

bl0 Spec. vs. inv. in land

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Outsiders do, true, plenty. But we'll never understand  
spec., ...cope with .... if .. scapegoat.

Results of that kind of thinking ... fantastic.

BR ... what calls anti-spec law. Over 160 acres, spec.

Under, do anything. Over, not spec until sell.

Then they get you. Like increment taxes, capital gains taxes --  
vindictive approach.

Another

(has good features ...)

What lead to? Proposals to "select" settlers -- good guys vs  
bad guys.

"Everybody talk about heaven ..."

& about 1. spec not G-1st

Urban planners -- vacant belt around city, enforce.  
Like proclamation line

--- but proponents of that more honest,  
said object to keep wages down.

*Why point finger of blame at mgmt. of spec? Strategy of privilege thru ages -- turn wrath on scapegoats -- & get extra gain simul.*



Book II: The Hypothesis

Chapter 4: ~~The hypothesis presented.~~ *Land Spec. as an Obstacle to Ideal Land Allocation.*

Book I depicts the problem this study seeks to explain. In it we surveyed unused land, tenant-occupied land, and land operated in ~~mis-~~<sup>off-</sup>sized units. Not all readers will approve each detail of the picture there drawn. Some will think it too lenient, others too critical. But most will allow that the real scene, which my drawing represents but imperfectly, is enough like it to warrant pursuing the question "Does the ~~free~~ land market tend to assign land to its best use?" *The facts we surveyed suggest that it often does not. We have surveyed the facts; now we will try to explain them. They suggest that it does not. Now we will try to confirm or deny this by analyzing the economic forces at work that set land prices and thus allocate land.*

Let me emphasize ~~the word~~ that the land market alone is under scrutiny in this study. The entire price structure may be excises, distorted from the ideal by ~~taxes~~, subsidies, quotas, licenses, monopolies and other barriers to free exchange, but for the present study we take these as given. We are <sup>presently only</sup> concerned with the response of landholders to the price and cost stimuli that impinge on them, ~~now~~ ~~ever~~ ~~and~~ ~~not~~ ~~with~~ ~~how~~ ~~those~~ ~~stimuli~~ ~~are~~ ~~determined~~. We are concerned with the apparent fact that landholders <sup>some</sup> sometimes withhold land from its best use, or any use, foregoing <sup>part or all of</sup> ~~all~~ income the ~~market~~ it might yield them, even though nothing but their own free will stands between them and that income. We are concerned with the implication that even if markets were perfectly free ~~and~~ ~~work~~ they would still not assign land to its best use. That is the problem we now seek to analyze.

After looking to the recorded wisdom of the past for guidance, I am disposed to agree with Thomas Adams:

"Notwithstanding the high quality of many of the theoretical studies of land valuation and the principles underlying the creation of (land) values, there is probably no economic problem of equal importance that has received less study by economists." (s60A, p.22)



**SCANNED**

**AS**

**FOUND**



Most writers on resource allocation and the price system <sup>evidently</sup> assume that land prices play the same role as other prices, <sup>for they</sup> ~~and do not deserve~~ <sup>give land pricing no</sup> separate treatment. Pigou, in his classic "Economics of Welfare", <sup>lays down</sup> ~~submits~~ the rule that men free to follow their own self interest will allocate resources ~~so~~ as to maximize the "social dividend". (4th ed., 1948, p. 142-3) Throughout the rest of that encyclopedic study he considers exceptions to the rule, and qualifies it in meticulous detail, yet ~~he~~ never mentions idle ~~land~~ or misused land (save for a brief reference to tenancy contracts). Many other works follow the same pattern, <sup>in that they profess that prices set by the invisible hands of supply & demand will guide all resources to (over)</sup> I find few that deal seriously with any of the exceptions to the rule such as we described in Book I, and none that tries to reconcile them with the rationale of the price system.

[REDACTED]

~~Not~~ ← This is not to say that no one ever considers the problem. <sup>Countless over</sup> There are many <sup>profound solid</sup> studies of land prices, <sup>and land speculation.</sup> and land ownership. We will have occasion to cite some excellent work by C.R. Chambers, L.C. Gray, W.I. King, Leon Truesdell, E.A. Goldenweiser, Th. Schultz, E.O. Heady and others. But these seem to be in a compartment separate from general price and allocation theory. Neither these authors nor any price theorists <sup>known to me</sup> <sup>much less settled</sup> have explicitly raised, the question of whether land prices are ~~an~~ effective allocating agents.



with a few exceptions that come under headings such as  
~~except for~~ ~~were not for influence of such as~~  
the best use, with a few exceptions which they treat. Most of the barriers are generally <sup>subsumed under</sup> "barriers to  
free exchange, <sup>"and"</sup> external economies, <sup>"and"</sup> ignorance, <sup>"and"</sup> & "monopoly".

writers & observers have remarked on how "land speculations" sometimes withhold land from ~~use~~  
its best use, and ...

Price theorists

Those who ~~forge~~ <sup>draw</sup> the most sweeping  
works ~~the~~ generalizations ~~on~~ about the workings of the entire price system, & whose



Yet the question must be raised. ~~xxxxxxxxxxxxxxxx~~ Land price is derived by reducing an endless series of future values to a present value. ~~We cannot assume outright that prices so derived are accurate indices of alternatives and effective allocating agents, like the~~ <sup>We cannot assume, that the invisible hands of supply (over)</sup> ~~prices of short-lived commodities. xxxxxxxxxxxx~~ First we must examine the discounting process by which future values are ~~xxxxxxxx~~ made commensurable with present values and with each other.

Philip Cornick, in a neglected exploratory article "Land Prices in a Commodity Price System" ( ) has tried to qualify the sweeping generalizations of price theory in the light of his <sup>own first hand</sup> ~~long~~ experience with land markets. Cornick there suggests that speculation in future rents and resale values of land distorts the price structure and tends to draw land away from its best use. The suggestion is worth pursuing, as it seems to fit the subject matter. For a distinctive feature of land is its infinite life expectancy, and a distinctive feature of land markets is that one must buy title to the infinite future <sup>of land if one ~~its~~ buys it at all.</sup> ~~along with ~~the~~ present values. 07/14/66~~

X ~~Land price is derived by reducing an endless series of future values to a present value. We cannot assume outright that the invisible hands of supply and demand will guide land to its best use when they work thru prices so derived. First we must examine the discounting process by which is supposed to make future values commensurable with present values and with each other. The relation of future to present values is clearly a key to our problem, for if a title-holder puts a high price on land he does not use it must be the land's future that he values --- xxxxxxxx~~ ~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~ obviously its present is of no value to him. We will follow Cornick's lead and try to see how speculating in the future of land affects its present allocation.



and demand will guide resources to their best use when they work thru prices so derived.  
We cannot ~~to~~ assume that such prices are accurate indices of alternatives.



