

LANDOWNERS are not price-taking players in a perfectly competitive market. They exercise enormous power which enables them to disrupt the smooth operations of the market economy – a fact which is largely ignored by orthodox economic wisdom.

The essays edited by Ball *et. al.* seek to remedy this error in our perception. They show that rent, when privately appropriated, can hinder wealth-creating activity – determining (in the case of the construction industry) what gets built, the character of the production process, and the distribution of the proceeds.

Rent, then, is not just part of a process of income distribution; it is also the instrument for interfering with the wealth-creating process itself.

This book, alas, is spoilt by the claims made on behalf of Marxist theory. Michael Ball, for example, claims that “only Marxist theory has raised seriously the possibility that land rent may influence production processes in the construction industry”. This ignores 100 years of work, drawing on classical theory, that can be traced back to Henry George’s classic *Progress and Poverty* (1879).

Ironically, however, some of the key insights in the original works of Marx are either ignored or contradicted. Consider, for example, the claim by Michael Edwards that the revenue from the sale of property cannot in practice be split between the return on the land and the return on the building. Such an exercise he dismisses as “fantasy”.

Ball appears to agree, for he maintains that such a division is “theoretically indeterminate as it depends on the contemporary balance of power between builder and landowner”. Marx would not have agreed, for he notes that:

“landed property acquires the capacity of capturing an ever-increasing portion of this surplus value by means of its land monopoly and thereby, of raising the value of its rent and the price of the land itself . . . the landowner need only appropriate the growing share in the surplus-product and the surplus-value, without having contributed anything to this growth . . . an increasing portion of surplus-value is transformed into ground-rent” (Marx 1962: 623-4).

According to Marx, it is both

Engaged in with

Land Rent, Housing and Urban Planning: A European Perspective, edited by M. Ball, V. Bentivegna, M. Edwards and M. Follin, Croom Helm, London, £19.95

By Peter Poole

practical to divide the spoils between landowner and capitalists, and possible to predict theoretically the division based on the stage reached in the long-run decline in the rate of interest (profits). The latter process entails a diminishing share of revenue going to the owners of capital improvements on land, and a rising share going to landowners.

Edwards even challenges one of Marx’s most profound insights when he asserts that “changed landowner-ship relations do not of themselves change the essentially capitalist character of production relations.”

Marx claimed that “The nationalisation of land will work a complete change in the relations between labour and capital” (Marx and Engels 1969: 290), and that the monopoly of property in land was the basis of the monopoly of capital (Marx 1974: 343).

A change in landownership relations, then, appears to have dramatic implications for the character of productive relationships, which might explain why Marx put “Abolition of property in land and application of all rents of land to public purposes” as item No. 1 in *The Communist Manifesto*.

Having revealed themselves as controversial Marxists, however, the editors of *Land Rent, Housing and Urban Planning* would like to appropriate for the Marxist cause the crucial insights that emerge from a reflection on the role of rent in capitalist society.

There is no legitimate basis for this attitude, however. For the lessons that can be derived from an analysis of monopoly rent (and of the beneficial consequences arising from the public

appropriation of rent) also logically flow from the earlier, classical concepts of economics.

This is illustrated by Christian Topalov’s empirical analysis of rents and construction in postwar France. Ground rents were at their lowest level in 1955, rising as a proportion of house prices to their peak in the early 1970s.

This account conforms nicely to the similar upward trend in land values (of 18-year duration) that has been recorded for the UK, USA, Japan and Australia (Harrison 1983). Such a cyclical pattern appears to have been present throughout the past 200 years of industrial history, and has been discerned by using the

Find

Charlie Pye-Smith and Chris Rose, *Crisis and Conservation: conflict in the British Countryside*, Penguin, £3.95

THE biggest obstacle to effective reform of any kind is probably not the strength of opponents, but the inertia of those who stand to gain by it.

Proponents of land reform are up against this problem, as Charlie Pye-Smith, co-author of a recent book on the nature conservation movement, will no doubt testify.

