

## **WILL INDIA LEAD THE WAY** (from page 13)

developers commercializing part of the lands and constructing affordable homes on the other parts. There have been some success stories on PPP. But we need to promote the same in a big way. This would require a conducive legal framework, which is being developed by some states. Efforts are on by many cities as to how to build affordable homes in slums with the involvement of the land owners and private developers.

**SB:** From what I understand, the majority of rural dwellers do not have the means to pay any kind of tax, Land or otherwise. Would these then be considered marginal lands, under the Georgist definition, and not taxed at all? If so, how do you expect to raise necessary revenues for these areas?

**PKM:** Land value taxation is an evolutionary process. It needs to be developed in a gradual manner in any developing country where land value is evolving. If we do not tax lands where value is exorbitantly high and moot a proposal to promote land value taxation across the board in a big way, the proposal will not be acceptable by any group. The conditions of the rural poor and agricultural workers are much more appalling than of city dwellers. Thus, a proper strategy would be, to start with, use land as a resource, mainly for infrastructure development works in large cities where land values are already high and further values can be created systematically duly linking with infrastructure development, tapped and used to finance city development in a sustained manner. Cities when developed can generate resources for rural development and poverty alleviation in both rural and urban areas.

**SB:** Looking back across the world to the U.S. what do you, as someone who has studied here, and has family here, yet who holds an important position in India, see as the biggest political obstacles to economic reform, in particular, Georgist Land reform, in America?

**PKM:** The only problem I see is that people are asset rich but income-poor. This problem, common with all asset taxation, is the same everywhere. People will have to pay taxes out of current income. Land value taxation at points where value is realized is more acceptable than on idle property. Thus, a low rate of taxation on land value in the case of any asset taxation is desirable. The history of land value taxation in the United Kingdom reveals that there are many vested interests which oppose taxation of land value, increment in land value, development value, planning gain etc. in spite of all the theoretically elegant arguments advanced by Adam Smith, David Ricardo, James Mill, John Stuart Mill, Pigou, etc. Governments have expanded enormously compared to George's time requiring more and more resources from people. The opposition is political; vested interests work. It has nothing to do with economics.

**SB:** What are the obstacles to spreading the message about Georgist tax reforms in universities? Do they have anything to do with the fact that most major universities, both here and in India, have been set up with Land grants? Sarvepalli Radhakrishnan recommended setting up rural universities in India on the American land-grant model way back in 1949. Should universities be taxed on their land to encourage efficiency and change their thinking about Land Value

taxation?

**PKM:** I do not have much idea on the subject. However, I feel land value taxation should be used for development in cities with core infrastructure so that land value can be created and urban development can be planned and guided.

**SB:** What about government structures? Should they allocate part of their budgets to pay a Land Value Tax to discourage sprawling bureaucracies?

**PKM:** Does not appear to be a feasible solution.

**SB:** What do you think of leveling Pigovian pollution taxes on India industry as a way to get them clean up their processes, raise revenues, and discourage unhealthy practices? Would this add substantially to the revenue base, measuring pollution practical?

**PKM:** The general principles of local public finance are: Users Pay, Beneficiaries Pay and Polluters Pay. Thus, the cornerstones of local public finance ought to be: user charges when benefits can be measured and beneficiaries can be identified; benefit taxes (land taxation if earmarked for infrastructure development can be called a benefit tax) when it is difficult to measure benefits or very costly to identify beneficiaries and Pollution taxes for pollution mitigation, abatement and management. We do have pollution-related charges in India, but a key problem observed is the measurement of pollution and fixing the level of the tax. Pollution taxes are often levied on surrogate tax bases. The point that polluters pay is very valid. Administration of pollution taxes is a key issue to be addressed in addition to identification of tax base and measurement of pollution.

**SB:** Do you see schools such as the Henry George School as a good way to help the public understand George's Single Tax message? Do you have similar schools in India, or is Georgism simply taught as part of a standard economics course? If not, do you think it should be, both here and in India?

**PKM:** We do not have schools like (the) Henry George School. I think Local Public Finance and Land Economics should first be taught in India as separate courses of multiple disciplines or parts of Public Finance or Urban Economics. Georgism may be a part of this program. We have to first promote teaching of Local Public Finance including Local Resource taxation matters as general courses. Later special courses in Urban Economics/Land Economics/Local Public Finance can be undertaken under programs/activities like the ones undertaken by Henry George School to suit specialized interests.

**SB:** Thank you so much for taking the time out of your visit to America to talk with our readers. We attended the Henry George School's Friday Forum series, in which Dr. Quisia Gonzalez talked about her recent trip to Venezuela to try to get them to consider Georgist reforms. Any thoughts on that effort, and whether developing countries are more "fertile" ground for Georgist reform?

**PKM:** Dr. Quisia Gonzalez showed the pictures of slums in Venezuela. Similar kinds of slums are found in many developing countries like India. In fact slums in most developing countries in Africa and Asia look even much worse than what Dr. Gonzalez showed. I feel the problems in land value taxation in any country, whether it is Venezuela or any developing country is political. To circumvent the problem, what we need is to propose land value taxation in an incremental manner, first as a (continued on page 15)