

LAND, LAND TRUSTS, AND EMPLOYMENT

By Robert Swann

Much of the discussion about land and Community Land Trusts revolves around obtaining land, use of land for housing, farming, homesteading, etc. But seldom do we approach the problem from the standpoint of what is the key issue today, and has been for a long time, the issue of employment. When John Maynard Keynes wrote his book, *The General Theory of Interest and Employment*, he became famous because the world saw his theory of financial manipulation by the government as the solution to the problem of unemployment. This is not to imply that Keynes was the only, nor the first, to advocate such ideas, but to a large extent his name has become associated with them in academic and governmental circles. Ever since then virtually all the economists trained in the United States and European universities have been taught the Theory. It has become the Bible of the economic establishment. It is true that there have been dissenters, including the Marxists, but these dissenters have received little attention within the halls of government "decision makers" in the Western economies.

At the risk of over-simplification, Keynes' "monetary" and "fiscal" policies, which are the basis of what is often called a "managed economy," all add up to trying to stimulate the economy if it is sluggish or slow it down if it is over-stimulated. The economy is stimulated or cooled off merely by increasing or decreasing taxes (fiscal policies), or by printing money to create inflation or reducing the supply of money if inflation is getting out of hand (monetary policies). Keynes said: "A little inflation is a good thing." By this he meant that, with inflation people are encouraged to spend more, and spending stimulates the economy. He did not, of course, explain that inflation can lead to disasters, perhaps worse disasters than unemployment. In the same way, reducing taxes is supposed to give the consumer more spendable money and therefore stimulate the economy, or vice versa.

WHY ARE SUCH POLICIES FAILING?

On the face of it, such theories can be understood by the average person to be artificial and doomed to failure. Yet they seemed to "work" for a number of years (since the 1930's). Why? And why are they failing now? In the first place, Keynes was fortunate that his ideas should have come at the moment in history when not only was the "great depression" with its resulting high level of unemployment pressing all Western government, but also when new technology, particularly communications and transportation technology, was making it possible to exploit the entire earth's resources at an ever increasing rate. As the result of government tight money policies and the near total collapse of the private banking system in 1921, the money supply (issued through the central banks – including the Federal Reserve System in the US) had shrunk to an unprecedented low. There was, then, ample opportunity to expand the money supply in order to exploit the new technology and earth's resources. This expansion of the money supply was accomplished through vastly increased government spending (deficit spending – the unique "Keynesian" method), under the New Deal in the US and its counterpart programs in Western Europe. Even so, due to the generally conservative nature of bankers, who have always controlled the central banks and to a considerable degree the government policy, and who, even at that time, for the most part still believed that "real money" consisted solely of gold, it was difficult to expand the supply rapidly enough to solve unemployment until World War II removed all of the previous resistance. Even bankers must relent before the emotion of patriotism. With the War came full employment as all the old resistance to simply printing money gave way to patriotism. (Benjamin Franklin preceded Keynes by more than 150 years by both advocating the printing of money and printing money on his own presses to pay for the Revolution in 1776, resulting directly in the runaway inflation of 1778-80.) It was this pattern of appealing to patriotism, or "national security" as it came to be known, which permitted every subsequent US administration down to the present to increase relentlessly the Federal budget deficits. (Total Federal government deficit is now over \$600 billion dollars representing excess printed, or inflationary, money.) Every time the

economy became slack with increasing unemployment, the cry of "national security" would go out to justify more spending for defense. Along the way, the Korean War in the early 1950's, then the Cold War with the Russians and accompanying missile and satellite production, and finally the Vietnam War followed this pattern and seemed to bolster the case for great concern about "national security." (Not until the reign of Richard Nixon did this phrase fall into disrepute.)

With all this extra spending on "defense" why did not inflation grow worse during this period? After all, we cannot eat, clothe, or house ourselves in tanks, guns, missiles, warships, and airplanes. Therefore, production of these strictly military (vs. consumer) goods must place additional inflationary pressure on the goods that are needed. They do. But the remarkable fact about this era, which ran from the mid-1930's to the mid-1970's, is that the rapid expansion in use of new technology (automation, cybernation etc.) resulted in such enormous increases in productivity that the resulting low cost per unit of production offset most of the inflationary pressure. An example is agriculture. During this period, efficiency of production in agriculture went up so fast that today one farmer can produce enough food to feed 58 people vs. only 8-10 in the 1930's (this is not to say that the quality of the food produced has gone up). At the same time improvements in transportation (e.g. supertankers) and other new technology was permitting the Western world to exploit the resources (particularly low cost oil for energy) of the underdeveloped world where labor costs were very low relative to US labor costs. (It was not until the 1930's that oil began to flow in the Middle East.) These factors prevented a rapid increase in inflation in spite of the Government's recklessly inflationary policies and war spending spree.

