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# LAND AND LIBERTY

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## **SPECIAL ISSUE ON RUSSIA**

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*“People with rights to exclusive, legal possession of land have a duty to pay an annually assessed Social-Rent Charge for the resources of nature, public services and the locational benefits that give value to land, as determined under market conditions and equal to the economic rent of land.”*

The clause that 10 Georgists proposed for Russia's Land Code at a congress in Moscow on May 21st

# LAND AND LIBERTY

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## EDITORIAL

# Quest for a cure for the sick society

WESTERN governments are celebrating the re-election of Boris Yeltsin as President of Russia. We will never know whether or not the return of Communists to power would have provided the people with a breathing space to formulate a more sensible strategy for transforming their society. But we now fear that Russia is destined to a second-rate society based on the worst of two social systems. Yeltsin represents the worst of Western monopoly capitalism. But folded into that system will be the continuing malevolent influence of the bureaucratic system that was created by the Tsars.

In this special issue *Land and Liberty* reports on last-ditch efforts to redirect Russia's land policy. If the proposals that have now been placed before Parliament are incorporated into the Land Code, they would make a world of difference.

That the Russian economy is in a grave state was revealed just before the election on June 16. Federal tax revenues were down nearly 40%. Yeltsin blew a £3bn hole in revenues by trying to pay part of the backlog of wages to workers. Industrial production declined by 3% in the first quarter of this year and investment had almost stopped because of Yeltsin's pre-election bribes to the electorate. And conventional economic wisdom is incapable of defining a rational strategy to lift Russia out of the mess in which she finds herself, thanks to the "shock therapy" administered in 1992 under the influence of Western advisors.

The land-and-tax reforms outlined in the Parliamentary Centre, Moscow, on May 21 offered a comprehensive plan for halting the rot and defining the most effective way to rebuild Russia. We cannot be sure that the politicians will now see sense. Will they really prefer the blueprint of the sick society in which people in the West live?

Sick our society is, and the malaise can ultimately be traced back to the unfair and inefficient way that we use land. Take the housing sector. In Britain, poor housing kills thousands of people every year. There are 1.5m homes officially classified as "unfit for human habitation" which are occupied by people who consequently develop chronic chest disease, hypothermia, digestive problems, schizophrenia and even cancer. These are the conclusions of two recent studies. Academics commissioned by the Royal Institution of Chartered Surveyors also connect bad housing with poor performance at school and crime. A new study financed by the Rowntree Foundation links bad housing with mental illness.

Poor quality housing as a global problem was highlighted at the United Nations Habitat II conference on cities in Istanbul in June. The conference agreed to a text proposing fourteen "concrete actions that government should take in pursuit of realising adequate housing for all". But the draft text fell short of obliging governments to provide poor people with housing. The US government shied away from this for fear of facing legal action by homeless people.

The fundamental reason why hundreds of millions of people throughout the world suffer from low or no wages - and occupy poor quality shelter - is because land is either hoarded or priced beyond their means. In addition, because rent is privatised people's wages are taxed. This means we all pay twice for the public services that we need - once as rents to landowners, then the taxes to government. This is an absurd arrangement that will one day have to be eliminated if sanity is to prevail. Russia now has the option of setting the pace for rational reform.

# Georgist bid to rewrite Russia's Land Code

HORSE TRADING over Russia's Land Code has now started. The Code was rejected by 120 votes to 20 by the Council of the Federation, which represents the regions. It had been passed by the Duma on May 22 and was sent to the Council for a preliminary review on June 25. A panel of lawyers and representatives from the Duma and the Council met to examine the Code. The main political dispute is over whether to permit the buying and selling of farmland. But one of the Deputies, Dr.

Vyachislav Zvolinsky, said that he would insist on a revision of the Code based on the proposals that had been outlined at the May 21 congress which had been organised by the Duma and the London-based Land Policy Council.

Dr. Zvolinsky became angry as he opposed proposals that would privatise the rent of land. He slammed down a three-page critique of the Code, which summarised the benefits of the rent-as-public-revenue, and declared: "I am insisting on this

position."

Dr. Zvolinsky gave a lesson on the benefits of switching public finance to the rent policy. He drew a graph to explain this thesis, which had been presented to the May 21 congress by Dr. Mason Gaffney, professor of economics at the University of California.

The Code is now being referred to a Conciliation Committee composed of six representatives from each of the Duma, Council and the Federal Government.

## Land: uniting behind the third way

A GLIMPSE of what is in store for Russia surfaced in a key report to the Habitat conference in Istanbul in June. The United Nations document concluded that structural adjustment programmes imposed by the International Monetary Fund were a main reason for the deterioration in the social fabric of the world's cities. These programmes, which include the privatisation of land and natural resources, have increased poverty, homelessness and unemployment in more than 50 countries that borrowed from the IMF, reports the UN.

At a Duma congress in the Parliamentary Centre, Moscow, on May 21 my colleagues and I issued a similar warning to the Deputies who were about to give the third reading to the Land Code. We analysed the plans to privatise land and natural resources. We believe

these will drive Russia into an economic abyss.

The Land Code was passed on May 22 and has been sent to the Council of Federation. It is not expected to survive criticisms from both the socialists or the pro-IMF faction that backs Boris Yeltsin. Thus, Russia may have one last chance to pull back from the edge.

THERE IS an approach to property rights that guarantees equal treatment for everyone. This is represented by a political philosophy that has always been resisted by the all-powerful landlord class. Past advocates included Leo Tolstoy in Russia, Winston S. Churchill in Britain and Sun Yat-sen, the first president when China turned into a republic. They warned of the risks of property rights to land that excluded the majority of citizens. Their warnings

went unheeded; 1917 was one outcome.

