

THE NEW BAZAAR

NOVEMBER 21, 2025

THE WORLD'S MOST VALUABLE ASSET

MIKE BIRD'S NEW HISTORY OF LAND

CARDIFF GARCIA: Hey, everyone, Cardiff here.

By one estimate, the value of land makes up roughly a third of all the wealth in the entire world. And if you then add up the value of all the houses and commercial buildings on top of the land, it's almost two-thirds.

That is just one of the many things you'll learn in a new book called [The Land Trap, A New History of the World's Oldest Asset](#). It's by Mike Bird, who is today's guest, and he is also the Wall Street editor of *The Economist*, the magazine, or for our overseas listeners, the weekly newspaper, *The Economist*.

I finished *The Land Trap* yesterday, and it is excellent. One thing the book does especially well is it reveals the often strange and unexpected relationship between the way that land is treated by national governments and its effects on democracy, on citizenship, on economic equality and inequality. And in particular, Mike writes, and here I'm quoting him directly, that "land defies some of the usual laws of capitalism that apply to other goods and assets."

Why? First, unlike other goods, you can't make more land. The supply is fixed. Second, also unlike goods or even unlike people or ideas, land is immobile. It doesn't go anywhere, and you can't lose it or steal it, run off with it. And then finally, land does not decay or depreciate, even if the buildings on top of it can.

And these special qualities have given land its fascinating history as an asset, and they're also the reason that so many economies end up in what Mike refers to as *The Land Trap*, the title of his book, and I'll ask him to describe that in our chat. Here it is.

Mike Bird, welcome to *The New Bazaar*.

MIKE BIRD: Thank you very much for having me.

CARDIFF: You like how I saved myself from getting a lot of emails from British listeners (CHUCKLES) for saying *The Economist* is a weekly magazine?

MIKE: Honestly, I'm not even sure if that's just weekly — it's just people at *The Economist*.

CARDIFF: Just people at *The Economist* who would tell me about it.

MIKE: I think so.

CARDIFF: So here's where I wanna start. There is a consistent theme in the book that I really like and that I think often goes underappreciated, which is that, yes, obviously collapses in land values can be a problem for an economy that can lead to a financial crisis. If a lot of money's been borrowed against the land, if it leads to a recession, and there've been many famous crises caused by collapses in land values.

But you also write that during the boom itself, rising land values are also a big problem for the economy. That it saps productivity growth and innovation in particular. So why don't you start by taking our listeners through how that works?

MIKE: Sure, absolutely. I suppose there's two main problems with land prices going up. One, people know relatively a decent bit about, is that it creates a lot of inequality. Most wealth inequality is to do with residential real estate, and most residential real estate, where it's most valuable, is to do with the land underneath it rather than the structures themselves.

That's relatively well known. The productivity side of it is one of the things that I was most interested in when I started writing the book. And I came through learning about it first in the coverage I was doing — I used to live in Hong Kong, of mainland China — and the way the land market worked in China, and basically established that there is an economic literature of this happening in the rest of the world as well. Basically, land has a very very tight, close relationship with the financial system.

Most banks in most parts of the world are primarily mortgage creation vehicles, right? This wasn't true a hundred years ago, 150 years ago. It is true today. There's a great paper called *The Great Mortgaging* that talks about the expansion of mortgage lending in bank books, right? So this has facilitated mass home ownership.

It's done many other things, but it's also made the banking system very closely tied to the price of land, to land cycles. Now when you are on the way up in a land cycle, when prices are rising, that gives the people that own land more and more collateral. It loosens the credit, the difficulty that they would have in getting credit, basically.

If land prices are going up, say 10% every year. Growth, the economy's up 5% a year. You are loosening the collateral constraint on the people who own the land more than anything else.

CARDIFF: People and businesses.

MIKE: People and businesses, absolutely. So if you're a business where you have a lot of real estate, you have a lot of the land below the real estate, you're able to borrow more and more, right?

I always think of this as if you're an entrepreneur in Detroit or if you're an entrepreneur in San Francisco, both of your grandfathers bought identical houses in 1950. One of you is sat on something through which you can access enormous financial firepower through the banking system, and one of you is not.

So on the way up, what happens is more and more credit is effectively allocated if there's any credit constraint in an economy towards people that have land rather than people who maybe merit it through an idea that they've had or anything like that. And there is a lot of worrying research that suggests that this allocates money towards somewhat less productive businesses.

It also allocates more and more money to the real estate industry, the construction industry, existing landowners; none of which is terribly productive economic activity. So you saw this in China, most of all, but there's actually quite a lot of interesting research suggesting it pops up everywhere.

Very interesting research in the Central Bank of France. There's some very interesting research that's done by the Bank for International Settlements. I thought this to be one of the most interesting things in my research, and it's something that I hadn't heard anyone else articulate, which is why I was very keen to get it in.

CARDIFF: It comes up again and again in the book. You have a series of chapters in the book on the land story of different places: Hong Kong, Singapore, Japan, and so forth. I actually want to quote what you write about that piece from the Bank for International Settlements, 'cause I think it gets at it really well.

Here's what you write, "Sebastian Doerr, an economist at the Bank for International Settlements, found that American companies with the largest real estate holdings were less productive than their peers with no land to borrow against. Doerr also noted that when real estate prices exploded in the 15 years running up to 2008, the additional flow of borrowing by unprofitable companies was large enough to drag

down the overall productivity of entire sectors of the economy.” That’s the end of the quote.

So it’s a problem, not just that relatively unproductive companies can get a lot of credit, can get a lot of borrowing, but also that the credit doesn’t end up going to the younger, more innovative startups. And that’s a problem for the whole economy because you lose out on a counterfactual world where you have more competition. Where you have upstarts challenging the incumbents, right?

MIKE: Yep, totally. And there’s a fairly consistent understanding that the businesses that own more land, they’re typically old economy businesses, right?

There’s a lot of companies that own a lot of land. I explore a few examples in the book: Sears, Macy’s, right?

