

REVIEW OF THE BOOK:

The Land Trap: A New History of the World's Oldest Asset, by Mike Bird

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Anyone with a strong familiarity with Henry George's body of work and the many authors who came before and after George exploring the same ground will applaud this latest effort by Mike Bird, the Wall Street editor for *The Economist*. The book has already been extensively reviewed by another member of the Henry George community, Lars Doucet, for the Progress and Poverty blog and posted to substack.com.

Bird begins with the historical background of how the commons almost everywhere came to fall under the control of powerful elites and why the "ability to own and control territory was the first means of turning power into wealth". [p.3] Steady readers of *Land & Liberty* will be familiar with his explanation of how economic, social and political instability are caused by the reliance on land as the primary collateral for borrowing. As we know, skyrocketing land prices at some point can no longer be absorbed by those who actually produce real wealth.

Bird describes the insights of 17th century land administrator William Potter in his book *The Key of Wealth* (1650). Potter was among the first to recognize the potential advantages to creditors when collateral neither depreciated nor was movable. The introduction of paper currency then provided the necessary fuel. Laws permitting foreclosure and the taking of land were enacted early in the 18th century. And, of course, access to credit fueled the appetite for speculating in lands not yet settled or even surveyed. All of this is detailed by Bird in the early pages of the book. As for Henry George's contributions, he writes:

"The specifics of George's model when it came to financial crises and recessions have not survived the test of time and been adopted by modern economics. But the cycle he saw – a frenzy for land, followed by a financial burst and an economic downturn – is still with us."
[p.56]

Interestingly, Bird makes no reference to *The Corruption of Economics*, the 1994 book co-authored by Fred Harrison, Mason Gaffney and Kris Feder. In fact, the only economist sympathetic to George's analysis mentioned – and only very briefly – is Fred Foldvary.

Bird provides readers with an overview of George's life and the international character of the movement George ignited, faltering as the nations of the world edged toward global war in the second decade of the twentieth century:

"Within the space of just two decades, the movement had been fatally weakened as a political force. ...The Single Tax lost its natural working-class supporters to trade union movements and socialist politics that lacked a special role for land, and lost its middle-class support to a rising conservative, antiradical sentiment in Western politics that was assembling in opposition to the growing power and influence of the international left." [p.75]

We read about the influence George's principles had on Britain's liberals and Fabians; on Michael Davitt in Ireland; on Sun Yat-Sen while living in England; and, on Wilhelm Schrameir, administrator of the German outpost on China's northeast coast. He includes a brief mention of Lizzie Magie's creation of The Landlord's Game, although he indicates no awareness that the game had two distinct sets of rules. He then moves on to describe the one systemic change that handed to landed interests their most powerful protection: the creation of property-owning democracies.

He details the efforts of agricultural economist Wolf Ladejinsky, joining the Roosevelt administration to promote land redistribution as "a bulwark against violent left-wing revolution." [p.103] The redistribution of land was achieved in post-war Japan with impressive results: rising agricultural productivity and rising household incomes. Next came South Korea and Taiwan (where Sun Yat-Sen's economic principles remained alive). Bird goes on to detail Ladejinsky's efforts in India, Vietnam and Iran.

We learn that other efforts at land redistribution were short-lived because of "US-supported coups" against leftist regimes. Land reform efforts lost momentum as a result of "the Green Revolution" that "brought higher-yielding and more resilient crops to farmers around the world". [p.124] These innovations also greatly increased the potential annual rental value of agricultural land and (absent its public capture) rising land values against which farmers gained access to credit. As George predicted, rising populations also pulled up land values in cities and their sprawling network of suburbs and what journalist Joel Garreau in 1991 labeled "Edge Cities". All of this rising monetary value was unleashed by the financial system:

"Land and real estate offer the easiest form of security for bankers, protecting them against the very real potential of default." [p.130]

Bird reminds readers of the catch. When the land-driven economic cycle comes crashing down borrowers begin to default in ever larger numbers. Bird provides his analysis of the last financial meltdown and the role played by the pooling of mortgage loans into mortgage-backed securities and the various forms of derivatives that attracted investors

searching for higher yields. That turned out to be a serious mistake. Bird wonders whether anything has really been learned by “the crash of 2008”:

“As the economy becomes ever more high-tech and digital, banks may come to depend on land as collateral even more. ...In an effort to reduce their risks, major lenders repaired their balance sheets by stepping back even further from unsecured business lending. In many parts of the world, mortgage lending has never made up a greater share of the assets of major lenders than it does now.” [p.150]

He then takes us on a world tour of how countries have navigated their struggles to solve their land and money problems. He points to the “extraordinary leniency” land enjoyed in Japan, so that “[t]he effective rate of tax on property declined by almost half during the most frenzied years of the bubble era”. [p.165]

Next on his list is Hong Kong, its early economic success attributed to free trade policies and the auctioning of land-leases under British governance. Rising land values were actually welcomed as key “to the government’s fiscal health”. Bird explains how this “high land price policy” made it less and less profitable to manufacture goods in Hong Kong. Singapore provides Bird’s example of *best practices* introduced to avoid what happened elsewhere around the world:

“The Land Acquisition Act was passed by the newly independent government in 1966. ...The law was a steamroller enabling [the] government to snap up land far below its market price from the private owners. ...Using the new law, the government was able to accumulate most of the country’s land and bring it under public ownership.” [p.246]

Bird then writes about conditions in the US and the loss of public revenue in cities such as Detroit, Michigan as manufacturing jobs left and property prices collapsed. He does not comment on the growth of the one edge city near Detroit (Southfield), the growth of which was triggered by a market value-driven system of land assessment. He could have discussed the consequences of freezing land assessments as occurred with passage of Proposition 13 in California.

As he reaches the end of this well-research study of the land problem, Bird returns to Henry George for the solution:

“Given the enormous value of land across the richest and most productive places in the world today, earned almost entirely by luck rather than merit, a tax on the value of land, even at levels far less confiscatory than those once proposed by Henry George, could do a great deal to mitigate the most damaging modern consequences without penalizing innovation or valuable investment in the way other taxes on wealth do.” [p.290]

I found the reading of this book well worth the time spent. I hope millions of others will as well and then take action to convince governments that the public capture of

economic rents from land and all other sources is the key component to economic stability and social justice.