LAND & LIBERTY

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A 9-PAGE SPECIAL REPORT

THE COLLAPSE of Reaganomics is an object lesson in the way political economists correctly identify problems – but remain blind to the obvious conclusions.

Today's policies are mere shifts away from the failed policies of the last two decades. They stop well short of fundamental reforms.

In this exclusive report, *Land & Liberty* reveals how, in 1976, Ronald Reagan came close to embracing land value taxation . . . and why, in the end, the contender for the U.S. Presidency backed away from radical change.

Report by FRED HARRISON

AMONG the key reasons for the rise in global unemployment, the bankruptcy of a few nations and the prospective collapse of some banks are:

- The emergence of major imbalances in the share of aggregate income, and
- A shift in the tax burden to employment and investment.

This is the appraisal outlined in the latest report from the Paris-based Organisation for Economic Co-operation and Development.[1]

The first point to note is that these are not two separate problems; they are intimately related.

The second point is a conclusion that is so obvious that it leaves one open to the charge of being disingenuously naive. Since there are three factors of production only, if the tax burden is too heavy on labour and capital, this would imply a need to redistribute the burden away from wages and from interest on capital investments – and on to rental income.

No such conclusion is drawn by the OECD, however, which is why policy formation in the industrialised countries is in a state of chaos.

And no better illustration can be offered than the fiscal confusion that abounds in Washington today.

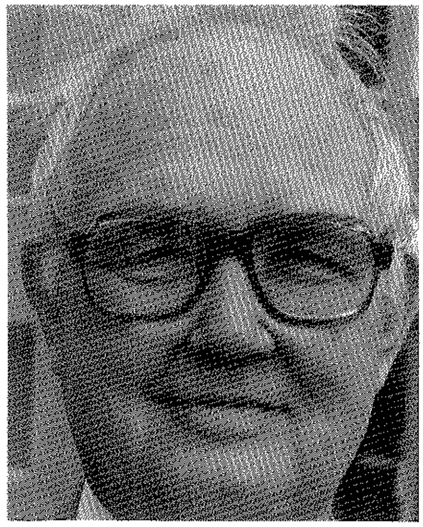
RONALD Reagan was elected as President because he promised to cut taxes. He pushed through a 25 per cent tax cut spread over three years.

According to Reagan's advisors, this would lead to a "supply-side" boost to the economy; there would be more investment and jobs, as people saved more in the private sector.

Reagan and Land Tax

SIDETRACKED!

Pres. Reagan – he was finally got at



Thomas Curtis – he aroused Reagan's interest

Instead, unemployment continued to rise, and the output of goods and services slumped. By last summer, an increasing number of top officials in the administration began to panic. Some of them even resigned.

On August 18, the President went on coast-to-coast TV to seek moral support from the electorate for his new plan to *increase* taxes by a huge $98.3 bn.

President Reagan, of course, insisted that this was not a reversal of his original policy, but with mid-term Congressional elections coming up in November, he could not confess to failure.

What will be the net effect of these tax increases/decreases?

The final outcome will be a $335 bn cut in taxes over the next three years. In 1983, the average household will be better off to the tune of $788.

Can any predictions be made about how this money will be spent?

Part of the money will boost imports: the low levels of stocks and factory capacity utilisation means that U.S. producers will not be able to respond quickly enough to meet increased consumer demand. Higher imports, of course, are not designed to encourage higher domestic employment levels.

In the main, however, larger net incomes will stimulate the land market. This is the conclusion to be drawn from the evidence of the 1960s, following the Kennedy tax cuts.[2]

The same thing happened in the 1920s, when Andrew Mellon, the Secretary to the Treasury, slashed the top tax rates from 73 per cent down to 46 per cent in 1924. The land boom of 1925 is a well-documented phenomenon. People were flush with money, and so they turned to land speculation in a bid to make themselves millionaires overnight. The general recession followed soon afterwards.

SUPPLY side economists, of course, do not draw causal connections between tax cutting/land speculation/recession. The Mellon tax cuts are regarded as fine examples of what ought to be done by the Reagan Administration.[3]

The only way to neutralise the rent effect, to give tax cuts on labour and capital a chance to work their way through to higher employment and consumption levels, is to introduce a policy of land value taxation.

We can reveal that Ronald Reagan came very close to adopting this fiscal policy as part of his presidential programme.

In 1976 the chairman of the Reagan Group at the Republican Party's convention in Kansas City was Thomas Curtis, a Washington lawyer who served 18 years as a Missouri Congressman.

It was at this crucial convention that Curtis managed to arouse the interest of Ronald Reagan, who was pushing his claims to the White House.

During conversations, Curtis pointed out that land value taxation was the only policy that increased its tax base: as the money was spent on public projects, so land values increased, which increased taxable capacity.

In contrast, Mr. Curtis pointed out that other forms of taxation *reduce* the tax base, for they are disincentives to wealth creation and employment.

"I had Ronald Reagan pretty well agreeing with one on this," Mr. Curtis told *Land & Liberty*, "but then he was got at by some others."

Mr. Curtis now criticises the fiscal furrow ploughed by the President. "He was responsive to the idea of the land tax. But then a different element, the American Entrepreneurs Group, got his ear. This is a Think Tank in Washington where the supply side economics came from."

Thus ended the one real prospect of converting the U.S. President to a constructive programme of fiscal reform. Now, with the confusion of Reaganomics Mark I, we are threatened with a variation on the theme.

Reaganomics Mark II is likely to take the form of a change to a single, "flat tax" rate. This is rapidly gaining converts in the U.S., and the President finds it an interesting proposal. Senate Finance Committee chairman Bob Dole (Republican: Kansas) says: "It will be a big 1984 issue."

THE HIGHER net incomes retained by employees and capitalists will not lead to a 1925-style speculative boom, because of the depressed state of the economy; the psychology is wrong for a big binge.

But the pressing need, today, is for a marked *cut* in income received by land monopolists – a redistribution of aggregate income, as the OECD would put it, in favour of employment and investment.

The higher net incomes, however, will flow into the land market. Prices, therefore, will be kept buoyant. And economic recovery will be postponed until irrational forces exert their influence and income is redistributed with the maximum of economic disruption and personal agony.

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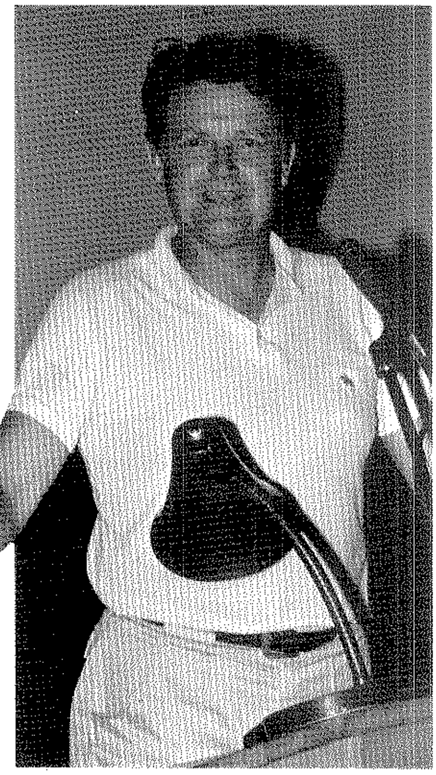
Exposed: missing link in land theory

THE "missing link" in the theory that attributes unemployment to land speculation has been identified by Californian professor Mason Gaffney.

The theory was originally developed by American economist Henry George in *Progress & Poverty*.[1]

By Paula James



● Prof. Mason Gaffney thumps home his message

In Prof. Gaffney's view, the theoretical gap between land speculation and recessions is filled by the theory of circulating capital.

Speaking at an Engineering Foundation conference at Rindge, New Hampshire, Prof. Gaffney declared that we need new tools to analyse the role of capital in macro-economics, and money in banking.

"Labour as such doesn't create capital, it replaces capital which is advanced to labour as it works," he said.

"To create capital, someone has to save, which is more likely to be the property owner than the worker. It is a long, slow process."

Dr. Gaffney, who is professor of economics at the Graduate School of Administration, University of California at Riverside, said that the "villain" among economic theorists was John Bates Clark, the founder of neo-classical economics.

"Partly for the purposes of under-cutting Henry George, he eliminated the distinction between land and capital, and denied that capital turned over. He succeeded in putting this over as neo-classical economics, which differs from classical economics in eliminating the concept of capital turnover, and we have been wandering in the outer darkness ever since."[2]

ACCORDING to Prof. Gaffney, the nation's capital makes one complete rotation every three years. This circulation, however, is impeded by a wasteful expenditure of capital, which slows down growth and causes unemployment. "This is where land speculation comes in," he said.

"Speculation and sprawl cause massive over-commitment of our limited capital stock to infrastructure. This capital is then immobilised, frozen, sterilized, its rotation is stalled.

"When properly invested and re-invested, capital is a revolving fund that animates activity with each revolution. But when it is frozen it might as well have been pushed off the edge of the world.

"If we eat the seed corn, to subsist while we are building roads to tap new land, how will we plant the new land? That is the strange sort of problem that land speculation leads us to. And initially it gets transformed into a capital shortage, and a sharp fall of land prices then gets the banking system."

Prof. Gaffney noted three relationships between land speculation and the circulation of capital.

● Scattered settlements increase infrastructural needs.

● Premature abandonment of old buildings – for example schools in old cities – results in the gross under-utilisation of capital.

● New infrastructure is built prematurely to validate speculative values.

"This is what water battles in California are all about. The pattern is one of investing public money, freezing it up for decades, so that landowners can have the option – for their future delectation – of using it some day, if they feel like it. But they are under no pressure, because no-one is taxing them."

A TAX on the value of land was a key solution, said Prof. Gaffney. This would deter speculators from wasting land and forcing people to invest in new urban centres on peripheral locations.

"The result, in addition to an improved use of land, would be a reduction in the enormous waste of capital, which would remain mobile and available for use in the private sector.

Henry George's vision, said Prof. Gaffney, was to tax land into use. "This should be supply side economics, but I don't see any sign of it in the policies of the present administration," he said in an attack on the shortcomings of President Reagan's economic strategy.

America, he noted, had plenty of surplus land. Historically, however, people bought it up and went to "sleep" on it. This, in turn, encouraged a wasteful over-commitment of capital.

In agriculture, for example, "we retire land in the east, which is favoured with abundant rainful. So we reclaim land in the west with public money."

The paradox was that "this ultimately leads to a decline in the price of land. The long term result is an artificial abundance of land, caused by massive substitution as a result of the development of marginal lands. Sometimes this leads to a collapse of land values."

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1 Centenary edn 1979 published by Robert Schalkenbach Foundation, New York.

2 Prof. Gaffney's full critique of J. B. Clark appears in a new book, *Land Value Taxation*, editors: R. W. Lindholm and A. D. Lynn, Jr., Madison: The University of Wisconsin Press, 1982, which will be reviewed in the Jan.-Feb. 1983 issue of *Land & Liberty*.

U.S. professor builds on Henry George theory

Chancellor wakes up to land profiteering

THE EUPHORIA that surrounded the creation of Britain's eleven Enterprise Zones is gone.