Today, the conventional model of property rights is being foisted on Russia by the West. But the fact that the Land Code took so long to pass through the Duma is testimony to the sound instincts of the Russian people. Their gut feeling is that land is a social asset. But the Yeltsin/IMF axis, which favours the treatment of land as an exclusively private asset, is gaining the upper hand. Why? Because the consequences have not been correctly analysed. Even people who are traditionally hostile to market economics have failed to expose the major flaw in western market economics. For example, former Gosplan boss Yuri Maslukov, chairman of the Duma's economic committee and an adviser to Gennady Zyuganov, complacently stated in an interview with *The Guardian* (London) on June 1: "The

West is not imposing any models of development on us. The IMF has an elaborate group of criteria which it applies to countries like Columbia and Peru in the same way it applies them to Russia”.

Those criteria are not neutral, as Russia will now discover. Moscow will be told to apply the IMF's structural adjustment programme. And that, warned Dr. Michael Hudson on May 21, will produce an even deeper social tragedy. Dr Hudson, who has earned a living as a balance-of-payments analyst for Wall Street institutions, has studied the impact of IMF policies on countries that have fallen into its clutches. He has no doubt that the rouble will now be savagely depreciated, along with the living standards of employees, so that Russia can start to repay its debt to the IMF.

**WHY DO WE** fear the Land Code? Because it threatens the return to Russia of the landlordism that hamstringing the capitalist economy. For contemporary evidence, we do not have to look further than the financial crises that stretch from the bust of the savings & loans industry in the US (cost to the taxpayer: \$100 bn) to the collapse of the credit unions in Japan (where taxpayers are adopting civil disobedience tactics to prevent the government using their money to pay for the bust of the 1980s “bubble”). *These financial crises were generated by land speculation.*

Russia deserves better. And for historical reasons the best possible market economy *can* be erected in that country. For the Soviet Union removed that exploitative land monopoly which Churchill condemned as “the mother of all monopolies”. The pro-IMF faction in Moscow wants to restore that land monopoly. The pro-communists are no better: they want to prevent land speculation through bureaucratic and legal controls over the use of land, which are equally damaging to the efficiency of an economy in which resources need to be reallocated smoothly, quickly and for the best price that can be achieved in a competitive market..

The third option is one that harnesses the dynamics of the entrepreneurial market, maximises incentives for the individual and enshrines in gold the welfare of the community. This is achieved through *the private possession of land linked to the social sharing of the rent of land*. One benefit: abolition of the taxes on labour and capital which damage private

enterprise.

This unique equation guarantees optimum economic efficiency with social justice. It was the land-and-tax-led strategy for transforming the Soviet economy recommended to Mikhail Gorbachev: 30 American economists and property specialists put their names to the programme. Among them were three Nobel prize winners (Franco Modigliani, James Tobin and Robert Solow). No-one listened.

AT THE May 21 congress, my colleagues warned that they feared the worst if the Land Code was not amended. These are people who are not given to hysterical predictions. Among them are a former US Attorney General (Ramsey Clark), a 15-year-term judge of the English High Court (Sir Kenneth Jupp MC), three American professors of economics (Mason Gaffney, Nic Tideman and Kris Feder), a risk analyst at Fannie Mae, one of the largest US mortgage institutions which lends \$150 billion a year (Ed Dodson) and owners of urban and rural land in Britain (Ron Banks and Dr Duncan Pickard).

But they believe it is still possible to rescue Russia. All it would take is the insertion of one paragraph in the Land Code:

People with rights to exclusive, legal possession of land have a duty to pay an annually assessed Social-Rent Charge for the resources of nature, public services and the locational benefits that give value to land, as determined under market conditions and equal to the economic rent of land.

This clause is justified by the principle that people should pay for the benefits they receive. We adhere to the

principle every day in the labour, capital and consumer markets. But landowners developed power to exempt themselves: hence their ability to accumulate the vast unearned fortunes which have traditionally financed their anti-social behaviour.

By including this principle into the Land Code, three major achievements would flow to the benefit of the people of Russia.

- ⊗ Economically: by raising the bulk of public revenue from the rent of land, a new market-based development model would emerge. The people of Russia would be free to step outside the ideological prism that blinkers the IMF.
- ⊗ Ecologically: paying for the use of resources is the single most effective way to encourage people to conserve and preserve the natural habitat.
- ⊗ Socially: the people of Russia would be united once again behind a strategy for economic and social renewal.

**Nicolai Ryskov, a Prime Minister of the Soviet Union during Mikhail Gorbachev's reign as President, opened the May 21 congress. He is now leader of the Power to the People bloc of Deputies in the Duma. Welcoming delegates to the Parliamentary Centre, he said:**  
**“The problem is of extreme importance, which is why the Duma approved the conference. Land relations are a vital problem for Russia. In the history of mankind land has always been the most important issue and other problems were directly or indirectly connected with land.**  
**“We are rich in land. We can't say God did not give enough land to us. Among the reasons that resulted in the two revolutions of February and October 1917 was the fact that land relations were not solved.**  
**“In the opinion of our modern leadership we have to buy and sell land without limitations. But those who are dealing with land have a different opinion. They say that the free buying and selling of land will cause problems in the country, so it is possible to say that society is divided into two parts because of the land problem.**  
**“There is not one approach only. The fact that they haven't started to buy and sell land is because there is strong resistance from the population. We do know history, how our former generations were dealing with the land. But of course we would like to know the position of our experts and foreign specialists who have come today.”**  
**He said that there were different approaches to the land policy in the Duma. While according the most important role to their specialists, he said that it would be silly to neglect an understanding of the foreign experience.**

# LAND RIGHTS: AN APPEAL TO THE PEOPLE OF RUSSIA

RUSSIA'S Duma held a congress in Moscow on May 21 to analyse current problems of land policy. Ten Georgists from Britain and the United States presented an alternative strategy to the one proposed in the Land Code, which received its third reading on May 22. The Land Code was sent to the upper house, the Council of Federation - which is composed of representatives from all the republics - where it was subjected to analysis partly based on the Georgist critique.

