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Poverty is the result of monopolization of land and other resources. In Jamaica, in the 1950s, the first post-colonial government under Chief Minister Michael Manley adopted a limited program of land value taxation. Had it survived and with higher tax rates, it would have promoted increased production and reduced land hoarding. But it was whittled away through concessions during the time Manley was in office. Jamaica has become poorer since then because foreign owners of bauxite mines and tourist resorts have never paid their fair share of taxes and because of privatization of public services.



The usual explanation for poverty is that people are not educated or need better training and better habits. Those are answers based simply on observation of results rather than identification of causes. The cause is essentially the maldistribution of wealth: a disproportionate amount going to those who own or control the sources of wealth, such as land and other monopolies. So land monopoly is the fundamental starting point for understanding poverty.

History of Land Taxes in Jamaica

I was born in Jamaica, and as a young man, I learned about a tool to fight monopoly. At that time, Jamaica was emerging from colonialism, and the political environment was alive with new ideas of how to operate a government and how to raise revenue. Representative government was just beginning in Jamaica.

The People's National Party, a socialist party, had as one of its planks the collection of land rent, land value taxation. This was a very radical proposition, radical insofar as it went to the root of injustice, unlike other measures that were superficial. This measure was significantly different from what the opposition was offering, or any other leader in the newly independent states of that time.

Norman Manley, the Chief Minister (the equivalent of the prime minister) had learned about this as a law student in England before World War I, when the Liberal Party was active in Britain, and Lloyd George and Winston Churchill were making grand statements about how to control land monopoly and land speculation. He brought those ideas to Jamaica. When he assumed leadership of the government in 1955, he introduced land value taxation.

strings attached is the second requirement for ending poverty in the world. The third element would be to end monopoly control of resources. The resources of nature are given to all of us and yet a handful of people and corporations have control over them, oil companies being a prime example. If we could enable everyone to benefit from those resources, we could end poverty. And the way to do that is by restoring the idea of the commons. Those resources exist for all of us in common. That does not mean we have to own a little share of each resource—an oil well or piece of a river. It means that the value of those resources that is currently privatized by corporate shareholders of oil companies, mining companies, or real estate syndicates, would be shared by all. That is what the commons means. That is what we should be aiming for if we are interested in ending poverty.

By analyzing poverty into those three elements, we can also begin to understand why poverty is so much more extreme in Third World countries of the South than it is in First World countries in the North. In the North, poverty exists largely because the resources are owned by a small elite of individuals and corporations. In the South the same is true: the resource division is equally skewed towards a small elite. But the South also faces the continuing problems of unbalanced trade and of debt. Poverty exists in every country in the world. There is no denying that. But the poverty is more extreme in the countries that are dealing with this triple problem of trade, debt and monopoly power over resources.

To summarize, poverty in the world cannot be eliminated unless the poor themselves say, "We insist on justice, not charity." One example of that justice is forgiving international debt. That is simple justice because of the corrupt way the debt was created. The second element would be to change the tax system in every country of the world. Right now most taxes fall on the poor in the form of consumption taxes and taxes on wages. If justice is to be done, most of the taxes should fall on property ownership and not on wages. Third, the poor should demand agrarian reform, land reform, restoring land to the people who actually work on it, instead of a few landowners. A fourth thing is to end privatization of natural resources. We have seen in Bolivia what is possible, where the Bolivian people took back the water that had been given to Bechtel and they forced Bechtel out of the country. Now the Bolivian people once more own that water.

In order to sell the idea to the people, he had to explain it in simple terms to a largely agricultural population. One of the pieces of campaign literature illustrates the method. There was a little pamphlet with bold red and green figures and lettering on it, and it showed a simple farmer in a straw hat working in the fields, and it said: your crops will not be taxed; your fencing will not be taxed; your barns will not be taxed; only the land will be taxed. It was offering a way out from under the burden of taxation on production. It would release the productive energies of a country by taking taxes off peoples' backs and putting it just on the land. There may not have been widespread understanding of this principle at the time of its implementation, but it was well grounded in Manley's exposure to it in Britain.

