

Land for People, Not for Profit

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This article has been published in Green Revolution, Vol.56/No. 4, 1999 and also published on the Bulletin Board website of United Nations Center for Human Settlements' Global Campaign for Secure Tenure.

Summary: This essay makes a clear distinction between the benefits derived from secure title to land and the market distortions caused when land is used as a commodity for investment and speculation. It briefly explores historical antecedents to capitalist arrangements of land tenure and title, taxation and banking systems. Finally, it articulates the rationale for land value taxation policy, as recommended by the United Nations Center for Human Settlements Habitat II Action Agenda, and suggests that a Community Land Trust leasehold system may be the most beneficial way to secure land tenure for squatters and landless people.

In the United Nations Center for Human Settlements (UNCHS or Habitat) Global Campaign for Secure Tenure website, under the categorization of Land Ownership, Freehold Tenure is identified with free market proponents and with the use of land as an investment and speculation commodity. In the Bulletin section of the website UNCHS intern Anna-Karin Jatfors of the Land & Tenure Unit Shelter Branch states the following:

".... when dwellers have access to secure tenure, their land and property become a source of wealth and investment in their own right, with increasing value over time. Experience has shown that the granting of secure tenure actually increases the value of the land and property, while the insecure tenure of informal settlements keeps the land economically undervalued and prevents dwellers from reaping the economic benefits from the land on which they live."

Land held for investment and speculation, however, inflates land value, making land access more difficult for some, impossible for many. This is the policy area - the question of what happens to land values when there is secure tenure - where there is the least understanding and thus the greatest challenge. Yes, freehold tenure as usually contracted allows land to become a source of investment. But is this good? How can land speculation, an inevitable concomitant of the commodification of land, be anything other than a hindrance to secure tenure for all?

It is important to separate the security of use rights that a land title grants from the land value enhancement that also results from secure land tenure. Freehold tenure is not the only form of tenure that can provide security of use rights. Other forms of legal contracts for land, such as Community Land Trust (CLT) lease

agreements, also provide security of use. It is not actually the type of ownership, it is the secure title which stipulates WHO may use the land and sometimes also HOW the land may be used.

When the title is secure, thus firming up the agreement as to which individual or group is to thereby have exclusive use rights to a clearly demarcated land parcel, then the land can be productively used. This guarantees that what is sown can also be reaped, so to speak. Simultaneous with the legal agreement as to title, there may be an enhancement of land value because the use right has been clarified, from perhaps a formerly untitled or disputed status to secure tenure status.

In squatters areas around urban centers, the land potentially has relatively high value. The potential value becomes actual value as soon as the title is secured, even before any improvements are made to the land. Thus we have seen cases where squatters go from being poor landless people to relatively wealthy people with the stroke of the land title pen.

While a clear title to land gives the security of use rights, under current private property regimes it also permits owners to speculate and profit from land as a market commodity. Thus we have also noted cases where landless people who have been given secure title sometimes quickly sell their land for immediate cash benefits. When they are unable to obtain employment to pay rent for housing, the cycle of poverty and landlessness begins anew.

Jatfors states that with secure tenure "land and property become a source of wealth and investment in their own right." She assumes that this is a solution when in fact, from a macroeconomic perspective, the commodification of land is a major problem.

Holding land as investment property and a way to accumulate wealth is actually maladaptive to a market economy. This tenure approach has been identified as a primary cause of the maldistribution of wealth problem which is rampant in capitalist systems. Land can not respond to supply and demand dynamics. There can be increasing demand for land but there is never a corresponding increase of supply as the supply of land was determined aeons ago by whatever unfathomable forces of the universe created it.

The commodification of land and land speculation inflates land values to the point where those who have only labor to contribute to the productive process must pay ever higher amounts for access to land for shelter. Taxation placed upon wage labor further decreases purchasing capacity.

Those with the most valuable land, and there is always the situation that some land is more valuable than others, have an advantage over those with less valuable land. Having a more advantageous position, the holders of the better lands see their wealth increase above and beyond the wealth of those with the poorer land

and those who have no land at all. They then frequently use their greater wealth and power to acquire additional land.

Soon land values rise more rapidly than wages. Workers must borrow to pay for land. They borrow from those who already have acquired surplus wealth and have deposited their funds in banks. Now the landless must pay interest in order to buy land. The people with surplus wealth become even richer. If the workers lose their jobs and cannot pay the mortgage, they must surrender their land to the banks.

The commodified land tenure and land-backed mortgage banking system is the problem, not the solution. We see this problem throughout the world now, for instance in the unbridled power of big financial interests to force people off of lands for so-called development projects, such as big dams which displace millions of people and supply water and electricity primarily to a few wealthy landholders and businesses rather than to all on an equitable basis.

Most of the people who are landless squatters around the urban centers in the developing world have been pushed off of their lands in rural areas, displaced from self-sufficient lives where they had direct access to land and resources to provide for their basic needs. This is the extensive dimension of the land problem - the fact that so few now control so much of the land and resources of the world.

One of the major functions of governance is to grant clear titles to land and other property. Democratic governance as presently constituted has unfortunately not been greatly concerned about how the land was obtained in the first place. We need only reflect for a moment on the fact that in the USA, for example, land was acquired by the colonizers from the native peoples under the old Roman empire land laws of "dominium" - the legalization of land acquired by conquest and plunder. George Washington and other Founding Fathers were heavily involved in extensive land acquisition and speculation. Only white males were allowed to own property. The power of the state was used to enforce the land rights of the most aggressive and greedy.