When we start to formulate this idea more precisely,

Some interesting questions immediately arise. Why should anyone want to withhold his own land from present use, ~~just because he is so ignorant of the future possibilities of the land~~ neglecting and wasting the income he might draw from it, just because it will yield future incomes too? Why does he not take both? If he is presently too preoccupied to use the land, why is he not outbid by someone else who values the present as well as the future of the land? One would think ~~that~~ he to whom as owner the land would yield the most future income, best distributed in time (<sup>rate</sup> ~~roughly~~, nearest the present), would outbid all rivals and take the title. That is, one would expect market forces to make land gravitate to those who would use it best. What is "land speculation", ~~that it obstructs this~~ <sup>fruitful</sup> union? <sup>Those who hold land ~~unused~~ idle are often called</sup> Many have observed that "land speculators" sometimes withhold land from use. <sup>But what is 'land speculation', that</sup> ~~Let us consider~~ <sup>it motivates men to pay for something they do not use?</sup> ~~try to find exactly what they mean.~~ <sup>Let us look <sup>up</sup> for a precise definition of the term.</sup>



~~We conclude out...~~

In one concept, "land spec." is analogous to ~~grain~~ spec. in any commodity, such as grain.

Grain "speculators" withhold grain from consumption when its price is low to conserve it for future use when it is more valuable. ~~Speculators~~ "Speculators" in ~~max~~ exhaustible natural resources may ~~perform the same function.~~ <sup>have the same motive,</sup> ~~Here their motive is clear, and it is clearly in the social interest.~~ But the motive is only clear, and the function ~~clearly useful, to society,~~ <sup>when</sup> insofar as present use would preclude future use. That is, withholding resources from present use is only profitable to ~~the owners~~ individuals and to society — clearly ~~desirable~~ insofar as "use" means destruction or exhaustion. ~~But not all natural resources are exhaustible, and the problem we are trying to solve is dealing with (our) This kind of "speculation" does not explain away the problem we described in Book I, for that is a problem of the disuse and misuse of indestructible sites. It also ~~explains~~ land with destructible components, such as part of the fertility of farm land. But the problem we described was largely one of failure to conserve and improve the land for future use. This concept of "speculation" is clearly not the one that bears on our problem. We are dealing with "speculation" in ~~indestructible sites~~ that use does not destroy and disuse does not improve. (I hate. Etc. ....)~~

This leaves us w/o a ready made concept of 'spec'n'. ~~Must find one applying just to land.~~ <sup>One may speak</sup> One is tempted to say carelessly that "speculative" values are those ~~We have spoken loosely of 'present' & 'future' values,~~ based on the future, as opposed to the present. But, strictly, ~~the~~ <sup>are</sup> ~~futurexbeginxendx~~ of course, this <sup>such</sup> is no distinction because the future begins immediately and lasts forever. <sup>are only remote & near future, & no sharp line.</sup> The entire value of land is "speculative" in the sense that it derives from unsure anticipations of future rents and resale values. From this it would follow that "land speculation" is just another phrase for "land purchase".



is the disuse & misuse of sites, a kind of land that use does not destroy & disuse does not improve. ~~This concept of 'spec'n', ... does not bear on our problem.~~ <sup>state</sup> To be sure we also

dealt with farm land, which has ~~some~~ <sup>a</sup> destructible component. But it is quite feasible to farm land w/o destroying it, & the problem we described was one of failure to conserve & improve <sup>farm</sup> land for future use. ~~both present & future use.~~ We did not call it a 'problem' that farm land was being preserved from destruction. ~~This concept of 'land spec', ... is not~~ <sup>is not</sup> does not explain away nor help analyze <sup>much of</sup> our problem, nor is it what is usually meant by ~~most~~ those who say 'land speculation' keeps land from use. We must look for some other meaning.

[Even apparently ~~under-~~ <sup>are</sup> ~~used~~ urban sites can occasionally be <sup>ing</sup> ~~used~~ to be 'conserved', when ~~the present underuse is an integral part of a use plan that extends over time.~~ But

[Even sites are sometimes 'conserved', in the sense that <sup>as R.T. Strykowski, in his doctrine of 'ripening costs';</sup> use plans extend over time and ~~the present underuse~~ <sup>maybe</sup> ~~is an~~ <sup>is</sup> integral part of a long term use plan that averages out much better. promises higher future returns. I have tried, in presenting the problem, to allow for this, & present only evidence of chronic underuse. 'Site conservation' would only manifest itself in sporadic underuse.]

~~not plausible enough to warrant extended refutation.~~ <sup>in relation to observed facts</sup> ~~brief time.~~



Having disqualified that definition, it is not a simple matter to find another. The entire value of land is 'sp' in the sense that it derives from unwise anticipations of future rents & resale values. One ~~may speak loosely of 'sp'~~ <sup>cannot distinguish</sup> values, based on the future, <sup>prospects</sup> from 'sound' values based on present realities, because the "future" begins immediately and lasts forever. There are only the near future & the remote future, with no ~~clear~~ <sup>sharp</sup> line between them. From this it would follow that "l.s." is only an alternate term for 'land purchase', or 'land holding'.

That is certainly one usage. "Land speculator" is often just an epithet, used to blame outsiders or other scapegoats for unpopular or ~~indefensible~~ <sup>egregious</sup> ~~notorious~~ <sup>flagrant</sup> aspects of a price movement in which the whole community participates.

One witness testified at Senate Hearings on land speculation in the hundreds of thousands of acres in the ~~whole~~ Columbia Basin that "...the only speculative work that was done, and the work that really caused all this trouble, was by the T.L. Stern interests of Seattle..." (Ftnte: And two lesser demons. sl01, p. 21, testimony of Mr. Romans) This calls to mind the ~~observation of~~ <sup>comment on</sup> R.A. Billington's ~~remark~~ of an earlier era:

~~If this were the only usage we would simply drop the term.~~ valid distinction between 'sp.' & other landholders.

But there are other usages. ~~too.~~ Land sp. means many things to many people, a fact which leads to confusion like the following:

"...it has been contended that land speculation will not exist in the Central Valley because much of the land is already fully developed. Others have contended that speculation in land is already under way." (s94, p. 61)

let us survey the usage further, for some writers purport to define it on more substantial bases. ~~We will not define~~ <sup>people have written of it for years as a real force to reckon with, &</sup>

~~xxxxxxxx~~ definitions, express and implied, to two tests:

- Test of clarity  
a, Do they clearly distinguish "speculation" from other dealings in land;  
Test of usefulness for our problem  
b, Is there any reason to believe that "speculation", so defined, affects land prices and allocation differently from ~~things~~ <sup>influences</sup> the definition excludes.

