

Reconstruction & Rehabilitation Strategies Revisited: A Georgist Framework

The Typhoon Yolanda/Haian Case

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Current Situation

- Capital: infrastructure, buildings, equipment need rebuilding & replacing
- Labor: No employment or livelihood opportunities
- Land Values are practically nil.
- Problem: How to get the Visayas hit by typhoon Yolanda/Haiyan back on its feet in a sustainable manner



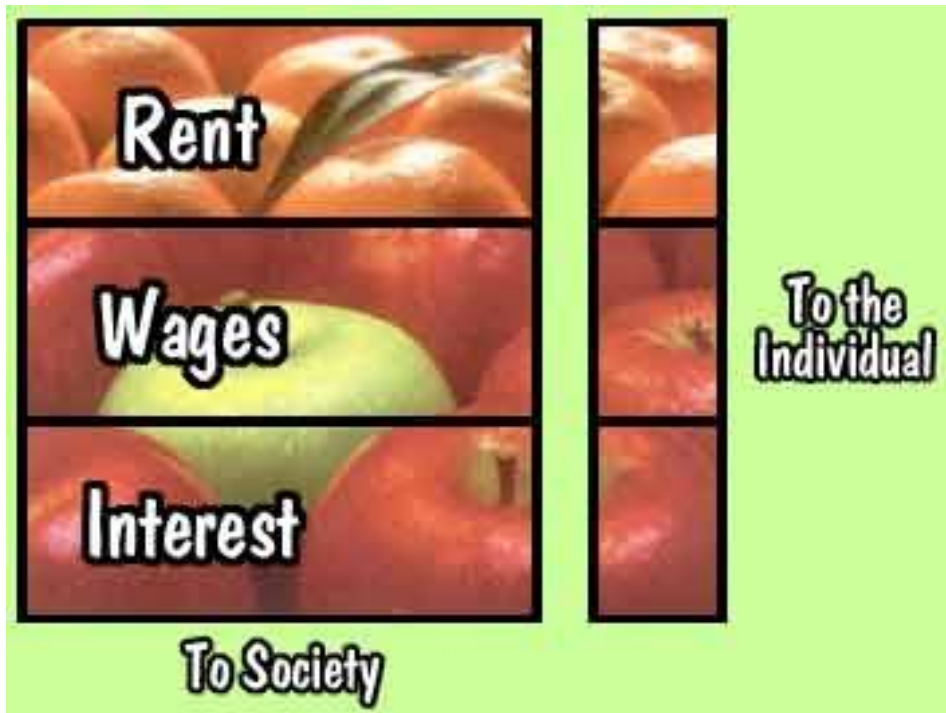
Return to Real Foundations of Fiscal Management



- Sydney Harbour Bridge, built during the Great Depression without a financial snag.
- Tolls remain cheap compared to current privatized infrastructure projects. Why?
- Capital expenditures were recovered from risen land values on both banks of the Hawkesbury River
- In the same way that people mistakenly think its the columns that hold the bridge, many thing it is the tolls that financed it. The arch suspends the bridge; land values financed the capital expenses.