The Government now concedes – albeit reluctantly and privately – that its operation to transform thousands of acres of derelict land into bustling, wealth-creating "little Hong Kongs" has begun to backfire.

Senior Whitehall officials have confirmed that the Chancellor, Sir Geoffrey Howe, is now deeply embarrassed by the way –

- Landowners – far from releasing sites for speedy development – are holding back in the sure knowledge that they will make a bigger killing from rocketing land values;
- Rents are rising well above the levels for equivalent sites just outside the zones.

At the heart of Sir Geoffrey's anxiety is a Catch 22 dilemma which threatens to make a mockery of the Government's strategy for boosting output and job opportunities. It is this:

As soon as derelict land is designated an Enterprise Zone, it becomes more expensive – soaring, all-too-often, beyond the reach of firms which might otherwise be tempted to move in and open up new businesses.

What is not clear, however, is whether the Chancellor – who has staked his reputation on Enterprise Zones – will summon the courage to admit, publicly, that landowners and developers are making a fortune out of his experiment . . . at the taxpayers' expense.

The signs are not reassuring – especially since the Government is now committed to creating another eleven zones.

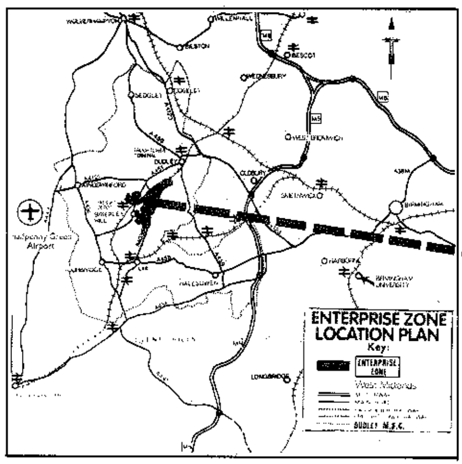
Furthermore, INSITE has established that Sir Geoffrey's Cabinet colleague, Environment Secretary Michael Heseltine, has decided to abandon existing Whitehall scrutiny of Enterprise Zone activity.

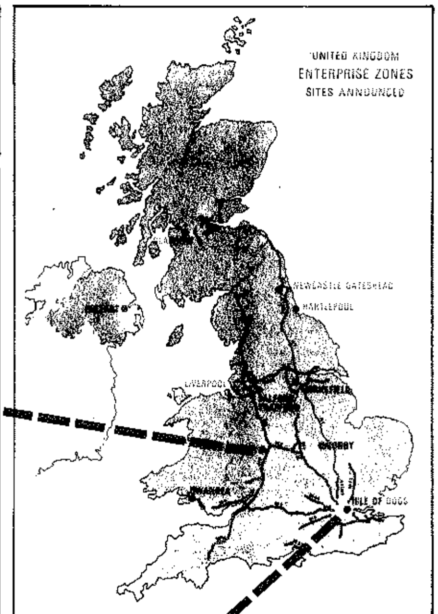
A guidance note sent out by Mr. Heseltine's officials to all local authorities bidding for one of the second batch of zones states quite clearly:

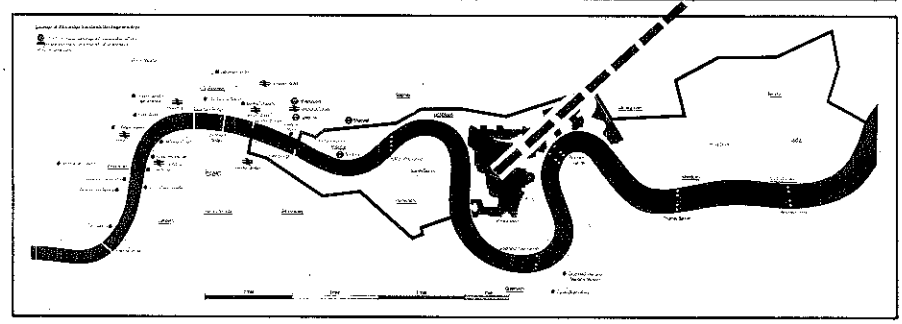
"It is not envisaged that the existing monitoring arrangements, using private consultants, will be extended to the new zones."

Instead, local authorities – often the owners of land – will be expected to liaise with the Dept. of the Environment to establish "a more informal monitoring system."

An INSITE investigation







Scrutiny is being relaxed – presumably as part of Mr. Heseltine's cost-cutting exercise – just when it should be tightened.

INSITE has studied two of the existing zones, Dudley in the hard-pressed West Midlands and the Isle of Dogs in London's Dockland. The results underline cause for Whitehall's concern.

But first, the background.

On June 26, 1978, Sir Geoffrey, then Shadow Chancellor, told the Conservative Party's Bow Group that something had to be done about Britain's worst-afflicted areas.

"Some might argue that they are beyond help and would abandon them as inner city ghost towns – a doleful monument to our collective incompetence. That would be a reckless and inhumane conclusion," he said.

Enterprise Zones, he added, would help "prime the pump of prosperity."

In his March 1980 budget, Sir Geoffrey turned rhetoric into action when he outlined plans for eleven zones – eight in England and one each in Scotland, Wales and Northern Ireland.

Firms moving into the zones would benefit from not having to pay rates; they would enjoy 100 per cent capital allowance on all commercial and industrial property; there would be no Development Land Tax and a minimum of red tape.

Here, then, lay the basis for creating spontaneous economic activity inside the zones. But critics warned, from the outset, that companies located just outside the "privileged" areas would resent them as symbols of Government subsidy, a waste of taxpayers' money and the cause of gross distortion in the value of land.

The Government, however, pressed on regardless, with still more rhetoric from Sir Geoffrey. He declared, when he opened the Isle of Dogs zone on May 21 this year: "It isn't enough to be winning against inflation. We need other policies to bring life back into the economy, to improve the prospects for more jobs. And Enterprise Zones are just one of those policies."

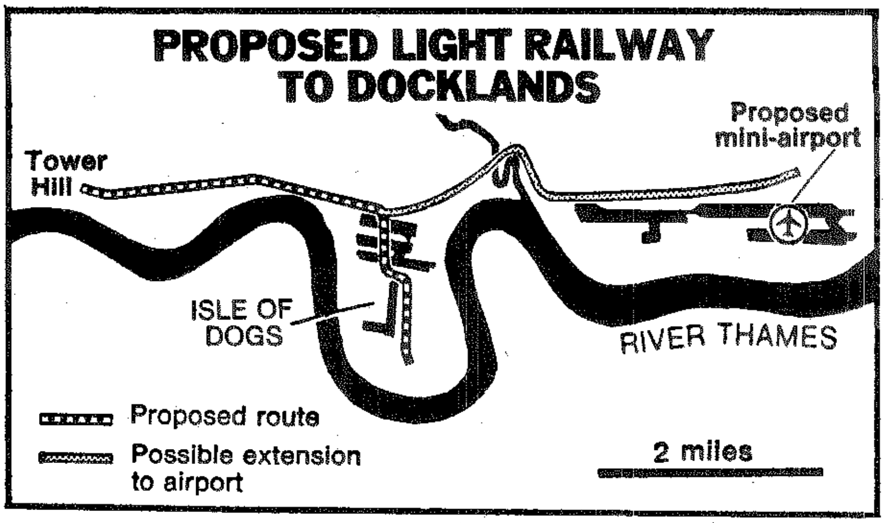
As testimony of his conviction, Sir Geoffrey announced in July that eleven more zones would be created – seven in England, two in Scotland and one each in Wales and Northern Ireland.

"The zones selected would be expected to be situated in areas of physical and economic decline and where ownership arrangements and infrastructure and servicing conditions do not prohibit rapid development of a significant proportion of the land," said the Dept. of the Environment.[1]

The word *rapid* is crucial, for the speed with which land was to be transformed into something useful – when, for years, owners had allowed it to lie idle – was central to Government strategy.

It is worth noting that Mr. Heseltine's guidance to local authorities re-asserts the so-called "spirit of Enterprise Zones."

He warns: "The Government will be looking for an indication that major landowners would be prepared to develop or market their land quickly."



● A plan that will boost land values from £100,000 to £1,000,000 an acre.

IN PRACTICE, this was not to be. In a revealing study of the London Docklands Development Corporation (LDDC), which is charged with responsibility for the Isle of Dogs venture, *The Economist* says of this particular zone:

"Incredibly, land is also a problem. Most of it is publicly owned by the local authorities, the port authority, the gas board, rail board and electricity board. It is not worth a lot. But if the area takes off and the City expands east, it could be worth a lot. These public sector giants are sitting on the land in the hope that it will – thereby thwarting any chance of growth."[2]

The Isle of Dogs zone comprises 482 acres, including 120 acres of water. The LDDC owns the biggest share, 37 per cent; the next-biggest owner is the Port of London Authority, with 33 per cent.

So two public bodies together own 70 per cent of the area.

Derek Hemingway is the LDDC's industrial adviser, who insists that the corporation is not hoarding land for profit. "It isn't happening here," he told INSITE.

But Mr. Hemingway confirmed a distortion in land values. The price per acre, throughout the LDDC's total 5,000 acres, which stretch from London Bridge east to Beckton, varies between £70,000 and £100,000. But inside the zone, land which, until recently, was neglected, is now worth £150,000.

"That's because land has been made available for development – it's an inevitable consequence. We're putting the whole area to work again", insisted Mr. Hemingway, who added: "We are not here to make a profit – we are here to do a job."

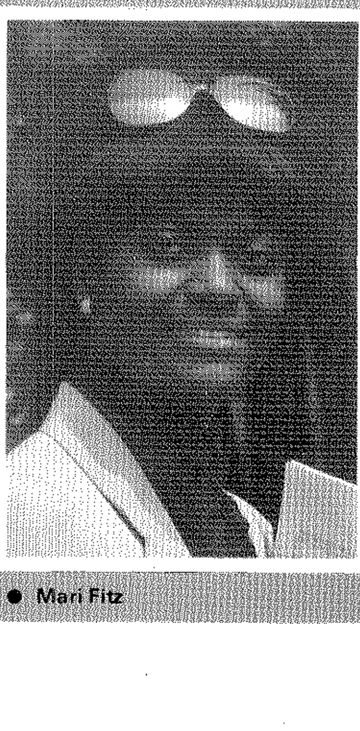
In sharp contrast, the LDDC's chairman, Nigel Broackes, presents the profit motive as a positive virtue.

INSITE has obtained a copy of a letter Mr. Broackes wrote to Mr. Heseltine in June, in which he argued the need for a £65m railway link (see diagram) from Tower Hill to Dockland.

Such a link, insisted Mr. Broackes, would help develop the area – and create still more jobs.

He wrote: "There is, for me, another compelling reason: that is, the direct return on the investment of the £65m involved . . . the impact on land values, though impossible to quantify,

Enterprising plan for U.S.



● Mari Fitz

CREATIVE ideas for sharing out the benefits of Enterprise Zones are being produced by the Sabre Foundation, a Washington-based research organisation that has taken a strong interest in the proposal since it was imported from Britain in 1979.

Mark Frazier, the Foundation's Director, is well aware that, to be successful, a formula has to be found for capturing the increases in land values.