CARDIFF: McDonald’s, my favorite example. I think you call McDonald’s a real estate business with a hamburger side hustle.

MIKE: It’s fascinating. It’s fascinating.

Harry Sonneborn, who was the first CFO at McDonald’s, and later the CEO, he knew what he was doing. And he knew how not to lose any of the value of what he was creating at McDonald’s into the land that someone else owned below the restaurants, right? So he captured all of that. They did an amazing job at it.

Most companies don’t do quite as well as that. You have a lot of old economy businesses that have a lot of land and real estate and basically, when we talk about this sort of credit constraint, if they’re a business and they’re investing in someone — investing in something in general — everything they invest in is something that pushes up the price of something else, right?

If you are borrowing against your land collateral and you hire people with that money, those are people that can’t go and work somewhere else, right? You’re driving up wages. Maybe that’s nice for those people, but it’s an input for the businesses, right? It’s true of anything else they wanted to purchase or invest in.

And basically, the worrying thing in the Bank of France paper and some of the stuff from mainland China, is it basically drives up both interest rates and the cost of everything for other businesses, right? They find it more difficult to get hold of credit, and when they do, they’re competing with other companies that have had this access through their land collateral.

So yeah, it's an interesting thing.

CARDIFF: There's also an example in the Hong Kong chapter where you write about how entrepreneurs end up not getting started in the first place. Both because they can't access the credit, but also because they would have to pay rents on the office space to set up their business. The other cost might be coming down, but this is a problem. If land costs are so outrageous that you can't get started in the first place. You know?

MIKE: Absolutely. And you see this in Hong Kong pretty early on, right? There's people commenting from the 1960s onwards on the sort of light manufacturing business that's really booming in Hong Kong at that time, struggling with the price of land, right? It's an input cost for them. Hong Kong has this fascinating relationship with land, and has for 180 years now, slightly more.

And it is a huge business input cost. I think that's one of the most interesting things about land to me: the way these things interact, right? It's an input cost for businesses. For a household, it's both a form of the biggest consumption good you're probably spending money on, right? Your housing services.

And it's probably your biggest source of wealth at the same time. So the fact that it's an asset, the fact that it's a good, the fact that it's long-lived, these things all interact in really interesting ways that come up in — they erupt in different circumstances. And Hong Kong's a really interesting one.

CARDIFF: The other problem you point to is that in so-called superstar cities like New York City, where you and I both live, rising land costs, and also rising housing costs — but as you said, I think land is either becoming more and more a share of housing costs, or at least it's always been higher than most people have realized. I can't remember the exact —

MIKE: It's growing.

CARDIFF: And it's growing. It's also a problem because people then end up not being able to move to the place where there's opportunity. They lack the ability to be matched with the jobs that would make them the most productive.

And the companies also miss out on the best talent. So it's also a drag on productivity from that standpoint — from just people not being able to find the place where they would be most effective.

MIKE: Totally. And this may be the biggest reason that it's a drag on productivity, right?

The land-use reason. The American Enterprise Institute, by the way, puts out some great figures on the share of land in American real estate in general. And you can see the climb year after year in the last 15 years or so.

You've gone from 2012 — if I'm not wrong — slightly below 40% to nearly 60% now, in the aggregate. Obviously in places in California, we're talking about 80%. In parts of the country where land's pretty plentiful, you're just buying the value of the building, but it is ticking up across the country.

And I think that land share gets to an interesting debate, which is that there's nothing inherently wrong with high land prices. What you want is for land to not be an enormous share of the wealth, right? Like, land is expensive in Manhattan, but once upon a time, you could build really tall buildings in Manhattan, and you were just allowed to.

So even though the land was expensive, the buildings were often quite a large share of the total value — we're talking about after the building boom in the 1920s, for example.

What you don't want is a situation where land is 15 — sorry, housing is 15, 20% of the total value. But in terms of the moving around, this is absolutely crucial, and it's what makes land all the more important when you can't build.

When you can't respond to the incentive that a high land price gives you and build it out dramatically, then all of these negative consequences become much more apparent over time.

I dunno whether you know Kevin Erdmann —

CARDIFF: Yeah, of course. He has a great — I don't wanna call it revisionist — take on the financial crisis because that sounds like a derogatory way of describing it.

But he essentially has made the case that the financial crisis was not the result of overbuilding, it was the result of not building enough in the places where people want to live. Something like that?

MIKE: Totally. Yeah. So you get places like New York and San Francisco where it was essentially maxed to what is able to be politically built, and you see people spill out into these other parts of the country, right? Driving up rents, driving up the few parts where there were actually construction booms — all in these secondary places.

I find it fascinating, but the inability to get people in reasonable accommodation in the places where there's a lot of economic dynamism — where good jobs are, where agglomeration benefits are highest — is probably the biggest problem in the US. It's probably the biggest problem in the western world in general.

CARDIFF: It also takes some very talented people away from the industries where they should be going to because they're tempted to just go into real estate.

MIKE: Totally.

CARDIFF: Because there's some a boom there, so why not? And I think in China in particular, another lesson I got from your book was that the prize of having your own land, your own home, is so much more important there than I think it ever has been here, even though it has been very important here.

But there, it really took on an almost mystical quality, right? It was an extraordinary story.

MIKE: I find that really interesting as well. It's definitely true, and I think this is true in a lot of places with large Chinese diasporas, right? If you go to parts of Southeast Asia where there's lots of Chinese people, it's not just the country.

So it's not something just to do with the government, but you do have this very strong attachment. As an English person, we have this attachment as well. I actually find it interesting being in New York, which is a place where there's not a sort of endless expectation that you'll eventually try and buy property, right?

People have a conception that no, you're meant to be able to live a consistent, livable life renting for your entire life. That's meant to be a normal thing. That's not true in every part of America, but it's true in no parts of the UK really. (CHUCKLES) It's the idea people talk about even the concepts like the housing ladder, getting your foot on the housing ladder.