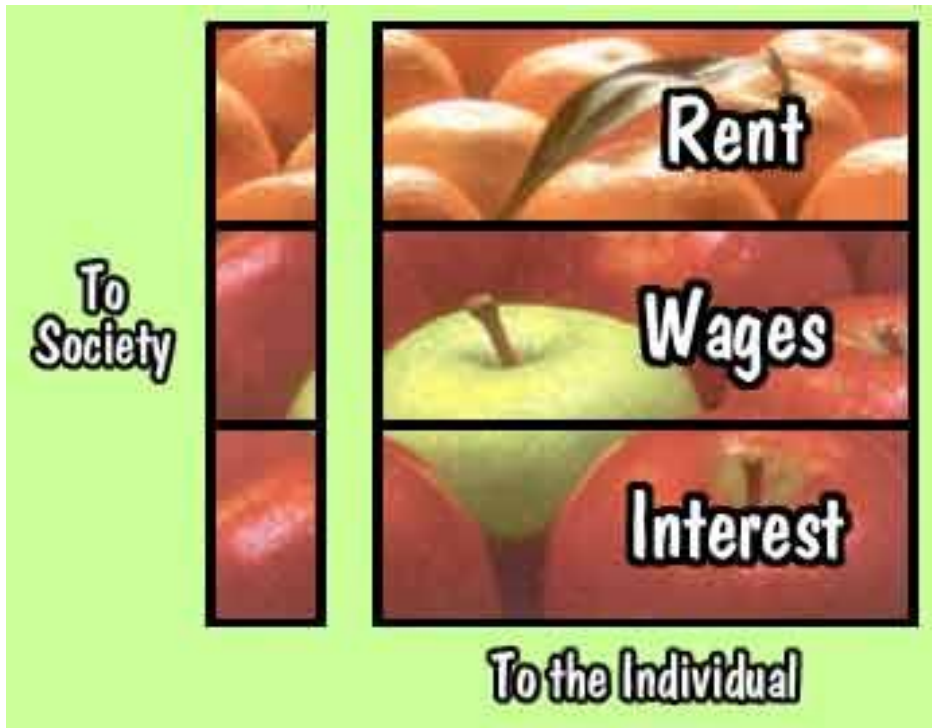


The “Leftist” View



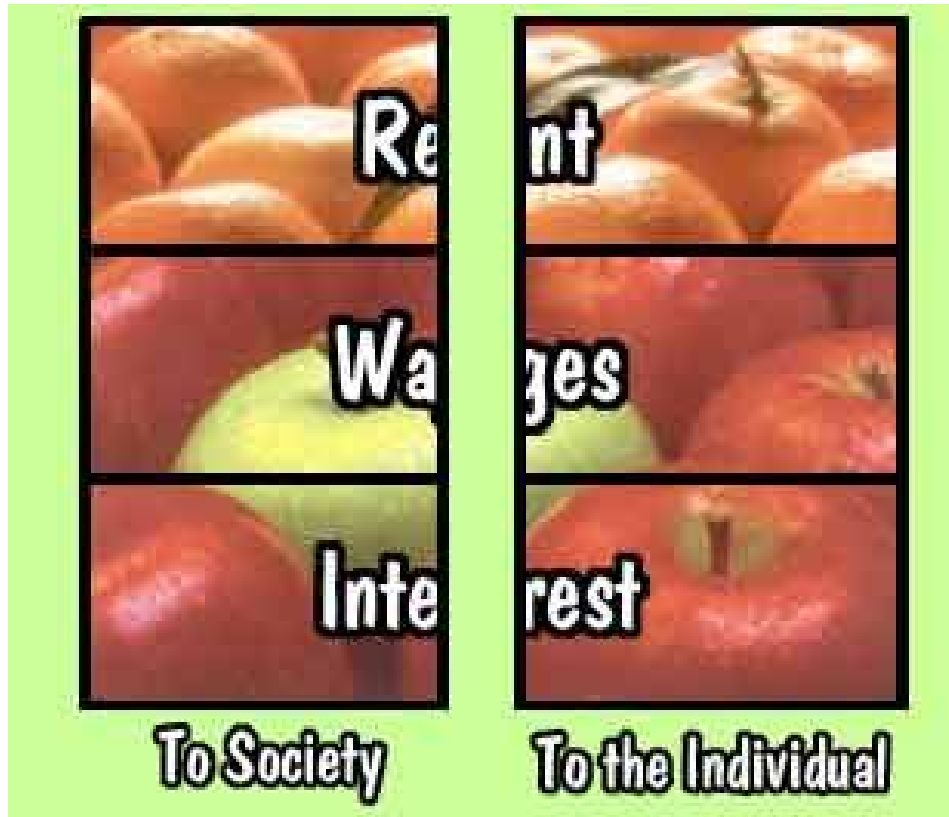
- "Left-wing" proposals call for society to achieve **equity** by redistributing most of the wealth. No distinction is made between the sources of income (land, labor or capital), and individuals control only a small portion of the wealth. In most cases this entails a large measure of social control, and a "planned economy."

The Rightist View



- "Right-wing" proposals hold that **efficiency** requires more wealth to remain in private hands (also making no distinction between rent, wages and interest), and that society, or government, should only get the minimum it needs for necessary services, e.g., the role of "traffic cop." This implies leaving the running of the economy to private interests.

The Centrist Compromise View



- "**Middle-of-the-road**" proposals seek a "balanced system" in the distribution of wealth and power between individuals and society - but make insufficient distinctions between earned and unearned incomes, and do not carefully define the proper spheres of society and the individual. The result is a hodgepodge in which **efficiency** and **equity** always appear to be at odds.



The Georgist View



- ▶ **The Georgist proposal** is different that it makes a distinction between the unearned income of land values (rent) and the earned incomes of labor and capital (wages and interest). Rent to society, wages and interest to the individuals who earned them. The proper spheres of society and the individual are clarified. The Georgist proposal achieves the goal of "left-wingers" for security and social action, but without restrictions on liberty. It achieves the goal of "right-wingers" to attain freedom, but without privilege and monopoly. And it achieves a balanced system sought by "middle-of-the-roaders," but in a just rather than arbitrary way.

