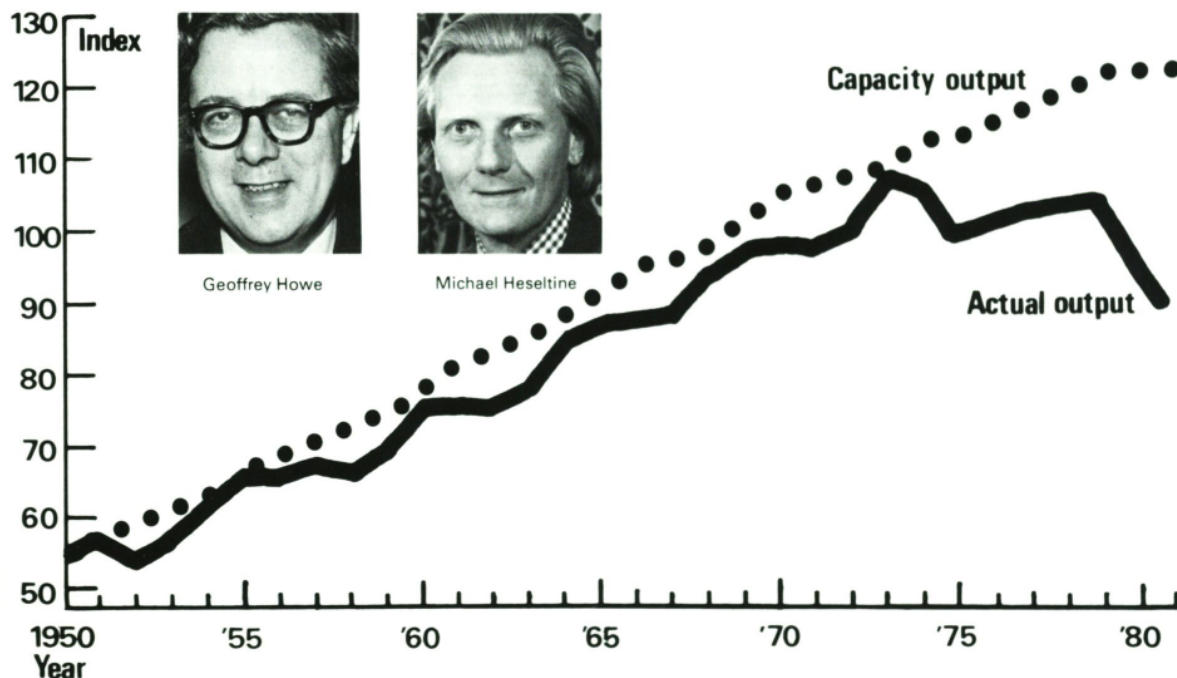


LAND & LIBERTY



Land market throttles the construction industry and precipitates world slump

POLITICIANS who are seeking ways to rescue the western economy are neglecting the opportunities offered by the house building industry.

Economists agree that construction is one of the major determinants of growth trends. A downturn in house-building precedes a general recession by about two years. In their analyses, however, policy-makers ignore that simple fact. As a result, their strategies for recovery are generally misconceived.

In the UNITED STATES, for example, the current recession is retrospectively dated from July 1981. Blame is largely attributed to high interest rates. But the slump could have been predicted two years previously, when house building began

to slide into its worst slump in 30 years. Interest rates were not to blame for the original downturn in construction.

The same happened in JAPAN. The housing industry declined from 1.5m units in 1979 to 1.1m in 1981. And according to the Economic Planning Agency, Japan can only attain its 5.2 per cent GNP growth target for 1982 if the government successfully reverses the decline in housing starts.

It is the same story in the other western economies. In GERMANY, 1,500 building firms were forced into bankruptcy in 1981, the worst round of failures the industry has ever suffered: the result was a doubling of unemployment among building workers.

Another scapegoat for the current crisis is public spending: critics claim that there has not been enough of it. As a result, governments have been encouraged to increase public expenditure in a desperate attempt to halt the downward trends in construction and other sectors.

There has not been one admission by the authorities that the building industry was originally throttled, in the main, by the supply and price of land.