The whole idea —

CARDIFF: London, which is similar to New York, and that has very high rents, not enough building.

MIKE: And this is, to some extent, it's one of the most damaging things, right? Is that a lot of people who are living in London simply won't be able to, but that is still the expectation.

But no, in China you have this, if anything, sort of on steroids, but I think to some extent it's a semi-global phenomenon. So I get into this just a little bit in the book, but you talk about the fact that housing and it has this extremely deep relationship with land through human history, where your landlord a thousand years ago, if you lived in Europe or most of Asia, was sort of semi-in charge of you to some degree, right?

They had some sort of intermediary role with the central government. If your country or your statehood or whatever went to war, this is the guy that would turn up and make you go do it. So, having your own land is a sort of independence thing.

You are a member of a middle class, right? You're no longer part of this sort of relationship where a callous landlord is in charge of you. People often want to have houses before they have kids, for example. This is not true of any other asset, right? Nobody says, "I need to have—"

CARDIFF: "I wanna own a hundred thousand shares of Microsoft before I start having kids" or whatever. (CHUCKLES)

MIKE: (CHUCKLES) Yeah, exactly. I couldn't possibly, I don't have kids, and so I can't marry that guy. He doesn't have a hundred thousand shares of Microsoft.

But this is common in China. It's common in lots of parts of the world.

CARDIFF: I think my favorite example in the book of perverse incentives that rising land values gives you is in Japan where, I can't remember exactly how it went, but there were real estate companies that wanted to force people out of their apartments so that they could acquire the land and build their own thing there, because it was expected that this would continue on and on and on. That the land prices would keep going up and up and up.

And so they ended up contracting the Japanese gangs to do that. And this was very profitable for the Yakuza.

MIKE: It was a huge deal for the Yakuza in the 1980s. The best — there's a couple of really good books on the Yakuza, I'm blanking on the names now, but basically they would take a cut of something like 5% of the value of a building being built, the value of a development to clear it if there were people who wouldn't move out.

So you're essentially going in and strong-arming people, bullying them, whatever. And the Yakuza got into all sorts of construction businesses, right? And they were very active in real estate, as organized crime often is in places that have a lot of organized crime.

And this ended with the sort of insane position of having these Yakuza billionaires who had gotten rich in very, very short order through taking their cut of one of the world's most absurd land bubbles. You had these problems where you'd have Japanese golf clubs, country clubs, essentially, which, by the end of the 1980s, you're selling memberships of these things for millions of dollars 'cause there's so many

people who've gotten rich on this, and they're struggling to keep these Yakuza guys out. Because they've got enough money to be members. Nobody wants to see them on the golf course, but they're out there.

And no, it's a huge part of it.

CARDIFF: Well, I guess well done to them for being entrepreneurial enough (CHUCKLES) to figure it out, but it's a really awful way to run a society.

This gets us to the definition of the land trap, which, as listeners might have realized, is it's a problem when prices are going down because it can lead to recession and a financial crisis and so forth. But as you've just explained, it's a really big problem for an economy when they're going up.

But let me give the precise definition as it's in the book. I'll quote you here to yourself. So here's what you write:

“When prices rise, prolonged credit booms follow, giving greater and greater resources to landowners and depriving resources from those who own little of the world's oldest asset. But when prices fall, the sudden evaporation of credit can be worse than painful. It can be catastrophic, leading not just to a financial crisis, but years, even decades of seemingly irreversible economic stagnation.”

That's the end of the quote. I think people are gonna hear that and they're essentially gonna say, “What the hell do we do? Is the best possible version of this, that land prices stay exactly stable, consistently stable through time?”

What's your answer to that question, by the way? Is it contextual? Does it depend on where you are or does that apply sort of more universally?

MIKE: It does depend on where you are, and it depends on the politics of it, right?

The big change in the last hundred years, even the last sort of 80 years or so, is that everywhere in the western world, or most of the western world, you have mass land ownership. Now, to some degree or another, you have mass interest in the system as it exists today. Now, you look at America, for example, this has always been the case to some degree.

You've always had a very large portion of the country owning land because of the founding history of the country.

CARDIFF: The movement west.

MIKE: Exactly. And just in general, it was a very widely owned asset. Even in the sort of northeastern colonies in the early days in the 17th century.

But somewhere like England, this isn't true, right? The land was owned mostly by a relatively small group of people. You go back to before World War I, something like 10% of English people owned their own homes. This is an extremely unusual thing and it's been adopted wholesale. The difficulty then is obviously society, I would say, is structured better now than it was then.

But the difficulty is you have a majority of people, a majority of households, that have some interest in keeping things roughly as they are. Especially if house prices are going up. So changing things is extraordinarily politically different, politically —

CARDIFF: Difficult? (CHUCKLES)

MIKE: It's extraordinarily politically difficult. So there are a number of things that I think you can do. I think probably the annoying answer is that you have to do them slowly and yes, that things have to be done in a fairly steady way. So you can keep nominal land prices, trying to keep them relatively steady and constant isn't gonna upset anyone too much.

Hopefully, the economy grows at a faster pace. It becomes less important over time, things like that. You can probably steadily raise the amount that you tax land. I don't think the sort of Henry George-style hundred percent tax on the value of land is getting anywhere in the western world anytime soon, or anywhere else.

But you can steadily increase the tax on land in a number of different ways. There are countries that have done very well. Singapore has what I think is an astounding, fascinating system of how it deals with land. The difference for a country like Singapore is they instituted this at the point of independence. So you had this political rupture, you had this moment where you could do it.

And I think with a lot of countries where they really change their institutions around land, they're afforded that moment. They have this brief period where they can do it, and if they tried to do it afterwards or they tried to do it before, it wouldn't have worked.

CARDIFF: As you explained, it also required a very powerful central government to essentially say, "We're doing a reset. We've just gained independence. So the families or the landowners who had land going into this, we actually might have to expropriate that land and redistribute it."