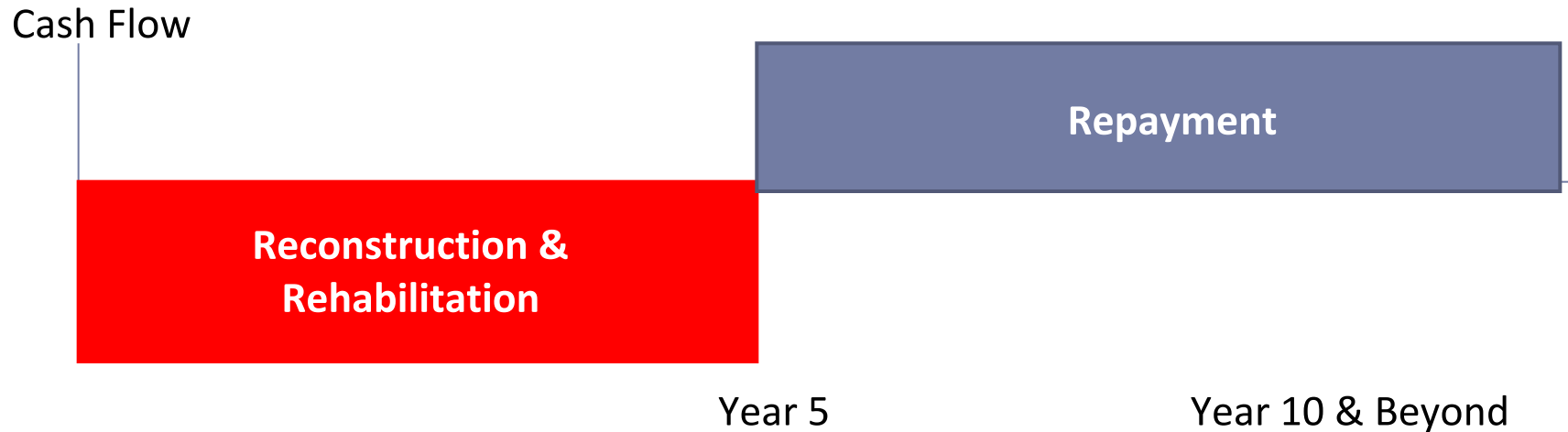


What Are Economic Rents?

- ▶ The difference between political economic benefits in one location over another less favourable location, while employing the same factor resources.
 - ▶ Why a square meter of land in Tokyo is priced like a hectare in Tawi-Tawi.
- ▶ Time and distance considered.
- ▶ They can be monetised: by either debt or seignorage (Henry George Effect applied).
- ▶ Demand Side:
 - ▶ Labour – time & efforts – saved.
 - ▶ Utility/satisfaction enjoyed or consumed
- ▶ Supply Side:
 - ▶ **Synergy – cooperation and organisation**
 - ▶ Savings on Cost – **opportunity** & actual.
- ▶ Henry George Effect: under conditions, government investments raise economic rents AND, therefore, the value of land correspondingly.



Graphical Snapshot: How Bonds Work



- Year 0-5: Bond Funded Regime
 - Infrastructure
 - Basic Services: Health, Education, Physical Security
 - Co-operative Livelihood Ventures
- Year 5-10 & Beyond: Repayments sourced from land value taxation

