

LAND and LIBERTY

NOV-DEC 1983

UK 80p; USA \$1.50

SOUTH KOREA: LAND
SPECULATION THREAT: P. 112



THE SHOOTING OF Benigno Aquino turned the politics of the Philippines into a turmoil. President Reagan cancelled his visit to Manila. And opposition leader Salvador Laurel quit the National Assembly, denouncing it as a puppet of President Ferdinand Marcos. The legislature, said Laurel, could not crush corruption or meet the people's demands for land redistribution. But in an exclusive interview, Mme. Justice Milagros German (pictured left) claims that Marcos — using tough Martial Law tactics — was able to implement land reform and save the Philippines from civil war. An opposing assessment — of slave-like conditions for the Filipino peasants — appears in the next issue of *Land & Liberty*.

MARCOS: SAINT OR SINNER?



7865

LAND and LIBERTY

Established: June 1894

Editor: Fred Harrison

Editorial Consultant: Vic Blundell

Editorial Offices:

177 Vauxhall Bridge Road,
London S.W.1

Tel: 01-834 4266

5 East 44th Street,
New York, N.Y. 10017
Tel: 212-697-9880

ISS No. 0023-7574

Vol. LXXXX

Nos. 1,074 & 1,075

Annual subscription:
U.K. & Sterling area: £5
USA \$10, Canada \$11



POLICY-MAKERS BEWARE

Fred Harrison 103

FRENCH PROMISES
INSITE..... 105

**SAN FRANCISCO
FINANCE**
Alanna Hartzok 107

MARCOS: TOO TOUGH?
Fred Harrison 110

KOREA'S RECOVERY
Peter Poole 112

**BUREAUCRATIC
BUNGLES**
Ian Barron 113

GREEN BELTS
Paul Knight 114

BIG BAD WOLF
Bert Brookes 116

LABOUR'S POLICY
Shirley-Anne Hardy..... 118

**RATIONAL
EXPECTATIONS**
Robert Clancy 120

A tax policy without pain

SUMMER-TIME hopes of an economic recovery began to wither with the fall of the autumn leaves.

Last spring, politicians and commentators alike were predicting an upturn: some of them are still doing so, but the blips in the industrial cardigraphs have failed to justify the hope that the worst is over.

The optimistic forecasts were wrong, but understandable. Even the most ardent critics of the conservative administrations in Washington and London yearn for good news. More important, however, is the failure to understand how the economy works.

Land, one of the three factors of production, is ignored, which means that the analysts who grapple with trends in the labour and capital markets are producing conclusions that are little better than hit-or-miss guesswork.

● While governments worry about pay rates, they fail to dampen the overblown level of rents.

● While capitalists worry about interest rates, they fail to identify the price of land as a major obstacle to new investment.

● While consumers worry about inflation, they fail to recognise that an increase in mortgage repayments as a proportion of incomes has a crushing effect on the purchase (and therefore the production) of goods.

● While commentators take the short-term view of trends, they fail to identify land speculation in the early 1970s as the original cause of the recession of the past ten years.

Until these influences are identified, quantified and analysed, governments cannot hope to develop corrective policies that would work.

In Britain, Mrs. Thatcher's government now has no reason to blame anyone if the economy

does not improve in a striking way. The Prime Minister has had a free hand with her monetary policy, and her favourite *bête noire* – the trade unions – are quiescent: left-wingers were routed at the Trades Union Congress's assembly in Blackpool in September, and union leaders agreed to talk turkey with the Tory Government on union law reforms.

In the USA, Ronald Reagan has got most of what he wanted, and especially over tax cuts. The President cannot blame anyone else for the fact that his supply-side strategy has so far failed to deliver the results he wanted.

True, inflation has come down throughout the industrialised world. Even nominally socialist governments, such as the one in France, have adopted fiscal stringency and acknowledged the disciplines of the so-called 'free' market.

Yet there has been no fundamental improvement in activity. Trends in the housing and car industries are illusory – so far as sustained growth is concerned – and the slight drop in US unemployment has been largely limited to the unskilled female workforce.

Land and Liberty's predictions continue to emphasise the bad news, but we believe that a radically new policy orientation could rescue the economies of the West without the pain that is currently being inflicted.

The facts point in one direction: the need for reform of the tax system so that people pay less out of their wages and profits from capital investments, but more on the income from land.

The outcome would be higher consumption and production, less speculation in the value of a community's natural resources, and a quantum jump in employment and investment.

Policy-makers beware!

Fred Harrison warns economists that they will forever grope in the dark for answers to the recession – unless they consider the impact of land on the economy

RONALD REAGAN'S tax cuts are giving the US economy a look that is distinctly similar to John F. Kennedy's phase of income tax cuts.

The experiment in the mid-'60s to boost investment and jobs through a reduction in the tax burden ended with a slump. Corporate profits and consumer spending reached a high point in 1965, but the economy went into a recession late in 1966.

The same pattern can be discerned this year, with profit margins recovering along with a spending boom in response to the largest tax cut in the country's history.

The bottom line, however, is also going to be written in red.

- The savings rate – on which the US depends for new investment – plunged from the normal six per cent to a 33-year low of four per cent.

- While capital spending continued to lag, investment in real estate soared – another re-run of the Kennedy era. The Reagan Administration's tax cuts were supposed to encourage capitalists to invest in productive enterprises; but there was a boom in tax shelters, with real estate leading the field.

- Consumer spending slackened in August, and the economic indicators turned for the worse – an outlook that Washington (and even Wall Street) glossed over as a slowdown for the better: too fast a recovery, went the soothing orthodoxy, would overheat the economy and send up interest rates.

Growth rates of 9.7 per cent in the second quarter and 7 per cent in the third quarter appear to be the best in the "recovery": growth could be down to 3 per cent in the first quarter of 1984.

Underlying the confusion was the absence of a coherent theory to explain the economic trends. Reagan's supply-side economics had not worked. For example, the tax cuts – worth \$245 billion over four years – were supposed to be self-financing: they weren't, and the budget deficit soared.

But did the deficits send up interest rates and curb entrepreneurial activity? Yes, said Mr. Reagan's chief economic adviser, Martin Feldstein, on September 14. No, said the President's

Treasury Secretary, Donald Regan, who could not resist a dig at his professorial colleague:

"Economists who continue to claim that deficits make for high interest rates should climb down from their celestial observatories and acquaint themselves with terrestrial fact."



● Ronald Reagan

Bereft of theory, economists have been grasping at straws for their optimistic predictions. Renewed activity in the housing and motor industries were taken to represent the upturn in growth rates; these sectors, alas, have failed to sustain their earlier momentum (see insets, this page and next).

BRITISH house-builders have resorted to giveaway gimmicks to sell houses.

Even so, the promising upturn in starts early in the year began to peter out in the summer, and was 13 per cent down in the May to July period over the previous three months.

Almost half a million construction workers are jobless, and the prospects continue to be bleak as the buyers' ability to buy weakened in the face of a marked increase in prices relative to incomes between April and June.

Industry spokesmen continued to warn the government, which nonetheless maintained an upbeat view of the industry's ability to drag related sectors out of the recession.

There was no disguising the plight of families seeking homes in the US. An extra 1.5 to 2 million households are now in rented accommodation; under 1980 conditions they would be

SHELTERED INTEREST

owning homes, according to Massachusetts governor Michael Dukakis in a letter to the *New York Times* on September 8.

The house-building rate slackened in June and July, after prices rose to a record average of \$90,700. The industry is forced to turn out a higher proportion of land-saving multi-family units than before rather than the more profitable single-family houses, and the early upsurge in activity favoured the Sunbelt states.

Business analysts continue to blame the industry's woes on interest rates, even though the real after-tax rates for housing loans (calculated to be four per cent for the average taxpayer) was not high at all by historic standards. The real cost of land, however, continued to soar, thereby pushing house prices further beyond the reach of buyers.

● Turn to P.104

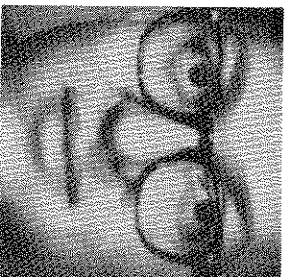
U.K. land, houses and rents

	House		Private house		Price per house plot:		Commercial rents	
	Price/Earnings = ratio ¹		house starts (000s)		1975 = 100 ³	1977 = 100 ⁴		
1973	4.11	187.5		146		79		
1974	3.47	89.7		145		92		
1975	3.17	129.8		100		94		
1976	3.07	130.4		100		95		
1977	3.03	115.6		106		100		
1978	3.38	133.6		129		111		
1979	3.69	121.1		183		133		
1980	3.31	83.4		241		155		
1981	3.03	99.6		250		169		
1982	3.02	122.5		281		180		
1983	3.13	75.0 ²		N/A		185		

1. Nationwide Building Society, 4th Q: 1983, 2nd Q.
2. First six months.
3. Department of the Environment: data for England and Wales.
4. *Investor's Chronicle*/Hillier Parker. Data for May each year.

THE IMPACT of land prices on the economy goes unmonitored because the connection is not understood to have theoretical significance.

In Britain, crude and limited data is published by the Department of the Environment on the price of housing plots, but these are quarterly figures available six to nine months after the event.



● Martin Feldstein

This contrasts with the availability of statistics that are considered to be important. For example, data on industrial production is available on a

But the cuts have not generated net benefits for every working American. The President claimed that a typical family's tax bill would be \$700 less after this year's cut. This may have pumped \$30 billion more into consumer pockets, but it was offset by the increase in state and local taxes, higher interest rates and tax "bracket creep": yet another similarity to the Kennedy experiment.¹

While people on low incomes have ended up paying more to the Internal Revenue Service, the top income receivers are paying less – and they are the ones who have avoided entrepreneurial risk taking by pumping the savings into tax shelters.²

The President himself saved \$90,000 on his taxes last year because of his Economic Recovery Tax Act (1981).

Administration spokesmen tried valiantly to put a gloss on the statistics, but hawk-eyed critics were ready with the facts. In one devastating critique, Budget Director David Stockman was accused of "cooking the numbers."³

The tax cuts led to a top-sided distribution of income that favoured the wrong kind of investments. Suppliers have acknowledged that buying real estate has an injurious influence on the industrial economy.⁴ Their President, however, failed to neutralise the speculators who make fortunes out of land.

So there was a resurgence of interest in the country's 119 real estate investment trusts (REITs) during the summer. Their stock prices rose to their highest level since 1973.

REITs were the institutional mechanism through which speculators big and small fuelled the land market in the late 1960s, which was then translated into the speculative boom of the early 1970s.

AUTO-SUGGESTION

THE MOTOR industry has helped to perpetuate the illusion of recovery.

Certainly, Chrysler and Ford started making profits this year, for the first time since they – and General Motors – went into the red in 1979.