The May 21 congress issued an appeal to the President, Parliament and People of Russia. This outlined the three options on land policy: the "liberal" proposals advocated by the West, the socialist proposals for greater control over land use through the law, and the market-and-public-finance model advocated by the Georgists. The Georgists produced an 8-paragraph statement that was included in the appeal, which is reproduced in full below:

1. The references to property rights to land in the Constitution and the Civil Code were prepared without giving sufficient consideration to the effects on the people of Russia. The Duma and Federal Government should unite to study the social and economic consequences that would follow the privatisation of land.
2. The law must promote and protect the private possession of land. Private possession ranges from the individual possessor (homeowner, businessman or farmer) to group forms of possession, such as co-operatives. But the distribution of land should be fair between every citizen in society. While the Duma and government are enquiring into the effects of land privatisation, it is possible to establish property rights under the leasehold system which would enable people to live and work on the land without creating social or economic problems. Leases - for land in both towns and countryside - enable people to

establish enterprises without the risk to their capital when the law on privatisation of property rights is completed. Leases also ensure that we do not prejudice the long term interests of all citizens to a fair share of their birthright - the land of Russia.

3. The rent of land is a social income. It is not created by the individual users or possessors of land. Rent measures the benefits that are enjoyed by people or enterprises who occupy land. The right to the secure legal possession of land should be matched by a corresponding duty to society. This means that whoever enjoys the resources of nature, public services and the locational benefits that give value to land ought to pay an annually assessed Social-Rent Charge determined under market conditions and equal to what market economists call the economic rent of land.
4. The revenue from the Social-Rent Charge would enable the government to reduce the damaging taxes on profits and wages. By this means the real living standards of workers would begin to rise. And everybody would enjoy a direct financial stake in the value of the land and natural resources of Russia. This would unite them behind a common programme of economic renewal that is to everybody's benefit. By this means Russia creates a community united in prosperity rather than divided by the class structure of the West.
5. The market pricing mechanism is necessary to measure rent correctly. This mechanism, when linked to the Social-Rent Charge, unites the social and ecological environments of the community for the benefit of the individual and of the community. The principle of paying for the use of land is fair to everybody. It is also the mechanism to ration the use of finite resources, for the pricing mechanism forces users to think carefully before

exploiting land and natural resources. This helps to conserve the ecological environment. If the pricing mechanism operates in a correctly structured market, it functions in harmony with the laws that serve the social interest such as town planning.

6. Everyone is entitled to an equal share of the rent that stems directly from the benefits provided by nature. Although the advantages of nature vary from one location to another, this problem is solved by giving every citizen the same Basic Income out of the rent collected by society. This income can be set against the Social-Rent Charge that is paid for possessing land. People whose Social-Rent Charge is less than the Basic Income would receive the difference as cash. The Basic Income would ensure that all persons in all generations could afford to possess land.
7. Communities should be free to decide what public services and infrastructure they want, and finance these expenditures from the increases in rent that they generate. Having the responsibility to pay the costs of their decisions would encourage communities to evaluate carefully whether the benefits exceed the costs.
8. By adopting these proposals, the people of Russia would prevent land monopolists from re-emerging with the destructive power to manipulate society for their anti-social benefit. We stress that the correct solution must be adopted at the start of the new social system: otherwise, the new class of land monopolists - either of the market or the bureaucratic kind - will build the power to prevent corrective reforms in the future. The lessons from history, from current social conditions in the West, and from economic theory, make it clear that there is one correct solution only: the one that links property rights and public finance to produce a free and fair society and efficient economy.

# THE BEST OF BOTH WORLDS!

IT IS FALSE to claim that Russia had to choose between "common rights" and the "free market", according to speakers at the Moscow Congress on Land Policy on May 21. It was possible to enjoy the benefits of both, by marrying the private possession of land with the social sharing of the rent of land.

A booklet containing the abstracts of the speeches by the foreign specialists in economics, public finance and property rights was published in Russian and provided free to the participants, who included representatives from city and regional governments from as far afield as Siberia. The booklet is being circulated in the Duma and the upper house, the Council of Representatives.

The one contribution that was not published was by Ramsey Clark, a New York lawyer who was the US Attorney General during the presidency of Lyndon Johnson. The paper did not arrive in time for publication. Mr Clark, who made the

opening speech on behalf of the foreign experts, received an ovation from the audience after he appealed to them not to make the mistakes that blot the history of European and North American countries. His paper was translated and circulated among the leading politicians who attended the congress in the Parliamentary Centre.

