

from improvements; only a quarter from land. This makes it very costly to maintain homes and tend gardens. Meanwhile, slum landlords are rewarded by having their assessments (and thus taxes) lowered, when their buildings fall into disrepair. So, while the current system punishes people who contribute to a community's wellbeing, it gives a tax break to those who bring down neighbourhoods with ignorance and neglect. This is obviously wrong.

By shifting the tax burden from improvements to land values, the city could reward people and businesses who invest in their communities while making it harder for speculators and slum landlords to hang on to property. Almost every owner of a vacant lot or a derelict house would see his tax bill go up and be encouraged to do something with the property or sell it on. Taxing land at a higher rate than buildings – or not taxing buildings at all – would allow citizens to maintain and improve their homes without fear of the taxman.

Land value tax is a win-win solution to urban blight, encouraging people to take pride in their homes and neighbourhoods. Un-taxing dwellings will help maintain neighbourhoods' values. Lower taxes on structures will help people win back their neighbourhoods through their own wishes and vision.

Twisted taxes distort economy

Nicaragua is one of the poorest nations in the Northern Hemisphere, mired in debt and poverty. Here Paul Martin tells how the country's fiscal set-up is making things worse

MANAGUA, THE CAPITAL city of Nicaragua is a good example of what happens to a city when the tax system provides more motivation for private speculation in land values than for private use of land as a productive resource.

Throughout the city large amounts of valuable urban and suburban land lies idle. There is disproportionate public and private investment in privileged sectors of the city, with advanced neglect in some areas and decay in most others.

On one side of the city, there are modern buildings with paved roads. In the other sections, there are rustic dirt roads and the most rudimentary of shanties sardined together.

The property tax in Nicaragua – *Impuesto Sobre Bienes Inmuebles* – is an



Slim pickings: a jobless man picks garbage

annually collected national tax. In most areas of the country municipal governments do not have the resources to administer the tax. In the capital, the tax is collected from a limited group of landowners, mostly in the developed areas.

The influence of the tax is too weak. The result is great inequality in access to the most productive land.

Many kilometres from the capital, unemployed *campesinos* – those not adventurous enough to migrate for opportunities to pick urban garbage, or engage in predatory crime – line the highway asking for handouts. Asked why they do not work the unoccupied land surrounding the urban centres, they respond: "That is all private property." Paul A Martin is the director of the Instituto Henry George in Nicaragua nssmga@ibw.com.ni

In conference

Debt and the engines of inequality

WHY MILLIONS OF people are driven to debt in a trading system that has the capacity to abolish poverty was discussed by leaders from the three main religions at Plater College in Oxford in the autumn.

Ann Pettifor, who initiated the Jubilee 2000 campaign to eradicate Third World debt, blamed global capital markets and called them gigantic engines of inequality.

Pettifor, now heading a research project at the London-based New Economics Foundation, said the developing world was being driven to debt by the enormous US debt. She said the US had to borrow \$4bn daily to finance the trade deficit and foreign liabilities.

US families borrow more than they earn, argued Pettifor, and offered their houses as collateral. But because they cannot sell their homes to pay off their debts, a crisis was looming that might result in a crash and large-scale repossession of homes.

But big business was not necessarily

hostile to the interests of ordinary people, said Sir Sigmund Sternberg, who established the Three Faith Forum, in which Muslims, Christians and Jews meet to explore ways in which the religions can co-operate. He said businessmen should engage in inter-faith activity, to deliver global peace that was in their interest. He said: "There can't be world-wide commerce without stabilisation."

Several speakers said solutions could be found in the theology of land in the Old Testament. The Jubilee year practice described in Leviticus, in which debts were cancelled and land restored to its original users, was analysed as a relevant model for solving modern problems.

According to the 2002 survey by the UN Development Programme, the world will be free of hunger in 130 years. The 2nd International Conference on an Interfaith Perspective on Globalisation will be in St Petersburg in April 2003. Direct proposals for papers to Dr Kamran Mofid at k.mofid@plater.ac.uk



Inside story: 130 delegates attended the Urban Regeneration conference at London's new City Hall

government and groups interested in regeneration are paying dividends. We believe our approach is the way forward for all those who would advocate the application of rent for public purposes."

For a transcript contact Paul Brandon, the Foundation's Deputy Chief Executive: p.brandon@henrygeorgefoundation.org www.henrygeorgefoundation.org