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P. R. STUBBINGS

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EDITORIAL

BOON OR MENACE?

TWO VIEWS ON LAND SPECULATION

THE social oil of land speculation . . . is public enemy No. 1 of the home building industry and the home buying public! The function of the land speculator is one of the most important and *difficult* jobs society has to offer, and has to be appropriately rewarded; . . . land speculation has been far the *easiest* way to get rich.

No, we have not taken leave of our senses, nor is the printer playing tricks. Our dichotomic opening paragraph was written partly in London, partly in New York, and is contrived from articles in two highly respected journals. The quaint notion that the dog in the manger is nature's noblest beast is held by the *Estates Gazette*; the more sober appraisal of his function is afforded by *House & Home*. The former is the oldest English journal devoted to land, property investment and agriculture while the latter (published by Time, Inc.) claims to be America's only industry magazine of houses and housing and serves architects, appraisers, builders, manufacturers, "realtors" and many others, a practical "conservative" magazine of immense influence. It may be instructive to quote extensively from editorials published recently by these two leading journals.

The peg on which the *Estates Gazette* chose to hang its April 8 leader, Fears of Value, was the recent annual report by Mr. Blessley, the Middlesex County Valuer. "Last year Mr. Blessley expressed concern at the rising cost of land in his county, echoing, in effect if not by intention, the cries of alarm from a good many university planning departments and professional associations, about the likely consequences of the new Act. This year, he says, 'it is evident from developments since that time that prices which were then considered high are well below present market values. Pressure for building land has become even more intense and there is no indication that a peak has yet been reached.'" Although local authorities

now have to pay market price for the land they require, Middlesex bought considerably more land last year than previously and the county council had benefited, as a property owner, from the new price levels. After summarising Mr. Blessley's report, the *Estates Gazette* continued:

"The fact that this report makes much less play with land prices than did last year's is, we hope, significant of a change in intellectual and professional attitudes. The welfare-minded may at last be losing their irrational fear of valuable land. For long years this country has been persuaded by foolish men and women that there is something wicked and dangerous *per se* in land which costs a lot of money. One basis of this may quite simply be the nursery idea that land of the kind *contains* the money in some curious physical sense, so that the secret hoard is quite likely to pop out and get you as you pass by, or beat you to your knees if you try to sneak on to some little corner of the plot.

"So strong is the widespread antipathy to the facts of value that people have gone to great lengths to pretend that they do not exist at all. Thus between the wars it was extremely fashionable — and it still is by no means unknown — for *soi disant* social engineers to blame high prices on a dreaded race called speculators. The idea was that a nice, harmless piece of land was just lying there, all innocent and virgin, and the speculative rapist came along and defiled it, turning it in a wink into a site worth £5,000 or £10,000 an acre when the moment before it was free to the first comer. But for the foul speculators, we could all live without paying rent; that was the fundamental fantasy beneath this strange conception. That values attract the social oil of speculation, not *vice versa*; that a speculator can no more raise the price of land by buying it than Auntie Nellie can; that the function of the speculator which is to take risks and endure the spectre of failure ever dodging his footsteps, is one of

the most important and difficult jobs society has to offer, and has to be appropriately rewarded — these and similar ideas are only just coming to the surface of our political theorists' minds, despite the fact they were traditionally grasped for centuries beneath the vague head of justice.

"What is the truth about high prices for land?" Obviously, that certain people create them by wanting the land, by clamouring for it in the auction rooms, by coming forward to rent from those who have bought it, by living on it, selling from it, manufacturing on it, using it in the manifold ways of a developed society. (Italics added.)

"What is there to be so frightened of in the mere circumstances that a lot of people want a particular piece of land? Or that the man who will give most for it has got it, and hopes and prays that his judgment of the demand for renting it is accurate? Yet for years the attack on our sensible and practical system of turning over the land was based on a half-conscious effort to avoid facing the uncomfortable facts of value, especially, of course, the fact that somebody else might be willing to give more for a piece of land than could or would the opponents of 'speculation'."

