

Yet the truth of the matter is that the free market mechanism has an amoral, not a moral function, and the question of the rights of property and the distribution of wealth is a moral question outside the field of economics as such. *Laissez faire* should be neither debited nor credited with attributes it does not possess. Were the battle between the state economic planners and the free enterprisers confined strictly to the field of economics, the errors of socialism would be shown to be intellectual ones and the superiority of the free market would become self evident.

Those who argue for government direction and intervention, however, justify their attitude by reference to concepts that are not economic but ethical. One can understand this because the ideas of socialism are rooted in what is regarded as "social justice." The economics of the planned economy have been shaped to meet assumptions regarding the distribution of wealth that are false, and ideas of its redistribution that are immoral. (No matter that in the process some modicum of rough justice, as well as injustice to some, is achieved.)

In socialism and the state planned economy, the overall cost of achieving "social justice" via welfare schemes is phenomenal. In the first place, most of the cost of state welfare comes from general taxation borne by the community at large. In the second place, the cost of administering this redistribution is a dead loss to society. In the third place, bureaucracy is increased and our area of freedom

reduced. In the fourth place, industry and trade is hampered and frustrated by government regulations, incentives are diminished and rich rewards are channelled into the pockets of the artful dodgers of society rather than to the industrious.

All this is necessary, it is alleged, because *laissez faire* or the market economy has failed to achieve moral ends. But apart from ensuring the maximum freedom of exchange with maximum fairness for the exchangers and a minimum of cost to the community at large, the market place has no say in who brings what amount to market. The free market has no more to do with the allocation of wealth among those who produce it than a computer has with what use is made of its findings.

This in no way weakens the indestructible case for a full free market economy; it only demonstrates that *laissez faire* alone is not enough.

This appears to bring us round full circle. If *laissez faire* is not enough, then how about a little socialism? This is akin to saying; if we are not going fast enough, let us go backwards.

The answer lies not in nostrums to deal with the effects of such injustices as state privileges, monopoly, tariffs, protection, subsidies, grants, and the private appropriation of the rent of land, but in preserving the free market while basing it on sound principles of social justice. This is the road to real prosperity — and to survival.

## NEWS AND COMMENT



### PARIS LAND SPECULATION

**T**HE INEVITABLE and predictable effects of material progress on land values is a universal phenomenon. The vast expenditure of public money on public improvements contributes in no small measure to this reservoir of unearned income appropriated by private individuals. This is now generally recognised and is the concern of enlightened governments who are, though, not enlightened enough, for tackling the problem from the wrong end produces undesirable economic repercussions as well as invidious treatment of land holders.

The French Government, faced with the sudden speculation in land following the recent publication of its plans for the future expansion of Paris, has taken the unprecedented course of declaring 94,000 acres of land around the city as "Zones of Future Development," with the intention of forestalling the speculators.

The 126 new zones are equivalent in area to forty-three times the size of the Bois de Boulogne, and almost encircle Paris. The areas particularly affected (says *The Guardian*, July 22) include those in the vicinity of the future huge Paris-Nord airport, the north and south motor-

ways, and Rungis, near Orly, the location of the new meat and vegetable markets.

Local authorities will have the right of pre-emption on property offered for sale in the specified areas. If the price is judged to be "excessive," the property will be taken over by the State at a price based on the value of the land a year before the development zone was created.

Both on moral grounds and economic grounds this "solution" stands condemned. It is not enough that behind the plan there lie good intentions and that land speculation and high land prices are recognised as anti-social.

The economic effect will be to inhibit development, promote delays and litigation and generally hold up building projects. Ways around the law will be sought and found and black market deals will be fostered among interested parties. The beneficiaries of increased land value will still be the land-holders — though perhaps not the same ones. Price control of land (for this is what it will amount to) will benefit the buyers — when they are able to buy without an illegal premium — but not the community generally. The whole process, to the extent that it is effective, will

merely transfer the benefits of enhanced land values from one private section of the community to another. At best — or worst — it could mean wholesale nationalisation of large areas of land at enormous cost.

The annual value of land is simply a toll on production and living space and this should be recognised as being just as anti-social as the reaping of speculative gains on the land market. All land should be treated alike and the simple answer is the taxation of all land values, whether the land is idle or used. Apart from the equity of such a measure, it would have positive and desirable economic effects in that it would stimulate building. No land-holder could afford to keep land unused or poorly used while paying a tax which in itself increased as land values increased.

## SLOW PROGRESS OF THE CRITICS

**T**HE ANSWERING of criticisms of site-value rating would be a more interesting task if the critics had anything new to say. Since the publication of the Whitstable Report, not only the substance, but the very wording of criticisms has shown a consistency that only plagiarism could account for.

The Simes Report, the speech by Mr. Trustram Eve to the Rating Surveyors Association, and the interim report of the R.I.C.S. working party form the source material for current criticism, and so frequently have they been referred to—particularly since the Whitstable land valuation—that it may be that the more discerning critics, while repeating the fallacies as useful support, may secretly be doubting the validity of some of the material.

This thought is prompted by the publication of a new booklet by Roland Freeman entitled *Modernising the Rates*. Mr. Freeman manages to dismiss site-value rating as an alternative to the present system while at the same time advocating not only the rating of empty properties (on building value) but also of empty sites (on site value), albeit in each case at only a proportion of the full rate.

Mr. Freeman's argument for rating idle sites is that "With the vast public expenditure programmes to which the nation is committed—and which help to give land its value—it is no longer defensible to exempt the owners of vacant sites from all payment towards local services." By admitting the relationship between public expenditure



and the value of idle sites, Mr. Freeman cannot logically deny the relationship with regard to built-up sites. Further, if idle sites are to be rated, they must be capable of being valued. It is absurd, therefore, for Mr. Freeman to say elsewhere that "valuing on the basis of the potential worth

of the land only is a hypothetical exercise." He cannot have it both ways.

Nevertheless, this is the first time an unofficial Conservative Party publication has come out for any form of land-value rating, although such a development was possibly foreshadowed by another unofficial booklet, *Call An End To Feeble Opposition*, reviewed elsewhere in this issue.

The proposal in this booklet was that local authorities (not the Exchequer) should levy a 30 per cent betterment charge where land is given an increased market value by the granting of planning permission or acquires an increased value "from the general pressure of demand on supply." These windfall profits, says the booklet, "cannot be defended on either moral, social or economic grounds." The proposal has little to commend it, but the philosophy behind it may mark a stage in the evolution of a successful land policy.

## ANOTHER FALLACY DEBUNKED

**T**HE ALLEGATION that site-value rating does not have such great significance when vacant land is nearly all taken up and a municipality becomes fully built, was debunked by a 1964 survey of South Melbourne undertaken by the Land Values Research Group on behalf of the local Ratepayers' Association.

The results of this survey, which greatly aided the 4,443



vote victory to abolish all local taxes on buildings and improvements in future, showed that the hundred largest industrial firms would bear an additional five per cent of the rate burden under site-value rating. Within this group, however, some firms with a high improvements-to-land ratio would benefit considerably. In the two industrial wards, out of a total of 1,692 assessments, 1,210 would pay more rates under site-value rating. The benefits of the change would be felt in the three residential wards where about two thirds of the rate payers would pay less.

The fact that industrially zoned land generally fetches higher prices than residential land is recognised in this country. In Australia the research showed that since building costs per "square" for homes are higher than those for commercial and industrial buildings, the residential units were hit harder under the building assessments system than commercial undertakings on sites of similar area.

The introduction of site-value rating certainly shifts the tax burdens even where there is no vacant land for it to fall hard on.