There has been a boom in sales, and US dealers even ran out of stocks during the summer because of an inadequate supply of vehicles. But this resurgence has been the result of some acts of desperation.

US carmakers increased sales by 21 per cent in the first ten days of September, but this was the result of an infusion of 1984 models. What stunts are left for next year to buoy up the market?

UK manufacturers have also brought forward next year's sales by forerunning gimmicks that have slashed profits to the bone. Subsidised prices have in

some cases meant that new cars could be bought for less than the price of a one-year-old car. Bankruptcies are 29 per cent up on last year, and motor industry consultant Leon Wood warns:

"People who've taken advantage of cheap credit deals – you know, £99 down and the rest over three years – have been effectively taken out of the market for a long time. They obviously will not be coming back in 12 months or two years to change cars."

By buying business, then, manufacturers and dealers have misled the forecasters into thinking that there is real growth in an important sector. The sales, however, will probably not be sustained.

*John Huxley, *The gloom behind the car boom*, *The Sunday Times* (London), Sept. 11, 1983.

monthly basis, and published within six weeks: so on August 12 we were told that during June there was a one per cent downturn in output of all industries (other than the oil and gas sectors).

But no official figures are yet available for housing land prices during 1983. For data on rents, and the impact of house prices and mortgages on people's incomes, we have to rely on private sources such as building societies, newspapers and estate agents (see table).

This is not to say that the British government is totally ignorant of the importance of the supply of land. On July 12, for example, Mr. Patrick Jenkin, the Environment Minister, declared:

"It is essential that future house-building should not be hampered by shortage of housing land. Except in areas of special restraint, local authorities should ensure that their plans and policies provide enough land to sustain a rising rate of house-building."

But this concern with the supply of land is not reflected in the Treasury's Keynesian model of the economy, which fails to assign weight to trends in the land market.

As a result of the theoretical hiatus, analysts will continue to be puzzled by twists and turns in production and employment levels, and the policymakers will continue to grope around dangerously in the dark, ignorant of whether their "steady-as-she-goes" course is aimed directly at icebergs.

REFERENCES

1. Fred Harrison, *The Power in the Land*, London: Shephard Watson, 1983, p.127.
2. Morton Kondracke, 'In fact, the numbers tell a story on the supply-siders', *The Wall Street Journal*, June 23, 1983.
3. Robert Greenstein, 'Stockman is still cooking the numbers', *The Washington Post*, June 19, 1983.
4. George Gilber, *Wealth and Poverty*, New York: Basic Books, 1981, pp.42-44.

Promises, promises...

FRANCE elected a socialist President on May 10, 1981, with the backing of the Communist Party.

After years of conservative government, the country swung to the Left with a vengeance. Francois Mitterand came to power determined to introduce sweeping reforms, as disclosed in his 110 Propositions.

One of these propositions was a promise to introduce a national tax on urban land, the market value of which would be declared by owners.

The Prime Minister, Pierre Mauroy, announced the tax in July 1981, and discussions began between the Ministry of Finance and the Ministry of Urban Affairs.

Officials in the Finance Ministry proved to be hostile to the tax, and they won: there will be no sweeping reform of the property tax.

M. Vincent Renard, a senior researcher at the Ecole Polytechnique, Paris, told *Land and Liberty*: "You cannot imagine the weight of the Ministry of Finance, which intends to block reform."

M. Renard has taken part in discussions with the Mauroy Government, but he reports: "The French government is sceptical about land taxation. Discussions are going on, but I am afraid we will reach the parliamentary elections in 1986 before any possibility of a land tax; I don't think it will be implemented."

President Mitterand, it seems, has been convinced by "experts" from the Finance Ministry not to take any action. Says M. Renard: "He has gone for a right-wing policy generally, and that includes land policy."

This is good news for the country's 14m landowners, but it means that the prospects for a radical change in the pattern of land use can now be abandoned.

An inquiry by INSITE

ONE RESULT of this distortion in the tax system is revealed in Table 1. Small municipalities rely far more heavily on the tax on unimproved land, even though the most valuable land is to be found in the large cities. As a result of the failure to devise a

sensible tax based on the market value of land, the market fails to function properly and meet the needs of consumers.

As Pierre Lacomte and Ann Louise Armstrong have noted: "In France, land is mainly a sleeping asset capable of creating untaxed capital gains whether developed or not."

Apart from the *economic* impact, there is a *political* consequence which ought to be scrutinised carefully by the British Parliament.

● Mrs. Margaret Thatcher's Conservative Government plans to restrict the powers of local authorities to raise revenue from property owners.

● In France, one of the major reasons for the centralised structure of political power is the poor fiscal base of the municipalities.

In 1798, at the time of the Physiocrats and the French Revolution, the land tax produced 80 per cent of the country's tax revenue. The tax fell on the value of both land and buildings.

Since then, however, the land tax has been allowed to slide (Table 2), and by 1977 the municipalities raised a little more than seven per cent of their revenue from land taxes (Table 3).

THE SOURCE of the problem with the land market in France is the method of undertaxing land.

The tax is levied on the basis of the legal classification of land, rather than its market value.

Land is classified into 13 categories, 12 of them defined by agricultural activity. The thirteenth category is "development land."

Thus, agricultural land is taxed on the basis of agricultural value even though it may have a high development potential.

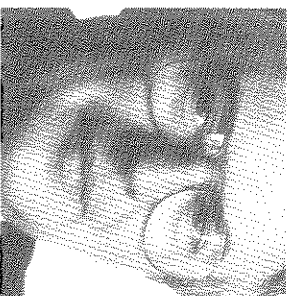
Sites that are officially classified as "development land" are but a small fraction of the total that falls into that category — 93,000 hectares — while land is used for urban development at the rate of 50,000 hectares each year.

● Turn to P. 106

● Renard — campaigning for land taxation



● Mauroy — no action



● Mitterand — no action



TABLE 1:
PART OF THE TAX ON UNIMPROVED
LAND IN THE TOTAL OF LOCAL TAXES.

Municipality of less than	Percentage
700 inhab.	41.3
700 - 2,000	21.7
2,000 - 5,000	8.7
5,000 - 10,000	3.7
10,000 - 20,000	1.9
20,000 - 50,000	0.8
50,000 - 100,000	0.7
> 100,000	0.3

TABLE 2: PART OF LAND TAX IN THE AGGREGATE TAX RETURN (%)

1798	1830	1840	1850	1870	1880	1913	1938	1947	1965	1970	1975	1977
80.0	25.0	24.0	22.0	16.0	12.0	10.6	05.8	02.2	03.0	2.43	2.14	2.88

Source: J. L. GUIGUOLU, et J. M. LEGRAND, *Analyse de la fiscalité foncière dans quelques pays de l'OCDE*, Université Paris Val de Marne, 1981.

Double taxation: the fiscal folly

IF BIRMINGHAM is to survive as one of Britain's leading manufacturing centres, millions of pounds of taxpayers' money will have to be spent enhancing the attractions of industrial sites.

But this investment would not be recovered for the benefit of the community, because the rental value of vacant land is not taxed.

So the crisis in Birmingham dramatically illustrates the fact that, under the present fiscal system, people are subject to double taxation.

● They are taxed by the Exchequer to meet the costs of large-scale investments like road building, which directly enhance land values.

● They then have to pay land-owners for the privilege of gaining access to the sites they need on which to establish new enterprises.

Without these payments, however, British industry would not be able to get back to full employment.

About 85 acres of industrial land have been developed each year during the past decade.

This means that, at current rates, Birmingham has 11 years' worth of industrial land left.

A report by the City's planning officer has revealed that manufacturing employment in Birmingham has declined at a faster rate than the national rate — a drop of 35 per cent compared with the decline for Britain as a whole (25 per cent).

The report states: "While it would be simplistic to attribute the more rapid decline of manufacturing in Birmingham than in the country as a whole to a lack of land, it is certainly

Acres
Private 421
Councils 281
Statutory bodies 163

The planning officer's report warns that the amount of land in industrial use is very low, and that future supplies will be retarded because the larger sites, in particular, are subject to "severe physical constraints".

The major constraint, however is accessibility, which can only be remedied by public expenditure on highways.

What happens when that money is spent? *Land values soar!*

By Peter Poole

true that *one* of the necessary conditions for Birmingham to at least maintain its position as a manufacturing centre, is an adequate supply of suitable land."*

Last year, the city had 865 acres of land zoned for industrial use, divided up into the following ownership categories:

FRANCE: from P.105

According to M. Renard, in a penetrating exposition of the French land market:

"Most 'development land', in the planning definition, is classified in another fiscal category (agricultural or 'unused land') and taxed at a rate which is very low compared to market value.

"An effective rate of 1/10,000 is not unusual so it is easy to understand why this tax is not a powerful tool in the implementation of land policy."

FRANCE, in common with other Western countries, has tried to overcome the frictions in the land market by adopting a planned approach to land use.

The major law for land planning is the "Loi d'orientation foncière" of 1967. This, however, has failed to correct urban sprawl, the escalation of land prices and the failure of the

TABLE 3: RESOURCES OF MUNICIPALITIES - 1977 -

Source of Funds	Amount (000,000 F)	Per cent of Total
Local taxes	30,286	35.5%
(Included Above)		(6.22%)
Grants	28,300	33.2%
Other (loans)	26,700	31.3%

market to supply land as and when it is needed.

The defects in the land market will continue to hinder the Socialist administration's attempt to return the economy to full employment.

The only satisfactory solution would entail a drastic overhaul of the country's land taxes. The present structure of taxation penalises development, for example, because the burden falls more heavily on improved land than on unimproved land (Table 4).

M. Renard, in common with a number of land experts in France in recent years, advocates an annual land tax that avoids the drawbacks associated with such taxes as those that fall on capital gains.

TABLE 4: PART OF LAND TAXES IN LOCAL TAXES (%)

	1913	1938	1948	1972	1976
Land tax (improved land)	20.1	22.4	19.7	17.5	15.7
Land tax (raw land)	29.9	13.1	10.9	7.5	7.2

INDUSTRIAL land values in Birmingham today remain high relative to the rest of the West Midlands — prime sites command £80,000 an acre compared to £30,000 in Walsall, just eight miles away.

These high values are being demanded even though the recession has increased the supply of vacant industrial and warehousing buildings

The existing burden of land taxes is too light, notes M. Renard:

"Given the very low level of annual land taxes, 'retention' becomes the general landowner's reaction and one of the problems is how to design new land policy measures to increase land-supply at a 'reasonable' price."

But no corrective action can now be expected from President Mitterand.

In a frank interview with a journalist last July, the President declared that when he was elected he had "dreamed too much." He added: "I underestimated the role of lobbies..."

The President's radical socialism has been exposed as rhetoric, and the people of France cannot expect to enjoy the benefits from a coherent plan of action to reform the land market.

