

Recent Developments in Land Policy in Europe, East and West

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Land has been a fundamental issue in Europe for centuries, and there has been much variety in the way in which its pricing and use have been managed, both from one time and one country to another. In particular, there have been marked changes in the balance which has been struck between the rôle of the state and that of the market in these matters during the present century, some of which have reversed practices which had themselves only been introduced a few decades or even years earlier. The continent's recent political history might lead observers to assume that there have been two, very different sets of land policies in operation during much of this century, and it is true that there have, indeed, been marked contrasts in the way in which land-related issues have been handled in eastern and western Europe, some of which will be outlined in this paper. It may be said, however, that, up to the 1980s, the state in Europe played an increasing rôle in decisions with respect to land in most European countries, becoming dominant in the east after the establishment of communist governments there, but also assuming an increasingly influential position in the countries of northwest Europe and, to a much lesser degree, those of the Mediterranean. It may also be said that the collapse of central planning in eastern Europe and the implementation of privatisation in the west have put that trend into reverse in Europe, both east and west. This paper will touch briefly on five of the principal issues which have been debated in Europe with respect to land in the last few years — ownership, the financial return from land, 'the national interest', conservation and NIMBYism — and assess the way in which they have been handled, judging the arrangements which have been made against the criterion that, whatever rôle may be allocated to the state or the market, those arrangements should have as their prime aim the welfare of the community as a whole.

Ownership

One of the most important debates about land in Europe during recent decades has been about its ownership. At the start of the twentieth century, almost all land belonged to individuals, and there was a well established and understood relationship between the rights of the landowner — which were paramount — and those of tenants, which often were minimal. In rural areas, much land was in large estates, often covering hundreds and in some cases thousands of hectares, much of which was worked by tenants who could be evicted almost at

will. In some areas, such as northwestern Europe, yeoman farmers, working freeholdings of between twenty and a hundred hectares, also held much land, and in others, especially in the Mediterranean countries, small-scale peasant holdings were common. It should be noted, however, that much land, often of poorer quality, in all parts of the continent was in common ownership, either for grazing or forestry.

Nevertheless, even if the relationship between landowner and tenant was well understood, it was not always accepted by those with few or no rights to land. Land hunger and grinding poverty amongst many rural dwellers contrasted starkly with the wealth of estate owners before the First World War, and land reform was widely advocated at that time. It was not, therefore, surprising that the Russian Revolution of 1917 led to the widespread seizure of land by those who had previously worked it, or that the opportunity which the political turmoil at the end of that War provided was taken to redistribute land from some of the largest estates in Bulgaria, Poland and Romania, though often in a manner which gave at least some compensation to its previous owners. However, not all the countries which were characterised by a high concentration of land ownership in a few hands undertook such reforms; and, even in those in which some land was transferred, disparities in the size of holdings continued to be very great. There were, therefore, considerable opportunities for the first governments in eastern Europe after the Second World War to complete the expropriation of those who had previously owned large and even medium-sized farms, and to parcel their holdings out to those with little or no land, reducing the average size of farms in much of Poland and Yugoslavia in the late 1940s, for example, to about five hectares.

But, long before those reforms had been enacted, a very different policy was being pursued in the Soviet Union. Stalin's collectivisation of the small holdings which had been created by the revolutionary land reform marked a transfer of ownership from the individual, and from those who worked the land, to the community as a whole. Of course, Russia, like much of the rest of Europe, had had a long history of the communal organisation of farm land, but the effect of the collectivisation programme was to abrogate almost all of the individual rights to rural land which had previously been conceded; and similar changes were imposed by the Soviet Union's puppet régimes in the countries of eastern Europe during the 1950s. Thus, in most of eastern Europe, the tiny farms which had been created only a few years before were grouped together to create a small number of very large collective and state farms, some of which extended to 5,000 hectares or more. Only in Poland and Yugoslavia was peasant opposition successful in thwarting this policy, and even there, people who had enjoyed communal rights to forest and grazing land lost much of their control over it.

Land-ownership changes in western Europe, meanwhile, proceeded in a more evolutionary manner. Rapid economic development after the Second World War led to large-scale movements of workers from agriculture to other, often urban, employment; many tenancies were given up; much land was sold or rented to the remaining farmers, and some land was abandoned. Taxation of wealth, often on the death of its owner, led to the break-up of some estates; much land passed from tenancy to owner occupation; and the number of

middle-sized land holdings increased, while those of both very large estates and the smallest farms declined.

Most recently, the collapse of communism in eastern Europe has put into reverse the changes which occurred there between the 1930s and '60s. All the post-communist governments of the region have indicated that they will be prepared to return land to those from whom it had been seized, and especially to smallholders, and some land has indeed been reclaimed by such people or their descendants since 1989. It has also been widely indicated that collective and state farms will be broken into smaller units, and that those who have been working on them will be granted some rights, probably those of co-operative, rather than of full, private ownership, to the land.

