

LAND MARKET'S DEATH BLOW TO GANG PLAN

DENIED the hope of a decent future, teenagers in the black ghettos of Los Angeles created gangs. They traded in drugs, children died in the spray of their bullets, and a new sub-culture solidified into a way of life which, nearly 30 years later, is arrogant enough to compete with the state itself.

Then came a truce between the gangs, based on the Camp David settlement between Egypt and Israel. A week later the Rodney King court

and no welfare handouts. And they want the drugs barons to pour their profits into new businesses in the derelict areas.

It sounds inspiring. It will fail, because the state retains its grip on the one tool that could make or break what they call The Plan: taxation.

Even if racism disappeared overnight; even if billions were poured in to Watts and the other ghettos, the spoils would not trickle down. It's a matter of economics. For no matter how prosperous a neighbourhood, the principal beneficiaries are the owners of land. For as money flows in, so land prices rise. Jobs may be created, but so long as the rental income is privately appropriated, the "surplus" - the fund most suited to finance community needs (as Adam Smith noted in *The Wealth of Nations*) - is channelled out.

President Bush is no help. Supply-siders who encouraged Ronald Reagan with the philosophy that turned the US into the biggest debtor nation in history, are urging Bush to "cut the capital gains tax". The logic was summarised by Jude Wanniski in the *New York Times* (Nov. 12, 1991):

"The capital gains tax remains the center of supply-side concerns about the economy... The Democrats are wrong that the tax benefits the rich the most... There is no other solution to this Bush recession.... Until

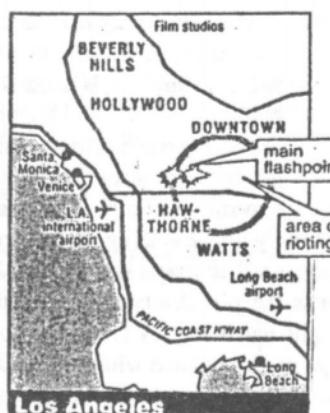
this tax on risk-taking, innovation and opportunity is sharply cut or eliminated, the economic decline will continue..."

That analysis is wrong, but the tax system could be restructured to benefit investment in new capital and job-creating enterprises. By itself, however, that would only widen the divide between rich and poor. For most of the cream from entrepreneurial profits would flow into the land market. That would not diffuse income among a wider number of people, especially in an economy like California's, where the labour market is under constant pressure from Mexican immigrants.

The White House, however, is not conscious of this subtle implication. That is why Housing secretary Jack Kemp is being allowed to set the President's agenda with his proposal for enterprise zones; but the tax benefits of these zones are capitalised into higher land prices, which harm the local economy (as London's East Enders discovered: see boxed insert).

Vice-president Dan Quayle blames the breakdown in the black family. Black men, he declares, should take responsibility for their babies. It is true that the negro family has failed to recover from the trauma of slavery. Family structure is the striking difference between blacks and the other immigrant groups, such as Korean shopkeepers. The latest immigrants "make it" by overriding the rent obstacle - temporarily (see *Land & Liberty*, May/June, 1990, p.38) - with the sweated labour of the extended kinship system.

How to rebuild the negro family will take decades of painful soul-searching and social reconstruction, but handing the ghettos to land speculators is not the solution - a fact which the "utopian" city planners (Ebenezer Howard in Britain, Frank Lloyd Wright in the US) noted long ago.



verdict triggered the April riots. But the truce held. The gang leaders seized the initiative: they want to renew their neighbourhoods, and are negotiating deals with the agencies of the State of California - and Big Business.

Leaders of the Bloods and the Crips have traded their sub-machine guns for pagers. They want jobs, new construction, improved education,

THE DEAD CANARY AND THE FOUL NEST

LONDON'S derelict docklands was designated an enterprise zone. A development corporation - inspiration of Michael Heseltine, the then Environment Secretary - was armed with draconian powers to buy land and sell to users. Relieved of the property tax, land prices were bound to rise. Speculators moved in, and land prices soared from £50,000 an acre to £3m and more. Land speculation destroyed local jobs and made houses unaffordable (see *Land & Liberty*, Jan./Feb. 1988). The Reichman brothers bought in at the peak. Their Canary Wharf foundered. The government refused to continue enterprise zone status. Capital worth billions of pounds is now marooned in a no-man's land.