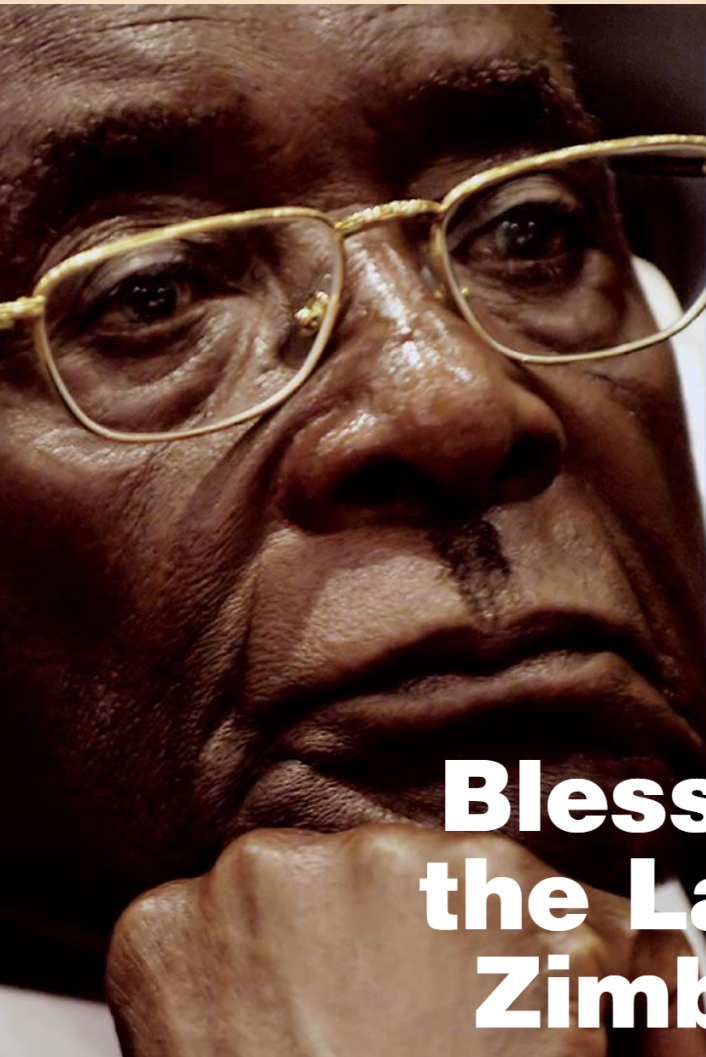


Land & Liberty

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since 1894



Zimbabwe's national anthem may be about to come true. Morgan Tsvangirai's Movement for Democratic Change has just unveiled its new blueprint land policy. The radical plan aims to rid the country of landed injustice—"resolving the land question once and for all, to ensure that no Zimbabwean will ever go hungry again". Robert Mugabe and Zanu-PF's violent and corrupt *Land Reform and Resettlement Programme* has long been condemned internationally. MDC's vision is of "a New Zimbabwe where the land conflict is resolved and land as a finite economic development resource is equitably distributed and productively utilised". A Land Commission would be set up with a six-fold mandate to establish: an "independent audit of the land"; a participatory resettlement programme; rules about maximum holdings; law to guarantee household holdings; a managed transition to "a people-driven and human-centred land market", and, "an equitable land tax". Reformers have been quietly briefing Zimbabwean leaders for two decades. An international delegation of advisers to guide key policy awaits Tsvangirai's ascendancy. (see inside)

goodbye injustice

Blessed be the Land of Zimbabwe



WINE
the economics
of terroir



ANALYSIS
Iraq, violence
and resources

1000
Voices

cover story

ZIMBABWE'S MDC has embraced land value taxation. After 28 years of increasing chaos, the country's future may be brighter than any could have hoped.



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Edward J Dodson is Director of the us-based School of Cooperative Individualism and author of *Discovery of First Principles*.

Lars Rindsig is Executive Editor of *L&L* and a board member of the Danish Justice Party.

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

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Illustration © iStockphoto.com/Inchimed (Zimbabwe coin) and Tech_Sgr_Jeremy Lock (USA) (cover image)

news in brief ...

Carbon 1—United States

Leading a growing us awakening to the issue of global warming, Nobel laureate and former Vice President Al Gore now says "tax what we burn not what we earn"—proposing a sharp reduction in payroll tax combined with increases in carbon tax. "No," says Earthrights Institute director Alanna Hartzok, "he doesn't yet grasp the importance of surface land taxation—but Gore's definitely headed in the right direction." Go to www.wecansolveit.org

Good times still

World recession is not biting evenly. While European and us property markets are feeling shocks, other areas experience different conditions. Dubai Land Department reports a market maintaining an upward trajectory, with transactions in August peaking at Dh413m (£58.7m). The Indian state of Andhra Pradesh is likely to increase valuations of rural land 8-10%, as a reaction to the stability of the housing market and continually improving revenue flows. Locally in other places, including Turkey and even Canada, we find similar stories.

Cuba

The *tu* has been invited to send a representative to accompany a small top-level delegation to hold discussions with the new Cuban regime. *tu* President Fernando Scornik Gerstein will be in the company of a UNICEF International Ambassador and other delegates. A film crew will be accompanying the delegation. Topics specifically posted for discussion include land and taxation policy. It is expected that the delegation will be advancing the rent for revenue policy option.

Carbon 2—Auctions

Auctions for Phase II of the EU Emissions Trading Scheme have opened. The Scheme aims "to reduce emissions of carbon dioxide at least cost to industry". Working on a 'cap and trade' basis the Scheme assists member countries meet their Kyoto targets. Phase I was widely argued to be over-allocated, and many believe little or no additional emission reductions will have been achieved overall. Phase II includes controversial new pollution swapping mechanisms. Aviation emissions are expected to be included from 2010.

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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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Private domain

A major change is coming to the internet. Icaann—the not-for-profit authority that controls the structure of internet addresses (see **L&L** 1220)—is changing its rules on so-called top level domains. (Those are the bit of a web address after the last dot and before the first slash.)

For the moment these domains are nation-specific—such as .uk for the United Kingdom or .se for Sweden. (Exceptionally the us assumed the ‘international’ top level domains—such as .com—for itself.) There is no requirement for any internet concern to use a domestic address.

The change means a top level domain such as .hotel could be auctioned off to the highest bidder, for a one-off permanent transfer price. Any hotel owner who wished in future to have a website under the .hotel domain would then have to pay a fee to the (commercial) top-level domain owner, at a price determined in the competitive market.

Rather than relaxing the existing restrictions, and deregulating the internet naming system, the regulatory power is to be privatised to the highest bidder. Top level domain owners would enjoy sweeping new monopoly privileges—analagous to feudal land ownership. The value of those privileges could in time prove massive: the commercial owners’ control over access to large swathes of the internet’s trading centres may prove suffocating.

Dr Paul Twomey, CEO of Icaann, calls the move “a massive increase in the geography of the real estate of the internet.” He told BBC News: “It will allow groups, communities and business to express their identities online. Like the United States in the 19th Century, we are in the process of opening up new real estate, new land, and people will go out and claim parts of that land and use it for various reasons they have.”

HGF report

Chairman visits USA HGF Executive Chairman David Triggs visited the us recently. There he attended the 28th Council of Georgist Organisations’ Conference in Kansas City and visited the Henry George School in New York. He met with some of the main thinkers, teachers and activists involved in promoting social justice in the us and Canada. In New York Triggs paid his respects at the grave of Henry George at Green-Wood Cemetery in Brooklyn. Triggs also promoted John Stewart’s new book *The President*, an entertaining political novel which promotes George’s principles.

A welcome visitor from Korea Miss Vitnarae Kang, an undergraduate student from Korea, recently visited the HGF Library Group. Miss Kang is heir to the teachings of an

UN seeks tax ‘normalisation’

The United Nations is driving forward a process aimed at ‘normalising’ tax regimes around the world.

The *Financing for Development* process is an intergovernmental dialogue which seeks “a global alliance” of stakeholders on the financing of international development. The process was born of the 2002 *Monterrey Consensus* in which developed, developing and transition economy countries pledged “to undertake important actions in domestic, international and systemic policy matters”.

In preparation for the *Financing for Development Review Conference* in Doha this winter, the first draft of the *Doha Outcome Document* has been published. Paragraph 10 says: “We will strengthen efforts to increase tax revenues through... simplification of the tax system, broadening of the tax base, and... the development of international tax norms and rules. We will consider strengthening the United Nations *Committee of Experts on International Cooperation on Tax Matters* by upgrading it to an intergovernmental body.”

The *Committee* is a group whose UN work goes back to 1968: its mandate is broad but focuses on issues of cooperation rather than tax policy itself. There is concern that if realised, the UN initiative could effectively delimit the ‘authorised discourse’ of fiscal policy—compelling the ‘Washington Consensus’ agenda. Others argue the reverse will be true: that the process—by its inclusive, para-democratic and consensus-building nature—will dissolve the current WTO/World Bank/IMF hegemony in the field. See www.un.org/esa/ffd/index.htm for further details.

old friend of the Foundation—the late Father Archer Torrey—and inspired by the work of Christian georgists in Korea. Father Torrey and his wife Jane started the Jesus Abbey community in Korea forty years ago. Barbara Sobrielo, Julia Bastian and others have fond memories of conference meetings with Torrey many years ago. The Abbey receives around 10,000 visitors each year and hosts a Summer School of Biblical Land Justice, where Henry George’s ideas are an important ingredient. It seems there is a significant body of Korean georgist scholars within the orthodox academic community. There may be much scope for future collaboration. (See diary, p.24, for up-coming HGF Library Group events.)

