

## IX: SITE RENT VERSUS INEQUALITIES

Once we appreciate the importance of site rent we can understand, more fully, why some folk are enormously richer than others.

### Landownership vs. Tenancy

We noted earlier (page 45), that individuals become landowners by outlaying about twenty years' rent in exchange for the title to a site. We noted, also, that people do this to provide a sense of security and permanence, and to escape the twin dangers of eviction and of arbitrary increases in rent.

However we did not note, there, that owners often recoup their outlay eventually, by selling land when they have finished with it.

### Living Rent Free

If land is not taxed, and the price the landowner gets is equivalent to the one he gave in the first place, then he has used land for years, without paying his neighbours and fellow citizens for services supplied by them.

Because of this, when a nation fails to tax its land, it divides its citizens into three groups. These are:

- 1: People who pay rent for the land they use,
- 2: Persons who use land without paying significant rent, and:
- 3: Those who receive whatever rent the first group pays.

## Rich and Poor

The financial status of individuals varies according to their occupation, the value of any land they own or rent, and their country of abode. However, in general, the world's poorest people are in the first of the above-mentioned groups, those in the second group enjoy a reasonable standard of living, and the third group includes all the wealthiest people in the world.

One does not need a university degree to comprehend all this. Individuals who must rent land have less to spend on buildings and machinery - or even on living costs - than do those who own the land they need. So landowners possess an advantage over tenants where either capital formation or standard of living is concerned.

The advantage is compounded for landowners who augment their income by collecting rent. These may invest their additional income either:

- (a) in machinery - thereby further increasing their own work output and either lifting their standard of living or adding to their wealth,
- (b) in land - to provide access to still further rent, or:
- (c) in interest bearing loans or shareholdings.

## A Progressive Increase in Wealth

Once rent, interest or dividends is received, it is then available for further investment in one or more of the above-mentioned ways. Therefore, this process allows wealth to accumulate in a progressive or geometric fashion - whereby the amount added to a wealthy person's assets (and to his power!) increases year by year.

## Aggregation of Landholdings = Higher Rents

The same process also leads to a gradual aggregation of landholdings. In this way it exerts a continuing pressure that bears upon tenants and landless labourers.

As land aggregates into fewer and fewer hands, then fewer and fewer landowners compete, with a lessening intensity, for tenants, while more and more persons compete, with greater intensity, for the privilege of occupying land.

This allows rent to absorb a large or even a very large proportion of each tenant's income. It further reduces the tenant's ability to acquire either land of his own or the machinery that could increase his work output and improve his standard of living.

## Inadequate Land Taxes

Few nations levy adequate taxes on land, so landholdings aggregate in most economies. However, the problem is at its worst in under-developed economies. It explains why some inhabitants of those countries become richer and richer, while the wealth (and health!) of the poor majority declines.

Aggregation of landholdings also explains why neither the green revolution nor the inflow of foreign capital does much to improve the situation of the poor. Tenants may be given tools, fertilizer or knowhow, but they are little better off while they must bid against one another to obtain the use of land. Capital inflows or education may increase their output and income for a time, but the increase is soon swallowed up in rising rents. Their net income then falls back to its original level - leading them to question the value of new methods and new tech-

niques, and to wonder, perhaps, if there is any justice in the world.

### **A Common Heritage**

That being so, it is high time we:

- 1: recognized the earth as the common heritage of all mankind, and:
- 2: took steps to provide everyone with an equitable share of it.

The earth is not a man-made object or a thing created by individuals - like goods and services. Instead, the earth was provided by a beneficent Creator, who, surely, would like all mankind to have an equitable share of it.

### **Inequity**

The earth is not shared equitably when some of its inhabitants make fortunes from land while others starve because "the system" denies land to them. Under these circumstances, some live a life of luxury, while others exist in grinding poverty.

Tax structures that permit this are clearly unjust. Millions of people would be better off if all such structures were reformed.

### **Universal Leasehold?**

Unjust taxation systems could possibly be reformed, if taxes were reduced while present forms of landownership were exchanged for universal leasehold. All sites could then be rented from the government, and revenue obtained from rents would balance the fall in taxation revenue.

However, while that may sound ideal, it contains

a variety of drawbacks. These drawbacks seem to be recognized instinctively by the community, which, in general, regards leasehold with disfavour.

### Misdirected Economies?

Universal leasehold would turn the government into everybody's landlord. It would therefore give the government immense power over its people - as no one can work, or even live, without access to land.

A government, as universal landlord, would control every site in the country. It could - if it wished - control every individual in the nation as well.

In the long run, such a government could end up, directing (or misdirecting!) the nation's entire economy.

Apart from this, universal leasehold may also:

- 1: Allow one or a few people in a dictatorship to enrich themselves at everyone else's expense by appropriating rent to themselves.
- 2: Lead to favouritism, with rents being determined arbitrarily by government officials, who might also allocate the best sites to their friends, or:
- 3: Be marred by inadequate or infrequent revision of rents - so some site rent would end up passing into private hands. This, in turn, would cause the leasehold system to fall into disrepute - as happened in Canberra. There, land was leased from the government, but rents were adjusted only at twenty year intervals. Because of this and other faults, Canberra's leasehold system gradually deteriorated. It

was finally abandoned in 1971, despite calls from various quarters for an enquiry into the system, and into ways and means whereby its faults could be removed.

### **Freehold Preferable**

The faults inherent in universal leasehold might be minimized if rents were set by market action, and if all valuations were checked against market rents every year. However, it seems preferable to retain our present system of freehold land titles, and to combine it with a substantial tax on land (e.g., 100 cents in the dollar, as suggested on page 44).

That combination would place landownership within easy reach for nearly everyone. It would also protect tenants from exploitation - by giving most of them the option of ownership and increasing the number of landowners competing for the custom of anyone who still preferred tenancy. In this way, it would maintain rents at reasonable and justifiable levels.

The above-mentioned combination of land tax and freehold titles would likewise protect landholders from arbitrary government action. It would allow them virtually to set their own annual land tax (which would be equal to the amount paid for any given site, if the tax were set at 100 cents in the dollar), and would leave them free to buy, sell or exchange their holdings at any time and as they saw fit.

Finally, that combination would extract a substantial holding charge from each landowner - thereby implicitly acknowledging everyone's equality of status upon a planet that belongs to all mankind.