



城市改变中国——2008 “CPN中国周”

中國發展與規劃國際論壇

China Planning Network, CPN

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the Economics of Post Disaster Reconstruction

CPN Beijing July 2008

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CONSULTANT: “Transforming Communities”

**Economic Land Policies with Justice
Environmental Transport Policy
Innovative Public Finance with Social Inclusion
Affordable and Sustainable Housing**

The 7.8-magnitude earthquake,
*which devastated the south-
western province of Sichuan on
12 May has left more than:*

- 32,400 dead,
- 220,100 injured
- 4.8 million people homeless.

China: beginning the healing process

Imagine 28-year-old Wang Xi sits on the floor of the tent he shares with his wife's family.

“We have been feeling over-wrought and stressed,” he explains.

His parents-in-law, have been missing since the 12 May earthquake, presumed buried under the rubble of their house in the devastated town of Beichuan.

The weather may be drizzly and the ground muddy, but there's animation on the faces of several family groups of earthquake survivors as they sit talking.

A team of psychological experts go through a questionnaire, asking about family situation and emotional responses.

Just the concern of strangers seems to be a helpful stimulus, with simple guidance on the need to express feelings rather than bottling them up.

But the emphasis is just as much on the practical as on the emotional, says Liu Ya, a volunteer psychologist who's a member of the more than 20-strong team.

"For example some people were worrying about how to get their money out of the bank when they had no means of proving their identity, so I explained to them that they could get a grant from the government to tide them over."

Clearly to make any inroads into the vast numbers of potential clients – millions who have lost their homes and in some cases their loved ones and may need help regaining their natural resilience – the Chinese will need to train a huge corps of volunteers.

Like so much else about this disaster – help will have to be of an unprecedented scale.

Economic Needs

But it is not enough to heal bodies and minds.

It is not enough to replace flimsy buildings with solid structures.

If reconstruction is to work - the economy also needs healing.

The new economic policies must offer:

- justice and oppportunities for all.
- prosperity with no unemployment.
- little or no inflation.
- encouragement of entrepreneural activities
- decent homes for all
- good education, health and other services

San Francisco 1906

Earthquake destroyed much of the city.

No government aid.

The damaged buildings were of little value so most of the property tax fell onto land values.

Landowners rushed to repair or rebuild their properties to help pay the tax (land rent).

San Francisco quickly rebuilt itself!

The Alternative for San Francisco

The alternative would have been to end the property tax – in which case most landowners would have waited for external relief funds to raise land values before putting their sites to use.

New York – 1920 Crisis

1920 New York city overcrowded:
rents skyrocketed, evictions from homes but no
homes to live.

1940 population up by a third.

How?

Not immigration. Not urban sprawl.

NYC Taxed LAND more and buildings less.

Mason Gaffney “New Life in Old Cities”

China Daily

Wednesday July 9th 2008:

“Great fortunes of China’s super-rich”:

Quoting the UK’s financial times newspaper.

1999 - 7 dollar \$ billionaires

2004 - 106 dollar \$ billionaires

415,000 \$1m millionaires (more than any other country!)

Three reasons;

1. Entrepreneurship
2. Boom in mainland stock market
3. The hot property market

The FT also noticed the growing number of the rich people who became members of the Communist Party of China.

The Theory of Economic Rent

As recognised by most economists including:

Adam Smith

David Ricardo

Karl Marx

Dr Sun Yat-sen

William Vickrey (Nobel Prize Winner)



Robinson Crusoe

Meets

Man Friday



HONG KONG

- All land is publicly owned
- Land users pay for land leases
- The value of the land leases are freely determined by auctions
- The income pays for new Metro and new airport
- Taxes on incomes are lower than in the West
- No sales taxes!

P R China

The land is already owned by the people through the Government of China.

But it would appear that there is no consistent mechanism for collecting the economic rental value of land.

If China wants to escape the mistakes of the West: unemployment, poverty, unaffordable homes, homeless people, injustice etc.

Then China can collect the economic rent of land:

1. Value all land for its annual rental value based on the optimum permitted use of each site
2. Collect the economic rent - this could be phased in with gradually increasing percentages (say from 40% to 90% over 5 years)
3. Use the funds to improve services such as health and education and to reduce or abolish all other taxes, import levies or duties

(except for “Green Taxes” such as road pricing, tobacco, alcohol, fuel etc)

**People like Mr Wang Xi and his family,
friends, neighbours and other earthquake
victims need urgent help.**

Medical help - Psychological help - Economic Help

Land Value Capture:

Collecting the Rent of Land or Land Value Taxation

can not only help Mr Wang Xi and others in their
immediate distress -

but help China to overtake the USA and Europe
economically, financially, morally and in providing for
human happiness and satisfaction.

Housing Investment

Some Western Pension Funds and Insurance Companies in Australia, New Zealand and Europe are looking for SAFE, long-term, fixed interest investments in social housing.

The repayments for \$1billion investment into housing for needy people **MUST** be backed by a Government, Local Council or triple 3 star rated private company.

Homes could be built, rents paid, repairs and maintenance guaranteed and about 8.3% interest paid rising each year linked to a fixed rate or inflation.

At the end of 25 years the investors have made their profit and **GIVE** the homes either to the tenants direct, a housing co-op or to the Government.

Any interest for China?

GOOD LUCK

For your OLYMPICS!!

(London hopes to learn from you!)



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Thankyou for listening

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