

THE LAND

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Winston Churchill

Few will have been unimpressed by space photographs of the blue-white planet Earth floating serenely in space for all practical purposes completely detached from the rest of the universe.

Its outer skin of land and sea must provide everything upon which increasing billions of people will depend for food, shelter, clothing and all their needs. But of the land little is arable. Much of its productive capacity has already been destroyed through ignorance or irresponsible exploitation. The seas which wash its shores, although capable of producing a constant supply of food, show increasing evidence of pollution of the waters and overfishing of its resources to the point of decreasing yield. The tragic fact is that the technology used by some nations fishing international waters kills and wastes great quantities of marine life. It is a situation which will demand correction by convention as increasing population faces seafood shortages.

How extraordinary - and fortunate - it is that beneath the earth's surface but at workable depth, are the minerals we need together with the sources of energy for their conversion to our use. All are part of the resources of the land. When the energy component approaches exhaustion we will have recourse certainly to solar energy and perhaps to agricultural sources. We will still need the land upon which to establish collectors of solar energy and to expand cultivation of automotive fuel production crops

or to deal with whatever new forms of energy may be developed.

Faith and science clash over origins! Millions of Christians will believe that the Creator has provided the earth's bounty for His people. The evolutionist will deny it. But creationist or evolutionist, there is no denying that since earth is the only source of sustenance for all, a bountiful Creator would hardly have decreed ownership of such resources for only some of their number. Equally, if man evolved, surely equity must demand that the first comers should not be entitled to exploit those to come after by monopolising the necessities of life.

For some to make private property of the only source of all that mankind needs is to seize the economic power and to virtually enslave those dispossessed.

The great majority of people are quite oblivious, to the reality of our complete dependence on the land. We live with our surroundings and possessions without comprehending what even a casual survey would establish beyond question - that we can see nothing, in whatever form, which did not come from and land and its resources.

But it is with the consequences of this situation that we must now come to grips.

Every day something like 400,000 people are born into the world community to live out their lives under the most extraordinary variety of circumstances and conditions then, in turn, to make up the near 150,000 who daily leave the world through death. Presently the world's population of over five and a half billion grows at 90 million per year and compounding. The dependents multiply, the monopolists grow fewer. The very right to life of this increasing human tide demands the right to equal access to earth's bounty if equity is to prevail.

But the situation is not like that. The reality is that the incoming millions find their right pre-empted by the

owners of the land and resources whose terms they are obliged to accept in order to survive. Yet there is enormous difficulty in persuading people generally of the mere possibility that private ownership of land could lie behind so much of the misery and troubles of our world for which we are ready to accept other and spurious reasons.

In a society clamouring for the extension and protection of Human Rights the oddity is that there should be such general acquiescence in that greatest of all denials of human rights equitably to share in the bounty of the land. We might recall the fervour of the United States Declaration of Independence which declared the right of all to "life, liberty and the pursuit of happiness" whilst owners of great landed estates kept slaves. Chattel slavery is now banished from civilised countries but there remains an insidious form of economic slavery arising from the monopolisation of land and resources.

Events surrounding the institution of private ownership of land are lost in the mists of time. But certainly there was no agency to hand down a valid "title" over land to anyone. Undoubtedly early and powerful entities who had seized or conquered the land invented "titles" to protect the privileges of "ownership", titles which ultimately became recognised and then were turned into law by kings or parliaments in which the franchise extended only to land owners!

With the coming of the colonial era of the 14th to 17th centuries European nations pushed into every continent where aboriginal peoples had found themselves in possession of the land but with little concept of ownership. Their dependence on the land was absolute and, deprived of occupation, the world wide clamour for the restoration of lands so closely interwoven with their material and spiritual lives is understood. But ownership and occupation are not synonymous and in the light of the

millions of people to come forward, all equally dependent on the land, aboriginal occupation can only be seen as trusteeship for future occupants.

It is not difficult to understand the almost mystical attachment of aboriginal peoples everywhere to the land. They lived daily on and from it in the most direct way, always conscious of their dependence on its never failing supply as a reward for the effort of hunting and gathering. From this association came their cultural organisation and their spiritual beliefs which are greatly to be respected.

Perhaps today's citizens miss a great deal through having developed life styles so physically removed from the land as virtually to destroy our consciousness of dependence.

