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Urban Threats to Rural Lands: Background and Beginnings

Philip M. Raup

Department of Agricultural and Applied Economics

University of Minnesota
Institute of Agriculture
St. Paul, Minnesota 55108

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Our self-image of the United States has been a spacious one. For over three centuries land was plentiful and space a handicap to be overcome. For the past half century, the popular conception of the farm problem has been a composite of agricultural surpluses, land abandonment, and government programs that paid farmers to hold land out of use. Two decades ago W. Arthur Lewis called attention to the nature of development strategies appropriate to crowded countries in a now-classic paper on "Economic Development With Unlimited Supplies of Labour".[1/] The United States provided a virtual antithesis. Our history to the mid-Twentieth century could be written as a case book for "Economic Development With Unlimited Supplies of Land". Or so it seemed.

Something has happened to change this image. Popular and professional journals concerned with both town and country land use problems have generated a small flood of articles on the preservation of open space, the threat to agricultural lands, and the irreversibility of urban sprawl. Within the compass of a decade we have gone from surpluses to shortages on the food front. The preservation of open space has acquired a sanctity previously accorded the buffalo and the golden eagle. Legislatures

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* Professor, Department of Agricultural and Applied Economics, University of Minnesota, St. Paul

1/ W. Arthur Lewis, "Agricultural Development With Unlimited Supplies of Labour", The Manchester School, May 1954.

in some forty states have adopted laws giving preferential tax treatment to farm land threatened by urban expansion. What has created this threat?

To understand this dramatic shift of perception, we must first have a clear picture of the nature of land use patterns created by recent economic trends. In relative terms, land has been cheap, and labor dear. Transport has been designed to use distance lavishly and to economize on time. It has been economic to move people and goods long distances, but the cost of housing or stockpiling them has gone up. Turnover and throughput have been key criteria for business success. The throw-away container has been a hallmark of our consumer culture, and a part of the supporting psychology is reflected in attitudes toward the supply of land.

We could mass large numbers of people in cities and feed them cheaply. Refrigerated trucks and warehouses and fast transcontinental highways made possible the slaughter of beef animals in Nebraska or Colorado and second-day delivery in East-Coast or West-Coast markets. We could concentrate vegetables and citrus in California and Florida, potatoes in Maine and Idaho, and two firms could control the marketing of just under half of all the green leafy vegetable output of the United States.

This regional specialization in land use has been underway since the development of the transcontinental railroads a century ago but it reached full flower only with the near-completion of the Interstate highway system in the 1960's. The transport revolution brought about by the railroads did not appreciably change the structure or function of cities. The second transport revolution brought about by the motor car and motor truck fundamentally altered our urban pattern.

It has been a truism that until this generation the revolution in agriculture had not made any basic change in the functional characteristics of farms; only the size was different. With exceptions in the cotton South, the ranching West, and California, the big farm of the 1930's or even the 1950's was in most cases a large-scale version of the universal peasant farm. It produced a varied range of products, and processed them on the farm through a variety of animals. Pigs, chickens, cows, calves, horses, small grains (wheat, oats, barley), corn, and hay were all likely to be found on a typical farm. This is true no longer.

It is less well understood that the universal peasant farm, with its mix of products and enterprises, had a parallel institution in the form of the universal peasant village. The modern city until this generation was simply an enlarged version of the mediaeval town. There was a center, a clearly marked periphery, and concentric rings of declining intensity of land uses that made it possible to utilize J. H. von Thünen's pattern of urban land use analysis well into the post World War II period, even though von Thünen developed his theory on the basis of observed urban structures in Germany of the 1820's. All this has changed.

The roots of this change are many and they defy any simplistic analysis. But it will help set the problem of urban threats to rural lands in perspective if we characterize three root causes as the automobile, affluence, and advertising. With these building blocks we have constructed an urban style of life that concentrates our demands upon space. The man with the hoe became the man in the street, and as Elting Morison points out, he now emerges as the man in the traffic jam.[2/] Judging by our recent behavior, an urban life is exactly what we want, but not very much.

2/ Elting E. Morison, From Know-How to Nowhere, The Development of American Technology, New York, Basic Books, 1974, p. 184.

Some ancient agrarian societies had so parcelized farm land holdings that much time was wasted going from home to field. In our genius, we have reconstructed the problem in an urban setting and now spend much time and far more of our scarce resources in getting from home to work and play. We use our most inventive skills in seeking to recreate an urban life style in the countryside.

