

THE MAY 1968 issue of *Harper's* magazine, a U.S. quality journal, contains the most fascinating and informative account of land development and speculation I have come across since the problem was the subject of a survey conducted by the Time-Life periodical *House & Home* in 1960.

Entitled "America's Land Boom, 1968," this absorbing article consists of eight pages in which are recounted such facts and figures as would make the legendary Croesus turn green with envy. Avarice is a virtue when considered against the fortunes that have been made out of the U.S. land boom. As an appetiser, author Daniel M. Friedenberg, described as the president of several real-estate corporations, cites as an example Miami Beach, where "in 1920 the assessed valuation of all real property was only \$225,000. By 1925 permits for construction had been issued amounting to over \$17 million. Today (i.e., 1968) there are individual estates on small islands in Biscayne Bay—such as those of Norman Woolworth of the five and ten cent stores and William McKnight of Scotch Tape—valued at a million dollars apiece."

Another world war and Florida real estate showed a clean pair of heels to the early speculation, and a classic example of landlordism was demonstrated by the case of Arthur Vining Davis, who after retiring as chairman of Alcoa, decided to make some real money out of the lush pickings of the South Florida real estate. According to Friedenberg, "When Davis died at the age of ninety-five in 1962, he owned one-eighth of Dade County, shopping centres, and ocean-front property in Miami and Saracosta. He was considered the fifth richest man in the U.S., with a fortune estimated at some \$350 million." As the author points out, "Davis was only one of many," and the fortunes made by such men are described as making the profits realised by those nineteenth century giants John Jacob Astor and Marshall Field "look petty by comparison."

Farm land, slum land, the downtown areas of cities, all have benefited by the boom, average prices since 1945 have risen threefold. In recent years the principal El Dorado for speculators has been California. San Francisco land prices come second only to those prevailing in New York, the price of suburban land having risen at an annual rate of \$800 an acre. In this part of the world the speculator has not waited until retirement before moving in, a prime example of a "young generation" operator being one Arthur Carlsberg, not yet thirty-five, who speculated in farm land in Southern California and has so far netted himself a cool \$5 million "by buying outlying farm land for sub-division."

Carlsberg's activities, however, are rated as peanuts compared with those of a female contemporary. Of the same age as Carlsberg is Joan Irvine, principal heiress of a ranch "welded out of three Spanish land grants—some 138 square miles, reaching from the Pacific Ocean to the Santa Ana Mountains south of Los Angeles," and described by Friedenberg as being probably "the world's most valuable remaining feudal fief." Apparently no more than a "dreary waste," a few years ago, it is thought

Beyond the of A

NICHOLAS

probable that it would now realise half a billion dollars if sold intact—"and twice that if liquidated piece-meal."

The author's account is backed up with impressive population statistics which bring home what Georgists have all along tried to demonstrate. The people make land values, not speculators. In Phoenix, Arizona, where 30 per cent of the land within the city limits is held by speculators, population increased from 107,000 in 1950 to 439,000 in 1960, and the expectation is that by 1980 there will be a million people living there. A New Mexico broker claims in his brochure that land in Albuquerque has increased in value by an annual average of 25 per cent. For population growth, Tucson is the real eye-opener. In 1946 there were a mere 46,000 persons; by 1961 a modest 250,000 and by the 1970s it is expected that there will be some two million people living there. Any guesses what the value of land will be by then?

While we are still in this part of the U.S.A., we might consider the interesting story of Thomas E. Hull who built himself a hotel between Salt Lake City and California in 1941 near the then small Nevada town of Las Vegas. You may have heard of it since then. At that time it had a population of only 8,000. Hull bought fifty-seven acres at \$100 an acre. Since building his hotel he has had his land valued and was informed that it was worth over \$5 million in 1961. Nevada, having no state income tax or inheritance tax, has attracted the attention of eccentric multi-millionaire Howard Hughes, who has sunk some \$40 million in cash to get his hands on four Las Vegas casino hotels and is said to be set on buying up the remainder of the city. Perhaps he is not so eccentric after all!

Hawaii is described by Friedenberg as resembling a feudal barony rather than a State of the Union. Half of it is owned by some sixty large land owners, said to be "closely knit families who pre-empted the best land when America took over the land group." Before Hawaii became a State, land around Honolulu sold for \$1,200 an acre; since then, i.e., within a ten year period, it has shot up to \$20,000 an acre.

