

Who owns America: the increasing concentration of land ownership

by Renée Sigerson

Billions of dollars have flowed into the United States in recent years from foreign investors intent on acquiring land. Alongside such foreign acquisitions, ownership of the United States' land surface is becoming increasingly concentrated under the control of just a few hundred corporations. Many of these firms have large foreign participations, or are interlocked.

What is under way, in fact, is a modern rerun of the land grab of the late 19th century. This is occurring because of the deepening world economic depression. International investors, including the directors of a few dozen major U.S. corporations, as well as wealthy private investors abroad, are acquiring U.S. land—and the resource wealth it holds—to position themselves against the eventual collapse of financial markets. By and large, the investments now being made in rural land holdings are not short-term speculative ventures; they are long-term investments, through which powerful financial groups aim to weather a collapse whose effects they expect to persist for decades.

The outlook which governs these investments is one which says: even in a depression, populations must have access to the most basic necessities, food, clothing, and shelter. He who controls access to these most basic needs will continue to earn on his investments even under conditions of economic collapse—and furthermore, will tend to emerge after some years in a dominating financial position over everyone else.

Back to the House of Morgan

The U.S. land policies which allow such a concentration of land ownership to occur date back to the emergence of the British-controlled House of Morgan in the late 19th century. Following a series of extraordinary gold swindles against the U.S. Treasury, the Morgan interests used the financial wealth they acquired to build up a controlling position in U.S. railway development.

Dating from that point until 1940, railway companies received huge parcels of U.S. land from the federal government in return for railway construction. By 1940, 10 percent of the entire continental U.S. land surface, 177.2 million acres, was owned by the railway firms. This concentration of land ownership, which occurred to the benefit of the Morgans, the Harrimans, and their closest associates in the Boston financial community—all of whom in turn were closely linked to British financial interests—was the first phase in the

concentration of land ownership. What is occurring today is a new phase, a further evolution, in landholding patterns which date back a hundred years.

Much of what the railway companies came to own by 1940 was land with little mineral or resource wealth, what industry people refer to as "dirt." After 1940, the railroads began a process of divesting of these holdings in order to acquire land with more intrinsic wealth, and to set up more profitable financial holding arrangements.

Today, the four largest U.S. railroads own or lease 27.8 million acres of land. Union Pacific, which has 9 million acres, earns up to 50 percent of its total after-tax earnings from natural resources. Santa Fe, which has 12,000 miles of track, has mineral rights on over 4 million acres of land, off of which it collects royalty payments from Southwest utilities for coal development. Santa Fe also owns 654,000 acres of timberland. Burlington Northern, which has mineral rights on 6 million acres, and owns 2.4 million acres, has timberland operations on nearly 1.5 million acres of land.

These land and mineral holdings allow the railroads to maintain profitable earnings even when their transportation sectors are losing money due to disinvestment. The outcome of this policy is exemplified by Penn Central, which after its bankruptcy, and a huge government bailout, was transformed into a real estate-land holding operation with \$1 billion in assets. The chief beneficiary of the Penn Central reorganization was Morgan Guaranty.

Timberlands grab

Among the old wealthy oligarchical families of Europe, one of the favorite investments to be made anywhere in the world today is in U.S. timberlands properties. Since 1978, such foreign investors have placed \$5 billion in investments in this industry. At currently depressed stock price levels, this comprises about 10 percent of the total stock value of all U.S. timber-producing corporations.

There are somewhat over 345 million acres of commercially developed timberlands in the United States. This forms about 25 percent of the nation's 1.35 billion acres land surface (including Alaska and Hawaii) which is not owned by the federal or state governments. The assets of the timber companies holding this land are estimated by experts to be about \$150 billion. This means that for every dollar placed

by a foreign investor in U.S. timber stocks, that investor acquires on average \$3 in potential returns. Although the return on timber investments is not short-term and occurs over decades, this is still a handsome sum, bolstered by the fact that, as the U.S. industry is currently organized, it is viewed largely as "recession-proof."