The most tangible evidence is the sprawled suburb. This urban structure did not "just happen". It is not the result of inexorable forces of nature that we can do nothing about. It is a consequence of policies that have directed and subsidized large-scale investments over a long period of time. One of the most massive of these investments has been in highways. We have a structure of cities that has been powerfully shaped by the way in which we collect and spend money for roads. Our investment in these roads is financed primarily by taxes on motor fuels and tires. Money to build highways is thus a linear function of distance traveled.

We spend it on the basis of an exponential function which is a composite of distance traveled and the relief of congestion. We have distance and time in the expenditure function and distance only in the revenue function. The result is a gigantic income transfer mechanism. We spend to relieve congestion and we tax on the basis of the number of times the wheels go around. In this setting, the way we finance the highway system guarantees a transfer of funds to urbanized areas. We subsidize the suburbs. In its importance for land use planning, this is probably the largest single public transfer of money that has a direct impact on land use and value.

A second subsidy to our sprawled urban structure results from the way we finance housing. Beginning with the G.I. Bill after the Second World War, a principle was established that government would pick up much

of the risk element for private single-family housing loans. We expanded this with a wide variety of types of government insurance and mortgage guarantees, resulting in subsidized interest rates and lower down payments then would otherwise have been possible. These subsidies were primarily available only to those who would build single family detached houses. As originally developed, they were not available to build apartments, or dense, compact settlements. In other words, our housing finance subsidies promoted a demand for space.

This form of subsidy has been augmented by the operation of the private market in housing finance. There is an economic incentive for creditors to prefer sprawled cities. It is a reasonable presumption that the value of houses will depreciate and the value of the land will appreciate. Within limits, the larger the ratio of land value to house value in mortgage loans, the happier the creditor. Private creditors preferred borrowers who would build rather small houses on rather large lots in growing suburbs. The government offered preferential treatment of the risk element, and no comparable level of subsidy or incentive was available to the person who did not want to live in a suburban single family house. To share in this subsidy you had to go to the suburbs, and many people got the message. We have subsidized suburban sprawl by the way we financed housing.

These financial incentives for suburbanization have been supplemented by permitting the deduction of interest paid on borrowed money, as well as the deduction of property taxes, in computing taxable income. The best way to maximize the deductibility privilege on individual income tax returns has been to borrow money for the purchase of real property. For the middle-income taxpayer the optimal way to share in this form of subsidy has been to build a house in the suburbs and mortgage it to the hilt. The

principal effect of this form of subsidy has been to expand the demand for urban land.

We have also subsidized urban sprawl by the way we permit municipalities to raise money through the issuance of tax exempt bonds. This is a gigantic revenue sharing device, in fact, the only effective federal-local government revenue sharing device we had until quite recently. The tax exempt municipal bond gives a reduced income tax liability to the wealthy investor if he will make his money available to deserving municipalities for the public good. The Morgan Guaranty Trust Company of New York pointed out that this resulted in a net revenue loss to the federal government of 3.3 billion dollars in 1971.[3/] Who benefitted? Municipalities that can march their voters to the polls and secure the approval of bond issues. Who will approve bond issues? Growing suburbs with children to educate, roads to build, water systems and sewers to install and many other things to do that will enhance property values. The incentives made available by the federal government by functional revenue sharing through tax exempt bonds flow heavily to the newer suburban communities. They will approve bond issues. It is very difficult to secure approval for bond issues in central cities or old, established communities. It is not surprising that we have had a big increase in suburban communities. This has been another way to get a slice of the federal subsidy cake. One measure of the cost must be reckoned in terms of the artificial stimulation that has been given to the demand for land for urban expansion.

We have also encouraged suburbanization by permitting the fragmentation of government, on a principle that invites comparison with the western mining claim. Laws governing the formation of municipal government

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3/ Morgan Guaranty Survey, September 1973.

have encouraged groups to stake out a claim whenever they thought there was a rich lode of property tax revenue to be mined. In effect, a municipality can put a fence around its tax base and say: This is ours, do not enter, we have a right to this tax claim. The residents typically earn the money someplace else which they will use to build their houses on this claim, but we are not going to worry about that. We can capture their tax revenues if we draw the boundaries carefully, rig the zoning act properly, keep out high cost residents, attract high income residents, and mine the property tax. The smart municipal subdivision does this.

To take the example I know best, the lower rates of property taxation per hundred dollars of market value in Minneapolis and St. Paul are clustered in the richer suburban subdivisions. They have a high tax base per capita because they include many professional men and executives of corporations and business firms with salaries that will support $150,000 to $250,000 houses. The structure of municipal government has been used to withhold a portion of the tax base from the rest of the community. This rewards the formation of new suburbs. The result is a further inflation in the demand for building land.

