

COLOMBIA, Brazil and Chile have all tried to mitigate the problems of inflation in housing finance by systems of monetary correction, or indexing, writes Colin Green.

A book by Roger Sandilands,* who is a *Land & Liberty* contributor, describes the differences between, and effectiveness of, these schemes. The Colombian system is given special attention because of the role of the housing programme in the country's overall development strategy.

The book analyses the way in which monetary correction schemes can increase simultaneously both the supply and demand for long-term finance and shows how the housing sector can be converted from a "lagging" to a "leading" sector as part of deliberate growth strategy.

The study concludes that this objective is feasible but that the details of the monetary correction schemes need to be carefully administered if the impetus is to be maintained.

The expansion of finance for high-density residential apartment blocks has helped accommodate, directly or indirectly, the millions of Latin Americans who are migrating from the countryside and towns to the bigger cities.

Millions more, however, are forced to live in the wretched shanty towns that disfigure even the most prosperous Latin American cities.

Housing as the leading sector in growth plans

●Dr. ROGER SANDILANDS is lecturer in economics at the University of Strathclyde, and managing editor of the *Journal of Economic Studies*.



A great deal more needs to be done to provide decent homes for all, and to distribute more equitably the economic benefits arising from industrialisation and urbanization. Nowhere are land values rising so fast as in Latin America's burgeoning cities. This has created endemic problems of speculation, land hoarding and the creaming off of community-created land values by a relatively small number of privileged individuals.

While this fundamental injustice remains untouched, schemes to promote faster urbanization through new housing finance institutions will

remain only palliatives so far as the bulk of the population is concerned.

Yet the rising land values could be used as an instrument for overcoming some of the economic problems. As Sandilands notes:

"One possible way in which the state can increase subsidies to lower-income groups without increasing inflationary pressures could be to capture and reallocate the rise in land values associated with urbanisation projects which the state itself may have sponsored. Since the rise in land values is itself created by the community rather than the efforts of individuals, this seems a particularly appropriate candidate for taxation."

This capture of land values, however, is just one of a set of fiscal policies which a responsible government ought to adopt. For example, Sandilands notes that while monetary correction schemes can do much to counter the undesirable side effects of monetary inflation on the housing sector, there is no substitute for far more responsible monetary control by central bankers than they have generally been able or willing to exercise in the past.

*R. J. Sandilands, *Monetary Correction and Housing Finance in Colombia, Brazil and Chile*, Farnborough: Gower Publishing Co., £14.50.

THE MINISTERIAL MIND

significant that 256 ha is in parcels of 2 ha or more. While 10 of these 46 sites are programmed for development within two years, 28 or the remaining 36 sites are not in any firm programme and total 142 ha.

The report points out that not all the vacant land is immediately available, for in some cases the statutory undertakers claim that it will ultimately be required for operational purposes; in other cases extensive site preparation is required as the sites are in a state of dereliction. Some areas also require new roads and services.

One case study points out that the City Council has been negotiating with the British Transport Dock Board for seven years to purchase one site of 22 ha! This report clearly illustrates the need for Mr. Heseltine and his officials to take the initiative and sort out the squabbling between the public bodies involved.

One thing is clear: if the statutory undertakers were forced to pay a tax or rate on the sites they are withholding from use, economic considerations would soon prompt them to take speedy

action! Indeed, it is because there is no annual levy on land in this country that we have the situation that confronts us. The situation elsewhere could be more severe than in Liverpool. The Land Authority for Wales has estimated that some 6,000 ha of land is lying dormant around Cardiff, Newport and Swansea, and 70% of it is owned by public authorities.³

This promising start to compiling details of land holdings needs to be extended through the country, covering both private and public authority land. When this has been done consideration can be given to the issue of valuing it. A national land valuation is long overdue.

REFERENCES

1. *The Land Market and the Development Process*, Occasional Paper No. 2, School for Advanced Urban Studies, University of Bristol.
2. *Development Land Review 1979*, Liverpool Inner City Partnership.
3. *Planning*, 4.1.80.

Peter Hudson

Bahamas land boom over

THE BAHAMIAN land boom that begun two years ago has crashed to a halt.

The value of approved residential construction jumped from \$45m. in 1978 to \$65m. during the first nine months of 1979. Land prices rocketed, as foreign speculators moved in to exploit the economy of one of the few politically stable countries in the region.

Prime Minister Lynden Pindling introduced a land control policy designed to squeeze out foreign speculators and ensure orderly economic development. Now, about \$245m. in property purchase applications are frozen in the pipeline because of confusion over government guidelines for sellers and buyers.

And according to Ian Hargreaves in a *Financial Times* supplement on the Bahamas (22.7.80): "The land issue is potentially the most serious for the economy."