

Re: What the LVT is, and what its advantages are – must read

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- *From:* S. Doo <none@xxxxxxxxxxxxx>
 - *Date:* Wed, 17 Jan 2007 11:20:00 –0500
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On Wed, 17 Jan 2007 08:06:41 GMT, royls@xxxxxxxxxx, in reference to some stange, alternative–universe earth, wrote:

On Tue, 16 Jan 2007 17:25:50 –0500, S. Doo <none@xxxxxxxxxxxxx> wrote:

...land taxes *exactly like all other taxes* have costs that rise with the tax rate only more rapidly than the rate: by increasingly hampering open markets and creating black markets, by increasing administrative and litigation costs (with appraisal–based tax systems being by far *the worst* at this, for reasons obvious to anyone with a functioning frontal lobe) by increasing the ability of and incentives for politicians to profit by using their power to manipulate the system for self–gain, etc. etc.

LVT eliminates politicians' power to manipulate the system by taking the decisions out of their hands.

ROTFLMAO! ;–)

....

The costs are that appraisal–based assessment systems are a costly bitch — so the assessment system always resorts to some kind of shortcut that compromises the fundamental claimed benefits for land tax

Because wealthy and politically powerful landowners order their politicians to make such shortcuts in order to sabotage the system.

But I thought a LVT "eliminates politicians' power to manipulate the system by taking the decisions out of their hands". ;–)

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Well, surely it did in Hong Kong, at least, didn't it?

Surely the LVT in Hong Kong eliminated the power of the greedy land owners, developers and politicians to act in concert to rig the land system for self-gain — and it must have eliminated the power of the land barons order the politicians about!

After all, LVT in Hong Kong is a constantly told huge Georgist success story!

As to these downside costs, Hong Kong happens to be the world's famous #1 textbook example among real tax professionals working down here on Earth. Those costs nearly did in Hong Kong's economy about ten years back.

??? ROTFL!! Lie. HK and Taiwan, because they recover so much land rent for public purposes, were barely affected by the Asian financial crisis of 1997....

You are just makin' \$#!+ up again.

— Roy L

Time Magazine, 2/15/99:

A Dangerous Miscalculation

Hong Kong's fixation on property is an obstacle to economic recovery
By SIN-MING SHAW

The Hong Kong economy is in deep trouble. GDP fell about 5.6% last year, the worst decline on record...

[This would be the Hong Kong on *our* planet Earth!]

Worse, the cost of living remains steep by international standards, even though asset prices are down substantially from their peak....

Hong Kong's high cost structure is due to lofty property prices, which in turn depend largely on how much land the government decides to sell. Many other prices, especially wages, reflect past and anticipated property values. In Hong Kong, real estate and related activities account for no less than 40% of GDP.

It is a myth that Hong Kong is a low-tax haven, as there is a steep implicit tax in the form of artificially high land prices that the government engineers by limiting the amount of land sold to the

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community. Hong Kong's famous fiscal reserves are nothing but cumulative land–tax revenues. No government elsewhere relies as much on real estate for its income.

The root cause of Hong Kong's problems is its land policy. It has nurtured a system in which a few developers are given the privilege of underwriting, directly and indirectly, the 40% of government revenue that derives from real estate. The developers serve as both de facto tax collectors and as a construction arm for the government, for which they receive profit margins and privileges few monopolists dare dream of.

Sure, the tycoons make their money fairly, playing by the book. But in concert, the handful of developers exacerbate a housing shortage by slowing down construction because they and the government are the only two builders in town. It's legitimate because no rules forbid it. It's rational because they want to maximize profit. Developers sit on an inventory of land sufficient for at least five years of private production of space. The government expects them to provide more than 40% of total living space in the next several years, but the actual quantity of supply is in the hands of the developers.

In the United States, prosecutors are aggressively pursuing Microsoft's Bill Gates for earning "monopolistic" profits. But Bill's "evil" gains seem modest compared with those of Hong Kong's developers.

The software giant's pre–tax profit margin averaged 42% over the past five years, compared with 133% for Cheung Kong and 71% for Henderson Land, two of Hong Kong's largest developers. Microsoft pays an average of 35% profit tax, compared with 12% for Cheung Kong and 15% for Henderson. While Gates has to worry about antitrust suits brought by the government, Hong Kong's property tycoons serve as the government's proxy. Hong Kong depends on them to house a growing population. As a result, if you want to understand the territory's politics, look less at Beijing and more at the real–estate sector.

When Cheung Kong's chairman, multibillionaire Li Ka–shing, complained recently about a deterioration in the investment climate, Chief Executive Tung had to issue a public statement to soothe his ire. Ronnie Chan, another superrich realtor, lambasted the city's democratically elected politicians as "communists"—perhaps unaware of how ironic that must sound to his communist patrons in Beijing.

The Hong Kong government, meanwhile, faces a fiscal dilemma. If it decreases its dependence on property income, it has just two options. It can slow the pace of public spending, which has grown 13% a year for the past five years, far outpacing economic growth and revenue intake. Or it can increase income–tax revenue by hiking the tax rate or slapping on an additional levy, such as a vat.

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Instead, it has chosen to save the property sector by freezing land sales. It justifies this by raising the specter of a banking crisis, arguing that a further fall in property values would cause bank runs.

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[etc., etc.,]

<http://www.time.com/time/asia/asia/magazine/1999/990215/shaw1.html>

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Write a letter to the editor, crank.

\*plonk\*

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