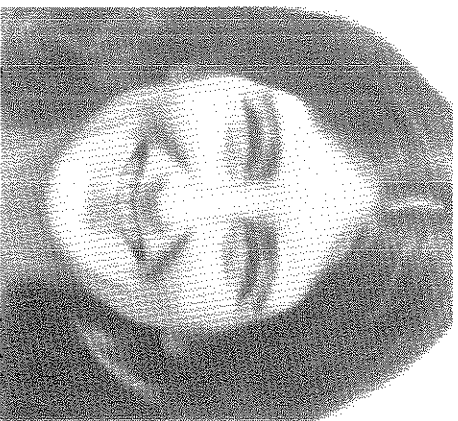
REFERENCES

1. Quoted from Pierre Lacombe and Ann L. Strong, *Land Taxation and Land Use*, Cambridge, Mass.: Lincoln Institute Monograph 82-3, p.16.
2. *Ibid.*, p.16.

ALANNA HARTZOK says:

SAN
FRANCISCO

Land value: key to city finance



SOUTHERN Pacific Land Company recently unveiled the largest private development plan ever proposed for the city of San Francisco.

This \$4 billion undertaking is on 195 acres, one mile south of downtown San Francisco, and features fair-like architecture and landscaping and Venetian waterways.

Southern Pacific has owned this land for about a century and is currently the site of underused rail yards and marginal industrial activities.

The plan includes 7,000 housing units, 11.7 million square feet of office space, and 40 acres of new parks and waterways. The centerpiece of the mixture of high and low-rise office, residential, and retail buildings is an 8-acre central park ringed by a recreational and scenic canal connected to an 11-acre lagoon.

This Mission Bay Project would take about 20 years to complete. The number of new jobs is estimated at 58,000, the tax revenue at \$54 million a year, and Southern Pacific would spend \$100 million in infrastructure for streets, utilities and sewage lines.

Though this grandiose scheme might be warmly welcomed in other cities, the first public hearings in April before the Planning Commission in City Hall were greeted with an outpouring of protests.

A combined lobby of 20 organizations included the Sierra Club, neighbourhood associations, transit and affordable housing advocates, minorities, and wildlife supporters.

Representatives of these groups claimed that the Mission Bay Project presented serious planning problems city-wide, but especially in the adjacent neighbourhoods which house about 18,000 people, mostly low-income.

The prime concern here is affordable housing in a city where rents have already gone through the roof. Low-income housing and schools do not feature in the plans, in spite of an anticipated population of 15,000.

According to one consultant, Mission Bay Project would bring 72,000 additional 9 to 5 commuters and as many as 120,000 people from outside the city looking for places to live.

Presently, 42 per cent of San Francisco's downtown workforce live outside the city because of the shortage of affordable housing.

San Francisco Tomorrow, a community organization, estimates that all the jobs created downtown over the past ten years have produced only 5 per cent new employment for residents of San Francisco. Since office workers are often single, they can pay higher prices for existing low income housing, thereby displacing current residents.

The project also will have a strong impact upon working class residents who have jobs in this area. Over 500 blue collar jobs will be lost as five or six warehouses are shut down. A large percentage of the threatened

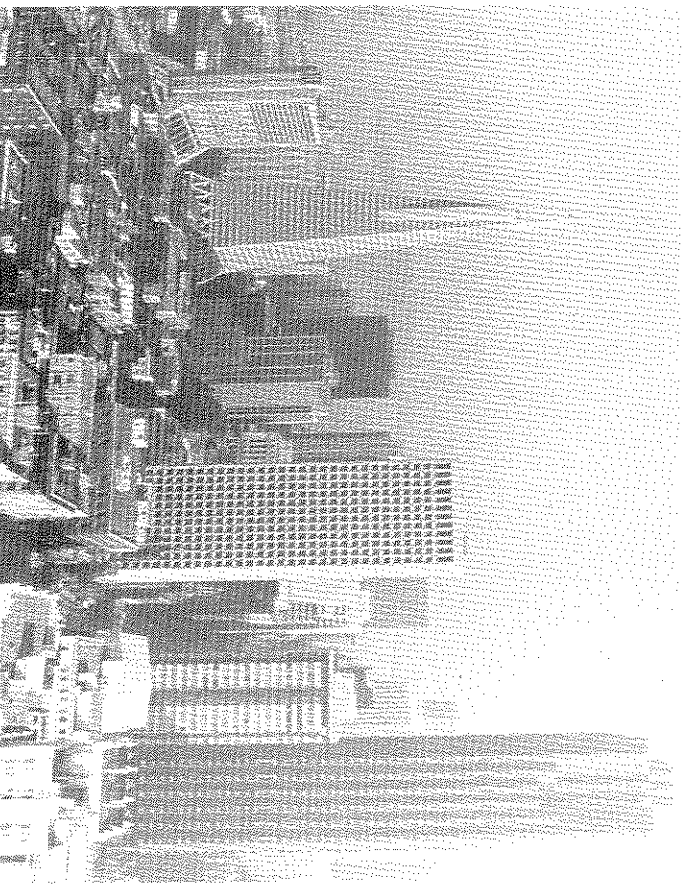
workers are from Third World and minority groups.

Local labour unions have refused to endorse the proposal and an NAACP representative demanded that Southern Pacific establish affirmative action programmes to aid in industrial retraining. Despite one of the most intense years of office construction in the history of San Francisco, the unemployment rate in the building trades is at 30 per cent.

CALIFORNIA has one of the most concentrated land ownership patterns, with 1 per cent of the population owning over two-thirds of the land (*Congressional Record*, 1981, p. S12323).

So how did Southern Pacific come by the most extensive of these holdings?

Railroad land grants began in 1850. Shortly thereafter, Northern and Southern Pacific railroads were



● San Francisco - high land values in the city

granted 25,600 acres per mile of railroad that was to be built.

The three Pacific railroads totalled 150,000,000 acres – more than is contained in all Germany, Holland, and Belgium combined.

The Southern Pacific grant withdrew from settlement a belt of land sixty miles wide in California. This was given to a corporation, not for building a railroad for the government or for the people, but for building a railroad for *themselves*, a railroad which they were to own as absolutely as they would own the land.

The land was given outright as though it had not and never would have any value. And this land was prime agricultural land, fine grazing and timber land, and land of enormous value from coal, salt, lead, copper, and other minerals.

What does this assortment of facts and figures have to do with the citizens of San Francisco in particular?

As enormous as is the *amount* of acreage owned by Southern Pacific, the present value of its parcels held in major urban areas is like diamonds among coal when compared to rural holdings.

In industrial civilization it is the location or site value of land that – when monopolized by individuals or companies – creates wage slavery, just as control of extensive acres under feudalism produced serfdom.

For example, an acre of land in feudal, agricultural society might employ five people, but the same size lot in an industrial or commercial location often employs thousands. Thus, in industrial civilization, urban land monopolists, as a result of their excessive economic power, are pre-dominant political forces in the cities.

Naturally, planning problems are created by the inordinate amount of economic clout. Without the behemoth in the neighbourhood, growth would proceed much more organically and gradually, lessening the need for bureaucratic planning while increasing neighbourhood power.

Concentration of economic power undercuts advantages that would otherwise be evident in a truly free enterprise system. Any plan of economic development that can force thousands of job-hungry people into 9 to 5 labour, entailing long commuting distances because of the lack of affordable housing, is inherently promoting industrial wage slavery.

Land monopoly undermines the family structure to the extent of making it disappear.

Presently, in order to support a family, both parents need to be working, usually full time. Mom, Dad, and the kids go their separate ways. All day long. Most of the time. Some family life!

Meanwhile, many office workers remain single, in part because of the all-consuming demands of the workplace, yet with still no sense of real security on which to build a happy family life.

SHOULD we feel more compassion for families that are unable to afford decent housing, or for single people who are unable to afford to have families?

With all of our technological advances and greatly expanded

THE RILE caused by Southern Pacific's development plan affords an excellent opportunity to look more closely not only at city planning policies in particular but at the deeper and more general issue of land ownership patterns in California and throughout the United States.

● Southern Pacific is the largest private land owner in California, holding more than 2,411,000 acres of prime industrial, commercial, timber, agricultural, and commercial lands.

● A little over half of California's total land is privately held (about 51,000,000 acres) so Southern Pacific's section is 4.7 per cent of this. That is more than the total land under all the homesteads in the State.

Second in line in ownership is Shasta Forest Company with 479,196 acres.

● Nationwide, Southern Pacific is the twelfth largest private landholder, with about 5,200,000 acres. Exxon is Number One with 40,249,000 acres, with Standard Oil of Indiana runner-up with about 27,000,000.

Standard Oil of California reigns over 9,000,000 acres throughout the country.

● To stretch this out further, an Economic Research Service study concluded that 568 companies controlled 301.7 million acres of U.S. land – more than 11 per cent of the total land area of the entire country and 23 per cent of all U.S. land in private hands. Those same companies' land interests, worldwide, comprise a total area larger than that of Europe – almost two billion acres.

● Taking total population and total private land area into consideration, it is estimated that less than 3 per cent of the population of the U.S. now owns 95 per cent of the private land therein.

● The Census Bureau estimates the total land price to be two trillion dollars (\$2,000,000,000).

increase in productive capacity and know-how, a truly free enterprise system would have created a maximum work week of about 20 hours by now, with the purchasing capacity to secure basic necessities and some of life's luxuries for all.

Why this is not the case is the real question that must be asked.

When this question is addressed in a way that separates land and natural resources (gifts of nature that are necessary for life), from the products of human labour (which includes capital), then it is possible to formulate a non-Marxist, non-State bureaucratic approach to freedom in production and exchange.

Such an approach can value and uphold democratic political freedoms and individual rights by extending those same rights down into the source of all production.

The right to life, liberty and happiness can be fully secured only when everyone's right to the earth itself is the foundation of the economic system.

THE KEY problem facing San Francisco and nearly all our cities now is *not* whether valuable urban land should be used for industrial and commercial purposes or warehouses, housing, or Southern Pacific's proposed 195 acre "mini-city". Rather, the challenge lies with and economic system that is based on a land tenure and tax system that is grossly unfair and undemocratic.

A properly-designed tax system would allow for a more even development of urban (and rural) areas. The *whole community* would benefit by the increase in land values that are, in fact, created by the community.

A city's huge capital investment, acquired through the years by the expenditure of its people's monies, includes streets, pavements, water supply, sewers, transit facilities, parks, playgrounds, schools and libraries and equipment of the protective services of police, fire and sanitation, etc.

All these services, created by the citizens of San Francisco, have helped create the extremely-high land values in the city. These land values are the rightful income of a city and should be used in meeting its expenses. The city should collect (tax) this socially created "economic rent" and return it to its citizens in the form of needed services.

