

breaking ground

Making it up

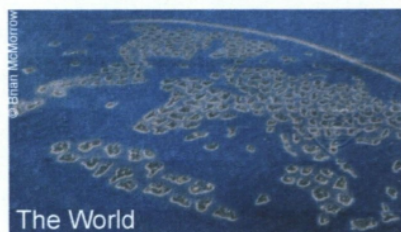
Well, they all say “they ain’t makin’ no more of it” – land, that is. But are you sure they’re not?

The World (capital ‘W’) is an archipelago of artificial islands shaped like the continents of the Earth. The World is under construction on the Persian Gulf, off the coast of Dubai.

According to *Wikipedia* “The World will consist of 250 to 300 smaller private artificial islands” shaped like individual countries. While no man is an island, now he *can* buy his country in the form of one. Individual islands in The World will range from five to twenty acres. The developers say the average price for an island will be about US\$25m. The first luxury home has already been completed.

Wikipedia reports the whole project will cost US\$1.8b. Someone somewhere is making more than US\$4.45b from The World – simply by ‘making it up’.

Of course what they’re actually ‘making up’ is not ‘land’. In any case, that’s not the important part of what’s happening. The key to what is being achieved is the establishment of a valuable legal boundary of exclusion, that previously did not exist. Any old contractor can manage the



subsequent ‘land reclamation’ – a simple technical affair of ‘improvement’ (such as the elevation of the dry surface level) to enable human day-to-day enjoyment of The World.

Reformers have a tendency to think in terms of what most people call ‘land’ – that is, ground. The World is a demonstration of why it is not ‘land’ – the firm stuff beneath our feet, or any ‘natural resources’ associated – *per se*, which is the issue. Rather, it is the humanly-established legal rights which, overlapping, pertain over various reaches and attach to various legal creations. The question is not ‘who owns the world?’ but, ‘what in any case do we allow ‘ownership’ to mean?’

The super-rich can live it up in The World. The rest of us need only the legal space in which to live.

Academics round the world say ‘lvt’

Academics around the world are increasingly recognising the virtues of a tax on land values.

University of Missouri economics professor Dr Joe Haslag published in January a report for the St Louis-based Show Me Institute saying Kansas City should replace its earnings tax with a new tax on land. “A plot of land can’t be moved. It is inherently valuable because of where it is located. In that sense, it’s a fixed-quantity item. Economic theory strongly supports that you tax things that are inelastic,” he said to the *Kansas City Business Journal*.

At the same time, across the globe, Dr GS Bhalla, professor in the Dept. of Commerce and Business Management at Guru Nanak Dev University, Amritsar, was writing in the *Punjab Newslite* – “Taxing unearned income is preferable to taxing earned income” – proposing land value taxation as an element of a green tax

reform scheme. “The tax shift to resource use and community generated land values will distribute income more fairly without dependence on income and business taxation. Taxing unearned income and not earned income will reduce the rich-poor gap since the rich are always in a better position to capture unearned or windfall income by their ability to hold assets that they do not have to consume.”

Meanwhile, in Grenada, Glenroy Blanchette, PAM party candidate, rails against the Land & House Tax: “Owners of starter homes (Half-a-Hog Head) would be required to pay the tax based on the market value of their property. There are some starter houses that are located close to upscale neighbourhoods. The market value of these properties would certainly have increased because of their location not because of financial investments for repairs or upgrade.” [and...? Ed]

letter from the editor

What defines and limits our *ability to pay*? The phrase has come to define a nexus of twenty-first century Western political discourse. It is the shield held up whenever swords cross over ‘property’ taxation.

We don’t try to go out of the pub with an unpaid bill, perhaps leaving a penny on the counter saying ‘sorry, not able to pay more’. If we tried this we should expect a knock on the door from the girls and boys in blue. Neither does ability to pay come into supermarket shopping: we understand we have to exercise discretion in the aisles, and put no more into our trolleys than we can afford.

Yet when it comes to ‘public goods’ our expectations of what we need to pay, for what we receive, seem to be different. We seem to feel free to enjoy privileged benefits from society and nature without qualms about having to pay for them. We seem happy to expect others to waive their equal rights to all that society makes available to us; and for them to pay the bill for us too. It wouldn’t work in the supermarket.

But the phrase is key in politics. From the left we might wonder who would dare seek oppose a tax proposal which met the test of ‘ability to pay’. From everywhere else, what political programme could be considered fair and worthy of support which failed that test? The ‘ability to pay’ has become the no. 1 clause of our social contract – the delimitation of the individual’s bond with the community.

We can all pay for the advantages we receive from society. Policy must not make exceptions of all us. If we are not in a position to use those advantages then our systems of taxation must allow us space to defer or elect to pass on our liability. *Ability to pay* must be debunked as an excuse. In the deepest sense we all have the ability to pay for what we take. To say this is not to disregard the real exceptions.

People who live in £1/4m homes and who do not earn a wage (all else being equal) do not lack ability to pay. They often lack *willingness* to pay – if not the audacity to dissemble. We all fail to confront the excuses. There are already private sector tools for creating revenue streams from property assets: the public sector needs a similar thing in its tax tool box. Ability should be assumed, indeed taken *a priori*: inability recognised for what it is – the exception – and one indeed to be assisted. *Inability to pay* must require an irrefutable demonstration of honest fact.

Peter Gibb
gibb@LandandLiberty.net