New courses A new ten-week course held at Mandeville Place based on Henry George’s *Protection or Free Trade* ended in July. Another new course, based on *The Condition of Labour*—

Thai tax

Thailand is preparing to reform its land and property tax system. Despite lower rates, the new law, if approved, would close loopholes and catch dodgers. Currently a flat rate is due on non-residential land over 100 wah (0.4 ha). The plan has commercial land tax capped at 0.5% of value, residential at 0.1% and farmland at 0.05%.

In a measure intended to combat speculators, undeveloped land would be taxed at double the rate, and increase the longer the land is left undeveloped, up to a 2% cap.

Making movies

This year has seen a surge of interest among land and tax reformers in making movies.

The Robert Schalkenbach Foundation has sponsored the documentary by Philippe Diaz *The End of Poverty?* The feature-length film was officially selected by the 2008 International Critics’ Week at the Cannes Film Festival. The film is currently doing the rounds of the festivals in search of a distribution deal. (Go to www.theendofpoverty.net)

Fred Harrison has launched *The Renegade Economist* video channel on YouTube. (Go to www.youtube.com/renegadeeconomist)

The ru has commissioned two documentary shorts, on poverty and on human rights. The films are presently being shot in southern Africa.

UK reformer Beryl Harris’s long-awaited tax reform film project is nearing completion.

Earthsharers Australia has launched a short film-making competition called ‘I Want to Live Here’. The competition invites “concerned people worldwide” to “address the growing affordability and housing crisis”. (Go to www.iwanttolivehere.org.au)

George’s open letter to Pope Leo XIII, will take place on Wednesday evenings, starting on 22nd October 2008 (see diary).

UKIP HGF Foundation member Dr Richard Lamerton, chairman of the Hereford Branch of UKIP, will deliver a talk on Henry George’s teaching at the Party Conference in the autumn. “UKIP members are usually passionate about justice and intrusive government” he says: “The natural simplicity of George’s ideas is likely to appeal to them strongly.”

HGF database and L&L mailing list HGF members Michael Learoyd and Barbara Sobrielo have been working hard to bring the HGF database and **L&L** mailing list up to date. Members, readers, supporters and friends are invited to advise the office of any changes to their details—or with suggestions for new recipients of complementary copies of **L&L**.



Illustration © BlackPhoto/Björn Knebel and Schwanke (Tsvangirai photo: BlackCC)



Morgan Tsvangirai at the launch of his presidential campaign

LVT f

Zimbabwe’s MD land value taxat country from its

THE ZIMBABWEAN has policy document under to *Govrn to Preparing* 2008). As part of its “st completing the business national liberation” th the intention of setting out of its plans for governm is not merely a struggle announcement, “but it struggle for an ideal.” the MDC’s “policy posit Question in Zimbabwe “will attend to the issue

The MDC’s Land Ref to engage with Zimbabw many of which have be regime. The Program values which guide it: creation; equity and eq; accountability; justice; sustainability and prod

The MDC introduces plain-spoken words. “ the country’s unfortun of plunder and wastage with historical injustic

MDC takes note of the that have been done by between 2000 and 200 was chaotic and outsid party recognises the ta unpicking Mugabe’s w it will work to “rationa ensuring that there wil pre-2000 status”, and of wastage, corruption multi-ownership” will that the modern Zimb agriculture, the docum Agricultural Recovery plans for radical land

Previous statements and his party on the is have received little acc criticised both for faili Mugabe’s crude and in programme, and for fa agenda. The MDC’s new plan would seem to sq criticisms. As a broad however, it will certai questions than it ans

Uncorking the economics of terroir

Wine production is particularly sensitive to geography. **Michael Veseth** muses on the rental value of a Grand Cru and the threats faced by the vineyards

TERROIR is a French word that signifies a wine's special sense of place. Wines from the great vineyards and important regions are said to possess *terroir* if they reflect in some way the land and people that created them—if they have a taste of place. Industrial commodity wines (McWines you might call them) are pretty much *terroir*-free.

Terroir is not just a fancy term to uncork when sniffing, swirling and slurping in the company of your oenophile friends, it has important political and economic implications. Adam Smith wrote in *The Wealth of Nations* that wine grapes more than any other fruit reflect their growing conditions (he didn't use any fancy French words to describe it) and that wines from certain exceptional vineyards consequently sold for very high prices. *Terroir* has a market value in addition to its sensory value, Smith suggested. I think he knew that this meant that the owners of those vineyards earned profit from the natural scarcity of the fine wines their land produced.

I wonder if Adam Smith would have predicted the lengths that the owners of these great vineyards would be forced to go to defend their *terroir*-derived rents? It seems that there is no end to the threats they face: fraud, foreign competition and now global climate change.

The valuable rents that accrue to the owners of famous châteaux and regions have naturally attracted wine cheats and their deceptive practices. Sad to say, there are many formulae for wine fraud. You can fake the wine (cheaper wine from another source) and fake the bottle and label. Voilà, you have a rare and expensive commodity that, because it is so dear, may never be opened. Benjamin Wallace has recently written a book that uncorks this sort of wine crime: *The Billionaire's Vinegar: The Mystery of the World's Most Expensive Bottle of Wine*.

Growing rich in their sleep

Vineyards MD Christian Seely says investing in the right vineyard can still bring lucrative returns as the global market for fine wine continues to expand—according to industry voice *Drinks International*. “Terroir is the key to making money from a vineyard” according to Seely, and investors should “resist the temptation” to buy into “cheap” and “obscure” places. As the New Zealand properties & investment firm Parkburn Vineyard boast: “own a Vineyard and get an excellent return on your investment without ever having to plant a vine, rub a bud or pick a grape.”

Wine fraud need not be so extreme, however. It is relatively easy for a winemaker to multiply profits by blending in some cheap wine from another region to make the limited production of fine wine fill a few more bottles. Dark red wine from North Africa, for example, was for years added to lighter French products. The result was both more cases of ‘French wine’ and a product that was better suited to the French market. Much of the inexpensive ‘Chinese wines’ that you will see if you visit that country contain only a little juice from China-grown grapes and a lot of cheap wine from other places.

In one famous 1985 fraud case, an Austrian winemaker added automobile antifreeze to wine to make it sweeter, stronger and, as you might expect, lethal. The reputation of Austrian wines has not yet fully recovered. And reputation is what's at stake here. Wine

buyers pay extra for the reputation associated with certain fine wines. If the reputation is undermined by fraud and adulteration, the profits disappear.

French wine growers addressed the fraud threat by creating the *AOC (Appellation d'origine contrôlée)* system, which is found today in various guises in most winegrowing countries (see box). *AOC* rules originally specified that all wines with a particular designation had to be made from grapes grown in a specified area—eliminating or at least discouraging the North African scam. In the 1930s, however, when bad economic times produced wine fraud of all flavors, the rules were expanded to include not just geographic limitations but also restrictions on virtually every element of the winemaking process.

The Institut National des Appellations d'Origine (INAO) was created to police this

system. The INAO currently regulates 470 wine and spirit designations, and 40 *AOC* cheeses and other food products including meat, poultry and olive oil. I purchased a set of professional wine-tasting glasses a few weeks ago and discovered that they had been manufactured to meet a strict INAO standard. The INAO rules from grape to glass!

The basic *AOC* system has now been integrated into European Union law and even World Trade Organization agreements. The rent-producing designation of fine wine regions is now recognised as a valuable type of intellectual property, worthy of permanent protection. Score one for the *terroiristes*.

Fraud isn't the only threat to prestigious Old World winemakers, however. Globalisation has twisted the rents of wine and redistributed the rents. On one hand the creation of a more global market for fine wine has increased the rents of the most famous producers, especially the great Bordeaux and Burgundy estates. Prices have risen through the roof as demand for fine wine in Asia has grown and a global winner-take-all market has emerged. Château Latour 2005 sells for more than \$1000 per bottle, if you can find it! Globalisation has magnified the rents associated with these must-have collector wines (see box).

But globalisation cuts both ways and the competition from abroad has also undercut the returns on lesser vineyard properties and generated a worldwide surplus of inexpensive wine. In Europe, EU distillation policies have supported winemaker incomes for many years. Surplus wines, thin and acid, from marginal vineyard areas, are bought up at public expense and turned into industrial alcohol.

Recent EU reforms promise to remove these subsidies and force European winemakers to compete head-to-head with New World products. Rents will inevitably be redistributed in this process and it will take some time to see where the dust finally settles. New Zealand underwent a similar wine reform regime twenty years ago: protectionist barriers were removed, and growers were paid to grub up acres of unprofitable vines. The short term result was severe—cheaper wines from Australia flooded in and winegrower incomes fell. In the long run the results have been spectacular, however. Winegrowers replanted

with quality vines—Sauvignon Blanc and Pinot Noir—and New Zealand today earns an average export price for European winegrowers. This astounding turnaround is a

final threat to the global climate change. extraordinarily sensitive and even relatively minor can have big effects on The rule of thumb, I'm temperature of one degree vineyard location 200k

With a two-degree parts of the world in the in wine's centre of gravity and render accepted no Champagne? The famous be too warm. Look for from England, then Scotland Norway to capture global Cabernet? Look for Wisconsin State and British Columbia new American icons. Well, they may soon be except for a few from the

Adam Smith was right environment is ultimately wine's unique character conditions pose the ultimate notions of *terroir* (and with it). **L&L**

Michael Veseth is Robert of International Political University of Puget Sound found at www.WineEconomics.com currently writing a book on wine.