With the collection of full economic rent of the land, Southern Pacific would have been forced to put its land to better use (more jobs and more housing) a long time ago, rather than reaping windfall profits as land speculators.

They could earn an honest living as productive capitalists rather than monopoly landholders.

THIS IS what happened in parts of our State irrigation districts under the Wright Act earlier in the century.

As access to water made lands more valuable, the rise in land values created by this service was used to pay for the system.

Not only were these irrigation projects locally financed, but the game of speculation in land values was curtailed as 81 large landholdings were broken into over 7,000 parcels for successful, diversified small farming operations.

This is California's shining example of land reform through a proper tax reform. The wholesomeness of community life in Wright District towns such as Dinuba, in comparison to towns in corporate farming areas like Arvin, was documented by the well-known Goldschmidt report to the Senate Sub-committee on Small Business completed in 1946.

What would happen to Southern Pacific's 195 acres south of Market Street under a similar use of the tax system?

At a value of about \$250 per square foot, this parcel, when developed, will be worth at least \$1½ billion. This value is created not just by the Southern Pacific but by the presence of all the people of San Francisco.

Based on this \$1½ billion land value, which is probably an understatement, the economic rent of this parcel would yield over \$150 million dollars back to the city each year – nearly three times the amount estimated under the current system.

In other words, just this parcel alone would generate 15 per cent of the city's current budget of \$1 billion.

Implement this same system throughout the city, which includes, of course, Southern Pacific's other enormously valuable downtown properties, and you would have a well-funded local public financing system with absolutely no burden imposed on productive enterprises.

In fact, the other half of this proposal is that:

- All taxes on labour could then be gradually lifted.
- The inflated cost of land caused by speculation would be undercut, and
- Land would become more affordable for needed use such as housing.

This dynamic tax restructuring would take the land monopoly game out of capitalism and allow individual and cooperative initiative to get the job done.

NOVEMBER-DECEMBER, 1983

AROUND THE WORLD

Honduras: repression mounts as peasants demand reforms

REPRESSION is intensifying in Honduras, where democratic politics and guerrilla warfare overlap in a confusing mixture.

The country is used as a jumping-off point for civil wars in the two neighbouring countries.

● **LEFT-WING** guerrillas fighting the government in El Salvador receive their military supplies from Cuba and the USSR via Honduras.

● **RIGHT-WING** guerrillas, backed by the CIA, use Honduras as their base for attacks on the Sandinistas who overthrew Somoza and now run Nicaragua.

The USA is pouring money into Honduras to bolster the fragile government of President Roberto Siso Cordova.

This support, however, is seen by many as undermining the credibility of the civilian government, which was elected to power in 1981 after years of military rule.

Honduras, the poorest country in Central America – per capita income is £50 per annum – is turning a blind eye to the machinations of both right-wing and left-wing organisations.

The military, however, is gaining the upper hand. The violation of civil rights is on the increase.

Guardian correspondent Tony Jenkins has listed the reasons for the repression in a report filed to London on July 15:

● **582,000** peasants are landless, while 627 landowners own 65 per cent of all farm land;

● **40** per cent of the population is illiterate, with poor prospects of industry-based jobs.

Jenkins wrote: "The pressure for land reform is growing quickly. The government has now ended 10 years of legalised land 'recuperations' and threatened peasants with 12 years gaol for seizure of private property."

"In response, some of the landless have started to face the army with machetes. Five hundred peasants are now in gaol and another 700 face court cases."

The peasant organisations face a dilemma. If they do not act, the hungry people will not acquire the land they need to feed their families.

But if they are seen to be succeeding, this would be the excuse that the army needs to overthrow the democratic government and return to military dictatorship.

DALLAS property owners are due to reap a handsome gain in values.

Voters have backed the plan for a rail network. The cost: \$3.4bn.

The money will be raised by a 1 per cent increase in the local sales tax. This will increase the cost of living for consumers, but rents and the buying price of land near the railway stations will soar once the trains start to roll.

THE PRESENCE of Royalty, it seems, is good for property values.

Prices have been rising rapidly in Gloucestershire. And one of the reasons, according to local estate agents, is that members of the Queen's family have been buying houses in the county.

First to make a mark on the market was Princess Anne and her husband, Capt. Mark Phillips, who bought Garcombe Park. Then Prince Charles and Princess Diana bought Highgrove.

Double-tax: cont. from P.106

from 4 per cent in 1979 to over 7 per cent last year.

And there is a danger that potential industrial land will be diverted for housing development, as the supply of housing land in the city becomes tighter. This, in turn, will push up prices further:

"Although values are at present similar, disposal is generally quicker for housing, and this may be expected to lead to a premium on price," says the report.

Birmingham has a proud tradition of industrial entrepreneurship.

Her manufacturers were among the world's leaders in the 19th century, but the city's industrial base has declined steadily in recent decades.

It is not surprising that the city's councillors should be contemplating action to reverse this process.

But while short-term considerations may necessitate the expenditure of taxpayers' money, they should also take into account the reforms that would guarantee long-term prosperity.

At the heart of such a strategy would be the imposition of a cost on the holding of vacant land, to cut back the selling price and increase the supply of land to those who wish to use it productively.

*Industrial land resources in Birmingham's Planning Dept., City of Birmingham, 10.2.83.



The 18-year reign of President Marcos of the Philippines (left) and his ex-beauty queen wife Imelda came close to collapse when violent protests gripped Manila following the assassination

Marcos: bad deed

PRESIDENT Reagan banked on an uneventful visit when he decided to include Manila in his autumn tour of the Far East.

The 7,100 islands that make up the Philippines had become a tame outpost of U.S. territorial influence, ruled with a rod of iron by a President who would not tolerate opposition to his political aspirations.

Then Benigno Aquino decided to go home. He left Harvard, his refuge from arrest, and arrived back at Manila Airport on August 21.

Within three minutes he was dead on the tarmac, killed by a single shot in the head.

Inevitably, the fingers of accusation pointed at the government of his old adversary, President Ferdinand E. Marcos, and his ambitious wife, Imelda, known as the 'Iron Butterfly'.

But whether friends of Marcos were implicated or not in the assassination made little difference. He had decreed a New Society, but his time had already run out; the scale of the problem had outgrown the capacities and vision of one man. And his political credibility was shattered when the American President announced that he had scrubbed Manila off his itinerary.

MARCOS was elected to power in 1965, the leader of over 32m people whose welfare he was determined to improve.

He soon realised that land reform was the key to change.

There was no reason why people had to starve in the Philippines. There are 13.5m hectares of arable land, 8m of which were in agricultural landholdings.

Half of the agricultural land, 4.1m hectares, produced rice and corn, the staple diet of the Filipino. Of this land, 1.1m hectares were cultivated by tenants in 1972, the year in which Marcos declared martial law.

Today, the population is over 50m, and millions of landless workers still struggle for an existence.

A million people marched at the Aquino funeral, a powerful measure of the popular opposition to the autocratic rule of the Marcos family.

What went wrong with the vision of a New Society, in which a well-meaning president had martial law and millions of dollars of U.S. aid to transform a feudal structure into an economically efficient and socially just society?

THE LESSONS of history were not lost on Marcos: land reforms all over the world have been thwarted by the landowners who controlled the political processes.

Democracy is not the hand-maiden of agrarian justice for the exploited tenant farmer.

If Marcos was to create his New Society, he had to be tough: in his view, power had to be exercised without the constraints of Congress.

He later justified his actions in these terms:

"Uppermost in my mind was the urgency of emancipating the tenant from his centuries-old bondage, not only because it was essential to the nation's political stability but also because, bound to the soil and beholden to his landlord, the tenant had no incentive to produce."

And agrarian reform was the most potent instrument for resolving civil unrest.

"It was our conviction that only genuine land reform — one that provided in practice what it set out in theory — could provide a solid basis for the new order we envisioned when we initiated the democratic revolution."

One of his ardent advocates is Miss Milagros German, a judge in the Intermediate Appellate Court who specialises in land reform disputes.

She has now analysed the obstacles to the democratic introduction of reforms prior to the declaration of Martial Law in 1972.

"Till then, because most members of the defunct Congress were big and powerful landowners, they would not

pass the laws — as they did not — despite their protestations for the poor come every election time.

"The farmer could not be what he wanted to be, could never realise his potential for economic and social growth, unless and until he owned the land he tilled. Tenancy had made him indolent, had broken his will, and had robbed him of the initiative to better his ancient condition.

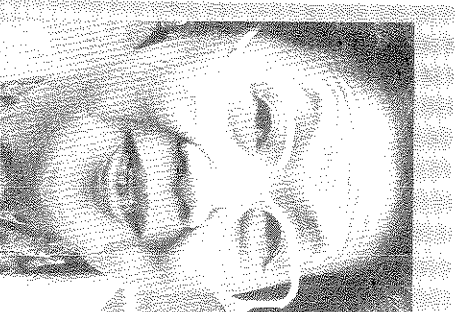
"Such was the state of things, until one man suited the word to the deed. Without a bullet fired or a drop of blood spilled, the rebellion of the poor was accomplished."

THE PRESIDENT'S friends are convinced that martial law was a vital step in the direction of reform, for the early attempts at change were met with violent opposition. Reports Miss German:

"Many mini up-risings erupted in the rich sugar lands of Pampanga in the island of Luzon and pocket-size wars started between landlords and tenants in rice-producing granaries of the country.

"However, after the restructuring of the society after martial law was declared and the New Society took over, there was less discontent and resentment and the wall that separated the tenant and the landlord began to thin out."

Without the suppression of the trappings of democracy, according to



● Miss Justice German

How Filipinos were paid off:

- Cash payments in 25 years, tax-free bonds.
- Payment of shares of stock, tax-free/6% Land B
- Full guarantee of 15 equal annuities made by tenant/1
- Payment of pensions with ins
- Exchange stocks in govern
- corporations wh
- holdings.

of their political rival, Benigno Aquino. Here, FRED HARRISON studies the Marcos vision of a New Society – and the landowners' opposition to it.

Or new Society?



this analysis, the deadly grip of the landlord class would still be throttling the Filipino population.

"The tenant-farmers would still be where they were in yesteryear," insists Miss German, "always hoping that some day their aspirations for a better life would be answered by ownership of the lands they tilled."

This view is endorsed by Conrado F. Estrella, the Minister of Agrarian Reform, who told *Land and Liberty*:

"You can't have land reform without a totalitarian regime or declaring martial law, because landowners are either in the government or Congress, or their lawyers are in the government. They resist land reform."

"The President called in the landowners and told them that if the communists come and take over, you will not only lose your land, you will lose your life. And we are not going to confiscate your property anyway; you will be compensated."

"He was appealing to them not to begrudge what he was doing. These were people who voted for him."

