can be considered as a sort of creative commons of software code where large communities of developers can contribute to software development.

Intellectual property is in its very nature different from physical property. It is associated with what are known as 'non-rivalrous' goods. Physical property is located in physical space and can be taken away unlawfully from that place—stolen. If two people exchange between them a piece of bread and a piece of fruit, each of them is left with one eatable item: they are exchanging 'rivalrous' goods—those whose consumption by one prevents simultaneous consumption by another. On the other hand, if two people exchange ideas, they are both left with an extra idea. In that sense an idea cannot be stolen—taken away from a place: it only can be shared—that is, copied or multiplied.

The growth of open software, the concept of creative commons, and the pronouncements of numerous consumer organisations around the globe strongly indicate that there is a widespread dissatisfaction with the current restrictive use of copyrights and patents. The ease with which high quality copies can be made and distributed in the digital world has stoked this dissatisfaction.

Is it possible to reform IP law provisions to ensure fair rewards and compensation to creators, and at the same time support a greater degree of knowledge sharing and learning than at present? Creators should be rewarded for their efforts and investment—although a huge number of open software developers work many hours without any other rewards than the creative work itself; and an increasing number of businesses let their customers and users

participate in innovation of new products and services with little or no compensation.

Is there a limit to the types of innovations that can be patented? Software patents are process patents in the sense that they protect certain ways of doing calculations or other processes in software. Should organisational processes be patentable? Should the processes of nature be patentable?

The biotech industry uses gene and other patents to create medicine that is too expensive for the poor people who need it most. Ironically, many of the gene patents are based on natural resources sourced in the very countries in the South with the poor people who cannot afford the medicine.

To what degree should knowledge and ideas be treated as shared resources for learning and innovation that can be used by anyone? How can we keep all knowledge related to nature and its genes and processes as a shared resource for all people? These questions are profound, and in an age of great change we need to keep asking them. We have inherited our concept of IP from a previous era. If we ensure that our approach to reform confirms all people's equal right to the value of their effort, and ensures all people's equal right to the economic value of nature and its resources, we may be able to find the answers we need to these questions for our own age. [L&L](#)

Dr Lars Bækgaard is a researcher and lecturer at the Aarhus School of Business, Denmark. He is a former Leader of the Danish Justice Party.



A moral principle of IP for the digital age

Externalisation of the cost of production by free sharing is justifiable only by gift. Otherwise it is immoral and is theft. The moral principle behind the protection of intellectual property is therefore based on the idea that a person's idea is not another's just to take. Discuss.

(continued from p. 9)



OBA defin chan

Foster climate change economic opportunities. Climate change needs to have an economy capable of resolving the conflict between long term sustainability and short term financial interests. Creating laws that demand carbon reduction from corporations and nations will foster the emergence of global carbon credit financial markets—supporting assistance to poor farmers in developing countries who can participate in tree planting or vegetation regeneration projects and earn revenues that can, in turn, catalyze economic development within their communities, increase rural incomes, enhance land tenure security, and stimulate natural resource conservation. [AG](#)

initiate a new ethical foreign policy

Come to an understanding that to resolve the Israeli-Palestinian conflict we Americans need greater awareness that resources and rents lie at the heart of this dispute. What has been called an ethnic or religious conflict is, at heart, a land conflict. [JV](#)

Work towards a confederation of Israel and Palestine. The Israeli settlers in the West Bank would be allowed to stay if they paid a land rent to the Palestinian government. Palestinians would then be compensated for not being able to use that land, while the Israelis would have to bear a cost for settling in what would be recognized as Palestinian land. All the landowners of Israel and Palestine would also pay rent to the Confederation to pay for its expenses. [FF](#)

In continuing disengagement from Iraq, as a gift to those who have suffered decades of poverty, violence and corruption, the us government could urge a Citizen's Dividend funded from the value of mineral deposits, based on the Alaska model [see 'Iraq, violence and resources', [L&L](#) 1222, Ed]. [JV](#)

Immediately end restrictions on trade and travel for Cuba. [FF](#)

Promote a global agreement to reduce taxes on pollution, enforce the Paris Agreement. Develop a global carbon market. China and India should lead a 'green tax shift', replacing fossil fuel and sales with taxes on reducing pollution. [JV](#)

make more for us all

Authorize the us Treasury to give each permanent resident a cash infusion of \$10,000. The cash infusion should be distributed to the economy without a tax. It should then be no more than a loan. Insurance, brokerage, and other services should use the cash to buy government bonds, not make investments, all of which would harm the economy. The inflationary pressure should be reduced by debt burdens, and although the debt is not paid back with cheaper money, it is much better than no government. [JV](#)

Support complementary currencies, giving them legal status. They will help sustain the economy and allow these currencies to be more competitive global trade. [JV](#)

help us save the future

Bail out the government. Guarantee Corp's \$25 billion in 2009 year, underfunded corporations are supposed to 'catch up' as to protect the PBGC, a law passed by Congress in 1974. Underfunded plans do not have 92% coverage for this year. Their set-asides fully up to date. The stock market hopes to do this. The rest of the world's many industrial companies are in a bind. [MH](#)

Beyond recession: what changes for the future?

