



Round the world

LONDON

Lifeboat ahoy!

The Bank of England launched a Lifeboat Operation to rescue banks after the land boom of the early 1970s. Mysteriously, there was no comparable rescue after the boom of the 1980s - until Lord Spens forced the Bank of England to confess.

A rescue was launched in the summer of 1991 to save banks weighed down by loans that property dealers could not repay. But the Bank of England kept its operation secret. The identity and number of banks that were supported have still not been disclosed. Prudent practice, claims the bank, which admits that while the commitment of public funds for support purposes should be disclosed, this "should ideally be done when the danger of systemic difficulty has passed".

So while enterprises were forced into bankruptcy by the market, the financial sector was protected from the reckless decision to lend money to a property market that was driven by land speculation. Victims who were allowed to go to the wall after the bust in the land market include some famous names. Among them:

◆ William Stern, who was Britain's biggest individual bankrupt after his property empire collapsed in the wake of the 1973 property crash. He returned to property in the '80s, but his company failed.

◆ Abbey National, one of Britain's leading mortgage companies, revealed a loss of £240m as a result of the decision to acquire real estate in 1987.

Barclays Bank was not one of the rescued financial institutions, but its shareholders have paid a heavy

price for the way in which Barclays fuelled the land market with easy credit. Barclays has had to write off more than £4 bn. Mark Deverell, the executive brought in to revise the property-lending practices, has now resigned his post.

Barclays was warned to curb credit to the property sector in 1988 by the Bank of England. It failed to take the advice. Deverell was to be the fall guy. Said a spokesman: "It is true that an awful lot of property lending decisions had been taken before he [Deverell] arrived. The Bank had advised us to cap it, but the problem was that a lot of agreed lending had still to come through under our agreements. Borrowers continued to draw money down after 1988."

ATLANTIC CITY Trumped by Indians

Bankrupt land speculator Donald Trump is angry because his casinos are coming under pressure from gambling dens on the Indian reservations. Indian tribes receive tax privileges for gaming businesses. Last year, their 67 casinos grossed \$6 bn. Unfair competition, says Mr. Trump, who has taken his complaints to court to protect the profits of his casinos in Atlantic City.

LONDON

Tory property tax muddles

British Premier John Major says that, to prevent another boom-and-bust in the housing market, he wants to encourage more people to become private landlords. But the government is now accused of creating further instability in the housing market. Having failed with their poll tax, the Tories have

reintroduced the property tax - which, say some observers, will depress house prices in London.

Anomalies under the new tax - called the Council Tax - have now surfaced. The millionaire Marquis of Bristol is to pay less for his six-bedroom mansion than one of the gardeners who lives in a grace-and-favour cottage on his estate.

◆ The Queen's fortune dropped by £1.5 billion last year, thanks to the collapse in property values. But she is still worth £5 bn., claims *The Sunday Times*.

SAO PAULO Liberation

EIGHT hundred landless peasants have marched to a southern town to demand land. The demonstration is to draw attention to the plight of the country's 5 million landless peasant families. Leonardo Boff, the Franciscan theologian who quit the order last year, joined the peasants to argue that, under liberation theology, "When families are in extreme need, Christian tradition teaches us that they have the right to occupy land, for life is worth more than property."

Although the Brazilian government claimed it would introduce agrarian reforms, the landowners have succeeded in undermining that strategy: the government is not budgeting for reform this year.

AMSTERDAM Sinking but not drowning

The Netherlands are sinking, because of the walls which for 1,000 years have kept out the North Sea. So to prevent the country sinking further, fingers are being taken out of the dykes. A large expanse of farmland is to be allowed to revert

back to the sea in one area, where the hydraulic technology has been so successful that the land has been kept dry - but, as a result of soil compression, the area has sunk by nearly 2 feet in the past 90 years.

WASHINGTON Letter to Clinton

Bill Clinton has been urged to recommend the land-value tax to President Boris Yeltsin of Russia. The recommendation was in a letter to the US president from Prof. Bill Vickrey, past president of the American Economic Association, and Prof. Nic Tideman of Virginia Polytechnic Institute and State University.

They wrote: "Social collection of the rental value of land in Russia would permit significant reductions in the hyperinflationary printing of roubles and/or reductions in taxes on production. It would also make it easier for potential investors to feel confident that future governments would not find it necessary to resort to confiscatory taxes on capital. For both of these reasons, it would stimulate investment and employment."

STROUD Stroud with a silver lining

Citizens in this English town in Gloucestershire have turned away from the cash economy, and they now exchange their services by using the "stroud" - a coupon which is used to buy and sell goods and services. It has worked so well that the Inland Revenue now says: "If the income [from strouds] is regular and can be defined as coming from a business, then we will work out its sterling equivalent, which will be liable to tax in the usual way."

News in Brief