We will consider four different definitions:

1. "L.S." is
13. There are 4 common defs to consider:
  1. x. "L.S." is resell's land for > p.p., or buy's or hold's ~~land~~ <sup>land</sup> with intent.
  2. x. "L.S." is buying & hold's land with intent to resell for > p.p.
  3. x. "L.S." is buy's or hold's or sly land at p to premised on future rents & present.
  4. x. "L.S." is hold's land one does not use personally.



1.

On a ~~more~~ <sup>precisely</sup> ~~scientific~~ <sup>On a more objective level</sup> level, to many people "land speculation" means ~~mayzkanxinzanderztxexzxxkxixkzatzxaxpoxkix~~ realizing an "unearned increment" by re-selling land for more than the original price.

The Bureau of Reclamation's "anti-speculation" law, for example, ~~is~~ is directed against ~~forbids taking such increments. against~~ ~~in effect a 100% tax on increments so realized.~~ <sup>again,</sup> E.G. Johnson, ~~in~~

~~xxxxxx~~ in the March 1944 Federal Reserve Bulletin, proposed an increment tax for such sales of all farm lands, "to stop land speculation". ~~The rate would decline each year, reaching zero~~  
The tax rate <sup>he proposed</sup> would decline with each year the land is held, reaching zero ~~z~~ after 6 years. Here, the implied definition is that "land speculation" is reselling shortly after buying, and the farther removed the time of sale from the time of purchase, the less the transaction partakes the quality of "speculation". The Bureau of Reclamation's <sup>land</sup> law, provides for/price control into the indefinite future -- implying that selling ~~xxxx~~ land for a gain, at whatever time, is "speculation".



~~NOT speculator's if don't sell. (This is not mere quibbling. This is ~~the~~ <sup>the</sup> ~~him~~ <sup>him</sup>)~~

~~Separate IP to evaluate def.~~

~~Leave intact~~

~~We are concerned about what they do while in the mkt. Of course we might say those are spec. who intend to resell. But ~~can we~~ ~~this~~ we will not get far if our def. is based on ~~these~~ <sup>hidden</sup> hidden mental processes, rather than observable behavior. & even those who intend to resell. ~~Probably no one ever buys land w/o giving some thought to its ultimate resale value for himself or his heirs.~~~~



But by either def., it is not 'sp' to buy or hold land as long as one does not sell it. but only to sell it for a gain. The holder does not become a 'sp' until such time, if it ever comes, as he sells, <sup>& only</sup> ~~then if he gains by it.~~ ~~leaves the market.~~ Legally the def. is ~~poor~~ <sup>bad</sup> because holders evade the penalty & <sup>purpose</sup> of the law by simply not selling. Analytically it is ~~poor~~ <sup>bad</sup> because it excludes all those who do not sell, and only includes those who do sell when they leave the land market & cease to influence it. We are interested in their behavior while they remain in the market. It is only then that they can withhold land from its best use.

2.

A 2d, & related, def. seeks to overcome this defect by ~~def.~~ calling a 'sp' one who buys land "with the intent or purpose" of selling for a gain, or "in contemplation of" public works or other dev'ts that would raise its value. ~~This def. has defects of its own~~ <sup>e.g.</sup> The Senate 'Fact Finders Committee' of 1926 ~~did not distinguish~~ enumerated 5 supposedly distinct types of land buyers, of which this was type 5.

Under this def. one may sell for 500% gain and not be, nor have been a 'sp' as long as he did not originally ~~contemplate~~ <sup>buy "with that purpose"</sup> such a def. in this interesting declamation: on the Col. Basin <sup>Anti-Spec. Act.</sup> declamation by Sen. McCarran of Nev. at Sen. Hrgs. on Col. Basin <sup>Anti-Spec. Act.</sup>

McCarran

Basic idea:  
if you expect the gain, is spec.; if not, is not, & you deserve it.

pl6 S McCarran: "I know of territories in the w where the pioneers went in there & took up lands not looking for any recl proj to be started. (Some took land up on the thy of dry fmg & on various thies, & they have owned it & eked out a livig, & others have followed them;) & as I understand this proposal, they will not find a new project where the value of their land has been enhanced, not by anything they have anticipated;) & if they cd sell their land at an enhanced value, I think it wd be fair to say: 'You have lived on all these lands w/o expecting this, but now the Govt has put this in, & you are entitled to the enhanced value.' I think they are entitled to the benefit of it." Logic? 5101

i.e., he thinks if they showed "foresite" & anticipated it, maybe that is the sin of spec. If a windfall, give it to them.

~~and~~ Senator O'Mahoney, also made intent the criterion, when he asked: <sup>in hearings on speculation in Columbia Basin lands, thought it esp. imp. wanted especially to know:</sup>

"To what extent have there been purchases of this land in supposed contemplation of the construction of this dam?"

We could <sup>of course</sup> plug this loophole by changing the def. so that to make it 'spec.' to intend to resell for a gain, whenever the intention develops. But in either case the both the original & the amended defs fail the test of clarity.



This definition fails the test of clarity.  
We readily see the weakness of ~~such~~ <sup>the</sup> Black & White concept of human <sup>motivation</sup> ~~nature~~ by reflecting on the problems of administering a law based on <sup>either</sup> it. The 'Fact Finders' concept led to their proposing a policy of discrimination among individuals, of 'selecting' the project settlers on the basis of their intentions. (545, p 116) If we were charged with this duty we would soon find that

~~But~~ no man can enter another's mind & know ~~his~~ <sup>intention</sup> what he intends to do.

Secondly, <sup>probably impossible, and ~~certainly~~ at least very</sup> intent is ~~in~~ <sup>hard</sup> to establish. In many cases ~~the~~ <sup>buyer himself</sup> the individual does not know himself ~~what he intends to do~~; or <sup>he</sup> indulges in rose-colored dreams that <sup>never materialize.</sup> ~~prove unrealistic~~. The Canadian Pacific Railway in the ~~xxx~~ nineteen-tens <sup>wrote</sup> ~~addressed a letter~~ to hundreds of small <sup>absentee</sup> title-holders ~~who had bought land~~ in the ~~xxx~~ Bow River area, <sup>inquiring why they had not</sup> ~~xxx who had not~~ arrived to settle the land they had bought. ~~Hedger was reported~~



If we were charged with selecting project settlers

Were the second group all hypocrites? (It would be entirely presumptuous <sup>of us</sup> of anyone to judge. (their "intentions").) We only know their behavior, & on that basis they differ not at all ~~where no different~~ from the first group.

Another ~~anal.~~ difficulty of this def. is

One reason the dist. is so difficult is...

