

# EQUAL RIGHTS

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" ALL PEOPLE HAVE EQUAL RIGHTS TO THE USE OF THE EARTH"

## TAIWAN: A GEORGIST SUCCESS STORY?

Today, the very real concern of the people of Taiwan is whether the rest of the world will stand by should the Republic of China demand reunification. For several decades following the arrival of mainland Chinese to the Island of Formosa, one of the great challenges was the feeding of a greatly expanded population.

As we know, the Kuomintang party, influenced by the writings of **Sun Yat-sen**, introduced a program of land reform. The most important accomplishment was to eliminate the "rack rents" of the island's landowning class, encouraging farmers to become increasingly productive and — in the process — profitable.

By the late 1980s, Taiwan was being referred to as one of Asia's new "little tigers." The Taiwanese remained governed by a one-party political system, but a continuously improving economy also brought political stability. Taiwan's President, **Lee Teng-hui**, held a doctorate in Agricultural Economics. Taiwan's story was documented in 1989 by the former Minister of

Finance and Economics, **Kwoh-ting Li**, in *The Economic Transformation of Taiwan*. In this book, the role of land policies is described as one of many measures adopted as part of a commitment to economic development.

This is not meant to suggest that Henry George's perspectives played no part in the thinking of Taiwanese planners. One of Taiwan's



SUN YAT-SEN

leading experts on land markets, **Tseng Hsiao** (Director of the China Research Institute of Land Economics) wrote:

"The principle of equitable distribution of land rights requires no taxation on labour and capital. Furthermore, site rent has to

be taxed for public revenue because land has monopoly power. There is a difference between ordinary products and land. The latter is a gift of nature, which is limited and cannot be increased by human beings; its revenue has to be shared among all citizens in society."

Another writer, **Alven H.S. Lam** provided the following assessment of Taiwan's experience with land taxation in a December 2000 article for the *American Journal of Economics and Sociology*:

"In 1977, the Land Tax Law was passed to provide stronger regulatory and enforcement power for land-related taxes. Two major land-related taxes were defined in the laws: land-value tax and land-value increment tax. The land-value tax was developed to expand the local government revenue base. The land-value increment tax was designed to ensure the public enjoyment of future

(Continued on page 2)

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(Continued from page 1)

land value increment. In other words, land-value increment tax's objectives are to assure the equal distribution of future benefits from land and to control land speculation. For the effectiveness of implementing the laws, both land-value tax and land-value increment tax are carried out within local jurisdictions.

The land- and building-related taxes in Taiwan include land-value tax, agricultural land tax, land-value increment tax, deed tax, house tax, and estate and gift tax. Agricultural land tax was suspended in 1986. Estate and gift tax is a central government tax. Deed tax accounted for 8.5 percent of prefectural and municipal revenues in 1995

and was relatively less significant in the revenue system in Taiwan.

The land-value increment tax

**IN DR. SUN'S IDEOLOGY, IT IS IMPORTANT THAT "THE INCREMENT OF LAND PRICE SHOULD BELONG TO THE SOCIETY RATHER THAN THE LANDLORD." HE BELIEVED THAT THE INCREASE OF LAND-VALUE IS ATTRIBUTABLE TO SOCIAL DEVELOPMENT RATHER THAN WORK FROM THE LANDLORD OR INVESTORS. THE PROFITS FROM LAND SHOULD BE RETURNED TO THE SOCIETY THROUGH THE LAND VALUE INCREMENT TAX.**

is levied on realized gains from land transactions. It is sometimes imprecisely characterized as a "capital gains" tax. The gains from land sales in Taiwan, however, have special land policy implications. In Dr. Sun's ideology,

it is important that "the increment of land price should belong to the society rather than the landlord." He be-

lieved that the increase of land-value is attributable to social development rather than work from the landlord or investors. The profits from land should be returned to the society through the land-value increment tax. The land-value increment tax became a powerful policy tool to regulate the equity of income distribution and to control land speculation. The seller must pay

the land-value increment tax before the land transaction is completed."

Readers, is Taiwan a Georgist success? Send us your feedback; we look forward to reading and publishing your views.

-Ed Dodson