THERE is some truth in all this which we are the first to recognise. Many were misled by the concept of "floating value" which led in turn to Labour's disastrous town and country planning legislation. The kernel of the matter is in the paragraph we have italicised — the value of land is created by the demand and activities of the community. On this rock we rest our case for collecting land values for the benefit of society. It is something, we suppose, that the landlords' paper recognises who makes their patrons wealthy, and how.

We heartily agree, too, that the land speculator does nothing to make his piece of land valuable. Indeed as our American cousins say, he does nothing, period. He can laze in the sun on some foreign shore while mounting community demand makes his holding ever more valuable. But by artificially restricting the total amount of land available for use the land speculator *does* make other land more costly.

The speculative developer runs the risk that he may not find purchasers or tenants for the buildings he erects; he provides a valuable service and deserves his reward. But what risk is run by the man or company who holds tax-free, rate-free valuable land idle? There may be isolated cases of "little men" who put all their money in one plot and who are compelled to sell for less than they paid for their holding although we have seen none reported. And a slump may yet come and burn some speculators' fingers in the process — though their loss will be relative, not absolute, and if they can hang on until times improve they need not lose a penny — but in 999 cases out of a thousand it is roses, roses all the way for the land speculators. No blame attaches to them, nor are we the least whit envious. If they and their mouth-piece are fair they will appreciate our efforts to secure

legislation which really would make their "operations" excitingly hazardous.

What is staggering, though, is the temerity of the *Estates Gazette* (and others) in pretending that to withhold prime plots from use, preventing industry and commerce from operating in the most suitable positions and forcing home seekers needlessly far afield is to render a public service. Would motorists throw their arms in gratitude round the neck of some crank who barred the main road to the coast, causing them to sit fretting at their wheels or to make a tedious detour? What reward, think you, would they offer such a creature for his "important and difficult job"? Those who did not punch him in the eye would hoot with derision if he protested that he was oiling the smooth flow of traffic by gumming up the works, and they would speedily remove his anti-social barrier.

NOW let us cross the Atlantic. In February, while ripples from the special survey on Land published last August were still radiating across North America and other parts of the globe, *House & Home* returned to the attack on tax policies which abet land speculation and maintain other social disorders. The subject under discussion was whether it was true, as the Kennedy conference on urban affairs had said last October that "the basic cause [of urban "snafus" — snarls] is the inability of the American city, with its limited taxing power, to finance unaided the programmes and services required to prevent decay." The Kennedy housing task force had said: "The federal government has largely pre-empted the sources of tax revenue."

Commented *House & Home*: "This assumption is highly questionable. Fact is that under our form of government the biggest tax source of all, historically speaking, is reserved to the cities and towns — a \$250-billion-plus tax source that could easily afford to provide more added revenue than all the federal subsidies recommended by the task force will supply. The local governments' present unwillingness or inability to tap this underused tax source for a big enough flow of money does not necessarily justify saddling the resulting tax deficit on the already overburdened federal income taxpayers.

"This biggest tax source, historically speaking, is land. As late as 1914 land carried nearly half the total tax load — local, state and national. Today the land values in our cities and suburbs add up to something like over a quarter of our total national wealth, but land is so under-assessed and under-taxed that it pays less than one-twentieth of the total tax bill, and more than half that twentieth is deductible from the landowners' state and federal income taxes.

"Under-taxation of land is the No. 1 reason most cities are in financial trouble. It is the No. 1 reason slums are still spreading despite the billions of federal subsidies spent to clean them out. It is the No. 1 reason city land prices are so high that private enterprise cannot meet the need for good low-income and middle-income housing in big cities without a big subsidy from someone. And

the under-taxation of land leads to the over-taxation of improvements, so the under-taxation of land works two ways to perpetuate slums and retard urban renewal.

"Under-taxation of land is also the No. 1 cause of suburban sprawl, the No. 1 reason cities are disintegrating instead of expanding in a plannable way, the No. 1 reason most cities consume four times as much land as they use, the No. 1 reason billions of dollars must be wasted extending highways and streets and sewers and utilities past miles of under-used land, the No. 1 reason suburban land and land development costs too much and therefore the No. 1 reason many good new homes may be priced out of the market

"Until cities and towns start setting their own tax house in order, pouring bigger federal subsidies into the city coffers will be pouring money down a rate hole."

