

Reuss stalks speculators in bid to lift land price

Land prices, which have been rising more rapidly than almost any other element in the economy, are largely ignored in the current battle against inflation. Yet they are a key element in the skyrocketing cost of both housing and food, two of the primary factors cited by your Department as responsible for the inflationary spiral.

Since 1949 the Consumer Price Index (CPI) has risen nearly 300%. The cost of a typical new single-family home has risen by over 500%. The fastest-growing element in the price of houses is land—which rose by 1,275%.

Land prices now constitute 25% of the total cost of a typical home, up from 11% in 1949. During this period, labour and material costs fell from 69% to 47%.

The absence of a land price index seriously limits economic analysis of the effects of increases in land prices. The only comprehensive index is of farmland compiled by the Department of Agriculture. Farmland has been rising rapidly ever since the mid-1950s, and is now fetching between \$1,500 and \$2,000 in some states. Reports Reuss:

Much of this escalation is due to speculative buying by absentee owners. Since 1970 absentees have accounted for 12% of farmland sales. These absentees include not only oil sheiks or other foreign investors, but also the growing number of US individuals and businesses buying land as a hedge against the shrinking dollar. Another 14% of buyers are local people who do not operate farms. This 26% of buyers who are non-farmers keep bidding up land prices to levels that often squeeze out genuine farmers.

Farmland price movements understate the trends in urban land prices, however, which have experienced the fastest rates of increase.

Yet no effective track is kept of these trends. For example, the Department of Housing and Urban Development (HUD) does not maintain comprehensive land price statistics. How, then, can economists advise—or politicians act—upon these potentially disrupting movements?

REUSS has a legitimate complaint when he points out that the Bureau of Land Management sold 40 tracts of public land west of Las Vegas of the type which sold for

'curtain'

about \$1,000 in 1960, but which were expected to go for \$50,000 18 years later. "Such benchmarks of price escalation are not disseminated to the public in a way that would bring attention to the problem."

As a result of the pressure from Reuss, an informal meeting was convened on Feb. 13 of representatives from the Commerce Department's Office of Federal Statistical Policies and Standards, the Bureau of Census, the Dept. of Agriculture, HUD and the Congressional Research Service.

FRED HARRISON reports from WASHINGTON

They agreed on the following:

1. Draw up an inventory of public and private sources of land data.
2. Evaluate the quality and limits of this data.
3. Organise a seminar on land values and implications of a land price index at the American Planning Association convention.
4. Arrange meetings of technicians to develop guidelines for the creation of the index.

Those involved are making sure that their efforts are not going off at half-cock. For opposition to the political implications of the information which would emerge from a nation-wide assessment of land price trends are not lost on the land-owners, who can be expected to swiftly erect obstacles to the first step: the compilation and publication of the land price index.

One of their arguments will be that it is impossible to reduce to a single series of numbers the values of land of varying quality in contrasting locations which is put to widely different uses. These sorts of difficulties, however, do not prevent statisticians from conflating the

values of goods like grapes in California and cars in New Hampshire to produce a general CPI!

BUT ONE of the fundamental problems facing the reform of the fiscal and land tenure systems is the absence of reliable data on ownership.

Gene Wunderlich, a senior economist of the Dept. of Agriculture, calculates that between 60m. and 77m. owners hold 1.3 billion acres of private land in 84m. to 99m. parcels. "These estimates are useful only for overall perspective because they come from many sources, some extend ancient estimates, and many depend on reasoning rather than empirical foundation."²

So there is a vital need to set up a comprehensive register of land-ownership. The opposition to this would be powerful, for the land-owning class is more concentrated than Wunderlich's data would suggest. Peter Meyer reports:

At best, a generous interpretation . . . would suggest that about 3% of the population owns 55% of all American land and 95% of the private land.³

Leading the opposition to any attempt to lift what Reuss calls "the curtain hiding land inflation" would be the 560 corporations which control over 300m. acres—23% of all land in private hands. Will the reformers be able to match the muscle power and financial strength which would rapidly accumulate in an organised bid to maintain the *status quo*?

REUSS has had the courage to ignite the fuse to a package of political dynamite. Handled correctly, an enormous constituency could be marshalled behind his initiative.

For instance, it is many decades since organised labour had an interest in the land issue. This is astonishing, for labour is actively discriminated against by the present policies to combat inflation.⁴ As Reuss notes

It seems extremely dubious that we can hold wages to increases of 7% a year or commodity prices to 5½% unless we hold down land prices that have been dwarfing wage and commodity inflation.