Values in inner cities are depressed for a variety of reasons. Crime, for example, has a measurable impact on values. One U.S. study showed that for every one per cent of residential units that have been burgled, the average value of an owner occupied residence fell about $330.[1]

Thus, if there is regeneration of these rundown areas, values will soar. Who should benefit?

The Foundation has proposed that local residents should combine themselves into neighbourhood associations, which could acquire an equity interest in publicly owned land within areas designated as Enterprise Zones.

The land could be leased to the associations at nominal rates, which would then be subleased to entrepreneurs who were attracted into the zones by the tax benefits.

Some states – including Kentucky and Missouri – have already passed laws which make it possible to establish these equity sharing associations.

If the Enterprise Zones take off – and they will, if President Reagan has his way – then "rents will double, triple and quadruple," according to Miss Mari Fitz, a 29 year old urban planner with the Sabre Foundation.

She told *Land & Liberty* how rising land values could be shared out among local residents.

If people had a stake in local property, they would have a direct interest in raising the quality of the environment. For example, they would set up patrols of residents who would try to prevent will, in my judgement, be considerable, providing benefit to the Treasury on our own land and enhanced land values generally to private land owners."

Mr. Broackes may have had difficulty predicting the impact on land values, but Michael Baily, Transport Editor of *The Times,* is more helpful.

"In the case of the dockland scheme, commercial sites at present worth around £100,000 an acre without a railway would probably be worth £1m an acre with it."[3]

The Government subsequently approved the scheme, with Mr. Heseltine announcing the decision on October 8.

The inevitable consequence is that landowners will benefit handsomely – and only the richest firms, not the new or struggling companies Sir Geoffrey Howe had in mind, will consider operating in the area.

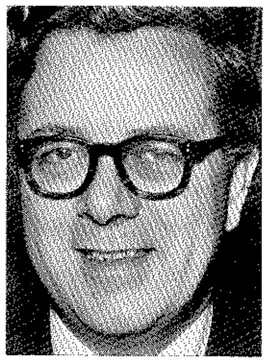
IN DUDLEY, the story is equally disturbing.

The evidence points clearly to landowners assuming that, because firms are relieved of the burden of rates, they can be penalised by higher-than-average rents.

Dudley is in the heart of the Black Country, an unemployment blackspot where economic recovery is well overdue.

Land in the Dudley zone, which was opened in July 1981, is exclusively privately owned. *And the Chancellor is known to be especially concerned about the premium rents being charged.*

Admittedly, development costs have been relatively high in a former coal mining area, as Frank Duesbury, Dudley's Industrial Information Officer, pointed out. But Dudley Council officials have confirmed that firms who have shown an interest in the 540-acre zone – only 250 acres are currently occupied – have complained about the level of rents.



● Sir Geoffrey Howe

● Nigel Broackes

● Michael Heseltine

Mr. Duesbury told INSITE: "We can intervene if it's a case of land not being developed. But on rents, there's nothing we can do. It's a case of private enterprise doing its own thing. I suppose the Government might see rents being charged over-the-odds as an unacceptable side of the experiment, but that's for them to judge."

The rent for the zone's smaller units, measuring 1,500-2,000 sq. ft., is about £2.50 per sq. ft. Equivalent modern units outside the zone are priced at £1.75; older properties are cheaper, at £1.

Even starker evidence: one local firm has moved from inside to just outside the zone, and is now busily selling off plots of land it had previously occupied in the Pedmore Road, Brierly Hill area for a considerable profit. Dudley Council officials again confirmed that they have received protests about the prices being asked.

THE TREASURY admits that landowners are "overcharging" – their word. "It's something we are keeping an eye on," a spokesman said.

"With any well-intentioned legislation, people take advantage. Without doubt, there has been a tendency for people to try to make what they can out of Enterprise Zones."

What classic understatement! But even this admission confirms a shift in the Government's attitude since June 1980, when Nigel Lawson, then Financial Secretary to the Treasury and now Energy Secretary, told Parliament:

"Once an area has been designated an Enterprise Zone, it is likely that land values will then rise. But that is not the end of the world . . ."[4]

The Chancellor is finally coming to terms with the fact that all is not well with his experiment.

It would be too much to ask of any politician – let alone a Government Minister faced with a General Election and three and a quarter million unemployed – to admit that he was wrong.

In the long run, a land value tax is needed to force owners to put their assets to good use.

But in the short term, Sir Geoffrey could intervene to ensure a speedier development and disposal of Enterprise Zone sites. He could publicly condemn rent profiteers frustrating the whole exercise; and he could reverse Mr. Heseltine's decision to end independent – and therefore impartial – monitoring of areas like Dudley, the Isle of Dogs . . . and the eleven new zones announced by the Government.

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1 Dept. of Environment statement: "More Enterprise Zones announced." July 27, 1982.
2 'Can there be life after death?' *The Economist,* July 31, 1982.
3 'Dockland may get privately built rail link, *The Times,* August 13, 1982.
4 *Hansard,* June 4, 1980. Col. 1516. Debate on Finance (No. 2) Bill.

crime. And there would be an incentive to eliminate rubbish, and improve the general appearance of the neighbourhood.

In return, they would receive a share of rising land values, which would be paid by local businesses to the neighbourhood association.

The present system, notes Miss Fitz, penalises such cooperative enterprise "by rewarding free riders."

SABRE'S equity sharing concept is undoubtedly sound, but the forms being proposed at present are unrealistic.

- They depend on transferring city or state owned land to a minority of citizens in a particular neighbourhood. If successful, envy would be aroused among those citizens who were denied a share in the benefits.
- Private owners of land within the zones would not be obliged to share the benefits of rising values with their neighbours. Miss Fitz suggests that private owners might be encouraged to share out the benefits by coming to contractual agreement with a neighbourhood association, if they were given tax incentives; this appears to place too much faith in the altruism of landowners.

But to criticise too heavily the detail of Sabre's various options would be churlish, because the Foundation has proved itself enlightened when it comes to identifying the central problem: the need to combine economic efficiency with social justice.

Congress is busily studying the legal implications of Enterprise Zones. The lawmakers like the idea that they might generate new jobs by removing some of the obstacles to wealth creation.

Those lawmakers, however, tend to overlook the connection between prosperity and poverty. The Sabre Foundation, however, has discovered the connection, and is busily publicising it.[2]

Public debate, therefore, can now be channelled into discussing the alternative mechanisms for sharing out increasing land values (which are the capitalisation of benefits accruing under the Enterprise Zone legislation) among society generally.

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Liberals call for national land tax

● Lord Evans

BRITAIN'S Liberal Party, bidding for power with the Social Democratic Party in a new political alliance, has changed its policy on land value taxation.

At its annual assembly at Bournemouth in September, the party substituted a local income tax for its traditional policy, a tax on the unimproved value of land.

In place of site value rating, however, the party proposed a land tax administered *nationally* at a single rate.

Party chairman Roger Pincham said that he hoped the party would integrate the national tax into their overall economic strategy.

The resolution, moved by Lord Evans, the Liberal spokesman on housing and local government, was based on the findings of a Working Party. But there was one significant change between the report stage and the drafting of the assembly resolution.

Members of the Working Party who investigated local government finance concluded that the land value tax should be levied on *all* land, including Crown land, non-domestic land and agricultural land.

But when the resolution reached the assembly delegates, the proposal to tax agricultural land had been dropped.

This exemption would cost the national exchequer about £880m in revenue, assuming that a two per cent tax was levied on the estimated capital value of agricultural land (the rate which is recommended by the United Nations).

● Liberal leader David Steel, in his keynote speech, said that the centre-piece of their programme for economic revival was a three-year £9bn reflation strategy coupled with an incomes policy.

SIX-POINT PLAN FOR SWAZILAND

SWAZILAND is considering a ten-year plan to switch to land value taxation.

Deputy Prime Minister Benjamin Nsibandsi invited a South African tax expert, Godfrey Dunkley, to submit detailed proposals.

This follows Swaziland's attempt to halt the purchase of land by foreign speculators.

Mr. Dunkley told *Land & Liberty*: "They were proposing that all land purchases should go before a board which would screen foreign purchasers.

"When this happened, only one property was sold in a year. The whole system froze up."

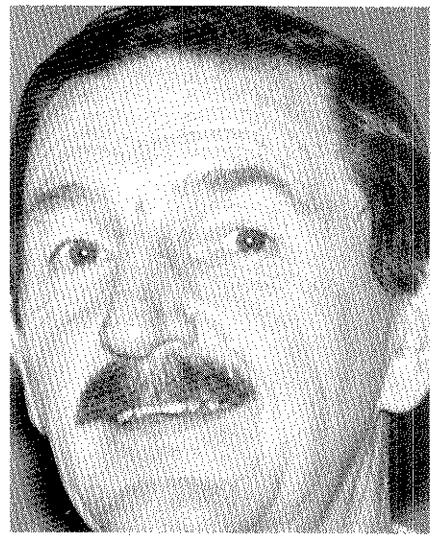
Officials in the Ministry of Finance began looking for workable alternatives and in July, Mr. Dunkley was invited to produce a report on how the Swazi economy would benefit from a switch to land value taxation. He produced a 10-year programme.

Step 1. Immediate tax on freehold land based on value (ten per cent) or acreage (£1 per acre for rural land), with equivalent reductions in income and corporate taxes.

Step 2. Within the first year, establish a land value register.

Step 3. In the third year, full land tax based on the register of values. Taxable land value should be fixed at 50 per cent of registered values for years three and four, with an annual tax of 20 per cent.

The impact, at this stage, according to the report, would be a considerable reduction in land speculation and a drop in prices to realistic values.



● Godfrey Dunkley

"Speculators and land hoarders previously unaffected by income tax will have started contributing to the national economy," states Dunkley's report.

And farmers would be encouraged to seek advice from the Agricultural Technical Services, to get the best yields from their holdings.

Step 4. Over years five to ten, the rate of land value tax should be increased progressively to replace the income tax. By year ten, income tax should not be levied on agriculture or industry, and it may be possible to discontinue income tax completely.

Step 5. Tax abatements on residential land for invalids and the aged.

Step 6. Farmers given security of tenure over Swazi national land, which would halt drift to towns and encourage investment in improvements.

Mr. Dunkley warns Swaziland's government: "Poverty in the Western World and Third World has been brought about by two main factors, unreasonable and misconceived taxation and full land enclosure – *not* by free enterprise.

"Swaziland is very fortunate in not having full land enclosure (private ownership of all land) but was brought very close to it by the concession hunters."

By taxing what he calls the "natural rent" of the nation's resources, Mr. Dunkley holds out the prospect of "an undreamed of acceleration in the economic growth of Swaziland."

CHURCH LAND

The price of death . . .

A ROW has broken out between the Bishop of Lincoln and the Lord of the Manor in a village in Lincolnshire, England.

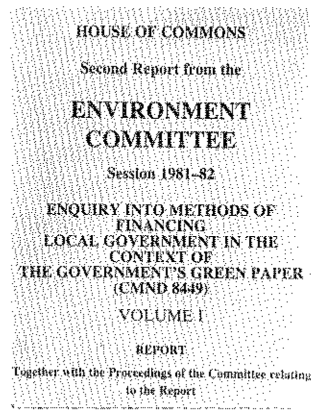
The parish council wants to buy one-third of an acre that adjoins Leadenham cemetery, to ensure that the 350 villagers will have somewhere to lay in rest when they die.