The recession shows the need for profound social and economic reform, says **Mike Danson**, and brings opportunity for that reform to be welcomed

WE ARE facing a period of recession where the poor and dispossessed will suffer more than most and many of those on the margins of poverty will slip into deprivation and exclusion. The last quarter of a century has seen deepening economic and social divides in the UK, exacerbated by an increasingly unfair tax system, during a period of unprecedented and unsustainable growth. But the recession brings opportunities for profound social and economic reform.

There are likely to be both positive and negative impacts and features of this recession for common people and obviously on balance the latter will dominate. Recession is primarily about negatives: higher unemployment and worklessness, enforced premature retirement, lower levels of well-being, falling real wages cumulating in more poverty, deprivation and ill-health. Uncertainty and risk rise for individuals and communities, exacerbating these changes. For companies and households, costs of capital and loans are rising—despite cuts in interest rates, undermining the willingness and capacity of enterprises and people to make decisions, to innovate and to progress. Reform must temper these negative tendencies. Yet during a slowdown, economic and social change also slow down; recession and redundancy do not build confidence and creativity—overwhelmingly they destroy.

But a recession never endures: it should therefore be an opportunity for looking again at the need for regulation and planning, for reflecting on the systems and structures that led us down here. This should be a time for arguing what must be done to challenge and reform the infrastructure and superstructure of society, to ensure the eventual upturn does not reward those who created the recession and who continue to create the conditions for division and exclusion. We need genuine and irreversible political reform, not quick fixes to promote party and sectional interests. Land and tax reform must be a part of that programme.

Some of the more favourable implications of the next few years will be felt in housing where the falling house prices and lower interest rates should make private sector—especially owner occupied—accommodation more affordable



Without profound social and economic reform we will simply dig ourselves even deeper into the hole in which we now find ourselves

for those able to keep on middle incomes. As Housing Benefits cover a significant proportion of the costs of housing for many on low incomes, where social housing is also a more popular form of tenure, there will be limited benefits from these changes. Rationing of mortgages, over-reaction to the worst excesses of the sub-prime fiasco and other irresponsible developments in lending practices, and greater

“But a recession never endures: it should therefore be an opportunity for reflecting on the systems and structures that led us here”

risks and uncertainties in the market over future job and income prospects will all mute the benefits of increased affordability.

To counter the slowdown in private housing construction, there will probably be an acceleration in social housing programmes. This will partly redress the domination of the pursuit of owner occupation and so give the opportunity to re-evaluate the house as home, rather than speculative investment.

Lower levels of production, travel and consumer activity should reduce demands

for energy and so carbon emissions and other pollutants. These decreases may generate inefficiencies in production, however, with the threat of diminished efforts to seek energy-saving innovations, prolonging poor practices, but also postponing moves for a large scale nuclear power plant programme. Calls to bring forward motorway and railway infrastructure projects to create and preserve jobs, incomes and enterprises, can have both positive and negative impacts for the economy, society and environment. Reform must address how social progress is often accompanied by adverse consequences for many, acknowledging the implications of the tax system.

Generally, speculative planning developments and threats to heritage, open spaces and the built environment should all slacken during a recession. These various characteristics of a slowdown all give the time to revisit and reassess how the country has been evolving, providing the opportunity to change the focus. There continues to be a need to look at what those who are discriminated against, marginalised or excluded, require, to live happy and fulfilling lives. But, counter to this, an unintended consequence of the recession is a relaxation of the emphases on such social objectives: redundancies and higher unemployment reduce the pressure to re-engage with those suffering from problems of employability. We must challenge that tendency.

Across the world there are renewed attempts to adopt an alternative agenda and we can learn from these and adapt to suit local and regional needs. Some of these have their counterparts here already. Micro-credit schemes and other means to maximise local

impacts of local spending and saving are found in credit unions, LET schemes and farmers' markets. The long-term advantages of mutualism, embodied in trades unions, cooperatives, building societies and much of the banking, insurance and finance sector, were undermined by successive Westminster governments; they need to be reinvigorated and offered greater protection.

