

LAND and LIBERTY

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• Richard Noyes is a man with a mission - see Page 14.

EVERYTHING'S WRONG!

TWELVE months ago we predicted that the UK economy was heading for an economic depression.

Our analysis was based on trends in the land market. Speculation was hotting up.

At the time, the economic experts generally agreed that the UK economy was performing well. Interest rates were low, the prospects for foreign trade were good, inflation was down to 4% and wage deals with employees matched rises in productivity.

Nothing could go wrong!

Our gloom, therefore, was at odds with the government's outlook and City analysts would not have shared our view that the real estate sector was creating the conditions for a slide into depression.

We were right. They were wrong.

Within two months of the euphoria generated by the tax-cutting budget presented to Parliament by Chancellor of the Exchequer Nigel Lawson, the outlook was transformed.

- The balance of payments were heading for a record deficit: Mrs. Thatcher's supply-side revolution had not kept pace with the demands of consumers.

- Private sector debt reached crushing depths. People used the escalating value of their homes as collateral for borrowing as never before.

- Industry could not get the workers it needs to expand; immobility was a direct result of house prices (which means residential land).

- The major retail chains admitted that prime-site rents were knocking their profits.

Economists are shocked by this unexpected turn of events. They need not have been, but

they ignored the signals sent out by the land market.

AND NOW we believe that other economies in the Western world are heading for a similar date with depression.

Speculative fever in the land market took hold of Japan in 1986. In countries as far apart as Australia and Finland, it began in 1987.

In the USA, Ronald Reagan's deregulation of the financial sector in 1982 encouraged speculation.

Michael Kinsley, Editor of *New Republic*, noted in his syndicated column (published in the *London Times* on Sept. 24):

"No-one knows to what extent the consumer boom of recent years has been fed by people's belief that their houses were making them rich. A property nose-dive might easily lead to the recession the stock market crash did not.

"As my favourite economist, Henry George, pointed out a century ago, inflated land values make the economy less efficient. They operate like a tax on the truly productive factors, labour and capital. Housing inflation has depressed our economy, frenzied our psyches, divided our society."

In Britain, John Muellbauer, a Fellow of Nuffield College, Oxford, also predicts problems, and his solution, published in *The Sunday Times* on Sept. 11:

"Tax only the basic residential land value of each property. This should have additional benefits in releasing building land for development. Thatcher should set her think-tanks to work on an administratively feasible design, drawing on experience in countries such as Denmark."