

International LAND VALUES MONITOR

Land & Liberty is launching a *Land Values Monitor*. Our ultimate aim is to report, writes **John Loveless**, the relative magnitudes of the Gross National Land Value (GNLV) and the Gross National Product (GNP) for those economies of the world for which data can be assembled. This ratio is an important indicator not only of national progress, but also of times of increased risk of recession. When the National Land Value Factor (NLVF = GNLV/GNP) rises suddenly, as it occasionally does in all capitalist societies, this is a strong indicator of excessive land speculation which will be followed by a recession. The rate and the magnitude of the rise is an indicator of the sustainability of the rise. However, a more gradual rise over several years is, on the contrary, an indicator of a progressive economy. The NLVF is also a direct indicator, when multiplied by the appropriate yields, of the proportion

of the National Product which is taken by the rent of land and other commons like minerals and the radio spectrum. Changes in the National Land Value Factor are thus a useful indicator to politicians, managers and investors alike of both the dangers and opportunities which lie ahead for any given nation.

This is not a view which is supported by modern economists, for today, land is the forgotten factor of production. One popular textbook* on macroeconomics which claims to present "A complete model" of the economy does not even mention land let alone understand the crucial impact it has on the performance of an economy. As we will show in the *Land Values Monitor*, GNLV is often greater than GNP in the most advanced economies of the world. Thus any study of the economy which does not include a proper consideration of the role and relative

temporal values of land is plainly unscientific.

A scientific analysis of economics reveals that production requires three factors, namely: land, labour and capital (useful artefacts) and these factors demand a return for employment as rent, wages and interest. Thus Production - Rent = Wages + Interest. Therefore the NLVF must be a key predictor of economic futures along with productivity, interest rates, exchange rates and wages rates.

The *Land Values Monitor* plans to provide you with:

1. The best predictions available on the probability and timing of recessions and recoveries;
2. Based on the best data available on the GNLV of the world's major economies.

* Hall, R E, & Taylor, J B, *Macroeconomics*, Fourth Edition, 1993, WW Norton & Co.

BRAZIL

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one with the power to overcome the scale of the problem within a time frame that would generate benefits for the present generation of suffering children. Otherwise, the future will provide many photo opportunities of conflict of the kind observed by Salgado in April 1996 when a group of landless labourers demonstrated at a farm in the state of Para. When the armed forces were called in, 19 of the labourers were massacred. Salgado portrays this event in his book which includes poems and songs by Chico Buarque written to commemorate the dead.

The book is described by the publishers as "A tribute to human nature unbowed in the face of terrible adversity".

Indeed it is; but the greater tribute would have been the photographer's realisation that moving pictures will not move the elites who hold the land.

Opinion poles reveal that 83% of the urban population favour reform and 40% favour land occupation as a form of political pressure. A professor of Sociology at Sao Paulo University holds out the prospect of a deeper understanding of what needs to be done when he said: "they [the landless peasants] believed the simple occupation of land would get them what they wanted, but they've seen more is needed".

* Sebastiao Salgado, *Terra, The Struggle of the Landless*, London: Phaidon Press, £35.00.

The WORLDWIDE WATCH for RECESSION

WHO'S NEXT FOR THE COLD SHOWER? ... THAILAND

Every investor wants to know when the next big fall in a stock market will occur. In economics, as with any science, the better you understand it, the better are your predictions. We at *Land & Liberty* believe that modern economists don't understand their science and therefore cannot make reliable predictions. Take Thailand, for example. In June 1996 *What Investment* magazine was very bullish about the prospects for the Far East excluding Japan. Its only worry about Thailand was, "The market may react nervously to measures to control the inflow of speculative capital." In fact just the opposite happened! The Bank of Thailand has just introduced restrictions barring foreign investors from taking proceeds out of the country in the local currency. The Stock Exchange of Thailand index has fallen 37% so far this year and is back to levels last seen in 1989. And what was the cause of this sudden reversal of fortunes? A massive hike in land values which started to unravel in June 1996! So next time you have a mind to invest in a country check out the recent performance of its National Land Value Factor here first. Footnote: Land values are rising steeply in Hong Kong.