The regeneration of parts of the Highlands and Islands of Scotland through community buy-outs of their own land, following the land reform acts, demonstrates what ordinary people can do when the shackles of landlordism are removed. Repopulation, new companies and housing have all been achieved through their own collective enterprise, against stagnation and worse under private ownership. That this was only possible under devolution and that Scotland is faring better in this recession than England confirms that democratic changes are necessary and successful components of reform. The confidence and growing self-esteem that these developments have encouraged locally and nationally are critical to further progress. As important, policies and strategies to create a more equal and equitable society have to be introduced at all levels if evolution is to be positive and worthwhile. Fiscal reform is an essential part of this so that the excesses of the past quarter century are not repeated. In that regard, there must be a move to truly progressive taxation so that the poorest no longer pay a higher proportion than the rich of their incomes in tax—with unearned income the key target.

The most successful, sustainable and cohesive societies have weathered their own recessions and crises in recent decades by pursuing just and equitable paths. This recession makes the implementation of such reforms essential and long overdue. Now is the time for the arguments to be made even more strongly so that we progress through the coming months and years with hope for a better and sustainable future for all, rather than for the few. **L&L**

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Photo © iStockPhoto/Pinkbook

African states of failure

Fresh back from a filming tour of southern Africa, **Fred Harrison** warns there might be trouble ahead for the continent



Mozambique is one of the world's poorest and most 'underdeveloped' countries. In spite of recent strong economic growth, the promise of its flagship land nationalisation has not been met.



Photos © Stig Nygaard and Eduard Graze (iStock)

FROM THE ground, Mozambique looks like most African states. Despite the dollar-a-day existence that blights the lives of most people, life in the streets appears cheerful as the population goes about its business. But dig deeper, and we can see the fractures in the institutions that make up society. In time, those cleavages will deepen, fragmenting communities and causing social breakdown.

The us intelligence community is now warning that many African states may break down and fall into the category of 'failed state'. Already, in the Horn of Africa, we see states that harbour pirates that now disrupt trade on the high seas. But while these episodes make headlines around the world, few notice the stresses on the ground that signal the institutional causes of crises in the making.

Mozambique is now enjoying peace, after a civil war that claimed the lives of a million people. But it cannot look forward to peace and prosperity, because the foundations on which the state is built will wreck the lives of future generations.

The government of this southern African country, on the coast to the east of Zimbabwe and South Africa, has sought to remove the risk that its population will ever again fight over its territory. The land has been nationalised—and is there for the asking by any citizen who can show a need for it. But the incompleteness of this policy identifies the flaw

in the system, a flaw that blights the lives of most people in Africa today.

Western academics have coined a concept that is supposed to illuminate why so many states in Africa fail to function. Resource-rich territories like the Congo are said to suffer from a syndrome called the 'resource curse': the rents that flow from nature's resources are disputed, fought over by warlords in violent conflicts that are the substitute for the political process.

The notion that Africa is cursed by its rich endowment from nature, tells us as much about the poverty of the social sciences in the West as about the failures of post-colonial governance in Africa. But the debate now conducted in the textbooks at least helps us to isolate the problem that needs to be untangled.

- In the colonial era, especially from the late 19th century, Africa was plundered by European powers for her resource rents.
- Following independence, few countries adopted the formula for reclaiming those rents for the benefit of the people of Africa. Botswana is an exception, as I explain in *The Silver Bullet*.

Zimbabwe, of course, is the clearest case of the failures of governance. That state has completely collapsed for no better reason than that its politicians could not figure out a way to

maintain food and tobacco production while ensuring a fair distribution of the country's rents in a way that would accelerate social development.

So when I visited Maputo, I wanted to discover how Mozambique was dealing with the distribution of its rental income. If, under the constitution, the land belonged to all citizens, surely that necessarily meant that the revenue from the land was also the income of the population?

Not so. The government's fiscal policy faithfully reflects western doctrines. The burden of taxation falls on the incomes and consumption of the population. To acquire land, citizens and foreigners are entitled to 99-year leases that give them security of tenure. But they do not pay the rents of their holdings into the public purse. This means a grievous injustice is routinely inflicted on the majority of Mozambique's citizens.

- Working people are penalised for earning their living, paying taxes to fund investment in infrastructure that raises the value of the assets of leaseholders.
- Leaseholders with the most valuable locations or most fertile fields pocket the rents that they do not have to share.

This nexus is the root of evil in Africa. It is the ultimate source of the dollar-a-day poverty

into which most of the continent is locked.

Africa's leaders have no inkling that it is their own tax and resource policy decisions that are now the source of the suffering of their people. It is not the debt burden, not the absence of fair trade, not the avarice of multinational corporations, that is to blame for the abject poverty that drives people to commit barbarous acts of violence against their fellow beings. It is the failure to understand the economics of public finance, which is the ultimate cause of hunger and homelessness, which then triggers the violence and the fragmentation of nation-states.