(Even if all minds were open to us we still cannot clearly dist. 'sp.' from other landholders on this basis.) For, as land lasts forever, probably no one ever buys land without giving some thought to its resale value, ~~for~~ if not for himself, for his heirs.

so → One can sometimes distinguish commodity speculators from consumers, because most commodities die a natural death in the hands of the consumer, <sup>& the one who</sup> consumes them is not concerned about any resale value. But land lives on forever, and if anyone ever thinks to buy it without considering its ultimate resale value he will be crowded out of the market by those who do.

With insurmountable problems like these, it is surprising that <sup>so</sup> ~~so~~ many <sup>one</sup> who write seriously about 'land sp.' <sup>at</sup> adopt this def. of 'buy' with intent to resell for again! <sup>some of those who do</sup> ~~that they sometimes~~ concede they cannot say just what their subject of their discourse is.

Ernest M. Fisher, in a study of land speculation, wrote:

"...speculation is difficult to identify with certainty; ...the intent of the purchaser is probably the basis of distinction between speculation and investment.....(but) the same individual, in the same transaction, may be at one time a speculator and at another an investor." (s43, p. 154)

L.C. Gray, <sup>writing on 'Land Spec' in the Enchir. of Soc. Sci.; also</sup> ~~too~~, found his subject hard to define:

"The investor in land acquires it primarily with a view to employing it as a factor of production; the speculator primarily in the hope of profiting by an expected increment in value. ....  
(but) Frequently the purchase is motivated by both objectives."  
Note (s55, p. 64. On p. 68 ~~he concludes~~ <sup>he concedes</sup> that speculation is virtually inseparable from private ownership in general)  
indistinguishable <sup>almost identifies speculation with private landholding.</sup>  
~~also he recognizes~~ goes even further, &

Where these men have failed, we will not try to succeed. ~~It is probably impossible to~~  
~~define~~ Probably no def. based on intent can ever pass the test of clarity.







Nor wd. these defs be useful, if we could clarify them. Resale value is only one of several possible ways to reap ~~future~~ gains from holding land, & only one of several motives that actuate buyers. ~~The other motives~~ There is no value in singling out one of the motives & damming it as 'sp' when the others influence present behavior in much the same way.

Land values, as we said, ~~derives from an endless~~ <sup>an endless</sup> series of future yields. ~~Anticipations of the~~ One may realize on them by several alternate plans ~~for remote future~~. One always has the alternative of taking the future income as a lump sum by selling at some future date. But the mere fact that one plans to take the values in this one of several alternate forms ~~is of no~~ has no influence

L. V., as we said, derives from future values. One may take them as a permanent annuity - an endless series of incomes - or as a lump sum.

If one plans to take them as a lump sum, by reselling, the effect on present prices <sup>one's behavior</sup> is not significantly different than if one plans to take them the other way.

If 'sp' is to be a useful word, to denote an influence that affects the land rent in some unique & significant way, there is no

Even if ~~these~~ defs. could be made clear, it ~~they~~ wd. not be useful. For 'sp', as defined, excludes motives that actuate the same behavior as motives it includes. C.R. Chambers wrote of the 1920 land boom: " " By these defs., buyers who boomed up farm land in 1920 were not 'sp'. Neither are corps that hold <sup>vbl resources</sup> ~~large tracts~~ idle 'for future exp.', nor Chi. brokers who buy corn belt cut from "for income" & "a hedge vs infl". Only those are 'spec' who buy for resale, plan to take their gains by reselling. But ~~there is no substantive distinction of the motives~~ The effect on the land mkt is the same in either case, & so, at root, are the motives. L.v. derives, as we said, from future values. (There is no reason to think that one of these alternative plans wd upset the land mkt, while the other wd not.) ~~one may take them as a permanent annuity, by holding the land; or as a lump sum, by selling. In either case the present effects are similar~~ There is no ~~reason to~~ <sup>reason to</sup> singling out one of these motives from its twin & importing special effects to it. ~~wd. upset the land mkt, the other, wd. not~~ <sup>its twin,</sup> also have similar effects. If then not sp. Neither ~~plans (after gain)~~ But no reason to dist.

Even if clear not useful. For excludes. Ch. wrote: "By this def, they not sp. Neither farm land boom, Ch. wrote:)"



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3.

*We are nevertheless interested in the effect of this purchase on the value of the land. So we will not restrict our concept of 'land spec.' to buying for resale.*

Chambers used another/definition of speculation, one originated by W.I.King and L.C.Gray, and later used by Cornick. They derived it from the formula:

$$V = \frac{a}{i} + \frac{\Delta a}{i^2}$$

Here, "V" is land value; "a", the current annual rent; "i", the interest rate; and " $\Delta a$ ", an <sup>anticipated</sup> constant annual increment ~~anticipated~~ to rent.

~~$a/i$  is the "normal" value of land, the present rent capitali~~

The present rent capitalized, ( $a/i$ ), is the "normal" value of land;

$\frac{\Delta a}{i^2}$  is the "speculative" component of land value. "Land speculation" is buying or holding land at prices that include the "speculative" ~~is taking cognizance of the speculative component when pricing land~~ component. *or selling*



# Chap 4 Outline, 2.

"we have seen how ... other hand, Leary -"

8. L.S. means many things - ~~incl. scapegoat~~. Proceed carefully so it is possible to find parable / romantic / impacts like ff.

9. One def, L.S. is buying to reselling.

- a. Hard to formulate def. Not spec. until leave mkt. <sup>Not mere quibble - is law.</sup> Or, to avoid that, use intent. Problems of that. ~~So best we can do is say. spec. is buying with intent to resell~~ Even if knew own minds, & we, observers know what they know, still problem. For no one buys land w/o some thought of reselling? Can dist. comm. spec. sometimes, die nat. death. Not land. Due to such problems, those who wd dist. some writers on land spec. have frankly conceded they cd not say just what the subject of their discourse was. Fisher, Gray.
- b. If formulate, leaves out <sup>by</sup> important influences. ~~Even if cd. solve all above~~ problems, leaves out other future. No signifi. to disting. resale from other future values, as far as effects on present prices & allocation. Chambers.

with this concept.

10. Chambers' def., which Cornish also favored, derived from formula. Others, "as, similar idea of 'spec. component'.

- a. Test of clarity The def. is clear enough. <sup>Strictly, only applies to one case, where  $\Delta a$  &  $i$  const.</sup> Is it a clear dist. in practice?
- But what is evidently meant is that projections of the present rent ~~into~~ inf. future are 'non-spec.', while expectations of changes are 'spec.'

It is possible to make such a distinction - question is useful. <sup>By implication, if that were true?</sup> ~~Inte:~~ Possibility of  $\Delta a$  not even mentioned. considered, wd. receive same treatment: changes spec.

