

Now the Pause is Over . . .

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FOLLOWING the surprise ninety-day freeze, the establishment of a Price Commission and Pay Board and the devaluation of the dollar, most Americans are more than a little bewildered about what is happening. First, on the domestic front, major manufacturers and employers must have the sanction of the Board or the Commission for major increases in prices or wages.

Although guidelines have been roughly established on both fronts, each case is considered on its merits and it already appears that when it comes to the in-fighting some people are more equal than others. As far as consumers are concerned, confusion is rife both as to what retailers are permitted to do and what recourse the customer has, if any. It was ruled, for example, that the price of artificial decorative trees was subject to price control, but real trees were exempt as "natural products", unless treated with paint or fireproofing!

A Rent Board has also been established. New construction, however, is exempt (so as not to discourage it and conflict with the housing goals of the Administration) but where the costs of landlord improvements exceed more than half the cost of the dwelling-value before improvement, the landlord is permitted a rent increase. Meanwhile, the increase in the price of land marches on relentlessly.

Between 1960 and the first quarter of 1971, land prices per acre outside major metropolitan areas have soared from an index marking of 73 to 121 according to one source. And in the cities, where land is scarcer, the increase has been much more spectacular. "When the stock market bounces," one broker said recently, "it creates more demand for land. I have so many people that want to be in on it that I cannot take care of them all." Other agents report that such is the demand for second homes and recreational land within a few hours of the major metropolitan centres that developable parcels in the range of 100 to 200 acres are running out and that syndicates are being formed to finance purchases of tracts between 900 and 1,000 acres. It is reported that more land is now being sold through telephone solicitations than ever before. Purchasers are frequently prepared to enter into shaky contracts without ever seeing the sites or knowing anything about them, apart from the glowing descriptions passed on by the advertisers. As a hedge

against inflation, and as pure speculation, people are purchasing tracts for their children and grandchildren. It has been calculated that to reap an adequate profit, to service debt interest, pay property taxes and other expenses, land must double in value in five years. And this is happening in many areas with the growth of the inter-state highway systems and with rising demand. With about half the population under twenty-eight years old, most of whom will be looking for at least one home before the end of the century, the upward trend in land prices in the most favoured locations seems assured. And property, particularly vacant land, is relatively lightly taxed.

In fact, in spite of all the many economic headaches the Administration is carrying, the problem of the rising price of land is probably the least appreciated for the influence it has on the economy as a whole. Land has escaped all the panic measures which have been introduced and present indications suggest that, because of considerable opposition to property taxes, both Federal and local governments will turn more and more to sales taxes in the years immediately ahead. Ironically, because property taxes are paid "from the cheque book" they are much more keenly felt than deducted-from-source income tax and creeping general sales taxes. This seems to be why most Americans are psychologically opposed to property-tax increases. Under-assessment of vacant and blighted land which is fairly prevalent means that the home-owner is being disproportionately penalised to the advantage of speculators and the developers. If



more people understood the basic laws which govern the economy and carve out its destiny, perhaps the land-tax element of the property tax would be recognised for the beneficial instrument it is. What is needed is a massive educational programme to tell the story in simple words. Until this is done, the gullible

majority will continue to see the genuine rewards of their labour eroded by levy upon levy with only adverse economic consequences to reap as the fruits of their payments.

On the trade front, there is a general feeling of greater optimism following the re-alignment of the dollar against the major currencies. Although there has been some dissent among U.S. manufacturers about the Administration's reversal of policy on the 10 per cent import surcharge, there is overall approval from the retailing organisations and the consumer groups - both of whom stood firmly against the levy. It is believed, however, that as a consequence of removing the surcharge, the U.S. will apply pressure to those countries which complained most strongly but maintained discriminating import controls against U.S. goods. This is a much more healthy sign, as the bargaining, albeit within the restraining influences of G.A.T.T., could result in a slow movement towards more freedom in international trade.

Interestingly enough, the Administration may also be obliged to re-think its attitude towards the Common Market. Hitherto the U.S. government has tended to support British entry and encourage the growth of the Market, no doubt with an eye on the ultimate political implications and the possibility of reducing U.S. contributions to European defence spending. Further, many U.S. corporations and investors have found Europe useful as a location for expansion in times when the domestic market seems a little erratic. But more recently pressure has been applied on the U.S. government by a number of South American countries. Most of the New World Latins have no doubt that Europe is becoming more and more of a rich man's club and that discriminating external trading policies could have disastrous consequences for South American primary producers. They have also been successful in enlisting other emerging nations, particularly African ones, to their cause. Together, these countries which count for a substantial portion of the "have nots" of both hemispheres, are urging the U.S. government to take their case to Europe. It remains to be seen whether any action will be taken.

There can be no doubt that the U.S. has followed the only sensible policy as far as dollar revaluations have been concerned. Of course there will be many people who remain dissatisfied with the settlements and who will continue to remain so until complete freedom of currency movement is restored. Meanwhile, the rest of the world will be watching the U.S. domestic scene more carefully in the future. The impact of crushing budget deficits not only for the current fiscal year, but also for as many years as one dare to look ahead, is more than sufficient to raise

NEW ZEALAND RATING POLLS

FOUR rating polls were taken in October-November, 1971 in New Zealand, all of which resulted in favour of land-value rating. Two were on proposals to revert to improved value rating. The other two were on proposals to change from capital value to the land-value basis. Voting results are given below.

Local Unit	Votes in favour of rating:	
	Land Value	Capital Value
Waiuki Borough	405	208
Buller County	580	487
Marupara Borough	158	24
Waihemo County	561	262

Waihemo County had adopted rating on unimproved values in 1957 and the poll showed that more than two to one of the ratepayers re-endorsed it. The new additions bring the total local authorities rating land values to 292 out of 367 in New Zealand.

(Report from Dr. Rolland O'Regan in *Progress*, January)

doubts as to whether the recent changes have gone far enough and to consider whether further devaluation might well be necessary within the next two or three years. The Administration seems to be taking an enormous gamble on this score hoping changes in domestic tax structure and government spending programmes will stimulate the economy.

With Presidential elections on the horizon, the official view is bound to be one of optimism but to anyone who is familiar with the contemporary economic palliatives and the operation of economic laws the picture is a sad one. In some respects one is reminded of the pathetic stories of drug addicts who are caught in a whirlwind of their own emotions and have the willpower only to space out time periods before giving themselves additional heavier doses. This is the traditional pattern of applied Keynesian economics which start with small doses of inflation and end with a wild rampage leading almost to the complete collapse of the economy. In fact, not only has America caught the European disease of bouts of "stop - go" in the economy, but she is blindly turning to Europe to pick up "solutions" which the Europeans have discarded as useless.

Not just content with aping former British Premier Harold Wilson by introducing domestic controls, President Nixon is now trying to sell America the value-added tax as a saviour to the nation's problems. No doubt, to the detriment of this great country, he will find considerable support from influential landowning lobbies who stand to gain from the property tax reductions which the President intends to trade in exchange. A greater mill stone could not be found to put round the nation's neck at this particular time.