Highlights, Trip to South Africa, via London, March 17-30, 1992
By Dr. Mason Gaffney

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HIGHLIGHTS, TRIP TO SOUTH AFRICA VIA LONDON, MARCH 17-30, 1992

By Dr. Mason Gaffney, Riverside, CA

This Report to the Robert Schalkenbach Foundation, 9 April 1992 supplements a joint report signed by Godfrey Dunkley, Rexford Ahene, and myself.

1. Departed 17 March 1992, day of major Referendum on de Klerk negotiations for expanding suffrage, wondering if there would even be a "new South Africa." As we now know, de Klerk won decisively.

2. Lay over 6 hours at Heathrow, pay flying visit to Oxford, while talking editorial business with host and chauffeur Fred Harrison.

3. 19 March, arrive Johannesburg in morning. Join host Godfrey Dunkley, and Professor Rex Ahene, Lafayette College, a native of Ghana. Lunch with bankers Stephen Meintjies, his boss Robin Wood (Director, Senbank Fund Management Division), and Walter Conradie (Director, South African Housing Trust). Discussed housing shortage, capital needs, job needs, and their relationship.

Meintjies is co-author, with Michael Jacques, of The Trial of Chaka Dlamini, a Socratic dialogue with Georgist morals. Both are graduates and associates of The School of Economic Science and the School of Practical Philosophy, which uses Socratic teaching methods. This is a branch of the Andrew McLaren spinoff from the London Henry George School. They have succeeded very well in numbers and retention, although their critics fear they do so by sacrificing much of the George emphasis. They have a large, attractive building in Cape Town, where we were later to address the Mayor and other officials. I cannot judge the issues between them and the School, which is now the C.I.T., but am glad to observe they are prospering, and they cooperated fully with us.

Drive to quarters at Holiday Inn, Pretoria. Greeted by old friend Professor John Strasma, from Land Tenure Center, University of Wisconsin. Strasma is travelling on funds from U.S. A.I.D., and is there at the request of ANC land reform advisor Derek Hanekom. Thanks to Strasma, I am invited to official reception at home of Don Steinberg, Deputy American Ambassador. Steinberg turns out to be an Angeleno, and fellow alumnus of Reed College. It was old home week: we hit it off beautifully. We spend evening there with ANC advisors, South African professors, bankers. Next day James Dickie, a State Department Economics Officer, comes as observer to the conference. The presence of Americans has not gone unacknowledged.

I believe it was at Steinberg's I first met Daniel (or Daantjie) Franzsen, Special Tax Advisor to the Treasury of RSA over many years. He is a gray eminence whose support is worth a lot. It is Franzsen's son, Riel, who convoked the Pretoria conference on A Land Tax for the New South Africa?, at which I was asked to give a paper. Franzsen senior knows and admires Lowell Harriss. He commented that Lowell had often told him to "tax the land, not the building." He also admires Dick Musgrave, and was impressed to learn that Musgrave had signed on to our letter to Gorbachev. It is heartening to see these separate influences from RSF coming together to produce a good result. Franzsen was very friendly and supportive, and later sought me out for long chats. He seems to believe in taxing land heavier than buildings at the local level. We discussed Colin Clark's and other proposals for intergovernmental revenue sharing.

4. 20 March, deliver paper at day-long public conference, A Land Tax for the New South Africa?, sponsored by Centre for Human Rights Studies, School of Law, Universiteit van Pretoria (where alternating bilingualism is a rule, but international conferences are in English). My paper is "Land Reform through Tax Reform." Publication is planned by Law Professor Riel Franzsen, Chair of Conference.

There were about eighty attendees, many of high standing. Retention was nearly 100%, with long post-conference discussions over wine. The subject is one of intense topical relevance in South Africa. It seems likely the Proceedings of Franzsen's conference will enjoy wide exposure in South Africa, and linked nations of southern Africa. One speaker was Sam Moyo of Harare, Zimbabwe, who has worked with World Bank. In spite of conflicts, Zimbabwe and RSA have strong cultural links and mutual influences. Another was Shem Migot-Adholla of the World Bank, a Kenyan. What we say and they do in RSA will impact other African nations.