A TIME OF STAGFLATION

Today the situation has changed and it has become increasingly clear that high technology is beginning to reach a plateau of development (after all, "labor saving" can only go so far) and the limits of the world's resources have begun to loom on the horizon. Thus we have 'Stagflation,' where increasing unemployment and increasing

inflation occurring simultaneously – a condition that has confounded most Keynesians, although Keynes himself may have foreseen it with his famous statement "For a time we must pretend that fair is foul and foul is fair." Whether he meant it this way or not, we have been depleting the world's resources and polluting the environment as the means with which to maintain the value of the dollar. His devotees have forgotten the first part of the statement and are puzzled over what to do now since he left no further directions. There is, of course, still a large portion of the population who are not well fed, well clothed, or well housed, and direct government subsidies – if politically possible – to those groups may continue for a time to prop up the system and stave off runaway inflation. This is only relatively true, of course; government subsidies for real needs are not necessarily as inflationary as guns and bombs, but bureaucratic red tape can add enormous inflationary costs. But these subsidies cannot forever be advanced without a reduction in the subsidies to the big corporations in the form of defense spending. We cannot much longer have "guns and butter" too.

Moreover, there are a number of vulnerable places in the economic system which could, at almost any moment, bring about major inflationary pressures without any offsetting rise in production or unemployment. One of these places is the vulnerability of the international monetary system to major political or economic changes in the developing countries. Outstanding private and public debt to these countries now runs into \$200 plus billions; and while it is all legally guaranteed by the government or the lending nations, even the private portion of this gigantic debt is generally recognized to be de facto government-guaranteed. Therefore, any internal change (such as revolution or a collapsing economy) or external change (such as a failure of the export market or continued increase in the price of oil) could start a domino effect – through a succession of defaults on the loans – in the world banking industry. This, in turn, would trigger rapid inflation as the governments of the lending nations would be forced to step in and save themselves and their banks by printing money (the US recently did this in the case of the Franklin National Bank in New York City.)

LAND TRUSTS AND EMPLOYMENT

What has all this to do with land and Community Land Trusts? The combination of land reform and appropriate technology is the best, if not the only, alternative to the Keynesian prescription for unemployment. Virtually all the great economic thinkers, in my opinion, beginning with Henry George and including those latter-day economists who were not mesmerized by Keynes, have agreed on this point. I include, besides George: Ralph Borsodi, E. F. Schumacher, Rudolph Steiner (in his book *World Economy*), and even Karl Marx who admitted that the industrial proletariat (the dispossessed at the mercy of capitalists) could never have been created so long as land was available to all. It is possible that Keynes knew this also, but his fear of Communism, with which he was almost obsessed, paved the way for his preaching of economic nonsense (Borsodi refers to him as a "charlatan"). Moreover, had Keynes been able to foresee that his policies would lead to a world dependent on war – or the constant temptation to go to war and even risk annihilation – it is likely that he might have, at least, been more emphatic about warning his followers of the consequences of the General Theory. Not only, in fact, is war and the threat of instant annihilation at least the partial consequence of the slavish following of Keynes' dictums but just as importantly, the world stands before a future in which increasing pollution from industrial wastes is likely, in the long run, - if not the short run – to eliminate all life on earth as well. (There is a possibly apocryphal story about Keynes who was attempting somewhat unsuccessfully, to explain his ideas to a friend. They were near a hotel and Keynes invited his friend to the men's room where he proceeded to illustrate by pulling reams of toilet paper from the holders, all the while exclaiming, "Waste, man waste – that's the way to keep the system going!")

Such is the price we are paying for accepting an artificial remedy (inflation and stimulation) for unemployment and ignoring the most important alternative to the problem of unemployment – land reform. I use the term "land reform" with some trepidation, because it is often assumed to mean politically-inspired reform or redistribution by the state, not taking into account ecological factors. State controlled

land reform has failed again and again. Many people will point to China as an example of state land reform that succeeded. I am very dubious about this assumption, but a proper discussion of the issue would have to be the subject of another article. In any case, Western countries are not China; and I submit that such methods as were used in China to bring about land reform would not be acceptable or even possible here in the US or most Western countries.

Land reform through land trusts is the most important step we could take toward solving the employment problem. Community Land Trusts can provide the natural resources which are the basic conditions for all employment. Let me illustrate with an example of what could happen in any Northeastern community if all the land in the community were held in trust.