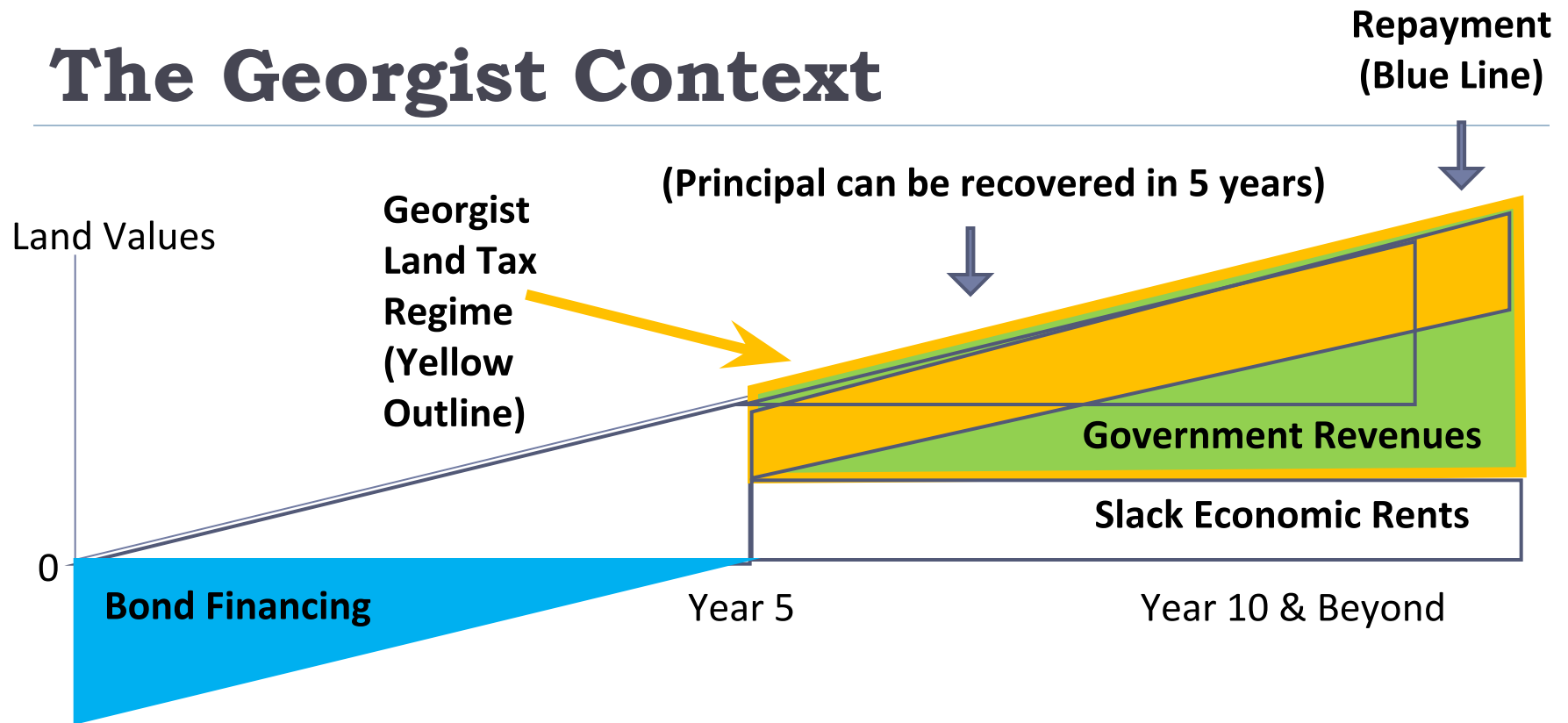


Georgist Policy Requirements

- ▶ Suspension of ALL income, consumption & transaction-based Taxes
- ▶ Visayas East Coast ports become Free Ports
- ▶ Strict Land Use Compliance & Enforcement
 - ▶ No Land Speculation: Idle Land Taxes Based on Area's Most Productive Use.
 - ▶ No Trespassing/ Squatting, especially on common/ public lands

