

Missing Land Titles in Greece

By Fred E. Foldvary

Economic activity requires land, which implies that someone controls the use of the land. Control implies legal authority for the rights of possession. The lack of clear land titles can prevent the development of sites, which reduces economic productivity and growth.

One would think that after 3000 years of recorded history, the Hellenic Republic would have evolved clear land titles, but Greek land sales are still recorded by handwritten last names, without any deeds specifying the plot boundaries ("Who Owns This Land? In Greece, Who Knows?" by Suzanne Daley, New York Times, 26 May 2013, p. A1). In rural areas, a plot of land is recorded not by a survey marking the boundaries but by descriptions such as by olive trees which no longer exist. Also, Greek law authorizes adverse possession: the use of land for twenty years entitles the user to have the rights of ownership.

Many countries keep track of land ownership with a cadaster (cadastre), a public record of land titles and the locations, boundaries, and values of plots of land. In the United States, records of land holdings are typically kept by county governments. Ironically, the term originated in the Greek word katastikhon, meaning a register.

The clearest land titles in Greece are those that were developed by the Italians. When Greek independence was recognized in 1830, The Dodecanese Islands in the Aegean Sea, including Rhodes, remained in the Ottoman Turkish Empire. During the Italian-Turkish war over Libya in 1912, these islands were occupied by Italy until the end of World War II. The islands still use cadastres established by Italian real estate law. The rest of Greece indulges in land-title confusion.

Property disputes in Greece can take many years to resolve. Legal ambiguity provides a great opportunity for lawyers who thrive on handling land-ownership disputes. The lawyer lobby then creates a vested interest that generates resistance to creating cadasters. Also, the clarification of land titles implies that a plot with multiple claims will void all but one of them, which then creates political resistance to creating registries.

Real estate confusion in Greece extends also to the buildings, as old building codes are obsolete, complex, and confusing. Most buildings do not conform to the code, and it is costly to conform to laws that are no longer useful.

Since it is well recognized that a lack of clear land titles hinders the recovery from the depressed economy of Greece, the organizations that have loaned funds to the government, such as the International Monetary Fund and the European Central Bank, are pushing the government to speed up its creation of cadastres. The

lenders have provided funding and experts in real estate law and geography to help the Greek government develop a registry, but so far only seven percent of the land has been mapped.

A land value tax applied to all land promotes the best use of land, but when a property tax depends on the use of land, that inhibits the best use of land. The government of Greece levies a small real estate tax, but instead of a direct levy on the owners, the government has bundled the property tax with electricity bills. That leaves vacant lots untaxed. The absence of a tax on idle land implies that there is no carrying cost to leaving it vacant, and the title holders can leave it idle as an appreciating asset that is not vulnerable to currency gyrations.

The fastest way to promote a cadaster in Greece would be to levy a land value tax on all land. The government could ignore the current land-ownership records and divide the land into small arbitrary plots for rural land and plots based on the buildings in urban land. Appraisers would estimate the market value of each plot. The boundary lines of each plot would be marked and mapped, and those who claim title would register with the government and pay the tax. If there are more than one claimant, they would be declared tenants in common, and each would pay his portion of the tax. If no person claimed the plot, then it would be sold at auction, or become government-owned.

Land in Greece would then have a carrying cost, which would reduce the claims on the land. Those who dispute land titles would have a strong incentive to resolve the conflict, since they would have to pay a periodic charge to maintain their title. The revenue from the land value tax would then be used to pay down the Greek debt.

It is highly unlikely that the European experts who are advising the Greek government have recommended the land-value tax method of speeding up the cadastres, because the Greeks would ask why the other Europeans have not implemented land-value taxation if it is such a good idea. Europeans should therefore place less blame on the Greeks and more blame on themselves for failing to set a good example. As usual, rent-seeking is the culprit.

-- Fred Foldvary

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