In almost every country around the world millions of people who have been obliged to surrender the land they occupied to conquerors who promptly usurped the land and reduced the aboriginals to servitude to the new "owners" in exchange for subsistence living. Here is the origin of so much of the flaunted wealth and abject poverty which exist side by side in countries like the Philippines, India, Pakistan, the Americas and elsewhere. Little wonder then at the rising demand across the world for land rights. It is the denial of access by land monopolists that inspires the world wide demand for land rights not only for aboriginal peoples but for the landless masses.

The International Aid Agencies, working in countries sadly depressed, report indirectly, the reasons for it. One reports "Not only in Latin America but in the Philippines too the fight for land ownership is the all pervading theme, the greatest potential for conflict between those with and those without land. Every effort at rural reform has been nipped in the bud."

Another is constantly underlining the reasons for the enormous numbers of poor who come to them for aid:

in Bangladesh, for instance, where 10% of the people own half the land and 5% are landless. In politically and economically troubled Mexico where 35 of the richest families have more wealth than the poorest fifteen million. Brazil has 2% of landholders holding 60 % of arable land.

Here and there proposals have been advanced by governments to confiscate land for redistribution to landless farmers as in Taiwan under their "Land to the Tiller" programme or in the Philippines where redistribution, but only to a minor degree, has been considered. But fragmenting the land to create more small holders with privilege is no answer.

There is a theory that the benefits of large scale development in rural areas will "trickle down" to the benefit of the impoverished inhabitants. In India, one such development based on the discovery of coal had quite the reverse effect. Coal production was from open cut which devastated the landscape, swallowed up the fields and villages and moved people off their land to the point where their complaint was "We don't have any work. How can we eat if we don't have any work?"

The World Bank has been at the forefront of promoting grandiose schemes to lighten the burden of the poor mostly with negative results: In Brazil as an instance, the World Bank bankrolled enormous industrial development and its necessary infrastructure designed "to be of benefit to the Brazilian people". In fact, it lead to unpayable debt as the "benefits for the people" were intercepted by the land whose values were materially enhanced by rising demand. Rents for those who must have access to the land rose at the expense of wages and the cost of production. As in India with its very rich and very poor so, according to a leading Brazilian journalist, there are now two Brazils, the rich who live off the profits of industry and the production of rents of the best lands

and the very poor.

Clearly the "trickle down" theory just doesn't work as intended.

The land problem is not alone one of agricultural lands or of farmers. Since society in its entirety depends on the land then all are affected. Wherever private ownership of land exists there is constant transfer of wealth from the community to land owners.

From observation of contemporary events society is well aware that the classic formula for making a fortune is to buy land in the path of development. Some of the great American fortunes were made through the building of railways to the west. But the profit was not made out of the railways: rather it came from buying land for next to nothing knowing with certainty that values would be vastly increased by the provision of rail access. It was exploitation rather than speculation.

The principle is still alive and well.

The great Winston Churchill who forthrightly expressed his views on this kind of situation thus: "Land monopoly is not the only monopoly which exists, but it is by far the greatest of monopolies - it is a perpetual monopoly and is the mother of all other forms of monopoly. Land, which is a necessity of human existence, which is the original source of all wealth, which is strictly limited in extent which is fixed in geographical position Land, I say, differs from all other forms of property in these primary and fundamental conditions. The landlord watches the busy population making the city larger, richer, more convenient, more famous every day and all the while sits still and does nothing.

Roads are made, streets are made, railway services are improved, electric light turns night into day, electric trams glide swiftly to and fro, water is brought from reservoirs a hundred miles off in the mountains and all the

while the landlord sits still. Every one of these improvements is effected by the labour and cost of other people. Many of the most important are effected at the cost of the Municipality and ratepayers. To not one of these improvements does the land monopolist as a land monopolist contribute, yet by every one of them is the value of his land sensibly enhanced. It does not matter where you look or what examples you select you will see that every form of enterprise, every step in material progress is only undertaken after the land monopolist has skimmed the cream off for himself. Everywhere else today the man or public body who wishes to put land to its highest use is forced to pay a preliminary fine in land values to the man who is putting it to an inferior use and in some cases to no use at all.

All comes back to the land and its owner for the time being is able to levy his toll upon every form of industry. A portion, in some cases the whole, of every benefit which is laboriously acquired by the community, is represented in the land value and finds its way automatically into the landlord's pocket. If there is a rise in wages, rents are able to move forward because the worker can now afford to pay a little more. If the opening of a new railway or a new tramway, or the institution of a new service of workmen's trains or a lowering of fares, or a new invention, or any other public convenience affords a benefit to the workers in any particular district it becomes easier for them to live and therefore the landlord is able to charge them more for the privilege of living there.