Mr. Clark's paper, published as the *Land & Liberty Essay* in this issue, will appear in the book that will now be published in Moscow based on the proceedings of the congress. The book will include the speeches from speakers from the Russian Academy of Sciences and the speakers from two of the blocs of deputies in the Duma: the agrarian and the Power to the People blocs, whose leaders had applied to the Duma for permission to stage the conference on behalf of Fred Harrison of the Land Policy Council, London, and Dr. Vyachislav Zvolinsky, the deputy chairman of the Duma's natural

resources committee.

The British and US speakers were:

**Ronald Banks**, "A Real Estate Market: The Russian Model"

**Edward J. Dodson**, "Traps in the Land-and-Finance System"

**Dr. Kris Feder**, "Optimal Land and Tax Policies for Success in the Global Markets"

**Dr. Mason Gaffney**, "Land Rent in a Tax-free Society"

**Fred Harrison**, "Political and Economic Consequences of the Privatisation of Land Rent"

**Dr. Michael Hudson**, "Privatising the Income from Land will depreciate the Rouble and Workers' Wages"

**Sir Kenneth Jupp**, "Land Law & the Constitution in a Civilised Society"

**Dr. Duncan Pickard**, "Land Policies as Tools for Transformation of the Agricultural Sector"

**Dr. Nicolaus Tideman**, "Farm Land Rent and the Renewal of Rural Society: the Self-financing model"

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# Privatization and Poverty

Ramsey Clark

RAMSEY CLARK was the Assistant Attorney General of the United States in charge of the Lands Division from 1961 to 1965.

His responsibilities included all litigation throughout the U.S. involving federal lands and related resources, including water and air; land-based federal programs such as irrigation, hydro-electric power, highway systems, public housing; wilderness areas, National Parks and Forests; military bases and land holdings; federal acquisition of private lands and improvements; Indian lands and reservations and the scope and authority of Indian law and Indian land claims and environmental protection.

He was appointed US Attorney General under President Lyndon Johnson, an office he held until 1969. This essay is based on a paper presented to the Moscow Congress on Land Policy organised by the State Duma of the Russian Federation and the Land Policy Council, London, on May 21.

**B**ecause of the broad sweep of my subject, only generalizations and a few illustrations are possible. I believe direct analogies between the experiences of different cultures and societies are dangerous and where meaningful, require careful detailed analysis. But some important principles of general application can be identified. If these are carefully considered in a different cultural and economic context, they can be useful.

When European settlers first arrived in North America, Indians occupied major parts of the continent and traversed most of it. Lands were taken from Indians by force. Treaties were made by which Indians were removed to more western areas not yet reached by European-American settlers. Tribes were moved time and again, always to less desirable lands, usually in remote more western parts of the country.

*Every treaty over lands and reservations between the U.S. and Indian tribes has been violated by the U.S.*

With few exceptions, Indian lands today are extremely poor with little

agricultural, grazing, or other use. Nearly always any minerals, mining, or other valuable material resources, including water rights, have been taken, forcing the Indians to a subsistence level.

When public reactions to the injustices done to Indian peoples caused Congress to enact laws protecting Indian lands and rights, powerful interests have found ways to evade them. Typical is legislation which prohibited any land in the Crow reservation in Montana from being sold to non-Crows. *Non-Indian ranchers and others had soon leased most of the best farming, grazing, timber and other usable lands for 99 years for insignificant annual rentals*, leaving the Indians with land of poor quality. The cost and time consumed in breaking the leases further disillusioned the Indians.

By a number of Congressional acts, the U.S. moved to extinguish all Indian land claims throughout the contiguous 48 states. This culminated in the Indian Claims Acts of 1946, which gave Indian tribes and groups the right to sue for compensation on the basis of the value of the land at the time they were

dispossessed. The Indians had lost an entire continent, and they were left with poor land on reservations and expensive hostile litigation to secure small compensation. Two cases illustrate the outcome.

⊙ The Indians of California were authorized to sue for the value of the more than 80% of the present state of California which they possessed in 1853. The case was settled for about \$27,000,000 in 1963. This was less than 35 cents per acre and less than half a week's wages for each of the enrolled Indians of California. This was the largest such payment ever made for Indian land claims. At that time 49% of the land in California was still owned by the federal government and was worth many billions of dollars.

⊙ In 1971, Congress enacted the Alaska Natives Claims Act which compensated Alaskan Indians, Eskimos and Aleut people living in the Aleutian island chain \$1,000,000,000 in cash, half paid out over 10 years plus 40 million acres of land. At the time, nearly 99% of

all land in Alaska was owned by the government. This legislation occurred just after the discovery and leasing of oil at Prudhoe Bay in the Arctic Sea for which oil companies paid in advance nearly \$1,000,000,000 for lease rights, before any oil production. The forty million acres has protected Indian land title for the nearly 100 Native villages which contain in total less than 1% of the forty million acres, but that land has little value. Most of the rest of the native land has limited natural resource value. The land was made tax free for twenty years only. Since 1992 all of the land is at risk of being lost for failure to pay taxes and most regional Native organizations are bankrupt. This settlement, in which I was general counsel for the Alaskan Natives, was larger in dollars and land area than all prior Indian land settlements combined. The U.S. purchased Alaska from Russia in 1867 for \$7,200,000.

*The lesson: a political and legal system designed to favour land exploiters will always enable the rich to take the land of the poor.*

Different parts of the U.S. have different land ownership histories. The original states were formerly 13 British colonies. The land was given to Royal favourites, all rich Englishmen, or groups otherwise able to colonize and develop the land granted. Thus nearly all the land in the original states in 1789, when the U.S. Constitution was ratified, was already in private ownership.