Sprawled cities are also a consequence of the choice of pricing policies by which we finance the extension of municipal services. In principle, public utilities have been required to use "postage stamp" or average-cost pricing. With rare exceptions, they have not been permitted to use marginal-cost pricing in financing the extension of service areas. A result is that the older, established areas must pay service charges that are well above the average unit cost of services that they obtain. The expansion of service loads requires the construction of additional facilities. This can only be financed by a rate structure that will be much higher than would be

necessary to cover capital maintenance and operating costs of facilities already in place. As a result, urban areas with well developed networks of sewers, water, gas and electric lines, and roads and streets are forced to subsidize newly established areas by our policy of average-cost pricing. Where central cities are losing population and tax base to the suburbs, a comparison with the condemned man who is forced to dig his own grave is all too apt. The consequence for land use is that one more institutional device is added to the list of ways in which we have rewarded sprawl.

A prominent additional device by which central cities are subsidizing outward expansion is created by policies that exempt certain lands and structures from the property tax. By an accident of eleemosynary misjudgement, the older sectors of our urban places are forced to play host to a disproportionate amount of tax-exempt real estate. Many of these institutions serve region-wide functions but demand local services. When the principle of tax exemption was established for religious, charitable and public-service institutions, the public sector played a minor role in total economic activity. Today it is a major user of urban real estate. An extreme case is provided by New York City, where in 1969-70 tax exempt real estate was 34 percent of the total assessed value of all real property. Churches, parsonages, hopsitals, cemeteries, and benevolent organizations made up less than one-eighth of this total.[4/] To the extent that the remaining seven-eighths served region-wide purposes, the city of New York was providing a subsidy to its suburbs.

Thetaste for space that we have encouraged with these policies is drug-like in intensity. It has been integrated into a life style in which

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4/ The New York Times, November 25, 1969, p. 1.

the age-old search for food, clothing and shelter is supplemented by demands for space and mobility. We have clothed ourselves in metal. The automobile becomes both a mode of dress and an inseparable component of housing, subject to turns in fashion that in an earlier day were confined to simpler forms of personal adornment. The mobile home becomes the ultimate expression of a combination of motorized clothing and shelter.

These determinants of our urban pattern have supported a feed-back system that has been powerfully reenforced by mass media advertising. Expenditure patterns built around the single family home and the automobile define target audiences to which the majority of advertising messages are directed. The most sophisticated uses of powers of persuasion in our culture are designed to create wants whose satisfaction requires space. This has generated construction, service and supply industries that must have space to succeed. The outstanding example is the housing industry and its dependence on capital gains in land for its profit margins.

Put yourself in a developer's shoes. Can he affect the labor wages that he pays? Only in marginal cases. Can he affect the interest rate he pays? In some cases, yes, but in general he must compete for capital in a national market. Can he affect the price of building materials? Probably not very much, even if he is a large-scale developer. What can he affect? The cost of land. His success depends on buying land cheap, and selling it dear. Everything else that he buys is purchased in a national market and at price levels over which he has little influence. But he can leapfrog, buy and develop cheap land, mount an adequate advertising campaign and persuade prospective home-buyers to share with him in the anticipated capital gain. His marketing and management skills are focused on land value appreciation. He succeeds only if he can suburbanize

the countryside. The present structure of the urban land market confronts him with an option that he can't refuse. As long as leapfrogging permits him to capture a part of the economic rent created by land value appreciation, this source of potential profit will dominate his managerial activities. It is the main but not the only determinant of our pattern of dispersed urban settlement.

To the mid-twentieth century, the search for capital gains in land exercised a relatively benign influence in the economic development of the United States. It promoted the rapid settlement of a continent, gave some stability to the commitment of capital to slow pay-out investments in rural and urban land development, and created a tax base that provided a measure of financial independence for local governments. These are monumental achievements. But we now need to question the direction this development is taking.

This reexamination is forced upon us by trends which we can sense but cannot quantify. They compel us to ask two questions:

1) What is the extent and significance of the loss of agricultural land to non-farm uses?

2) What is the extent and significance of concentration in the ownership of wealth in real estate?