These changes would seem to indicate three lessons for the structure of agricultural land holding. Firstly, neither the large estates, nor the huge collective and state farms which were established later, in eastern Europe have proved to be sustainable in societies in which a large proportion of the population has been dependent upon agriculture. While the first provoked social conflict, the second failed to deliver efficient farming, and both have been or are being swept away. On the other hand, small-scale agriculture proved to be little more successful in Poland or Yugoslavia under the communists, very largely because governments, faced with such intransigence, forbade the creation of large, private holdings by amalgamation and discriminated against private farmers, thus leading to low rates of farm investment, the ageing and feminisation of the agricultural labour force, and lower rural land-use intensities than might otherwise have been the case. Thirdly, it is clear that frequent wholesale reorganisation of land ownership in eastern Europe has disrupted its productive use, and that the type of evolutionary change which has occurred in western Europe is to be preferred.

Much of what has been said so far refers to rural land, but there has also been a variety of approach and much debate within Europe about the ownership of urban land, and in particular that land which might soon be developed for urban use. Much of the land of this type in western Europe is in private ownership, though almost all governments have acquired, strengthened and used their powers to control urban growth according to some publicly-approved, land-use plan, if necessary by compulsory purchase, during the present century, sometimes on a large scale. Elsewhere in cities, in contrast, most land has remained in private hands, though subject to increasingly stringent land-use controls.

The situation in eastern Europe under the communist governments was somewhat different. Some urban land in the Soviet Union was seized after the 1917 Revolution, in part because the buildings on it were confiscated, but there and elsewhere much was subsequently acquired for urban and industrial development by transfer from collective and state farms, usually at nominal prices or without charge. Since the events of 1989/91, in contrast, markets in urban land have been re-emerging in the region, and the private ownership of land is now somewhat more acceptable, and subject to fewer limitations than under communism. This is not to say, though, that it has yet become widespread again in all urban areas.

The financial return from land

The question of ownership is, however, only preliminary to a second issue: that of wealth. Wealth arises from land in at least three ways: income may be obtained from the use of land, the value of land may increase over time, and changes in the use to which land is allowed to be put may lead to sudden increases in its price. During the present century, many European governments have attempted to establish systems of land management which would be financially equitable to the community as a whole, but few have proved to be entirely, or even largely, successful.

Income from the use of land arises from three sources. Some comes from the inherent characteristics of any site — the free gifts of nature; some is the return from the activities of society as a whole, such as the construction of transport links or increases in population; and some is related to the skill of land users and the improvements which they make to their holdings. Nevertheless, despite this variety of origins, it was generally the case in Europe at the beginning of the century that most of the income from land was retained by the user or passed to the owner, and that little was removed for the benefit of the community as a whole. Many attempts have been made to remedy this scandal, but it is unfortunately the case that most have tended 'to throw the baby out with the bathwater'. Thus, the communist expropriation of landowners in eastern Europe put an end to this form of private exploitation; but, in denying most individuals the right to benefit directly from their efforts with respect to land, it discouraged them in their use of it. It also destroyed the price mechanism as a guide as to how best any particular site should be used. Similarly, the recent spate of privatisations in Europe, both east and west — some of which have been of land, and some of other activities, most of which include at least some land — has not been accompanied by the establishment of radically new systems of taxation which might ensure that the returns from that land will eventually be recouped for the community at large.

Increases in the value of land over time arise for two reasons: improvements which owners and users make to it, and increases in its usefulness which changes by society as a whole confer upon it. This latter source of increased value is itself composed of two elements: that which comes from increasing knowledge of the ways in which natural resources may be employed, and that from the increased demand for the use of particular sites which follows increases in population, mobility or wealth. While it is entirely appropriate that those who make improvements should be compensated for them, it is clear that other increases in value belong to the community rather than the individual landowner, and that they could be removed in full without any risk that land would then be used other than in the most efficient manner for the economy as a whole. In general, however, the countries of western Europe have failed to tackle this problem; nor has it been addressed in eastern Europe since 1989.

Thirdly, there is betterment: the increases in land values which occur as a result of decisions by society as a whole that a piece of land, which previously has been in one use, may now be employed much more intensively. The Dutch have for long pre-empted much of