Faced with the tough task of persuading the landed elite to part peacefully with some of their acres, Mr. Estrella soon realised that he would have to take a lead himself. He told me:

"You can't implement a reform if you do not lead by example. So I told my neighbours that if they were

waiting for me to give up land, they should go to check with the records to see how much I had received in bonds for my 130 hectares."

MARCOS presented the Philippines with a new constitution in 1973. This provided that "the State shall formulate and implement an agrarian reform program aimed at emancipating the tenants from the bondage of the soil and achieve the goals enunciated in this constitution."

Presidential decrees tumbled out of the palace. One of the most important was P.D. 27, which was designed to liberate rice and corn tenants from feudal landlordism.

Says Mr. Estrella: "The decree issued in the President's own handwriting, like the emancipation of negro slaves by President Lincoln, sought to redress the peasantry's valid and legitimate grievances that gave rise to violent conflict and social tension."

Why, then, are there still millions of landless peasants? Why is there such powerful opposition to a government which, since martial law was lifted in January 1981, has seen fit to detain 1,100 people as political prisoners?

Why is it that the conservative Catholic archbishop, Cardinal Sin, speaking at the funeral of Benigno Aquino, could with apparent endorsement refer to the communist guerrillas of the New Peoples Army as "my countrymen in the hills who fight for a cause you believe in"?

The short answer has to be that the land reform has failed to match the scale of the problem.

The reason for this is that Marcos chose, as his model, a land tenure system that was guaranteed to exclude the majority of the population from the benefits of agrarian change.

Over 20 years, the population has increased by nearly 20m. Yet a mere 53,000 landless families have been re-settled on public land. Three of the settlements are costing \$38m. Another one, in Southern Leyte, is being financed by West Germany for DM 2.4.2m.

● The legal status of many peasants has been changed, which has increased their dignity and security of tenure. Nearly 37,000 have received emancipation patents.

● Leasehold contracts now give greater protection to 668,700 farmers. And 393,000 farmers have received Certificates of Land Transfer covering 679,700 hectares.

● The Land Bank has paid P1.5bn to 1,119 landowners for 213,900 acres. And 1,417 landowners have received payments directly from 9,918 tenants working 13,763 hectares.

Meanwhile, population growth continues to outpace economic development in both the rural and urban sectors. Despite the vast sums of foreign aid, the Philippines is not able to establish an industrial base fast enough to meet the demand for jobs.

The reform was not a total failure. Armed with secure titles, the former share-croppers were willing to intensify their efforts, and agricultural output has indeed increased.

But the landowners continue to derive the greatest benefits, and they still harbour thoughts of recovering the lands after the departure of President Marcos.

WHY WAS Aquino assassinated? The autocratic nature of the Marcos rule inevitably invites Western democrats to suspect that he might have been behind the plot to eliminate his arch political rival.

Others have suggested that his wife, Imelda, may have been implicated – which Marcos has denied. If the Marcos family was behind the slaying they were very ham-fisted about it. As the President said on TV, the death in those circumstances was bound to embarrass the government.

Yet the few facts that are available do seem to suggest that the guilty ones are to be found in the Manila power structure rather than among the guerrilla hands in the jungle.

landowners
10%: balance
6%: Land Bank
% in preferred
bonds in 25 years
in the payment
amortizations
to annuities or
cess.
agement for
owned or con-
is or private
the government



● Conrado Estrella

● Turn to P. 117

POLICE have begun to crack-down on crooked land deals in Korea.

In one case, eight men were prosecuted for making illegal profits out of the purchase of land from the Korea Land Development Corp.

Their companies had previously sold the land to the KLDG. Then, when the



Recovery under threat

REAL ESTATE speculation is threatening to destroy the boom that is now predicted for Korea.

President Chun Doo-hwan has now asked social leaders to take the lead in a campaign to prevent the recurrence of speculation.

In a speech on September 14 the President (pictured above) said: "Speculative investment, if it occurs again, will paralyze the economic order, and bring ruin on our nation in the long run."

The government has set up an anti-speculation task force in response to an increase in real estate prices of up to 20 to 30 per cent in some areas, since last spring.

Economic indicators are promising boom conditions for Korea. The construction industry promises to lead the economy out of the slump, with nearly 30 million square kilometres licenced for building construction during the first seven months of 1983.

But the President has warned his country that land speculation was detrimental to development.

His government's action has been criticised as inadequate however. One economic commentator, Han Kon-ju, declared in the *Korea Times* on September 13: "Speculative investment in real estate, including apartment houses, will not be blocked completely as long as earnings from real estate deals are judged lucrative."

Mr. Han called for tougher action, including higher taxes on the profits from land deals.

land came up for public sale, they bought it back — at lower prices than they had received for the original sales.

A police investigation revealed bribery, proxy bidding and collusion with officials.

But the cheekiest racket was run by 34-year-old Kwon Tae-ryun and his associates.

Rumours were spread among women land speculators that they could make a 20 per cent profit within 45 days if they bought land from Kwon.

The women handed over large sums in the belief that prices would skyrocket because of development prospects. In fact, the land was worthless.

Kwon also had another profitable side-line going for him, according to police in Yoido, Seoul. He netted 280m won by selling 55,000 pyong of forest land in southern Cheju Island.

There was only one snag: he did not own the land. Police are still searching for his accomplices.

Land speculation is now rampant

Report by Peter Poole

PARISIAN scholar Claude Balaze flew into Seoul on July 25, 1982 to study the way in which the Koreans used their natural resources.

A month later he informed the Press: "Few countries have utilized their land to the maximum extent like Korea, apart from Japan and the Netherlands."

He praised the people for thoroughly cultivating mountainous land and overcoming rough natural conditions.

The French doctor's glowing analysis of land use is at odds with the picture that emerged over the following 12 months.

● Data collected by the Korean Appraisal Board revealed that land prices increased by 16.7 per cent in 50 cities, compared with an increase of 1.1 per cent increase in wholesale prices, during the 12 months up to last April.

● Land speculation has been rampant in Korea over the past year, reaching intolerable levels after a 63-fold

increase in prices over the past 15 years.

The speculation has now forced the government to take action, but the proposed measures have merely succeeded in freezing up the land market.

THE ECONOMIC costs of land speculation are now being identified in the Korean newspapers.

One journalist, Hong Tae-hee, explained how industry had suffered as a result:

"Cash-laden businessmen have often converted large sums of their corporate money into grabbing extensive land, often with money borrowed from banks under the guise of corporate financing programmes."

"The money spent on land purchases by corporations in this way, however, has bred better profits than using the money for operations on expanding their factories."

Highest Prices per Sq m In Commercial Areas

	Apr 1, '82	Apr 1, '83	Rate Increase
Myeong-dong, Seoul	6,655	7,660	14.1
Changson-dong, Pusan	4,537	6,000	32.2
Tongmun-dong, Taegu	3,000	3,900	30
Ichon-dong, Incheon	1,200	1,600	33.3
Chungangro, Kwangju	2,700	3,600	33.3
Unhyang-dong, Taejeon	2,100	3,000	42.8

Land Price Increase Rates In Six Biggest Cities: %

	Commercial	Residential	Industrial	Average
Seoul	30.3	21.9	15.9	25.7
Pusan	19.3	14	12.9	16.2
Taegu	15.1	4.1	4.3	8.5
Incheon	6.6	7.6	9.6	7.6
Kwangju	18.8	14.5	15.2	16.1
Taejeon	10.2	8.7	12.5	9.3
Average	22.7	14.8	11.6	18.1

Thus, speculation has led to a distortion in the pattern of land use and capital investment – hardly a model to be envied by other countries.

A MONG the measures adopted by the government are a heavier tax on capital gains, and the posting of special taxation zones where property has been the target of fierce speculation.

In addition, areas where land prices are escalating rapidly will be designated as "transaction-regulated districts."

Deals have to be reported to the government before contracts are exchanged. Owners will have to disclose the price, the kind of right to be transacted, and the use to which land will be put.

The government will then advise the parties involved of what it considers to be a reasonable price and utilization plan.

Where buyers refuse to accept the advice, provincial governments will have the right to step in and buy the land at what *they* deem to be reasonable prices.

Shell-shocked landowners have suddenly found no takers for their over-priced land.

As Mr. Hong put it: "Together with the vanished motive for greedy land speculation, the land owners have lost the opportunity to change their property assets into liquid assets."

People who had over-borrowed in order to buy land are now faced with a financial crisis – which could bankrupt some companies.

● **Ian Barron** writes: Although intense speculation has been brought to a halt, a frozen land market cannot help a dynamic economy such as Korea's.

The government is being pushed into the direct purchase and development of land, rather than allowing private sector developers to undertake the job at a competitive profit.

Korea is facing a period of financial stringency, and it is unlikely that the government will be able to afford to buy all the land that is needed – even at prices well below the speculative peaks – for public sector development.

The government should now consider a radical reform of land tenure and taxation, in which a free market and an annual *ad valorem* tax on land could combine to produce the best results all round.

REFERENCES

1. Kim Chang-yong, 'Korea Uses Land Best,' *The Korea Times*, Aug. 19, 1982.
2. Hong Tae-hee, 'Land Transactions Frozen to Standstill,' *The Korea Times*, July 13, 1983.

Bureaucratic bungling: report indicts hospitals

By Ian Barron

B RITAIN'S health service has been indicted for under-using its property, writes *Ian Barron*.

The evidence of a government enquiry amounts to a severe attack on the bureaucratic method of controlling the use of land.

The national health service (NHS) owns over 50,000 acres. Last year, 3,325 acres were identified as vacant or under-used.

Now the committee of enquiry recommends that hospital authorities should be forced to justify their possessions.*

A notional rent – based on current market values – should be imputed to all property. If an authority could not justify its holdings on the basis of its performance, it should be penalised if it did not sell some of its unused assets.

This proposal was welcomed by Mr. Norman Fowler, the Minister for Social Services.

National rents, he said, would "bring home to users the value of accommodation they occupy and ... promote greater efficiency and effectiveness in the use of property."

THE REPORT documents the weaknesses in the bureaucratic ownership and administration of property.

● Hospital authorities displayed a "somewhat casual attitude" to property. The committee offers its explanation:

"We believe that this attitude derives largely from the fact that property in the national health service is a 'free good'. We are convinced that, unless corrected, it will frustrate attempts to achieve greater effectiveness in estate management."

Many authorities did not even know the size or value of their holdings.

● A Whitehall interpretation of the planning laws has prevented health authorities from obtaining planning permission to change the use of their land.

A new legal opinion from the Department of the Environment has now reversed their earlier interpretation.

● Bungling between health authorities, planning authorities and District Valuers has meant that a great deal of land was wasted.

The committee illustrates this with the case of a 3-acre site which was allowed to stand idle. The hospital

IN THESE times of financial stringency, many of Britain's hospitals are threatened with closure because they cannot meet their costs.

