

# Dealing with the Land Problem— Sweden and France

By P. R. HUDSON

*A review of two papers presented at the Seminar on the Supply, Development and Allocation of Land for Housing and Related Purposes, sponsored by the United Nations Economic Commission for Europe and held in Paris, April 1965.*

THAT more than twenty Eastern and Western European countries were represented at the seminar significantly indicates that these countries are facing problems arising from the need for rapid urban development and renewal, and that an exchange of views on these problems and an understanding of the alternative procedures being used in different countries to meet them might in future lead to better policies.

Having read the submitted papers, one thing I think is clear: to date no country can claim that it has satisfactorily solved the land supply and land cost problem. This generalisation is substantiated by papers given by Mr. O. Hernbäck (Sweden) and Mr. J. Lerouge (France).

In the introduction to his review of the "Advance Purchase of Land," Mr. Hernbäck says that in Sweden the municipalities are mainly responsible for community planning and building, as well as for the supply of housing. In this respect at least the growing similarities between Western and Eastern European countries are easily discernible.

Mr. Hernbäck regards the advance acquisition of land as a pre-requisite to maintaining a satisfactory rate of housing production and industrial expansion, and of providing communal services, and is also necessary to redevelop and renew decaying city centres. Only by doing this can municipalities meet the communal needs through town planning and thus level the costs over long periods and different areas. By purchasing land ten years or more in advance of requirements, prices can be kept at a

reasonable level since they will not be affected by that speculation which arises when land is purchased closer to the date of exploitation. Such acquisition cannot always be undertaken by agreement. Strong powers of expropriation, supported by legally-established compensation, are necessary. "Sales resistance must be broken, not accepted. The only effective method is through expropriation." Once land has been acquired by municipalities, it should be leased back to developers, "otherwise, municipalities will find themselves back where they started." The advantages of leasehold are to be found in its value as an instrument of community planning and building, and as a means of using land values as a source of revenue.

However, while Sweden is moving more and more in Mr. Hernbäck's direction, administrative difficulties exist and are being examined so as to speed up the expropriation procedure and introduce some measure to prevent unearned increments being realised from land not affected by municipal acquisition. Even in Israel, where 92.5 per cent. of the land is state owned, the privately-owned land (particularly in the urban centres) has a significant influence on land prices. In Israel state leaseholds are usually granted for a period of forty-nine years, the ground rent being revised every five to seven years. Since, however, land value tends to increase more rapidly than prices, and since inflation has continued at a high rate, investment in private land has given rise to strong competitive bidding. Moreover, the rent revisions have not been rapid enough

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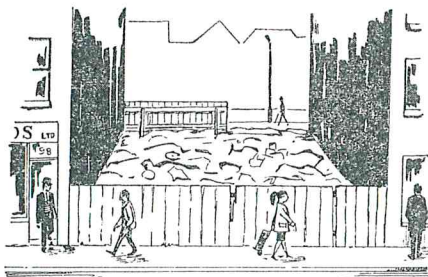
in the public leasehold sector.

Mr. Hernbäck concluded his contribution to the seminar by emphasising that in all European countries expropriation is used, although to varying degrees. In Eastern Europe, only the U.S.S.R. has no land in private hands. Advance state acquisition of land is common practice in Roumania, Hungary, Poland and Czechoslovakia. It is increasing in Norway, Denmark, Germany, Britain and France, often with some measure of price control or limited compensation. Whereas to date the U.S.A. uses advance acquisition rarely, there are signs that pressure is changing the pattern.

Mr. Hernbäck's views are no doubt coloured by the strong desire of Swedish municipalities to undertake on a large scale both land use planning and much of the physical development. The legislative powers cited are not unlike those proposed for the British Land Commission and those used in Eastern Europe.

While it may be accepted that municipal land acquisition is often necessary where new services are to be provided, the French at least are not so sure of the desirability of full public participation. Mr. J. Lerouge, addressing the seminar on "The Advance Servicing of Land," began by saying that land owners will dispose of land only if they wish to accept the current market price or if they are compelled to sell by legislation or other means. Furthermore, land that is sold is unlikely to be used for building unless it is properly serviced and is being provided with modern amenities. The land supply problem is therefore linked with the provision of services. In cases of new urbanisation, public servicing is necessary. Where services exist, the development of the land may need to be brought forward. The French have also experimented with systems of private servicing undertaken by syndicates or groups of allotment holders, but these have not had great success.

Contemporary French systems of land supply stimulation include the public acquisition and servicing of development land and its eventual resale at a price that recovers the servicing costs. Another method being considered is municipal expropriation and servicing, with concessionary redevelopment rights being given to



selected firms, and original land owners being given a *pro rata* interest in the completed projects. A further method recently introduced is public acquisition of land required for services, a levy being imposed on the owners of adjacent land to finance the servicing. By these means the French are ensuring that where advance servicing is

being undertaken the cost is at least met by the owners of land.

Mr. Lerouge, however, said: "In periods when property owners believe that land prices will continue to rise rapidly, too much reliance should not be placed on their goodwill to keep the market adequately supplied with



building land." As a further stimulus, therefore, requirements can be made upon re-sale of expropriated land that development shall take place within a given time. Mr. Lerouge considered, however, that it is better to use fiscal measures such as an exemption tax, annual tax or surplus value tax to induce owners to give up their land, and claimed that making owners pay for the provision of services also tends to do this since they try to recover their expenses. In Mr. Lerouge's view, however, the stimulation of the supply of land for building in areas of urban expansion requires advance planning and servicing by the public authorities.

When comparing the Swedish and French approaches to urbanisation one is struck by the difference in their philosophy. The Swedes place nearly all their faith in the supremacy of the municipality as land owner, town planner and developer, which the French resort to complex practices and compromises for providing essential public services but leave the bulk of responsibility for physical development to the private owners.

The supply of land for development being related to the land tenure system, we find that the Swedish system is based on increasing public control, compensation payments and subsidised renting policies. In France, we find the land owners being charged for immediate benefits while being permitted to retain the long term site rent returns. Both countries to date, being preoccupied by control and planning on the one hand and the private claims of individuals on the other, have failed to see the logical solution—public service provision of essential communal needs plus the collection of site rent by progressive annual *ad valorem* taxation.

Only by way of a land-value tax can public development be effected with minimum expropriation, and only in this way can programmed development be induced (assuming a demand for it) and speculation and profiteering be minimised.

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