So Mozambique's nationalisation of the land is a meaningless gesture. Those million dead souls—crucified on the altar of the post-colonial settlement—died in vain. The land might just as well remain in private ownership—a legacy of the Portuguese colonists who displaced the original tribal occupants—because the resource rents continue to be privatised, driving a wedge between the New Haves and the Have Nots.

I toured the beautiful coastline north of Maputo to interview the white businessmen from South Africa who were constructing beachfront chalets to serve the tourist trade. With government permission, they acquired their leases from Mozambiquans. Legally, the land was not sold. But the value of the land was paid 'under the table' by the investors, who were happy to acquire their tracts on 99-year leases. As the tourist industry flourishes, the location value of their properties will rocket—and the rents will go into their pockets.

This is no different from what is now happening up the coast in Kenya, where land is in private ownership. The powder-white beaches are magnets to a new class of investors who know that the future value of the sand on the edge of the Indian Ocean will be greater than the profits to be made from manufacturing goods for sale to the impoverished population.

Failing states begin with a failure of stewardship of the community's interest.

Governments continue to treat their land as if it was worthless. They are literally giving it away. The mind-boggling case of the Madagascan land give-away is particularly dramatic. The government has apparently given a property half the size of Belgium to a subsidiary of PT Daewoo Logistics Indonesia, on a 99-year lease.

Daewoo says that it has 1.3 million hectares of land there to ensure that it can be a weapon in the hands of the executive is quoted as saying in the Times (20th November).

Fine for Daewoo. They expect to escape the consequences of the injustices that flow from the regime. By failing to reform the economy, we are likely to see the site of a super-powerty global economy recovered.

- China has already secured the African minerals and her factories working in those resources will industrialise her ru...
- The us, weakened by the... of the Wall Street boom, contest China's inro...

President Barack Obama's interest in Africa, given in Kenya. So he will do as well as strategic interests. But this may lead to a continent's future by the confrontation. And that nothing other than the resource rents.

Kenya is one of the that want to secure are negotiating le Senegal to grow price rises.

But African countries dependency culture. Qatar's plan to exchange. Qatar's off the northeast owned land. But the government spoke for free. If you want concessions" (3rd Jacques Diouf Organisation, has agricultural systems

The Greenspan years

Reflecting on Michael Hudson's judgment of Alan Greenspan as the global elite's economic mythmaker, **Ed Dodson** concludes his own three-part assessment of the Greenspan legacy



Photo: Federal Reserve

IN HIS final year in the Presidency, Bill Clinton delivered the annual *State of the Union* message to the nation. Among the achievements of his administration that he highlighted was the elimination of the annual budget deficit and a small reduction in the total national debt. "Now, if we stay on this path, we can pay down the debt entirely in just 13 years and make America debt-free for the first time since Andrew Jackson was President in 1835", he declared. Given that the US government's accounting practices were—and always have been—divorced from what any auditor would demand of a business, the actual circumstance of the time is impossible to discern. In September of 2000, David Walker, the Comptroller of the United States cautioned the nation that more remained to be done than had been accomplished:

"From a fiscal perspective, we aren't out of the woods yet. The future surpluses that are the current subject of intense debate are based on projections. Just three years ago we had projected deficits for as far as the eye could see. In addition, we know that we face a demographic tidal wave that can swamp our future fiscal picture and return us to the days of growing deficits if we are not prudent about our actions today. This demographic tidal wave is not a projection, it is a fact because the individuals who comprise it are already living, and many are rapidly approaching their normal retirement eligibility dates."

In a speech delivered in December 2000 at the Federal Reserve Bank in Philadelphia, Edward M Gramlich, a member of the Fed's board of governors, highlighted the fact that "conventional home purchase mortgage lending to low-income borrowers increased nearly 75 percent between 1993 and 1998", and that "conventional mortgages to African-Americans increased 95 percent over this period, and Hispanics 78 percent". It seems rather ironic today to read his next statement:

"Much of this increased lending can be attributed to the development of the subprime mortgage market. The Department of Housing and Urban Development (HUD) reports that the number of subprime home equity loans has gone from 80,000 in 1993 to 790,000 in 1998, an 880 percent increase. This rapid growth has given access to credit to consumers who have difficulty in meeting the underwriting criteria of 'prime' lenders because of blemished credit histories or other aspects of their profile. This access gives people from all walks of life a shot

at the American dream—owning a home and getting capital gains."