"The Eisenhower housing authorities learned in time the all-important truth that federal subsidies can do more harm than good if local politicians can use these subsidies as substitutes for local action; their usefulness is to spur local politicians to develop a 'workable programme' for local action to earn the federal aid. So the Eisenhower appointees began talking up a tough policy of 'no subsidy for cities without a workable plan'. The more open-handed Kennedy task force now suggests softening this to read 'bigger subsidies for cities covered by any area plan'."

"The Eisenhower housing authorities also learned in time that, in Norman Mason's words: 'There is a close relationship between our prevailing real estate tax system and our problems of slums, blight, and urban renewal. The question of taxes — tax advantages and tax disadvantages — is inextricably intertwined with the problem of community development.'"

"Perhaps the Kennedy Administration will be quicker to grasp this second lesson. The president's chief economic adviser has shown in his speeches that he knows all the right questions to ask on land-value taxation, though he has not yet stated his answers. The president's new highway chief is on record as wishing he could recover part of the cost of his programme from the multi-billion-dollar windfall new highways have given land owners along their routes. And the president's housing task force has urged a commission to study the effect of state, local, and federal tax policies on housing."

UNTIL some concerted move is made to collect public revenues in the way outlined by one of her greatest sons, Henry George, the United States will be unworthy of the role she has assumed of leader of the "free world". No man is free who has to pay another for the right to occupy the land on which he lives and works or who has his income raided and his goods made dear by the tax gatherer.

The policy *House & Home* advocates of increasing the tax on land values and simultaneously reducing taxes on buildings, if generally adopted, could be the first small step towards building a truly free America.

Meanwhile we wish the editors of the two journals quoted here could meet for a quiet lunch hour chat.

NOTES OF THE MONTH

Free Trade The Answer To The Export Problem

RECOGNITION is growing that free trade is not some outworn nineteenth century doctrine irrelevant to the needs of today but a vital necessity if Britain is to earn an honest living and pay her way. Moreover the simple truth is gaining ground that this country can at any time she chooses reduce—or abolish—her own trade barriers to her own immense benefit whatever other countries may or may not do. In support of these claims we may quote the *Sunday Times* (February 5), the financial editor of *The Guardian*, and *The Economist* (March 15).

The *Sunday Times* article—"A Five Year Plan to Increase Exports"—argued that it is the Government's business to direct the economy in such a way that British industry will prefer to export rather than to sell at home. "The first and most obvious point is that British industry now receives a large tariff subsidy to sell at home. Britain is still a high tariff country with the average tariff level between 20 and 30 per cent. This inevitably means that for British industry the home field is greenest of all. Inscribed over the doors of the Board of Trade is the slogan, 'It pays to sell at home.'"

Wobbling a little, the article said that tariffs "were a sensible defensive measure in the 1930's" (emphatically they were not) which today "provide a built-in bias towards home consumption and against export sales. They also remove the automatic discipline that cheap imports provide against excessive wage increases. The Government could adopt tariff reductions as a five year programme, and let industry know what it intended to do."

The Economist also urged that the economy should be more export orientated than it is now. "This would call for a sequence of efforts to prod and legislate the country into a new attitude of mind. The first principle to enunciate for such an economy is that the industries which should have some of their firms driven into bankruptcy, and some of their workers pushed into other jobs — should be those that cannot compete abroad.

"The best way to find out which these firms are would be to make a unilateral cut in British tariffs. It will be protested that a cut in tariffs would increase imports, and that this seems a very strange way of helping to put the balance of payments to rights. The educative effect of a few foreign imports — both in teaching British consumers what they could get, and British manufacturers what to make — could be immense. In this particularly insular and protected country the heads of some businesses never see what constantly changing sorts of goods they have to compete with abroad and it would be well worthwhile