The district valuer priced the land – now used as an orchard – at £1,500. But the diocese then obtained planning permission to build on the plot, and is now asking the parish for the development price of £10,000.

This provoked the Lord of the Manor, Lt. Col. William Reeve, OBE, JP, ex-Grenadier Guards and a deputy lieutenant of Lincolnshire.

"The church's attempt to profit out of death in this extortionate way is contemptible", he is quoted as stating by *Sunday Times* reporter John Coates ('Colonel fumes: bishop digs in', 5.9.82).

SVR ignored as MPs say No to rates abolition


HOUSE OF COMMONS
Second Report from the
ENVIRONMENT COMMITTEE
Session 1981–82
ENQUIRY INTO METHODS OF FINANCING LOCAL GOVERNMENT IN THE CONTEXT OF THE GOVERNMENT'S GREEN PAPER (CMND 8449)
VOLUME I
REPORT
Together with the Proceedings of the Committee relating to the Report

THE property tax on houses should not be abolished, but the British Government should give early consideration to a local income tax.

These are two of the conclusions in a House of Commons Select Committee report,* which also calls for:

- A switch from rental to capital values for rates (the local property tax);
- Detailed investigation of the case for re-rating agricultural and other buildings;
- Revaluation of property at three-yearly intervals; and
- A speedy revaluation of properties if non-domestic rates are retained.

The report, by the all-party Environment Committee, does not reach a conclusion on whether agricultural land should be re-rated. It states: "No witnesses provided the Committee with detailed evidence of the effects of re-rating agriculture or how the practical problems (such as the absence of any relationship between the number of farm buildings and the profitability of the farm) could be overcome."

The committee ignores the possibility of a tax on site values alone.

The Royal Institution of Chartered Surveyors, which might have been expected to postulate this reform, was strangely silent on site value rating (SVR) in its written evidence.

The Inland Revenue, however, did refer to SVR. It listed four advantages of this system.

1. SVR would encourage owners to bring forward land for development.
2. Owners would not be discouraged from improving their buildings.
3. Vacant and agricultural land would provide a new source of finance.
4. Unrealised values should be taxed because they are created by the community, not the owner, and the tax would return the community's contribution.

Against this, however, the Inland Revenue marshalled some well-rehearsed objections to SVR.

"It is unfair to levy a tax in a situation where owners may not wish, or may not be able to realise potential values . . . food prices would increase and [the] development land tax already taxes increases in the development value of land."

Moreover, suggests the Inland Revenue, "to value every site at its full developmental potential would be a formidable task."

Contrary to all the evidence, the Inland Revenue believes that site value rating would be expensive to set up.

If it were adopted, however, it would need to be based on the existing use value of a site.

**Enquiry into methods of financing local government in the context of the Government's Green Paper*, London: HMSO, Cmnd.8449, Vols. I-III, £20.50.

LAND FOR SALE

To buy – or not to buy

MICHAEL Heseltine, Britain's Secretary of the Environment, is clamping down on land purchases by local authorities.

His department has issued new rules which will make it more difficult for land to be brought into public ownership.

In a new Circular,* the department states that "in the past, land has sometimes been acquired without sufficient thought for the limitations on the authority's capacity to develop it, or for the needs of other potential users such as private builders."

Authorities will now have to prove that future developments are cost-effective.

Mr. Heseltine, who wants to reduce bureaucratic interference with the business of councils, will nonetheless retain his right to intervene at the land acquisition stage "since it is often the cost and characteristics of the site itself which determine whether or not the development can be cost effective."

Councils will now find it more difficult to secure permission to borrow money for land purchases. And central government subsidies will cease to be payable on land which remains undeveloped three years after purchase.

*'Local Authority Housing Project Control: Changes in Renovation Thresholds and Procedures', London: DoE, Circular 23/82.

● A £45,000 publicity campaign has been launched to make British builders aware of land that is available for development. The Department of Environment says the campaign is aimed at builders "who may pass suitable sites every day without knowing that they are on the market." Nearly 11,000 sites, comprising over 96,000 acres, are catalogued in registers held by district councils.

● The 1984 conference organised by the International Union for Land Value Taxation and Free Trade will be held at Selwyn College, Cambridge, England. The dates: August 4 to 11. Full details will appear in future issues.

NEWS in BRIEF

When will they learn?

BRITAIN'S Royal Institution of Chartered Surveyors claims it is "uniquely qualified to offer a professional viewpoint on what ought to be the land policies of the future."

And those policies, it seems, can safely ignore certain practices which were all too evident in the past:

"We do not believe that land speculation, windfall profits, land-hoarding or monopoly ownership are significant problems," states the Institution.*

Instead of a "land problem", the 1980s confront us with "separate but inter-related challenges" – including those of decay and dereliction, lack of infrastructure, loss of rural land, imperfect mechanisms for reconciling social and economic factors in land-use decisions, and so on.

Paul Knight comments: The experts did not believe that there was a "land problem" in the 1960s, until the underlying trends manifested themselves into the speculative boom of 1968-73. The Institution's proposals amount to an attempt to iron out imperfections in the land market by means of bureaucracy and education. Their dismissal of a "land problem" is a semantic exercise that appears designed to clean up the image of the property market.

**A Land Policy For The Future*, London: RICS, 1982.

QUOTES

● MARIE Helvin – wife of British fashion photographer David Bailey – sets the trend by modelling the clothes of famous designers. But when it comes to spending her *own* money, the attractive Miss Helvin has quite firm ideas.

"Jewellery is fine, as long as I don't have to buy it," she says. "As for evening gowns, you must be joking! I'd rather buy land than a taffeta ball gown."

● THE Duke of Westminster, one of Britain's largest property owners – thanks to astute deals by his ancestors – says he can't help but think of people in property as "the rhinoceros trade – they have thick skins and charge a lot!"

Land Minister

PRESIDENT Joao Figueiredo of Brazil has given special ministerial responsibility for land affairs to one of his close military aides, Gen. Daniel Venturini.

This reflects the military-led government's pre-occupation with the growing strife in the frontier areas between absentee landowners and squatters.

The general will remain head of the powerful National Security Council, but will now devote more time to tackling the land problem.

FOCUS O

BOB BECKMAN is a New York-born investment analyst who operates from a luxury apartment in London's West End.

Right now, he is *persona non grata* with his colleagues in the City and Wall Street, who find his economic predictions distinctly unhelpful.

His slogan: *If you think that the market economies of the industrialised West are going through a bad patch, then you haven't seen anything yet.*

According to Beckman, who sounds off his views every morning on one of the London commercial radio stations, The Big Crash is just around the corner and will probably occur in 1984 . . . which means that current investment criteria are no longer valid, for a start.

And yet Beckman, who publishes *Investors Bulletin,* a stock market tip sheet, declares:

"We feel that the next five years will offer greater investment opportunities than anything we have seen in the past five decades. Just like the early 1920s, the long term economic cycle is reaching a terminal stage. We are now experiencing an 'eco-spasm' transforming the investment cycles as we know it to a totally new form of investment cycle.

"The investment vehicles of the last few decades and the investment techniques used will not serve the investor adequately. Just as his counterpart in the 1940s and 1950s did, the investor of the 1980s and 1990s will have to adopt a totally different framework. Property will no longer be the safe inflationary hedge that it was, whereas Fixed Interest investments will experience a rebirth."

Beckman's most chilling prediction is about the housing market.

Values, he declares quite emphatically, will collapse. So investors should get out quickly and families ought to approach house purchasing from an amenity viewpoint, and not expect to make a large capital profit sometime in the future.

There is evidence to support Beckman's gloomy forecast.

● The Chase Manhattan Bank has produced data (see table) which demonstrates that the postwar benefits of owning residential property have now been eliminated. Money-market instruments return a higher yield for your money.

● John Stewart, economist with Britain's House-Builders Federation, has argued that the investment motive in the house market will become less important as house price rises are held down over the next few years. This will force builders to adapt their houses and marketing strategy to changing circumstances.[1]

● In the U.S., house prices have fallen by 17 per cent since 1979, and by 25 per cent when prices are adjusted for inflation, according to John Marshall, Assistant Professor of Finance at St. John's University. The price of land declined at an annual rate of 10 per cent during the first five months of this year. On the West Coast, the drop was at an annual rate of over 20 per cent before adjustment for inflation.

"Long-term fundamental changes are taking place in the pattern of real estate prices as the economy goes through the painful process of disinflation," declares the professor, who concludes his analysis with this prediction:

"I believe the 1980s will be a decade of necessary adjustment during which more representative values will return to the real estate market."[2]

THE EVIDENCE, then, supports Beckman's thesis that hard times are in store for home owners who had hoped to benefit from the record rises in post-war property values.

Unless they cash in their properties now, thinks Beckman, they will lose out. For, he declares: "An invisible crash has been taking place. The reason it is invisible is due to the fact that the components of the crash have been disguised by inflation."[3]

But what brought this crash to pass?

Beckman points to the Kondratieff Wave, the 50-year cycle in business activity which was postulated by a Russian economist, Nikolai Kondratieff. Right now, according to this hypothesis, we are on the down slope of that curve – and nothing can stop us from crashing deeper into economic misery.

The problem with the theory, as Kondratieff himself admitted, is that it offers no explanation as to *causation.*

Over the past two years, some economists have begun to volunteer a variety of explanations, none of which is satisfactory.

Indeed, two authors who wrote a book around Kondratieff admit: "In an age that still relies on a narrow definition of scientific proof, a long wave that controls not only the economy but the way people act smacks too much of the occult to win the approval of rigidly scientific economists."[4]

● Bob Beckman – a chilling predicti

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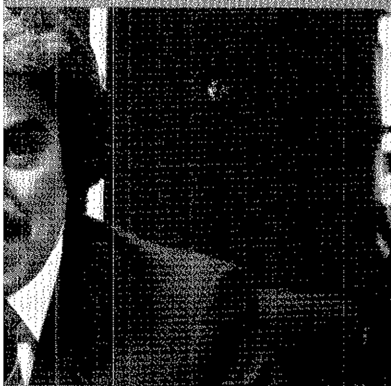
Beckman resorts to a variety of explanations for the current depression – including a "Drought Clock", which is predicting lengthy periods of drought and famine. "According to the weather cycle," Beckman informs stock market investors who buy his tip sheet, "the next era of prosperity is not expected to develop until around 1995."[5]

Politicians, bankers, stockbrokers and members of the Establishment deter the media from disclosing the gloomy facts, he asserts. They want people to believe that the worst of the recession is over.



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IN '84?

And when he went on to one of London's commercial radio stations to present an alternative view, he found himself under attack by powerful vested interests.

"It was my view that house prices were due for a severe fall in real terms and in absolute terms. I advised people against taking out mortgages if there was any way it could be avoided," Beckman wrote afterwards.[6] He has not since been invited back to that radio station.

But Beckman has fought back.

"There is more money tied up in residential property than in any other physical asset. Accordingly, there are more vested interest cartels dominating the residential property market than any other market and you can be absolutely certain the information that is released will favour their interests, not necessarily yours."[7]

BECKMAN, now aged 48 and with the good looks of an Omar Sharif, is a graduate of Harvard Business School. He has demonstrated the independence of his intellect, but it remains to be seen whether he can turn his criticism into something constructive.