the gains which would otherwise accrue to individual landowners as a result of such decisions, and thus largely succeeded in combining a substantial element of communal control with the workings of the land market. Under their scheme, municipalities draw up land-use plans; purchase the land which is required for development, usually without the need for the use of compulsory powers; install the major infrastructural services; and then sell the land again to developers. As a result, land is acquired at prices which are little higher than those which would be obtained if it were to be retained in its current use. Somewhat similar arrangements have also existed in the Scandinavian countries and Germany for many years, though in these cases acquisition applies to a smaller proportion of development land. They have, however, resulted in some substantial capital gains to some German municipalities. The French government has also gradually acquired similar powers, largely through legislation in 1962 and 1983. The situation in Britain, in contrast, has been markedly different. Left-wing governments introduced a 100 *per cent* tax on increases in land values following the granting of planning permission in 1947, and the compulsory acquisition of potential development land to form a land bank in communal ownership in the 1960s and again in the 1970s. Each of these schemes, however, was scrapped by subsequent right-wing administrations, leaving a situation in which the introduction of communal controls into the free market has not only enabled a small number of landowners to extract very much larger sums from the economy, at the expense of homeowners, firms and taxpayers, than might have been the case in an unregulated market, but has also created very considerable temptations for those in local government to act corruptly.

Problems connected with increases in the value of land did not, of course, arise in the centrally-planned economies on a large scale; nor were private owners of land allowed to make financial 'killings' of the sort mentioned above from any change of use. However, it has been widely argued that the system of land transfer in eastern Europe, which operated without any proper pricing system, led to the inappropriate and wasteful use of land on a large scale.

All these failures, and also the bouts of speculation which have caused some wild swings in the value of some land in western Europe, especially in the early 1970s, are the more frustrating because Henry George offered a solution to such problems more than a hundred years ago. In 1879, he advocated a free market in land, but went on to argue that such a situation would only lead to the most equitable allocation of the income from it if land were to be subject to a regular tax which removed in its entirety any economic rent within the income which was derived from it. It may also be argued that such an arrangement would inevitably lead to the most efficient use of land. If George were alive today, he would probably not be surprised that there has been a close correlation between the difficulties which have plagued Europe, both east and west, during the present century in relation to both the ownership of land and the financial returns from it, and the fact that so few countries have gone even some way towards adopting his site-value-rental tax.

'The national interest'

There has also been much discussion in Europe in recent decades about three other issues, each of which is closely related to the use of, rather than the ownership of returns from, land, and to the rôle which government should play with respect to it. They are 'the national interest', conservation and NIMBYism.

During the present century, and especially since the Second World War, European governments have introduced land-use policies which they have justified, at least in part, in terms of 'the national interest'. It is, however, arguable that the consequences of those policies have been such as to undermine any such claim. Some of the most important of these policies in western Europe have been concerned with agriculture, while, in the east, government intervention in pursuit of a different set of priorities can also be criticised in terms of the effects which it has had on the use of rural land.

Most governments in western Europe have accorded great importance to the notion that their countries should be, at least, largely self-sufficient in food, and have sought to support their farmers with the help of substantial subsidies, and to protect them by the imposition of stringent import quotas and tariffs. They have also introduced planning controls which have restricted the transfer of farm land, and especially that of high quality, to other uses. Similar reasoning has been used to justify the generous subsidisation of forestry in Britain and elsewhere. The effects of these policies have been marked. They have driven up the price of rural land, encouraged significant increases in the intensity of its use, raised the price of land on which development has been permitted, given rise to greater densities of urban population that might otherwise have occurred, and sustained rural activities on land from which they should have been withdrawn. Furthermore, the consequent overproduction of a wide range of agricultural products — the food 'mountains' and 'lakes' — has recently obliged the European Union and Sweden to modify their policies. They have not, however, done so by reducing the level of subsidy across the board, but by encouraging farmers to 'set aside' land in return for further payments, irrespective of whether this is likely to lead to the retirement from agriculture of the least-useful areas. There is very little which can be said in support of such 'national interest' policies, which hark back to the mercantilist attitudes of the eighteenth century. The internationalisation of other elements of the world economy since the Second World War — through the development of multinational corporations, the opening up of capital markets, and the rapid growth of international trade in other types of goods and services — has merely served to emphasise the anomalous, antiquated and wasteful nature of such protectionism.

In eastern Europe under the communist governments, in contrast, 'the national interest' was defined primarily as the rapid development of the mining and heavy engineering industries, a policy which, when combined with that of the public ownership of the means of production, has had unfortunate land-use consequences. In the first place, despite the fact that communist governments paid increasing lip-service during the 1960s and 70s to the need for

the conservation of the best-quality farm land, introducing complex planning systems to control its transfer to other uses, they nevertheless frequently failed to restrain the large industrial enterprises, which were the basis of their economies, from the profligate use of land. More land was transferred to these enterprises than was required, and much of it, and also much other land which was affected by the enterprises' effluents, was degraded. Secondly, because the building up of the region's mining and heavy manufacturing industries was achieved in part through the exploitation of the farming community and the transfer of resources from it, the performance of agriculture was disappointing. It was in an attempt to combat this failure that Krushchev initiated a substantial extension of the Soviet Union's cultivated area, most notably through the Virgin Lands scheme, in the 1950s and 60s, into areas which were ill-suited to such a use, and where yields soon declined.

