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## THERE IS IN NATURE NO REASON FOR POVERTY: MUSCLING IN ON A MILLION Copyright Peter Meakin

The South African Constitutional Property Rights Foundation [SACPRIF] has recently researched the promising assertion that “there is in nature no reason for poverty<sup>1</sup>”

Our interest was stirred after meeting the intrepid Louise Steenkamp, a diminutive market gardener in the Boland who makes a frugally luxurious living from growing biodynamic vegetables and fruit and selling “boxes” to thirty customers from a 5000m<sup>2</sup> mountain plot which she leases. Chickens and eggs are a by-product. She works the land by herself for thirty hours a week with occasional help with digging.

It was a small step, after meeting Louise, to ask how someone can make a million rand using only muscular power. Specifically what land tenure conditions must prevail for a determined and able-bodied, though perhaps uneducated, jobless and landless South African to become a millionaire, using only hand tools and equipment?

There is nothing eccentric about this question. It goes to the heart of the international problem of how citizens can make a life for themselves when job seekers exceed job opportunities.

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Our conclusions were firstly that to become rich the poor have to be independent of those factors that destroy wealth. For instance as far as possible they need to avoid taking out loans and paying interest. They must also try to insulate themselves from trade cycles, exchange rates, balance of trade surpluses or deficits, foreign investment, inflexible labour markets, monopoly enterprises and all the common trappings of capitalist, socialist or mixed economic doctrine.

This encourages a life which is less devoted to income generation than capital creation and protection. So our aspirant millionaire will live a rural life.

It is not a life spent chasing cash crops but in gradually building a homestead with a sturdy house, barns, roads, fences, dams, orchards and vineyards. This will be sold when the investment has matured. Or held, allowing the owner to live the life of a millionaire. Franschoek is an example of a successful community of small and big time millionaire farmers.

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So secondly how much land does each family need and is there enough? The classic reference book here is “Five acres and independence: a handbook for small farm management”<sup>2</sup>. It was written forty five years ago and there will have been technical improvements in tilling and planting which require less land today. But we have ignored these and assume that each small-holder still needs two hectares [five acres] of arable land to become a millionaire and that half of this will be needed for food production.

In a recent Frost and Sullivan study it was found that there are twenty eight million hectares of arable land in South Africa (Business Report July 7 2008). According to this 29% of South Africa’s arable land will be needed to accommodate four million poor families on two hectares each. A further six million hectares or 21% are needed to feed the balance of six million families.

This leaves 50% for other agricultural uses including exports and offers a generous buffer for errors and exclusions. It excludes the eighty one million hectares of cultivated and natural grasslands and the four and a half million hectares of forests.<sup>3</sup>

Ignoring life-style farming, there is also scope for small farmers in substituting some of the R29.2 billion agricultural imports of 2007.

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Self sufficiency in food requires an hour or two of work a day by a husband and wife on half a hectare. Felix Paturi has calculated that human exertion is more efficient than a tractor: “If we convert the energy gained from harvested plants into kilowatt hours and compare it with the energy expended for that harvest, the result is startling: for fifty harvested energy units an agribusiness farmer invests 250 fuel energy units, a peasant farmer only a single unit of human energy.

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<sup>1</sup> Henry George the 19th Century USA political economist who wrote Progress and Poverty.

<sup>2</sup> By Maurice Grenville Kains Published by Courier Dover Publications, 1973

<sup>3</sup> Beyond Freeholds, JUTA 1985

"This means that a simple countryman works at an efficiency rate of 5000 per cent and the capital-rich farmer equipped with the most advanced technical aids, at an efficiency rate of only twenty per cent"<sup>4</sup>

So a small-holder has lots of time to be a builder and developer on the hectare that is not used for food. The Basque peasants perfected this life-style and there are similar examples in South Africa and Zimbabwe.

[NB It is assumed here that schools and clinics are delivered by the State and that the R200pm child grant continues to supplement cash needs of emergent farmers.]

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We have also established that the entry cost to unimproved land, here assumed to be an average R250 000 for two hectares<sup>5</sup>, will have to be radically reduced if such a poverty eradication project is to be successful. Otherwise it will take one hundred and fifty years of the 2009/2010 budget of R6bn allocated for land reform and restitution to fund the one trillion rand which will be needed to buy eight million unused hectares, ignoring future land price rises.

By then too there will be millions more landless people.

In a free market economy, our fourth prerequisite, free-land tenures<sup>6</sup> are secured not by buying up title deeds but by gradually repealing all conventional taxes on work, profits, interest and trade whilst increasing land taxes. This will eventually eliminate the purchase price of land.