The job of an investment advisor, of course, is not to propose policies to alter the movements in a system, but to anticipate and *play* the system to his advantage. And in Beckman's view, it would be futile to propose reforms in the structure of the system itself.

He has a grasp of those elements that can be constructed into a sound theory of business cycles. For example, he knows that land speculation is bad.

He told *Land & Liberty:* "Land speculation is extremely bad for the economy, because when speculators dominate the land market instead of industrialists, they push the price of land up above the prices that industrialists can afford.

"When land for homes and industry becomes a gambling token, can this possibly benefit the economy? Vested interests prevent the end of land speculation. Government knows that land speculation is bad for the economy – it's *heinous* when it is speculation in industrial land.

"Political pressure groups prevent the government from doing anything about it. We have a government ruled by labour cartels, on the one hand, and property cartels on the other hand."

It seems, however, that Beckman's forthcoming book, *The Down Curve,* will not propose reforms that might eliminate the periodicity of business activity: "There are no solutions to human psychology." Booms and slumps, he says, have "emotional causes."

If this were true, then we need more social psychologists than economists.

In fact, the causes of booms and slumps are to be found in the structure of the economy which *can* be altered (thereby shifting the pattern of peoples motives and expectations).

But perhaps it is sufficient for one man to point out the reality of underlying trends, which then alerts us to the future course of the economy.

When the housing market slumps, for example, a general recession follows within a short space of time.

Such a sequence of events is upon us right now. Let us hope that Beckman is too pessimistic when he states, cynically:

"Prescribing solutions is an exercise in futility. I have no doubt that government knows precisely what has to be done to provide a healthy economy. But it isn't the function of politicians and government to provide us with a healthy economy. Their function is to keep their jobs. Providing a healthy economy is usually incompatible with keeping your job as a politician, because it is usually unpalatable for the electorate."

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2. John F. Marshall, 'Land: Some Perspectives on Investment Trends and Value', Paper presented to the Conference on Land Policy Through Taxation, Engineering Foundation, Rindge, New Hampshire, July 11-16, 1982, mimeo, p.15.
3. *Investors Bulletin,* 28.8.82, p.6.
4. James B. Shuman and David Rosenau, *The Kondratieff Wave,* New York: Dell Publishing Co., 1972, p.viii.
5. *Investors Bulletin,* 29.5.82, p.5.
6. Bob Beckman, 'The Paper Curtain', *Penthouse,* Sept. 1981, p.41.
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RETURNS TO ASSETS, 1969-1982
(compound annual percentage change, adjusted for inflation)

	Year-end 1969 to year-end 1979	Year-end 1979 to June 1982
Gold[1]	20.8	–20.3
Housing[2]	2.5	–0.6
Bonds[3]	–0.2	3.1
Money-market instruments[4]	–0.5	4.7

1 London afternoon fixing, average of daily figures.
2 Median price, existing homes.
3 20-year corporate AAA bonds, with reinvestment of coupon payments at commercial-paper rate.
4 Prime 4-6 month commercial paper.

Data: International Monetary Fund, National Association of Realtors, Federal Reserve; and Chase estimates for June 1982.

FRED HARRISON warns:

Unless politicians confront land issue they will always fail

● Fred Harrison

POLITICIANS, no matter how else they may have disappointed their constituents, believe that in one area they have been eminently successful: making it possible for people to own their homes.

Throughout the Western World, the proportion of owner-occupation in the housing market has increased from under 40 per cent in the 1940s to 60 per cent and more today.

This achievement is deemed to justify considerable self-congratulation. Unfortunately, a number of facts are overlooked which lead us to this indictment:

Politicians in general are guilty of thwarting the aspirations of their constituents who want better homes for their families.

● As house prices have escalated, families have had to pay off their mortgages over a longer period, or repayments have taken up a larger proportion of incomes; and

● Far more families could have bought their homes, if the housing industry had been free to meet the demand with houses at prices which people could afford.

This one area of social and economic policy, far from notching up commendable gains for society, can be regarded as a singular failure when measured against the potential achievements.

Ironically, however, electorates in all the industrialised countries – except Japan – have raised no significant criticisms against the track records of their governments.

The reason for this can be stated quite simply: a confusion over their real interests and general ignorance of the way in which official policies have worked against them.

The evidence from the United States and Canada enables us to focus on the main problem in the housing market – and the way in which it is further aggravated by the political system.

THE HOUSING sector has been the subject of exhaustive investigation. *Each report has concluded that the single major obstacle to a more efficient industry has been the supply and price of land.*

● In the United States, for example, two Presidential commissions (the Douglas and Kaiser Commissions) published reports in 1968 that noted how the land component was increasing more rapidly than total costs, a phenomenon which continued into the 1970s (Table I).

● In Canada, the authoritative report was produced by the Task Force on Housing and Urban Development in 1969, which drew a similar conclusion.

Gary Sands, in a new book that usefully summarises the evidence, spotlights the major defect in these official reports:

> "The commissions' recommendations placed little emphasis on land-development issues. Rather, they emphasised the affordability issue, with major consideration given to increasing affordability by making mortgage terms more liberal and by subsidising mortgage interest rates."[1]

This neatly reflects all that we need to know about the thrust of policy. Governments have passively accepted the housing market conditions as they are, and have sought to help people to overcome the obstacles to owning their homes.

But in what way has this heightened the obstacles over which families have had to jump before they could get the keys to the front doors of their homes? The answer emerges in the research by Sands into the housing markets of four cities – Calgary and Edmonton in Canada, and Houston and Phoenix in the U.S.

TABLE I – UNITED STATES: COMPONENTS OF HOUSING PRICE

	1949	*1969*	*1974*	*1977*
Structure	69.0%	54.6%	48.4%	46.7%
Land	11.0	21.4	24.6	25.0
Financing	5.0	7.0	10.0	10.8
Other	15.0	17.0	17.0	17.5

An elementary knowledge of the Ricardian theory of economic rent yields the hypothesis that, if special tax and interest rate concessions are granted to potential buyers, these will be capitalised into higher prices for raw land.

This is because land monopolists, who command a resource that is in fixed supply, wield a greater power than the suppliers of the materials that are used to build houses.

So we would expect the price of land to rise at a faster rate than the cost of new houses. This is borne out by the prices that have been monitored in Calgary and Edmonton (Table II).

The result, as Sands notes, is that fewer single-family homes are built, and people are forced to accept greater-densities (multi-family owner occupied units) or rented accommodation.

This is an outcome that is the diametric opposite to what the politicians claim that they want to achieve. Yet the unambiguous result is that families are compelled to settle for second-best, giving rise to an increase in slums and consumer dissatisfaction.

THIS GENERAL outcome, however, would occur even if governments did not aggravate the situation with their self-defeating policies.

For the major problem, stated simply, is that land speculation has the greatest de-stabilising effect on the housing industry – and is the biggest hurdle that has to be jumped in the pursuit of a decent home.

Sands quotes one study which concluded that, without the intervention of land speculation, houses that sell for $65,000 in the large cities could be priced at $15,000 to $24,000 less. Another study shows that speculative gains amounted to 20-30 per cent of the sales price.

It goes without saying that there is considerable scope for cutting house prices, and thereby drawing a large number of poorly-housed low-income families into the owner-occupier bracket.

Sands reviews some policies for dealing with the problem of high land prices. He finds them unsatisfactory.

● **Land banks.** A number of countries have tried to handle the problem through public sector action.[2] Land is released on to the market at prices near its agricultural value, in the hope of keeping down the sale price of the house.

But a substantial land bank in Edmonton has not succeeded in lowering the prices of building plots. And there is another snag with this policy, as Sands notes:

> **"A below-market-priced lot sold from a public land bank provides the initial purchaser with the opportunity for a substantial capital gain, at the expense of the community."[3]**

● **Capital gains tax.** Sands argues that a full capture of all the capital gains on residential property is not a practical solution, but he appears to rule it out, in the main, on the grounds that it is contrary to current policy.

The serious difficulty with a capital gains tax is that it would encourage rigidity in the housing market. At a time when labour mobility is crucial for the economy, the prospect of losing a considerable sum of money by selling one's house is a powerful incentive to stay put – despite the fact that employment prospects are better elsewhere. And there is always the hope that, with a change in government, the tax might be removed.

● **Land value taxation.** This fiscal policy – a tax on the annual value of land in its unimproved state – is ignored by Sands. Yet this is the tax that (without distorting the housing market in any way), is necessary to achieve this objective:

> **"If home prices are high largely because of speculation, actual price reductions are most likely to occur only if the speculative element is eliminated entirely."[4]**

IN PROPOSING the total elimination of speculative profits, one has to recognise that this would be – in the first instance, at any rate – a politically unpopular proposal.

In Canada, people buy more than a home for their family: they see the roof over their heads as an investment. They speculate in the prospect of capital gains. "The purchase decision is keyed to the eventual resale of the property – the higher the anticipated resale price, the more an investor is willing to pay to acquire the property. Simply put, even at high prices, single-family homes and residential land represent a good investment."[5]

Yet this policy is also self-defeating. For the "something-for-nothing" psychology which dictates the price that a person is willing to pay for a house can have serious, unintended effects on his family.

The most serious risk is that, by inflating the price of land to artificial levels, he is helping to de-stabilise the building industry; and that, as we now know, has a direct effect on the economy in general.[6] *When the building industry goes into decline, as it did in Canada three years ago, a general recession follows within 24 months.*

Today, ten per cent of the Canadian workforce is out of work. This is the highest unemployment rate since the Depression of the 1930s. The owner-occupier who is sitting on a high-priced plot of land is no less vulnerable to redundancy from a loss-making company – and the traumas of unemployment – than the worker who lives in rented accommodation.

And is the speculative investment in one's house worth it in the end, anyway? Unless a home-owner plans to "trade down" to something cheaper, he will not enjoy the cash benefits of the escalating price of his asset.

On the other hand, by "trading up", he is usually obliged – when confronted with escalating land prices – to pay a larger proportion of his salary to finance a new mortgage. This means that his family's living standard, measured in terms of consumption power, is diminished.

Once this scenario is presented in a systematic way, the wisdom of eliminating land speculation completely is likely to find favour with a significant constituency; and this, in turn, would have a salutary effect on the policy-formation of politicians aspiring to power.

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3 Op. cit., p.130.

4 *Ibid.*

5 *Ibid.*, p.127.

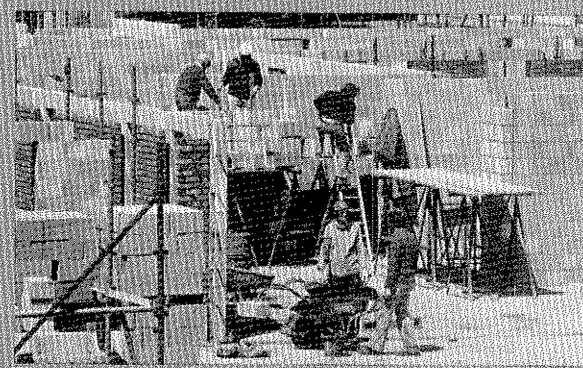
6 Fred Harrison, 'How to build our way out of the recession', *Land & Liberty*, May-June 1982.

