

How the Market Measures Land Reforms in Cuba and Jamaica

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INVESTORS and speculators try to measure the risk or opportunity in a country by the credit represented by the market for its own bonds, which are its promises to pay.

In Cuba, where land "reform" is by confiscation and sometimes by liquidation of land holders, the \$44.7 million of 4½ per cent bonds due in 1977 and the \$39.7 million of 4 per cent bonds due in 1983, now sell at 38 and 34 per cent, to yield 11.9 per cent. Only a few investors are willing to gamble that their interest will continue to be paid and that repayments might take place through a new revolution.

In Jamaica (as pointed out in the October HGN) land reform is being accomplished by conservative means. All taxes previously levied on land are being transferred to the value of locations alone. Each year new parishes are being changed to this method, with 4 out of the 10 having been valued so far. The task force of assessors was trained by an Australian valuer, who credits Henry George's visit to Australia in 1890 with the stimulus to land value taxation there.

Jamaican 5¾ per cent bonds due in 1974 (\$9.9 million outstanding) are selling at 90 per cent to yield 6.9 per cent, and tourist income is rising for Jamaica as it disappears in Cuba. Jamaican public service earnings keep rising around 10 per cent a year so investors are willing to buy its shares to yield about 3.4 per cent at about 10 times current earnings.

Rapid economic expansion is evi-

dent in Jamaica, with tourist income at \$32 million in 1959. Imports were so eagerly sought as to total \$63 million more than exports. Being the greatest world source of bauxite, exports reached \$36.6 million in 1958, and these are likely to rise as indicated by Alcoa's plans to spend \$15 million for port installations alone, for their bauxite development.

Kaiser Aluminum states their royalties on bauxite to Jamaica are about \$5 million a year. Reynolds and Aluminium, Ltd. also pay large royalties for bauxite shipped. The ordinary budget shows a surplus but the Development Fund plans spending over \$20 million a year for public improvements. Borrowing for such improvements continues to be justified by their growth in income.

Cuban bonds selling at 34 to 38 per cent of their promised value versus Jamaican bonds at 90 per cent represent an important difference. Cuba, however, is a much bigger country than mountainous Jamaica, with far richer soil. When a fence post is put into Cuban soil it is apt to sprout leaves, and sugar can be harvested year after year without replanting.

This very different credit rating measures the sharp contrast in the appraisal of the violently differing policies on how to recognize the interest of all in the best land use, together with maximum incentive for individual improvements.

Vive la différence!