One of these is Tadworth Court Hospital in Surrey, which has had to receive emergency grants of £300,000 from the government to keep its doors open for the treatment of sick children.

Yet £2.1m could be raised from the sale of land and buildings which are not needed. Properly invested in an endowment fund, this capital would yield an annual income of £250,000.

Some of the Tadworth properties have been unused for two years.

But hospital authorities, which administer valuable properties, are generally reluctant to lose control.

This is the response to the campaign to protect two Richmond (Surrey) hospitals, which are threatened with partial closure.

Councillor John Waller has proposed that part of the 76-acre site belonging to West Middlesex Hospital should be sold to provide funds that would remove the threat against the two hospitals.

But a spokesman for the area health authority declared: "If you sell any assets, that is a one-and-for-all answer to a recurrent cash problem."

"Once that land is gone, you have lost it forever and it has only provided a temporary cash yield. There must be a more permanent solution."

failed to reap the benefit to the tune of £2.7m, and the local authority lost £500,000 which it would have gained if the land had been developed.

THE MISUSE of scarce resources would be undermined by the committee's proposal to make hospital authorities more accountable. The report declares:

"We are convinced that the adoption of a positive NHS property valuation system is essential as being the only realistic way of bringing home to both planners and users the cost of accommodation occupied. It

● Cont. on P 119

TYPICAL of the cases that will now start to hit the desk of Environment Secretary Patrick Jenkin is the application from Seymour Egerton, the 7th Earl of Wilton.

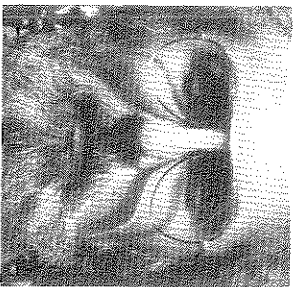
He wants to turn a 50-acre swath of land near Manchester into a housing estate for 300 executives and their families, writes Paul Knight.

His application for planning permission was turned down by Bury Council, which wants to contain urban sprawl.

The earl's land is in a Green Belt. If he gets permission to build, the value of his land will be increased by £1.4m.

But the metropolitan authorities that oppose tampering with the Green Belts have failed to produce a coherent plan for putting derelict urban sites to use.

According to Graham Moss



● Graham Moss

there is enough vacant land in Britain's towns and cities to build houses for five million families. Derelict land totals more than twice the size of Northumberland.¹

The reason why land is held vacant is no mystery: the cost of possessing vacant land is zero – there is no property tax on the rental income that could be imputed to it.

Nor is the solution a mystery: a reform of the rating system, so that owners are obliged to pay a high tax on the market value of their land.

The additional income that would be raised could be offset by a reduction in the tax that now falls on the value of buildings – a tax which is a deterrent to fresh capital investment and a brake on the construction industry.

The release of vacant urban land would be the best protection for rural land, but few people believe that this strategy is likely to protect the Green Belts in the foreseeable future.

And that is why the government's Green Belt strategy is good news for owners.

According to Daniel Tate: "Land values in the Home Counties Green Belts have already begun to rise in anticipation of relaxed guidelines."²

1. Graham Moss, Britain's Wasting Acres, London, Architectural Press, 1981, p.2.
2. Daniel Tate, Green belted earl wants to build homes, Sunday Times, 14 Aug., 1983.

Landlords set to make killing

GREEN BELTS are considered to be one of the finest achievements of Britain's post-war planning system.

Rural havens ring the big towns, affording quick access to open spaces for urbanised families.

But now the Conservative Government wants to eat away at those Green Belts, and has issued a draft circular that seeks to redefine the boundaries between town and country.¹

This has produced howls of protests from conservationists, and the Association of Metropolitan Authorities has accused the Environment Secretary, Patrick Jenkin, of conspiring with housebuilders to "unbuckle the country's green belts and unleash a torrent of peripheral development."

Housebuilders, however, have done their homework. Earlier this year they produced a devastating report that indicted the municipal authorities for abusing open spaces.

The House Builders' Federation investigated the condition of 66 sites

By Paul Knight

in Outer London boroughs that are registered on public files – ostensibly available for development.

These were sites designated as either Green Belt land or protected as open space in the local plans.

● 45 of the sites did serve some function as open space. In that case, asked the builders, why are they on the public registers. Their inclusion gave an inflated impression of the amount of land available for development.

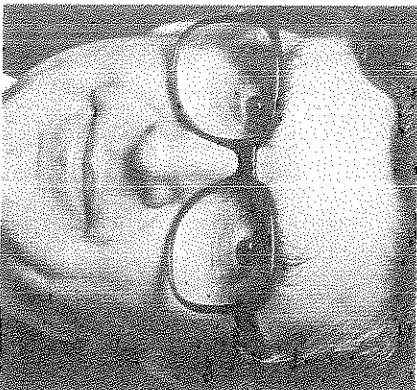
● 21 sites, totalling 243 acres, were in a derelict condition and served no amenity purpose: they could provide 4,000 new homes if released to builders.

The President of the builders' federation, Peter Woodrow, declared: "I was appalled to see the condition of some of these sites. They are filled with rubbish and totally unkempt and left as scrubland. They detract from the amenity of the area as most of them are simply eye-sores."



There are green belts . . .

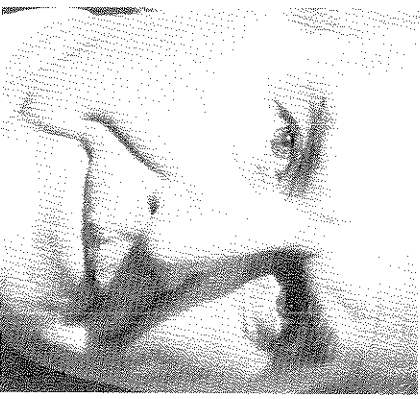
accused of conspiracy over land use plans



● Patrick Jenkin



● Protests pour in



● Peter Woodrow - appalled

THE HOUSEBUILDERS submitted the results of their investigation to the government, in an attempt to pressurise the planning authorities to step up their planning permissions.

There is little doubt that the builders would like rural land re-designated for development. The Green Belt is an abstacle to their activities. Said Mr. Woodrow:

"The same policies apply to many privately owned sites that are eyesores and yet are prevented from being developed by the blanket application of Green Belt policy."

But this neglect of privately owned land can be part of a deliberate strategy. As the *Estates Gazette* noted: "In the private sector, deliberate dereliction of potential

housing land is not unknown as a lever which can be used to secure its release for development."

The net result of public policies and private motives is a land-starved house-building industry.

As Mr. Woodrow explained: "Whenever a piece of land comes on to the market we all want that same piece of land. We do not put in what the land is worth. We have to put in what we think will beat the rest. We are all forcing land prices up."

The result is that the cost of land now takes up to 40 per cent of the total selling price of some houses.

Agricultural land near London with a £2,000 price tag would fetch £200,000 an acre if houses could be built on it.

CRISIS undoubtedly afflicts the house-building industry, because the land market is not able to supply the sites that are required.

Builders blame the planners, but the problem has been undermining the foundations of this industry for the past 200 years.³

Ten of the major housebuilding companies have decided that the only solution is to build self-contained villages as satellites to the big towns in the South-East.

Sites have been inspected, and options have already been taken out on land. Some of the sites are in Green Belts, which means that the Environment Minister's sympathies will probably have to be enlisted in the face of opposition from the local planning authorities.

If this permission is granted - and Mr. Jenkin's sympathies have now been disclosed - the landowners, and builders who have options, will make a killing on the re-sale of land.

Paragraph 6 of another draft circular states: "In some areas it may exceptionally prove the best solution to plan for new settlements rather than to expand existing communities."

Thus, the belt-loosening process begins while hundreds of thousands of acres lie vacant in the towns of Britain.

REFERENCES

1. Memorandum on Structure and Local Plans and Green Belt, London: Dept. of the Environment, Aug. 1983.
2. 'Time for review', *Estates Gazette*, April 16, 1983, p.169.
3. Fred Harrison, *The Power in the Land*, London: Shephard-Walwyn, 1983, Ch. 7.
4. Land for Housing, London: Dept. of the Environment, 1983.

and 'green belts'



Is the Church afraid of a Big Bad Wolf?

THE ATTITUDE of the Church to the private ownership of land is as much a puzzle to me as were the affairs of Soviet Russia to Winston Churchill when he called them "a riddle, wrapped up in a mystery, inside an enigma."

If there is one body of high-minded people who should have a view to express on the way the natural resources of our planet are administered for its inhabitants, it is surely those who aspire to speak for the Creator. Yet pronouncements by the Church on the harsh and unjust systems of land tenure that exist around the world are as rare as pop music concerts in Canterbury Cathedral.

When it comes to debating that shameful process that allowed whole areas of the Earth's surface to be commandeered by a comparative few, to the general detriment and frequent misery of the many, the Church, it seems, prefers to keep a low profile.

This ecclesiastical reticence prompts many questions.

● Does the Church believe that the life-giving resources of the Earth were provided for the special bounty of a chosen few rather than for the equal benefit of all mankind?

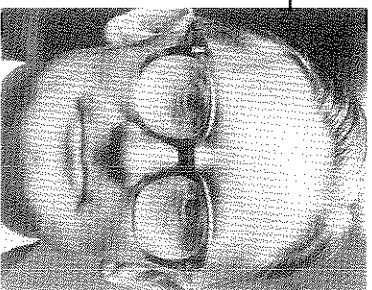
● If so, what special attributes earned for the few their superior status?

● How is their primacy over other men justified in the eyes of the Creator?

● Is there a divine right of landowners as, in ages past, there was believed to be a divine right of kings?

It was in the hope of finding some answers to these questions that I recently picked up "Land & Hunger", a booklet issued by the Bread for the World movement, a United States-based church organisation dedicated to fighting world hunger. The booklet is, in fact, the manual for a course of tuition designed to explain to the Movement's helpers "the biblical view of the relationship between land ownership, land use and hunger."

The case-studies used to illustrate the widespread menace of hunger in the world are vignettes of simple human beings trampled under the boots of economic amorality.



by Bert Brookes

There is, for example, the case of Jose Rodriguez who lives in a sugarcane worker settlement in the Dominican Republic. He is pictured in the booklet with his bare-footed, ill-clad family in front of the miserable 12-foot-square concrete box which serves as their home. He works cruelly long hours in the tropical heat, cutting sugarcane for which he earns about \$40 a month during the 7-month harvest. During the other 5 months he is lucky if he earns 53 cents a day clearing and preparing the land.

Jose's employers, Gulf and Western Industries, own 250,000 acres of sugarcane fields and 15,000 acres of luxury tourist complexes. But for landless Jose, the smallest luxury is something he can only dream about. In the hard world of reality, he and his family share three water taps and a few latrines with about a thousand other cane-workers. With not even a fragment of land on which to grow some crops for himself, 90 per cent of his income goes on food, the prices he pays being comparable with those in the USA.