Viticulture is a particular and very clear example of how the quality by nature to a location combine with the licence of society to be with privilege. The fees that are associated with certification serve the public purse nothing like the value of those privileges. Schemes French *Appellation d'origine contrôlée* must be reformed to collect the economic advantage granted by certification, leaving owners enterprise in a fair market.

The Good Life Lost

In our towns and cities economic mismanagement and greed cost us the good life, says Greg McGill. By adjusting the tax system we could reduce the rewards for greed and reverse the decline

THERE CAN BE little doubt that the quality of Western urban life is declining. We have lost the good life. Whether we live in cities, towns or villages it is becoming increasingly apparent that our social, cultural and economic way of life is not what it used to be. All too often we find that what was once taken for granted is either no longer available or provided in a more restricted or less convenient way.

The good life means a living where all our needs associated with home, work and play can easily be met, and where there is a variety of social, cultural, leisure and other activities conveniently available. These should yield an urban fabric of not just houses, shops, schools, offices and industrial premises; but also meeting places (like pubs and restaurants), parks, gardens and allotments, places of religion, entertainment centres (like funfairs and theatres), public transport facilities, sports facilities, medical and emergency services, and much more. Variety is key: but, in terms of quality, it should not depend simply on such a mix of uses. Significantly it should also encompass broader human diversity, provide opportunity for social intercourse, be contained within a quality architecture (both old and new) and, most important of all, be arranged so that all of these interests and activities are easily accessible, either by walking or by efficient, effective and cheap public transport. This is what twenty-first century urban living should be about.

In reality, most of us live a suburban existence where many of the facilities and services are not so convenient and, unfortunately, are becoming less so. Many of us are aware of shops, pubs and post offices closing down, but not necessarily of the continuing nature of this process. For example, according to the UK Office of National Statistics, between 1994 and 2001 around 37% of independent shops selling food, tobacco and beverages closed for good—and since then even more have followed. It's also easy to forget that over the last 15 years there has been an average annual decline in the number of post offices in the region of 2-3%; where, in 2001 alone, Britain lost 547 of these community life-saving institutions. Earlier this year it was announced that a further 2500 are now to go, as part of the government's *Network Change Programme*.

Then there are the other services and facilities that have already been lost or are still disappearing, such as school playing

fields sold to housing; and increasing child obesity appears to be one consequence of this. Examples abound relating to all manner of services—such as the sale of allotment grounds and the closure of town-centre fire stations and local hospitals, frequently making public services less accessible when we need them. What is so disappointing is that such consequences take second place behind the need for public and other organisations to 'consolidate their resources' (eg. sell land) in order to balance budgets.

What we are witnessing is a continuing gradual reduction in the availability of accessible and necessary services and facilities. And this is happening at a time when food and fuel prices are rising, where inflation is on the increase, where negative equity is again raising its ugly head, and where concerns are growing about the impact of our activities on climate change and the environment. It all adds up to genuine and serious concerns about the decline in the quality of our life in the West. What is the option for a better outcome?

In seeking to answer that question it is worth remembering that governments are frequently criticised for tackling problems in a piecemeal way. The implication is that we should seek to find a common cause linking the above diverse range of matters—and there is, in fact, just one cause, namely land. Accessibility and convenience provide the key to the urban good life because we are all totally dependent on what is provided and where it is located; and land is the common denominator. What we should concentrate on, therefore, are the matters which influence how land is used.

There are, of course, many such influences. They include the size and distribution of the population, the creation and distribution of wealth and the regulatory systems (or lack of them) that are adopted by governments—deregulation, privatisation and town planning spring to mind. But land use is also influenced by other matters such as globalisation and taxation, which are more influential than many people realise. In their different ways all these matters affect the demand for and supply of land—and the use to which, subsequently, it is put.

In respect of demand, the starting point must be people. 'Communities' is the current buzzword of government. It's as if all will be solved if communities can be created and nurtured. But globalisation and deregulation undermine the very essence of community

because of the ease with which people and money can now move freely around the world. Both are drawn to attractive and accessible parts of individual countries (eg. in England—London, South Devon and the Cotswolds) and shy away from the already really bad, run-down areas. On the one hand local people are priced out of their local markets and have to move elsewhere to find jobs and housing. On the other, people who are desperate to leave the 'sink' estates are unable to do so. The point is that the demand for land differs enormously in different localities, with serious consequences for the good life because it affects the availability of goods, services and facilities that people need. This is true in both the more popular and less popular areas.

Another important factor affecting the demand for land is the way our economies work. In broad terms, because all life is totally dependent on land and because it has no cost of production (it's been around for millions of years) the returns to land, known as rent in economic terms, or land values to most of us, are a 'surplus' over production costs. That is, they arise simply from the demand for the privilege of using particular land, and are paid irrespective of what is produced or what buildings are constructed on it. In reality land is the source of all wealth because everything originates from it, which means that the returns to land must come first, therefore, before wages, goods and services. Thus whoever controls the land controls production, and the more costly land becomes, the greater the return to landowners—with less available for everything else including houses, wages and services. This is a fact that is all too frequently overlooked.



Illustration © iStockPhoto.com/rtino

The situation, however, is made worse because the systems of taxes that operate in countries such as the UK and US (income tax, capital tax, goods tax etc.) almost exclusively focus on the productive forces in society, rather than the unproductive forces—most noticeably land. Admittedly taxes such as business rates and, in the UK, Council Tax, have a land element, but these charges apply primarily to buildings and not the ground underneath. Therefore, like all other taxes, they add to the costs of production. Applying to what we produce, they have to be absorbed in some way, usually in the form of higher prices. Charges on land have no such effect because, being the natural resource, it has no cost of production. It simply exists.

As a result, two serious consequences arise for the good life. One is that current taxes are passed on in the form of higher prices. The other is that they foster speculation in land. This then encourages greed and sets in train a vicious circle whereby this fiscal mismanagement encourages further greed which in turn encourages further mismanagement. Allowing this is one of the most unsustainable things societies can do.

The answer to the question of a better outcome would seem obvious. Alter the system of taxation: away from the productive forces in society, and on to land. This would reduce speculation in land which would reduce demand and hence the cost of land. In turn this would enable more money to be made available for everything else. It would also encourage more efficient and effective use of land and be a real driver for urban regeneration. And it would support small businesses and help create greater local diversity. In short, it would foster urban living, reduce pressures on the environment and help bring back more of the good life. **L&L**

Greg McGill is a practicing surveyor and town planner with an interest and expertise in urban research and development management.

Iraq, violence and resources

Jon Mendel rejects Iraq's 'resource curse' and argues a natural resource dividend and land tax offer real hope for the country's future

"We should make sure, if there is a conflict, in any post-conflict Iraq there is a proper UN mandate for Iraq and that oil goes into a trust fund and we don't touch it, the Americans don't touch it without UN authority. Now, we can't say fairer than that."

—Prime Minister Tony Blair, MTV Forum, 11th March 2003

PRIOR to the invasion of Iraq, Tony Blair offered his commendably simple answer to accusations of 'war for oil'. Unfortunately, things quickly became more complex. In the post-invasion Iraqi economy, 44% of the Iraqi oil that was known to have been extracted under the Coalition Provisional Authority (CPA) disappeared off the books. As the BBC reported—more than \$8b of Iraqi funds was thus "unaccounted for" under CPA rule.

Blair repeatedly insisted that one benefit of Operation Iraqi Freedom would be to give control of Iraqi oil revenues to their rightful owners: the Iraqi people. However, flaws in the CPA accountability procedures make it—for all practical intents and purposes—impossible to verify whether or not the Coalition implemented this pledge.

Further worsening the situation, the CPA handled badly those Iraqi funds that did *not* go missing. A high proportion of reconstruction contracts were—as the Revenue Watch Institute reported—awarded without competitive tendering, and "the bulk of contracts paid for with Iraqi oil money went to Halliburton subsidiary Kellogg Brown & Root with no competition". There is also evidence of bribes having been demanded, and of foreign companies hugely inflating their charges. As Revenue Watch puts it, the CPA unfortunately "chose not to apply the same standards that apply to us funds" to Iraq's resources.

Iraqi resources—in particular, the division of oil revenues—also play a significant role in sectarian tensions in the state, and attempts to alienate these resources could considerably inflame tensions. As Larry Diamond—an expert on post-conflict reconstruction—argues, the Iraqi constitution "leaves current oil and gas fields under the control of the national

government but give the regions control of any new finds". These new finds are very likely to be significant: some estimates of currently drilled reserves are as low as 20%. Due to where the different ethnic groups are predominantly (although far from exclusively) located in Iraq, this would favour Shia and Kurdish areas at the expense of Iraq's Sunni minority. This could considerably raise ethnic tensions.

Violence springing from—among other things—ethnic tensions inflamed by arguments over resource revenues can lead to claims of a 'resource curse': researchers such as Philippe Le Billion note that "compared to less well-endowed countries, resource-rich countries have been on average poorer and less competently governed".