But let's talk about Singapore then, because you brought it up as a successful example of managing land, but with some wrinkles in there too. Some interesting wrinkles that maybe apply to some parts of the world, but not all of them.

And in particular the difference between the government, which owns all the land in Singapore and leases it out, but not the homes. If you're a Singaporean citizen, you can own your own home. And in fact, it's like 90% of Singaporean citizens, a very high share, own their own homes, but they don't own the land underneath it, which is a really important relationship to understand. Can you kind of take us through the main ingredients there?

MIKE: So sort of potted history, it starts in the first couple of decades of the 19th century. This is close to the peak of the British Empire. You have a guy called Stamford Raffles who is in Southeast Asia running various interests for the East India Company, then in charge of British trade in that part of the world.

And he found Singapore. This is controversial at the time. It's unclear whether this is gonna continue as a crown colony. It does. And he does something really fascinating and it's bubbling up in various parts of the British Empire at this point. But he decides Singapore is gonna be a free port. We're gonna let people come here and trade. There's gonna be no taxes on trade.

And the way we'll raise money is to sell leases for the land. So if you wanna set up — go down a warehouse for trading, if you want a little piece of the seafront to conduct your business, whatever it is, that's fine, but you're gonna pay us for that.

Easy to administrate. I don't need an army of civil servants. There's no IRS in Singapore in 1819. Great job, easy to do. Fast forward, best part of 150 years, Singapore is on the edge of becoming independent. It has this sort of abortive attempt to join the Federation of Malaysia. Doesn't work out. Singapore leaves — it's on its own.

It's a tiny island nation. It's not particularly rich at this point, and it's surrounded by countries that it has pretty fractious relationships with. Over the next few years, Britain withdraws militarily from that part of the world. Singapore is really completely on its own, and it's led by Lee Kuan Yew, first Prime Minister, and for a very long time, the first Prime Minister.

CARDIFF: Yeah. He was there for quite some time. (CHUCKLES)

MIKE: He's around for a good length of time, but he had these interesting ideas about land. At this point, the Singaporean government owns about 40% of the total

land. It's leased and sold land in a variety of different ways during the 19th century and early 20th century.

And basically he passes something called the Land Acquisition Act. It's passed pretty much as soon as Singapore becomes independent. And what it allows is for the government to acquire land from its owners at basically whatever value the government sets.

CARDIFF: By the way, it does do that at massive discounts to what would otherwise have been the market value of the land, right?

MIKE: Yes, yes, it does. It's improved over time. Nowadays I think you don't have much say in it still, but you get market value. But during the —

CARDIFF: Singapore's also a lot richer than it used to be.

MIKE: Exactly. You can afford to do this once you've — basically used the Land Acquisition Act to go from 40% owned by the government to like 90% owned by the government.

So this is easy enough to do now 'cause you're dancing with the sort of last little bit of land that's left. So they spend a lot of the 1970s and 1980s snapping up this land. There's one particular period after 1973, I think, where the land value that they'll offer is frozen. This is a time of massive global inflation.

They're picking this stuff up for pennies on the dollar. I spoke to one guy who was around the Singaporean government at the time who said they were like pirates for land. And this is a government that's pretty sort of capitalistic in a number of other ways. It's not violating property rights in anything else.

Land, they say, is different. You can't have private landowners sopping up all the benefit from all of our public investment and everything. So Lee Kuan Yew is very into this and they do this and they use the land acquisitions to start building homes. And they have this really interesting public-private mesh system run by the housing development board which builds these flats called HDBs, and this — in Singapore, HDB is just a synonym for a home and it's the home that most people in Singapore live in. And the rules are, you buy from the HDB. You can only have one as a Singaporean household. Permanent residents can buy them as well. You can't buy multiple ones, right? For any price.

CARDIFF: Can't have a second home.

MIKE: You cannot. You can't be a landlord of an HDB. They're all meant to be lived in. You can rent yours out, but only if you leave and go live in private housing or go and live abroad or whatever. This is the system. It's also made extraordinarily difficult to buy second homes in general in Singapore. In the small private market, the amount of bank lending you can access is extraordinarily limited.

If you're a foreigner, you pay huge stamp taxes on it. So basically what they've done — also there's a whole system of easy lending. There's the Provident Fund that the Singaporean government has, which provides extremely low interest loans for people to buy the HDBs. If your income is below a certain level, they'll contribute towards the down payment.

This is a country that has settled on: we will have high own home ownership and we will not allow massive wealth among wealthier households in land. And that's what they've ended up with. It's a weird system. It's neither the sort of — people on the left will prefer proper public housing: owned by the government and often rented out. The Singaporean government doesn't want that. Lee Kuan Yew is always very clear: "I do not want these sort of public rental units." Nobody will care —

CARDIFF: They won't take care of 'em. They won't care if they'll fall apart.

MIKE: You're a citizen, you're part of the nation, you're not some tenant that just sat here. But at the same time, he didn't want the damage that you can have where you get large accumulations of private land ownership, especially in a very, very small place like Singapore. So they've ended up with this fascinating system where it's extraordinarily easy by global standards, especially remembering that Singapore is a dense financial hub. It should, by any measure, if it was like any of the other dense financial hubs of the world, it wouldn't look like this.

CARDIFF: No. It would have housing prices that would be going through the roof. Like it'd —

MIKE: New York, Hong Kong. It would have that sort of politics. It would have that sort of ownership structure.

CARDIFF: There's one thing that's very interesting that you kind of alluded to there in your explanation, which was the idea that the rest of Singapore is quite capitalistic.

The finance minister that you write about Goh Keng Swee, if I'm pronouncing that correctly, under Lee Kuan Yew, he would often say explicitly that he sort of rejected the more interventionist economic ideas of economists like John Maynard Keynes. And he kind of looked to the past. He looked to Adam Smith and to David Ricardo

and other economists who believed more in market forces and the rest of Singapore is quite like that, except in this one example.