Foreign investors argue that timber is "recession-proof" only partly because it is a "basic needs" industry. Just as important, they insist, is the regional structure of the industry. After decades of overharvesting in the Pacific Northwest, the leading supply source in the country, a boom in timber development is beginning to take off in the U.S. southern states. The U.S. Forest Service forecasts that by 1990, the Pacific Northwest will produce 32 percent less than it did in 1976, and that supplies will drop an additional 16 percent from 1990 to 2000. The Forest Service is also planning to withdraw an unstated volume of current commercial timberland acreage for wilderness designation.

This means that even with depression-related declines in demand, the supply of timber should fall more rapidly, and prices for Southern timber rise faster than average inflation rates. Under such conditions, anyone moving into Southern timber today expects to gain guaranteed earnings over two decades on that investment—whatever happens to the rest of the economy.

Concentration of farmland

The largest volume of privately-held land in the United States is viable farmland, spanning 1.049 billion acres. The spreading bankruptcy wave among independent U.S. agricultural producers is fueling the concentration of land ownership in the hands of fewer and fewer individuals.

During the 1970s, there was a surge of enthusiasm by private foreign investors for acquiring U.S. farmland. Specialists report, however, that these foreign investors have become increasingly disenchanted, having discovered that the relatively high levels of mechanization of U.S. agricultural output demands high-cost, continuous management expertise and investment.

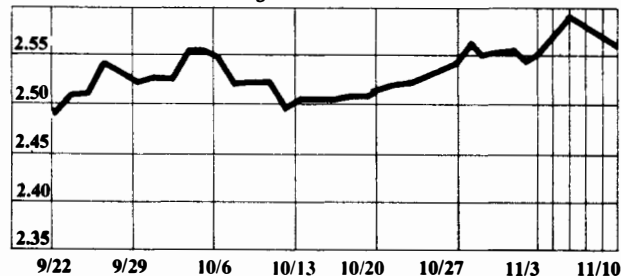
The push towards concentration of ownership, however, has not abated. Larger concerns, including insurance and energy companies are now pushing into the market, aiming to transform increasing volumes of acreage from productive activity into profitable real-estate holdings.

Immediately, the concentration of ownership of farmlands will be affected by a fight brewing in Washington over proposals for the federal government to sell off about 1 million acres in grazing lands used by ranchers. There is a "hush" climate around implementation of this policy. A core group of ranching interests around Sen. Malcolm Wallop of Wyoming are attempting to use the measures as a way of closing competing, independent ranchers out of government grazing lands. Wallop, a cousin of the British House of Windsor, has been a leading figure in manipulating the concentration of land ownership in an ever smaller number of hands.

Currency Rates

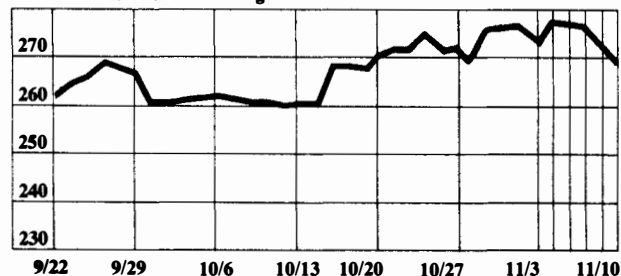
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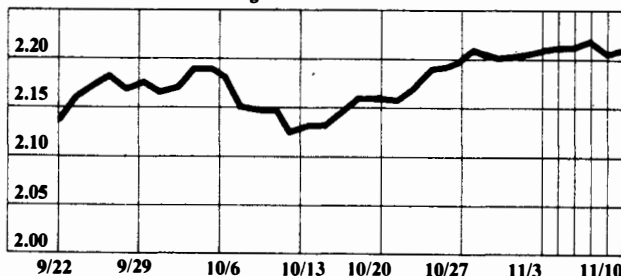
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