- b. Test of usefulness. The def. is not very useful. Is any reason to believe spec., so defined, affects land allocation differently from things def. excludes? It distinguishes present anticip. ~~increase in~~ rents,  $\Delta a$ , from ~~anticip. const. rents~~, a two components of antic. rents: first that component of future rents which is in excess over the present level ~~the excess of future~~ an amt equal to the present rent; second, that component ~~the excess of future~~ rent over the present rent. The second is the 'speculative' component of rent, from which the 'speculative' component of land value derives. Is there is <sup>no</sup> cause to believe - - -

The formula  $V = \frac{a}{i} + \frac{\Delta a}{i^2}$  is only a contraction of the longhand formula over

$$V = \frac{a}{1+i} + \frac{a+\Delta a}{(1+i)^2} + \frac{a+2\Delta a}{(1+i)^3} + \dots + \frac{a+n\Delta a}{(1+i)^n}$$

In ~~the longhand~~ formula it is quite clear that the two components of future rents affect land price thru the same discount mechanism. <sup>There is no evident</sup> reason why speculating in the one kind of future value wd affect present land prices & allocation any differently from spec. in the other kind; & so far as I know, no component of this concept has <sup>explicitly</sup> advanced any reasons. [If expectation of]



$$V = \frac{a_1}{(1+i)} + \frac{a_2}{(1+i)^2} + \frac{a_3}{(1+i)^3} + \dots + \frac{a_n}{(1+i)^n} + \dots + \frac{a_\infty}{(1+i)^\infty}$$

[for the special case where  $a_1, a_2, a_3, \dots, a_\infty$

increase <sup>annually</sup> by a constant annual increment,  $\Delta a$ .]

In the longhand formula it is quite clear that all components of the anticipated rent of any year,  $a_n$ , affect present value,  $V$ , thru the same discount mechanism. That is all the components <sup>of  $a_n$</sup>  ~~together~~ are divided by multiplied by  $\frac{1}{(1+i)^n}$ , and thus discounted to a present value. From this it appears that if ~~expecting a bidding for~~ <sup>expectations of future increments to rent,  $\Delta a$</sup>  ~~allocation~~ tend to distort land prices & that if ~~expecting a bidding for~~ <sup>expectations of constant or falling rents will do the same.</sup>



# Chap 4 Outline, 3

future increments to rent distorts land prices & allocation, then expectations of const. or even falling future rents will do the same.

If we want 'spec.' to mean 'derived from remote future', then  $\Delta a$  is <sup>perhaps</sup> more spec. than  $a$  because the 'a' values are distr. evenly in future time, & the  $\Delta a$  values increase with time

but both are spec.

Intellectually <sup>the distinction</sup> it seems to be based on nothing more substantial than the medieval notion that constant prices are proper & beneficent, while changing ones ~~are~~ necessarily work mischief. If so it contributes nothing to our understanding. But before condemning

Why is it 'spec.' to think rent will rise, & 'normal' to think it will maintain in the future the same level it happens to have reached in the present? Why <sup>was</sup> it 'spec.' to buy a city lot in 1940, correctly expecting ~~the~~ rents to rise, ~~and~~ but not 'spec.' to buy in 1929, wrongly expecting rents to remain <sup>constant</sup> at their then peak levels? But of course in our dynamic world where nothing is to

normal as change, prices, <sup>need to change frequently</sup> to be useful rationing agents, are only useful <sup>if</sup> they adjust constantly to new situations, and there is no <sup>apparent</sup> cause for imputing <sup>to</sup> special harmful effects either to change or the anticipation of it.

We ~~must~~ <sup>will</sup> temper this harsh judgement with 3 qualifications.

First, the formula  $V = \frac{a}{i} + \frac{\Delta a}{i^2}$  is useful. <sup>for some purposes.</sup> It is a handy compact summary of how the influences anticipations of rising rents tend to affect land value. <sup>We will use it ourselves</sup> Strictly it only holds when  $V \neq \frac{a}{i}$  the i.e., "i", & ~~static~~ <sup>with intelligent restraint</sup> annual incr. to rent, ' $\Delta a$ ' are const. for all time, but one can readily deduce the general effect of various changes in them. We ~~do not~~ <sup>only</sup> criticize the formula ~~except~~ as a vehicle for defining "l.s."

Second, <sup>there is reason to believe</sup> land is worse allocated when the mkt expects rents & values to rise. <sup>most is most common</sup> ~~the most~~ <sup>most</sup> flagrant misuse of land - disuse - ~~is~~ <sup>is frequently</sup> appears where <sup>future rents are expected to be higher than present rents.</sup> ~~future rents are expected to be higher than present rents.~~ Tenancy, too, is <sup>more common where land values the market expects rents & values to rise.</sup> ~~more common where land values the market expects rents & values to rise.~~ <sup>On the other</sup> ~~any hypothesis on our subject must explain this correspondence.~~ <sup>that, too.</sup> The formula, & definitions & hypotheses derived from it



→ But any hyp. ~~we~~ we construct must account for ~~this~~ <sup>correlation of bad land use with good expectations</sup> <sup>worsening of land use with the bettering of expectations</sup> <sup>the increase of bad use</sup> correspondence, & we will use that formula to help do it.

→ To be sure ~~But~~ there is no <sup>evidence</sup> <sup>that that anticipate rising rents</sup> reason to believe that is the only cause of misuse. Distorting influence. Vacancy, tenancy & uneconomical use also appear ~~where~~ where no one expects rents & values to rise. ~~We must also account for that.~~

On the other hand, ~~land is often misused & disused when no one expects its ~~potential~~ rent to rise.~~ The things the definition excludes may also distort land prices & allocation.

Any hypothesis ~~we~~ construct on our subject must account for the <sup>increase</sup> ~~consequence~~ of vacancy & tenancy with <sup>high</sup> ~~higher~~ expectations of rising rents. <sup>hence we will remember this formula & the distinction it makes</sup> But <sup>as hyp.</sup> ~~we~~ must also account for <sup>vacancy & tenancy</sup> misuse of land <sup>under when ~~expect~~ buyers expects constant or falling rents.</sup> Hence we will not base definition or hyp. on this distinction.



c.