Strasma is a key figure. He understands LVT and is sympathetic, but always moderate and reserved, so he cannot be dismissed as a partisan. Early speakers trivialized and dismissed LVT too easily. Strasma, without fully endorsing it, urged them to take it seriously. Strasma is very politic, and stands in well with all parties: the U.S. Department of State, economists, the ANC, and a Georgist looking for a fair hearing. He refers frequently to his social action activities with the Methodist Church. He was there, I gather, at the request of Hanekom, although it would not occur to me to class Strasma as a radical. His presence and sponsorship indicate State Department officials keep in touch with important movements and people like ANC and Mandela, as well as academic thinking.

5. 21 March, host Godfrey Dunkley drives me and Ahene around Johannesburg and Soweto, with visits in two private homes, orienting us to local conditions. Observe an angry street demonstration (partly a protest, partly an outlet, partly theatre, partly in memory of Sharpeville Incident). Observe high level of security measures (cont'd on p. 6)

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in homes, offices, coupled with remarkable sang-froid by potential targets of violence.

I am struck by The Miracle of Johannesburg. Jo-burg is Bootstrap City. It should have died when its gold mines played out, like a proper mining boomtown; instead it remains as the economic capital of its nation and half a continent.

Johannesburg defies most laws of urban economics, e.g. that "mines create no great cities." Explainers still cite the mines, but its mines are just tailings now, so it should be a ghost town. It has no harbor, no water transportation, not even any gravity water supply. It is, in fact, on a ridge-top, the Rand or "reef," at an elevation over 5,000'.

It has no sunburst of rail lines, like Chicago or Boston, "The Hub," except perhaps what it has attracted itself. It is "on the main rail line," Explainers say, but so are a thousand miles of other sites. The natural site lacks outstanding amenities, and certainly can't hold a candle to Cape Town. Jo-burg has no governmental economic base. Surrounding farmland is poor. Why Johannesburg? Why is it the largest city, the center of finance, industry, commerce, and international air travel?

As a public finance economist I may overvalue incentive taxation, but Jo-burg has it. The property tax is on site value alone, and at a high rate: they tell me it is 4%. This is what makes Jo-burg distinctive. Challenge and response: Jo-burg had to do something right in order to survive, and that is what it did. It not only survived, it became and remains Number One. Give me a better explanation and I'll back off. I haven't heard one yet.

John Stuart Mill remarks in his Autobiography that he had seen many bad policies replaced by good ones, without in the least relieving the bad habits of mind of which bad policies are the result. He referred to free trade. Thus also with Jo-burg and its site value tax, most people, especially The Explainers, may live in the midst of a great applied demonstration of a principle, and never see it.

Jo-burg is not heaven, far from it. Its enlightened municipal policy has not solved the great national problems of race discrimination and black homelessness: blacks might not buy land there, or in any "white" area, until a year or so ago. However, prosperity anywhere helps people everywhere. Alan Paton rather makes Jo-burg sound like the source of the problem, but that is like blaming the Good Samaritan. Homeless blacks who drift to Jo-burg are not its products. Rather, they come there for relief and refuge. Arguably, land taxation, extended to the whole nation, would open up landownership to many more people than now, and accomplish the necessary "land reform," as yet undefined, that is in the offing.

Cape Town, by contrast, is Sleeping Beauty. It is gifted with one of the world's great sites, ideal climate and scenery. There are only so many continents, with so many southern tips in the right latitude to replicate the Mediterranean climate (remember your "Koppen Symbols" from Geography 1A?) It also has the national legislative capitol. It enjoys the business potential of New York with the climate of La Jolla, the scenery of Vancouver, and the political base of Washington (or at least Sacramento). Tourists flock there.