And it's kind of interesting how there's a balance there. Very overarching strong authority on land issues, but kind of allowing market forces to work in the rest of the economy. And there's a bunch of examples like that in your book as well, where you kind of see this toggling between those two things, you know?

MIKE: Absolutely. And it's quite unique in that sense. There's not many places in the world where they've genuinely taken land to be a really different sort of asset and decided, "we're just gonna run this one differently." Singapore — some of the parts of the economy are lightly managed. It's got its own sort of industrial policy stuff, but mostly people think of this as a pretty capitalistic place. On land, it is completely different.

Goh Keng Swee used to write about how the Asian landlord is fundamentally not a businessman. He made this distinction. He said, "these people are productivity sapping. They do not care about innovation or anything like that. And where they're very powerful, they slow things down."

And as you say, he also had very little time for the forms of economics he was trained in when he was at the London School of Economics. He just didn't care for it. And he didn't think that the sort of newer wave of Keynesian economists had much to offer Asian societies. He was a big fan of the classical economists.

CARDIFF: Yeah. I thought of this too because you have a couple of chapters about Henry George, who you mentioned earlier. For people who don't know who Henry George was, by the way, he was a massively influential figure in the late 1800s. He was based in the US, but he also traveled abroad.

And I think he may have been more influential abroad even than in the US. But his idea was that you should, in fact, tax land — and I think it was like a hundred percent of the value of the land should be taxed, or something like that.

And what was interesting about him is that he became very strongly associated with the labor movement of the time, and even with socialists. Some people credit him with being like their passage to socialism. But he himself was a very strong defender, for example, of free trade.

And it's just interesting to me that he also seemed to be somebody who at least believed in fundamental market forces as well — except, again, with this very specific exception of land.

MIKE: Well, you've seen these ideas sort of bifurcate. Milton Friedman was very positive about Henry George. You get people in the middle of the 20th century and even the late 20th century on the right that think of land value taxes as the best possible tax.

This is not an unusual thing. Somebody actually was telling me that Friedrich von Hayek — one of his earliest experiences in thinking about becoming an economist — was giving some sort of talk at the Georgist Club in Vienna.

So there are lots of interesting overlaps there. He's trying to, in the late 19th century, ride this wave of organized labor getting very big and tap into that.

But the ideas themselves — I would say there's a reason they've been abandoned by the modern left, more or less — because he's a massive free trader. He basically doesn't believe in other taxes or regulation or anything like that.

A lot of Georgists now would refer to themselves as geo-libertarians. And I think the libertarian element of it comes through in everything else that George wrote. And even some of the stuff on land, you can feel: this is not a big-government guy. He thinks, "you fix this one thing and then we're done."

There's no need for any other intervention, and part of the point of doing it is to get rid of the other interventions as well.

CARDIFF: At the top, when I was introducing the ideas in your book, and I noted the special features of land that you keep coming back to, can you describe how those features make land a very different kind of economic asset than almost anything else, and how it interacts with these other concepts that we think of in maybe more abstract terms of market forces allowing the market to work and whatnot, and why land is so unusual?

MIKE: So you think about basic supply and demand stuff, right? If the demand for something goes up, somebody will supply it to you. If everyone decides tomorrow that they're interested in owning twice as many shoes, very, very quickly — the price of shoes is gonna shoot up, and then you're gonna see people making more shoes.

You're gonna see shoe factories popping up everywhere. You're gonna see shoe brands emerge. That's gonna be the way things go. It's true to some extent for financial assets as well. People want to invest more in growth tech companies — you're gonna see the entire infrastructure of the financial system start to feed more of these opportunities.

And you're gonna see more big publicly listed tech growth companies. The incentives work.

It doesn't work this way for land. You can't move it around and you can't usually make more of it. There are a few little caveats to that.

CARDIFF: You build land like Singapore, I guess —

MIKE: Singapore's built a decent amount of land. Tokyo Bay, parts of New York. It's not that this is totally impossible — it's that 99.9% of the time it's impossible. And you can't move it around, which you can do with almost everything else. Especially people. Commodities — you can move them from place to place —

CARDIFF: Ideas.

MIKE: Yeah. From where they're not useful to where they're useful.

The one of these that I found most interesting, and I think probably least discussed, is the third one, which is that in accounting terms, it doesn't depreciate. It doesn't decay. It doesn't go anywhere. This actually, I think, is much more financially important than people give it credit.

And I always think of it as: contrast it to a sort of really innovative business. If you were to click your fingers and bring... Kodak? No. Let's say bring Microsoft from 20 years ago back to life right now. All the people at Microsoft, all of their buildings, all of the software, all their ideas suddenly come back into being somewhere in America.

How much is that company worth? Now, I think next to nothing. It's almost completely worthless. These guys don't know anything that we've been doing the last 20 years. The accumulation of knowledge, physical hardware, software — this is all not even pennies on the dollar. They won't pay you to take this stuff away.

CARDIFF: For some things, you actually see the decline in the price of the thing itself. Especially in the tech sector.

MIKE: Look at people talk about AI and GPUs. You want GPUs from 10 years ago? This is scrap, effectively. Land isn't like that. Land, if it happens to be in the right place, can sustain its value or grow massively in value regardless of what anyone does to it. You can completely ignore it.

The UK is a good example of this. A couple of the guys on the rich list in the UK — the very richest people — the Duke of Westminster, whose ancestors owned a lot of land in central London. And as it turns out, that's been a good place to own land. I don't think it's any sort of attack on him to say he didn't do anything particularly innovative —

CARDIFF: You didn't build that, as we say here. (CHUCKLES)

MIKE: And so the question is, can you think of the equivalent? Is there a tech company that's been around for 400 years? I can't think of one. You get those stories about the Japanese squid ink company that's been going since the eighth century or whatever — but that's a side sort of joke.

CARDIFF: Of course.

MIKE: Whereas with land, it really can be sustained almost indefinitely. And that is very important in finance because it makes it very good to lend against over long periods of time.