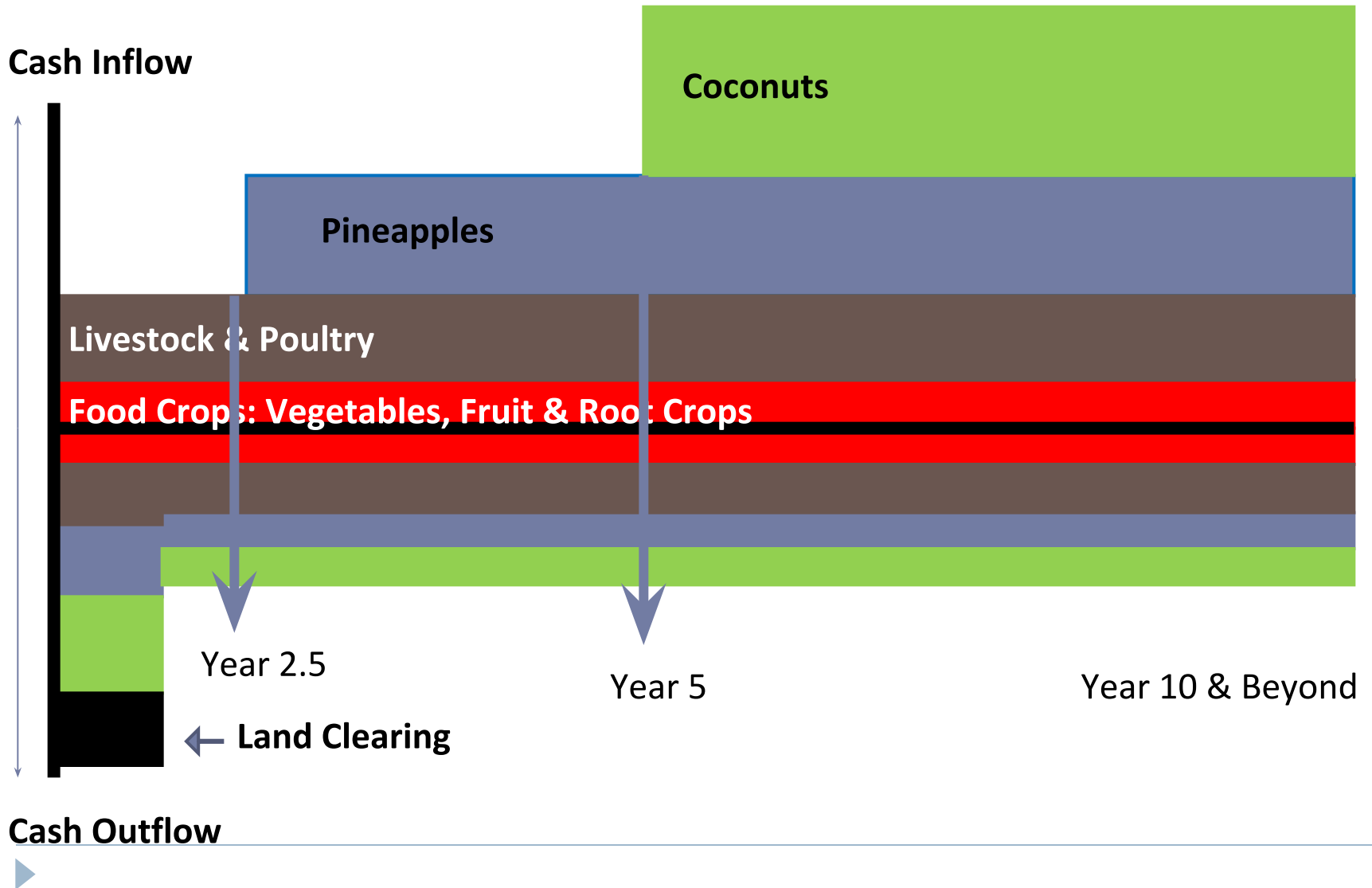


The Georgist Context

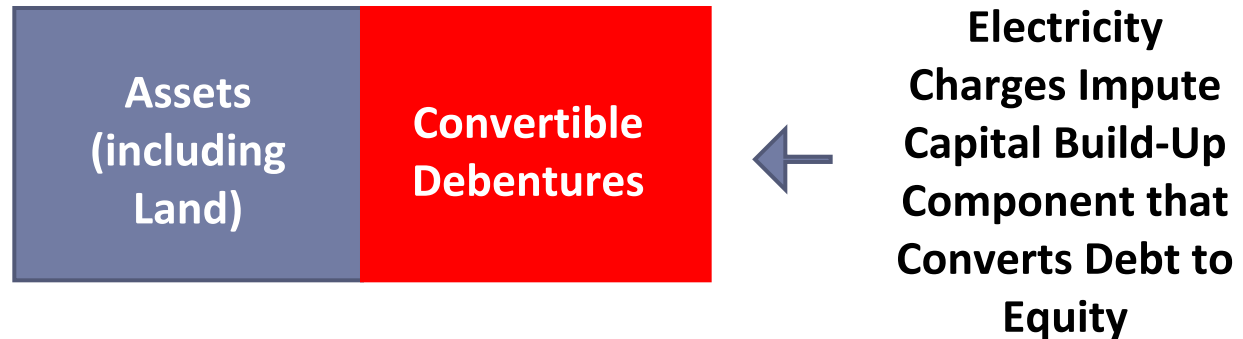


- **Year 0-5: Bond Funded Regime**
 - Infrastructure & Basic Services (Health, Police, Social Work, Education)
 - Housing Reconstruction
 - Co-operative Utilities & Livelihood Ventures
- **Year 5-10 & Beyond: Repayments sourced from land value taxation**
- **Dotted Triangle reveals how fast principal can be recovered**