The opportunity to share in capital gains in land was widely dispersed in preceding generations. Millions of relatively small farmers shared in the land value increases that accompanied our economic development until well after the Second World War. As their number declined, their place was taken by suburban home owners in the population of those who could share in anticipated capital gains, a replacement process that lasted until the end of the 1960's. It is possible that the proportion

of the population of the United States that could reasonably expect to share in capital gains in land reached a peak in the two decades, 1950-1970. The cost of this achievement must be measured in units of urban sprawl.

The combined thrust of these forces has created urban demands for rural lands that are new in our history. The last ten years have superimposed on this demand structure one of the oldest sources of distortion in resource use: inflation. Scared capital has sought the security of land investment, with consequent increases in land prices that bear little relation to current earning potentials. At a minimum, rural lands within a radius of fifty miles of our larger cities have market values that cannot be supported in agricultural use. Along major highways, this radius extends to eighty miles or more. Advertisements offering rural residential sites to investors in central Massachusetts in 1975 pointed out, for example, that the home-sites were within 100 miles of eight cities of over 100,000 population. The clear implication was that this defined the market area within which urban demands were expected to generate land value appreciation.

Outside the Northeast, urban densities are generally lower, and rural non-farm congestion less pronounced, but the impact on productive farmland is more significant. The worrisome threat to farm land is not in the Northeast, where farm abandonment has been under way for over a century. Nor is it in the Southwest, where sectors of agriculture nurtured on cheap water, cheap fertilizer, and cheap energy will be under growing economic pressure only remotely related to urbanization.

The urban threat to rural land that merits greatest concern is to those lands enveloped in a great curve that begins at about Norfolk, Virginia; sweeps westward to include St. Louis and Kansas City; and turns northeast

to embrace Omaha, Minneapolis-St. Paul, and Duluth. This is the heartland of rainfed agriculture in North America. Virtually all of it is included within the radii of urban centers whose demands for land result in land values unjustified by agricultural productivity considerations.

Underlying these trends has been an implicit assumption of unlimited supplies of land for urban expansion. In the past two decades we have grown distressingly aware of our ability to pollute air and water. We had treated these resources as if they were free goods in unlimited supply. Now we know that they are limited, and the city has been the principal teaching device by which we learned this lesson. This much is clear. What is less clear is that we have also treated land for urban growth as a good in unlimited supply, if not exactly free. This recognition has been late in coming, primarily because it has required a distinction between physical and economic concepts of the supply of land. In physical terms, we are in no danger of exhaustion of our stock of urban land. No problem emerges until we begin to measure that stock in terms of alternative economic uses. The urban threat to rural lands is thus improperly measured in acres of land lost to urban expansion. The appropriate test is qualitative, not quantitative. What could have been produced on this lost land? The opportunity foregone is the relevant measurement unit.

It is in this setting that we can begin to understand the desire to protect agricultural land. That it should be protected is now a received truth. The vehemence with which this sentiment is being repeated in the 1970's invites comparison with the near-religious stress placed on soil conservation in the 1930's. The fervor is matched by the ambiguity. What is soil conservation? What is prime agricultural land?

As it is now being used with reference to agricultural land, the concept is borrowed from urban land economics literature. It has been used traditionally to refer to land in choice urban locations, or to land that is now underdeveloped but is next in line for further development. The term "ripe for development" is frequently used in this connection, and we speak of "ripening costs" in describing the process by which this change comes about.

This use of the concept of prime land was once defined in terms of the most valuable location in the central city. That the concept is defined in economic, not physical terms is demonstrated most clearly by the fact that prime urban lands are no longer defined in terms of land values in the city core. These have deteriorated, and the prime locations have shifted.

This is unmistakably clear with reference to urban lands. It is not so clear when agricultural lands are in question, but it is no less true. Our concepts of "prime agricultural land" have changed enormously in the past hundred years, and are likely to change even more drastically in the next century. The rank order of lands that are considered to be prime today is unlikely to be a valid ranking in 2075, and especially with reference to farm lands located near large metropolitan areas.

The concept of "prime land" is thus useful, but it cannot be defined in terms of a system of cardinal measurement. It is an ordering device. The chemical, physical and geodetic properties of a tract of land can be expressed in quantitative terms that reflect cardinal measurements. But the weights that must be attached (pH, crumb structure, slope, rainfall, location with respect to markets) are always relative weights.

Prime land is a present concept. It is defined in terms of available techniques of utilization. Prime land is also a local concept. What is prime in the Netherlands may not be so classified in the Paris Basin. Prime agricultural land in the forest-fringe areas of the Great Lakes or Mountain states of the U.S. may fail to qualify in Iowa or central Illinois.

