

LAND DEAL SCAMS TOPPLE POLITICIANS

THE LATEST political scandals illustrate the rule that dodgy deals in land offer the most lucrative fortunes.

The reputations of politicians around the world are regularly tarnished by revelations that they were lured into get-rich-quick schemes that have nothing to do with increasing the sum of human happiness.

JAPAN: RULING PARTY CRISIS

Japan's prime ministers appear to be particularly vulnerable to



KAKUEI TANAKA

crooked land deals. In 1974, in the wake of the collapse of that period's bout of get-rich-quick fever, Prime Minister Kakuei Tanaka resigned in disgrace when - among other things - his land deals were exposed by journalists.

Now, Prime Minister Miyazawa is vulnerable as a result of new disclosures about land deals in Hokkaido island.

The scandal erupted when a former senior member of the ruling Liberal Democratic Party (Fumio Abe) was arrested on a charge of receiving a bribe of ¥80m from Kyowa Corp, a property developer which has since gone bust as a result of the downturn in the land market. The money was in return for information supplied by Mr Abe's office about a planned motorway. Kyowa wanted to buy land along the route, before prices shot up!

The Prime Minister is vulnerable because Mr. Abe was manager of Mr Miyazawa's political faction until he quit because of the scandal.

SPAIN: GOVERNMENT MINISTER QUILTS

Spanish health minister Julian Garcia Valverde has resigned because of land deals executed by the state railway company Renfe, of which he was chairman in the 1980s.

The scam began when budget shortfalls forced Renfe to seek finance for a new route through the Madrid suburb of San Sebastian de los Reyes. Renfe decided to try and fill its coffers by buying land along the planned route and reselling it at inflated prices.

Landowners had other ideas. They decided that, if money was to be made out of speculation, they might as well pocket the profits. And that is what happened! Renfe spent nearly Pta2 billion (£10.9m) buying land worth a fraction of that amount.

The railway bought about 200 hectares which it expected to be rezoned for development. Expected profits: about Pta12 billion.

But the word got around, and land began to change ownership at ever-increasing sums before Renfe could start buying sites. The operator in one deal doubled his money on the same day, as a result of a transaction involving one plot. He bought the site for Pta59m, and on the same day he resold it to Renfe for Pta116 million.

Another site sold three times in a week. It was bought for Pta13.7m, sold a week later for Pta52m and resold the same day to Renfe for Pta223m.

Despite the buying spree, the land has still not been re-zoned. This means that Renfe paid Pta2 billion for farmland which is estimated to be worth about one-fiftieth of that sum on the open market.

Last December, Mr Garcia Valverde defended himself in Parliament. He was acting under orders from the government, he said, and claimed that "there is no other way to do this sort of railroad operation".

HOW TO FUND RAILWAYS...

The Renfe rip-off is a perversion of the creative financing that would be possible if governments employed the tax system properly.

For example, Walter Eltis, the Director-General of Britain's National Economic Development Office, has proposed that transport infrastructure could be financed by a capital gains tax levy on land deals. And there is no doubt who would end up paying: "Given that land cannot be expanded or withdrawn except in a very limited sense, it is very difficult for landowners to pass taxes such as the present capital gains tax (insofar as it applies to land disposals) on to users," he wrote.

LAND TAX CONFERENCE IN SOUTH AFRICA

President F. W. De Klerk's referendum on March 17 - which will seal the fate of apartheid in South Africa - will be followed by a major conference on the feasibility of a land tax under a new constitution. Organised at the University of Pretoria by the Centre for Human Rights Studies, the conference will be addressed by a distinguished panel of scholars, including Professor Mason Gaffney of the University of California. A full report will appear in the next issue of *Land & Liberty*.