The Honorable Mayor, Frank van der Velde, is a good fellow who favors changing to a site value tax. We never call it "The Jo-burg System" there -- lots of jealousy -- but some leaders are considering tax reform on its merits. Up to now, however, Cape Town has subsisted without that benefit, and suffers the usual consequences: urban sprawl, a fractured CBD, and acres of blight on prime land that should bear housing for downtown workers. Vast rail yards off downtown are little used, and there is no use of air space over the tracks.

On this day, however, the vernal equinox at home and autumnal there, Cape Town still lies ahead. We fly to Cape Town, South African Airways. I am quartered in private home, with personal friends of Dunkleys; Rex Ahene stays with Dunkleys.

6. 22 March, we three and others tour Cape Town in a mini-bus ("combie") with Professor Lieb Loots, one of the conferees and a friendly tax economist whose writings I had found very helpful. Our tour headed straight for the black "townships," or squatter camps: incredibly squalid, dense, and vast. An estimated 1.5 million squatters are there, a scant three miles or so inland from the Cape Town Riviera, which must be one of the great beauty and amenity spots of the world. "Progress and poverty": rarely is it so sharply illustrated, on such a wide canvas.

In the evening, Ahene and I are called on to address a citizens' group. One attendee was Cape Town Mayor Frank van der Velde, along with Chief Planner Neville Riley, Treasurer Edward Landsberg, and a few Council members. They are considering altering their local property tax to exempt structures and focus on site values (as Johannesburg does), and peppered us with fretful questions on how this might work.

Most remarkable to me was how similar their attitudes are to those I observe at home, and how petty and provincial the issues they give priority. Mayor van der Velde declared his only reason for favoring LVT was to spare the cost of valuing buildings, full stop. Welcoming support from any quarter I fanned the flame and we basked in it together. I was struck, however, by how with them it seems to be "business as usual," excluding from their minds the drastic implications of de Klerk's extending the franchise to those 1.5 million squatters. (continued on page 7)

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I do not mean they were hostile to the subject reform -- they initiated the idea, and came willingly to hear us. Rather, I mean the level of their concern seemed to be at the zoning and sewer-permit and "preserving-ancient-lights" level, not the grand social level that their nation is facing. They are not psychologically or spiritually prepared for the major changes that seem impending.

7. 23 March, full day Workshop on land tax policy, University of the Western Cape, convened by the aforementioned Professor Lieb Loots, Head, Economic Policy Research Project. This was a follow-up to the Pretoria Conference, and evidence that it had stirred a high level of interest. Godfrey had originally planned it on his own, using some International Union funds. Then he found Loots was interested enough to give it University endorsement and venue, which Godfrey believes helped attract quality participation.

Strasma rearranged his schedule to fly in and participate, as did several key people from Pretoria. These included the ANC advisor Derek Hanekom, and the established authority, Daantjie Franzsen. About 35 attended and participated. Ahene and I were treated with great courtesy, and given ample time to speak and respond. It made the long trip worthwile.

There was a dramatic improvement in attitude from the Pretoria meeting. Agricultural economist Dr. Nick Vink, a spoiler in Pretoria, raised his estimate of revenue potential from R1 billion to R20 billion! He acknowledged that in his first paper he had "chippered down" the figures. I think he had originally seen this as a rural land tax only and, as a farm representative, had reacted negatively. Let us hope he is also revising his Pretoria paper before publication. If we haven't made converts, we have gotten people to take this seriously.

Hanekom remained aloof and skeptical. He and Migot-Adholla (a World Bank sociologist, native of Kenya) both saw LVT as a trivial, inadequate approach to radical land reform. That was partly my fault, as I had pitched my paper to the conservative and professional elite, in effect urging them to emulate Teddy Roosevelt and preempt populist reform under temperate leadership, while they still had control. I can see where Hanekom might not appreciate that approach.