Some view the violence in Iraq as a consequence of such a 'curse'. However, even if one accepts for the sake of argument that natural resources are correlated with worsened outcomes, correlation does not necessarily imply causation. This apparent curse is not due to any intrinsic quality of resources: for example, black liquid in the ground does not in itself cause poverty and corrupt governments. Instead, any curse is caused by the way that resources play out in various social and political contexts. It is therefore something that can be changed. As Fred Harrison—the self-styled 'renegade economist'—puts it: "nature's resources do not curse anyone. Rather, the curse flows from bad stewardship of the public domain". Improving the stewardship of the public domain has the potential to turn a curse into a blessing.

When looking to address this 'curse', one promising form of resource distribution would be to "distribute revenues directly to the people"—as the economists Sala-i-Martin and Subramanian argue in their paper 'Addressing the Natural Resource Curse: An Illustration from Nigeria'. Seeing the problems caused by Nigeria's oil resources, they "propose a solution for addressing this resource curse which involves directly distributing the oil revenues to the public".

Sala-i-Martin and Subramanian have a specific mechanism in mind for Nigeria: they advocate "an inalienable right of each Nigerian to have access to an equal share of oil proceeds. This would take the rents out of public officials

[sic], thereby undermining the corroding process engendered by the rents, which have detrimental economic consequences." I will consider how and why their proposal is applicable to Iraq.

First, arguments about the distribution of resources are exacerbating ethnic tensions in Iraq. The individualisation of resource revenues could play a significant role in easing tensions around resource distribution, and thus have a major role in the amelioration of the ongoing violence and the move towards a better future for the country. While resources and resource rentals would still play a prominent role in Iraqi politics, the issue could be shifted from how much Sunni, Shia, Kurdish and other groups and local governments can take from these revenues to how much each individual or family can get: instead of incentivising competition between groups for resource revenues, there would then be a real incentive for individuals to work to maximise the dividend earned by everyone. This would be a kind of individualism, but one that has the peculiar effect of incentivising people to work together.

Also, administering resource rents in this way in Iraq would have the benefit of moving the Iraqi government away from depending upon the revenues from natural resources. Currently, the Iraqi government is able to depend on revenues from oil and other natural resources for a substantial proportion of its income. This fails to offer it sufficient incentive to build up Iraq's community values (for example, by developing its economy). If Iraq's economy were to deteriorate even further, this would not (aside from potential problems with extraction and export) reduce the resource revenues that the government could extract from oil. Iraq's government would be able to maintain a revenue stream even if the economy collapsed while many aspects of the state, economy and society are in a process of collapse.

This concern about a government's dependence on resource revenues does not mean, however, advocating a move to taxes such as income, sales taxes: among other problems, these would have a negative impact upon Iraq's economy and the political situation in Iraq. Taxes signifi-

problems regarding collection. Instead, I would expect that the payment of a dividend from Iraq's natural resources would allow individuals to fund a number of services that typically are offered by the state (although which are, because of the current problems in Iraq, frequently not offered to a good standard by the Iraqi state).

An improving Iraqi economy would generate greater community values: for example, the rent of residential and commercial land would rise as more people wanted to live, work and trade in particular areas. A more 'conventional' land tax therefore could be used to draw on these growing community values, in order to fund what would initially—by necessity—be a fairly minimal government. Such a tax would, as the land and transport consultant Dave Wetzel argues, allow a state to "abolish economically damaging property taxes... raise personal allowances so that millions of lower-paid workers pay no income tax at all; and reduce sales tax rates to help consumers and businesses". There are also promising options for drawing on other community values: for example, rights to utilise mobile phone radio frequencies in Iraq rented to interested network companies at a market rate.

This would have a number of benefits. A land tax would generate a certain level of income for the government and would be easier to collect than many alternatives: land is rather hard to hide or smuggle. As Wetzel puts it, "land cannot be taken to Jersey in a suitcase. Consequently land tax will be cheap to collect". This tax would also give the government a real incentive to continue working to build Iraq's communities and economy: as this social and economic development takes place, land values and therefore tax income would increase.

The dividend scheme recommended here would provide a very significant income to individual Iraqis. While there are multiple causes of the current violence in Iraq, financial hardship plays a clear role.

The US Department of Energy estimates Iraq's proven oil reserves at 100bn barrels; estimates for reserves yet to be discovered range from 45 to 100bn barrels. Especially bearing in mind that fossil fuel prices will almost certainly tend upwards, this is an incredible abundance of resources, of huge value. Iraq's natural gas reserves will also be significant: known reserves stand at 112 trillion proven cubic feet, with perhaps another 90–150 trillion cubic feet to be discovered. As the Project for Defense Alternatives notes, Iraqi oil income previously

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ranged from \$10 to 12bn market production and adding another \$2bn) and to more than double private investment. Exporting could thus allow approximately year basic income for every citizen. This is before resources are taken into a significant addition to in 2003 the UN estimate income was \$450–610.

A virtuous circle may be reductions in hardship other areas themselves and therefore increased Iraqi resources (and income from other sources). To continue this virtuous circle, this project to a further improvement economic situation in Iraq.

The ways in which I used and abused have weakened the state and de-legitimising both the and subsequent Iraqi government.

There needs to be an distributing Iraqi resources to distribute revenues from





Struggle or peace?

Julien Gross is a hero. Locked up four times for his beliefs—now 96 years old and living safely in fashionable north London, his surroundings today belie his less comfortable origins and the hard and often violent road that delivered him West. Land&Liberty met him at his Hampstead apartment to talk about what it takes to change the world

First comes food—morals follow on
(Erst kommt das Fressen, dann kommt die Moral)
Bertolt Brecht *The Threepenny Opera*)

JULIEN GROSS is one of those rare people who has managed to live in balance a full and loving personal life with the life of an active, radical reformer. That balance was struck asunder in December last year when “I experienced the greatest tragedy—my companion of 70 years—Andrée, died, after suffering a stroke.” Though not a day-to-day activist like himself, his wife’s humanity, wisdom, good judgement and abundant love had completed him as a person.

“Now I feel like an orphan” he says. “I’m constantly in fear of losing the alertness of my faculties. I’m saved only by the spiritual feeling of her constant presence around me.”

But Gross has always had to be sensitive to what are—inevitably—the opposing pulls of the home life and the life served for humankind. The joy of Gross’s life is that he has not had—as Ian Crichton Smith put it—“to sacrifice private love for public responsibility”. Most are not so lucky.

*For I have watched while Spain, struck dead,
Salted the eyes within my head...*

*Today I clearly understand
The gulf that cracks across the mind,
Strife on behalf of human-kind,
The choice that catches at our breath,
Immortal dying or a living death.*

*Mine is a hopeless death alive
Because I did not force my love
Out of my splendid private grove,
Because when History strode by
I loved a woman in my secret sky.*

v.2, 9-10, poem XVIII
Poems to Eimhir by Sorley Maclean, 1971
translated by Iain Crichton Smith

It’s not that Gross hasn’t seen the attraction of the quiet life of the ‘splendid private grove’. It just hasn’t been his way. In fact, when it comes to ‘quiet’, his life has been anything but. Gross always has felt too strongly the responsibilities of a reformer, and still does, for that other way to be his: the fight against injustice has been his calling. “I can’t help but speak the truth: when you see it—truth—what else is there to do?”

A recent incident in one of the perhaps less-major causes in Gross’s life might be illuminating here: Gross has been instrumental in a local campaign to prevent Vodaphone erecting a mobile phone mast on the roof of his apartment block. He cites health concerns as his motive.

One day recently there was that how Gross saw the start of the working movement for reform—ported a still embattled victory, but warning “it was that how Gross saw the movement for reform—

He thought yes. A ‘f he saw it. The fight to w people”. A fight for sim and their dignity. He so for revenue’ movement “a sacred cause”—at ro

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it is—but Gross has been gods, but for humanki the everyday kind is hi suspects people might claiming to be sacred.)

But the drive to just too for that matter—is either/or decisions. It’s of the better of two mi truism is of course tru that a better world is n worse world created— world: witness the grea though Gross is keen t the tyrants” should no Karl Marx’s name.

It might be thought reformer should be at t

he recognises and laments the decline of that institution—and the ascendancy of its nemesis (the ‘gastro-pub’). A rather easier project to put into effect, Gross enthusiastically awaits the launch, someday, of www.guardian.co.uk/landreform as the home of daily thoughtful comment on the human being’s basic relationship with its environment. A greater endeavour would be founding a university chair in land—‘land’ pure and simple, the stuff of human life, as opposed to ‘land economy’ or some such ‘professional’ thing. Establishing a building cooperative that will let people “sidestep and not be sold out to the banks” would be an even larger undertaking. (He argues society should operate “as one big cooperative—it’s the ideal model—a huge nineteenth century movement, and we don’t speak about it now.”) And he wants reformers to reconsider Marx—this is at the core of his cry for political organisation: “Henry George has certainly pointed us to the goal—but Marx gives us the means.” All in all, Gross wonders, summing up his proposals—given what the worldwide movement is actually doing today—“Is it time for a new start?”

Gross is a man of dignity. It’s an important notion for him, lying at the heart of his ideas: “Above all things”, he says, “we must protect human dignity. The taking of dignity, humiliation, these are things we must immediately condemn, without reservation.”

