



## An Agricultural Law Research Article

### **Book Review**

**The Market for Rural Land: Trends, Issues, Policies. By  
Richard G. Healy and James L. Short. Washington,  
D.C.: The Conservation Foundation, 1981. Pp. 306.**

by

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## BOOK REVIEW

THE MARKET FOR RURAL LAND: TRENDS, ISSUES, POLICIES. By Robert G. Healy and James L. Short. Washington, D.C.: The Conservation Foundation, 1981. Pp. 306.

*Reviewed by Kevin W. Brown\**

### I. INTRODUCTION

In an old story, three blind men are asked to examine an elephant and then to describe it. Each in turn approaches a different part of the elephant—the trunk, the legs, the tail—and returns with an entirely different description. This somewhat quaint fable seems an apt introduction to the multi-faceted subject of “environmentalism” and to a book which explores an important part of this elephantine topic: *The Market for Rural Land: Trends, Issues, Policies* by Robert Healy and James Short.

If three modern equivalents of our fabled blind men were asked to describe environmentalism, they would undoubtedly supply three different pictures. One might emphasize air and water pollution and attempts to control these problems. Another might describe wildlife conservation efforts and tell us of whales, snail darters, and baby seals. The third might be concerned about nuclear power and weaponry, and, if more people were asked, we would soon hear of off-shore oil drilling, mass transit, pesticides, national parks, overpopulation, real estate developments, recycling, and the “greenhouse effect.” Eventually, we might despair of such narrowly focused descriptions and try to stand back to get a view of the entire environmental beast.

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Perhaps the concept which best connects the various "environmental" issues listed above is that of natural resources. At a most fundamental level, natural resources include the air, the water, the land, and the other plant and animal species with whom we share the earth. They are the most basic resources of our world that we depend on for life as well as for wealth and which, ultimately, we may use in any way we, as a species, choose.<sup>1</sup>

Of course, to say that we, as humans, can use the natural resources of the world in any way we choose is to imply that choices may be needed and that we may have sufficient social and political cohesion to make these choices. Historically, neither of these implications has been justified. Until the last few centuries the levels of human population and technology were such that no significant choices in natural resource use were necessary. Except in particularly populous areas, people could clear as much land as they wished for farming and still have plenty of forested land for timber and hunting. They could burn as many fires as they wished without significantly affecting air quality. They could hunt without forcing species into extinction.

Recently, our use of natural resources has increased to such an extent that choices in resource use need to be made. We can no longer develop land for residences or industry without affecting the supply of land available for farming, recreation, timber, or wildlife habitat. We cannot create and dispose of toxic materials indiscriminately without seriously jeopardizing other uses of our air, water, and land. As a society we must make choices about how we will allocate our natural resources. The choices we make and the manner in which we make them are the crux of environmentalism.

One of the most important and, in itself, complicated environmental choices facing our society today involves land use. It has been approximately a century since the close of the western frontier in the United States. Since that time, the population of the country has increased dramatically as has the demand for land and all of the products which it supplies: food, timber, minerals, housing space, etc.

The rapid development of the last century has not been completely uncontrolled. The federal government, long a major landholder, has set aside large parcels of land as national parks and wilderness areas. State governments have often followed suit. Moreover, in ur-

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1. This is admittedly a rather anthropocentric view of the world. One might argue that other species exist for human use no more than we exist for theirs. Yet given our new-found ability to affect the world around us dramatically, if not yet to control it, this approach seems realistic.

ban and suburban areas where the demand for land is most intense and where differing land uses conflict the most, many states have implemented elaborate zoning laws which regulate development. Finally, a few states have combined land dedication programs with strict land use regulation to protect areas of critical environmental concern such as wetlands and coastlines that multiple development pressures threaten to overwhelm. The most notable example of this very recent approach to land use control may be the California Coastal Conservancy.

Despite these various land use programs, land use in most of rural America, and hence in most of the United States, is unregulated. The land is privately owned, and it is bought, sold, and used so as to achieve the greatest economic return for the owner. Thus, land use in most of the United States is not dictated by the choice of any political body but by the free market.

## II. THE RURAL LAND MARKET

*The Market for Rural Land: Trends, Issues, Policies* explores the effect of free market forces on the use of America's land resources during the past several decades. It examines what land use choices our society has made and is making through the free market. In particular, it focuses on recent trends in land ownership and asks what effects these trends will have on the productivity of America's land base in the future.