He had the land revalued, as no valuation had taken place since the 1930s. He introduced a tax rate that was initially very low. He wanted to avoid stirring up too much opposition because he knew the amount people had to pay would increase a lot as soon as the new assessment took effect.

Opposition to the land tax came, nevertheless. There was a lot of absentee ownership of large estates, and much of the land was unused. Those owners opposed the tax, and although the rate was low, many of them faced increased tax costs. So the challenge to the tax was pretty extensive. Concessions began to be made very soon. As time went on, more and more exemptions were granted. The flourishing tourist industry had the resort area lands excluded from the land tax. So its effectiveness was diminished. Gradually, over time, it became a less and less significant part of the revenue raising process.

A number of years later, in the early 1960s, when I happened to meet Prime Minister Manley in New York, I asked him why he had rescinded this measure that he considered to be an important reform measure. His answer was: "I am a politician, and as a politician I know that when something does not work, you have to try something else."

If Mr. Manley had persisted in his original efforts, the retention of the land value tax would have given the economy a tremendous boost, making possible the reduction of taxes on productive enterprises, as it was aimed at doing. The reduction of taxes on wages would have helped poor people. In addition, reduced tariffs would lowered the price of consumer goods. A land value tax would also have opened up of a lot of land and resources to more extensive and intensive production. All of these things would have stimulated the economy. The greatest benefit would have been the release of fertile land and increased production. The tourist industry would have

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contributed to the revenue base. Jamaica could have become one of the garden spots of the Caribbean, both for tourism and for business. It could have had good schools and maintained its status as one of the leading countries in the region.

Jamaica: Control by Mining Companies, Large Farms

Jamaica is a very poor country, with average income perhaps \$100 a year. It is poor because all of the resources that it possesses are either granted or franchised to exploiters at minimal rates. It has bauxite, the basic mineral for the manufacturing of aluminum. Bauxite lands are either owned by the mining companies or leased by them on very favorable terms. The revenues to the government from those leases are far below their value. Although the bauxite mining companies are partnered with the Jamaican government on a 51/49 basis, that in itself is not the significant issue. What matters is that the revenues paid to the government are low, and the terms of the agreement are very favorable to the extracting companies.

Some local individuals own a lot of land, but the bauxite and the tourist industry are owned and controlled by outsiders. The leases and the franchises of the bauxite mining companies are very generous and yield very little revenue. The government partners with the bauxite mining companies, but it is an unequal partnership.

The taxes from the tourist industry are too low for the government to provide support to develop any sector of the economy. So over the decades, Jamaica's economy has been declining. The monopoly situation still prevails with large ownership. The agricultural sector is primarily dominated by small farmers. Many of them are not economically viable. So the government relies upon taxing imports, wages, and productive output, which stultify the economy.

Privatization in Jamaica

Jamaica has had a very difficult time with the IMF, and has sought over the last several years to cease borrowing from the IMF because it was overburdened with debt. About three years ago when I was there, the percentage of its budget that was devoted to debt payment was about 60 percent. Very stringent restrictions were imposed by the IMF since the 1970s, limiting government services. Now they have paid off much of that debt, but they are still in pretty dire straits, so they are unable to provide services or maintain basic infrastructure. Roads are in bad shape. There are frequent cuts in

water and electricity service.

As a result of privatization, prices of services have either gone up or the quality of service has declined and the price remains the same. In effect, that is a price increase. A limited-access highway has been built, as a toll road. Everyone is forced to pay for this, because it is the only route from point to point. It replaced the old roads that were there. After the power company was privatized, people complained that the services were worse than when it was run by the government. The airport in Montego Bay has been privatized, and they have put in new jetways. While it is probably more convenient for tourist traffic, it is unlikely to yield a fair level of revenues to the government. So, in the absence of collecting land rent, the government is turning to other revenue streams, such as selling public enterprises with some leaseback provisions. That gives the government a lump sum, but that does not last very long.