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To date, however, union leaders have not been directing their attentions to the effects of land speculation on the employment prospects and wage packets of their members. If they did back Reuss, they would find a champion in the Milwaukee Democrat, who declares:

Land speculators and their apologists may claim that land prices are untouchable or that, in any event, nothing can be done about them.... Ways must be found to curb the tendency to invest more and more in land, a passive activity that adds not a single acre to the nation's real wealth. Instead we must encourage investment in job-creating plant and equipment.

The black population would also benefit from the fiscal reform which would logically follow the assembly of a land price index. For a rational policy which included an *ad valorem* tax on all land value would lower the cost of food (which forms a large part of the budget of low-income families) by increasing the supply in the market.

It is a staggering fact that in the world's leading capitalist country there are many people who cannot afford to feed themselves properly because their wages are low and food prices higher than they need be.

Quantitative data is hard to come by, but evidence is available to support this claim. In 1972, for example, the Bureau of Census announced that 10m. to 12m. Americans were sick because they did not have enough food to eat. During the previous decade farmers withdrew 37m. to 64m. acres from production annually as part of the federal crop-diversion programme. The government paid taxpayers' money to farmers **not** to till the soil for the food which the citizens wanted to eat! By restricting output, demand went unsatisfied and prices rose....

The farming lobby is a powerful one in Washington, and to prove that they possess political clout, 3,500 farmers clogged up the streets of the capital with tractors early in February to reinforce their demands for special treatment. Little do they realise, however, that special concessions—favourable taxes, subsidies, and cheap loans—end up by inflating land prices, thereby attracting speculators and further aggravating their problems.

Today it is impossible for many would-be farmers to get their tracts of land with which to grow food and rear cattle they can't afford the prices being sought by speculators (many of them farmers). Rationally, they ought to support a strategy

The price of a pig is something big because it's corn, you'll understand is high priced too because it grew upon the high price farming land. If you'd know why that land is high consider this: its price is big because it pays thereon to raise the costly corn, the high price pig.

—American farmer's jingle

which increased the taxes on land while simultaneously reducing the taxes on the income from their labour and capital.

IT IS FITTING that the ideas now developing in Washington should be germinating in 1979. For it was precisely 100 years ago that an American economist, Henry George, in *Progress & Poverty*, advocated the policies now being discussed.

Many of the dislocations to the US economy in the past century

LETTERS

BAYARD LANE COMMUNITY

EXPERIENCE with the Bayard Lane Community shows how difficult it is to work out a true land reform system in a small group, and against the prevailing standards of our society.

The Bayard Lane Community was both wrong and right. We need room for the use aspect of land to be left in the hands of the individual, with all the experiments and mistakes made along the way that this will entail. For these are part of the life-blood of any healthy society, and are far better and less destructive for us all when made by individuals than by groups, or by the whole nation.

An experiment like battery-farming—which the individual here was embarking upon and was so understandably scowled upon by the rest of the group—should be made illegal from the outset *by the laws of a society*—and would be in any society that was self-respecting.

Let us note that it was against the background of our quite abnormal society (the immoral society in failing to observe fundamental justice between men) that the Bayard Lane homesteader conceived his abhorrent battery-farming idea.

Shirley-Anne Hardy, The Rocks, Pitlochry, Perthshire.

would not have occurred if George's fiscal reform—a tax on all land values—had been adopted.

It is not too late to make the change, however, and the signals coming from Capitol Hill hold out hope. Whether they will be followed through to their logical conclusion now depends on the emergence of a broad-based campaign to capitalise on the steps already taken and the latent goodwill towards fiscal reform in the higher echelons of American politics.

REFERENCES:

1. *New York Times*, 12.11.78.
2. G. Wunderlich, *Facts About US Landownership*, Washington: USDA, 1978, p.v.
3. 'Land Rush,' *Harper's*, Jan. 1979.
4. On March 11 Irish trade unionists marched in Dublin to protest against the special privileges granted to the farming community, which had the effect of reducing the real value of the wages of labour.

Pioneers & Past Accumulations

Land & Liberty reminded me, that some time ago it had occurred to me, when people protested how hard their forebears had worked to establish their holdings on arrival in the Canadian West, that the pioneers could not even have got to the New World, let alone survived there, without the technology which had been developed by generation upon generation of Europeans and Orientals since the beginnings of the Sumerian and Yellow River cultures. This made it possible for the post-Columbians to sustain colonies in Latin America and New England where the post-Lief Ericsons had failed a few centuries earlier. European technology of the Elizabethan and Stuart eras provided a life support system for colonists; but it was really a long accumulation of communal effort that made their pioneering possible and gave new value to the "new" land.

For the new land was not completely valueless before they came. It was very useful to the Amerindians (read also the Africans, the Aborigines) until they were displaced by persuasion with another product of European technology—the rifle. A circumstance which should be kept in mind whenever the example of "free" land is resorted to.

—Jerry Stovin, 20 Belsize Avenue, London, NW3.