

# Comment

## FACT AND FICTION

**P**RESSURE GROUPS are often the backbone of the body politic. A great deal of legislation has been promoted for the benefit of sectional interests through societies, associations and federations. These groups range throughout the whole of our economic and social life. Their constitutions and membership qualifications are as varied as the subjects they cover, which range from the preservation of wild life and sporting rights to national conditions of employment, but most pressure groups while ostensibly acting solely in the name of professionalism and the public good are generally more concerned with protection and privilege for themselves. It is quite a task to sort the trees from the wood when examining statements and claims made by such bodies.

The Property Council, perturbed by growing public concern over profits made out of transactions in land, and over the housing shortage, is endeavouring to restore public faith in the professions and companies connected with property and development. Recently it has circulated information in various forms directed to this end. In the woodland of fact, which it has attractively presented, there are, of course, a few well-hidden trees of great importance.

On one information sheet the Council states its case on land costs thus: Land is limited in supply, while demand is great and increasing; high land prices in England are comparable with those in other highly developed countries; Green Belt and other planning restrictions have sterilised some land but have not slowed down the housing programme; local authorities claim that they are handicapped by high land prices, but they are paid subsidies and grants to offset them; a twenty-fold increase in the price of land will increase the cost of houses by only a quarter; £5,000 an acre is an average reasonable figure for expensive central area land; high land prices prevent too much demand in congested areas; land should be put to its most economic use and the price mechanism ensures this.

While the first five contentions are clearly factually correct, the point is not made that, while housing output has increased, it would be much greater if land costs were less. The fact that local authorities receive subsidies for expensive sites in no way lightens the tax-payer's burden, for both rates and exchequer grants are public levies. While increases in land price stemming from increased permitted densities do not necessarily result in much higher-priced houses, the increasing return of 2,000 per cent to the land owner consequent upon community decision and demand is glossed over.

The quoted figure of £5,000 per average site acre is sheer nonsense as far as South-East England is concerned. It may be a national average but averages are meaning-

less to those who pay the highest prices.

High land prices in central areas reflect demand for sites in those areas; they do not determine demand as suggested above. Economic rent (or land price) is relative to desirability and productive qualities. In any given urban area there will be a *scale of values* rather than extremes. Central area land cannot generally become cheaper; if it did it would be because demand had diminished. In so far as congestion is relative to intensive use of land, high central area values tend towards increasing congestion resulting from the high land-to-building ratio. Because values are high the intensive use fosters congestion; congestion is not lessened by high land values—it is increased.

The last contention of the Property Council is the least watertight. While it cannot be disputed that land should be put to its most economic use the price mechanism does not ensure this. All the price mechanism ensures under conditions of land monopoly is that where land is brought into use or redeveloped the new use will be relatively more intensive. Until basic land monopoly is broken, land will be withheld from use for speculative purposes or remain underused. The only satisfactory way in which maximum economic use can be achieved is by the taxation of land values which would break land monopoly.

## A NEW LOOK AT TAXATION

**T**AXATION in peace time has never been higher than it is today. There is hardly a taxpayer who would not say that it is too high, and more than a few who would maintain that it is grossly excessive.

Is the present level of taxation, apart from limiting our freedom of choice and reducing the amount of goods that we can buy, doing any greater harm? Are we getting value for money for the great sums that the government spends on our behalf? Is the present taxation set-up achieving its purpose of redistributing national income, taking from the rich to give to the poor, and is this process, however ethically doubtful, of any practical benefit? Is the present system of taxation the best that can be devised?

The answers to these questions are often dodged by people to whom we might look for the answers, but one who is not afraid of speaking his mind, and who has delved into the subject for many years, is Colin Clark, Director of the Agricultural Economics Research Institute at Oxford. Mr. Clark has a distinguished record. He opposed the protection of agriculture in Britain and of manufactures in Australia. In *Growthmanship* (Hobart Paper No. 10.) he argued (against the fashion) that economic growth could not be accelerated artificially by capital investment but took place mainly in consequence of improvement in human resources. In 1953 he wrote a book called *Welfare and Taxation* which questioned the basic assumption of universal state welfare and "did not receive rapturous applause."

The foregoing information is taken from the Editor's

preface to *Taxmanship*, a new Hobart Paper (No. 26) which marks Colin Clark's latest entry into political and economic controversy.