Despite these gains, there was disturbing information coming to the surface. An industry long plagued by fraud and theft was experiencing these problems at a previously unimaginable level of sophistication. The players were rightfully described as predators and their practices described as predatory lending. Neither regulation nor law enforcement have significantly mitigated, let alone eliminated, the problems. Investigative hearings held in 1997 by the HUD resulted in a detailed report to the US Congress, but no legislation. Financial literacy programs developed by the Fed, the FDIC (Federal Deposit Insurance Corporation) and other organisations are reaching only a small percentage of those most susceptible to the marketing pressures applied by agents of the predatory lending companies.

Subprime mortgage originations reached \$90 billion in 1996. The Fed's own analysis of data gathered under the Home Mortgage Disclosure Act (HMDA) confirmed that from 1993 to 2000 the number of subprime purchase money mortgage loans increased from around 16,000 to over 306,000. By 2000 the number of subprime second mortgage loans exceeded an annual volume of 658,000. In a speech delivered by Alan Greenspan in March that year, the Fed chairman acknowledged the existence of "abusive lending practices that target specific neighbourhoods or vulnerable segments of the population and can result in unaffordable payments, equity stripping, and foreclosure." A report issued in November of 1999 by the General Accounting Office (GAO) took the Fed to task for its failure to examine the lending practices of subprime lending companies owned by the nation's banks. The Fed has been grappling with this aspect of their regulatory responsibilities ever since.

By 2002 subprime mortgage originations represented roughly 10 percent of the total dollar volume of residential mortgage loans closed. Reported mortgage loan fraud, already out of control, skyrocketed. As a result of litigation, two lenders—Household Finance and Ameriquest Mortgage Company—agreed to \$800 million in restitution to consumers.

Still, us homeowners continued to refinance existing mortgage debt and draw equity out of their properties. Some 8 million mortgage loans were refinanced in 2002, 12 million in

2003. This represented nearly one of out every six homeowners.

The stresses on the US economy and on many American people were intensifying. Every year the number of home foreclosures and bankruptcies hit historic highs.

In 2005, Ravi Batra made a case for Alan Greenspan's complicity back to the unravelling of the US economy in his book, *Greenspan's Fraud*. Batra argued that the Fed under Greenspan oversaw the demise of a large portion of the middle class. Batra traces Greenspan's complicity back to the early 1980s, when he supported increases in the payroll tax to help reduce the Reagan budget deficit. This was the first step in eliminating the progressivity of the Federal income tax. He had summarised his views on Greenspan in an earlier interview:

"Greenspan's fault was his poor understanding of economics. He thought that the productivity jump resulting from the adoption of information technology generated high profits, which lubricate stock markets. But he forgot that when wages fail to keep pace with productivity, then the economy needs explosive debt growth to maintain profit growth. But debt growth cannot increase forever; so a stock market crash was inevitable. That is why all speculative bubbles pop in the end."

And, in the end we are left with our own conclusion whether Michael Hudson's assessment is more accurate than that of Ravi Batra. Has Greenspan been an active and knowing agent of the privileged elite? Or, is he basically an economist who possesses an extremely limited understanding of how markets function and how fiscal and monetary policies affect markets? Perhaps the best answer is that he is a good deal of both. In any event, we are once again at the end of the 18-year land market cycle, poised for another collapse while our government officials and central bankers do what they can to place the blame elsewhere. **L&L**

Edward J Dodson is Director of the us-based School of Cooperative Individualism and author of Discovery of First Principles. Parts 1 & 11 of 'The Greenspan years' were published in L&L 1221 & 1222. 'Mr Greenspan's myth' by Professor Michael Hudson, to which 'The Greenspan years' is a response, was published in L&L 1220.

Diary

24th February 2009, London
conference **The State of the Economy**
The IEA & Marketforce's 26th Conference
WWW.MARKETFORCE.EU.COM/ECONOMY

2nd & 3rd March 2009, Chicago
talk Beatlenomics
WWW.HGCHICAGO.ORG

11th-13th March 2009, Sydney
conference **24th National Convention of the Taxation Institute of Australia**
WWW.TAXINSTITUTE.COM.AU

24th March 2009, London (*restricted*)
seminar Coalition for Economic Justice
House of Commons (contact David Triggs on 07753 618558 for further information)

5th-9th August 2009, Cleveland, Ohio
conference **29th Conference of the CGO**
WWW.PROGRESS.ORG/CGO

19th-23rd October 2009, London
conference **26th IU International Conference—The African Future**
WWW.THEIU.ORG

21st October 2009, Copenhagen
Danish Justice Party 90th birthday
WWW.RETSFORBUNDET.DK

Tuesdays 7pm-9.30pm, London
(*newcomers always welcome*)
course Money, Credit, Banks & Government
10 weeks, commencing 13th January
WWW.HENRYGEORGEFOUNDATION.ORG