<sup>In yet</sup>  
Another definition, ~~is that~~ "speculation" is absentee landholding, as opposed to resident ownership. This is the concept institutionalized in the residence requirements of our Homestead Act, and other settlement laws here and abroad. <sup>The</sup> ~~Our~~ Columbia Basin Anti-Speculation Act "is not intended ... to prevent him (anybody who is there operating and who is developing land) from doing anything. He is specifically exempted..." (sl01, p. 25, Mr. Margold/s)

<sup>finite</sup>  
The slogan "The land belongs to those who work it", a familiar one in land reform movements around the world, reflects the same <sup>something of</sup> ~~idea~~ <sup>spirit</sup> idea.  
TP This definition, too, ~~involves making unjustifiable arbitrary distinctions~~ is too vague to be useful. ~~But~~ if a small ~~own~~ resident-owner-operator expands his holdings, when does he become an "absentee"? As we ~~xxxx~~ saw in Chap. 3, owner-operation in off-size units is often little different from tenancy when one holds land he cannot use well. Over how many <sup>How many hrs/day must spend?</sup> hundreds of thousands of acres may one man "reside"? There is no clear limit. ~~Even if there were, "absentee/ownership" is the~~  
P ~~wording for it, not "speculation"~~ And even if there were, the smallest resident-owner holds something he will never use: the land's infinite future. He is an absentee in time, if not in space. He must <sup>hold</sup> ~~speculate in xxxx~~ those future values, willy-nilly, if he wishes to hold title. ~~And, indeed, he must speculate in those which he will use himself, as well as the others. Just as the merchant in the ordinary course of events, must speculate in his inventories, like it or not, as much as if he were a professional speculator, so the~~  
X ~~And even his ownership of these near-future values he will use himself~~ <sup>owning the</sup> ~~differs little~~ is not sharply different from owning the remote values. Just as a manufacturer, in the ordinary course of events, speculates in the inventories he uses quite as much as in stored goods he may own without using, so the owner-operator/takes the same price risks <sup>of land</sup> as if he <sup>merely</sup> ~~only~~ owned, <sup>without operating.</sup> ~~without operating~~. He can only avoid it by becoming a tenant. Then, as Goldenweisser and Truesdell wrote,



"Under this plan (tenancy) the young farmer would be a farmer pure and simple, instead of partly a farmer and partly a speculator in land." (s52, p. 70)

*among those who*  
But ~~as long as one holds~~ title, there seems no ~~clear~~ unequivocal standard  
*of behavior*  
to tell us who is "speculating" and who is not.



14 We will dist. the 'problem spec.' from other spec.s. The dist. can be made very clear.

One's ability to use land depends on his individual

13. Is a dist. - between spec.s.

14. Meets test of clarity

15. Test of usefulness - it is exactly what we want to explain, why people withhold. Not useful in explg - that comes in expy. - <sup>power way</sup>.

Now we have not analyzed those def.s in such detail just for the pleasure of picking over fine pts. What was the purpose of that long discussion, &

12. ~~How~~ what is the <sup>meaning</sup> ~~conclusion~~ of <sup>this conclusion</sup> all these remarks? Is it that 'l.s.' is a <sup>myth?</sup> figment of the imagination? On the contrary, the <sup>myth</sup> figment is that anyone can hold land w/o

sp-8. ~~And this conclusion bears directly on our problem.~~  
As all landholders are <sup>perforce</sup> land spec.s.

We have not been picking discuss. l.s. at such length merely for pleasure of picking over fine points.

Here Q. of l.s. is entire q. of land allocation. - not a special problem, product of unusual circumstances.

18. May be worse in some circumstances, will see but <sup>basically</sup> inseparable from larger issue. What we call 'l.s.' various usages, only <sup>most spec.s.</sup> <sup>manifestations of pervasive influence - problem.</sup> <sup>Center, analysis counts for more.</sup> Force producing such results there, also more Frontier not subtle - secrets bare for all to see. central, even under veneer of improvements

Does not follow all land now misused, just because all holders are spec.s. Dist. betw. spec. ~~Problem spec. vs.~~ Entirely possible for some to put land to best use while they spec. in its influence. One needs no license to spec., to best use land. Spec. may be ~~delay~~ <sup>hinder</sup> they take up only because inescapable incident to holdg title, & ~~must hold title~~ which must do to avoid ~~the~~ wastes of time & put land to best use.

But does not follow, either, that all land is best used just becs all ~~be~~ can spec. ~~need no license.~~ Recurrent protests vs. ~~land spec.~~ tho they come in a battle of tongues, are inspired by a real problem. that only wants precise formulation. We will now present the reasons why it does not. It is true that ~~one needs no license to~~ <sup>good users as well as poor may</sup> speculate in land. But there are other <sup>one needs no license.</sup> <sup>& outbid others who would use land better.</sup> reasons, which we will now present, why <sup>problem spec.s.</sup> <sup>often</sup> out-speculate <sup>better ones.</sup> <sup>land better.</sup> (These are the problem spec.s, whose behavior creates the problem described in book)

While no dist, still imp dist.

spec., & spec.

In intrnc, those who <sup>hold title &</sup> ~~spec.~~ <sup>hold title</sup> ~~only~~ in order to use land best; & those who hold title mainly to spec.

at extremes, dist. betw. who <sup>only in adv., to hold title & avoid waste of time;</sup> <sup>& those who hold title only to spec.</sup> <sup>call later problem spec.s.</sup>



## Chap 4 Outline 4

Third, if 'speculative' means 'based on the future expectations', then the component of land price that derives from expectations of rising rents is more speculative than the component <sup>that</sup> derived from exp. of const. rents. ~~For const rents are equally distributed evenly in time, while rising ones of course are higher in the more distant future. But expectations of constant rents extend equally as far into the future as expectations of increments.~~

~~So, again, there is a similarity as well as a difference. Similarity.~~

~~are significant, I will explore both later on. almost all of the constant rents are more 'sp' than the first increment to rent. Hence this is no basis for defining 'sp'. And of course all are 'sp' to some degree.~~

11. Another concept, spec. is absentee ownership holding. (Look to Trans. & E. for usage, buying as 'inv.')

a. ~~Impossible to precisely~~ Concept undefinable. No clear limit.

b. ~~Even if~~ definable, some reason to believe absentee owning worse than resident - avoid disc. inv. - but by no means only kind of misuse - ch. 3.

Even if that were only cause of misuse, no reason to call one spec, other not. Looking at it from another viewpoint, The land is just as much of an 'investment' or 'spec.' to one who ops. it per owner-op as abs. Just as mfr - - - so own-op. But own-op. more like abs. than mfr like comm spec. For own-op abs. time, if not space - - - willy-nilly - - - Only avoid by born int - - -

12. Is it possible, then, to dist. l.s. from landhold's in gen? I do not think so. Of course one may always make some arbitrary distinction. But I find no <sup>clear</sup> meaningful or ~~all~~ functional distinction that separates significantly different kinds of behavior. To hold title is to spec. Any dist. is only one of emphasis, & not usually clear just what the emphasis is. It was said of virgin - - - etc.

To hold title <sup>is</sup> to speculate. Any distinction is only one of emphasis, and it is not ~~to~~ usually clear <sup>precisely</sup> just what the emphasis is. It was said of virgin timber that.