CARDIFF: One of the things that made me think of — especially the first point you made, the first quality, which is that there's no response mechanism, right? Where if demand goes up, then suddenly more of it becomes available. And in any other setting, you'd say something has broken down here. Something about that market has broken down.

And you might even set about saying, “Okay, well how do we address that? How do we redesign the market to make it work better? How do we address what may be a market failure of some other kind?”

But you'd become a little bit more open to some kind of idea that would rectify that. Some kind of a response from the government. And again, when I say response from the government, I don't mean some huge top-down authoritarian thing. I mean a democratically elected government that might look for a way to figure that out, as we do with all kinds of other markets.

For land, we don't really think of it that way. We do think about it, I think, too often as just a regular thing. If you own it, you bought it. If you want to sell it, great, you sell it. That kind of thing. It's not really there — like that relationship should scramble more people's brains. But maybe they have to read your book first before it would.

But it has all kinds of consequences, I think, for how it interacts with the rest of the market.

MIKE: Totally. And I think something happened in the very early 20th century — 10 to 20 years after Henry George's death — which is that both the organized left and the modern economics profession both decided at relatively similar times that they didn't care about this anymore. People often refer to Henry George as the last classical economist.

There's one quote in the book, I think from Mark Blaug, that he was writing 30 years too late. It was all over by this point. Modern economics was already happening

while Henry George — and he very much wasn't a modern economist. Wasn't mathematical. Some of the models he used weren't particularly rigorous.

His understanding of what caused financial crises was very messy and really didn't survive the test of time at all. So the modern left abandons land after Henry George's death and just says, "Capital's the one. Land's a form of capital. It's capital. It's a problem — not land."

And then the modern economics profession also subsumes land into capital and says, "We're gonna have labor and capital. And that'll do." And so it just gets torn between these two forces heading in different directions.

CARDIFF: It lost its specialness in the conversation.

MIKE: Completely. And I think that the specialness does matter because it makes all of these things fall into place when you understand a bit about how it operates.

CARDIFF: I was thinking, while reading the chapters on Henry George, a little bit about Thomas Malthus, who a lot of economists would say, "when Malthus wrote his ideas, I think in their early 1800s, he was right in describing how the world worked ever since the dawn of agriculture to that very moment, and the minute he wrote it down, the economy stopped working that way because we were now into the industrial revolution." And the end of Malthusian—

MIKE: Poor Malthus.

CARDIFF: Yeah, poor guy. (CHUCKLES)

MIKE: Actual genius.

CARDIFF: Poor guy. Like I nailed it. And it no longer matters (CHUCKLES)

MIKE: He's like the punchlines to a joke. Now people are like, "oh, Malthusian thinking. It's a throwaway. Archaic."

CARDIFF: Probably unjustly maligned in that sense. But what I was thinking of was Henry George was also describing a world in which taxing land really would help in a world where like people felt still, like they were living in this quasi-surf environment. And instead, the world transitioned into: let's have as many people be homeowners as possible. Over the course of the next 50 to 60 years. After the movement died.

MIKE: And the tech changed as well, which was enormously important. Because when Henry George was writing, the American frontier is closing, it's basically closed.

The version of the world that people thought they lived in was over. You've suddenly got this slightly more European-style environment in America, where it doesn't feel like anything's possible. And there's no more West to expand into. The dream is sort of looking pretty, pretty shaky.

But then not long after Henry George dies, and even during his lifetime, you're seeing railroads being laid out. You're seeing street cars being put in urban centers. He doesn't live long enough to see the mass adoption of the car. But this reopens the American frontier again, it's just that the frontier is now 20 miles outside the center of the city where you can build suburban housing.

Henry George ran for mayor in New York in 1886. Manhattan, and dense lower Manhattan, was most of that. And you couldn't live in the Bronx 'cause you can't get to work. You work in Manhattan. And then it was suddenly released, and it did change things enormously.

It changed the economics of land. And it has this fascinating relationship with technology and distance. The fact that you can get to an urban center. Our technology for getting in is now not much better really than it was 30 years after Henry George's death. There was this huge burst of change and it's now much the same as it was then.

CARDIFF: As you and I know.

It's interesting because in the past, you could see the shortage of home ownership as one of the things that kept very deeply entrenched inequality in place. And then later, more home ownership and land ownership became a kind of leveling mechanism until it got to the point where it once again started driving unequal outcomes.

And in the US as you were saying earlier, I think it's something like two-thirds of Americans live in owner-occupied homes. But if you're not one of those people, and you were not lucky enough to get in on the real estate market in 2010 or whatever, you've fallen behind.

You've fallen behind. And so it's very interesting to me the way these things seem to move in cycles.

MIKE: And also you get that weird effect of trying to — the Kevin Erdmann thing — of because you're prioritizing home ownership, once you're tapped out in the

places that people really want to live, you start trying to expand places that maybe are sort of second best for a lot of people.

And it has weird effects there as well.

CARDIFF: The Great Stagnation is a phrase that I think was coined by the economist Tyler Cowan, but the trend it describes has been pretty well known for some time. For listeners who aren't familiar with it, this is the idea that productivity growth in the US but also other parts of the developed world started slowing down roughly in the early 1970s.

And people look for all kinds of explanations for why it's happened. And of course it could be multiple explanations happening at once. I had not really considered land to be a big part of that until I read your book. But given all the ways in which you've described that rising land prices contribute to the sapping of innovation and productivity, it seems like we kind of need to throw that into the cauldron.

What do you think?

MIKE: Yeah, I think so. It's a core — to my understanding, it's a really important part of the whole thing. And I think even to the degree that basically, if you take my argument at the weakest form, which is you don't believe the sort of productivity side stuff, the inequality side stuff, the distribution side is just undeniable.

This is such an overwhelming trend in so many parts of the world, and it's been creeping up, and up, and up. And it is very difficult to do something about, but I think one of the things I wanted to do in writing the book was just to lay it out to explain that it's definitely there. And I hope someone else has better ideas than me, as to how you fix it.