At any rate I grew concerned that the momentum might slip away from us, and challenged Hanekom and Migot-Adholla to advance any proposal of theirs that would redistribute rents more thoroughly than taxing them. Neither replied, which was a kind of concession. I conceded that LVT might not equalize farm sizes (although I think it will, as exemplified in California Irrigation Districts). Rather, I emphasized that the rent would be distributed, however large or unequal the farm units.

I don't think either Hanekom or Migot-Adholla is stupid, or negatively minded. The lesson for us is rather that they, like so many, are not used to distinguishing land rent from operating control of land. Henry George, recall, premised the dominance of economies of scale, even exaggerating them. He said it didn't matter, even if one manager operated all the land, if we took the rent for public purposes. We are so used to that concept we forget how novel it is to many others. We need to review it and resell it every time we address a new audience.

Later, smoothing things over, I was gratified when Hanekom remarked "Perhaps you converted me." Perhaps I did; perhaps not. Another lesson for me is that to reach the new majority of dispossessed blacks (and their white advisors like Hanekom) I need to look at the world more from their viewpoint.

One conferee put down LVT by belittling the value of redistribution. With some exaggeration, he said that 4-5 years' economic growth would help the poor more than equalizing all the wealth. This served us a nice balloon ball to hit out of the park, by reminding everyone that LVT is more growth-inducing than any policy you can think of, and is the only policy that simultaneously redistributes land rent and induces growth. The main moral, however, is that we need not wait for someone else to pitch the balloon ball, but make it central to our affirmative case.

Why had we not done so before? Because in growth areas of America, where most of us live, NIMBY is the byword, and "growth" is no longer welcome. We lose the habit of thinking of it as a salable value. Under present South African conditions, however, it is highly salable (except to the old Cape Town City Council, which I suspect will be swept away). With persistent unemployment at home, it will soon be salable again in America.

Another point worth making is that "growth" won't solve the land problem, because land does not grow. Rather, solving the land problem first will promote growth of production.

8. 24 March, day off to tour Cape Town and relax. We needed it! Godfrey and Yvonne were attentive and wonderful: I cannot say enough for a man who conceived and arranged all this, participated substantively, writes books and pamphlets, opens his home, and hosts the guests. Godfrey took every responsibility, every step of the way. He is an absolute wonder: a major asset for us.

9. 25 March, visited Michael de Klerk, Senior Lecturer, School of Economics, The University of Cape Town. De Klerk is a leader of "IDASA," Institute for a Democratic Alternative for South Africa. They have published on land reform, but thus far without seeing the role of tax reform. Missionary work needed. (continued on page 12)

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After lunch, addressed City Council of Cape Town, at a special meeting arranged by Mr. Landsberg, the City Treasurer, following the 22 March meeting attended by Landsberg and Mayor van der Velde. The Council is apparently evenly split on tax reform, and a heated discussion ensued. We carefully limited our remarks to facts and analysis. There was ample ignorance to relieve, and the usual quota of contentious, difficult people; it had to be done gently, and was. They were fascinated by Rex, who stated our case very ably and clearly, and took most of the questions.

We felt rewarded merely by being asked to address the Council: another Dunkley coup.

Godfrey Dunkley did an outstanding job. I never saw so many doors opened so fast. He is a "light and a power" indeed. This trip had a real impact, largely thanks to his industry, talent, commitment, and connections. I cannot praise him enough: he is a major resource, an author, a thinker, a friend, and a whirlwind of activity.

Rex Ahene is very impressive. He more than held his own in discussion and debate, both with economists and council members, and attracted very favorable attention. He bears himself with dignity and courtesy, and has the considerable courage it took for a black reformer to enter RSA before the Referendum, not knowing its outcome. Although not officially on the program at Pretoria, his remarks impressed the Chairman so much he was asked to submit a paper for the Proceedings to be published. We have here a new talent who deserves our respect and recognition.

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