

# Restoring land to the debate

20 February 2020

## Political economy

---

As governments seek alternative ways to fund public services and provide affordable access to basic housing, the spotlight has again fallen on land asset values, particularly where an increase in value may be attributed to government actions.

Discussion about landownership, rights and values tends to polarise opinion. It would be sensible, therefore, to have a dispassionate discussion on re-centring land in our political economies well before government action. This would enable a scarce resource to be effectively husbanded, reflecting public and private interests.

*As digital technology extends into every aspect of our lives, it is easy to lose sight of our global dependence on land.*

It is not just that we rely on land in all its forms to sustain our societies but that the technology itself depends on lithium, plastic, copper and silica, among other materials, that have all at some point been extracted from the land. Moreover, the supporting infrastructure of masts, sensors and transmitters has to be physically secured to the land to support reliable service from the global digital network.

But land is not just a resource for mineral extraction; more importantly, land is the space we occupy. Paradoxically, at a time when digital technology enables close contact without the need for physical proximity between us, the spatial distribution of land for its various functions has never been more important or yielded such benefits for those who control it. Rapid land asset appreciation in the centres of major global cities has coincided with the expansion of technologies that provide 24-hour global connectivity.

The particular significance of land was recognised in the past, and was only relegated over the course of time. The political economy of the 18th century for instance distinguished the unique properties of land from other forms of capital. Classical economics, the orthodoxy of the period, recognised the difference between capital in the form of productive agricultural land and capital in the form of finance. As the Industrial Revolution took place, however, land was subsumed into a broader definition of capital, where it remains today. What we now understand as neo-classical economics positions land as just another capital input, disregarding the multiple and sometimes irreplaceable roles it plays in our societies.

Land is, for example, critical in national formation, cultural identity and environmental sustainability. It provides physical resources, food security and a store of capital. It serves a host of unique and essential functions now understood as ecosystem services or natural capital ? many of which are not amenable to monetisation, but without them our societies

would soon collapse. Moreover, the neo-classical formulation envisages land as just another input that can respond instantaneously to the urgencies of supply and demand, arriving at a point of equilibrium predicted by the model.

Yet land does not perform in this way. The neo-classical economic model of perfect competition does not fit the way land operates. Increasing recognition of the fundamental aspects of land and the unique role it plays in the natural and built environment justify a review of its position in our political economy. The operation of land as a store of capital, distinct from its natural, cultural or productive function, is one of the reasons why we might wish to treat it differently.

Land is naturally scarce and its value accounts for some of that scarcity. But land can also be artificially and deliberately scarce. We live in increasingly regulated societies where access to resources may be controlled in the public interest. Land is one of these, and its use for a particular purpose in a particular location may be restricted for good reasons.

The implication of that policy-induced scarcity, though, is a form of land rationing, which almost inevitably leads to a rise in land asset prices ? and has unintended public consequences.

**Tony Mulhall MRICS is associate director, professional standards, land at RICS**

### **Further information**

- Related competencies include: [Access and rights over land](#) , [Economic development](#) , [Spatial planning policy and infrastructure](#)
- This article is taken from the RICS [Land Journal](#) (January/February 2020)
- Related categories: [Land and resource management](#)