

LAND AND LIBERTY

Established 1894
Volume 103 No. 1178

~ CONTENTS ~

EDITORIAL The Wrong Question	2
HONG KONG Ian Barron	3
TALKING POLITICS What Did George Recommend? S.S. Gilchrist	4
WORLD NEWS BRIEFS	5
PHILIPPINES LAND SCANDAL Peter Poole	6
LAND & LIBERTY ESSAY The Beatitudes <i>The secular meanings hidden behind the translation of the Bible.</i> Kenneth Jupp	7

Editorial Offices:
177 Vauxhall Bridge Road,
London, SW1V 1EU
Tel: 0171-834 4266

121 East 30th Street,
New York, NY 10016
Tel: 212 889 8020

ISS No: 0023 7574

Annual Subscription:
UK: £12, USA \$20, Canada \$25,
Australia \$25

Publisher: Land and Liberty International
at the London editorial Office.

South Africa: asking the wrong question

EVERYONE expected an exciting future for a multi-racial South Africa. A radical — but responsible — Mandela-led government wanted justice for black people....the fiscal system includes a direct tax on land values levied by nearly all the municipalities...a prestigious tax commission was charged with reappraising the fiscal system...

And yet, it all seems to be going wrong.

- The Katz Commission hived off consideration of a national land tax to a sub-committee which has produced an appallingly ill-informed report.

- The country is now embroiled in a dispute over property rights, and whether the new constitution should contain a clause that guarantees compensation for anyone whose land is compulsorily acquired for the landless poor.

- Land Affairs Minister Derek Hanekom thinks that the scope for reform is limited by the money available for compensation.

The policy-makers are in a bind because they are not asking the correct questions. They are looking at the simple figures — 12.6% of the population owns 87% of the land — and are concluding that the government needs to intervene in redistribution of sites. But then they discover that their hands are severely tied by the need for fiscal rectitude, to keep the IMF happy.

The losers will be the people, black and white.

There is no need for large-scale redistribution of land. The availability of finance is irrelevant. There is a more dynamic — and socially fair — solution. Citizens should pay for the benefits they

receive. They do so in the private sector, so why should this principle not rule in the public sector? Existing landowners should retain all of the land they want, if they are willing to pay each year the full market rent to the public sector for the benefit of using the public services that give value to their land.

This would free the government to execute swingeing cuts in the taxes on people's wages and the returns on their capital investments. Result: a huge incentive to work and invest. And: the most effective curb on inefficient land portfolios that it is possible to devise.

Thus would the Mandela government create an economy with a significant edge over other countries. The prices of exported goods would be lower by the degree to which taxes were reduced (taxes are added to prices; rental payments are not).

This mixture of policies is acknowledged by the best economic brains — past and present — to produce the optimum results for resource allocation and income distribution. No need for government intervention or public cash subsidies: people would produce the best results spontaneously!

Low-wage black workers would soon find themselves in demand. Land would become available — at rents they could afford — for new homes and premises for start-up enterprises. And there would be no need for society to fight its way through the trauma of snatching land from anybody, which is the best recipe for once again dividing the people of South Africa along racial lines.

Doesn't this sound like the kind of justice that the people of South Africa - black and white - deserve?