

# From Effort to Earth in Taiwan

FOR THE FIRST TIME in Taiwan's history, the incumbent party lost the presidency. Chen-shui Bian won the mid-March election in part by crusading against "black gold", the lucrative real estate deals conducted by political insiders. Ah-Bian (the nickname from his pro-democracy movement days that he still goes by) did not spell out a reform, yet he has advisors who do endorse sharing Taiwan's burgeoning ground rent with the entire populace.

Activists, academics, and national legislators from all parties, including the lady who is now Vice President, met me and Dr. Linda Gail Arrigo (economic sociologist and heroine from the pro-democracy movement) to discuss how geonomics might help Taiwan. What could spur these leaders now to act? Several pending crises could. Sharing rent in lieu of taxing effort would help make manageable Communist China, earthquakes, corruption, farmland loss, land price collapse, and pollution problems of science-fiction proportions.

IN THE aftermath of the Cold War, the world's divided nations reunite (first Germany, then Hong Kong, now Korea?). Reunification is a priority in Beijing, although such a momentous event is not on the near horizon. Farsighted policy makers, to make their two systems mutually assimilable, could geonomize – make land, labour, and capital private and rent public.

Back in the 1950s, Taiwan broke up large plantations with a land tax, creating a basis for rapid development. *Taiwan still taxes land slightly, vacant land a bit more, and land sales over 40%*. Since land costs a fortune, updating assessments would raise enough revenue to abolish the transfer tax, notes Dr. Yang Chung-Hsin, advisor to Ah-Bian. That logic could be extended. Raise the site-rate a point and eradicate other burdensome taxes. Get still more rent and rebate it as a Housing Voucher (HV).

As the old guard still wields enormous power, the HV may be the sweetener that wins geonomics. Earmarking the HV for mortgages, leases, taxes, and building improvements keeps the rent flowing through the real estate and construction industries, which are the power bases of the old guard. Rebating rent would be the carrot that makes the stick of a higher tax palatable.

When the Asian Flu struck down the miracle economies, Taiwan barely sniffled. The former four Tigers trade vigorously and invest

substantially in competitive, high-calibre public education. Is Taiwan unique in that 80% of the populace own their homes and paid for their domiciles outright? Thus there is not a steady stream of rent siphoned off from workers to lenders. Could this be Taiwan's shield of immunity?

Land prices, despite crashing all around Asia, have stayed sky high on old Formosa. It appears that the land price cycle has got stuck in time. Yet what goes up must come down. Thoughtful economists seek ways to provide for a soft landing. Public collection of ground rent could gradually let the air out of inflated prices. Even if the collected rent were recycled back into HVs, land prices would still fall (a) to make room for the higher land dues, and (b) to acknowledge the increase in supply as speculators turn developers.

IN JUNE, another powerful earthquake shook Taiwan, fortunately beneath the sparsely settled mountains. Still, leaders must consider stricter seismic-safety codes, and builders seek more stable land. Raising the tax rate on sites while eliminating the meager building tax helps reach both goals. A zero building tax means a stronger, more valuable building won't become a higher tax liability. Paying higher land dues, owners would put flat, vacant lots on the market so builders can eschew steep cliffs, soft soils, and fault zones.

After an earthquake devastated parts of Taiwan, leaders of the Green Party invited JEFF SMITH, a Portland (Oregon) based eco-tax reformer, to visit the island to explore how geonomics could help to rebuild areas that had been flattened.



Islands are finite spaces on which populations keep growing. Taiwanese developers want to build on fields, farmers want to cash in. Instead, were rent collected, that'd open up urban sites at affordable prices, easing the pressure on farmland. Were rent shared (via an HV), farmers (and everyone) could cash in without selling out or having to take on a second mortgage.

Finally, toxin-induced illness is painful, expensive, and rampant around the island's recklessly built factories. Taiwan must enforce its emission limits and perhaps require industry to carry environmental insurance, necessitating a heavy investment in clean technology. A tax shift from effort to earth makes that investment affordable.

While all these issues have been addressed separately, they have yet to be treated as symptoms of a faulty system that puts public rents and private earnings into the wrong pockets. Reversing that, through geonomic revenue reform, is scientific elegance at its most appealing. When site-values – people's perceived "wealth" – evaporate, politicians will need to soothe their anxiety with something. The HV could mollify the public, as shifting taxes to rent invigorates the economy. Given that rent reform resonates well with the Taiwanese intellect, and that the savvy Ah-Bian does respect his advisors, Taiwan could revive its share-rent heritage.

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