The premise of the authors of *The Market for Rural Land* is that through a statistical study of land ownership trends nationally and locally one may predict future land use and, perhaps, take steps to alleviate any problems such future use might cause. Their method is twofold. First they analyze national demographic and economic data and discuss supply and demand in the national land market. Second, to assess the local effects of the national trends, they closely examine six local land markets which were chosen as representative samples of rural American land. The six areas are: Hardy and Pendleton Counties, West Virginia; Loudoun County, Virginia; San Luis Obispo County, California; Tyler County, Texas; Plainfield, New Hampshire; and Douglas County, Illinois.

### A. Findings

The authors find that three major trends exist nationwide in the rural land market. These are: a rapid increase in the price of rural land; a change in the identity of rural landowners; and a change in

the average size of a parcel of rural land. These three trends are closely interrelated. To a large extent, they reflect the fact that, for the first time since the 1930's, rural population grew significantly in the 1970's. More importantly, this growth occurred outside the farm population which continued to decline. As the authors note: 'rural' and 'farm' have not been synonymous for many years, and the difference between these terms is now greater than at any time in the nation's history.

The first major market trend is a sharp rise in the price of rural land. The authors find that this increase has occurred in all six of their local study areas over the last few decades. Farmland prices, for example, rose 900 percent between 1950 and 1980, almost four times the general inflation rate.<sup>2</sup> Prices of forestland, rangeland, and recreational land may have increased at an even greater rate although the documentation is not as complete.

Much of this price rise may be explained by an increased demand among investors for inflation-proof investments. However, the authors find that a significant portion of the price rise should be attributed to the second major market trend: the change in the identity of rural landowners. In all but one of their study areas, they discovered both a significant increase in absentee ownership and an influx of newcomers. These newcomers are often ex-urbanites. They may be building second homes for both recreation and investment. They may be hobby farmers or retirees who seek a peaceful life in the country. As a group, they have significantly increased the demand for rural residences and the rate of rural development. Rural housing units, for example, grew 35 percent between 1970 and 1977 as opposed to 6 percent in the 1960's.<sup>3</sup>

The new demand for residential property has had a disproportionately large impact on rural land prices because residential buyers are willing to pay a much higher per-acre price than farmers or foresters who must be concerned about the physical return of the land. In fact, the only study area where nonresidential buyers could compete with residential development was in Douglas County, Illinois. Little residential growth was found in this region, which is composed of prime agricultural land. Yet, even here the lack of residential growth may be better explained by the limited recreational opportunities in the area than by the possibility that the high agricultural yield of the land allowed farmers to outbid developers.

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2. G. HEALY & J. SHORT, *THE MARKET FOR RURAL LAND: TRENDS, ISSUES, POLICIES* 9 (1981).

3. *Id.* at 16.

The third major market trend discussed in the *Market for Rural Land* is again related to new demand for residential land. It is a decrease in the average size of a parcel of land. This pattern was found in all study areas except Douglas County, Illinois, where parcel size actually increased due to farming economies of scale and to the absence of residential development. In the other five regions studied, however, there was a fairly dramatic increase in the number of parcels whose size ranged between five and forty acres.<sup>4</sup> Such parcels are small by rural standards but, paradoxically, contain far more land than physically needed for housing. The popularity of lots of this size is disconcerting because it indicates not only that average parcel size is decreasing but also that a large amount of acreage is involved. The total amount of new residential land would be lower if the decrease in parcel size were caused by large numbers of one-acre lots in rural subdivisions. The authors hypothesize that the five to forty acre parcels are popular because they cost less per acre than one acre lots and, as long as tax rates remain low, the additional land costs little to maintain.

#### *B. Possible Effects of Recent Market Trends*

The major concern of *The Market for Rural Land* is the impact of higher prices, increasing residential development, and decreasing parcel size on America's rural land resources. How will these patterns affect the use and supplies of farmland, range, and timber stocks? In the short term, the book suggests that higher demand and prices for land will provide incentives to increase the efficiency of existing productive land. This appears to be particularly true in the lumber industry which has been concentrating on managing its existing timber stocks more effectively rather than buying new land. However, there are limits to the increases in efficiency that can be attained, and in the long term two potentially serious problems exist: the net loss of productive lands; and a fragmentation of the land supply.

The first concern for the rural land supply is that residential use is typically not productive but is nevertheless taking up more and more space. Farm acreage in the United States has decreased by approximately 150 million acres since the early 1950's.<sup>5</sup> The authors point out that this is an area one and a half times the size of California. Furthermore, farmers relinquished control of approximately fifty

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4. *Id.* at 18.

5. *Id.* at 16.

million acres of forested land over the same period. Most of this land appears to have been lost to urban and rural residential growth. Although, given the evidence from Douglas County, Illinois, one may surmise that the farmland loss has involved mostly marginal farm and pasture lands, the loss of productive acreage on such a large scale should not be ignored.

