

## Land Muddles

**P**OLICIES for dealing with high land prices, land "scarcity", housing problems and land speculation in many countries around the world, are akin to chasing a man who is running amuck with a flaming torch in a forest, not with the intention of catching him but of merely damping down the fires he started. Shying away from the sound economic and social policy of full land-value taxation, the experts devise various laws which, because they ignore the basic principles, are doomed to failure before the ink is dry on the statute book. And, countries do not learn from one another's failures — they simply copy them.

Currently, Australia is treading the paths of betterment taxes, levies, intervention, controls, exemptions, compulsory purchase and all the paraphernalia that has cluttered our statute book over the years only to be repeated and resurrected in modified forms without a single lesson being learned.

And now, Japan too is having a try. *Japan Banking Briefs* reports that as a measure for combating the severe land price spiral long prevailing in Japan, the Diet has passed the National Land Utilisation Law, permitting the authorities to freeze land prices and to regulate the buying, selling and utilisation of land. Although detailed provisions have not been finalised, the new law, passed on May 27, is expected to be more strict and comprehensive than previous land-price countermeasures. Fundamental planning for the utilisation of land will be decided at national government level.

Transactions will be regulated when prefectural governors conclude that speculation or excessively rapid increases of land prices exist in a given area. In such a case, all relevant transactions in the designated area will be handled on approval basis. For a period of five years from the day the law is invoked, the transfer of land rights will be permitted only if the price is 20 to 30 per cent below the prevailing price, or if the land is to be used for private dwellings or for public facilities. Even outside designated localities, transfer of rights to parcels larger than stipulated areas will be subject to government approval. When the price of land or its utilisation is considered unsatisfactory, the principals will be advised to change the terms of the contract: and if the parties do not obey, the sales terms will be made public.

Finally, if the land in designated localities is left unused for three years after acquisition, it will be recognized as "idle land" and the owner will be required to submit plans for its use. If the owner fails to submit an acceptable plan, his property may be appropriated for public purposes. "Idle land" measures

apply only to land obtained after 1969, however.

But the report, while praising the Government for "instituting direct measures to cope with this serious problem," says that if the new laws are enforced unwisely it could have the counterproductive effect of reducing the supply of land available for housing, or of stimulating black market transactions and so they must be applied with prudence and restraint. With all the prudence, wisdom and restraint in the world this misguided and clumsy legislation is doomed to failure.

## Upside-Down Real Estate Taxation

**W**HO would want to pull down six fine and serviceable buildings just to leave the sites empty? And who would want to do this on New York's Wall Street? Answer: the Cities Service Company of Oklahoma. By clearing this more than an acre site, reports a recent *New York Times* editorial, the company will save about \$280,000 a year in taxes plus maintenance costs. And this, believe it or not is sound economics — under the present taxation system.

When the buildings have been emptied of tenants and the site cleared, the vacant lot will be more attractive to speculators.

Says the *New York Times*: "This act of calculated destruction will make an instant wasteland down town. The enormous gaping hole that it will create in the heart of the financial district is the kind of desolation that can only be caused by a bomb — or by current land investment practices. . . ."

"This oil company's example is the biggest and most frightening illustration of a dangerous trend in New York. It is the same real estate rationale that lies behind the Franklin Savings Bank's imminent demolition of its former headquarters, on Eighth Avenue and W. R. Grace's levelling of an equally fine building down town — both to "upgrade" the land's speculative appeal."

The editorial bemoans the loss of fine architectural buildings, standard land marks and world famous buildings and refers to the bulldozing of these fine buildings as "atrocious urbanism and abysmal public relations".

But public relations are irrelevant in this context. What is at fault is public tax policy. If the preservation of fine buildings cannot be secured by a "preservation order", (and certainly not all sound buildings would qualify for national preservation) at least this

loss of land space and gift of eyesores should not be encouraged by tax laws that make it profitable. If real estate taxes can be geared to encourage people to pull houses down, it can also be geared to encourage them to put them up. A stiff tax on the land alone whether in use or not is better than a wringing of hands.

## *Economic and Ethical Distinction*

FACED with the question: "Has a slave-owner a duty to look after his slaves, care for their health, feed them adequately, protect them etc.," most people would challenge the question rather than provide an answer. If the slave-owner has a duty at all it is to free the slave. Yet in the days of chattel slavery, many humane and kindly people would stress the duties of slave owners and ignore the fundamental principle really at issue.

So with land. Landowners, it has frequently been said, have duties to the landless. Landowners hold land "in trust" for the landless; they should care for their tenants and accept responsibility for their welfare etc.

In modern times, with the growth of land-use planning, ostensibly or actually in the interests of the community, justification is sought for limiting the rights of landowners and recourse has to be made to the generally ignored but self-evident truth that land is unique and must not be regarded as a commodity or simply as another form of wealth.

*Western Water News*, California, July-August, carries an article on land use planning and makes the foregoing points. We print an extract below.

"In sheer volume of words written and spoken, no public policy issue of recent years is apt to surpass the questions of land use planning. From environmental and aesthetic quality to the rights of real property ownership, the concerns of those particularly in the debate over land use cover the spectrum of human values and interests.

"Underlying the often conflicting pronouncements and suggestions of what ought to be done are two crucial principles which may require some shifts in the public perspective before progress can be made.

"First: Land is a resource and not a commodity. Second: Land should be managed in response to its inherent characteristics rather than primarily to accommodate short-run human needs.

"Due to its past abundance as well as to psychological and philosophical values, Americans have consistently treated land as a private commodity. Historically, the individual's desire to share in land ownership, albeit within society's restrictions, has been a

principal contribution to the common view — both theoretical and real — that land is a commodity. Within that tradition land markets have been developed and demand/supply factors for land have been identified. During the past half century or so, these economic incentives have generated increasing demand pressure on a fixed supply of land.

"Many observers now recognise the distinction between land use as a commodity and land as a resource. Viewed as a resource, land can be more effectively managed."

All that is required now is the recognition of the distinction between land as a gift of nature to all, and wealth as the product of individuals and a recognition of the respective rights of ownership attached to each.

## *Bandage on a Sore Spot*

UNDER THE HEADING "A Radical Solution to the Land Problem", *The Property Letter*, October 1974 comes up with a "solution" that is nothing of the kind. However, looked at as an alternative to the Government's proposals for nationalising development land, and in that context alone, the idea has some merit.

What is proposed is that local authorities be allowed to sell planning permissions.

"This would immediately do away with the need to bring land into public ownership at enormous cost. It would immediately generate revenue for the local authorities, and no doubt the Exchequer, too. It would be workable with a relatively modest increase in administrative staff."

The method of determining the price of planning permission would be by a free market valuation.

"In any particular case the value of a planning permission can be established by calculating the residual value of the land with and without permissions—the difference is the value of the permission."

A formula that planning permission should cost 80 per cent of the value gained is regarded as fair.

After planning permission for a specific use had been applied for by the landowner, the local authority would offer the land for tender or auction — the landowner himself being free to bid.

The landowner would then be paid for the land at current use value plus 20 per cent of the development gain for his trouble and the prospective developer, the new owner, would pay the market price.

None of this would of course solve the land problem because it deals only with land ripe for development, one sore on the sick body of our land tenure system, but it would be preferable to the stupidities contained in the Government's White Paper.