On the East Coast, population increases have yielded the same rich harvest of dollars to the landlord. For example, between 1953 and 1963 the population of Long Island's Nassau County soared from 700,000 to 1,500,000. Staten Island, which some fifteen years ago contained no more than 3 per cent of New York's population, has seen its population double in the wake of the construction of the Verrazano Narrows bridge linking it with Brooklyn. This increase took place in less than five years and land values have risen a minimum of 400 per cent in less than

ne Dreams varice

S BILITCH

two years. On the same island, farms which sold for \$3,000 to \$6,000 an acre in 1959 went up to \$20,000 to \$30,000 an acre.

Under the heading, "What Creates Land Values," the author correctly draws attention to the fact that the value that attaches to land arises from "factors quite extraneous to it," giving as examples "the construction of nearby roads, bridges, railroad sidings, or jet airports." Cited as an example is Cape Kennedy, where a particular tract of land was sold three times in as many years, during the first year for \$500 an acre, next year at \$1,250 per acre, and in the third year for \$1,850 per acre. According to Friedenberg, the same patch "is worth much more today." Surprise, surprise!

For many years now insurance companies have found real estate a good side line, but now the giant corporations such as Standard Oil, Humble Oil, Sunset International and Union Carbide have been busily investing large sums or surplus cash in land development, the last-named company having set aside a multi-million dollar fund to acquire "strategic areas," to use its own rather quaint piece of American euphemism. Among other corporations mentioned as being in the multi-million dollar real estate business are such household names as General Motors, Sears Roebuck, Bethlehem Steel and Argonaut Realty, the Bethlehem Steel Corporation having invested \$13,000 in land close to San Francisco as well as an undisclosed sum for some thousands of acres in the State of Maryland.

The "daddy" of them all is said to be Alcoa (Aluminium Company of America), described by Friedenberg as "one of the largest landlords in America," having amongst its assets a \$500 million dollar investment consisting of 180 acres of Los Angeles. Its industrial rival Reynolds Metals is more modestly placed, having to make do with a mere \$300 million investment spread over pieces of Philadelphia, Syracuse, Providence and Hartford. Many other corporations are either already in the land business or heading fast that way.

The most gilded real estate is in Manhattan, which is still the Mecca for land investors, although some of the old speculators have dropped out or moved their investments elsewhere. The Kennedys, for instance, who made their pile between the wars, have collected their profit and re-invested in Chicago—no doubt creaming off some of the profits for their by no means modest election expenses. How ironic that poverty, which the Kennedys have made the prime issue of their election platform, should be caused by land speculation! The article fails to enlighten us as to whether this redoubtable demo-

cratic family has ever been known to advocate that the land should be returned to the people. Subsidies and welfare programmes a-plenty, no doubt; but land value taxation? I think not!

Manhattan is a fascinating example of the vagaries of land speculation. Owing to rent control and subsidies the major part of Manhattan is at present valued well below prices prevailing some forty years ago, the smaller but lusher areas being described as "white ghettos of apartment houses and office buildings surrounded by a setting of urban decay." Land in these favoured areas was valued at between \$20 and \$30 a square foot some ten years ago; today prices are measured at \$100 a foot.

Some years ago a certain Captain Randall left the sum of \$7,000 and twenty-one acres of land in Greenwich Village (Manhattan) for a home for retired sailors; leased out by the trustees for apartment buildings, the present valuation of the land is something of the order of \$100 million. As far as Manhattan is concerned these few acres are chicken feed. One has to take a bus up town to the Grand Central Station area, to the late Commodore Vanderbilt's land which in 1942 carried the modest value of \$70 a square foot. Today it is top of the charts in real estate at the somewhat less modest figure of \$500 a square foot!

Friedenberg is by no means unmindful of the problems that arise from land speculation, but the following passage is one with which Henry George would have taken issue: "Frenzied or not, land speculation is an integral part of American economic activity. The courageous speculator is a dynamic force in our nation. Without risk capital devoted to future expansion, without daring and optimistic projection, the American people would never have conquered a continent and created a standard of living the envy of the world." Shades of Henry George and *Progress and Poverty*!

To be fair to Friedenberg, he does not ignore the other side of the picture and continues by saying: "But certain problems are created by this land speculation which must be dealt with in the immediate future or the very daring which created our dynamism may, in a new climate and a new age, do the reverse and paralyse national growth."

Friedenberg is clearly conversant with the theory of rent and its effect on land values, and agrees that land carries much too low a tax, the difference between the rates levied on homeowners and on land speculators being some 62 per cent in favour of the latter. Time has worked against the interests of the former so that today land constitutes one-third of the national wealth, yet carries less than 5 per cent of the total tax load. The speculator, even when he sells, is subjected to only a 25 per cent capital gains tax.