One reviewer, Michael Winter, wrote in *New Society* on 16 August last year that it “offers an all-too-familiar catalogue of the destruction of the British countryside by government subsidised agriculture, forestry and the water industry . . .” He added:

The originality of the book, for the

‘Ignored – 100 years of classical theory’

rents arguments Marx

classical concepts developed by Adam Smith and David Ricardo.

DOES IT matter which theoretical framework is used to analyse rent and the housing sector? Yes, because there are macro-economic implications which (if we employed the analytical framework adopted by Ball *et. al.* might be lost to us. This can be seen in the contribution from Marino Folin.

Folin offers a European-wide analysis of housing development processes. The peaks in output were in 1968 (Great Britain), 1969 (Sweden), 1972 (France), and 1973 (West Germany and the

Netherlands), i.e. before the impact of the OPEC oil price rises. Folin rejects conventional explanations for the downturn in construction (elimination of absolute shortage of houses; the recession of the post-1974 period). He seeks an alternative solution, but fails. Why? Because he begins by denying that there is anything distinctively different between land and the capital improvements upon land (houses).

Yet he dutifully quotes evidence offered by the United Nations that, until 1973, the cost of land had risen more rapidly than either building costs or the cost of living. This was

REFERENCES
George, Henry (1879), *Progress and Poverty*, Centenary edn: Robert Schalkenbach Foundation, New York, 1979.
Harrison, Fred (1983), *The Power in the Land*, London: Shephard-Walwyn.
Marx, Karl (1962), *Capital*, Vol. III, Moscow: Foreign Languages Publishing House.
Marx, Karl and Frederick Engels (1969), *Selected Works*, Vol. II, Moscow: Progress Publishers.
Marx, Karl (1974), *The First International and After* (Political Writings, Vol. III), Harmondsworth: Penguin.

predictable on the basis of Marx's use of classical theories!

- Could the sectoral recession have been caused by landowners who harnessed power to squeeze an ever-increasing proportion of "surplus value" – to the point where there was insufficient incentive to continue with construction?

- Could it be that entrepreneurs turned to land speculation at the expense of wealth creating activity?

- Could it be that so much money flowed into the land market that other sectors were starved of funds?

- Did the rise in rents lead to a curb on consumption to the point where production had to be reduced, at the expense of employment?

These are the macro-economic questions to which economic analysis should now turn. To do so, however, economists need to recognise the unique attributes of land, and of how these are employed to devastating effect under tenure and taxation policies.

a common problem



By
David
Richards

1980s, lies in a revival of Henry George's ideas on land reform through a land tax and community control. Intriguing – but hardly a serious contribution to the need for immediate reform of land use policies in Britain.

In other words, if we want particular results, now, it is no good attempting to turn society upside down, which is what Henry George's "land tax" would certainly do.

"We already take some rent in taxation", wrote George in *Progress*

and Poverty. "We have only to make some changes in our modes of taxation to take it all."

But that is striking at the very foundation of the established order. It amounts to an economic and social revolution which cannot be disguised as mere tax reform. And to anyone interested solely in nature conservation, it looks like calling for a sledgehammer to crack a nut.

In its Annual Report of 1983, the Nature Conservancy Council gave us just ten years in which to "ensure continuity for Britain's wild plants and animals".

Even Chris Rose, Pye-Smith's co-author, believes that this fact rules out land reform. Defending Friends of the Earth's *Proposals for a Natural Heritage Bill* (1984), which relies on the extension of planning controls, he stated that "FOE has no remit to argue for that. We have no choice.

We must go for what is practicable and achievable in the short term."

So when will the time for land reform arrive?

It is clear that no single issue is big enough to justify calls for deep-seated, revolutionary change. Only when a common problem is discovered at the heart of many issues is it worthy of legislation that has repercussions for all.

Pye-Smith slips up in just this respect when he writes (p.132): "Times, of course, have changed. Industrial depressions, which George attributed to the land monopoly, have little or nothing to do with who owns and uses land."

Until the institution of landownership itself is clearly exposed as one of the root problems of society, ramifying in many directions and blighting the lives of all, the cause of radical land reform cannot prosper.