Life for the Rodriguez family is an endless struggle against malnutrition and disease.

Another case-study concerns Abdul Malek, a landless labourer in Bangladesh, a country where 11 per cent of families own 50 per cent of the land. Abdul goes out each day in search of work. If he finds any, he might be able to buy two pounds of rice, but he

will need to eat about a pound of this himself to be strong enough to keep working. So even on a good day, little will remain for his hungry family.

All over the Third World, the booklet shows, the spectre of starvation stalks the landless. The wretched victims are trapped at the very margin of existence, hemmed in by chronic poverty, insecurity and indebtedness.

FROM THE PLIGHT of the landless, the booklet's authors turn to the subject of land tenure. "A land-tenure system", they say, "determines an individual's access to land, water and other agricultural resources. Consequently . . . it is a major factor affecting an individual's ability to earn a living. . . . In agrarian societies, land is the primary productive asset, the tangible expression of economic and hence political power. . . ."

So the land-tenure system reflects political power. And power, says the booklet, has been the key to "the process whereby some groups of people have gained control of the land while others have become landless or fallen into positions of insecure tenancy."

On the evidence of this booklet, no one can accuse the Bread for the World movement of not understanding the genesis of hunger in the world. But throughout its explanatory pages the reader is struck by the matter-of-factness, the cold, clinical detachment with which the harrowing facts are discussed.

The stone-hearted injustice of the current land-tenure systems, and the way that millions of powerless peasants have become victims of the ruthless, avaricious elements in society, are described in terms more appropriate to discussing the weather or the size of church collection plates.

In the eyes of Bread for the World there was, for example, no robbery of the people when the land was grabbed. It was merely that certain elements had "the ability to acquire resources" through the exercise of power. The criminal difference in the conditions of rich and poor, to which this process usually leads, is interpreted as

"excessive consumption by a few and deprivation for the majority". The appropriation by landowners of the benefits of technological advance is presented as "the benefits of economic development do not reach the poor to enable them to buy basic goods and services."

The philosophy of Bread for the World is, apparently, that the exercise of power to seize land is akin to an earthquake or an erupting volcano: it cannot be stopped: we can only succour the victims.

There is no suggestion in the booklet that the "acquisition of resources" by those holding the reins of power led them into any unethical behaviour. Not a word is said about their exaction of tribute from those they had dispossessed or of reaping where they had not sown. Having established themselves as land-owners they, according to Bread for the World, became "stewards" of the land with responsibility for caring for and preserving "that which had been entrusted" to them.

As the authors put it: "The created people do not own the land, but are entrusted to use it and care for it by the Creator, the owner... God's will is for the created people to be good stewards with all that has been entrusted to them."

A GAINST this background, it is small wonder, perhaps, that the remedial measures proposed in the booklet are designed for application in kid gloves with a large spoonful of sugar. Their purpose is not so much to sweep away the basic injustice and release the people from bondage as merely to "change the trends of landlessness".

● First of all, say the authors, there should be land reform or, more precisely, "reforms in land distribution and tenancy conditions." But these "will require a willingness on the part of the powerful and affluent to share the earth's resources with those now dispossessed."

No specific proposals are made, but there is favourable reference to the "successful" land reforms carried out in Japan after World War II and in Taiwan after 1949. On the other hand it is conceded that the reforms in Mexico, from which "a new class of landholder developed", have largely been a failure, while attempts at reform in India and the Philippines were thwarted by the landowners almost before they had started.² Presumably, the owners did

not have the requisite "willingness to share the earth's resources..."

● Secondly, there is the process of improving the "stewardship" of land: "The challenge is to promote change leading to the ethical stewardship of the earth and its resources in all parts of the world."

● And finally, closely linked with the hoped-for improvement in the quality of "stewardship", is prayer. "The Christian hope for social change and the alleviation of hunger in the world is shown to be rooted in the power of God to bring justice in the world."

Whether Jose Rodriguez or Abdul Malek would be much impressed by these suggestions for improving their lot must be extremely doubtful. The great flaw in a physical re-distribution of land is that it can only benefit a fortunate few. The basic injustice to the mass of the people still remains. And in any event, the experience of India and the Philippines, El Salvador and other countries does not inspire confidence in the ability of landowner-dominated governments to carry through such reforms.

Nor does the expressing of pious hopes about so-called stewardship, nor the offering of prayer — sincere though it may be — attack the root of man's inhumanity to man in these troubled areas of the world.

To end the evil system that allowed some men to "own" the land while the rest became trespassers in their own country, requires human action, not pious words.

It is difficult to avoid the conclusion that, if these milk-and-water proposals are representative of those favoured by the Church, then the Church must walk in fear: fear of the forces committed to preserving the present set-up, fear of a "big bad wolf" it lacks the confidence to oppose.

It is certainly clear that, when it comes to the all-pervading injustice of land monopoly, the Church has no stomach for a full-frontal battle. The Church is prepared to fight the good fight but not, apparently, to put right a shameful wrong, only to palliate its worst excesses.

Notes:

1. Land & Hunger — a biblical worldview. Bread for the World Educational Fund, 32 Union Square East, New York.
2. In India, landowners divided their land among their relatives to make it fall below the newly set limit. In the Philippines, where the land reform programme applied only to rice and corn lands, owners planted other crops.

The Power in the Land

UNEMPLOYMENT, THE PROFITS CRISIS & LAND SPECULATION

By FRED HARRISON

The first book since *Progress & Poverty* to provide a comprehensive account of how monopoly in the land market causes industrial recessions.

It presents four case studies — the UK, USA, Japan and Australia — to show how the global recession is fundamentally due to land speculation in the late 1960s and early 1970s.

● The origins of the faults in the "free" market are analysed back to the philosophical compromise in Adam Smith's *The Wealth of Nations*.

● Cycles in land values are traced to explain 200 years of business booms and slumps.

● Marxist solutions are examined, but rejected in favour of a plan that combines free trade with land value taxation.

PRICE £8.95 in the U.K. and \$17.50 in the U.S.A., from bookshops, but in case of difficulty contact the publishers, Shephard-Walwyn (Publishers) Ltd., Suite 34, 26 Charing Cross Road, London WC2H 0HY.

322 pages, bibliography and index. Cased.

● MARCOS: from P.111

Conspiracy theories will continue to abound until the full story is known. One of these could be constructed on the basis of the words uttered by Conrado Estrella, during an interview in the grounds of Harvard University just a few weeks before Aquino left the campus for his fatal journey home.

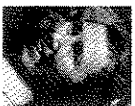
Mr. Estrella told me: "The landowners hope that something will happen to Marcos. If it did, they say they will get their land back, but the peasants say that if the landowners try this, there will be bloodshed."

Those words may yet turn out to be the epitaph for Marcos's New Society.

REFERENCES

1. Miligros A. German, 'Land, People and Political Stability through Agrarian Reform: the Philippine experience', paper presented at the Second World Congress on Land Policy, June 1983, Cambridge, Mass.
2. Statistics are drawn from Conrado F. Estrella, 'The Philippine Agrarian reform program: a support mechanism to effective land management', paper presented at the Second World Congress on Land Policy.

Labour's land policy: no answer to injustice



Analysis by Shirley-Anne Hardy

THE MANY problems of farming stem from the fact that we try to operate policies within a framework of land injustice. This distorts the roles of farmers, farming and farmland from the outset.

We have placed ourselves in the absurd position of being a people without a land ethic, presumptuously busying ourselves with questions about the management of land. It is hardly surprising, then, if it turns out to be mismanagement most of the time, which is why Britain's Labour Party must abandon its proposal to nationalise farmland occupied by tenants.

In the first place, the issue of land reform is not one that applies just to agricultural land. Land is the basic resource of all production, and has to provide us not only with food; it has to supply, to each one of us, in the first instance, our living and working space.

It is obvious then, that the principles of land tenancy for a society must be worked out with scrupulous justice equally for all members of that society, as the first matter to be considered by it.

Farmland is in no special category at this elementary stage. A true land ethic starts from this pertinent observation once expressed by someone: "I have never seen the Creator's name on a title-deed to land" ... a pity reminder that we are all but tenants of this Earth and thus on an equal footing with one another in that basic respect.

Our "absurd practice of parcelling up portions of the planet and selling them to one another" must therefore go, having no starting-point in logic or in justice.

Land is not a capital asset. Or rather, it may be the Creator's capital, but it is not ours. For, the natural world being the source of our life here, its value is beyond our computing. What can be computed, however, is the value of its occupancy to individual members of a society.

We are perfectly familiar with this idea in the term *land-rent*; and the starting-point of justice — for any society that pretends to place justice at its foundations — is that occupancy of land is placed equally, for all, upon an annual rental basis.

Since this rental value, the value of

occupancy, is community-created (it arises only where there is pressure of population upon land), so there is nothing impertinent in its payment to the community; although, by the same reasoning, there is much impertinence in its payment to anyone else.

IT WAS Henry George who pointed out that it is not necessary for the State to take land for that society to be placed on a just foundation, but only necessary for it to take rent. And the clear principle of this land rent justice, which he set out fully in *Progress and Poverty*, defeats, from the outset, the concept of land nationalization. (He also pointed out that the whole of our tax edifice has arisen as a false substitute for this one naturally-occurring source of public revenue).

The protestations by Labour that the State would be a good agricultural landlord — indeed, a model landlord, setting us all an example! — leaves one between laughter and tears. Suffice it to read '80s — The Land Decade' and 'Britain's Biggest Growth Industry: Creating Derelict Land!' to grasp that "delinquent" rather than "model" would better describe the State's role in today's land-owning scene.

As a Scotswoman, in particular, there is much I could observe about the State's role in landownership in Caledonia.

As for agricultural land, that is the very last kind of land with which the State is to be entrusted.

We need only survey the history of its dealings to date — the whole gamut of soil-exploitative and backward-looking policies of agro-business, propped up with equal assiduousness by Labour as by Tory administrations — and what possible grounds for further State dealings in agriculture are there?

It is, of course, to *individual* initiative that one has to look, to see where the

new farming — with its intelligent, imaginative and ecologically-viable techniques — is beginning to emerge, such as in the Permaculture movement in Australia and elsewhere.

Such initiatives — the real ones that move any society forward — could not come from the State, since the State is not, in itself, a caring being, nor has it any moral life. The caring and moral dynamic issues only from the individual. Hence the best thing the State can do — beyond standing fast against the trespass of one individual upon another (as in the private appropriation of land rent) — is to leave the way as free as possible for the initiative of its individual members to operate.

The last way this can be done is, of course, by the huge impertinence of State monopoly power (via land nationalization) over land use.

