

WHY GOVERNMENTS SHOULD GET OUT OF LAND SPECULATION

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Enoch Powell and I once sat facing each other on a flight back from the Soviet Union. Right, no mistake. There was a British plane at that time (and also Soviet planes) where the seats faced one another. I agreed with Mr Powell that only Governments cause inflation.

We were flying from a country where the Kremlin owned 100% of the economy (and even one's thoughts), to the UK where the government controlled about 35% to 40% of the economy. However the UK government had reversed promises made before its election in the 1970 Conservative Party Manifesto, and had significantly tightened its clammy grip over us all. There were many "about turns" by the Heath government, the most startling being the government's intervention in the economy with a "counter-inflationary" Bill, which attempted to freeze increases in pay, prices, rents, and dividends. As Mr Powell put it, Heath might just as well command the Volga to flow from south to north. This meddling in the market together with support for Lame Ducks had the same effect on the economy as on patients whose doctors prescribe alcohol to calm the nerves before driving.

Today, 25 years later, most citizens can see that getting the government out of their lives in telecommunications, air travel, port control and a host of other areas has improved services and helped to lessen inflation. True, due to welfare, education and other increases, our Government now disposes of a greater proportion of our annual wealth than ever before. However, although government interference in these and other areas will continue for some while, I am optimistic. I believe that during the next 20 years or so, despite meddling from Brussels, successive governments will be forced to retreat from welfare provision.

So where will this leave us on inflation? Will its virulence continue to abate, as it seems to have? Have we innoculated ourselves from it by forcing the nurses, teachers, social workers, police and others to sup from the medicinal bottle labelled "COUNTER INFLATIONARY POLICY — Mark II" (as prescribed by Dr Heath)? My point in writing this article is that I hold the opposite opinion.

I believe firstly that governments are the source of all inflation.

I believe secondly that governments believe that a little inflation does everyone good. Governments believe that inflation helps the state and many patients to recover from a surfeit of borrowing. Governments believe that inflation provides employment for thousands of economists and civil servants who work on models of how to intervene in the economy such that the next dose of inflation does not kill off all the healthy, or cause them to flee abroad.

I believe thirdly that governments deliberately encourage continued contamination by a version of the inflation virus which is spread unwittingly by the better off, but which particularly afflicts the majority of the population.

I am referring to government sponsored land speculation.

WHAT IS THE NATURE OF THIS SWINDLE?

As long as parliament has existed, successive governments, convinced of our greed and gullibility, have continued to promise as many people as possible something for nothing, which the government declares is not inflationary and does not beggar the remainder of the electorate.

I restore properties, which have frequently lain idle for many years in a state of dereliction. They occupy more or less land depending on what I call the footprint. (A warehouse of 10,000 sq ft over 5 floors would occupy a relatively small footprint of 2,000 sq ft, compared to that of a 10,000 sq ft factory consisting of only ground floor space.) In the course of 20 years in this business I have acquired buildings with small footprints and others with large footprints, and some footprints without any buildings! My buildings have to be maintained after repair and have to have commercial property taxes paid on them (business rates). If I neglect the buildings' fabric or interior, they lose their value drastically, just as a car or yacht or house or factory or farm building can. I have bought the buildings solely for their potential to be improved and to accommodate businesses (either my own or of tenants).

How is it that when I examine my stock of buildings — how much they earn for me and their capital worth — I find that overall I have "earned or received" more wealth from being idle than from being industrious? The only reason that I can give that successive parliaments continue to tax real wealth creation rather than my idle gains is that many parliamentarians share in the same idle gains, and so have a personal interest in seeing the rip-off continue. What is the nature of this swindle, that rewards me when I do nothing, do not visit the location of my enrichment, or perhaps do not even visit the *country* where it is located?

Why does the rip-off have many supporters amongst those who have creative talent for writing, singing, acting, dancing and media or other productive activities? These people usually say that they are keen to redistribute wealth, yet they remain silent about this policy, which redistributes wealth to those already possessing it.

Luckily for the creative crowd and for many beneficiaries from these idle gains, the majority of the population are distracted. They are either so imaginatively and industriously absorbed in creating real enterprises that they rarely have time or energy to contemplate our idleness, or they are so innumerate or illiterate that they believe that it is wealth *creation* which is ripping them off.

Yet it is still a wonder that the workers and entrepreneurs do not circumscribe, even in a small way, my speciality, that so enriches me. Perhaps because of their innate abilities and industriousness, the many find it hard to believe just how attached to effortless gain we few can be, and that our idle enrichment is their impoverishment. They could not know just how hard and ruthless some of us are when negotiating our gains or how ready we are to lie and to cheat.