The central fact is that land captures in rising values all of the benefits of development which the community provides.

One need only look at the provision of the Sydney Harbour bridge by public funds to note that the first and immediate effect was to increase the value of land on the

North side of the harbour now rendered more economically desirable by virtue of better access.

Part of the cost was to be found through a "betterment" tax on land values. However the opening of the bridge coincided with the great depression of the 30's; property values fell. Speculators in land subdivisions unable to dispose of their holdings complained that they were deprived of the expected gains and were successful in having the rate of betterment tax reduced on two occasions and finally discontinued in 1938.

Thus the public came to pay twice, once in taxation and toll to build the structure and a second time in rent or unearned profit to private landowners for access to its benefits.

But slowly, there is growing recognition that the public interest is being denied in the handling of the "land question".

In 1973 the Commonwealth Government established a Commission of Inquiry into Land Tenures of land under Commonwealth control, in the Australian Capital Territory and the Northern Territory. The Commission was chaired by The Hon. Mr Justice Rae Else-Mitchell, then Judge of the N.S.W. Supreme Court with Professor Russell Lloyd Matthews of the Australian National University and Mr Dusseldorp, Chairman of Directors of Lend Lease Corporation Ltd. as Commissioners.

Unfortunately, like Members of Parliament who "seldom read legislation", the general public do not read reports of this kind and the capacity of Governments to "pigeon hole" and forget reports is notorious.

The Commission was not primarily concerned with the raising of revenues from land taxes or rentals but found it hard to avoid touching on that subject when it came to consider the opportunities provided by certain

types of land tenures for land speculation and the treatment of unearned increment to be had from the sale, at rising prices of land affected by general development.

The Commission's findings strongly support the views herein expressed not least in the early conclusion that "the keystone of Government policy must be the recognition that land is both a basic national resource of limited or finite extent and a necessity of life for all Australians". The Commission highlighted the consequences of the present system of private ownership of land. The first is "The good fortune of holding land within an area for intensive development is a matter of chance for the individual land owner. Millions of dollars are won or lost by a decision of a local government council or by a stroke of a planner's pen. These millions of dollars come from the collective pockets of the community and especially in the case of outer suburban land, from the pockets of those in the community least able to pay-young couples purchasing their first homes".

Secondly "Wherever there is a prospect of private profit from planning decisions two results follow. Planning is necessarily performed in secret and there is a suspicion of manipulation for private ends. Pressures will be exerted to achieve planning changes which are profitable to individual land owners rather than desirable in the public interest".

From time to time in Australia and overseas there have been flurries of interest in appropriating for public benefit betterment or unearned increment the result of land development. The New South Wales Land Development Contribution Act of 1970 provided for a charge to be made of 30% of the increment in value of non urban lands rezoned to urban.

But with residential land in short supply, no doubt because landowners were withholding their properties

from the market, the same land owners found methods of passing on the charges to developers by adding a premium to the selling price with a consequent increase in the price of subdivided land to the ultimate user.

The Act was repealed for this reason. But any good law maker interested in the result would have found ways of preventing this manoeuvre. Again, if the principle of appropriating the increment for public benefit is right, as it certainly is, then the whole of the increment should have been appropriated and not just 30%.

"In a period of intense growth, demands on public revenues are immense extending from claims for basic services such as water supply and sewerage through demands for public transport and road systems to the provision of community facilities such as schools, hospitals, parks and libraries. The demand for these huge expenditures is generated by community growth, that same growth which creates the increment, so the anomaly arises that under the present system the financial benefits of growth accrue to private landowners whilst the financial costs are borne by the whole community in rates and taxes. Thus to emphasise through repetition, the taxpaying community pays twice for public facilities, once through taxation to provide funds to construct and a second time through increased rent to private owners for access to the advantages their expenditure has created.

Could anything be more ridiculous and inequitable !

Indeed if one pursues that principle further it can be shown that the rising values of land as a result of development is the legitimate and never failing source form which that development should be financed. But to do that it would be necessary for the government to collect not just betterment tax but the rental on the land itself. In so doing it would avoid the necessity to raise interest bearing loans for public works when the funds can be

derived from increased rents on the properties beneficially affected by the public work in question.

The Commission underlined its case further by stating "Unearned increments or increases in the value of land associated with either community growth or changes in land use automatically accrue to the owner of freehold land whereas, under leasehold, such increases are appropriated by the lessor as a result of an adjustment to the rentals which the lessee is required to pay".