Florida and Louisiana were acquired early in the 19th century through military pressure, population pressure and purchase. The U.S. government acquired title to most of the land, the remainder having passed into private hands through prior sovereignties.

Texas was acquired by annexation in 1845 after U.S. immigrants there had taken it from Mexico by force in 1836.

*The U.S. wanted sovereignty, territory for the expansion of slavery and looked to stretch across the continent to the Pacific.*

The northern segment of the 48 contiguous states was filled out by the Oregon Treaty of 1846 which

established the U.S. boundary with Canada in the west to the Pacific at the 49th parallel north latitude. After the Mexican War, and debating whether to take all of Mexico, the U.S. took California, Arizona, New Mexico, and parts of Nevada, Utah and Colorado in the Treaty of Guadalupe-Hidalgo in 1848.

In addition to sovereignty, the vast majority of land ownership under both the treaty with Mexico and the treaty with Canada was transferred to the U.S. government. Only small modifications in the US borders have since been made.

Having acquired an empire, the purpose became its disposal, development, use and exploitation. Generally public lands remained public until some profit, however speculative, seemed possible from private ownership. Once in private ownership the lands are used, or exploited until profits no longer are possible. When this time comes lands are abandoned no matter how ravaged or hazardous they may be.

Vast land grants were made over a period of decades to railroads that were usually owned by wealthy capitalists. A common grant in addition to the right of way for tracks was to permit the railroad to choose one, sometimes two, or more, sections containing 640 acres of land from each township through which it passed to which it was given title. A section is one square mile. A township is a six mile square containing 36 sections. The railroads chose the most valuable sections. In time, railroads discontinued most passenger traffic for which the land grants were made. The country was left with little rail passenger capacity as its population grew. This helped stimulate demand for highway construction, automobile manufacture and gasoline production. The major assets of most western railroads by the mid-twentieth century were the lands given them from the public domain for passenger service they no longer provided at a time it was needed most. The land grants became worth billions of dollars in minerals, timber, other resources and their development value.

*Nearly all public land policy has been intended to benefit powerful*

*economic interests that are able to secure legislation from the Congress to enrich them at the expense of the people.*

Mining, oil leasing, grazing, timber cutting, water rights, farming and other profitable uses of the vast but shrinking public domain of the U.S. have been and still are given to wealthy individuals and corporations for a minor fraction of their value, often virtually free by federal statutes and regulations.

*These grants benefit the rich and powerful, who often degrade and waste the resources, pollute the environment and leave the areas poorer, the resources depleted, the environment less healthy and the natural beauty diminished.*

Laws that were supposed to protect the public domain for future generations, to assure beneficial uses and development of public lands, to assure just compensation for federal lands and resources granted to private interests and to provide the poor family and individuals an equal opportunity to share in the distribution of public property have nearly always been subverted to enrich the rich.

Among many illustrations is the Reclamation Act of 1903. The federal government was to spend many hundreds of billions of dollars on development projects in the public land states of the west. It realized that land uses and values in project areas would be radically changed. Major dams, most with multiple purposes such as hydro-electric power, navigation, water storage and conservation, flood control, irrigation and recreation, would make virtually unusable desert and mountain lands invaluable.

*With road access, water and electricity available, land not worth \$10 per acre became worth \$1000 per acre and soon much more.*

All the expenses of the projects were paid by the public. Most of the land was public. A treasure was available for the people and their future.

To create the appearance of sharing, Congress placed a 160 acre limitation on the amount of land on which a family could use project water for irrigation. Obviously the poor family could be very comfortable and become rich on 160



acres of irrigated land. But the law never protected the small family farmer. Virtually all the Reclamation Act lands were concentrated in the large land holdings of corporations and rich families. Huge fortunes were made. For example, the family which owned the Los Angeles Times media conglomerate also owned more than 60,000 acres in one tract, El Tejon, which was worth tens of millions of dollars with irrigation rights. The son of another even larger land barony became Secretary of the Army.

*The poor were driven off the land into urban slums, or subsistence life in shanties along the rivers.*

Vast fortunes were accumulated in a few hands from lands originally belonging to all the people from mining, oil production, grazing, unregulated cutting of public forest lands. As resources were depleted and the land ravaged and polluted, small towns, often company-owned towns, became ghost towns as jobs disappeared and workers moved on to the cities.

Those enriched by the public lands dominated local and state politics, elected representatives and Senators to the U.S. Congress and prolonged their domination of the national inheritance. This is a part of the plutocracy that controls America and makes our democracy of limited power.

Not all federal land law and policy served only powerful economic interests originally. Two important grants of land were authorized in 1862 by Civil War legislation that was concerned with post-war development. They were the Land Grant College and the Homestead acts.

Over 13,000,000 acres of Public Lands were given to the states to establish and support state colleges and universities to provide higher education for their citizens, particularly the poor who could not afford higher education. They emphasized agricultural and mechanical courses. These colleges, established by major land grants, have provided college educations for millions of Americans.

Today many of these land grant colleges are among the best and largest universities and research facilities in the

country. They are public and state controlled. They now charge high tuition fees, compete for military research contracts, provide military officer training and are no longer distinguishable from other public and private higher education. The poor have great difficulty meeting their admission requirements and paying tuition.