Tues, Wed, Thurs eve, Sat am, London
course Economics with Justice
WWW.SCHOOLOECONOMICSCIENCE.ORG

Fridays 2.30pm-4.30pm, London (*all welcome*)
HGF Library Group meetings and lunch
11 Mandeville Place (lunch 1pm at Pizza Express)
WWW.HENRYGEORGEFOUNDATION.ORG

Fridays 6.15pm-8pm, London
(*newcomers always welcome*)
course Principles of Political Economy
10 weeks, commencing 9th January
WWW.HENRYGEORGEFOUNDATION.ORG

Julien Gross

We are sad to report the death of Julien Gross, at his home with his family, on 13th December 2008. Julien was the subject of a major profile and interview in the last issue of **L&L**.

His own worst enemy

Under the heading "Of Geoffrey Lee (**L&L**)" a long article by Professor called "Henry George's January 2008.

The title in effect sums up the tactics he employed by Prof. Hudson that left to later followers, w enemy". George, political his own movement! It Geoffrey Lee writes dis patronising insinuation small difference, what simply to agree with P.

Let us take just three *George's Support of Capitalism and George's Rejection of Elaborate Rent Theories* headings must strike at George's life and teaching, bizarrely, Prof. Hudson's these criticisms. They are

He accuses George of, for example, of displaying attitude"; he writes that tirade against economists that economists had made improvements" since R interested in what actually George's address and an expert commentary on check Prof. Hudson's a George's biographer Cl

Geoffrey Lee, reflected that "George was not g with others". What is t he did not join other p Reform Conference in anyone interested in w Henry George Jr. I ha Barker. Certainly the e for such a sweeping ge

But the review by no Hudson's criticisms. In the review appears to g first nine pages—the a misses the main critical of view. This is that Ge ally himself with the se movement, and that G this unfortunate legacy

So trenchantly does that we find George ac with capital" and of "h even when it became n or abusive of workplace

A lesson to be learned

The People's Budget: an Edwardian tragedy by Geoffrey Lee (revised edition) Shephard-Walwyn, 2008, 80pp p/b, ISBN: 978-0-85683-262-8, £7.95

This compact book is a terse historical vignette of a time of great significance for would-be reformers—Lloyd George's People's Budget. The eponymous 'great Edwardian tragedy' is, according to the author, "that the key to solving our economic and social problems was in the hands of these politicians and not used". This revised edition of Lee's book has been published for the celebration of the 2009 centenary of Lloyd George's budget [see p.24].

The People's Budget is usually considered as the starting point of the modern Welfare State. But most reformers will tell you that the most important measure contained in the budget never got through.

The 1909 Group is "a cross-party celebration of the centenary". It has been set up "to foster a re-examination of some of the key issues that were left as 'unfinished business' in the constitutional upheavals wrought by that government's radical liberal economic and social agenda"—which, it believes "have been buried beneath a century of swings between socialist and monetarist policies".

Lee's book provides necessary illumination for that "re-exami-

nation". It records the history of the struggle of the "peers verses the people" which fatefully—though leading to the neutering of the House of Lords power over money bills—still left 'the Land Question' unanswered—as it remains to this day. The (real) landed classes today may be of a different sort (middle class, urban); yet landed privilege persists, and it is in large part responsible for bringing the world to its present sorry state.

Lee's book is a well written account of the political machinations leading up to and surrounding a key moment for the modern world. The story Lee tells will surely become an increasingly important political and social reference in a post-recession world.

Peter Gibb

Come hell

Hell and High Water: Climate Change, Hope and The Human Condition by Alastair McIntosh Birlinn, 2008, 289pp, p/b ISBN: 978-1-84158-622-9, £8.99

There are few charismatic figures leading today's reform movements. Alastair McIntosh is one of them. He combines vigorous activism with deep learning, all executed with an infectious passion that sweeps us along towards a vision of a decent society, one in which humans may once again live in harmony with nature.

Unlike many other critics of the current order, one based on exploitation, the author acknowledges the possibility that capitalism may not have to be swept away in its totality. But how do you eliminate its cut-throat features? McIntosh explains that conservation of depletable resources, and



curbing the ruthless despoliation of the environment, could be accomplished by using the tools and values to which the current market system claims it adheres.

For example, "shifting the base of taxation away from people's labour and profit and on to energy simultaneously tackles both the energy that we daily consume and that which is 'embodied' in the manufacture of goods and services". Unfortunately, while sections of the green movement vigorously champion the notion of fiscal reform, the profound

implications of this strategy have not penetrated the mindsets of policy-makers.