"A VERY DIRTY BUSINESS"

Let me relate a little of the history of New Zealand,¹ from the districts where I come from. For 35 years, from the time of first contact with missionaries in 1820, the Maoris had accepted the Christian religion and had forsaken inter-tribal warfare. They had cleared the bush and built the roads and had supplied the settlers with food. Their natural intelligence was so great that, profiting from the missionary training, a higher proportion of them could read and write their own language than could the Europeans. Despite their aptitude, their education and their admirable good sense, moderation and judgement, they were given no representation on the General Assembly, nor given any assembly of their own. As successful traders they were heavily taxed. In 1856 they were paying one half of the total import duties.

As Octavius Hill said at that time, perhaps few people have been known with less prejudice or have been less wedded to their customs. The Maoris were very willing to give English customs a trial. Indeed up to the middle of the 1850s they had a deep respect for everything English — Parliament, religion, agriculture and Queen. They wanted nothing better than to live under the same English laws as the colonists and to experience fair play. They had not been conquered. They had of their own free will entered into a Treaty with the English Queen, whereby they had received an undertaking that their customs and their rights to their lands would be protected, and that they would receive, in the words of the Treaty of 1840, "all the rights and privileges of British subjects". The Maori chiefs at first sold land freely, which was purchased by the Crown and resold to white settlers. For example between 1850 and 1861 in the North Island, the chiefs sold 5,860,000 acres for 6d and in the South Island, 14,000,000 acres at 15d per acre!

As Thomas Bevan wrote in 1852:



Economic Notes No. 82

ISSN 0267-7164 ISBN 1 85637 437 8

An occasional publication of the Libertarian Alliance,
25 Chapter Chambers, Esterbrooke Street, London SW1P 4NN
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The views expressed in this publication are those of its author, and not necessarily those of the Libertarian Alliance, its Committee, Advisory Council or subscribers.

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FOR LIFE, LIBERTY AND PROPERTY



Nearly the whole nation has been converted to Christianity. They are fond of agriculture, take great pleasure in cattle and horses, like the sea and form good sailors. They like Europeans, admire their customs and manners and are ambitious to become skilled in European arts and trades. They are conscientious and observant of their word. In areas where I have travelled I have seen upwards of 3000 acres in wheat, 3000 acres in potatoes and 2000 acres planted in maize. They also owned 43 coastal vessels and supplied 46,000 bushells of wheat to the English traders, at a marketable value of £13,000. Elsewhere I have seen farm and garden produce which include honey, pumpkins, melons, marrows, cucumbers and other gourds, onions, and choice fruits such as plums, quinces, cherries, grapes and peaches. Every village had its small church and the Maori people were as attentive to their religious ordinances as they were diligent in their daily occupations. I find that the Maoris contribute £51,000 out of £112,000 in excise tax, and that three quarters of the whole land fund is admitted to the profit gained by the legislature on the purchase and sale of wasteland.

Not surprisingly North Island land purchased at 6d per acre was then resold to settlers at 5 shillings and later 10 shillings an acre (i.e. for 10 or 20 times the purchase price of 6d). By 1862, when the Maori had already experienced failed promises and guarantees, and the wrongful extinguishment of native titles, Mr Mantell spoke thus before the Land Commission:

I have assisted in the purchase of 20,000,000 acres at about one farthing an acre including expenses. Up to now the negotiations of the Government for the purchase of the native lands have been conducted on no principle at all. Their Land Purchase Officers have been vitally interested in making purchases as soon as possible and for as little as possible but with no interest in making purchases complete and indefeasible. I now perceive the whole to be a very dirty business which I would never have entered had I known the nature of it beforehand and which is at the bottom of our unfriendly relations with the Maoris. The "Native Dept" set up by the administration to adjudicate in disputes and advise Maoris about their rights has no general principle except to make matters easy for the Land Purchase Department.

By 1867 there were over 200,000 settlers occupying about 20,000,000 acres. This suggests 100 acres available for wealth creation for every European!

Is it surprising that the Maoris took to arms to defend their rights, which were consistently and ruthlessly ignored by the colonists and their institutions. At the end, heavily taxed for their ingenuity and enterprise, robbed unfairly of their land and then forced off much of their remaining land by English soldiers, we can not be surprised at their demoralisation. By 1867, through war and disease and apathy, a proud, vigorous, healthy people had been reduced to under 40,000 in number living in wretched conditions. Twenty years earlier there had been perhaps 110,000 Maoris, many of whom were missionary educated and the equal of any European in bearing, courtesy and ability. In the South Island Maoris were still waiting 80 years later for the fulfillment of promises made when their land was first sold.