For Gross the fundamental purpose of reuniting people with their birthright in land is the restoration of their human dignity—dignity before their maker (his sentiments though not his words), and before their peers. For Gross, human rights are fundamentally about that—*dignity*—and without equitable access to the gifts of nature and community he cannot see how that dignity might be achieved. “You cannot have human rights without access to the sources of life” he says. Gross sees the movement’s failure to forcefully render this equation, which directly links ‘land’ and ‘human rights’, as a disastrous error: “we speak about human rights only *en passant*” he laments.

Gross is saddened by much in today’s world. He doesn’t see the politicians or economists as being at all of the necessary stature. He is despairing of the events around 9/11 and the West’s response. He knows “land is of course the issue”, and is outraged by the management of the media-controlled public discourse.

Recently, London itself, his adopted home, has somewhat soured to his taste: “It’s a playground for the Oligarchs” he says with quiet sadness—“land values paid for by the billions who suffered under Stalin”. The privatisation of his homeland’s natural and

common resources—started under Gorbachev but continued under Yeltsin, Putin and now Medvedev—is a subject of deep anger for Gross.

Gross’s ‘biological’ home—Ukraine—is a worry. His country has (again) become a focus between East and West—the possible flash point for a major conflagration ahead. The country’s recently-achieved WTO membership has been controversial. More problematic is that Ukraine is considered to be an ‘eu hopeful’—with all that means by way of backstage goings-on; and has

“London’s become a playground for the Oligarchs” he says with quiet sadness—“land values paid for by the billions who suffered under Stalin”

been promised an invitation to join NATO. None of this is at all to the liking of the neighbour to the east; and it is not likely that Russia will stand idly by while it all comes to pass.

Gross also wonders at the future of that other once—and would-be-again—superpower—China. He sees that country’s new-found dynamism based on the labour of its common people; and he does not think the country will last. He sees the state splitting up into its constituent parts, almost certainly in violence.

Still, overall, as a global community, Gross is less unhelpful for humanity because, despite the “turmoil”, “there is more that holds us together than separates us.”

The worldwide movement for land and tax reform is a broad church. When its supporters find themselves admitting a political inclination, they find their co-travellers a diverse bunch. Rent-for-revenue reformers come in every form, from right wing libertarians—across the full conventional political spectrum—to left wing democratic socialists and Marxists. Gross is most certainly closer to the latter than the former: but in a movement of individuals he may himself be something of a one-off.

Still, with all the diversity of experience, outlook and ideas within the movement—

which Gross certainly helps enrich—it is the movement’s common insight of a truth, greater than mere politics, which continues to unite it. And Gross is glad for that.

While for most (if not all) reformers the free market has a key role to play in advancing the goal of justice, Gross is wary of it: “If we *rely* on the free market we have no way of speaking for our children” he says. But then that might be the proper purpose of government.

A sacred cow of most free-marketeters is the corporation; but it’s an institution Gross would slay without hesitation. “The corporation is a big black power that hasn’t changed in the last one hundred years” he declares. He sees the corporation as the power behind the imperial throne: “I think it looks like the American President does what he likes—but that’s not really how it is. Who might be behind him? Whose interests are being served by his actions?”

Individual corporations come and go, reflects Gross—they change name, some grow bigger or cut back; profits are posted, then losses; they’re bought out, their structure liquidised, or just their assets ‘received’—but through all this Gross sees the activity, the ownership, the mentality of incorporation enduring, and of course spreading. He’s profoundly disturbed by it—and, critically, by the corporation’s increasing enclosure of the world’s resources. “Take a rifle; it’s iron and coal no matter,” he says enigmatically: “ask *rtz* the price of going to war”.

Gross sees the corporate media industry as a specifically dangerous thing: “They are the real dark power” he says. “They present their facts as if they were the views of the people.”

And the media’s representation of the current economic crisis, in which house prices are beginning to fall within people’s reach, outrages him. “It very much supports the interests of the banking sector,” he says. “A mortgage is a chain around your neck, under the guise of progressive capitalism, to wring the last drops from the sweat of working people.” In terms of the daily misery created by unattainably-high house prices—beyond token notice “people don’t talk”. His engagement in current affairs, the concerns of the common people, is undiminished.

But Gross’s life is quieter now, than in his younger days: less outward activism, though his mind is as active as ever. Weekday evenings a circle of neighbours meet for lively debate. He’s proud of its diversity—it’s attended by Greeks, South Africans, Arabs, Sikhs. “We talk”, he says: “and anything goes”. His neighbours ask him ‘what is georgism?’ “I don’t tell them: I say ‘I will speak to you as a georgist, and you will see.’”

Perhaps that’s all, in the end, it takes: to speak—and like Gross, to act—as reformers.

L&L

Julien Gross—activist, witness

Julien Gross was born in 1912 in Olevsk, Russia, a small city in Zhytomyr Oblast, 150 miles northwest of Kiev, in present-day Ukraine. Gross has been not just a witness but an active participant in many of the key historical events of twentieth century Europe. He saw the end of the Russian Revolution and the civil war which followed. He witnessed Trotsky “haranguing the newly equipped Red Army marching on Poland—and a few months later the same returning in tatters.” They had been followed by a new Polish army—the Hellers, “brutally anti-Semitic”.

Gross became a political activist. Moving to Warsaw he joined the communists and fought the White Shirt fascists. His political activities earned him his first term in detention—two and a half years in prison.

In 1934 he crossed the Carpathian Mountains to Czechoslovakia seeking political asylum. But he was double-crossed by a Communist Party contact, and he landed back in jail. Luckily he managed to escape before interrogation. He was able to expose to the Prague press the infiltration of the NKVD (the forerunners of the KGB) to the League of Civil Liberties and the police.

An intervention on his behalf in the Czech senate allowed him to stay on in Prague, where he mixed with the eminent Marxist and socialist politicians and theorists of the day. But later that year he left Czechoslovakia on a fake passport. He travelled west as a Czech tramp. Supported by “surprisingly still-functioning Jewish communities”. Gross tramped across the breadth of Germany, where he observed “with a frozen heart children parading with wooden swords and rifles, and chanting anti-Semitic songs.”

He reached Holland in the aftermath of the worker’s uprising in the Jordan district of Amsterdam, which he joined. Crossing over to Belgium he met Tito in Brussels—“who to me did not look at all like a minor Stalin to come.”

On the train down to France Gross had a “near death” experience: “My *artistically* produced passport was of the same kind that the Ustaša (Croatian terrorists) had—who had just killed the King of Yugoslavia and the French President, and were hunted on all the French borders. I learned about it while reading the evening paper in the train, but it was too late to leave the train.” Following a scrape with passport control he somehow, once again, escaped the clutches of the authorities.

In Paris he joined the anti-fascist movement. His first act was facing down the French fascists—Les Croix de Feu—in the Place de la Concorde. “It was the first time I experienced shooting up-close. People were falling around me.”

Along with comrades from the old jail in Warsaw he launched the first anti-Stalinist paper *Que Faire*. He participated in the French *Front Populaire* and, now down south, organised strikes in 1936 in Toulouse.

Gross then joined forces with the Spanish POUM (*Partido Obrero de Unificación Marxista*) against the fascists in the Spanish Civil War. Already hunted by the Stalinist and French police, before long it would be the Spanish police and the Gestapo too.

In 1937 he’d won the world first prize for window dressing. But this was still work with a political message: his window in a department store in the southern French city of Pau extolled the old republican call of *Liberté, Égalité, Fraternité* (Liberty, Equality, Fraternity)—whilst the official emblem of imminent Vichy France, permitted by the Germans, was *Work, Family, Fatherland*. The display led to him being denounced by an employee of the store. By then he was supporting the French Resistance and using his art for anti-Vichy and anti-Hitler propaganda. Gross had to flee.

The Universal Declaration of Human Rights at 60

With simultaneous parties in New York and Geneva, the Universal Declaration of Human Rights celebrates its 60th birthday on the 10th of December. **Fernando Scornik Gerstein** might send a card, but is looking for a declaration of change

It is difficult to imagine today just what a fundamental shift the Universal Declaration of Human Rights represented when it was adopted sixty years ago. In a post-war world scarred by the Holocaust, divided by colonialism and wracked by inequality, a charter setting out the first global and solemn commitment to the inherent dignity and equality of all human beings, regardless of colour, creed or origin, was a bold and daring undertaking.
—UN High Commissioner for Human Rights
Louise Arbour

HUMAN RIGHTS Day 2007 saw the launch of a year-long commemoration leading to the 60th anniversary of the *Universal Declaration of Human Rights*. The United Nations is rightly proud of the UDHR. The organisation holds that since its adoption in 1948 “the *Declaration* has been and continues to be a source of inspiration for national and international efforts to promote and protect human rights and fundamental freedoms”.

But a clear perspective reveals that the presumption in that statement is not wholly true. This is because humanity’s most ‘fundamental freedom’ of all is not even mentioned in the UDHR: the most basic universal human right, which should have been declared in that historic document in order to establish that freedom, is missing from its pages. The UN’s *Universal Declaration of Human Rights* is silent on our human right to be on earth and enjoy the fruits of nature and community. The missing ‘right’ is the right to a radical land reform settlement. Without that basic right, all other rights, as set out in the thirty articles of the *Declaration*, are built on sand. And in time, without fundamental land rights, one by one, they will collapse into that sand. Without the right to land, and equitable access to the common inheritance of nature and society, it is not possible reliably to exercise any ‘right’ to, for instance, ‘security of person’ [Article 3], or freedom from ‘servitude’ [Article 4]—never mind rights to ‘shelter’ [Article 25], ‘work’ [Article 23] or ‘education’ [Article 26].