The basic contention of the author is that any level of taxation over 25 per cent of national income sets in motion forces which result in a general rise in costs and prices. It is therefore essential that the level of national taxation be kept below this figure. This means, of course, that there must be a drastic curtailment of government expenditure.

Before getting round to his own proposed tax reforms, Colin Clark examines at some length the purpose and principles of taxation and considers the ethics, and the economic advantages and disadvantages, of various forms of taxation. On the ethical side we would differ from the author on many points, particularly with his theme (recurring throughout the book) that there is a conflict between economic efficiency and social justice.

Professor Clark proposes that the present state administered welfare services be replaced in large measure by private insurance. "Any attempt to collect nearly 40 per cent of the national income in taxation cannot avoid placing heavy burdens on the lower incomes," he says. "If families at the lowest income levels got back nearly the whole of the 30 per cent or more of their incomes that they are now paying in taxation, and families at higher income levels received back a substantial part of it, they should be more willing to make their own provision for doctors' bills, school fees and insurance premiums . . . . Such insurance should be 'voluntary' in the sense that each person would be free to decide the amount and with what organisation he would insure: but 'obligatory' in the sense that with the object of preventing their becoming a charge on the community, everyone would be required to insure for a certain minimum amount against old age, widowhood etc."

And a word of warning is given: "There is of course, one absolutely essential condition for the working of such a system of insurance, namely the cessation of the general rise in prices that has now been going on for twenty-five years. If it continues, personal insurances are bound to become inadequate."

Under the heading "Forms of Taxation" two and a half pages are devoted to "Taxing Land," meaning land rent. It is undoubtedly true, says Professor Clark, that land is the perfect subject for taxation and "it is perfectly practicable to tax land as such, both agricultural and urban." It is a pity that he goes on to say "but we should not expect much revenue from it." In spite of his high academic standing and practical knowledge of land matters we would respectfully submit that he considerably underestimates the true value of land in this country.

In his more detailed policy proposals at the end of the book Colin Clark suggests that approximately 13 per cent of taxation be raised from land values (some £690 million per year), the total tax revenue to be no more than 22½ per cent of net national income at factor cost. When coupled with his first proposition, that "the larger

part of the present Welfare State should be dismantled," thus allowing the total tax demand to be considerably reduced, it will be seen that here is a statement of policy quite revolutionary.

There are many good points in this Hobart Paper to which attention has not been drawn in this short review. It is a booklet well worth reading by all students of taxation, economics or politics, and particularly by those who are tired of economic clichés and political platitudes.

## TOYNBEE GOES TOPLESS

WHEN a literary critic steps out of his groove to examine a book of social protest he is in danger of exposing his prejudices if not his ignorance.

Philip Toynbee exposed both recently in a review in the London *Observer* of Edmund Wilson's book *The Cold War and the Income Tax* (W. H. Allen, London, 12s. 6d.)

Wilson's book is, among other things, a thorough-going indictment of the system of spoilation by governments, known and accepted by the vast majority of unthinking people as "taxation." Toynbee refers to Wilson's objections to the process as "eccentricities," and goes on to expose his own in such sentences as "It is ludicrous to suppose that one has the *right* (Toynbee's own italics) to one's own gross income and that this right is monstrously infringed by taxation," and "Income tax officials should properly be regarded as the guardian angels (sic) of what little diminution of inequality we have so far achieved."

How naive can you remain in this day and age in which taxation has reached the crippling proportions it has in Toynbee's own over-governed country? "We live," says he, "in a complex community, and complex communities are expensive to run. If we use the benefits with which organised society provides us, we must expect to pay for them." "Direct taxation is an investment towards economic equality." Then, with perfect inconsistency, he tells Wilson that it is not the tax officials or the state he should blame for his victimisation but "the large number of rich or well-to-do people who are constantly trying to defraud their poorer fellow-countrymen by evading taxation." Obviously he has to admit that the "instrument towards economic equality" has not gone very far along its appointed track.

The fact that there is a perfectly natural, just and logical method of paying for "the benefits which organised society provides" without recourse to confiscation, coercion and the courts of law is plainly as remote from Philip Toynbee's understanding as is the possibility that he, the literary oracle of *The Observer*, might ever be wrong.

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