On August 14th 1839, the Marquis of Normandy had written to Captain Hobson:

Several hundred persons have recently sailed from this country to occupy and cultivate these lands. ... Unless protected and restrained they will repeat unchecked in that quarter of the globe, the process of war and spoliation under which native tribes have almost invariably disappeared. To mitigate, and if possible, to avert these disasters ... is the principal object of your mission. The Maoris are a numerous and inoffensive people, whose title to the soil and to the sovereignty of New Zealand is indisputable and has been solemnly recognized by the British Government.

But the worst fears of the Marquis have now been realised.

WITH THE LAW AS IT STANDS THEY ARE THIEVES

I was born in New Zealand but came to London in 1962. In 1973 I bought a ground floor flat in a formerly distinguished nineteenth century house on the East Cliff of Bournemouth. Ever since 1976 I have had unsolicited offers from disinterested "purchasers" offering to buy the flat. Depending on the state of neglect of the mansion

by the different Head Lessees, who wish to pull the place down, I have been offered between £25,000 and £60,000 to get out of my three bedroom flat. The would-be "purchasers" pretend that they would be doing me a big favour. For 22 years, different syndicates have pursued this house with the persistence of a Land Purchase Officer in New Zealand in 1865. I reckon that perhaps only 3 of us, out of 14 flat owners, now stand between our latest "well-wishers" and their potential £900,000 gain. They will not even pull the house down if successful in emptying it. They are simply the dirty middlemen who will then pass the property on to the property firm or builder who will have to find real money and real workmen to build a replacement, 60 flat building.

Occasionally I attend property auctions. I am accosted at least twice a week on the streets around London Bridge where I operate my property refurbishment business. After every *Daily Telegraph* or *FT* article on prospects in the vicinity of Jubilee Line stations, I know I will receive many unsolicited letters. It is too kind to call those who seek gains from the change of status of land or lake, speculators. The *Oxford Dictionary* defines to speculate as "to make an investment or engage in commercial operations that involve risk or loss". Thus "speculator" can be rightly applied to any person who tries his luck at farming or buying next year's coffee or is engaged in any usual business venture. To put on a play requires speculation as to its merits and likely audience. Land Agents who promise an indigenous population a fair contract for their land knowing that the Crown will renege on the deal, characters who try to buy half an occupied house or most of the flats in a block and then let the building deteriorate, developers who connive with local authority planners to get planning permissions against and to the detriment of local interests, homeowners who say the "value" of my house has gone up (despite the obvious fact that they have not maintained it), land owners who try to get planning permission to turn farmland into sections for housing, none of these are "speculators". With the law as it stands they are thieves who rob every community, and especially those who do not own land.

It is outside the scope of this article to recommend a way in which these gains could be taken from the land value thieves and the value rightly restored to the immediate community. However I hope that it is now clearer that everyone should share in the increase in land value attached to a planning gain. With this increase in value stripped out, then the exploitation of the land or lake or river for a hotel or ferry or housing estate or row of shops or Jubilee Line, becomes a normal business speculation, just as for any commercial operation.

When I see a sign go up advertising a redundant local authority school or a church or church hall I always enquire on the same day and most often I am told that the "building" is under offer. I attend local authority planning meetings where under cover of discussing safeguards for a community, protection of employment, UDP (local development policies), or extension to a building for a business, the unelected officials are frequently indulging in favouritism and as a consequence, land value theft. The theft of land value by these brigands is bad enough. Worse, their something-for-nothing pushes up the price of other plums to the detriment of normal business speculators who perhaps do not want their trading estate "redeveloped" into a superstore or housing estate. Even good buildings are no longer safe. The herd then follows this activity in commercial or residential development. Since land, lakes, riverbanks and fresh air are finite, especially in this island, and development zoning is fairly strict, the land value under ordinary houses is pushed up by the demand for land. Unlike caches of family silver or antique furniture which can be unloaded on to the market when demand rises, the majority of people who possess dwellings or shops or other commercial can not flood the market with their treasure.

However they perceive that they are getting richer. As a friend of mine once remarked: "My house increases in value every day by a sum greater than my daily earnings as a Professor!" I asked him to omit house and insert land. He replied: "So what if I can borrow on it and spend it." So now we are all in it, the obvious land theft villains wrongly called speculators, and the lesser land value thieves, all of us who own land either directly or indirectly.

The government must get itself and us out of land value inflation and leave us to land speculation.

NOTE

1. See Harold Miller, *Race Conflict in New Zealand 1814-1865*, Blackwood and Janet Paul, Auckland, 1966.