This underlines the significance of the geographic scale involved in decisions as to what is prime. One man's prime is another man's average. At what scale will the decision be made? This question must be answered before we can agree on what lands are to be preserved.

As a guide to land classification, and a criterion for the protection of farm land, the designation "prime land" has both a time frame and a space frame. Both must be specified for the classification to have meaning. The concept of "prime land" is thus time-bound and space-bound. And it is not definable solely in physical or biological terms. It is basically an economic concept. It can only be adequately defined in terms of economic variables.

For this reason attempts to define prime land in physical terms are doomed to failure. The concept of "prime" is judgemental. It does not exist independently of the individual or social group making the judgement. This is why it is dangerous to define prime land in terms derived from the physical or biological sciences. To do so obscures the relativistic nature of the concept.

Equipped with this understanding, we can now pinpoint one of the areas of basic conflict in American land policies. Land law is state law. The implementation of land use decisions has been jealously guarded as a primary responsibility of local government. But the criteria by which choices among land uses should be guided must of necessity be national in scope. If we

refer to the inventory above of ways in which we have promoted urban sprawl, it is clear that it is national policies and not local policies that have generated urban threats to rural lands. It is wishful thinking to believe that corrective action can be taken at local governmental levels, in the absence of clear cut national guidelines. An unwillingness to accept the need for these guidelines at a national level lies at the heart of the current debate in the Congress over national land use policy.

One of the clearest examples of this need is provided by the emergence of urban threats to rural lands. It has been popular to present the issue as a threat to our food supply. But the demands that have been dramatized by food price increases in recent years are foreign, not domestic. We are not deficient in our domestic food base, nor are we likely to be. We do face an impending shortage of petroleum fuels from domestic production. We are now importing almost two-fifths of our crude oil requirements. These must be paid for, and our agricultural exports are a major source of the foreign exchange with which we can finance them. The preservation of agricultural production capacity is a critical variable in the achievement of a healthy trade balance. This is a compelling reason for concern over the loss of farm land to non-farm uses.

It is not the only reason for concern. Looking to the future, urban threats to rural lands take on some unexpected dimensions. This is reflected in the fact that some investment counselors are promoting investments in U.S. agricultural lands as the "property boom sector" for the future. This is especially the case in western Europe, Japan, and the Middle East. Behind these investment trends lie a series of bitter debates over a world food reserve, and food stockpiling. The key questions are: Who will pay for the holding of these stocks? What guarantees will be given against loss to

U.S. farmers who produce for the stockpiles? What costs of production will be accepted as a basis for the estimation of guaranteed minimum prices for the encouragement of continuing production by U.S. farmers in excess of U.S. needs?

Will land costs be accepted as a legitimate component of the cost base of production? Some current proposals exclude land costs from the calculation, on the ground that guaranteed prices should not be permitted to flow into higher land prices. This assumption breaks down if urban impacts on farm land prices are not restrained. The rationale for excluding any rewards to land in calculating a guaranteed price level to encourage farmers to plant fence-to-fence is that any excess return over and above direct variable non-land costs will be capitalized into higher land values. These higher land prices, in turn, will become the basis for an increase in estimated capital requirements in agriculture, and will enter into the next round of calculations of minimum price levels needed to encourage all-out farm production. Guaranteed minimum farm prices, in short, will generate a feedback effect that will result in continuous inflationary increases in land values unless land costs are excluded from the calculation of necessary minimum prices.

The supporting reasoning is a variation of the argument for a tax on economic rent, or a "single tax." If economic rent is taxed away, the argument runs, it will lower land prices but land owners will still find it economic to keep their land in production. The exclusion of land costs from the calculation of minimum guaranteed farm prices is akin to a tax in reverse. Instead of taking away a portion of the net returns equal to economic rent, this portion of net returns is not to be permitted to enter into prices in the first place. Or so the theory holds.

But what happens if land cost increases are the result of forces external to agriculture? If urban demands for rural lands for non-farm uses are permitted to bid up the price of agricultural lands, this element of increase in the capital costs of farming must be rewarded or the lands will move out of agricultural use. A major urban threat to rural lands is thus to the agricultural capital structure and to the pricing system that is evolving in response to the world food crisis.

If American farmers are to be encouraged to produce surpluses, these surpluses must not be permitted to depress market prices. If they do, the production will not be forthcoming. To give farmers the necessary element of encouragement, some system of guaranteed minimum prices must be created. This system can be fatally defective if it includes a built-in feedback effect that results in the capitalization of above-normal profits into higher land values which then become the basis for a further round of inflationary increases in guaranteed minimum prices. To exclude land costs from the calculation of these minimum price guarantees is dangerous unless non-farm impacts on farm land values can be minimized. The system breaks down if forces external to agriculture persist in bidding up the value of farm land.

