CHALLENGE FROM THE NETHERLANDS

By BASIL BUTTERWORTH (Hampshire, England)

J.J. Pot of the Netherlands has issued a discussion paper which is in effect a challenge to Georgists in other countries to recognize the merits of the approach developed by the Dutch group, Stichting Grondvest (Land Trust Foundation).

The essence of the case is that, a century after Progress and Poverty, rent is still not being collected as public revenue. Even if a start is made now by taking a small part of land value by taxation, and the proportion is gradually increased, the part left in private hands is likely to amount, by the time the final goal is reached, to more than would be paid for the land if it was bought at today's selling price. It would therefore be cheaper for the taxpayer to buy now, provided that the land the local authority buys is let on lease under conditions that provide for the rent being revised annually to allow for the general rise.

Mr. Pot proposes that land should be bought only when it is offered for sale (when he expects there would be no opposition) and estimates that after 25 years the greater part of the land would be rented for the benefit of the people. Since most plots of land in towns have buildings on them, this means that the local authority would step in when a property was put on the market, buy the land and lease it to the new owner of the building. Mr. Pot tells me that, in the Netherlands no additional legislation is needed to enable the local authority to do this.

Mr. Pot also considers that it is more effective to talk to politicians about the practical matters with which they are immediately concerned than about economic principles which they find more difficult and less interesting. He says: "I approach the chairman of a finance committee saying, 'You can earn a lot of money for your municipality - listen.' Or better, 'Look,' for they are not apt to listen. Therefore I show him a table of figures instead of economic laws. Result: One local authority after another asks us how to do it."

Mr. Pot succinctly states our philosophy thus: "The rent to be paid will be the market rent so that the land will have no selling price any longer; and this rent will be adjusted every year on the first of January to the market value in that particular year." In addition, Grondvest also offers guidance on the practical steps to be taken. They present draft conditions of lease and show how the rent can be reassessed annually by means of a land-value map ("isoval" map) showing the basic rent of each plot of land and a multiplying factor which is fixed each year in the light of available evidence from land sales during the year.

A pamphlet published by Grondvest in January 1976, which gives the draft conditions of lease, gives also a specimen section of the isoval map for a district of the Hague and a table showing the implications for a local authority of a typical purchase. It is assumed that the localauthority buys a plot of land for f25,000 by means of a 25-year mortgage at 9% interest and lets it at a rent which initially is equal to the interest on the mortgage (f2250) but which increases by 7% each year as a result of inflation. With annual capital repayments of f1000 and interest payments decreasing as the mortgage is paid off and with the rent received increasing in money terms as inflation reduces the value of money, the annual balances are adverse for the first four years but are favourable thereafter. The total balance becomes favourable from the ninth year onward, and over the whole period the investment is shown to be a very good one for the community. On the figures assumed in this example, the local authority would receive a rent of f11,500 in the 25th year and the total balance over the whole period, at f88,627, would be three and a half times the initial investment.

Mr. Pot's ideas may not be the answer, but they form a good basis for discussion.