To change that mindset, however, we need treatments that dig deeper than the formalities of fiscal policies. And that is the value of McIntosh's book. He explores the cultural, psychological and spiritual issues—all interlinked—that make up the human experience. Adjusting one of the pillars that hold up the structure necessarily affects the rest of the social system. We need to know how we are affected, so that the full range of benefits are understood and accepted.

Fred Harrison

Unownable

Against Intellectual Property by Stephan Kinsella Ludvig von Mises Institute, 2008 70pp, p/b, ISBN: 978-1-93355-032-9 \$6

This essay by a legal theorist is an examination of the whole notion of owning ideas. Kinsella's conclusion is that intellectual property infringes on other property rights and is contrary to a free market. Kinsella delivers his analysis convincingly from his libertarian viewpoint—"one should bear a heavy burden of proof to enjoy a monopoly". This small book is a worthwhile contribution to the debate defining the limits of property.

Maxwell Lewis

Planetary real estate

The Earth Belongs to Everyone by Alanna Hartzok Institute for Economic Democracy Press, 2008, 360pp, p/b, ISBN: 978-1-93356-704-4, \$25 / £14.99

This collection of essays and articles by Alanna Hartzok traces her 25 year search for the fundamental truths behind the wealth and poverty displayed on our planet. It was not an easy journey and Hartzok did it the hard way. She worked with the children of migrant workers in Pennsylvania; with impoverished African Americans in Atlanta, and in a coal-mining village in Appalachia; she taught in a Palestinian school in Beirut; she, as she puts it, "meandered the alleyways through the favelas of Santo Domingo" and visited the slums of Nairobi. Lagos she says was a living hell. She endured personal poverty and homelessness in San Francisco.

But all the time she gathered answers, one by one, in her quarter century quest, and they are gathered here in this important book. It touches the social and political movements of our times. As she says: "We live in a time of crisis and chaos, in a world on a precipice." If we are to avoid catastrophe and relentless conflicts then "warfare or earthshare" is the choice Hartzok sees before us.

The book is roughly divided into themes. Perhaps the most

urgent of them comes in the first essay—her EF Schumacher lecture in Massachusetts—"Democracy, Earth Rights and the Next Economy". The essay begins by looking at what went wrong historically. England used to have a rough and ready system that gave farmers a fair share of the land, but the Enclosures took the common land from the people by force. Hartzok quotes a protest rhyme from the period:

*The law hangs the man and
flogs the woman
Who steals a goose from off the
commons,
But turns the greater scoundrel
loose
Who steals the commons from
the goose.*

The author also quotes the Bible which teaches that the earth is the Lord's, that we are but strangers resident upon it and that the profit of the earth is for all. She argues that Christianity lost its mission for economic justice when it became the official religion of the Roman Empire and Roman land law was grafted onto it.

Hartzok's book is wide-ranging in its subject matter and focus. But she invariably returns throughout the book to land value taxation as the modern answer to ancient problems. (She examines the example of Pennsylvania where the policy is being put into practice.)

This book must be read for its span and depth to be appreciated.

Geoffrey Lee

a quick note ...

Adam Smith: A Moral Philosopher and His Political Economy by Gavin Kennedy. h/c £60

Dr Kennedy is one of the world's foremost experts on Adam Smith. His website and this, his latest, book debunk modern misinterpretations of Adam Smith's thinking. The book provides a crucial reminder of how relevant Adam Smith was in his own time, and continues to be in ours.

Growth of the Soil by Knut Hamsun. p/b \$13.00

A beautiful Nobel Prize-winning novel (1917 in a new translation 2007) by an ugly fascist-sympathising man. An epic Norwegian story spinning together mankind's elemental bond with the land and its faulty economic relationship with its blessings—the latter wreaking havoc among individuals, their families and communities.

The Shock Doctrine: The Rise of Disaster Capitalism by Naomi Klein. p/b £9.99

Naomi Klein (author of *No Logo*, a classic of the anti-globalisation movement) accuses American profit-makers and Nobel laureate Milton Friedman of engineering an alliance between the corporate world and war-mongering governments to exploit disaster and war and their aftermath.

New Ideas from Dead Economists by Todd G Buchholz. p/b \$30

In this revised edition Buchholz surveys and critiques economic thought from Adam Smith's invisible hand of the 18th century to the depression-fighting ideas of the Keynesians and money-supply concepts of the monetarists of the 20th century, with the briefest visit to Henry George along the way.

The Return of Depression Economics and the Crisis of 2008 by Paul Krugman. h/c \$24.95

The 2008 Nobel laureate has updated his 1999 book to respond to the economic crisis. Krugman says the failure of regulation to keep pace with an increasingly out-of-control financial system set up the United States—and the world as a whole—for the greatest financial crisis since the 1930s.

