

WE HAVE argued that an annual tax on the value of land would deter further ecological damage. But what about the problem as it already exists?

The deserts can be rolled back, as the painstaking efforts by Israelis in the Negev have demonstrated.

But a great deal of money would be needed to generate an effective global strategy. The UN calculates that anti-desertification investment of \$400m. per annum is needed.

This, however, is a drop in the ocean compared with the current loss in output. Degradation of rangelands and non-irrigated farmlands cost the world an annual \$12bn. worth of productivity, with an additional loss of \$4bn. due to waterlogging and salinity.

So the investment of \$400m. p.a. would yield commercial, as well as ecological, dividends!

BUT WHERE is the money to come from? Little of it (in the first instance, at any rate) would originate from the private sector.

The risks are either too high, or too long-term, to attract private entrepreneurs on a scale sufficient to match the scale of the problem. (In Israel, of course, there is an overriding ideological motive which attracts capital from Jewish financiers-philanthropists.)

The cash, therefore, has to be marshalled by the public sector, either through national governments or international agencies. If this were done, however, it would be important to ensure that supporting fiscal policies were operating.

For a start, it would not make sense to tax the wages and interest on the labour and capital investments which are necessary to induce programmes designed to restore fertility to barren land.

Equally important, however, is the need to implement land value taxation. *For "worthless" arid land acquires a financial value once it starts to bear fruit.* Public investments are capitalised into selling values.

Why should private landowners appropriate, as rent, the proceeds generated by public investment? Economic rent, therefore, ought to be taxed at the rate of 100%,



● **BARE SAND** surrounds this village in Kordofan province, Sudan, on the fringes of the Sahara. The desert expands as livestock trample and graze, and as people cut trees and shrubs for firewood. PHOTO: Earthscan/Mark Edwards.

Magic capsules, LA smog and land value taxation

providing a self-financing fund with which to expand the environmental rescue operation.

AT PRESENT, without an adequate capture of publicly-created land values, there is direct encouragement *not* to institute environment-improvement programmes.

For such investments, in boosting land values, push up rents which injure, in particular, low-income families.

A case in point is provided by Armen Alchian, a professor at the University of California at Los Angeles, who has been criticised for stating this view in *Fortune*:

"Give me a capsule that will magically clean all the air in Los Angeles if I crush it... Beg me to crush it. No, I won't crush it, *I won't crush the capsule.* Because if I do, poor blacks will have to pay \$20 a month more for land rental. Why? Because clean air increases the demand for residences and helps the landlord.... But the black in Watts, already used to living with bad air, loses his

discount for doing that."

Thus, it would be in the interests of landowners to clear up the smog-laden air of LA, but not in the interests of the poor – under the present fiscal regime.

If the increased land values could be channelled back into socially-desirable activities, however, there would be a clear advantage – on both environmental and social grounds – to crush the magic capsule. For the blacks would directly benefit from the increase in land values! And the richer people would have clean air to breathe!

People concerned with the environment have, in my view, no option but to vigorously promote the case for land value taxation as an intricate and necessary part of their plans for improving living conditions throughout the world. Nature needs it. People need it. Without it, attempts at progress will be self-defeating.

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