

Japan's Housing Shortage

THE New York Times correspondent, Takashi Oka, in a January 4th dispatch, relates how residential property in that city which sold for \$1 a square foot just after the war, now costs \$150 to \$200 a foot. He tells of the Takeda family of four who have for years been living in a one-room apartment, tiny in size, yet filled with their television, washing machine, refrigerator, sewing machine, large chest of drawers (in which the children sleep), chest after chest of clothes, and a toy automobile large enough for their six-year old son to get into.

Although Japan is so prosperous that the economy has become the third largest in the world, low income groups are squeezed by the land costs which have progressively forced rents up. A government survey showed that of the more than 800,000 families in Tokyo living in one room, half of the apartments are less than 108 square feet in size. Residential construction proceeds apace and there is some governmental assistance. An apartment in a privately erected building costs about \$183 a month. Mr. Takeda earns \$280 and his wife about \$70. One small maker of straw mats was able to sell his house and 1,800 square foot lot for \$280,000 for use as a parking lot for an adjacent office building.

It is not difficult to relate this condition to the evil of high land prices which is evident everywhere. Land speculation, its cause, drains the life blood of the economy and creates burdens increasingly difficult to bear. Unless land speculation is eliminated or checked present living standards are surely in jeopardy.

All students of Henry George are aware that a corrective measure is available. Adopting a system of land value taxation and taxing all improved and unimproved land of equal quality at equal rates would put an end to unconscionable land speculation. New construction would be accelerated and the Takeda and Smith families would enjoy adequate elbow room at prices they might afford.

JESSE A. ZEEMAN

The New York Dilemma

INFLATION has been eroding purchasing power (wages) for the last ten years at the annual rate of 5 percent. The return per invested dollar has been steadily falling. Profits are becoming harder and harder to come by.

All this is known and discussed. What is not discussed is the fact that the most rapidly accelerating factor in the economy is rent. The

most incredible rent increase has come in the last four years. Rents on fifth Avenue in New York have risen by more—and often much more—than 25 percent a year. At the northeast corner of Fifth Avenue and 54th Street a 30-foot store was under lease for \$70,000 a year. When the lease expired the store was rented to another company for \$300,000 per annum. On Madison Avenue the rents have tripled in the same period.

The present recession and the extreme profit squeeze of the last year are direct results of the accelerated inflation of rents. To better understand the effect of rising rents on the economy let us take the example of a chain of a hundred stores. Assume a company earning a profit of \$2 million a year. If all their existing leases were to expire now and they had to negotiate new ones the increased rents would probably wipe out their profit.

Conversely, many retailers are successful because they are operating on leases made at a time when rents were lower. An analysis of many large companies would no doubt show that what they think of as their profit is actually rent they are *collecting* rather than *paying*. The proof of this is that they can and sometimes do sell their leases for the difference between what they are worth and what they pay to the landlord. Without a rent advantage it is difficult to show a profit in retailing today.

It is the advance of rent that has a constant tendency to reduce wages and interest. The process takes time. Given enough time, and depending on the pressure exerted by speculative and monopoly rent, the wages of an average American could equal those of a laborer in India. The relief of this pressure should be our main concern. There is no greater menace to our economic health than speculative and monopoly rent.

DAVID SKLAR

Property Probings

THE Property Tax Newsletter published by Nader's Public Interest Research Group has a growing list of volunteer groups from 26 states banded together for local reforms. A number of students, especially law students, have shown interest in studies of tax abuses and "empirical research seminars."

A conference in Washington on December 12th was attended by 500 people from all parts of the country. Ralph Nader spoke and others on the program were Dr. Mason Gaffney, Perry I. Prentice and Senator Edmund Muskie who announced that the Intergovernmental