It is in this sense that the urban impact on rural lands in the United States has a significance that transcends national boundaries. If third-world demands for North American assistance in combating hunger find responsive political support in the U.S. Congress, it will almost surely involve some form of grain stockpiling and minimum price guarantees. This in turn will require measures to insulate farm lands from major portions of the urban demands now placed upon them. A continuation of present trends in urban expansion through the exercise of urban bargaining strength in the rural land market can defeat these national and international food policy goals.

These reflections on urban threats to rural lands point up two areas of defective policy in the American economy. One concerns urban policy, and the other food policy. It is perhaps misleading to label these as areas of defective policy, since we have had neither an effective urban policy nor a policy for food. Our policies have failed us, not in the sense that they were wrong, but in the sense that they were non-existant. To the degree that we have refused to formulate policy goals in these areas, we can be said to have had a policy. The root causes of our failure to develop policies in these areas are interrelated. With respect to cities, we have followed a simplistic goal of bigger is better, with bigness measured in two-dimensional terms of acres and people. It has been good to grow, and growth in the final analysis was a simple matter of the body-count. Only within the past two decades have we begun to show serious concern regarding the quality of life associated with alternative levels and rates of urban growth.

In a similar vein, the expansion of agricultural output in the United States until the 1930's had been a function of increases in acres under cultivation. Until after the Second World War there was relatively little evidence of measurable increases in yields per acre, output per animal, or related qualitative changes in input-output relations that were independent of expansions of the cultivated area.

In retrospect, a milepost was passed in the evolution of the American economy about 1950. A major shift took place from quantitative to qualitative measures of performance in agriculture. A similar change has taken place in the urban field. Our naive concepts of growth measured in population counts has given way to greater attention to the quality of life in urban places. In symbolic terms, the shift has been from a focus on

the extensive margin in agriculture and urban growth policy to a concentration on the intensive margin and to measures of performance in which qualitative weights predominate.

One measure of our recognition of this shift is provided by the growing awareness that we have had defective policies affecting both agriculture and urban life in those dimensions that relate to land. A major criticism of our farm policies of the past quarter century has been that the benefits provided by stable price expectations were capitalized into land values rather than into higher levels of reward to capital or labor. We subsidized land without overtly intending to do so. There is a direct parallel with the operation of our urban and housing policies. Here too, the net effect of policies affecting urban growth has led to a subsidy to land and not to people, nor to houses. In broad terms, if we want more food produced we can subsidize the labor that produces it, the capital used in its production, or we can subsidize the land. In practice, we subsidized the land. In parallel fashion, if we wanted more housing produced we had a choice of subsidizing the people who will live in the houses, the houses themselves, or the land on which they were placed. As in agriculture and without open debate, our policies have subsidized the land.

In consequence, we have a composite policy posture in the United States today that has supported both our agricultural and our urban structure by rewarding the possession of land. We now approach a period in our history in which it is proper to question this policy mix. There is growing conviction that the urban threat to rural lands will not be reduced until we shift the policy focus from land to people, both on our farms and in our cities. As we have seen above, we have an urban structure

that reflects a lavish use of land as a direct consequence of policies that treated land as the resource in most plentiful supply. We have an agricultural structure in which farm and non-farm demands for land are creating a capital base of land values increasingly out of line with farm earnings. We have constructed a reward system at the urban fringe that has promised maximum returns to entrepreneurship in housing only when it was associated with the capture of capital gains in land.

We are managing the markets for urban land and the time has arrived for public acceptance of the responsibilities this management entails. The primary approach to date has been to reduce the impact of property taxes on agricultural land. An alternative approach involves the insulation of the agricultural land market from the impact of urban demands. Several countries in western Europe now follow this route, by requiring planning permission before farm land can be converted to non-farm uses. Market constraints of this nature are easier to enforce in countries where loss of food producing land constitutes a clear and present threat to the domestic food supply. It remains to be seen whether or not the threat of loss of agricultural productive capacity to the American economy will support regulations of this nature, when the threat is not to the domestic food supply but to the balance of payments. The true measure of the significance of urban threats to rural lands will ultimately be measured in terms of our capacity to import not food, but raw materials. Just how inelastic is our demand for petroleum, and what interferences with market processes will we tolerate in order to sustain it?