The Homestead Act offered undeveloped 160-acre tracts from the public domain set aside for the purpose to any American family provided that they homestead and use the land. These tracts had no utilities such as transported water, or roads, or of course, electricity, gas or telephone service. The Act was in part an extension of an earlier American ideal shared by people like Thomas Jefferson of a nation of small farmers. The Act led to some corruption and false claims, but it did provide many American families an opportunity to start a hard and risky life in undeveloped areas where home building, dry land farming and livestock grazing were possible. Many thousands of those capable of taking advantage of it benefited. Few traces of those benefits can be found today. Former African-American slaves were never able to participate. They remained largely tied to the lands their fathers worked as slaves under conditions often no better, usually on a share crop basis where they did all the work and could barely subsist while the land owner reaped the benefit of their labour.

Soon land monopolization, farm mechanization and later agribusiness drove the small farmer and share cropper off the land. In 1900, half the American labor force worked in agriculture. Today farm labor is about 5% of all labor. Of all the revolutionary changes in American life this has had the greatest effect, for better and for worse.

No ideology, whether that of a nation of small farmers, or communal farming, can long withstand physical, economic and social truths. There is greater efficiency and higher productivity in high technology, large-tract farming, along with a greater chance to prevent the harmful use of soil. Poverty farming on small tracts is a hard and often miserable, lonely and socially deprived life. It will always be hard "to keep the

boy on the farm after he had seen Paree," as the American song says. But corporate agribusiness has rarely hesitated to deprive the poor of bread, children of milk, sell unwholesome products, or charge excessive prices where it was more profitable to do so. It is a cruel master at home. It destroys lives and cultures in poor nations.

Corn producing, selling and consuming Mayan Indians, a million people in Chiapas, Mexico, were forced to revolt as they did the day NAFTA became law on January 1, 1994. The alternative for them was to see their culture die. For most of their cash came from the sale of corn. The cash was essential to sustain their Mayan way of life. The day NAFTA became effective corn prices in Mexico dropped 40% as trucks from the U.S. poured across the border with agribusiness corn from Kansas, Nebraska and Iowa.

Major farm producers are rich and powerful. U.S. food production is enormous and capable of more, but only at declining profit. A prime result of the agricultural revolution is urbanization with all its comforts, cultural and social advantages, efficiencies and potentials, but also crueller impoverishment of millions, slums, educational deterioration, family breakdown, pollution, violence, crime, sky scrapers and land barons.

A major international calamity is occurring from agricultural development caused by U.S. agricultural export-import policy enforced through treaties like GATT and NAFTA. These make poor countries, Arab oil rich countries, and others dependent on food importation from the U.S. and other rich producers and therefore extremely vulnerable to foreign coercion and the threat of economic sanctions. The sovereignty of a country largely dependant on imports for basic foods is never solid, or secure. This export-import policy combined with arable land monopolies in most poor countries, causes even nations with highest levels of malnutrition to produce export crops such as sugar, coffee, bananas and tropical fruits for rich countries, often through operations by foreign agribusiness, instead of needed

food for their people. This is how the rich landowner makes the most money. Agribusiness drives the poor off the land to urban poverty where their labor can be exploited by foreign textile manufacturing and other industries for 1/20th of the minimum wage in the U.S. The urban poor cannot even find land for small gardens to feed their families. Their exploitation is complete.

Over a period of decades, lands from the public domain in the U.S. were placed in wonderful National Parks, National Forests, Recreational and Wilderness areas. But the pressures of those economic interests that wanted to accumulate rental income from land and natural resources have eroded and endangered those National Parks.

Various devices are used to achieve this.

- ⊙ The lands are burdened with user fees which exclude the poor.
- ⊙ Privatization of services within the parks.
- ⊙ Most damaging: constant demands for inconsistent uses to enrich private mining, grazing, timber and commercial interests.

The boundaries of the parks often shrink but rarely expand. Air and water pollution, overuse, adjacent development, the decline of wildlife and the endangerment of species will destroy these precious resources unless the desire to exploit yields to a spirit of preservation for future generations.

Industrial sites, commercial properties and residential land are overwhelmingly private in the U.S. Because of the power which stems from land ownership, landlords and slumlords exert vast unjust, arbitrary influence over the development, use and government policies in urban life and over the lives of the poor. These are only some of the consequences of this private ownership of land:

- ⊙ The U.S. government has spent more on new prison construction in the past 15 years than it has on public housing, even though there are some millions homeless in America and prisons manufacture more crime.
- ⊙ Land pollution.

⊙ Growing concentration of wealth in the hands of the few, with fortunes made on land speculations and monopolies.

⊙ Increased costs of production and the provision of wholesale and retail services because of increases in rent and interest payments.

Today in the U.S., the richest 1% of the population own more than 45% of all non-residential real property. The top 1% own 37% of all assets, including 49% of all publicly held corporate stock.

We can now identify some of the general lessons that can be drawn from this history of land policy and private land ownership in the U.S.

1. The command to acquire - a central principle of the 19th century capitalist economy as it first evolved in Western Europe - when aligned with the privatisation of the rental value of land and natural resources, completely subverted or generally eroded every land policy, law and regulation that was designed to protect the public and the millions living in poverty.

The present U.S. political, legal and economic system will always enable the rich to take the land from the poor. A result is the vast concentration of land and related resources in wealthy families and corporations, the greatest disparity between the rich and the poor of any of the 25 richest nations, and a growing income gap between rich and poor. Over the past 15 years, real income has declined for the majority of the population while income for the richest 1% has increased radically. This concentration of wealth makes democracy a minor entertainment. The plutocracy controls.

2. Public ownership of land is best for the people. If there is an exception, it is in residential housing, including vacation homes or dachas. There, the private ownership of the right to sell or rent housing structures - but not the land itself - appears to generally lead to better upkeep and improvement. In the U.S. this has often been the major means of saving and a principle resource of

economic security for middle income families.