The United Nations calls the *Declaration* a ‘living document’. Yet there seems little awareness—whether at the UN itself, or in

government, in the media, in business, in the education sector, or among civil society—that the *Declaration’s* ‘life’ might enable, and indeed require, it to *change*, as humanity’s enlightenment increases. The UDHR prefers instead to proclaim the UN’s “enduring relevance” and its “universality”; and certainly those qualities are real enough, so far as they go.

But the UN is wrong to claim of the *Declaration*, as it does, (if we are to take a literal interpretation of their statements) “that it has everything to do with all of us.” It does not have “everything”; it has a large and important piece missing. For our twenty-first

century universal human rights, that will not do. The UN’s *Universal Declaration of Human Rights* has been proven inadequate—and it must now be reformed, into a *Declaration of Universal Human Rights*. [L&L](http://www.UNpetition.net)

www.UNpetition.net

Fernando Scornik Gerstein is President of the IJ and senior partner in the international law practice bearing his name.



Poster girl for human rights: Eleanor Roosevelt chaired the committee that drafted the *Declaration*

Photo of Mrs. Roosevelt © United Nations

100 WORDS TO SAVE THE WORLD

THIS ISSUE Nick Dennys’ opportune word in the well-chosen ear of his fellow reformers

My mother-in-law said, “The trouble with you is, I need a lecture to understand what you are about! ‘Children in Need’ says it all”. How can a georgist express himself in a hundred words!? He must spend the first hundred trying to define terms, the next avoiding the word ‘tax’, the next explaining there’s only one solution, the next saying he meant that in a wholly reasonable way, the next dismissing SVR or full LVT according to preference, the next deflecting vituperative attacks by fellow georgists, and the next blaming the audience for not listening—no harm, they’ve gone.

Owner, worker, giver, thief

Ian Hopton reflects on the origin and basis of ownership, and argues that the future for society lies in the elimination of illegitimate property

WEALTH AND power derive mainly through ownership. Economic power is exercised through the possession of property—taken as all forms of material wealth, including money. The extent of our possessions provide a measure of our economic power. The economic power of governments is dependent on their ability to extract, through taxation, a proportion of the nation's wealth to finance their schemes. But not all property, and so not all such power, is legitimate.

Whether property is legitimate or illegitimate is determined by its means of acquisition—through either *work*, *gift* or *theft*. Legitimate ownership arises from work or gift; illegitimate ownership from theft. It is necessary to agree definitions of what is 'work' or 'gift' or 'theft': we are dependent on definitions for the continuing conduct of our everyday affairs.

Perhaps the plainest means of acquiring property is through *work*. Work I would define as conditional on that activity leading to a result that is *socially beneficial*. We of course have to go on to define what is meant by 'socially beneficial'; but the fact remains that the necessity for agreed definitions is important. This is demonstrated for example in the fine distinction that is made between tax *avoidance* and tax *evasion*, between legality and illegality. It is something that is argued back and forth by lawyers and accountants striving to interpret ever-changing government legislation, until a settlement is finally agreed. It is often just a matter of degree, and many business practices employ lawyers simply to keep them within the law.

Thus it may be that the distinction between legitimate work and illegitimate activity will depend on a similar consensus view. In this sense the fraudster, who may expend great

effort, skill and diligence in their activities does not 'work'. Equally the failure of an enterprise may not be due to lack of work. Many factors may be involved, not least of which is luck. It may perhaps be a matter of incompetence. But incompetence, although unfortunate, is not illegal. We must often accept an honest intention of usefulness.

Initially, of course, the purpose of work is to benefit the individual. Very few of us work for the benefit of others: we do it for ourselves. But if this work is conducted within the legal constraints and ethical standards imposed by society, then it is also of benefit to society. In doing legitimate work for ourselves we work for society, and this form of work merits reward in the form of material wealth or its substitute money.

The acquisition of property by *gift* would generally appear to be fairly straightforward, except where the gift is of high value—as with bequests in a will. Society would appear to set a limit to the amount of wealth that may be passed on to one's friends or family before suffering a deduction for tax. It is as though there is a stigma attached to the acquisition of property other than through work, and society demonstrates this by imposing a tax on the inheritance of wealth that has not been earned. Conversely, gifts to charities are viewed with approval and consequently merit an additional contribution from society in the form of tax relief.

There is one form of acquisition that does not readily fall within the category of gift, and that is when something of value is found or discovered. If this is of small value, or is something that cannot be identified as another's property, then the social custom allows that the item may become the legitimate property of the finder (see box below). If

however there is some evidence of identity or personal value to another, the retention of the item would be seen as a form of theft.

Where *theft* is concerned a definition is far more problematic and requires much sensitive investigation, for it raises questions of basic morality. We are forced to examine our own beliefs and the generally accepted notions related to property.

As we have said, wealth and power are derived through ownership—and historically this has always been so. We see that no matter how hard an individual of modest means might work, the resultant increase in their overall wealth may be insignificant in comparison with the increase arising from a slight adjustment in the affairs of a rich man. Whether such adjustment can be described as *work* is extremely difficult to determine. The rich would of course say yes it can, for they may devote a great deal of their time and effort to just such activity: and it is quite apparent that in the rarified world of international finance such adjustments can gain or lose millions of pounds within seconds for the fortunate or hapless owners of funds. In our judgment as to whether such activity is *work*, we must rely mainly on the adjective 'useful'. We cannot deny the exercise of great skill, even of courage—but whether such large scale financial manipulations are useful we may perhaps leave open to question. It is certainly an established part of economic life which there appears no collective will to change at the present time: too many of us benefit from it.

All individuals are desirous of profit or gain, and the above example is used to illustrate that—in the pursuit of gain—production of artefacts cannot compete with the manipulation of wealth. (Wealth being measured in terms of possession, either of actual or monetary property.) It seems obvious that it is more advantageous to be rich: and having achieved that desirable state, to expend no little effort in maintaining it. Again, whether such effort can be described as work is questionable, for its usefulness is of benefit only to the rich—the owners of excessive wealth. The question being posed here is whether ownership so achieved is legitimate or illegitimate.

Probably the oldest and most venerated form of ownership is that of property in land. Throughout history the ownership of land has bestowed great power and privilege on the owner, and it continues to do so to the present

day, albeit in a more disguised form. But, actually, property in land is probably the most blatant act of theft perpetrated by society on itself. It is stated in this way deliberately; for the whole of society is culpable.

Very few question the validity of property in land. Even the dispossessed, mostly, believe that such a concept is legitimate. But a little serious thought shows that legitimate ownership of land is impossible. (In the sense used here the term 'land' must also encompass all the natural resources of the planet; the oil and minerals in the ground, the natural forests, the fish in the sea. None of this may legitimately be 'owned'.) How did land come into ownership? The land was there before human societies existed and will no doubt still be there when we and all our works are gone. It could only have become possessed by theft. We are the trustees of the land: if we claim ownership we break that trust.

There is no question that all individuals need land, but this applies—more or less *equally*—to *all* of us, if simply to exist. Even farmers who cultivate and husband the land can have no right of ownership: they have the right to security of tenure and the product of their husbandry: they have a right to sell the value of its fertility for which they have worked, perhaps at a great profit. But by so-doing they are selling the product of their work and that of their forbears; they are not selling the land the value of which legitimately belongs to all of us. Farmers are, as we all are, no more than custodians.

This is an example of the difficult distinction that must be made between legitimate and illegitimate property. It is a distinction which has become blurred over time and eventually lost—to the great advantage of landlords and land speculators who have been able to amass great fortunes through land transactions and rents on the spurious claim of ownership. The origins of their 'ownership' must have begun with appropriation either by guile or by force, and no amount of subsequent legal ratification can alter that fact.

Another important factor in the exercise of power through ownership is in the area of shareholding—a cornerstone of the capitalist system. The injustices that arose from absentee ownership of land in the 18th and 19th centuries are perhaps reflected again in the current system of share ownership, where whole industries are owned by shareholders who are largely indifferent towards or ignorant of the nature of the industry they own. Their sole interest is that the return on their shareholding should be profitable. As with the absentee landowners of the past, this represents a form of power without responsibility. However the

system is now entrenched the buying and selling of what industry they represent on behalf of anyone with pension in any institution owners, either directly ownership necessarily and if these responsibilities social injustices will remain successful and prosperous happy to take a share in but when the enterprise the 'owners'—the shareholders responsibility. On the sell their shares or company managers (they themselves place) that their profits

“It was well served the economic JK Ga who said that in modern ‘it is more advanced to own than to things

The power of large concentrations of ownership will eventually work against of fair distribution of wealth they inevitably become themselves. It is here that the issue of legitimacy

The exercise of power through ownership is in the area of shareholding—a cornerstone of the capitalist system. The injustices that arose from absentee ownership of land in the 18th and 19th centuries are perhaps reflected again in the current system of share ownership, where whole industries are owned by shareholders who are largely indifferent towards or ignorant of the nature of the industry they own. Their sole interest is that the return on their shareholding should be profitable. As with the absentee landowners of the past, this represents a form of power without responsibility. However the

There is an interesting variant on 'found property' where national heritages are concerned. Ancient monuments, such as Stonehenge or the Pyramids, are now seen as national treasures that generate enormous revenues through tourism. But their value in that respect was only realised through the advent of archeology as a subject of study after the Renaissance in Europe. For a long time prior to that they had no value other than as curiosities or quarries for building-stone. Arguably they could be seen as gifts from our ancestors. The same applies to the artefacts from treasure trove which, with the development of the metal detector and the underwater robot, has now become quite a lucrative industry. The reward allowed to the treasure hunters arises from the work done in the process of detection and recovery: the artefacts themselves still remain a gift to society from past generations.

activity is not work and the private benefit that arises from it, whether as property or money, is illegitimate. What is legal and what is illegal has to be spelled out, and the legislators have to be two steps ahead of the sharp practitioners, instead of three steps behind as at present.