There is small comfort for the home-owner. A three-bedroom house costs \$35,000 within fifteen miles of Times Square (Manhattan); but the cost of the same type of house drops to \$15,000 fifty miles away.

The New York City subway, the interborough underground railway, cost \$43 million to construct, while over a short section of the line from 135th

Street northwards, Manhattan property owners collected a bonus in the shape of an increase in land values of over \$80 million. In other words, the owners received a free gift of \$80 million which amounted to twice what it cost the tax payers to have the railway built. A group of citizens called the City Club petitioned to have the property owners subjected to an extra assessment rather than have the citizens of New York pay taxes for the private

CITY COLUMN

Michael D. K. Turner



SINCE I wrote my last notes the Festival of the City of London has come and gone. A highlight of this was the exhibition of one hundred treasures from the City on view in Fishmongers' Hall. Among them was a receipt from Sir Christopher Wren that showed that he was subjected to a wage freeze that lasted fourteen years, and, a curious mixture of utility and value, a silver chamber pot dated 1716. I gather that now the collection of gold coins is barred, a demand has arisen for the manufacture of gold chamber pots, which puts me in mind of the Archbishop of Canterbury's complaint during the last war that it was not easy to maintain the furnishings in his forty-roomed palace. He had a sympathetic reply from Winston Churchill who thought it must be especially difficult when one had only thirty-nine articles.

In an appeal concerning the transfer of a family trust to Jersey, the Master of the Rolls, Lord Denning, stated: "There are many things in life more worthwhile than money. One is to be brought up in this our England, which is still the envy of less happier lands. I do not believe it is for the benefit of children to be uprooted from England and transported to another country simply to avoid tax."

This is a gratuitous insult to one of the most wisely governed islands of the Crown, and these words will have brought their own reaction. The executive frequently exceeds its authority and the legislative is often inclined to do so, but what is rare is for the judiciary to make *obiter dicta* that tend to support those who would erode the liberties of the people.

Merchant bankers Hill, Samuel and Co., publish an occasional review *Moorgate and Wall Street*, and the most recent issue contained sound views by Ralph Harris and Richard Fry, but what especially caught my attention was a little piece called "In Search of Satisfaction" by Gordon Taylor. Listen to this, regarding the British coal industry: "The policy of raising efficiency by concentrating production in the largest pits was largely negated

benefit of the property owners. "Pressure from the interested parties" effectively vetoed the proposal.

In Montreal a recent study concluded that if local landowners were to pay the city five per cent interest on its investment in the improvements that increased land values, Montreal would be in a position to run its government free of all other forms of taxation! What price Whitstable!

by the decline in morale, hours worked and output per man-hour which resulted."

Well, there it is at last, what many of us suspected, that the "economies of scale" are often uneconomic.

There have been many noteworthy books received this month, and the first is a long and somewhat expensive one called *Asian Drama: An Inquiry into the Poverty of Nations* by Gunnar Myrdal, reviewed by Julia Bastian in the July-August LAND & LIBERTY. It is a sort of Pilgrim's Progress of an economist who set out to benefit the peoples of India, and whose conclusions, which took ten years to assemble, are the same as those that any member of the Indian Civil Service or the Indian Army could have given him in one evening. However, we live in an era when the ex-colonial soldier or policeman or ex-members of the Indian Civil Service are treated as a bad sort of joke, whereas to the economist is imputed a kind of wisdom he seldom possesses. What Mr. Myrdal says in three volumes was put in one sentence by Paul Hoffman: "Know-how cannot be exported; it has to be imported."

Of more value is the I.E.A.'s *Choice in Housing* which suggests that the subsidies given for council house rents are a major and deleterious factor in reducing vital labour mobility in this country. Readers will know and welcome the argument, but it may surprise some of them to know just how deeply entrenched is the opposite opinion.

Also from the I.E.A. are some shorter pamphlets, *After the N.H.S.* by Arthur Seldon, and *Paying for T.V.* by Sir Sydney Caine, both first-class writers with no green in their eyes, and a curiously rich paper called *Choice: Lessons from the Third World* by Peter Du Sautoy, which it is difficult to mention without regret that we shall not see another publication of his, since Mr. Du Sautoy died just recently aged 46. What he might have achieved—and already he had done more in his lifetime than most people who live twice as long—can be gauged from his conclusion that the fight is on between the optimists and the pessimists. The pessimists, also the paternalists, believe people should be manipulated. The optimists trust the people, whom they would allow to understand and to choose, and the fight is the same whether dealing with "underprivileged masses" or with "ordinary citizens." The illustration is a good one.