*These apparent benefits involve a society where health care, hospital, unemployment, social security and retirement protection is non-existent for many and inadequate for most.*

Home foreclosures and losses, which are an inescapable part of private ownership and mortgage financing, are human and family disasters, however. Still, communities, families and individuals need security including security in the use of property as a basic element of economic justice and stability. Some rights of possession, not necessarily land ownership, and family inheritance of homes and dachas would seem important. The right to sell, or rent such rights to one home and one dacha might be a good policy.

3. Privatization of public lands has nearly always profited the rich and deprived the public of assets. It is the poor who suffer most. Privatization and impoverishment go hand in hand. Capitalism and colonialism have always relied on large private land monopolies.

*Privatization is usually a form of grand larceny, taking from the people and giving to the wealthy.*

What Americans call their national heritage, their public lands and resources, have generally met this fate. The privateer, interested in profit, will abandon the property when it is exploited, or use it to increase his economic power if its value grows, further dominating the lives of the poor, socially, economically and politically. At risk of privatization today in America are not only our public lands, facilities such as airports, and vital services such as public rail, subway and bus transportation, water supply, garbage disposal, but our schools, police protection, social security, public hospitals, government medicaid and medicare, even prison operations, to name a few.

The last eight years in eastern Europe and Republics of the Soviet Union have seen the threat to jobs, transportation, schools, health systems, homes and government services from foreign

capital which will only squeeze out cash and profit, interfere in self-government, and remove assets, or abandon them once they lose their value or ability to generate profit. Third World countries are under enormous pressure to privatize, which will leave them hostage to foreign capital, as does foreign debt, and without essential government services.

4. Western-style capitalism is inherently at war with publicly-owned lands and related resources that are - or ought to be - utilized for the common good. It is inherently at war with the environment because environmental protection costs money and reduces profits. It is at war with the poor at home and in poor nations.

5. Rigid ideology and hypocrisy concerning public policy are dangerous to the beneficial use of land. Major economic, demographic, social and political dynamics must always be addressed. New ways, free of doctrine or a desire to deceive, can be found to create a land policy which is best for the people of the Russian Federation. My advice would be to be flexible, resist foreign influences including foreign capital, the demands of international banking which have further impoverished and indebted the Third World and other recipients of their loans and programs. Find new forms of protecting the public ownership and interest in all the land that best serves the people.

*Start with the assumption that public ownership of land is best and accept variations only to meet clear and important common needs of the people.*

The people of Russia ought not to succumb to the western ideology that all development and consumption is progress for the good. That assumption is the principle cause for the ravaging of the earth and its environment, the excessive consumerism of societies, the conflict, militarism and violence that dominates the planet today.

## BOOK REVIEW

# Land, culture and psychology linked by land policy

## *Land of Freedom*

Fred Harrison

Land Policy Council, London, £3.00.

There is a wisdom about this booklet that belies its small size. It presents a penetrating, enlightening and heartening analysis of the problems affecting Russia, and reflects how the President must help the people renew their links with land. Like Russia there are western societies who have also suffered an identity crisis, cut off as their people are, from a proper relationship with land. Yet their leaders do not think to consider that the role of land could be the cause - and the cure - of their many problems.

The author, Fred Harrison, is well known to readers of *Land and Liberty* who appreciate that it is his love of morality and land economics that mark him out and put a stamp on everything he writes. The nature of the challenge in Russia today is clearly and patiently set out, and the solution stated. The philosophy of freedom, he writes, must not entail a rejection of, or domination over, nature. Freedom must be defined in terms of our ability to liberate nature and therefore ourselves, in the quest for self-realisation through a peaceful and prosperous community. In the new Russia the people who occupy land should pay the full rental value to the community, the revenue would then return to the people in benefits received. Thus the debt to nature would be discharged.

Between 1993-5 Harrison researched widely in Russia, conducting numerous interviews with many people, many of whom expressing the wish to enjoy a revival of their culture.

Harrison wades in to make clear the roots of Russian traditions, from the first Romanov who came to power in the 17th century: Mikhail Romanov convened in 1613 a national body, the Assembly of the Land, but it was to be short lived.

By 1645, the second Romanov (Alexis) abolished these land-related institutions in favour of centralised bureaucratic control, the model that has lasted 300 years. So it is that with the exploitation of the people has come the enslaving of the land - the policy inspired by European influence and mainly used to finance military adventures. Later Peter the Great added his destructive influence and raised taxes to ruinous levels.

Today the author warns the Russian people about allowing others to define their national identity for them; they must question whether western institutions and laws are today consistent with their own psychology and ecology, and in particular whether the set of property rights which relate people to each other and to the natural environment will bring that elusive freedom. In 1992 Harrison became a Consultant to Russia's Ministry of Construction. Representatives of no less than 100 member-cities of the Union of Russian Cities endorsed the fiscal strategy described in this essay. He has worked with municipal governments to develop a distinctively Russian solution to the controversial problem of property rights, rejecting the Western model of public finance. It is, he makes clear, inappropriate both for the people of Russian and, indeed, for people everywhere.

His chapter on The Paying-for-Benefits principle is required reading for anyone seeking to give a moral lead on public issues today; Harrison casts a beacon of light on how Russia might yet turn from national depression and gloom to restore herself in the great business of living.

