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Swap taxation for land rentals and watch SA boom

Feb 11, 2016 | Stephen Meintjes

Approach would not only solve restitution problem, but would also fix a range of economic and political ills, writes Stephen Meintjes

NOTE how quickly the reaction to white racism connects to land! Writing in Business Day on January 20, author Thando Mgqolozana repeated his earlier controversial tweet: "We can't deal with one Penny Sparrow at a time. We have to go for the whole thing at once. Decolonisation. Get land. Forcefully."

He is not alone in his stance, which shows that the deeply ingrained emotions around land could indeed upend the historic achievements of our constitutional democracy by unleashing a race war and turning our country into a rubble heap like Syria. The tragedy of this would be that we would have failed to understand our famous Constitution.

It was not a sellout by some African National Congress softies to neoliberalism letting whites off the hook nor was it just a trick to entice whites into the kraal. It was a truly great agreement between formidable opponents to launch a nation-building project of immense proportions such as the world has never seen. Far from being a scrap of paper to be shredded by passing politicians or emotions, it is a living direction to all South Africans containing more wisdom than we ever dreamed of.

For example, Mgqolozana complains that the irrigated farms between the Oukraal Dam and Queenstown "were not ours". But all those lands were, and are still, ours. Right up front, the fifth line of the preamble states "SA belongs to all who live in it, united in our diversity".

This is the first great statement in this regard and the second (section 25.5) is like it: "the state must take reasonable legislative and other measures, within its available resources, to foster conditions which enable citizens to gain access to land on an equitable basis".

The same section (25.1) also provides for proper compensation, around which a whole debate rages, and the state has indeed undertaken extensive programmes of land restitution and land reform.

So what's the problem?

Well, as we have just seen, this is simply not enough to satisfy the demands for justice. In other words, while land restitution corrects some past abuses land reform, at most, benefits a very small minority of the people of SA. Sadly, it comes nowhere close to giving every citizen of this country the idea, let alone the feeling, that this land is, indeed, our land. The good news is that if we heed the direction of the Constitution, the answer is close at hand.

Consider this: what does the owner of any significant economic asset do if he can't sell it or use it himself? No prizes for guessing — he lets someone else use it for a rental. All land value is, however, due to the community without whose grant of security of tenure owners could not enjoy the natural and man-made advantages of their land. So the state would, if it collected this value instead of taxation, merely be collecting the value it had created instead of robbing workers and businesses of the fruits of their labour and investments. Moreover, this would certainly be within the ambit of "reasonable legislative and other measures" and "available resources".

But will it enable citizens to gain access to land on an equitable basis? The likes of Mgqolozana argue that land must be taken, forcefully, if necessary, and without compensation, from whites and redistributed to blacks. While the emotions are fully understandable, the logic is lacking.

Assuming the state was to expropriate all non-black held land, would it be any different from the dog that caught the bus? What would it do with it? Given the millionfold variance in land values, from the arid fringes to the metropolitan centres of our country, how would our 122-million hectares be distributed equitably among our 52-million people. Who would get the irrigation lands? Who would get the drought-stricken grazing lands? Who would get the prime urban city centres and who would get the squatter camps?

Never mind that the economy would long since have collapsed, owing to the uncertainty, while bureaucrats grappled with re-allocation problems as well as opportunities for graft. Never mind, also, that we're talking about land here. Man-made improvements belong to those who wrought or bought them. Or are we talking about grabbing all privately owned structures as well? We want more improvements, not fewer, so let's not tax them.

So would simply moving towards replacing taxation with land rentals produce "equitable access" to citizens?

Well, here's a short list for what it would do to start with: land would immediately become more freely available, with inefficient owners or speculating land hoarders selling; all landowners, including the government itself, would be incentivised to use their land efficiently; by capturing the improvements to land value resulting from publicly paid-for infrastructure, tolls could be abolished or reduced and the Gautrain, when allocated its share of the higher land rentals it created, would be profitable; mining would experience a resurgence with the rollout of something along the lines of the gold mines formula tax as a proxy for the collection of resource rent; manufacturing would benefit, with most sites paying less in land rentals than currently in all forms of taxation; former homelands would, in effect, become one giant industrial development zone, with land rentals constituting a fraction of the direct and indirect taxes otherwise payable; the same would apply to many other rural areas, thus generating normal economic activity in our tax-ruined backyard; given that the good things the government at all levels does, such as they are, are reflected in land values, it would itself have a direct incentive to improve delivery; with transparency accompanying the determination of each and every land rental, including the use of auctions in some cases, our people would see that they were indeed benefiting from land rentals instead of taxes that impinge on the poorest of the poor, regardless of locational advantage; land reform and restitution would proceed in a much more constructive context; last, but not least, labour and capital, with what is arguably the most direct cause of job losses laid bare, would operate on a much more amicable footing. In brief, the economy would boom.

But would it achieve equitable access? In the former homelands, the communal system would facilitate this but, for jobs growth, traditional leaders would have to grant security of tenure to their people one way or another.

Overall, consideration could be given to rent-free thresholds for families that would encourage those who could not compete in the urban environment to focus on the new opportunities arising in rural areas. These and many other practical issues have been discussed at length elsewhere. Together with restoration of economic growth, land will have been turned from a political football into what it really is: an opportunity to unite instead of divide, to grow instead of withering.

The Constitution is pointing the way — but it is a work in progress. We now have to see to it that the state moves from taxation towards land rent. Not only is it the only way to achieve equitable access, but it will unleash economic growth in urban, mining and rural areas alike.

Ahead of the French Revolution, the physiocrats advised the monarchy to get the landowning aristocracy to contribute via l'impôt unique (single tax) and Leo Tolstoy, likewise ahead of the Russian Revolution, advised the czar to do the same.

Economies the world over are suffering from the same amnesia on land but we, due to our peculiar mix of developed and developing economy, are being nudged to take a lead. Let's do it!

• *Meintjes is the co-author, together with Michael Jacques, of Our Land, Our Rent, Our Jobs*

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