breaking ground

Thailand goes back to the land

Before the twentieth century, Thailand maintained a traditional land holding system, in which all land belonged to the king, and farmers paid annual land rent, either in crops or labour. Hoarding and underusing land were forbidden – if a plot was left unused for three years it reverted to the king, who would then redistribute it. With the rise of western influence this system was replaced by freehold titles, which over time has lead to urban sprawl and rural poverty.

But recently Thailand has seen a surge in reformist activity. This year has seen the publication of *Progress & Poverty* in Thai, translated by IU member Suthon Hinjiranan. Hinjiranan's own book, *The Unjust Poverty,* has also been released, applying Henry George's ideas to the Thai context.

Meanwhile, the government has been holding a series of land management workshops to explore alternative systems. In February Bill Batt of the Schalkenbach Foundation visited Thailand to lecture on George's thought, where his audiences included the Ministry of Finance.

Now the Thai cabinet has approved 'in principle' a new land reform and progressive land tax, aimed at ending speculation in land. According to Mr Hinjiranan, in reality the proposed reform may not be as good as it sounds, as there are numerous political obstacles, but at least land values are finally being discussed again in Thailand.

World Bank waking up to land tax

The World Bank is not famous for its open minded and progressive approach to economics. Too often it has imposed inappropriate policies of privatisation and liberalisation on developing countries, sometimes with disastrous consequences for their economies, their evironments and their citizens.

In particular, World Bank land policies have been severely criticised for dispossessing poor farmers and indigenous peoples, promoting unsustainable agriculture and resource extraction programmes that benefit a few corrupt officials, not the local communities.

But now there is hope that the Bank may finally be getting the land message: a recent policy research report written by one of its senior economists identifies land taxes as the best means of funding sub-national governments, on the grounds that land rent collection does not distort the economy the way that other taxes do.

What's more, Klaus Deininger, the author of the report, believes that 'Purchase of development rights pays the landowner for the unearned increment of land values..., whereas land value taxation taxes land more heavily than improvements, thereby encouraging the development of land.' (ch4 of *Land Policies for Growth and Poverty Reduction*, K. Deininger, 2003) Read the report at http://econ.worldbank.org/prr/land_policy/

International Union gains enhanced recognition at United Nations

The International Union for Land Value Taxation has been formally recommended for Special Consultative Status with the Economic and Social Council of the United Nations. This will bring a "more advanced" level of participation with the UN.

The enhanced status means that the IU will be able to increase its representation at the UN from 2 people to 22, They will have access to a broader range of UN work and more chances to influence official proceedings.

UN headquarters in New York: tenfold increase in IU representation has been recommended

letter from the editor

My car got run over last week by a one-and-a-half ton Isuzu Trooper. It did the car no good at all. My Toyota Carina, which had ten good years driving still in it, had to be scrapped: the insurance man said that's how it was.

It could have been repaired. The cost of the materials would not have been so much. But in our mixed up economy the car had to be written off. The labour cost made repair uneconomic. We pay ourselves too much to make repair an option. In an apparently greening age we throw away and buy new.

There are two reasons for this daft situation. First, the cost of disposal fails to correspond to its real cost - the cost to me, to the environment, to the economy.

Second, the return value of the capital in use - all those machines and built-up knowledge about cars - gets written off over time, so the cost of making one new replacement car falls. We supply ourselves with new cars with insufficient regard for the real cost .

We are able to have those cars with barely a finger being lifted. The degree to which we rely on capital and not labour to make things is increasing by the day. A crisis is looming because of this - witness the European food mountains. Factories turn out too many cars which are decreasing in sale value because the alternative applications of the capital and labour involved would produce products which were even less needed or even demanded, and give their owners even lower returns on their money.

When I looked for a new car I was horrified by what I found. I discovered that the cheapest option is to simultaneously ease the gluts on the new car and money-lending markets. So I bought a brand new van on credit.

In 1909 a model T Ford took 4000 hours work to accumulate the purchase price of $950. Today it takes 400 hours. The relative balance of capital and labour input which car building requires is shifting further and further away from labour. People as workers become a diminishing part in our economies, while the power of capital grows.

As society builds on its past achievements, the new generation enjoys 'for nothing' the advantage of its social and economic inheritance. But a consequence of this 'progress' is that the value of what is done *today* become less and less important to us. The global returns of labour are lessening. That is to say that it may soon not be possible to make a living from work.

My tatty old car was a dependable piece of my life. Hard economics and an Isuzu Trooper brought it down.

Peter Gibb
editor@LandandLiberty.net