In short, it can be argued that, whatever other justification there may have been for the pursuit of 'national interests' of the sort which have been mentioned here, direct intervention by government into the economy on such grounds has probably led to the misuse of land and to a lower overall level of welfare in both eastern and western Europe than would have been the case if it had not occurred.

Conservation and environmental protection

A second issue relating to land use has been that of conservation. Much concern has been expressed in Europe since the 1950s about the changes which have been occurring to valued landscapes and about environmental degradation, concern which has grown steadily since that time and which has led to the widespread introduction of new, statutory systems of environmental and landscape protection. All countries in Europe have designated national parks; some have also identified other types of scenic landscapes which they wish to protect from change; sites of scientific interest have been recognised, and historic settlements and town centres have been declared to be 'conservation areas', in the belief that the market is quite unable to give accurate expression to the wishes of the population at large in these matters or to ensure the preservation of such resources for the benefit of future generations. Governments have also strengthened their powers to reclaim derelict land and to prevent further pollution and degradation, for similar reasons. Taken together with the land-use planning powers which have been acquired in 'the national interest', governments in many European countries, in marked contrast to the situation before the Second World War, are now able to implement not one, but several, separate types of control over the use of some of their territory, and at least some control over almost all of it.

The question of environmental protection has received particular attention of late in Europe, and with good reason. In recent decades, farmers have polluted ground and surface water with fertilisers and pesticides, obliging water suppliers to install new and costly purification facilities; acid rain, arising from the burning of sulphur-rich fuels in some countries, has damaged forests and lakes in others; and dust and other atmospheric pollutants

have increased the risk of respiratory diseases not only for those who work or live in buildings from which such pollutants are emitted, but also for those in the vicinity who do not. Some progress has been made by governments in northwestern Europe over the last forty years to reduce the scale of such externalities, but much less has been done by those in the Mediterranean countries, and almost no effective action was taken in the former communist states. Indeed, central planning and the dominance of the large, publicly-owned, industrial enterprises, which have already been referred to, created a context which proved to be highly unfavourable to effective environmental protection. It should be noted, moreover, that in Europe, both east and west, such action as has been undertaken to protect the environment has been largely by legislative *fiat*, limiting or prohibiting damaging behaviour, and that the 'polluter must pay' principle, of which much has been heard in recent years, is as yet little more than a slogan in relation to many of the problems which have been mentioned above. This is unfortunate, for the internalisation of what are currently externalities would almost certainly lead to more rational decisions with respect to the extent and location of land uses which damage either the land which they are using or other sites than is the case at present.

NIMBYism

Lastly, mention should be made of a particularly unattractive aspect of state intervention in matters to do with land use, NIMBYism. 'The national interest' and public concern over conservation have both proved to be powerful arguments for the introduction of direct, government controls over land use in Europe during the present century, but such controls have also encouraged the growth of the 'Not in my back yard!' syndrome. Many of those who have urged the state to restrain the free market with respect to land-use change have done so, not so much because of their concern for the welfare or the tastes of the nation as a whole, as because of the effect which particular land-use changes might have upon them personally. 'Not in my back yard!' has been the cry of many of those individuals and local interest groups which have lobbied so effectively over the last fifty years, not so much for the establishment and extension of land-use planning in general, but for the protection of particular areas from such individual land-use changes as the removal of a hedgerow or the construction of a motorway extension. In almost all cases, such protestors have claimed the right to exercise a degree of control over the use of land which is not in their ownership, and have been uninterested in questions to do the compensation of those who have thus been prevented from using their land in more profitable ways or with the losses which might be caused to the community as a whole from the consequent prevention of development. It is very likely that, as a result of their activities, the use of at least some land is different from, and probably less intensive than, that which would have been the case under a system designed to maximise the welfare of the community as a whole. It is also possible that other land-use changes, which might have been not only acceptable to the community but welcomed by it, may have been discouraged.

Conclusion

It has not been possible in this paper to do more than touch lightly upon policy in Europe with respect to land, or to indicate more than a few of the most important issues which have arisen in recent years in that context. Suffice it to say in conclusion that direct government participation in decisions with regard to land has often caused as many problems as it has solved, both in western Europe, where it has allowed a few people to enjoy substantial and undeserved benefits, and in the east of the continent, where the communist governments spectacularly failed to combine the rôles of producer and policeman satisfactorily, with the result that communities in both areas have suffered from substantial misallocations of land and losses of welfare. These failures have occasioned continuing debate throughout Europe, debate which has turned increasingly in recent years to such alternative policies as privatisation, open markets and making the polluter pay — moving responsibility away from the state and back towards the market — as ways of enabling the economy to perform more effectively and equitably as a generator and allocator of wealth. It is to be hoped that, after so much experimentation and upheaval during the present century, this latest change of direction will achieve that goal.

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