A Splendid Exchange by William J Bernstein. h/c \$30

A Splendid Exchange tells the extraordinary story of global commerce from its prehistoric origins to the controversies surrounding it today. It transports readers from the ships that carried silk from China to Rome in the 2nd century, to the modern era of televisions from Taiwan and T-shirts from China.

A New People's Budget

As its centenary rolls round, **Jock Coats** hopes the wisdom of Lloyd George's People's Budget will resonate for post-crisis legislators

LAND AND tax reformers could scarcely have planned better the timing of global financial meltdown than for it coincide neatly with the centenary of the 1909 'People's Budget'. For the current crisis in financial and property markets demonstrates starkly the importance of land even in the most sophisticated, modern, ethereal economic system. The ideas and principles behind Lloyd George's land taxing budget of a century ago also provide many of the answers to the issues we face today.

It is, of course, the well documented debate surrounding that budget and, later, the constitutional upheaval it caused that are far more important to us today than the Finance Bill of 1909 itself. Few of us would implement any land taxes the way Lloyd George proposed, I'm sure. But Winston Churchill's "speeches by the yard on the land question" delivered to approving packed public meetings continue to give us some of our best arguments for land taxes today. The two big questions we face on the economy in 2009 are answered by those hundred year old arguments.

On the one hand, to prevent recession turning to slump, or worse, we need to be more forthright than ever in promoting free trade and not allowing protectionism to creep into economic policy. As governments discuss whether and what type of fiscal stimulus may be required they need look no further than "Churchill's Tax Switch"; de-taxing, and so stimulating, the economically productive processes of work and investment in capital, and

taxing instead the unearned product of others' labour and 'investment' in the form of land values.

While on the other hand, land taxes also address the second great consideration of the day: how to prevent this happening again? The bubble now bursting so spectacularly was based on the unsustainable inflation of land values; the direct result of official policy to keep debt-money plentiful and so support the consumer-led economy. As we rebuild our financial institutions and fiscal controls, land taxes ought to be an essential tool for stabilising the land market and preventing such speculative bubbles feeding monetary expansion.

So the current economic and market turmoil probably gives us the best opportunity in a generation, perhaps a lifetime, to press home the case for land taxes being the basis of a new economic system.

This bubble has brought us a whole new potential generation of supporters—those who were left behind by rising land values, unable even in decent average-income type jobs to get on the housing ladder. No longer just the very least well off, though as tenants they too suffered disproportionately, but young, educated, working, voting and generally successful households. And for those who did stretch themselves to reach the housing ladder, taking on debt that in any other circumstance would be irrational and unsustainable, they are experiencing now the greatest injustice of getting their overstretched fingers the most burned in the meltdown.

If we look we find a breadth of support for land taxation right across the political spectrum, today, as historically, with figures such as Bernard Shaw on one side and Milton Friedman on the other. We must use the centenary of the People's Budget to develop more popular understanding, and with it, depth of support, the likes of which packed into the King's Theatre in Edinburgh to hear Churchill explain it in 1909. For perhaps like never before, we need a New People's Budget to prevent ordinary people, and the poorest more than most, bearing the brunt of the effects of an 'age of irresponsibility' such as, recently, we have lived through. **L&L**

Jock Coats is Secretary of The Liberal Democrats ALTER (Action for Land Taxation and Economic Reform) and blogs at www.jockcoats.org.uk

Scotland Following a meeting with HGF member Professor Roger Sandilands, Glasgow City Council has commissioned a pilot study in one of its inner city wards as a first step in appraising land value taxation.

The timing is neat. In 1909 Glasgow's George Square saw demonstrators in their thousands demanding a tax on land values. The Scottish Secretary took advice from the Foundation's forerunner, and introduced the Land Values (Scotland) Bill as the precursor of a general land value tax. But it all came to nought.

Funding local services in Scotland continues to be a question for powerful debate. The current Council Tax is mostly reviled. The SNP government's contentious local income tax proposal was rejected by the Parliament in December. With a lull in the political brawling, land value taxation is receiving increasing positive attention. Labour's new leader Iain Gray said he "would bring parties that support a property-based tax together to replace the council tax or reform it [including] the Greens' proposal for a land value tax"—*The Scotsman* reported.

Meanwhile the *Renegade Economist* film team has just shot a short documentary in Glasgow. Its channel can be viewed on YouTube. www.youtube.com/RenegadeEconomist

NEXT ISSUE

out April 2009

off to work in your slippers
piggybacking the crisis: new strategies for reform
on location with the *Renegade Economist* crew
gang territory and land values: nations within nations
EU agricultural subsidy reform

