Comment

FACT AND FICTION

PRESSURE 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 meaningless 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

TAXATION 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