TABLE II – CANADA: NEW-HOUSING PRICE INDEXES

	Calgary			Edmonton		
Year	*Total*	*House Only*	*Land Only*	*Total*	*House Only*	*Land Only*
1969	36.9	43.3	24.3	37.0	42.1	24.9
1970	38.3	45.5	24.4	39.0	43.4	28.7
1971	41.2	48.0	27.8	40.7	44.5	31.8
1972	45.3	53.2	30.0	44.4	47.5	37.0
1973	52.0	61.3	33.9	53.9	57.8	45.0
1974	66.8	76.0	48.9	70.3	74.6	60.3
1975	80.4	86.7	68.2	83.5	85.4	79.2
1976	100.0	100.0	100.0	100.0	100.0	100.0
1977	106.9	105.9	108.9	106.9	103.9	113.8
1978	115.5	113.8	118.7	114.3	109.1	126.5

Source: Statistics Canada, "Construction Price Statistics: New Housing Price Indexes – Supplementary Information" (mimeographed). (Ottawa: 1979).

A recovery? Builders will wait in vain



THE STRUCTURE and profit motives of the British house building industry have shifted in the past decade, according to a new study.*

By Paul Knight

The new trends have been created by changes in demand and the supply of land, according to Hedley Smyth of the School for Advanced Urban Studies, Bristol University.

He shows that there are two broad categories of builder. One relies on speculative profits to be made out of holding land for a long period, usually between five and 10 years.

The other relies on profits from a high turnover: he makes his money from building houses, and so his land-holding cycle is typically three years.

TABLE I: U.K. HOUSING LAND, 1969-1979

	Housing Land Prices	Retail Price Index
1969	100	100
1970	109	112
1971	124	116
1972	209	125
1973	324	135
1974	322	157
1975	222	196
1976	222	227
1977	235	265
1978	287	286
1979	407	325

Sources: Department of the Environment, Central Statistical Office

TABLE II: HOUSEBUILDING STARTS GREAT BRITAIN

		PUBLIC	PRIVATE	TOTAL
1976		170.8	154.7	325.4
1977		132.1	134.8	266.9
1978		107.4	157.3	264.7
1979		81.2	144.0	225.2
1980		56.0	98.0	154.0
1981		36.9	115.8	152.7
UNADJUSTED				
1981	2nd quarter	9.6	32.5	42.2
	3rd quarter	9.9	32.7	42.5
	4th quarter	10.3	24.6	34.9
1982	1st quarter	12.5	31.5	44.0
	2nd quarter P	13.6	38.4	52.0
1982	January	3.4	8.0	11.4
	February	4.2	11.0	15.2
	March	4.9	12.6	17.5
	April P	4.6	12.8	17.3
	May P	5.0	12.6	17.5
	June P	4.0	13.1	17.1

P = Provisional estimate

Shelter

NATIONAL CAMPAIGN FOR THE HOMELESS

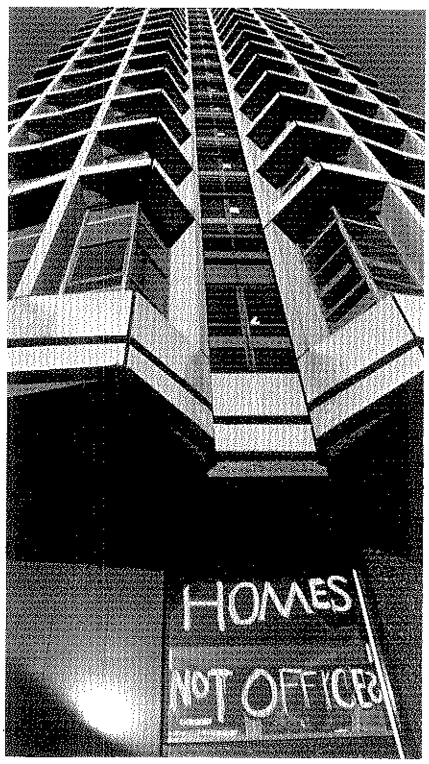
AN INCREASING number of families are being split up because houses in Britain now have to be rationed, according to Shelter, the charity that fights for the homeless.

Ten families out of every 1,000 who appeal to Shelter for help are either trying to get their children back, or threatened with losing them. And it's all because these families can't obtain houses.

At any one time, 6,000 households in England alone live in bed-and-breakfast establishments or hostels. About 80,000 households are accepted as homeless each year. And 2m households live with friends and relatives, in overcrowded conditions.

And these trends are growing.

BRITAIN has at least 1.2m houses in serious disrepair, and up to 1.4m unfit for human habitation, according to estimates by the Association of Metropolitan Authorities. If the present assumed rate of deterioration continues, there will be 1.5m houses in serious disrepair by 1986.



● **Graffiti that says it all – the homeless protest against office block development.**

HONG KONG

PRIME Minister Margaret Thatcher's visit to Hong Kong in September coincided with a report that land prices in the British colony had fallen by up to 80 per cent since the property market peak last year.

Fears about the future status of Hong Kong was a major reason for the fall, according to stockbrokers Hoare Govett (Far East), who add:

"Against this background, the outlook for capital and rental growth is poor and values could have further to fall if forced selling materialises. The chance of a major crash, however, seems remote as the banks have a vested interest in ensuring that this does not happen."

But the boom and bust of the early 1970s transformed the approach in the last years of the decade.

- Land bank cycles were shortened, as demand for houses contracted, and land prices soared (See Table 1) or its supply shortened.
- Big builders resorted increasingly to the takeover of smaller firms as a way of acquiring land: this has resulted in a concentration of building activity into the hands of fewer, larger builders.
- Smaller firms, trying to fend off the land-hungry giants, have been pressing for an increased flow of planning permission.

Explains Mr. Smyth:

> "The smaller companies have a vested interest in seeing land supply increase through planning because if they avoid being taken over they do not wish to be squeezed out of the market through competition for land."

- Builders have been trying to diversify, by either finding new markets (e.g., Barratts moved into housebuilding in the U.S.) or moving into new sectors.

DURING the last half of the 1970s, there was a trend towards making profits from creating more wealth (the houses) rather than relying on profits from land.

But in the past two years, there has been a reversal of this trend, according to Mr. Smyth.

Companies increased their purchases of land in 1979 and 1980, in anticipation of a recovery of the housing market. And they are relying on making a greater proportion of profits out of land, rather than buildings.

The housing market was flat throughout 1981, and builders were anxious that the first glimmerings of an upturn in mid-1982 should be sustained into a full-blown recovery (Table II). Recent data, alas, suggests that there is no recovery yet in this vital sector of the economy.

If the economy does not recover soon, many builders will find themselves over-stretched – having to finance high-priced land at high interest rates. Many more builders could find themselves bankrupted in 1983, a repeat performance of the crash of '74.

*Hedley Smyth, *Land Banking, Land Availability and Planning for Private House Building*, Bristol: School for Advanced Urban Studies, Working Paper 23, 1982.

Post-war policy has failed the homeless

THE IDEAL of a property-owning democracy has inspired the belief that the post-war trend in home ownership is an index of prosperity.

Dramatic increases in owner-occupation are cited as a measure of the success of Conservative policies in Britain.

If correct, the latest evidence suggests that new successes are still being chalked up. For the numbers living in private unfurnished rented homes dropped from 12 per cent of all families in 1971 to only six per cent in 1980.[1]

But an alternative perception of the record can be offered which suggests an overwhelming failure to grapple with underlying economic problems.

The theory goes like this.

In the post-war years, uneconomically low wages placed many families in difficulty. This encouraged governments to introduce tighter controls over rents, and greater security of tenure, which reduced the rate of return on landlords' investments.

Because higher yields could be obtained elsewhere, the size of the pool of rentable accommodation shrank. This led to homelessness, with two significant socio-economic effects.

Family life was disrupted. The education of children in unsettled homes suffered, and workers were discouraged from moving in search of new jobs.

This nexus – low mobility both geographically and socially – held down the income earning capacity of many people, which in turn increased the dependence on rent controls and welfare subsidies.

What is the evidence for such an hypothesis?

The table shows that the number of dwellings in owner-occupation is now heading for the 60 per cent mark.

At the same time, however, the Government is being pressured by welfare organisations to extend the powers of local authorities to deal with an increasing number of families who are homeless.

The scale of the problem is seriously understated by official figures.

Growth of Home Ownership
Great Britain

	Millions of Dwellings Owner – Occupied	% of Total Dwellings
1914	0.90	10.6
1944	3.30	25.6
1951	4.10	29.5
1961	7.04	43.0
1965	8.08	46.6
1970	9.27	49.5
1971	9.51	50.1
1972	9.79	51.4
1973	10.13	52.2
1974	10.31	52.5
1975	10.49	52.8
1976	10.72	53.3
1977	10.92	53.6
1978	11.15	54.1
1979	11.38	54.6
1980	11.65	55.4

By Ian Barron

In London, for example, 197,400 households are on the waiting list for public sector housing. But the number of families who need to be rehoused is estimated at 447,000.[2]

The problem will worsen because the share of the government's budget being devoted to housing has declined from ten per cent (1975) to three per cent next year.

THE HUMAN suffering would not be quite so bad if the building stock was used properly. In London, 129,800 dwellings stood vacant last year, almost five per cent of the total.

"Whatever the reasons for this amount of empty housing, it represents an enormous waste of scarce resource and an affront to the needs of the homeless," declares the Citizens Advice Bureaux.[3]

Britain's 500,000 landlords can hardly be blamed for wanting to obtain vacant possession and sell off their properties.

According to evidence submitted to the House of Commons Environment Committee, the median gross returns on capital was 3.5 per cent.[4]

The British Property Federation claimed that a rental return on vacant possession of six per cent net would be necessary to maintain the supply of privately rented accommodation *at its current level.*

But 50 per cent of unfurnished tenants and 40 per cent of furnished tenants could not afford rents producing such a return.[5]

So de-controlling rents would intensify hardship and increase the need for more income transfers from taxpayers.

Thus, to eliminate the vicious circle of family deprivation that is built around the shortage of houses, it would be necessary to adopt a strategy that placed higher incomes at the forefront of a new approach.

This entails a radical departure from post-war policies. These, as we can now see, have failed to provide a large number of families with the decent homes which are necessary for a healthy family environment and the vigorous mobility in the labour market which is crucial to a dynamic economy.

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1 *General Household Survey 1980*, London: Central Statistical Office, 1982.
2 *Homeless in London*: London: Greater London Citizens Advice Bureaux, 1982, p.3, Table 2.
3 *Ibid.*, p.4.
4 *The Private Rented Housing Sector*, London: House of Commons Paper 40-1, Session 1981-82, p.xxii.
5 *Ibid.*, p.xxx.

Scandal of a wasted opportunity

Report by Ian Barron

AT LEAST 250,000 urban acres lie vacant in Britain. Some have been derelict for decades, and not at the whim of private speculators.

The way in which borough councils have hidden their land mismanagement behind good intentions – such as the wish to build homes – is one of the major scandals of the post-war years.

While land blights the inner cities, people are denied jobs. And capital resources are misallocated by being pushed on to the periphery of the nation's industrial base.