The Australian Capital Territory was instituted with no provision for the private ownership of land. All was available on leasehold providing review of values and increases in rentals at specific periods. In practice administrative modifications to the system were largely responsible for the absence of any notable success in recovering increments in land values. In any event the Australian Capital Territory arrangements point only to the administrative feasibility of holding public lands for lease. It offered none of the enormous benefits of relieving the community of State and Federal taxes. It has little relation to the Single Tax.

But the Single Tax proposal is not to confiscate and redistribute the land. It is only necessary to demand for public revenue the rent which goes some way to recognise public ownership without disturbing private occupation or the absolute ownership of improvements.

Henry George states the position thus:

"I do not propose either the purchase or the confiscation of private property in land. The first would be unjust; the second needless. Let the individuals who now hold it retain, if they want to, possession of what they are pleased to call *their* land. Let them, continue to call it their land. Let them buy and sell and bequeath and devise it. *It is not necessary to confiscate land; it is only necessary to confiscate rent.*

Nor to take rent for public purposes is it necessary that the State should bother with the letting of lands. It is not necessary that any new machinery should be created. The machinery already exists. Instead of extending it, all we need do is to simplify and reduce it. By making use of the existing machinery, we may, without jar or shock, assert the common right to land by taking rent for public purposes."

Applied generally the collection by governments of the rent of land in lieu of all other forms of taxation would see an end to land speculation by the people who make fortunes by holding land out of use until it "ripens".

On another matter of concern to this volume, the commission observed that "few aspects of modern urban living evoke such wide ranging expressions of concern in the community as the enrichment of the few at the expense of the many through land speculation and the tendency for rapidly increasing prices of residential land to place home ownership beyond the means of a growing number of households".

It then went on to say that "the holding of land for purposes of speculative gain serves no useful or economic purpose. Private gains from land must be restricted to gains from its development, use or enjoyment, thereby excluding the possibility of gains being derived from holding land as a commodity for sale".

But the independent inquiry, having made the case for the betterment in land values created by public expenditure to be appropriated for public benefit, the question must be asked "Why, if the principle is equitable as indeed it is, it should not apply with equal force to the community right to enjoy a rental on the whole of whatever value the land carries because all of it arises from public activity and expenditure. It is a wholly community created value to which the holder of the land has made no

contribution whatsoever.

Australia's population must rise. That population will establish itself in locations where service is available. Pressures will increase as will land values. Without the application of the Single Tax the benefits will go to private landowners, the costs will remain with the general public. The policy of the present N.S.W. Government is therefore completely short sighted and unhelpful in having established Landcom ostensibly to aid home builders by providing blocks of publicly owned land at anything from \$25,000 to \$60,000 a block. It can be argued that the purchase price goes into public funds so protecting the public interest. But the general public interest would be equally protected if the land were made available on lease providing at the same time the advantage of cutting the cost of housing by the capital cost of land, encouraging the building and associated industries and still preserving the public right to continuing benefit in the unearned increment in future price rises.

Also of considerable interest to our inquiry is the reservation of the Commission that "We believe that in the long run it would prove to be politically inexpedient to exact full economic rents from residential land. So far as we know no government has ever succeeded in doing so consistently over a long period. The reason is simply that a lease is a contract between two parties and if one of the parties is a government or a government agency and the other the voter who determines whether the government stays in office the system is inherently unstable. Even if a rental leasehold system were to be introduced and economic rents charged by government it would be tantamount to inviting the opposition to promise to change the system in order to win votes and help unseat the government at the next election".

Clearly the Commission was looking at rental of

wholly leased land as only another source of revenue omitting any thought that it might replace all present tax based systems of raising revenue. Ideas of that kind must be swept out of the way if land values taxation is to succeed. But to the Commission's view there are several powerful objections.

The first is that no government has ever tried to exact the full economic rent from landholders nor does the Commission appear to take to account that the collection of economic rent equates to the present revenues of all arms of government and the reform would see the abolition of all present forms of taxation.

The second is that this volume makes the case for the benefits both economic and social which will flow from the application of land values taxation. If that case is effectively made the introduction of Land Values Taxation must bring security, contentment and prosperity to the community at large and the likelihood that any opposition would win votes by promising to change the system must disappear.

To a community so obviously benefited by equitable, just and efficient tax reform, any proposal to return to anything like the present tax regime, to restore speculation and high land prices together with unemployment and social insecurity must fall on very deaf ears indeed.