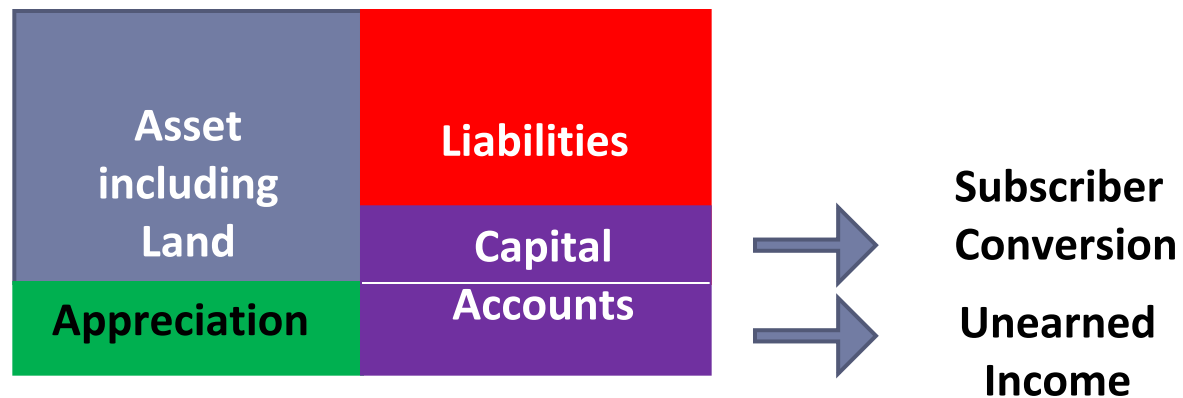
Livelihood Cash Flow Snapshot



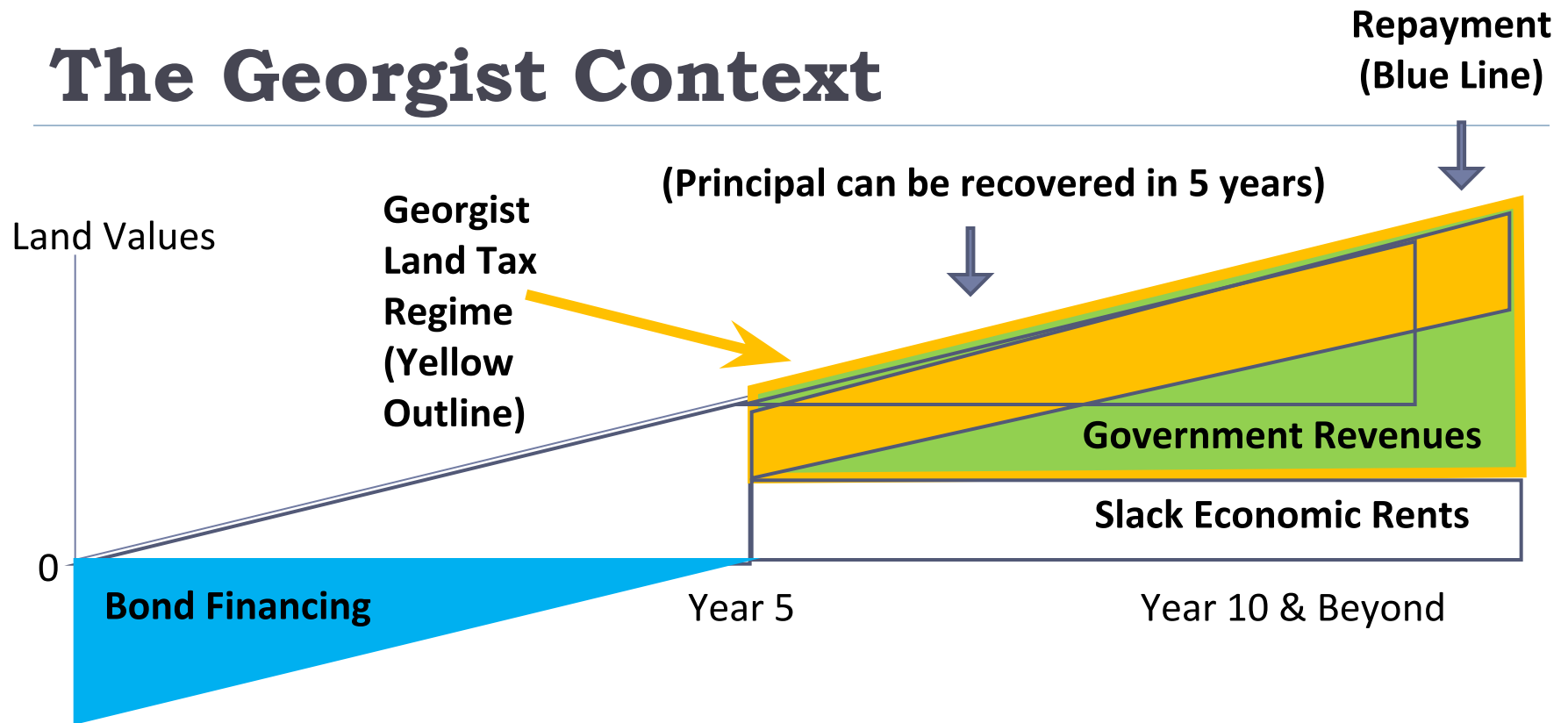
Financing Co-op Utilities



So over time ...