"...the whole value of ~~stumpage~~ may be said, in a sense, to have a speculative origin; that is, it depends upon the opinion which owners and buyers have of the probable value in the future." s49p181

The same holds true of all land value. It is all in the future, <sup>& it extends thru the entire future.</sup> ~~and the future begins immediately.~~ It <sup>harks back to</sup> has no cost of production; & there is no gauge of competitive reproduction. <sup>over</sup> Call it 'investment', call it 'ownership', call it <sup>speculation</sup> 'holding title' or what you will, holding land title involves similar motives & behavior whoever does it. is quite different from owning a loaf of bread or a fleet of trucks. In many ways, 'speculation' <sup>seems</sup> the best word to describe it. That, at any rate, is the word to describe it. But, to avoid a



~~But, strictly, the future begins in the present; & never ends.~~

We have remarked ~~how~~ that all land value derives from future rents, & is entirely 'sp' in this sense. But if the degree of 'spec' increases with futurity, then rising rents, which increase with time, are on the whole more 'sp' than constant ones, which are evenly distrib. in time. That, too, is ~~an~~ <sup>of</sup> some import, & we will return to it.

<sup>who hold</sup> all ~~holders~~ ipso facto spec. <sup>occasional aberration, product of special conditions.</sup> <sup>not a limited special</sup> Problem of l.s. is entire problem of l. alloc. <sup>It does more conspicuous damage</sup>  
(L.s. is a <sup>affects</sup> feature of every land mktg at all times & places.) <sup>Effects doubtless more glaring in</sup>  
some circumstances. than others, [but] <sup>The results of land spec</sup>  
Frontiers, <sup>both rural & urban</sup> esp., are not subtle. <sup>The land there lies bare for all</sup> Their secrets lie bare for all to see.  
But even at the centers of society where land lies under a veneer of  
improvements, <sup>similar</sup> the same ec. forces <sup>are at work.</sup> But ~~the same~~ ec. forces work on land in  
the centers of society, <sup>even</sup> where it lies under a veneer of improvements. in the centers of society.  
The problem of l.s. is the entire problem of land alloc. - the two are <sup>one.</sup> indivisible.

There is no buying land w/o taking gambling on that infinite future, ~~Call it what you~~  
will; ~~but to~~ whatever one's other motives & behavior. We shall NOT try to  
distinguish 'speculation' ~~from~~ sharply, ~~from~~ but concede that all present & potential  
landholders are speculators.



It is ~~xx~~ true of all land as ~~xx~~ as was said of virgin timber: "

"...the whole value of stumpage may be said, in a sense, to have a speculative origin; that is, it depends upon the opinion which owners & buyers have of the probable value in the future." s49, p. 181

def

181 def. "In those parts of the country where large bodies of virgin timber still exist the whole value of stumpage may be said, in sense, to have a speculative origin; that is, it depends upon the opinion which owners & buyers have of the probable value in the future." 549

Def.

Question of intent also ranks hi with others  
p 17, O'Mahoney: "To what extent have there been purchases of this land in supposed contemplation of the construction of this dam?" This seems to constitute "speculation", the evil. p 18, O'M means those who took lands there in antic of ~~construction~~ funds being allocated, people on inside in Wash. 5101

Def.

pl1 Sen Bone: "It is not positively known how much of the Col Bas land s are now held by specs but there is consid acreage so held. One co, for inst, owns abt 2,000 a ...prob for spec purposes." 5101

Geiger.

Thy of Land An.

H.G. Brown  
misses boat  
on  
diff. m. matter

p. 201-2, a quote from Brown, that some say tenant loses by Δ tax as much as gains from <sup>lower</sup> selling price. B answers that because improvements are untaxed, tenant has it easier on them. & i.e. Δ; & 'land spec. wd. be discouraged.' Here is perfect spot to recognize cap mkt business, but he doesn't.

From Annals, Jan '36, p. 67, 66. <sup>speaks of the i.e. no recognition they differ.</sup>  
Say 'previous analysis has not closely analyzed what & why l.s. is -- it is taken as a something in itself. He doesn't say what, tho.' 'a weakness in exposition of an esteemed ally, H.G.B.'

def - 64 'The investor in land acquires it primarily with a view to employing it as a factor of production; the speculator primarily in the hope of profiting by an expected increment in value.' 555

Gray

But concedes hard to distinguish. 'Frequently the purchase is motivated by both objectives.' I agree -- but change 'frequently' to 'always'.

68, recognizes spec. inseparable from private ownership.

Anti-P control.  
Old concepts  
of those framing  
law.

pl4, Mr. Leavy: "...to protect innocent purchasers who might be led to purchase the lands upon rep that they ultimately wd have grt vlu...this bill has been intrdcd, &, if enctd, wd frvr pt an end to anythg lk spec in ths lnds." 5102

So object is to prtct lnd specs from each other?

A

p. 218. 1909, before above tried much, they observed only 10% land before in Bar R. valley had moved there, the 75% had thinned out.

C

p. 227 Many owners evidently planning to settle, hadn't got around to it yet. (May have brought in bit of enthusiasm, then had doubts, & thought even if they didn't use it they would get A. & too far away to rent to someone - & who would rent anyway, when purchase on easy terms possible?) Many probably intended to wait until land had grown, then more in meantime, no great loss.

D2

that Representative O'Connor of Montana got no answer when he asked Mr. Leavy of the Bureau of Reclamation the simple question:

"You refer to speculation; what do you mean by speculation? Would not you or I have the right to go in and buy land, if we wanted to? Would that be regarded as speculation?" (s102, p. 5)

def.

70 ' & speculative element will persist, in all probability <sup>so</sup> long as land values are increasing.' 552

def.

154 '...spec-n is difficult to identify with certainty; ... & intent of a purchaser is probably a basis of distinction between spec-n & inv. mt.' If for cap. gain, spec. 543

Fisher

But ' & same indiv. in a same xaction may be at one time a spec-or & at another, an investor.'

Def.

"...the only spec wrk that was done, & the work that rilly caused all this trbl, was by th T.L. Stern interests of Seattle ..." & 2 others. Romans' ltr

Def.

p21 "...This man still has a few 100 a which he did purch for spec purposes (in my opinion) after the Grnd Coulee proj cam into prominence." -- Gale Matthews, ltr.

def

p21, S Hatch: "...is the pol of th DI ...to eliminate the possibility of the acquisition of these lands by those interested in the spec angle."

etc etc. 5101

The 'outside devils' thy

Def.

Billington

Telle

Scapegoat

p205: "...the frontier never realized that the pioneer who held back land from settlmt in ths wy sprtd hslf frm hs nghbrs, dlyd th cmg of schls & internal imprvmts, & hndrd th dev of scl insts tht wd hv md lf esier. Instd the wstrnrs enctrt thr at cks on the prfssnl specs, mst of whm wr absentee owners."



From Hedges, Settlement of the Canadian West

How draw line? Can't. People have tried. Intent.

But who knows that? Canadian Pacific R.R., Bow R. Area, letter to holders of idle.