Such an intervention is justified on the grounds not only that land has no production cost but that South Africa will be better off when unearned land rents are used to fund the budget and not taxes on the resourcefulness, labour, capital and trade of its citizens. This is particularly true of the agricultural industry which has high input costs. It is a change to taxing the benefits of land and not the income of the owner.

This is also an orthodox fiscal intervention supported by many Nobel Laureates such as Joseph Stiglitz as the ebooklet at [www.sacprif.org](http://www.sacprif.org) shows. Freeing the land also gives a jolt to economic growth through the energy which is released when work and savings are untaxed. The USA, Hong Kong, Taiwan, China and Singapore all used it at various times in their histories. The Saxons had it before the Normans conquered them and diverted the King's land rents from farmers to their own pockets at Magna Carta.

What is therefore needed to ensure that nature drives wealth creation projects is the combination of a free-land and a tax haven.

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Our fifth question examined the perceived negative impact of land taxes. We looked at the legality, potential for economic disruption and the suffering and recourse of owners under a single land tax. Our answers are:

1. Owners can mitigate any capital losses by simply growing, rearing or building things on their unused land. Revenues from this work and the capital deployed become tax free.
2. Higher P/E ratios will also prevail in South Africa once unemployment becomes voluntary. This will increase the capital value of all investments other than in vacant land, such as farms, houses, factories offices and shops.
3. If a tax shift to land is deemed to be an "arbitrary deprivation of property" as sec 25.1 Bill of Rights then compensation must be paid. Such compensation will nevertheless need to take account of the fact that vacant land owners will simultaneously be enriched by the elimination of taxes on their work, other savings and VAT.
4. The amount of compensation is also limited as sec 25.3 by "the extent of direct state investment and subsidy in the acquisition and beneficial capital improvement of the property." This appears to rule out any payment for land whose value is driven by government infrastructure such as roads, railways, ports, irrigation, electricity and the spectrum. Buildings, fences, dams and pumps as well as orchards and crops are private improvements and need to be fully compensated excluding depreciation.

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<sup>4</sup> Nature, mother of invention: the engineering of plant life. [paraphrased] Themes and Hudson, 1976

<sup>5</sup> Assumed to be three quarters the average [ABSA] price of a vacant urban residential plot.

<sup>6</sup> Free land means vacant land which has no entry cost and is subject to recurring user charges depending on the benefits of soil, climate, views and location relative to markets and amenities.

5. An arbitrary deprivation of property presupposes that raw land rents are intrinsically of a private property nature: that they are earned not taken from a common heritage.
6. The Minister of Finance has no obligation to continue subsidising land values when that deprives those who do not own land.
7. An important proportion of the national budget is currently derived from land revenues and the Minister of Finance has long had the discretion to adjust individual, rental, corporate and VAT rates. Last year he decreased corporate taxes to 28% to “stimulate investment.” Nowhere is it said that he cannot confine his budget to land taxes for the same reason and to make land affordable.
8. To the contrary it is difficult not to conclude, as sec 25.5 demands, that the single land tax is by far the most reasonable legislative measure that the State can take “within its available resources to foster conditions which enable citizens to gain access to land on an equitable basis” where equitable means affordable and therefore free, subject to the land tax.
9. The banks do not normally lend money to buy vacant land. In developments improvements are funded from monthly draws.
10. Freehold tenures also conflict with other rights. These are not luxuries but tenets of our Constitutional law:-
  - 10.1. The right to freedom can surely only be realised if people can confidently decline an unwanted job offer on the grounds that they own land and need not accept any old job.
  - 10.2. The right to dignity which is prejudiced if one is not self-sufficient but must rely on others, the state included, for one’s very livelihood.
  - 10.3. The right to equality when others benefit from a land price subsidy which excludes those who do not own land.
11. Finally the justification for using the earth’s bounty to pay taxes is found in the Preamble “We believe that South Africa belongs to all of who live here.” This means not sub-dividing the country into fifty million equal-value stands but that, during our lives, South Africa’s natural revenues [those which are not man-made] are to be used to pay all the taxes.

So please repeat how to become a millionaire through muscle power on two hectares? This is the profit which a family will earn from building a generous sized house, sheds, stables and a cellar using local materials and simple tools by planting orchards, vineyards, vegetables and rearing small animals.

This opportunity may attract four million families. That is a massive market and likely to attract developers who will seek opportunities to help people adapt to life new farm villages with good schools and clinics. This is not dissimilar in concept to retirement villages where old people enjoy a dedicated environment.

And of course the pace of life in the country means that cricket will be played on Wednesdays pheasant shooting will be organized on Saturdays.