CARDIFF: For how to solve it. Actually, I liked it in the concluding chapter of your book, which in most books like this, that chapter's like the Here's How to Fix It chapter. And most authors of books like this really resent having to do it. And they feel like they've been forced into it by their publishers.

You actually just say like, listen, like, there's no obvious solution.

MIKE: Yeah. Wouldn't start from here.

CARDIFF: Try some stuff.

The concept of diversification pops up in your book in a couple of interesting places. It's both that governments should not overly rely on land as their source of revenue because the incentive it leads to is then for the government to also try to drive up the value of land and having all those other perverse effects.

But also it's a problem when people not just think that land is the only thing they can invest in, but it really is the only thing they can invest in because there are no other fully functioning capital markets. It just piles everything into it. What are some of the worst effects that we've seen of like this problem? How important is it?

MIKE: Mainland China is the most obvious version of this. And it's because not only have people preferred land as an investment, housing as an investment, land leases, which the Chinese government sells.

Not only have they preferred that, but the Chinese government has made investing in almost anything else with the positive return really, really difficult. So this has been a problem in the UK, for example, where house price growth has been way better than the growth of the equity market.

For example, if you were sticking just to British investments, it's been less of a problem in the US I'd say, even though the US does have problems with land and you do see these effects coming through, the US also has a number of enormous advantages relative to the rest of the Western world. And part of that is having an extremely well-functioning capital market.

You haven't been better off investing in housing than you have in equities in the US even in the last 10 years or so. It's been a good investment to invest in housing, especially for a lot of the sort of 2010 to 2021 period. But actually, the stock market's done astoundingly well during that period.

And I think that making sure that people have other high return investments to go into is a big part of limiting the appeal of the more speculative end of land investment of people who are doing it just 'cause they don't know where else to put their money. Or because they believe that it can only go up, which is a thing that happens quite a lot in China.

That was an enormous part of the growth in land prices.

CARDIFF: Almost everywhere it seems. Except for the outlier examples like Singapore.

MIKE: And you have this sort of — there's a delusional version of that, which is just a sort of, "it's gone up before. Past returns are gonna be future returns," sort of thinking.

And then as a more cynical, untrue one, which is that people recognize something close to — they don't call it the land trap, but in China there was a pervasive, and for a long time correct understanding among ordinary buyers of properties that the government could not let land prices fall. People really believed this. You would

have this conversation with people and they would say, “no, they can't let 'em go down.” Because they thought that will be unviable for middle class Chinese

CARDIFF: As worrying as that, it's not actually shocking at all. Because some milder version really did exist here forever in the US too and I'm sure in parts of Europe.

MIKE: Totally. I mean, you hear the even just the sort of folks who phrases. “Buy it 'cause they're not making any more of it.” In the UK, “safe as houses” is a huge thing.

CARDIFF: You also have a brief section on fertility rates, which is super interesting because obviously demographic problems right now are plaguing basically the whole world. Little exceptions here and there, but really what we've seen is that fertility rates have fallen below replacement rate practically in every country you can name.

And you again tie land directly to this problem where if it's not the whole problem, of course, it's contributing to at least not letting fertility rates go higher than they otherwise would be.

MIKE: Yeah, totally. No, absolutely. Think about it from New York actually. *The New York Times* had a great piece, I think it was *The New York Times* recently, on the sort of the difficulty of raising three kids in New York.

Three kids is historically not that unusual number of kids to raise, but it is extraordinarily expensive now. So you have land, essentially, that inability to build enough real estate, constraining on two fronts. One is that in some places like China, people won't couple off unless they can afford to buy.

This is extremely common in different parts of Asia, because people tend not to move out after university and live on their own. They live with their families until they get married and then they move out. So the ability to afford somewhere to go and buy is a huge part of that process. So you can see coupling rates slow and not really have that coupling effect until people move out.

In the western world, it's mostly about affording the additional incremental space to have more children. It's a huge thing. It's a bar of adulthood, and there's some really interesting research that I mentioned in the book on the reverse effect of this during the baby boom.

Which is that we think of the baby boom as a sort of, “it's about the war, maybe it's about the sort of social forces in various places.” There's a decent argument that this is mostly about government subsidized mortgages. Expanding home ownership massively and having the reverse effect that very high house prices and the difficulty expand are happening now.

So it's enormously important.

CARDIFF: It's also interesting because the book lends some perspective to American readers especially. Because we in New York, where you and I are, we like to complain, and I think rightly so, that there's not enough building happening, that rents are too high and so forth.

And it's true, but actually it's really much worse in other places. I think you point to like Australia, where Sydney and Melbourne are like the two superstar cities. Other parts of Europe, other countries that may just have the one superstar city. In the US, we've got New York, LA, San Francisco, but we also do have Austin and Boston and Chicago and Miami.

It's actually a little bit more spread out. And so when you start to compare rent to income ratios and things like that, it's not actually as bad here as it is in other places.

MIKE: Yeah, it definitely countrywide. New York is pretty bad.

CARDIFF: New York is tough.

MIKE: It's not as bad as the mainland Chinese city, but it is pretty bad. Having other dynamic, productive places that people can move to. You've seen this with the financial services industry in New York over the past five or six years in particular, right? Like JP Morgan hires massively in Texas, Goldman Sachs hires massively in Utah, in Salt Lake City.

There are often in smaller countries with a more concentrated single superstar city. There is no Austin, there is no Dallas, there is no Salt Lake City. There is no alternative source of skill, white collar employment to push out into. There's no way of rebalancing things at all.

CARDIFF: That's fascinating. The place where I work, the Economic Innovation Group, sponsors the podcast.

Economic geography is one of our main things. The name of our Substack is literally *Agglomerations*.

MIKE: There you go.

CARDIFF: What else did you learn about economic geography and its importance to the story that you're telling here?

MIKE: I think probably the transport question is the one that I was surprised as to how important that was. Basically the way in which the mass use of the car and trams and light rail, the scale of political transformation from that, I think I hadn't

quite appreciated. For example, look at elections in New York and you can go back through the Wikipedia pages, right?

