

# Land Tenure Problems —East and West

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*A review of two papers given 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*

**A**FTER DISCUSSING the Swedish approach to town development—the advance acquisition of land by municipalities—and the French experiments in advance servicing of land (which were summarised last month), the Seminar gave its attention to two more general papers dealing with methods of bringing land into urban use.

Mr. J. Stvan of Czechoslovakia began his talk by stating that in East European countries the problems of land supply were minor when compared with those of Western countries, the reason being the different system of land tenure. He said: "The problem of land ownership is regarded as a basic economic problem in all socialist countries. The historic experience of negative social consequences of private land ownership in a free market system, enabling speculation in land, necessitated a radical change in land ownership. The general common aim in Eastern countries is to abolish speculation in land, to eradicate excessive individual influences on the system of land use and to augment the powers of public bodies."

Note, however, that only in the U.S.S.R. is the public ownership of land complete. In all other socialist countries some degree of private ownership exists. In Poland, only in Warsaw is the land nationalised. In Yugoslavia, urban building land is nationalised. In Rumania, East Germany and Czechoslovakia there are three categories of land ownership—state, co-operative and personal. Generally, co-operative use is by decree from the state to a specific user; land in personal ownership is limited in area and is confined mainly to home sites. In Czechoslovakia only the state can acquire land for new construction, and all land is subject to stringent price control. Because land is cheaply priced, its value has lost significance not only for speculation but as a means of regulating the intensity and character of land use. In Bulgaria, Rumania, Hungary and Yugoslavia price control ensures that compensation for acquired land is low; public purchase is supplemented by programmes of forced redistribution, alternative sites being provided for those displaced

"The supply of building land in all socialist countries" said Mr. Stvan, "proceeds on the basis of approved detailed development plans." The important problem is that of priority of development, zoning and intensity of development to minimise unit costs and conserve valuable agricultural land. Most new construction is provided by state funds. There is, however, collective construction and some limited private building for personal use.

In the socialist countries underdeveloped land is serviced when it is developed: rarely is it serviced in advance. Since the expropriation procedures are strong, the main difficulty is to co-ordinate the investment policies of the participating agencies and to programme construction effectively. To prevent the "haphazard use of land" not allocated in development plans, a tax is imposed where non-designated agricultural land is converted to urban use.

Contrasting West Germany with the East European countries, Mr. U. Wessell stressed that difficulties in land supply arose out of negative planning policies in areas of high demand, lack of service facilities in otherwise suitable areas and the influence of speculators. "The task must be solved," he said, "since—apart from the possibility of compulsory interference in private ownership and state controls—the establishment of a balanced market in building land and reasonable prices depends upon the relationship between supply and demand being balanced." In Germany, powers of expropriation are generally used to acquire land only for public service purposes. However, reallocation is also used. Original owners are compensated with equivalent sites following advance servicing and site amalgamation undertaken by local authorities. In some cases the advance servicing of sites is charged to the owners of land affected. The financial burden acts as an inducement to sell, although national and local government continues to carry a proportion of the cost.

Mr. Wessel commented on the need to induce the sale of strategically-situated urban sites—a problem faced by all Western countries. In Germany national opinion



is opposed to large-scale expropriation, although speculation is condemned. Referring to the national building land tax, which was subsequently repealed, Mr. Wessel said that people who had bought homesites and who were

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some land rent "bonuses" before the projects reach the end of their economic lives. With increasing productivity, rising population and more spending power *per capita* in the future, the companies concerned with shop development designed to last for eighty years can look forward to increasing rent rewards in the mid-seventies with few fears. Their tenants, of course, will have to pay rates on the building values long into the future while the land rental values slip into the pockets of the property companies' shareholders.

## Depreciation and Appreciation

**S**PEAKING at a recent meeting of the Royal Institution of Chartered Surveyors, in Middlesex, Mr. H. M. D. Norton said that in working out development scheme costs in Europe it is customary not to take into account depreciation allowances. He thought that this was wrong as it was prudent to calculate depreciation to ensure that cost would be recovered over the life of the building. Although in many cases land values have increased more than enough to off-set the cost of rebuilding, this was not true of every site.

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saving up to build a house had been hit hard by this measure, which had been introduced suddenly. Other people, apart from speculators, who had sound reasons for delaying development, had also protested. As a consequence the tax was removed, but owners are still liable to pay local land tax. Unfortunately this is based on 1935 values, which have little relation to modern values. The development levy imposed where public services are extended is ultimately passed on in the vendor's site price. There is also a short-term speculation tax on land re-sold within two years of purchase, but this, it is acknowledged, has little effect on speculation.

The contrasting land problems of East and West European countries emphasise that neither bureaucratic control or *ad hoc* fiscal measures will meet the situation adequately. In the Eastern countries the lack of market values means that the economic implications of alternative forms of development cannot be assessed. In the Western countries high prices impede development and ineffective fiscal measures add to the burden. The German building land tax, introduced only on certain kinds of land, was inequitable and harsh. We must hope that the assessments for the existing land tax will be brought into line with current values before long.

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It is worth noting that inflation and land value increases seem to be accepted as inevitable on the Continent. A dose of land-value taxation would soon put European developers' feet on the ground.

## House Prices Up

**I**N SPITE of the high interest rates and difficulties in obtaining mortgage finance experienced by some people, the average price increase of new homes was 6½ per cent, in the London/South Eastern area in 1965. This brings the average increases up to 61 per cent, on 1960 prices for new houses and 59 per cent, for older properties. Lowest increase in the five year period has been in the North East where 32 per cent. rises have been realised. London prices now average £5,079.

Co-operative Permanent Building Society.

## BOOKS RECEIVED

*A History of Income Tax* by B. E. V. Sabine. George Allen & Unwin Ltd., 40s.

*Aspects of British Politics 1904-1919* by Doreen Collins. Commonwealth

and International Library. Pergamon Press Ltd., 25s.

*One from Seven Hundred—A Year in the Life of Parliament.* By William Norris. Commonwealth and International Library. Pergamon Press Ltd., 12s. 6d.

*From Schumacher to Brandt—The Story of German Socialism 1945-1965.* By David Childs. Commonwealth and International Library. Pergamon Press Ltd., 15s.

## BUREAUCRATIC NIGHTMARE

*13,000 planning appeals were received by the Ministry of Housing and Local Government in 1965. Each case takes between 32 and 44 weeks to settle. The delays are partly attributable to manpower shortage, but the number of appeals stands as terrible witness to the unsatisfactory procedure of planning administration and the lack of co-operation between developers and planning authorities.*

Although the ideologies of the governments of Mr. Stvan and Mr. Wessel are very different, the use of land rent as a tool of measurement and as a source of revenue would be of benefit to both. Land-value taxation combines an accepted eastern social viewpoint with a western competitive spur. The international exchange of views may bring this point home to both parties.

## THE LAND OWNERS WELFARE STATE

**"O**UR system of farm subsidies makes us the laughing stock of Europe. Food in our shops is far dearer than it ought to be, and both land owners and food distributors make a killing, while many smaller farmers have to struggle to get a living.

"Each time the Government increases the farm price guarantees up go farm rents and the price of land. Farm land worth £80 an acre eight years ago now fetches £280 per acre, and nothing can halt this while the taxpayer is saddled with an open-ended liability for farm subsidies.

"Many well-known agricultural land owners put up the farm rents at two-yearly intervals, disregarding that farm subsidies are meant to benefit farmers not land owners."

—Richard Lamb, Chairman, Farmers and Smallholders Association, April 23.