Where the social good is concerned, there is economic activity that is individually and socially beneficial and there is other activity that is individually beneficial but socially damaging. Those, therefore, who gain a living from the latter (and it is often a good living)

“Very few question the validity of property in land. Even the dispossessed, mostly, believe that such a concept is legitimate”

which results neither from work nor gift must be engaged in a form of theft.

The main cause of poverty in the contemporary world is the growth and maintenance of ownership in large powerful concentrations that take from society more than they give. It is a form of theft for it is not gained in isolation from the rest of society but by virtue of its very existence.

All real wealth is produced through the application of real work and those who have an excess of wealth who have not gained it through their own work have gained it through the work of others. In this sense the act of theft is gradual and insidious but no less real. We see the gradual transition from legitimate to illegitimate property, legitimate to illegitimate power. The primary cause of poverty is an economic system that promotes those selfish motivations that result in excessive concentrations of wealth and illegitimate ownership. In simple terms the fundamental cause of poverty is greed.

One is not arguing for the confiscation of wealth or even for equality of result. There is, of course, a case for equality of opportunity—but not for what individuals will make of it. The idea of economic equality has fostered much illusion. The fact is that we devote a

great deal of energy striving to be as unequal as we can. In any chosen activity, we are proud of being excellent, not average. Of course our dreams are seldom realised, but that does not alter the basic hope.

It is futile to rail against self-interest, or even greed. They cannot be eliminated by legislation. Attempts to do so in the past have resulted in the imposition of brutal tyrannies which try to compel people to conform to some moral code devised by the rulers. We should concentrate less on the issue of equality, and more on that of justice. It is a great human virtue that we are all able to recognise justice and fairness. In that sense perhaps we are equal. If justice and fairness became the guiding principles in our economic affairs then the issue of equality would resolve itself.

Political economy is not about production and wealth creation, it is about morality: and the first moral law is that the strong owe a duty towards the weak. There are enormous social injustices, even within the prosperous western world, to say nothing of the gross injustice of a half-starving Third World. Of course, remedial activity is constantly being carried out to alleviate the worst consequences of poverty, but it never can get to the root cause of the problem—which is a social and economic world so organised as to facilitate concentrations of excessive wealth and the safe-guarding of illegitimate property.

The major challenge is to face up to the issue of ownership. But this can only be done when the existence of a problem is recognised, especially by the rich and powerful, for only they have the power to effect a peaceful change. Any reform of the situation will require a re-definition of ‘work’ and of ‘ownership’, with their attendant rewards and responsibilities.

In the complex world in which we live, gradualism is essential to any reform. The present situation is the result of slow evolution over many centuries. The Gordian knot that we have made for ourselves has to be painstakingly unpicked. The heroic idea of severance at a stroke, favoured by revolutionaries, causes more problems than it solves.

The challenge for society lies in devising a socio-economic system which recognises the difference between legitimate and illegitimate property, between work that is socially beneficial and work that is not, and which incorporates appropriate incentives to promote the former at the expense of the latter. **L&L**

Ian Hopton studied economics whilst working as an architect in London in the 1970s. He now lives and works as an artist, painter and printmaker in France. This article is based on an essay published in Resurgence magazine 235 www.resurgence.org

The Greenspan years

Ed Dodson is still unsure of Alan Greenspan's legacy. In the second of a three-part article on how the US economy got to where it is today, he takes us through Greenspan's years with George Bush senior and Bill Clinton



BY 1989 several regions across the United States were most vulnerable to a serious downturn. Parts of New England had experienced rapid increases in land prices as the region became a new centre for technology research and development. In Hawaii and on the West Coast, Japanese and Korean investors had acquired every type of real estate, outbidding those buyers more concerned with positive cash flows than expectations of flipping properties for quick gains. When the Japanese and Korean land markets collapsed, investors were soon forced to begin selling off property assets in order to raise needed cash. The glut of properties coming on the market accelerated already collapsing property markets in Hawaii and California. Wherever land prices had spiraled upward the most, the collapse in values was the most pronounced.

Economists expressed general concern that a recession was possible but only a very few pointed to the nation's land markets as the primary cause. Under Greenspan's direction, the Fed moved to tighten credit and impose more stringent capital requirements on member banks, resisting political pressure to infuse the economy with an expansion of the money supply. Several increases in the overnight federal-funds rate charged to member banks kept the credit markets in check.

What also happened, according to economist Ravi Batra, is that Japanese investors began to pull their financial reserves out of Japanese institutions and invested in us government securities. This helped to drive down interest rates in the us and stimulated the us recovery. Yet, because nothing had been done to address the structural problems endemic to land market cycles, the seeds of another credit-fueled escalation in land prices, followed in roughly 18 years by another collapse, were firmly planted.

To strengthen us exports, Lloyd Bentsen (Secretary of the Treasury during Clinton's first term as President), pursued strategies to keep the dollar weak despite its renewed attraction as a safe harbour for foreign investors. His successor, Robert Rubin, reversed this strategy on the assumption that a stronger dollar would lower the cost of imports, requiring domestic producers to respond by lowering their prices as well. The longer-term responses of producers determined to protect profit margins were not new. First, they sought to replace workers with new technologies. When this proved insufficient, they looked around for locations where the cost of doing business was sufficiently lower to override the higher costs of shipping goods back into the us market.

A revolution in communications technologies was also well underway. The expansion and increasing use of the internet

was explosive, as the cost of producing powerful personal computers and other manufacturing but work could be spread to locations around the globe. Other software comparators and developers in several countries progressed on new products in lower-wage countries and the Philippines succeeded by taking on customer assistance and telemarketing.

Smaller companies and their goods in the United States increasingly moved away from where unions were the strongest and other costs to the consumer were higher. For some, the cost of production was relatively short-lived, and a rise almost everywhere.

The Clinton administration's strategy to the recovering spectrum included a steep reduction in taxation applied to gains on capital (including land) in high marginal ranges where rates were increased; however, individuals obtain a far greater income from capital gains than from wage income, the net effect was to tax income downward. At the bottom end of the wage scale, public assistance (as well as pre-adults in the workforce) to use the minimum wage of the number of people it does reflect the extent to which wealth had become highly concentrated in the top 5 to 10 percent of us households.

The income and wealth consequences of the Clinton recession, totalled significantly. Revenue from taxation rose from \$47 billion in 1995. And, real estate corporations rose from \$157 billion in 1995. And by the Citizens for Tax Justice the 1997 changes in tax rates for those at the top, whose income from dividends, interest and inheritance. Under the important change in minimum wage introduced by the repealing of the Fair Labor Standards Act. Restrictions preventing opening retail branches

Our own worst enemy

Henry George: Political Ideologue, Social Philosopher and Economic Theorist edited by Laurence S Moss Blackwell, 2008, 200pp, p/b ISBN-13: 978-1405187510, £19.99

The major piece in this book of essays is Michael Hudson's 'Henry George's Political Critics'. In this he cites as two of the criticisms of George his singular focus on ground rent to the exclusion of other forms of monopoly income, and his refusal to acknowledge interest-bearing debt as the twin form of rentier income alongside ground rent.

As Hudson points out, land remains the largest asset class even in today's industrial and high-technology economies. Because mainstream thought now merges land rent and interest with all other earnings, the former has become virtually invisible. Economic rent is hidden in the other factors of corporate income, and its size is difficult if not impossible to evaluate (although estimates put it as one-third).

George's single-minded focus on ground rent, initially his greatest journalistic asset, ultimately became a shortcoming. Another problem, as Hudson points out, is that home ownership was so widespread in America, then as now, that most families and businesses wanted the land value of their property for

themselves. In 1924 Upton Sinclair observed that the narrow focus of the Single Taxers became their political undoing.

Henry George was not given to cooperating with others. When he was co-chair of the Land Reform Conference in Paris in 1889 he spent most of his time in his hotel room rather than working with the delegates to promote his ideas.

The failure of George and his followers with their narrow focus led, Hudson says, "to splits within the Single Tax movement, especially in Britain, where the School of Economic Science moved away from George to place major emphasis on debt and financial reform". This is not strictly true, as the School continues to regard George's ideas as important—although it has indeed widened its scope of enquiry.

Another major essay in this book is Charles McCann's consideration of the social philosophy of George. He looks at some of the complexities (for some, contradictions) in George's presentation of his ideas, which McCann feels inadequate for a persuadable political programme. The way George offered to capture the undeserved wealth from the undeserved surplus had its critics.

The Duke of Argyll, not entirely unbiased, said: "Never, perhaps, have communistic theories assumed a form more curious, or lent themselves to more fruitful processes of analysis, than in the writings of Mr Henry George." Rather

more fairly he points out that George's depiction of conditions in modern society was little more than "a picture only of the darkest shadows with a complete omission of the lights."