In BRITAIN, Minister of the Environment Michael Heseltine - his department has responsibility for housing - has indeed drawn attention

Cont. on P. 42, col. 3

Land & Liberty

JOURNAL OF THE UNITED COMMITTEE FOR THE
TAXATION OF LAND VALUES LTD.
177 VAUXHALL BRIDGE ROAD, LONDON. S.W.1
TELEPHONE 01 834 4266

MAY & JUNE 1982
Established: JUNE, 1894
Nos. 1,056 & 1,057
VOL. LXXXIX
Editor:
F. HARRISON

ISS No. 0023-7574
Annual Subscription:
U.K. and Sterling Area: £4.00
USA \$10, Canada \$11
Editorial Consultant:
V. H. BLUNDELL



The Economy

HOW TO BUILD OUR WAY OUT OF THE RECESSION: Fred Harrison shows how land value taxation is crucial for a strategy of sustained recovery

43

FEATURES

- Falklands: Who *really* owns the Islands?
ROGER SANDILANDS 43
- The Saviour & The Sword
FRED FOLDVARY 48
- The Pennsylvania Tax Raiders
FRED HARRISON 50
- Namibia: land initiative crucial to peace plan
INSITE 52

- The Case of the Crown, the Earl and the seabed
EDGAR BUCK 54
- Zimbabwe crisis should spur Nkomo's land tax plan
PAUL KNIGHT 60

REPORTS

- Flaw in the GLC's 'fair' fares
HENRY LAW 47
- Suriname: Right-wing backlashed
IAN BARRON 47

REVIEWS: - BERT BROOKES on the scandal of vacant sites, and the "landfax" hypothesis; VIC BLUNDELL on the property tax in Britain

LETTERS: - T. A. ENDE on rents and rates; E. PENROSE on the UK land registers

JAMAICA has 560,000 plots of land on its tax roll. This summer the Valuation Department begins the task of revaluation. Last year the land tax, which is levied exclusively on the unimproved value of the site, raised J\$25m; but the tax could realistically raise twice that sum. Mr. O. St. Clare Ridsen, who as Commissioner of Valuations was responsible for introducing the tax reform, takes a look out of his window and offers his assessment of the land tax in action - in the July-Aug. issue of *Land & Liberty*.



● Cont. from front page

to the constraints imposed by vacant land. He has just revealed the contents of land registers covering 269 English districts, which list 52,287 acres of unused or under-used publicly owned land.

The quality of Heseltine's analysis, however, falls short of the sort that could constructively influence the direction of policy formation. For it is

● Partial: only public sector owners are singled out for admonition; and

● Static: Heseltine has made no attempt to relate the macro-economic impact of vacant land on growth trends in the UK economy.

As a result, government policies are misguided. Chancellor of the Exchequer Sir Geoffrey Howe announced a £170m aid package for the construction industry in his March budget. This will have a marginal effect only; the main beneficiaries will be the existing owners of property, the value of which will be enhanced.

In this issue, *Land & Liberty* investigates the deleterious effect of land monopoly on the building industry. Our conclusion:

● speculation has to be eliminated, to bring down land prices to the level that builders and house buyers can afford;

● the supply of land has to be increased, to meet the latent demand.

Throughout the postwar years, socialist "solutions" implemented by Labour Governments have consistently failed.

The land market must be turned into a competitive one. And in our view a fiscal mechanism can achieve this, while at the same time eliminating the incentive to speculate: a high ad valorem tax on the annual (rental) value of land.

THE GRAPH on the front page tracks the performance of the UK economy. The current recession is a continuation of the slump that began in 1974, and the original collapse followed the worst round of land speculation in postwar history.

These facts are not peculiar to Britain, but are evident in all the major economies of the western world. Radical reforms are needed, to push production closer to the ceiling of potential growth.

House-building ought to be the cornerstone of such a strategy: and dealing immediately with the land market is more important than any other single consideration.

Until the policy-makers come to terms with these facts, millions of people will continue to suffer from unemployment and inadequate housing.

Millions of others, who are fortunate to be in work, will nonetheless have to continue to tolerate living standards that are below the levels that they could achieve from their enterprise and labours if they were not constrained (directly or indirectly) by the imperfections of the land market.