AN EXAMPLE

In the first place, let us say that the entire area might consist of 20,000 acres (about average for a Massachusetts town). In this area we would have perhaps 70-80 percent forested land and the rest open space devoted to farming or built up in housing, industry, etc. (such a distribution is typical in New England). Presently (before going into trust) the forested land is not being used for lumber except to a limited degree – and only a small portion is used for firewood – or sometimes for pulpwood for paper production. In general, such forest land is totally underutilized because of the former pattern of ownership which generally consists of small parcels (23-300 acres), none of them large enough to justify sustained-yield forest management. Moreover, the former owners tended to view the land as an investment, to be held for future sale at, hopefully, a good capital gain or high speculative price. Holding the land for a high speculative price has eliminated the possibility of anyone buying it for forest management purposes because it would be too expensive at the "speculation price" per acre for such purposes – in fact it would also be too expensive for farming. Thus, the farmers who became too old to farm have usually sold their farms off to non-farmers – either speculators or people rich enough to be able to afford to buy their "piece of this

country" without farming. Even when the land was used, the economic rent went into private hands and did not tend to accrue to the benefit of the community, thus the full impact on employment in the area was minimized.

But now it is held in trust (never mind how it got there – we will discuss that later). Now it can be put into sustained-yield management, because the forest area is large enough (15-16,000 acres) for good management, and no longer is being held for speculation. What does this mean in terms of employment? In the first place, it means that for every 300-400 acres the project can employ one person full time to clean out and thin out the trees (dead wood, poor species etc.) so that the remaining trees selected for lumber will grow rapidly. This employs about 50 or so persons who probably were not formerly employed within the community. We will also need 4-6 full time foresters to manage the forests. Secondly, the weed trees which are cleaned out will go into one or more of the following markets: energy (firewood or wood chips) , pulpwood (paper), or the newly developing cattle food market.¹

Since these markets will in turn stimulate new local industries, more new jobs will be created. In addition, over time, good lumber will be grown in these forests which will bring a higher price, require logging operations, and provide increased employment, as well as put new better quality lumber into the local market for housing and wood industries.

At the same time, since the farm land has been freed of speculative demands, it too can go back into production and once again provide employment for young people anxious to get t back into farming but frustrated at all points because of the high cost of land. With increased production from forests and farm land, local taxes assessed through the trust as the price of leasing the land, will mean that the town can provide better services, better roads, better schools, etc., without burdening the older homeowners (taxpayers). These services will also increase employment and improve everybody's standard of living. New housing for the new employees in the forest and farm industries will also bring increased employment, but because of the trust, this housing can be

planned to go on the most suitable land from an ecological and planning viewpoint – not simply where land can be purchased – thus saving extra costs of unplanned development. Moreover, since the land is not purchased, the cost of the housing can be lower in cost with local employees receiving first option on purchase.

Finally, then, how is this to come about? Because the people in the town decide for themselves that they will set up the trust and *voluntarily give the land to the trust*. After all, they will be the major beneficiaries when increased employment means that their sons and daughters can find employment near home and the entire town becomes revitalized. But if not enough of them are attracted to this proposition, then there would be other direct financial benefits derived from the increased productivity of forests and farmland. These would go directly to the former landowners and indirectly, through improved town services and increased local business, to all residents.²

One other important point Rudolph Steiner makes in his *World Economy* is that not only have we "de-commoditized" the land (by taking it out of the speculative market) we have also "decapitalized" the land. That is, no longer is it necessary to draw on the capital Markets (including local banks) to buy the land. Thus the capital formerly tied up in the land is free to be used for other kinds of investment. These may be mortgages on housing, new industries such as solar energy, farm improvements, etc. Or they may go into "spiritual" needs such as new kinds of education, or "spiritual work" which as Steiner points out (and Borsodi agrees) are really the most economically productive for the future.

There will be those who will sneer at the above as mere "idealistic" dreams. It may be so, but it has never been tried. No such vision has ever been put into before a community, large or small, where the community (it would require less than a majority to put it into practice) could make the decision. In any case, it needs to be tested. As inflation and unemployment grow, I suspect that many communities will be ready to try new approaches, particularly when they realize that none of the government programs are working except in peripheral ways.

Notes

1. In those parts of the country where forest land is not available, other sources of "bio-mass" (e.g. rapid growing crops) could substitute for wood as an energy source, providing the land is available at reasonable cost.
2. Even if the cost of such an undertaking were subsidized by the federal government, the funds thus expended would "leverage" far more employment than any other kind of subsidy. Economists have calculated that for every family who moves into the urban areas, from rural areas requires about \$50-60,000 in local municipal or federal subsidies in order to cover the increased load on public services (fire, police, road repair and maintenance, etc) health and welfare, job training, etc. Only a fraction of this amount would be required in rural areas—if land were made available—to accomplish the same purposes.