One such example is the four-acre site just south of the Thames in the London borough of Southwark.

The land was bombed in the last world war and has stood derelict ever since. Successive groups of councillors have claimed that they would build houses on the site, near the Elephant & Castle roundabout.

The money was never available. Rather than release the land to the private sector, however, it was allowed to stand idle.

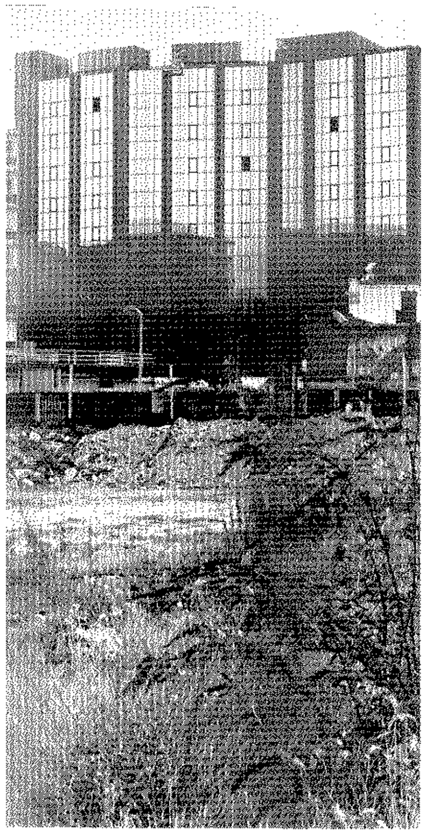
London expanded into the Home Counties, eating up prime agricultural land, while commuters daily drove around the eyesore on their way to work in the City.

It was the routine story: whenever someone challenged the need to retain the land in public ownership, the same excuse was offered.

It was needed for public housing.

Then, in July 1981, lecturers at the South Bank Polytechnic proposed a technopark on the derelict land.

The project director, Mr. Jeffe Jeffers, approached several of the big financial institutions for backing. Each time, he says, he was given "the bums rush."



● Rubble and weeds – a reflection on waste in Southwark

HIS LUCK turned, however, when he approached the Prudential Assurance Co. They were interested.

The Greater London Council agreed to transfer two acres of the land to Southwark Council, which in turn agreed in principle last December to sell to the Pru. Asking price: about £500,000.

Southwark Council gave informal planning approval last May, as did the GLC and the Department of the Environment. The Pru was all set to sink £4.5m into what was by usual standards a risky venture.

This would have provided new jobs and premises for small firms wanting to make use of the high quality technical facilities that would be available at the Polytechnic, which would adjoin the technopark.

According to Michael Mallinson, one of the Pru's chief surveyors:

● Michael Mallinson

"The financial institutions are extensively lobbied by all and sundry to assist in the re-vitalisation of inner city areas and to help combat deep-rooted unemployment. They are asked to be imaginative in their support of new industries and ideas which will carry Great Britain into the next century.

"As far as the Prudential is concerned, their pleas do not fall on deaf ears . . ."

This was precisely the kind of project that is now being urged on the institutions by Michael Heseltine, the Minister of the Environment.

He was ordered by Prime Minister Margaret Thatcher to head a programme for regenerating the inner cities after last year's riots in Toxteth, Liverpool.

But last May, a political bomb fell on the Elephant & Castle.

The voters of Southwark elected a group of very left-wing councillors. And the new councillors decided that, to keep faith with their manifesto promises, they would have to block the technopark scheme in its present form.

They had promised that, if elected, they would build more houses. And the site adjoining the Polytechnic appeared to suit their purposes very well.

Mr. Mallinson, not surprisingly, condemned the councillors for what he called a "highly unsatisfactory" turn of events.

SOUTHWARK Council is now proposing that the technopark should be built on an adjoining site.

But the council, which owns about 100 acres of vacant land, has no plans for building houses on their site in the foreseeable future. The excuse, once again, is that the money is not available.

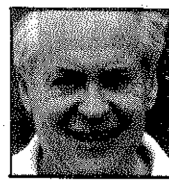
Meanwhile, the technopark project is at risk. It is by no means certain that the Pru will want to redesign its plans to suit left-wing councillors.

There are only two science parks in Britain. A principal reason, according to a recent report, is that land is in shorter supply and more expensive than in the U.S., where they proliferate to the mutual advantage of scientists and industrialists.*

If the Southwark technopark is killed off, Britain will have lost a valuable development. But the homeless families of Southwark will be no nearer to getting roofs of their own over their heads.

*James Williams, 'A Review of Science Parks & High Technology Developments', London: Drivers Jonas, Aug. 1982, p.17.

Long Island's tax burden



Report by
PHILIP FINKELSTEIN

LONG ISLAND does not have a housing problem. Housing, per se, is not a problem in either Nassau or Suffolk County. There's plenty of housing, in all kinds of communities, for all kinds of people at prices both well above and substantially below the national average.

The problem is not the cost or availability of housing; the problem is simply that of the property tax.

Of course, building costs are high, but from what I have seen around the country, Long Island builders can still provide more house for the money than in any other major metropolitan area.

Financing is tight, but most mortgage rates are higher almost anywhere than in New York State, though they might have to rise here, too, to meet the mortgage demand.

The only arena in which New York State, in general, and Long Island in particular, do not compete, is the tax burden. Besides parts of Winchester, Ramapo and Dutchess Counties, Long Island is the highest taxed region in the highest taxed state of the Lower 48.

Unlike the northern suburbs with their corporate headquarters and major industries, the property tax on Long Island falls squarely and heavily on the backs of the homeowner. As if that isn't enough, the courts have decreed that commercial property has been assessed too high, so homeowners will have to bear an even greater burden in the future.

The Advisory Committee on Inter-Governmental Relations suggests that when the tax greatly exceeds two per cent of the real value of property, that value itself will be affected.

In Nassau County, the effective tax rate is often double that limit, and in too many communities, well into the range of five per cent and over. A $2,500 tax on a $40,000 house means home values driven down by the tax and families driven out, or more likely, attracted elsewhere by a higher-priced home with lower taxes.

In any event, Long Island suffers in lagging growth, empty school-rooms, higher per-capita costs, and failure in one of the two industries in which it had been pre-eminent – the construction of good, moderate-priced housing for the average American family.

THE FUNDAMENTAL cause of high local taxes is that we enjoy – or suffer, as the case may be – the most expensive local government in the country. There are more layers of local government and special districts taking nibbles, pecks, and whole bites out of our property tax base than anywhere else.

The proliferation of local jurisdiction is understandable, with new suburbanites seeking to escape the anonymity of the big city, and controlling their own public destinies.

It may help to explain the scale and scope of public services demanded: school districts with college campuses and superintendents' salaries above university presidents, five levels of public parks, all with super recreation programmes and facilities, the highest paid police forces in the country, counties with cabinet structures to support their functions and fleets of vehicles to transport them, and armies of the faithful, manning equipment that could build pyramids of salt, or pave a jungle if they were in the employ of an African potentate, instead of a Long Island town.

Yet, for all duplication and extravagance of spending at the local level, nothing is so destructive of the tax base as the way we administer the property tax itself.

The property tax is levied in theory, and in law, on land and improvements alike. Yet in almost all assessing jurisdictions, improvements bear the heaviest burden of taxation, and land the smallest.

This is the issue that will be most significantly debated politically, now that the courts have decided that we need not tolerate the inequities of the property tax as a means of financing our schools, or as a way of raising local revenues generally.

Apart from the inequity and the illegality, there is a perversity in a public policy that penalizes the property owner who builds, improves, repairs and enhances his home, his business and his community, at the same time that it rewards neglect, abandonment, sprawl, and speculation.

For this is the effect of a high tax on improvements and a low tax on land.

Why build a better building and pay more tax when *not* building – or, let's say, maintaining a shrub nursery in a residential area – will pay better, not just by selling bushes, but by letting a precious couple of acres go

Cont. on P.118

SOVIET UNION

Kremlin reviews rent subsidies

LOW RENTS are considered a major achievement of Soviet-style socialism, reports Mark Frankland in Moscow.*

They take, on average, only two per cent of a family's income, which covers a third of housing maintenance costs.

Housing subsidies have now reached £5.5 bn a year. And there is a growing awareness that heavily-subsidised rents are helping to retard economic progress.

This disparity in rental levels is illustrated by a recent Soviet newspaper report which revealed that privately-rented flats were costing a minimum of £47 a month; a comparable apartment in the public sector would cost a family £5.

The Kremlin, reports Markland, is now trying to work out a way of raising rents without violating their socialist principles. Two economists in a *Pravda* article have suggested that rents should be graded according to the desirability of the accommodation.

*'How to raise rents without being noticed', *The Observer*, 26.9.82.

And in the U.S. . .

OPEN spaces are being provided by private developers in Houston, Texas, for use as *public* parks – but not solely out of civic pride.

Kenneth Schnitzer, chairman of Century Development Corp. and the builder of some of the city's most spectacular office complexes, says the "gesture" is not only "a nice think for the city but also a nice thing for ourselves."

The amenities, he adds, raise rental income.

LONG ISLAND
From P.117

every few years at ever higher prices for development?

The perversity of local taxation conspires tacitly with zoning – maybe, in some jurisdictions, more openly – to inhibit good housing, good communities and better development.

Long Island has no stock of rental housing, let alone public low-income housing, because most local zoning prohibits it. Yet exclusionary housing policies could not prevail but for tax policy that supports poor land use. Low taxes on land make it easy and profitable for current owners to keep out higher and better land uses.

IT IS EASY to scare suburbanites with the spectre of the high-rise city, but there is no excuse for the miles of endless sprawl along our major corridors, with one-storey commercial development, sprinkled with vacant lots, and derelict properties.

Apartment houses on Jericho and Hempstead Turnpikes, Northern and Merrick Boulevards, Sunrise Highway, and our other commercial arteries, would not destroy residential neighbourhoods, but help preserve them. They would provide the kids who would repopulate our empty schools and the tax dollars to support them.

Right now, most of the apartments being built on Long Island are luxury condominiums in posh locations, like North Hills and Woodbury, long held off the market by restrictive zoning, and the low land taxes that support it. These empty nesters are certainly welcome in Nassau and Suffolk, which have a lote more to offer besides climate than Arizona or Florida.

But they are no substitute for families with kids who will build and grow on the island, no substitute for our own kids, who are growing up and leaving Long Island because there is no place for them to live in such highly taxed and restrictive zoning.

A shift in the burden of property taxation, from improvements to land, would be a perfectly feasible way to implement the court decision on assessment. If we assess land at full value, we would not have to worry about improvements, or pay outside consultants or an army of "snoops" to find out who has finished his playroom, added a bath, and how much it cost.

Homeowners would benefit because most of their value is in their house, and not in their small, residentially zoned lot.

In a study we did nearby, in the Half-Hollow Hills School District of Huntington, we found that four out of five homeowners would have lower taxes if land were assessed at full value.

The environment would benefit, as pressure is taken off lower priced farmland, and development would be encouraged in under-utilized, more central locations. There would be no need to spend millions buying fictional development rights, if we zone farmland as such, and assess it accordingly low.

The farmer, of course, would never be able to sell for anything but a farm. This might remove the farmer's speculative profit, but it would ensure the maintenance of farming, where it is appropriate. The farmer should not be able to get a development price on a farmland assessment at the same time.