New York had a radical streak that lasts until the 1920s really. And it gets bits and bobs afterwards. LaGuardia radical in his own way, but you had serious efforts by William Randolph Hearst, nearly became mayor of New York. Henry George, really good showing. You had, a little bit later, you had a socialist party polling in the high double digits.

They were doing really well. And then it gets sort of sapped out and New York politics goes back to normal for a very long time, or normal for New York politics. And it was the expansion of the city. It was suddenly your potential radical tenant in lower Manhattan owns a three bedroom place in the Bronx and he doesn't want the socialist party in anymore 'cause he's part of the system. So seeing the way that the economic transformation, the ability to build out a sort of healthier form of agglomeration changes the politics, I think is one of the most interesting things to me.

CARDIFF: Yeah. That's also a great example of when you're doing the work and then you stumble into something

Any other little surprises like that as you were doing the research in the book and you were sort of digging in. There's so much in here we're not gonna get to, but anything else that surprised you?

MIKE: I think the flip side of that is in the developing world after the Second World War, when there's lots of land reform movements. There's lots of redistributive movements to give land to a far greater group of people.

This happens all over the developing world as countries are becoming independent. What I hadn't realized going into that was that the Green Revolution that really kicked off — really accelerated — in the 1970s, which massively expanded agricultural production yields by better variants of crops and more intensive investment in agriculture.

That was really the equivalent of what the expansion of the subway did for New York in the 1920s, the Green Revolution did for destabilized politics in various parts of the developing world. You suddenly didn't have this huge pressure to redistribute land because agricultural productivity went through the roof everywhere.

Suddenly everyone could make much more money with the plots of land that they did have and they weren't as hungry and everything like that. And it really disrupted the land politics that prevailed for a long time, this sudden sort of exogenous tech shock. So that relationship cropped up again and again when I was doing the book,

and it wasn't something I'd started with, and it was only after writing a couple of them that I said, "huh, okay."

CARDIFF: "Oh, that's new."

MIKE: "Maybe this pops up throughout," and it does.

CARDIFF: I love the inclusion of that in the book, because you reference another work by an author named Joe Studwell, who came up with a really interesting model for how successful economic development has worked in Asia and Southeast Asia, and then some unsuccessful models too.

But the first plank of the model that he cites as successful is land reform. The redistribution of land. And it seems, based on what you're saying and what you've written, that in some senses that model can be disrupted if a big new technology is introduced. It doesn't work as well.

MIKE: And also if you look at the, and this is not to — Joe Studwell's book I read when I moved to Hong Kong, and I found out one of the most fascinating things, and I learned a huge amount from it. One thing I don't even know whether it's a disagreement with him, but where I might disagree, is that the countries that did land reform successfully had in the same way that Singapore did, just astoundingly narrow political windows and circumstances in which they could do this.

It happened in Japan and then subsequently in Taiwan and South Korea, where you had a lot of American influence, you had a lot of individual players that made this possible within the American administration and advisory groups. And you had this sort of unique moment of *it's either this or communism*, there's nothing else.

And communism not an abstract threat in Taiwan or South Korea.

CARDIFF: Yeah, not back then.

MIKE: Yeah, exactly right. This is like very right now, and in Japan, you essentially had Douglas MacArthur just telling them to do it right. He wielded the power of a king in Japan, and if he wanted you to do it, you had to do it.

And so you have these unusual circumstances, very brief. They wouldn't have persisted even 10 years later in any of these places. And you had this window to have these transformative moments. But then most other countries don't have those. They have ordinary belt and braces politics that do not allow for *what if we redistributed all the land in the country?* Some people own that land and they don't want it to be redistributed and it's difficult.

CARDIFF: Yeah. We've talked a lot about the concepts, the ideas in your book. We haven't mentioned, and I wanna make sure that we do some justice to it, some of the

characters in the book. There's an American, sorry, there's a Ukrainian-born American advisor named Wolf Ladejinsky?

MIKE: Yes.

CARDIFF: Who was operating during this time and who was one of the lead advisors on how to go about doing this. And just a really fascinating character. I thought he was great. That must have been a lot of fun to trace his footsteps.

MIKE: Yeah. And he's known at the time as Mr. Land Reform, and again, one of these moments in history where it could only come out then because he's an agricultural economist working at the Department of Agriculture.

This is not usually where world transforming people come from.

CARDIFF: (CHUCKLES)

MIKE: But he got his opportunity, this brief moment, to inform the policy of the US in Japan, and then by that extension, inform the policies of all sorts of other places. Spends the rest of his life traveling around the world, trying to sell land reform to places.

And it's only towards the very end of his life that the Green Revolution is coming through and he sees it in his writing and sort of says — he makes the case that actually the Green Revolution works best if you also do the land reform. But he sees how it's pushing against his big idea. He's a massive anti-communist.

He saw in Ukraine at the beginning of the Russian Revolution, the early years of the Soviet Union. How the promise will be made to peasants, basically. It was the promise, the Communist party, primarily urban organization to the peasants was, “we're gonna take the landlords' land away and give it to you.”

And they would do that for a brief period of time. And then they'd take it back and collectivize it. And he said, “this is the model everywhere. When you have a Communist party in the countryside, and if you don't give these peasants something else, they will go for that.”

They will go for the option where they get the land at the end.

CARDIFF: Or they think they'll get the land.

MIKE: Yeah. Absolutely.

It's very difficult to tell someone in Southeast Asia, perhaps not literate, certainly not reading in lots of different languages, “Hey, have you heard of Ukraine? 'cause I can tell you about what happened there.” You need a counteroffer.

CARDIFF: Yeah. Well, we'll leave as an incentive for listeners to buy the book the story of how land also was a big part of the American Revolution itself. Which is fascinating.

There's a lot in here though, and people should go read it. I really enjoyed it. Mike Bird, thanks for coming in.

MIKE: No, thank you very much for having me.