*The Market for Rural Land* suggests two approaches to alleviate the loss of productive lands. The first is to discourage the initial residential conversions. In areas where residential conversion is anticipated, land values often skyrocket and farmers are faced with higher land taxes which agricultural use cannot support. Consequently, they may be forced to sell some or all of their land to pay for taxes, and this land is soon converted to residential use. One solution is to tax rural land based on its value given its current use. Thus, agricultural land is taxed at a lower rate and some of the economic pressure favoring conversion is eliminated. The major problem with use-based taxation is that the productive agricultural land eligible for lower tax rates must be strictly defined. If unused land held by speculators or nonproductive hobby farms enjoy the benefit of lower tax rates, the purpose of use-based taxation is defeated and the only result is loss of tax revenues.

In their research, the authors of *The Market for Rural Land* found that large-lot zoning is definitely not a solution to the residential land conversion problem. The demand for rural residences is sufficiently great that if a county adopts a minimum lot size of, for example, fifty acres in the hope of discouraging conversion, it will only succeed in having its land converted to fifty acre residences. Thus, more productive land is lost than would have been without the large-lot zoning.

An alternate approach to the problem of productive land loss is to attempt to increase the productivity of land which is already converted to residential use. New rural landowners are often unknowledgeable about farming techniques or forestry. Productivity loss due to residential conversion might be significantly reduced if newcomers were encouraged to lease their unused land to local farmers or were provided some basic information on efficient timber production. The practicality of such an approach may seem questionable. Yet, given the authors' findings that new residential owners who leave land idle do so more from ignorance than preference, public education campaigns in states or counties with high residential conversion rates might prove to be an unintrusive and cost-efficient means of increasing land productivity.

A second major concern about the effects of increasing land prices and residential development is that these trends, by decreasing parcel sizes, will fragment the land to such an extent that efficient production may become impossible. To be commercially feasible, forestry and farming require large parcels of land. The exact size will vary depending on land fertility and the types of crops grown. However, it is safe to generalize that commercial agriculture requires significantly larger land parcels than do residential users. The danger is that if the rural land base is seriously fragmented by residential development, it will be extremely difficult to rebuild larger parcels in the future if the demand for agricultural or timber land increases.

*The Market for Rural Land* does not find that fragmentation of rural land is presently a serious problem. Over 90 percent of cropland and pastureland is held in parcels large enough to allow commercial production or at least large enough to allow practical consolidation.<sup>6</sup> However, the authors point out that over 20 percent of private forestlands are held in parcels of less than one hundred acres. This size is at best marginal for forestry. Given the rate of increase in residential land development, the authors suggest that trends in land parcel size should be watched closely in the future to assure the country's continued ability to use its land resources efficiently.

### III. CONCLUSION

Great benefit can be derived from a book which takes a long term view of social and economic trends. This is particularly true when environmental issues are involved. Most significant environmental changes take place gradually and on a large scale. These changes, such as urbanization or deforestation, may have profound consequences, but because they evolve gradually and universally they may escape notice.

*The Market for Rural Land* successfully evaluates rural land development over a significant time span. Furthermore, it looks at these development patterns with both analytical detachment and sincere concern. It rationally evaluates whether market trends will harm the efficient use of a limited natural resource and, in those instances where the authors find cause for concern, some realistic solutions are proposed. These solutions are limited, however, and are not

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6. *Id.* at 20.



the chief focus of the book. A free market is not an easy creature to control and the authors do not advocate any large scale controls. The book is valuable because it stimulates an awareness of what our society is choosing to do with our land through the open market. It does not view this market as sacrosanct, but as a system through which we allocate land and a system we can and should manipulate if we find it is not working in society's long term interests.

The major limitation of the book is the scope of its inquiry. *The Market for Rural Land* confines itself to privately owned rural land. While this category includes most of rural America, it excludes, by the authors' figures, approximately 550 million acres of government land.<sup>7</sup> When reading this book, one must remember that it focuses on the private land market, not trends in overall, American land use. The two are, of course, related. Yet, it is difficult to determine the significance of market trends without knowledge of the actual or potential use of government reserves. Should we be concerned, for example, that a large amount of private forestland is held in small parcels which might limit efficient production when federal and state governments hold large forest tracts that could be opened to private industry? To ask such questions is to encounter imponderables, and therefore the limited nature of the authors' inquiry is quite understandable. Yet, not to ask such questions is to fail to explore the full significance of a topic.

This criticism aside, *The Market for Rural Land* is a thoughtful, well-documented, and readable analysis of the present American use of an important natural resource: rural land. For a concerned environmentalist, it is worth reading.

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7. *Id.* at 8.