JULIA BASTIAN

# *Claims to the possession of Land The Law and Practice (Third Edition)*

Phillip Walter and James Harris

Tolley Publishing Company, Croydon, Surrey, £125.00

The expressed intention of this book is to be of equal value to landowners making possession claims and to tenants or other occupiers resisting such claims. But it is very much a practitioner's book. Its 930 pp (667 of text and 257 of Forms) is a comprehensive survey of all you need know about the subject. A carefully prepared index of 34 pages fails to make the thousand page mark. Add the tables of Contents, Cases, Practice Directions, Statutes, Supreme and County Court Rules, and other Regulations and Orders, and the mark is exceeded by 62pp.

The general reader would be daunted by its complexity; but this is not the fault of the authors. It is the fault of the law. Indeed the authors have done a wonderful job in bringing the complexity into recognizable shape as far as is possible. Their first sentence says it all. "The history of possession goes back as far as the law itself, and reveals a wayward tendency for each method for the recovery of land to become more and more complicated." The general reader, if he ever ventured upon such a book, would be anxious to discover the reasons for this in history. But very wisely the authors devote only a couple of pages to history without going into underlying reasons.

In one respect, however, the book could be a useful reference book for readers of *Land and Liberty*. In its later pages it gives a short history of the attempts by Parliament in the present century to do something about the law of Landlord and Tenant, and the unfortunate side effects which have always resulted. The Rent and Mortgage Restriction Acts, for example began their ill-fated career in 1915. "From those very modest beginnings has grown a statutory code of formidable difficulty" ... [then quoting Sir Robert Megarry, the former Vice-Chancellor] ... "Anybody could be forgiven for making a mistake about the hasty and ill-considered language of this chaotic series of Acts the horrors of which are hastening many of the judges to a grave", but the standard of drafting for the new statutory creation, the Assured Tenancy, is no better.

That is not the end by any means of interference by parliamentary legislation. Agricultural tenancies, agricultural tied cottages, business tenancies, long

residential leaseholds, secure tenancies, are all protected. All the foregoing can be ascertained simply by reading the Introduction. To discover the evil results in economic and social terms, one has to go to the appropriate places in the later chapters. Again by way of example, on p294 appears a comment that "It was found that restraining the rent that the landlord could charge, coupled with the granting tenure to the tenant of the necessary security of tenure, landlords less willing to let". One would have thought this could have been foreseen by our legislators! "Variants of the Rent Acts appeared (for example, the 'restricted contract' and the protected shorthold tenancy) which allowed landlords to let on more favourable terms (see pages 40 and 297); and there were experimental systems (see Appendix 6 for ss 56-58 HA 1980) which have now fallen by the wayside".

Perhaps this last citation gives some idea of the comprehensiveness of the book, and its thoroughness, as well as its competent cross-referencing. Two pages later there is a more extensive peep at the economic consequences of this ridiculous course of legislation.

In order to understand why the government wants high rents, the reader is invited to look very briefly at some figures which illustrate the point. Suppose, for example, that X, a private sector landlord, can borrow £50,000 to buy and rent out a property (at an interest cost of say 115%, being £7,500 a year). For that £50,000 X can buy a flat in outer London or a small house outside the commuter belt. In order to repay the interest alone, X has to pay a rent of at least £7,500 a year, equal to about £150 a week - which makes no provision for paying off capital, repairs or insurance. Nor is there any provision to cover the risk that the tenant will decamp with arrears of rent leaving behind him unrepaired damage to the premises. If the landlord is not able to recover at least that order of rent from the tenant, the investment is a bad use of capital; he is unlikely to wish to rent out property as a business, and if he is burdened with a sitting tenant, his financial interests are served by trying to remove the tenant with a view to selling the premises with vacant possession. A weekly rent of £150

per week is far above the "fair rent" payable under a Rent Act or R(Ag)A 1976 occupation and considerably in excess of the rent which is asked under a secure tenancy.

Under the regime of assured tenancies rents have risen to near the level required to return the investment. There is now more property available for rent. On the other hand, as the example shows, a rent sufficient to make it worthwhile for the landlord to let is beyond the reach of many people on low incomes, including some in employment.

Resort to the welfare state and the unfortunate taxpayer is here combined with a refusal to allow the necessary expenditure. Readers of *Land and Liberty* can make their own judgement on this and other absurd contradictions. This is by no means the only little gem of this kind illustrating the futility of letting parliament interfere with a market they have made no effort to understand.

It clearly requires investigation by some small body of people versed in the philosophy of land who understand thoroughly the distinctions between land and the buildings on it, and the land and buildings together - the hereditament. It would help of course if they also knew how lands differ in value and why, and who is the proper recipient of ground rent. With that qualification the writers of this book should be the first to be recruited.

There are a number of similar little insights. Remarking on the profusion of compulsory purchase legislation, (p625) we are reminded that "the enabling powers are all statutory and they neatly illustrate an important feature of English law, namely that a freehold is not an absolute title". This truth ought to be more widely realized. Then "the number of [these] statutory provisions to acquire land compulsorily must be counted in thousands". Again, "with [their] aid everything from a bus shelter to the Channel tunnel can be located to best and most economic effect without fear of obstruction by private landowners." A certain wry humour here, as elsewhere, peeps through. The Land owner can object, but if he is unable to stop the compulsory purchase, he is entitled to receive compensation.

The ordinary reader would not want to have to search through this impressive tome just to find these and many similar interesting little bits. This is a practitioner's book, and a most useful one. *Claims for possession* have for many years been a lucrative field for a large number of lawyers. Without this sort of book it is a minefield. The lawyers should be grateful to the authors and to the publishers.

KENNETH JUPP