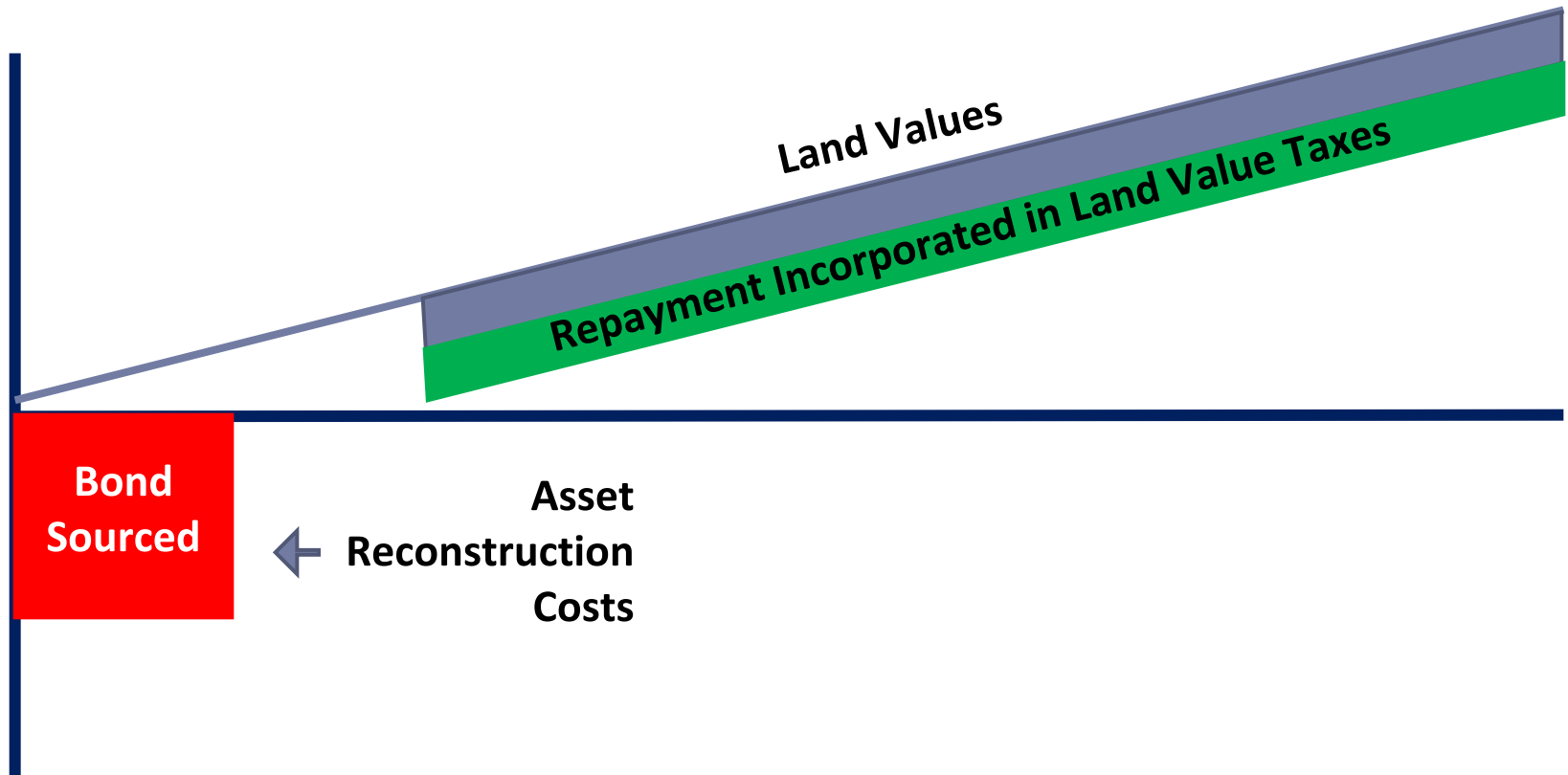


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Housing/Building Reconstruction



Financing Requirements

- **Strategic Plan & Bond Prospectus**
 - Comprehensive Land Use Plan
 - Infrastructure & Basic Services
 - Co-operative Ventures in Finance & Livelihood
- **Bond Float**
 - Sovereign Guarantees
 - Underwritten by IFC & AFIC
 - Global GOs/NGOs Co-Guarantees
 - International Roadshow by UN, WB, ADB



Prospective Terms & Conditions

- No payments due until Year 5.
- Interest rates will be multi-tiered based on tenor and type of funding use (i.e. livelihood or asset reconstruction).
- Repayments for the livelihood to be amortized on a gradual accelerating basis over 5 – 8 year tenor. Home reconstruction repayments over a longer tenor (10 – 15 years)
- Grace period for principal may be provided for 3 years from the beneficiaries of the fund.