By far the largest beneficiary of a shift in the burden of property taxation is the local community itself.

A jurisdiction that creates values with good facilities, good schools and good services will be rewarded, and gladly, by property owners located there.

There would be no need to tax every new improvement; public services could genuinely pay for themselves with a tax on land values.

That is the soundest way to grow and politically, economically, and environmentally, the best way to go.

*Prof. Finkelstein is author of *Real Property Taxation in New York City*, New York; Praeger, 1975. This article is based on a paper he delivered at a Long Island housing conference held at State University, Stonybrook, New York.

AUSTRALIA

Tax change would help home-buyers

RESIDENTIAL property owners have made huge capital gains in the past four years, but this is cold comfort for the thousands of families who cannot afford their own homes, *writes Ian Barron.*

According to a recent study by the Commonwealth Scientific and Industrial Research Organisation:–

- Before World War I, it took 18 months' pay for the average family to buy a house; now it takes, on average, four years' pay; and
- Only about half of Australian families can now afford to buy a house because of the costs.

This dramatic change in the ability of people to obtain their own homes is partly due to a change in the tax structure.

For example, in the ten years up to 1979, total taxation as a percentage of income *increased* from 31 per cent to 34 per cent.

Property taxes, however, *decreased* as a percentage of income from three per cent to two per cent. The effect of this is to increase land prices.

The solution, according to a new book,* is to reverse this trend by shifting the tax burden on to the value of unimproved land.

Most Australian municipalities raise revenue with a property tax that exempts buildings. But, according to Dr. Hemingway: "In most instances, these taxes and rates are not vey high. They do not fully optimize land use or prevent speculation and investment in land."

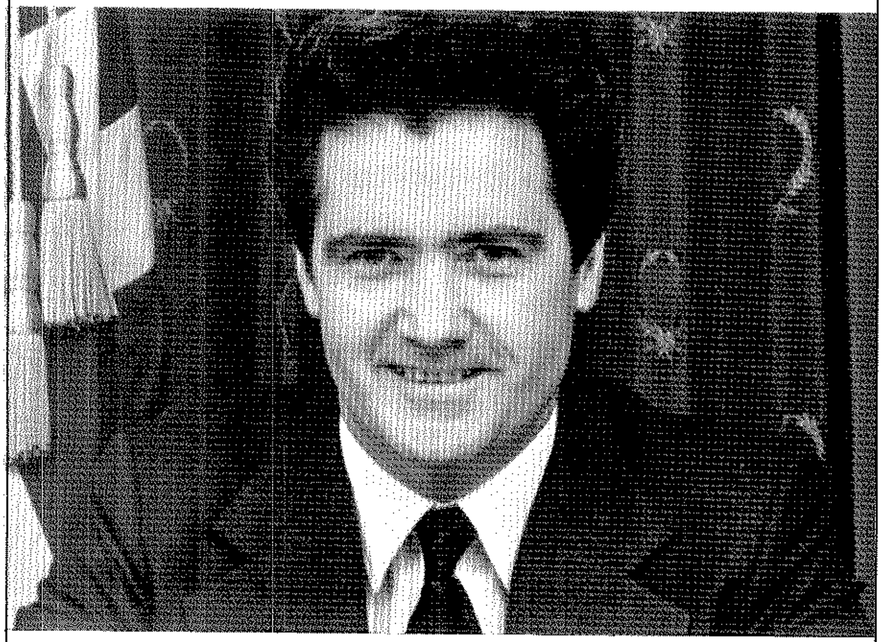
Home-building permits issued in 1982 reached a seven-year low: the industry urgently needs resuscitation, and a drastic upward revision of the tax on land values would fit the bill, insists Dr. Hemingway.

He told *Land & Liberty:* "In 1980, the average price paid for a vacant home site in the Melbourne area was $15,625, and the mean after-tax earnings for Victorian male employees were $205 per week. On these figures, an average worker must save his entire take-home pay for almost 18 months if he wants a home site in Melbourne. Buyers whose earnings are below average, or who buy on terms, may spend two or more years' earnings on a site."

But a land value tax would cut the costs of sites, by removing "hope values" and increasing the supply of land onto the market. And that, says Dr. Hemingway, would boost construction.

*Les Hemingway, *Unemployment, Inflation and Taxes on Land,* Warrnambool, Victoria, June 1982.

There's hope yet!



● William Coyne

PENNSYLVANIA'S experience with land value taxation offers a message of hope in these times of economic recession, according to William J. Coyne, Pittsburgh's Democratic Representative in Congress.

Pittsburgh won the legal right to tax land at twice the rate of the tax on buildings in 1914.

"A long line of mayors credited our differential tax with helping homeowners and businesses," says Mr. Coyne, who served in the state legislature and Pittsburgh City Council before election to Congress in 1980.

"During the Depression, the mayors said it helped us weather those bad times better than comparable cities."

The renewal of Pittsburgh's Golden Triangle was also encouraged by the lower tax on buildings.

Then, in 1978, a budget crisis forced councillors to make some hard choices. The mayor called for a 150 per cent increase in the city's income tax, which would have cost the average wage earner an extra $225 a year.

The land tax had to be doubled to almost 10 per cent to raise the $29m that was needed to balance the budget. The advantage of this, according to Mr. Coyne, was soon appreciated: the increase would cost the average home-owner only $84.

So, despite mayoral opposition, a higher rate of tax on land was adopted in 1979. This had dynamic effects on the Pittsburgh economy:

● Vacant lot sales rose 17 per cent, suggesting that the new rate made it uncomfortable to sit on valuable urban space;

● Demolitions were down 23 per cent, suggesting that people were maintaining existing structures and had overcome their tendency to tear down and hold land vacant;

● Authorisations for new housing units rose 15 per cent, while they dropped 18 per cent in the rest of the Pittsburgh metropolitan area.

"Since then, you have seen some of the results in our skyline," Mr. Coyne told the annual conference of Georgist organisations at Chatham College, Pittsburgh.

"We now have half-a-billion dollars worth of new construction under way in what is known as Rennaissance II. This translates into a lot of jobs and economic opportunities."

Mr. Coyne is well placed to express his views on powerful Congressional committees, among which is the Banking, Finance and Urban Affairs Committee and three of its important sub-committees.

"It is my strong view that the property tax reform is good medicine for housing, for downtown development, for putting people back to work, for keeping cities from spreading out too far into precious open space, and for healing the ailing economy," declares Mr. Coyne.

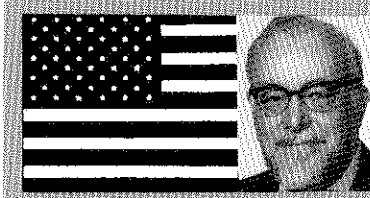
"My biggest puzzle about all this is why it has had so little attention in the nation's media."

He called for more research by social scientists. "Pittsburgh and our sister land-tax cities are a kind of laboratory. I hope the scholars and researchers do not lose the great opportunity to make meaningful comparisons over time and between comparable communities that do not use our tax system.

"These are worrisome times. The country and the economy are in desperate trouble. I believe these tax reforms offer a message of hope."

Report by John Green

What Reagan *could* do – if only he would try



ROBERT CLANCY reports from NEW YORK

TIME magazine, in its cover story of August 23, called it the *"Land Sale of the Century."*

The Reagan Administration plans to sell large amounts of federally-owned land to private buyers or to lower levels of government. Over a period of five years, 35 million acres are to be disposed of in this way.

That's a lot of land. But there is a lot more in the public domain, totalling nearly 750 million acres – or one-third of the land area of the United States.

This is often cited as a shocking fact – but much of this land is wilderness, not wanted by anybody, and much is abandoned land that has reverted to the public domain.

National parks constitute a fair-sized portion. There are sites for government installations, some of which are no longer needed (they are included in the package for sale).

There is also a considerable amount of grazing and timber land; elsewhere, oil and minerals are being discovered, also on the continental shelf.

IN 1968, it was estimated that public revenue from all federal lands would amount to $877 million by 1980. Actually, it was much more, and in 1981, it totalled $12.6 billion.

This is expected to rise still further in the coming years, and this is with government collecting only a fraction of the worth of its land.

There is a brisk business in obtaining leases from the government and reselling them at a big profit – a clear indication of the potential of public land.

The Secretary of the Interior, James Watt, claims that private enterprise could use the public lands much more efficiently than government and this is cited as a reason for "privatizing" public lands.

This is a switch from previous policy.

Marion Clawson, a former Director of the Bureau of Land Management (a unit of the Department of the Interior), with Burnell Held, wrote a book on *The Federal Lands (1957 and 1968)* and outlined the development of public land policy.

- At first, the era of acquisition, followed by the era of disposal.
- Then, with an eye to future conservation, the era of reservation and custodial management.
- And from 1950 onwards, the era of intensive management, whereby the government developed multiple uses, derived increasing revenues, and did not seek to increase the public domain but to retain and manage the land already held.

Messrs. Clawson and Held considered this a culminating and long-term era, but they reckoned without Messrs. Reagan and Watt. The quarterly publication of the Bureau of Land Management, previously *Our Public Lands*, is now called *Your Public Lands*. A sign of the times?

THERE has been a sharp reaction to the new policy, mostly from conservation groups – almost the only organized opposition – who object to the squandering of our heritage and against "selling our birthright for a mess of pottage."

There is some question, too, as to whether private interests always use land in the best way, since they may be inclined to use it for quick profits, neglecting the long-range interest.

Thus, private ranch land has been overgrazed and private timber land has been overcut, whereas on federal land, a policy of conservation is followed.

This may give rise to the view that private lands are used more productively than public lands. However, as pointed out by advocates of privatizing, government can keep an inefficient operation going because it does not have to be as cost conscious as a private enterprise.

A PANEL on the subject was sponsored by the Manhattan Institute for Policy Research (a supply-side organization with which George Gilder is associated). The chairman was Richard Stroup, Director of Policy Analysis of the Department of the Interior, and five panellists agreed on the desirability of privatization.

Interestingly, however, one participant, Willima Tucker, a former editor of *Harper's* magazine, saw the difference between government as manager of the public lands and as landlord.

He said: "I don't think there's any problem at all with the government owning land as long as it's willing to simply act the part of the landlord and collect the rents. The problem comes when the government starts playing the role of the capitalist as well."

This distinction deserves to be emphasized. The other panellists did not seem to appreciate it. Mr. Stroup referred to land as "a means of production," confounding the matter. (Amazing that conservatives go for Marxian definitions!)

The revenue obtainable from the sale of public lands is small compared with the amount that could be raised as public revenue if the full rental value were taken.

It seems certain, however, that the interests which are eyeing the proposed sale are quite willing to confound private use and private collection of rent, all in the name of private enterprise.

The issue goes beyond conservation, despite the fact that conservationists seem the only large group opposed to the sale.

The issue is the right of the people to the land of the country – not just public land but all land.

This right is not inconsistent with private possession and use of land. A private user satisfies the equal rights of all others when he pays the rent of land to all the people.

If this lesson could be learned, it points the way to the solution of both private and public lands. Public lands should be leased out at full rental value, and private lands should be subject to full land value taxation.

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