Fortunately, once land rent reform has been implemented, no need arises to "appoint" those wearisome committees so beloved of politicians, to be made up in this instance of tenant-farmers, workers from the estate in question, plus other representatives of the community where appropriate, the whole to act as a "logically-based advisory committee to the man responsible for running the estate from the point of view of the agricultural landlord." *What a set-up!*

This reveals the urban background of the Labour Party throughout its history which has left it out of touch with the soil.

As one who works the soil myself, I can say that the relationship between the soil and its (true) worker is a relationship of the most intimate kind — more intimate even than that between a man and a woman, and imagine that being run by a "committee"! True knowledge of the needs of the soil comes through the fingertips of the one who works it day by day.

In that fortunate society which does not suffer from the absurdity of trying to discuss land management without having a land ethic as a starting-point — in a society, that is, which places all of its members on an equal footing, as tenants of the land they occupy — we

AROUND AMERICA

cease the foolishness of categorizing people as "tenant farmers" and "farm workers", such as those "committees" had need to feed upon.

Nor will the anachronism of those "estates" exist any more to invite further such false set-ups for the long-suffering soil.

Nor shall we need to embroil ourselves in all those false arguments Labour is currently engaged in, as to what and how much land ought to be nationalized, and in addition all those various viewpoints about whether or not there should be "a pluralist system of ownership".

The land rent system will itself most effectively bring about parity in occupancy of land by the removal of that monopoly hold upon rental power which so thoroughly distorts the land pattern. People will then form their own co-operative ventures, or not, as they wish, in free association with one another and without interference from the State.

LABOUR'S thinking on land reform is stale. Why? A Labour spokesman on agriculture, after admitting that huge estates are unjust in their origins, most earnestly assures us that compensation must be paid to their owners under Labour's land nationalization scheme!

Labour's thinking suffers from viewing land as a capital asset. But this was not the original *people's* view of it. It is a view that grew up with the land-grabbers of history — against the people's idea and will. Surely, then, that view cannot be the starting-point of a radical programme of land reform? Let me recommend "Claim of Landowners to Compensation", in Henry George's book, which was a hundred years ahead of its time.

Labour expresses concern over the question of access to land. This is the all-important question! But the nationalization of rent, not of land, will bring about the maximum public access to our national heritage. For the land rent reform will enable those who wish it to claim their fair share of our national heritage once more — and to possess it on a real living and working basis, thus restoring dignity of work to thousands lacking it in their false urban "confinement", and bringing a true flow of life to the countryside again.

REFERENCES

1. Anthony Wogens, *The clandestine Farm*, London: Granada, 1981.
2. *Land & Liberty*, Jan-Feb, 1980.
3. New York: Robert Schalkenbach Foundation, 1979. Bk. VII, Ch.3.

Dallas deal

DALLAS-based developers have bought most of the small town of Buckingham for \$40m. That is twice what a developer offered a year ago.

Said Bob O'Donnell, a former mayor: "People who bought two acres and a home 10 years ago for \$5,000 will end up getting around \$550,000 out of the deal."

The fate of the sleepy rural town was sealed when neighbouring Dallas sprawled towards Buckingham — and pushed up land values in its wake.

★ ★ ★

WALT DISNEY Productions could one day become ripe for takeover, say business analysts. But investors would be "more interested in its vast land holdings than in Mickey Mouse," reports Thomas Hayes (New York Times, Sept. 25).

Breeding ground

HIGH LAND values are forcing the ducks from the South Shore waterfront on Long Island. Duck farmers have occupied the stretch of coastal land since the late 18th century, and they now produce more than four million birds annually.

The pressure is now on the farmers to give up their prime sites and move inland. And new techniques which make it possible to breed birds without the need for close proximity to water is also encouraging the farmers to cash-in on their assets.

★ ★ ★

OKLAHOMA Cherokee Kathi Dahmple, observing the difference between Indian and European cultures, says: "To sell Manhattan to the Dutch, that was the biggest joke for the Indians! How could you possibly sell a piece of the earth? The Indian measures his wealth by how much he could give and share. That's why it was impossible for him to comprehend owning land." (New York Times, Sept. 18).

**Condensed & Summarized Property in the National Health Service, London: HMSO, £3.95.*

'DISCLOSE INFORMATION' DEMANDS

DEMANDS are mounting for more official information about the British land market.

The Royal Institution of Chartered Surveyors has pointed out that statistics relating to trends in the ownership and occupancy of agricultural land should be treated with "great caution".*

The institution now wants the Ministry of Agriculture to monitor land ownership in its annual census.

The Economist, the weekly business newspaper, went further on August 20 and advocated a new Domesday survey of all property.

The survey could be carried out by volunteers at parish level, and the results published by 1986 — the 900th anniversary of William the Conqueror's Domesday.

And the *Estates Times* (August 12) declared in an editorial that rent review negotiations were a farce —

because rental data was unreliable.

Surveyors, said the newspaper, were hampered in their job of establishing rental values by the paucity of data on comparable properties.

In Scotland, rents on first lettings, together with prices from the sale of property, are registered. The same should happen south of the border.

**Contractual Relationships in Farming*, London: RICS, 1983.

Land Baron

THE NEW York Times (September 25) identifies Howard P. Ronson as "Manhattan's Newest Land Baron".

The British businessman has driven a big wedge into New York's real estate, despite the scepticism of local dealers.

"The old New York families didn't think I would last my first deal," he says. "Now they're saying, 'We didn't want to be as big as you, anyway'?"

● **HOSPITALS: cont. from P.113**

would become a key feature in the annual accountability review process.

The notional rent would not result in annual charges for accommodation. In effect it would be a performance indicator which, when related to other relevant indicators, would show the effectiveness or otherwise of an authority's use of capital assets.

During the annual accountability review, instances of low performance would be identified, for example, where an authority's notional rent was high compared with measures of service delivery and other comparisons.

Failure to reduce the level of notional rent would be a matter for examination at a subsequent annual review. We hope that such cases would be rare and could be resolved by persuasion. If not, a form of financial penalty might be necessary."

Health authorities, says the committee, should be allowed to buy land next to their vacant properties, to enhance the resale value of their assets. But they should not be allowed to acquire land for "purely speculative purposes."

WHAT'S NEW in the post-Laffer world of economic thought? One development is a concept called "rational expectations".

"Expectations" is a term that has come into currency in recent years. In 1969 I wrote an article for *Land and Liberty* on "Black Power", pointing to the increased restlessness for improvement among American Negroes. I referred to a term used more than a century ago by Lord Macaulay in a lengthy article in the *Edinburgh Review* in which he explained that revolutions were caused by *rising expectations*.

Since then, I have seen this term used by writers on the social scene. I don't know if my article in some way caught somebody's attention and the term was picked up and passed around. I'm willing to be disabused of this idea if I learn that the expression was used in years prior to 1969! At any rate, the credit belongs to Macaulay for coining the phrase.

The "rising expectations" theme in social analysis was followed by "falling expectations". In the 1970s the idea of growth and progress did not appear compatible with economic, social and political troubles in the world. Prospects for an era of peace and prosperity were dim; the best that could be expected was to hold the line, "zero growth" was preached, recession lowered performance, "stagflation" set in, and the decline of civilization – whether by bang or whimper – was foreseen.

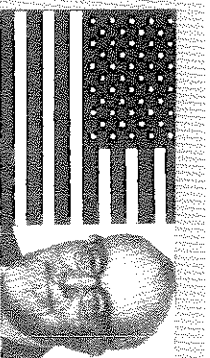
This disillusionment also harks back to the "black power" theme. At a big rally in Washington in August, Negroes and other minorities commemorated the demonstration at the same place twenty years ago when Martin Luther King Jr. gave his famous "I have a dream" speech.

Although the dream was valiantly upheld, disappointment – "falling expectations" – was widely acknowledged and persistent poverty and unemployment, especially among blacks, was noted. It will take more than speeches and rallies to solve this problem.

NOW WE HAVE "rational expectations". This is a term circulating among economists in an attempt to refine economic analysis which has not done very well either in advising or forecasting. This school of thought is outlined in the book *Rational Expectations* by Steven M. Shefflin (Cambridge University Press, 1933).

The idea, according to economist Herbert A. Simon, is to provide

The four letter word the economists forget



ROBERT CLANCY
reports from
NEW YORK

"satisfactory solutions for the real-world decision problem... unattainable optimization is sacrificed for in-practice attainable satisfaction". And since economists love to coin words and phrases, this is called *satisficing* behaviour.

"Conditional expectations" is another variation of this theme. This school notes that people make economic decisions based on the incomplete information available to them. Furthermore, their expectations involve past experience; something that happened under previous similar conditions is likely to be a guide to present decision-making. Yet Jude Wanniski could argue that the totality of decisions involves all the information available – "the world electorate is always right".

Mr. Shefflin would like to apply the theory to such a volatile institution as the stock market, but he muses: "If changes in information about dividends cannot explain movements in stock prices, what can?"

Perhaps the well-known economist, Eliot Janeway, gave the best answer. In a radio commercial for AT&T, as a final flip his "interviewer" asked: "Will the stock market go up or down?" Mr. Janeway, replied: "Yes, but not right away."

Not untypical of economists' prognostications on the economy!

Another economist, James Tobin, is quoted by Mr. Shefflin as criticizing the "rational expectations" school as follows: "They are all inspired by faith that the economy can never be far from equilibrium... With such faith the orthodox economists of the early 1930s could shut their eyes to events they knew *a priori* could not be happening... Keynes might say this is where he came in."

Yes, this is where Keynes came in – but his theories also used assumptions which eventually did not hold up.

THE "rational expectations" school concentrates on the same parameters used by most contemporary economists – interest rates, tax rates, inflation rates, money supply – so there's no breakthrough here. Not necessarily identifying with any particular school – whether Keynesian, supply-side or neo-classical – they feel that rational expectation formulas can refine economic analysis in general.

But it would seem that economic analysis needs not merely a refinement but an overhauling.

Most economists today "shut their eyes" to the influence of land, land prices, land speculation – "the power in the land". The nearest Shefflin comes to it is when he makes a passing reference to "inelastic supply". Otherwise we encounter unsatisfactory explanations that we've seen before – that supply outstrips demand, causing a recession; that labourers may prefer leisure at certain times rather than accept a prevailing wage and so we have "unemployment"; that answers lie in tinkering with interest rates, etc. (Can we speak of "irrational expectations"?)

In speaking of "expectations", economists are ignoring a big one – the expectation of a higher return for land, causing it to be held out of use or underused. With the "inelastic supply" of land, increased demand escalates its price to dizzy levels – and many who cannot afford it are forced out of business.

This is the "information" missing from the calculations of today's economists and econometricians. This is the unnoticed obstruction that is upsetting the "equilibrium" dear to economists. This is why, while puzzling over their various factors and inputs and computerized data, they always seem to miss the boat.

This is the key to the overhauling needed in economic analysis.