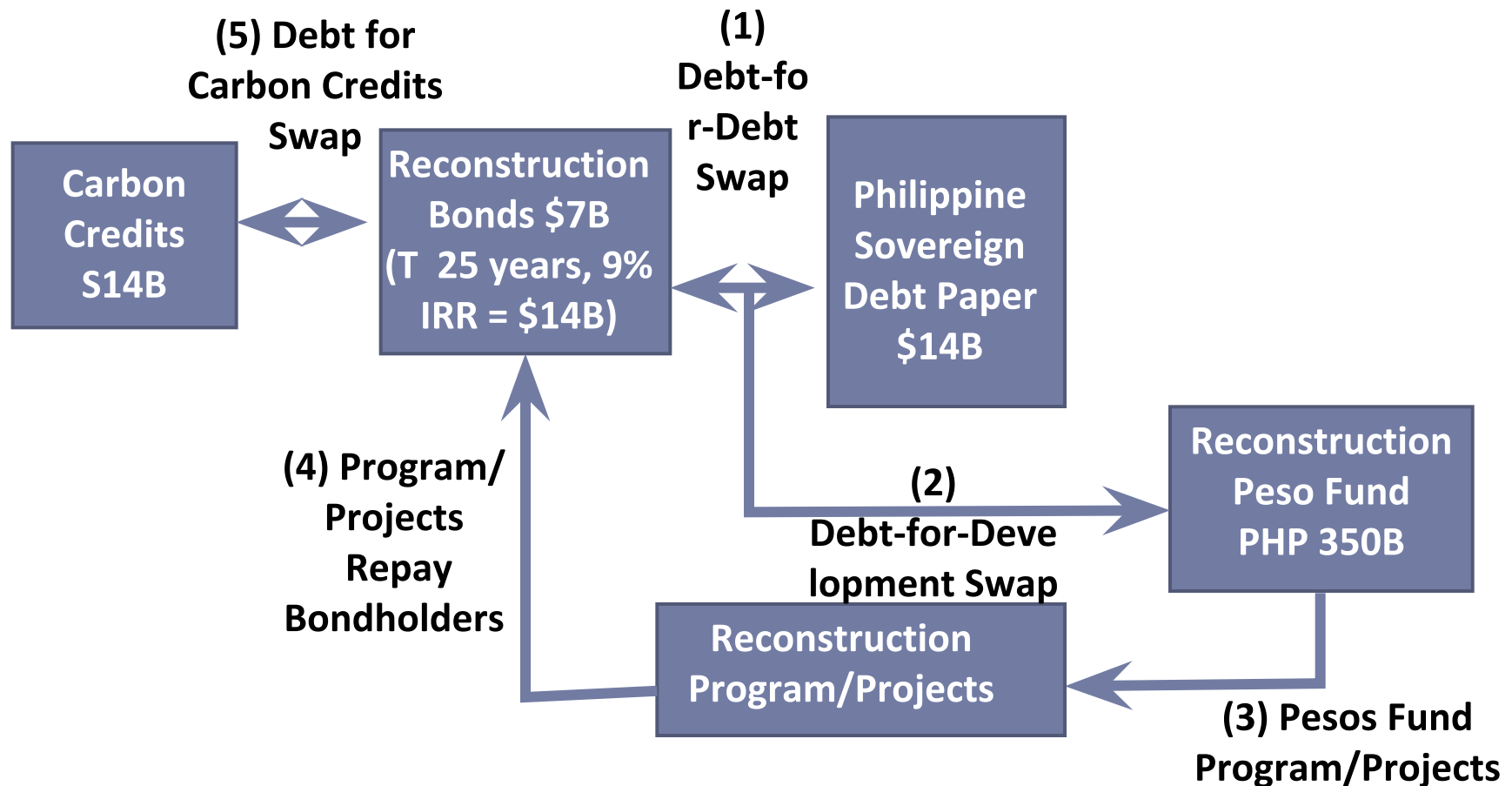


Cash Flow Management

- No money goes through politicians at all!
- All funds go straight from banks to strictly programmed mobilization of project resources
- Government sets up escrow & garnishing accounts to which land value taxes collected will be deposited.
- Politicians will be concerned with the job they were placed in their positions to do: to serve & to govern!



Ultimately, a Debt-for-Debt-for-Development-for-Carbon Credit Swap.



Despite the resistance by **realpolitik**

- ▶ **“All men dream: but not equally. Those who dream by night in the dusty recesses of their minds wake in the day to find that it was vanity: but the dreamers of the day are dangerous men, for they may act their dreams with open eyes, to make it possible.” (T.E. Lawrence)**
- ▶ **Let history be our witness.**