"Many replied frankly that they had bought the land for spec purposes and were holding it for the appreciation in value predicted by those whom Peterson termed 'the more enterprising or unscrupulous agents' of the co."

But

"Large numbers had bought in good faith, with every intention of settling on the land. They had found it impossible to carry out their original plan."

232 letter to holders-idle, asks why. Many replied frankly that they had bought the land for spec. purposes & were hold'g it for the appreciation in value predicted by those whom Peterson termed "the more enterprising or unscrupulous agents" of the co. (cf. with how durables salesmen now prey on) (spec. motive. -- & how people rush to board what) But not all were outspoken villains: (they think will Δ)

'Large nos. .... had bought ... in good faith, with every intention of settling on the land. ... they had not found it possible to carry out their original plan.'

112 def.

Describe 5 kinds of entrants who sell out, or lease.

545

Type 5: Those who made use of a opportunity offered by Govt. to secure land & water on most easy terms, & w. intention to hold them until a unearned increment would enable them to sell out at a large profit. Such men are seldom farmers. They are always seeking for an opportunity to sell & lands at a good profit to themselves. There are Original intent is criterion, not action. & speculators.' 116 Carry to ridiculous extreme of making intent basis of selection.

Same story with crime & vice ... start investigating. find 'respectable' doing same as sleazy, giving it different names.

Def. p 357, Judge refused to value Ia. farm land, 1919, at spec value'. (But all value is spec.) 583

Cornick criticizes ~~incremental~~ futures, in land alloc.

JLPUE, Aug 1934, v 10 #3 pp 217-31. Concludes we must get increments out of land pricing. Get quote Shows some relations of land spec to bus cycle - assign students.

Gray & King form:  $P = \frac{A}{R} + \frac{?}{R^2}$ , where ? is antic. annual Δ net rent.

He says Chambers applied it to midwest farms in USDA 1224. of Chambers in AER, used diff formula!

FDR

"..it is unthinkable that re profits shd accrue to prvt inds solely because of this grt govt work.

5101

...construction ... shd be dependent on the elimination of private profits, spec or otherwise, which wd result ..."

FDR, p5, ltr to Sen Bone

(why not apply to all govt effects on lv?)(e.g. AAA; pork-barl)

Def. of l.s.

p 61

'...has been contended that land spec will not exist in the C.V. because much of the land is already fully developed. Others have contended that spec. in land is already under way.'

594

Quote

Typical: "...the only speculative work that was done, and the work that really caused all this trouble, was by the T.B. Stern interests of Seattle..." --- Romans 5101 p21

def

p 112-3, recommend 'selecting' project settlers. -- "Goodguys" vs 'bad guys' concept of spec-n; & socialist trend.

545

3.

p 69

If farm land prices should stay same, or begin to fall, this would mean 'disappearance of a chance for speculative profit!' Assumes extrapolation.

552

Def.

p5, Mr O'Connor of Montana: "You refer to spec; what do you mean by spec? Wd not you or I have the right to go in & buy land, if we wanted to? Wd that be regrdd as spec?"

5102

Leavy evades.

def

p 67-8 (Implied def of spec: element: if current net rent ~~not~~ cap-zed, ok. If expected to Δ, spec. But why are constant expectations less spec. than rising ones?)

552



5126

Chambers, C.R., 'Farm Land Income &amp; farm land value' AER Dec '24

pp 673-98

Very good treatment in general, refer to it as basic source, assign students.  
 sets out the issues well -- but doesn't see much of implications.

formula

p. 681, uses  $V = \frac{a}{r} + \frac{b}{r^2}$  -- no derivation.  $i$  is annual increase of rent

p 687

def.

" It is often stated that the high land values of the war period were the result of speculation in land. If by speculation it is meant that the purchasers of land in these years bought with the idea of selling again at a higher price, it is only to a very limited extent that land values were forced upward because of it. (Cites USDA bul 874, 'Farm Land Values in Pa.', by L.C. Gray & O. G. Lloyd; & Bul 240, Ky AER, 'Land Prices & Land Use in the Bluegrass Region of Ky', G.W. Forster.) ... 'These studies showed that a large % of purchasers bought without any thought of reselling.'

L.V. rose because rent did, & fall not antic.



George's def. of Land Spec:

"... the confident expectation of the future enhancement of land values, which arises in all progressive countries from the steady increase of rent, (and which) leads to speculation, or the holding of land for a higher price than it would otherwise bring."

p. 255, 50th anniv. ed., Sch., 1951



No one spec.s

Invest

... out of town ..... minority religions .. big corp.s

It's ..... <sup>funny</sup> ~~a riot~~ ... Senate Hearings on the Columbia Basin anti-Spec bill, & watch them try to separate the good guys from the bad guys, like a kid at a western.

Def. of  
full use

p 63 "Highest use" of land is that best for labor -- giving most 'profitable employment'. Short step from wanting labor intensive ~~uses~~ uses. 569

def.

(Maybe use spec-n to mean buying ahead of demand, as with commodities? --)

def.

Error of this kind of analysis -- it recognizes spec only when future  $\Delta$ s expected. Makes it too specialized. I show also spec. in declines.

".. the only speculative work that was done, and the work that really caused all this trouble, was by the T. L. Stern interests of Seattle..." (and two <sup>other</sup> ~~others~~) (5101 p 21)

"...to protect innocent purchasers who might be led to purchase the lands upon representation that they ultimately would have great value .... this bill has been introduced, and, if enacted, would forever put an end to anything like speculation in these lands." 5102, p 4

ch. 2  
Inevitability  
of  
spec. if own

p. 70 If young farmer just rents, 'Under this plan a young farmer would be a farmer pure & simple, instead of partly a farmer & partly a speculator in land.' (Goldman & Truesdell) 552

p. 124. "mere spec." is buy & sell w/o other activities like hldg. - not his def, but "the ordinary man". 5128

all spec --  
exposition

When spec. fever is high, cannot buy land w/o paying the spec. price -- i.e., spec-g in it ones-self. Whatever purpose one buys it fore. ~~set~~

But why just when spec fever is high? High or low, land still has an infinite future which one buys.

Thus it is that, unless one is ready to speculate in future values, he does not ~~hesitate to buy~~ buy land, for whatever purpose.

"It is often stated that the high land values of the war period were the result of speculation in land. If by speculation it is meant that the purchasers of land in these years bought with the idea of selling again at a higher price, it is only to a very limited extent that land values were forced upward because of it." (Here he cites Gray, L.C., and Lloyd, O.G., "Farm Land Values in Iowa", USDA bul. 874; and Forster, G.W., "Land Prices and Land Speculation in the Bluegrass Region of Kentucky", Ky. A.E.S. bul. 240) "These studies showed that a larger % of purchasers bought without any thought of reselling."