When other groups were legally enabled to obtain land titles, practically the only way land could be acquired was through purchase. If we take this further back historically, we note that many of those who wanted to buy land had either come to America as indentured servants who had been in debtors prisons in old Europe or Africans who had been captured into slavery. A much earlier condition of many in Europe had been that of indigenous peoples who were then subjected to the forces of colonization and empire under Rome, had later become serfs and peasants for large landed estates, and then had been forced off of the land under the Enclosure Acts.

During the Enclosure Acts period, from approximately 1350 up through the 1700s, landless people crowded into squalid cities where they were hungry and impoverished and frequently put into prison for petty crimes or the failure to

repay their debts. Many were forced or tricked into indentured servitude in the New World. Some went there in desperation, with hope of a better life. But the best land had already been claimed before their arrival. After their seven years of servitude in America, their only way to access land was through purchase, never by right.

Land tenure in the West, as far back as the Roman Empire, has been rooted in the legalization of title to land originally acquired by conquest and force. Democratic political rights have not given us democratic economic rights. We can exercise our right to free speech all day long but it in no way guarantees that we can have a secure place to sleep at night.

Democratic systems of governance have not given us equitable land tenure systems. In no instance historically did democratic governments procure the right to land as a human right. In no instance today do democratic governments affirm the equal rights for all to the land and resource base that sustains all life. This reality is important to keep in mind when considering how to implement truly equitable systems of land tenure today.

The intensive dimension of the land problem is what we confront as an economy "develops" under the current capitalist system. The intent to make money from land as a commodity and an investment is called "rent seeking." As development proceeds land values rise. Some few people are in positions to collect the increased land values, while other people have to borrow money from banks. Banks then collect ever increasing ground rent - the profit from increased land value - as private profit. Investments are made, production increases, land speculation continues, and land values increase more rapidly than wages. Governments then increase taxes on middle class wages in order to pay for welfare programs for the poor. But soon workers are pressed down again to subsistence levels and below and the middle class gets angry or perhaps just depressed - if there is still a middle class remaining. The shining hope of progress has been dashed to pieces upon the hard rocks of wealth concentration.

Note that the world's richest 20% now pocket 86% of the world's gross domestic product; the middle 60% has just 13%; and the poorest 20% have but 1%. The income gap between the top fifth and the bottom fifth is now 74 to 1, compared to just 30 to 1 in 1960. (UN Development Report, 1999)

We see now how it has come to pass that the assets of the world's 200 richest people more than doubled between 1994 and 1998, to over \$1 trillion, how the world's three richest people have come to have assets greater than the combined economic output of the 48 poorest countries, and the root cause of why 55 nations have seen real per capita incomes decrease over the last decade. (UN Human Development Report, 1999) The human relationship to the earth is a most fundamental and basic relationship. In the capitalist system, this most important relationship is established on the basis of conquest and commodification.

This criminal maldistribution of wealth must be stopped. We need to make some fundamental changes. We need political and economic systems based upon the human right to land and resources. We need governance and land titles that can secure tenure and a genuinely free AND fair market system for all. Land values must be delinked from the privatization category, the debt and private banking system delinked from its backing in land, and labor must be freed from taxation.

The way forward has been endorsed by the consensus of 165 nation states as stated in the UN Habitat II Action Agenda from the 1996 conference in Istanbul. The Ensuring Access to Land section (B.3.c.) states both the principle and the policy approach:

"Every government must show a commitment to promoting the provision of an adequate supply of land in the context of sustainable land-use policies. While recognizing the existence of different national laws and/or systems of land tenure, governments at the appropriate levels, including local authorities, should nevertheless strive to remove all possible obstacles that may hamper equitable access to land and ensure that equal rights of women and men related to land and property are protected under the law."

The recommended policy approaches delineated in the Habitat II Action Agenda include land value assessments, land based forms of taxation, land value recapture, and technology and education programmes to support land administration systems.

Land value taxation policies shift taxes off of labor and productive capital and onto land and resources, thus collecting ground rent for the benefit of all rather than the profit of a few. Freeing labor from taxation assures maximum purchasing capacity. Collecting ground rent through land value recapture and land value taxation provides an equitable and sufficient source of public funds to finance infrastructure for water and sewage systems, transportation, education and other community services. Land also maintains affordability when it is freed from speculation and private profiteering.

While we are preparing to implement city and country wide land value taxation, we can model this approach through Community Land Trust leases which secure title and tenure to the poor and landless while eliminating the problem of the commodification of land.

A Community Land Trust (CLT) is a legal not-for-profit landholding entity with a democratically elected board and transparent accounting procedures. A CLT issued land lease clearly demarcates land boundaries and which individuals or groups are granted secure tenure and use rights to a particular parcel of land.

Under a CLT lease, land maintains affordability because there is no capacity for land speculation or profiteering. The Trust land cannot be sold so it does not have

a purchase value for land users but does have a fair rental value, which in remote rural areas would be extremely low. With no selling price, only a fair lease fee, there is no need to borrow mortgage money for land purchase. This significantly lowers the cost of land for housing and other useful activities.

A CLT lease clearly states the use for which the land is being leased, including environmental covenants, the amount of land rent to be paid into the Trust, and the method of calculation for determining land rent. It also includes sublease and termination agreements and defines a process of arbitration should there be any conflicts.

The money collected from land rents can be allocated for (1) capitalization and maintenance of needed community infrastructure - water, sewage, transport, public safety, and education, and/or for (2) interest free revolving loan funds made available for housing construction and the development of small or cooperative business activities.

This approach provides needed services without taxing labor or productive capital and takes private profiteering out of banking and loan arrangements. Freed from taxation, production can proceed efficiently. Freed from usury the money system can now begin to function like a public trust.

Land tenure, taxation policy, and banking systems are all intricately interrelated. As we address all three in a just and equitable manner we will surely see wonderful progress in securing quality affordable housing and useful employment for all.