Perhaps Henry George was his own worst enemy in overplaying the downside of the society in which he lived, and not constructing concrete proposals to put his ideas into effect. There is much to debate in these studies which should be the base for fruitful answers.

Geoffrey Lee

Textbook economics

A New Model of the Economy by Brian Hodgkinson Shephard-Walwyn, 2008, 348pp h/c, ISBN-13: 978-0-85683-250-5, £30

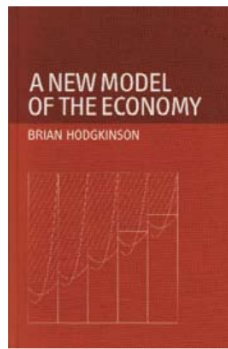
This is a major new work of great potential importance. It is not a book which seeks to persuade, although it is persuasive: it is a book which seeks to explain, in a clear and systematic manner, that which modern economic science orthodoxy has been unable to explain: and it seeks to explain it in a manner that is addressed to those who need to understand. A *New Model of the Economy* is a purposefully academic book: its intended reader is the teacher or student of economics.

Brian Hodgkinson describes economic science in the fullness of its reality, and in all its

dimensions—including the hitherto improperly recognised dimension: *land*. The book is the equivalent of Copernicus' *De revolutionibus orbium coelestium*—which knocked the Earth off the centre of the universe. If epiphanies can come from text books, unsuspecting readers might expect one here.

In introducing his work, Hodgkinson's preferred analogy is also *astronomical*—flat-earth science—which is how he characterises modern-day economics orthodoxy. A *New Model of the Economy* provides the equivalent of the geographical comprehension of the earth as a sphere and not a wobbly plane.

A sophisticated post-flat-earth understanding is key to a modern person's ability to live their life in its environment. Just so the professional economist in his work.



Quoting economists BC Eaton and RG Lipsey, the book's revelation for professional orthodoxy is that "many phenomena that appear inexplicable when inserted into a spaceless model are explicable in a spatial model."

The author accepts that the "superstructure" of modern academic economics might be "well-designed" and "aesthetically pleasing"—it is "a fine house" he says. But it is a house "built upon foundations which are askew"; and hence it leans. Hodgkinson anticipates its collapse "in a welter of broken theories and dubious 'facts'", and is troubled by what this might mean for real world economies. His book provides a new firm and level foundation for the theory and practice of the science.

The book is tightly structured to satisfy the traditional expectations of a teaching text: in seven parts Hodgkinson deals with: principles; the theory of the firm re-examined; factor incomes; money and value; public revenue; macro-economics; and closes with his conclusions—looking at the practical problems of rent as public revenue, and justice (his guiding principle throughout).

Thanks to this book it should no longer be possible for the teaching of economics to be the harmfully fallacious entertainment that post-classical thinking has rendered it. Professors in universities around the world cannot ignore this book in their classrooms, can they?

Peter Gibb

“Economists today employ ‘flat-earth’ models, which are unrealistic. They ignore the huge influence of spatial location, which gives rise to economic rent. This has expanded proportionately to the continuous growth of most economies, and profoundly affects how they operate.”

Brian Hodgkinson

a quick note ...

The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It by Paul Collier. h/c £16.99

'Resource Curse' proponent Collier pinpoints issues of corruption, political instability and resource management to blame for the world's poorest—the bottom billion who are living on less than a dollar a day while the wealth of the world moves on.

Once Upon a Time in the North by Philip Pullman. h/c £9.99

A ripping wild-north tale from the world of *The Golden Compass*. Against the background of a frontier struggle between nascent democratic institutions and untrammelled corporate power in pursuit of the valuable prize of resource privatisation—Lee Scorsby, the Texan balloonist, first meets Iorek Byrnison, the armoured bear.

Gridlock Economy: How Too Much Ownership Wrecks Markets, Stops Innovation, and Costs Lives by Michael Heller. h/c £15.99

Argues "excessive property rights" jam up the economy and lead detrimentally to underuse of resources and loss of family estates, inhibit the development of life-saving drugs and impose obstructive copyright restriction.

Agricultural Support, Farm Land Values and Sectoral Adjustment: The Implications for Policy Reform OECD. p/b £17

This study focuses on the capitalisation of government support into land rents and prices. It assesses the consequences of inflated asset values, and suggests lessons for future policy making.

Money: A Mirror Image of the Economy (2nd ed.) by JW Smith. h/c \$32 or download free from www.IED.INFO/BOOKS/MONEY

"Only a handful of great books, brief and highly focused, have moved civilizations significantly forward. This is one of those rare books."—Professor Glen Martin, author *Millennium Dawn*

Economic democracy: A Grand Strategy for World Peace and Prosperity (Green Economics for Sustainable Development) (2ND ED.) by JW Smith. h/c \$35

Published simultaneously with *Money*—Smith looks at the historical implications of reform, describes how economic property rights have allowed plunder by trade, and reiterates his argument for monetary reform.

11th-12th September 2008, London (*event free*)
conference Political Philosophy & Taxation
 The UCL Centre for Philosophy, Justice & Health
www.ucl.ac.uk/~ucesswo/tax.htm

20th September 2008, London (*members only*)
AGM Henry George Foundation of GB
 11 Mandeville Place, 10.30 am
www.henrygeorgefoundation.org/

starting week beginning 22nd September 2008
course Economics with Justice
www.school.economicscience.org

26th September 2008, London
John Heffernan at the HGF Library (see bottom)

13th-17th October 2008, Nanjing, China
conference World Urban Forum Four
www.unhabitat.org/files/212/WUF4_INFO_BROCHURE.PDF

17th October 2008, London
book launch The Silver Bullet
 (International Day for the Eradication of Poverty)
www.theiu.org/thesilverbullet

starting 22nd October 2008 for six weeks
 (Wednesday evenings), London
course The Condition of Labour
www.henrygeorgefoundation.org/

31st October 2008, London
John Pincham at the HGF Library (see bottom)

7th November 2008, London
Michael May at the HGF Library (see bottom)

14th November 2008, London
Jacqueline Waltz, the HGF Library (see bottom)

10th December 2008, New York & Geneva
celebration Human Rights Day—60 years old
www.ohchr.org/en/udhr

5th-9th August 2009, Cleveland, Ohio
cco conference The Best of Tom L Johnson
www.progress.org/ccg/

Fridays (*all welcome*)
HGF Library Group meetings and lunch
 11 Mandeville Place, 2.30–4.30pm (lunch from
 1pm at nearby Pizza Express)
www.henrygeorgefoundation.org

so what do you think?

Reading the last issue of *L&L* I was wondering if *Land&Liberty* had changed its name to *Body&Servitude*?

I'm not suggesting we should stick only to a narrow interpretation of the subject matter, but I am surprised that three monologues (including the whole of the front page) were given to opposing medical calls for increasing the availability of transplants from people who have not previously registered their wish to opt out (unless the next-of-kin could demonstrate an unregistered objection or it would cause major distress to close relatives).

If I was one of the hundreds of people who needlessly die each year for the want of a transplant I guess I'd be keen to see the UK adopt a system already successfully practiced in the majority of EU countries.

As for LL Blake's article on the benefits of privilege, monarchy and aristocracy—I'm just surprised that *L&L* didn't provide readers with a free cloth cap so that we peasants would know our place and doff them at our 'betters'!

Dave Wetzel
 London

Readers of L&L have a formal opportunity to express their views on the sorts of questions raised in this letter. Let us know what you think by filling out the 2008 L&L Readers Survey, and help ensure your magazine stays your favourite read. (Incidentally, none of the three pieces of writing referred to was actually anti-organ donation. Editor)



why HGF not 'well prepared to unlock the puzzle?'

In the spring issue of *L&L* Iain McLean reminds us that John Stuart Mill said: "If the Grosvenor, Portman and Portland estates belonged to the municipality of London, the gigantic income of those estates would *probably* [emphasis mine] suffice for the whole expense of the local government of the capital."

How much is that "gigantic income"? In the same issue the news item 'Whither Grosvenor's medieval wisdom?' tells us that when "David Triggs, Executive Chairman of the Henry George Foundation, wanted to know what the effect would be on the Grosvenor Estate if taxes were removed from its buildings and placed on the value of its land", he received a dusty answer from Grosvenor's Research Director, Dr Richard Barkham.

At that point I hoped that Mr Triggs would say "Well, for your information, Dr Barkham, the Henry George Foundation has calculated that the land value tax on the Grosvenor Estate would be £x!" Followed, of course, by gasps of astonished admiration and thunderous applause.

But that didn't happen. The news item fizzled out with the rueful words "that those with greatest interest in the status quo might be least well prepared to unlock this puzzle."

Sure. But why isn't the HGF 'well prepared to unlock the puzzle' by giving us some real figures rather than optimistic speculation? We have a right to know how much money a tax on land values would raise; how much you, I, and the Duke of Westminster would pay—and how those figures have been arrived at.

Until we have such information, tax reform will remain a beautiful fantasy that no one—least of all the voters!—can take seriously.

And I shall be very sad.

R F Ison
 London

L&L and its publishers are always on the lookout for offers of assistance to do work just like this. Present resources limit our ability to be unfailingly 'well prepared'. If you think you have something to offer please contact the office.

NEXT ISSUE

out December 2008

sharing and monopolising intellectual property

Russia: beyond the oligarch years

England's green and pleasant land: the threat from the north

the modern neo-colonial experience

100 years since Lloyd George's people's budget—a lost century?

