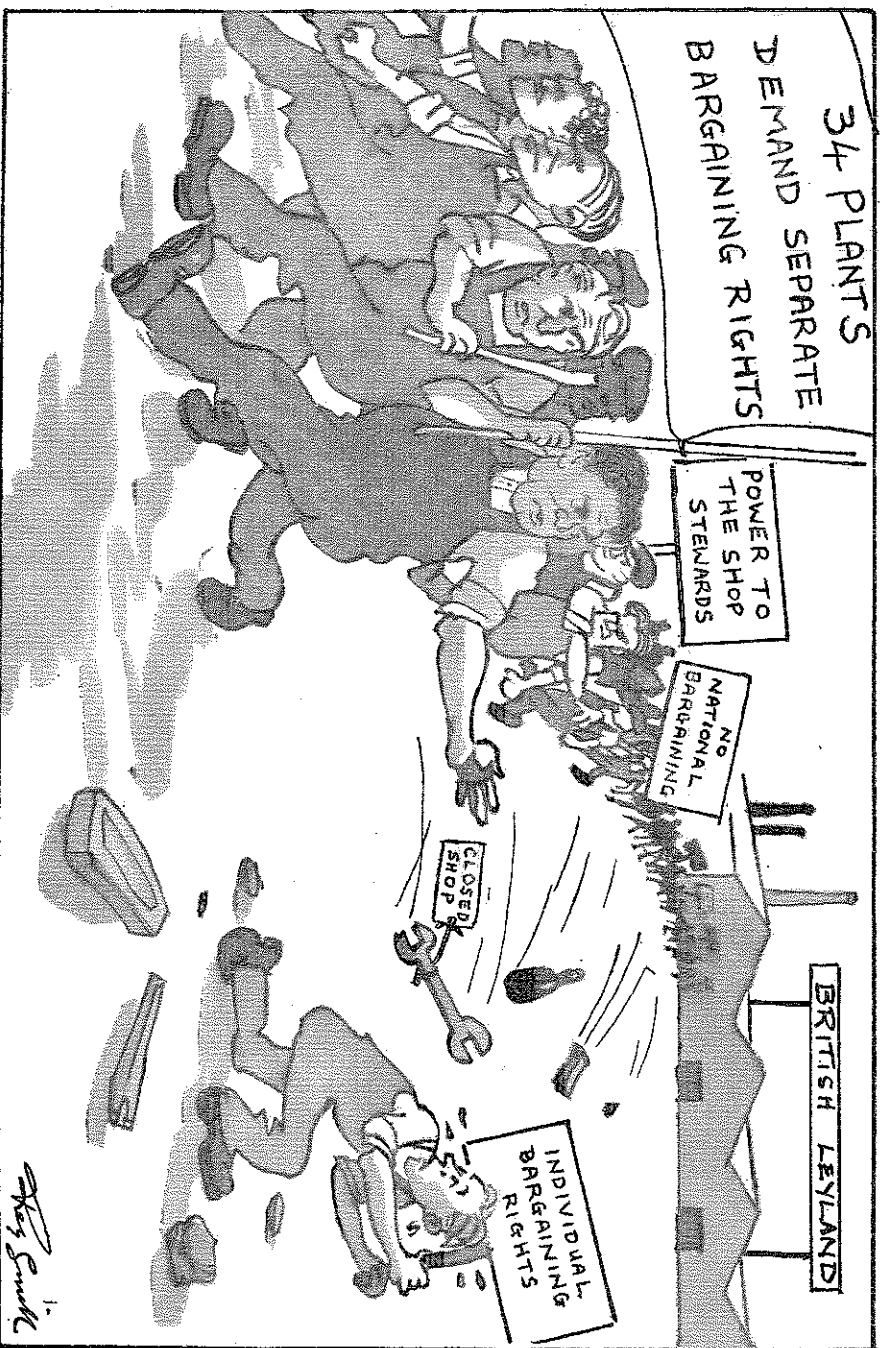


LAND & LIBERTY

SEPTEMBER & OCTOBER, 1977



Building — Opportunities and Incentives

THE British building industry has, for the last few years, been having a hard time—hardly surprising since the first to feel the effects of an economic depression are the builders of shops, offices, factories and houses.

There are now appearing signs of revival in the industry but the fact remains that so long as we have a boom and bust economy,

property developers more than anyone else must face massive cyclical upheavals in their business. In the good times their "excessive profits" are slated as the "unacceptable face of capitalism" while in the inevitable recession many of their number drift into bankruptcy.

How can the situation of the builders be improved without

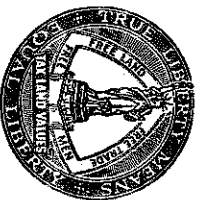
granting them special privileges at the expense of the rest of the community? Most obviously by getting rid of the periodic general recessions that afflict our economy. A mammoth task indeed, but more of that later.

Crucial to the builder is the availability of his most basic "raw material", land. If a suitable site is not available in the right place

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Contents

Building—Opportunities and Incentives	65	Editorial
Asking the Right Land Question	69	B. W. B.
Cap This!	70	B. Raymond
Taxation and Unemployment	71	Geoffrey Lee
An American Tragedy	72	Nicholas Billitch
Space as a Tool of Social Control	75	Fred Harrison
A First Step to Reform	76	Joseph Zashin
E.E.C. Costs and Benefits	77	Roy Douglas
Where have all the Flower-children Gone?	78	Robert Clancy
Housing Policies	79	Peter Hudson
Political Acrobatics	80	T. O. Evans

and at the right time then he cannot even contemplate starting work. Several legislative attempts have been made to improve this situation but each has been poorly-conceived and has ended as a bureaucratic failure, having aggravated rather than improved the position.

A new discussion paper* published by the House-Builders Federation recognises that the lack of availability of land has been a crucial problem for the house-building industry for the last twenty-five years.

The three main elements in the problem are, it says:

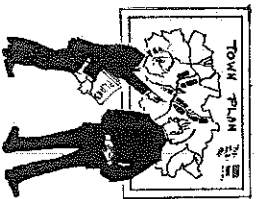
- i) the identification and allocation of land for housebuilding;
- ii) the provision of infrastructure—sewers, water, roads etc.;
- iii) the operation of development control—the mechanism for “converting” allocated land into land upon which to commence building.

On the first, the paper points out that “There is an indissoluble link between housing policies and policies for land. Whilst governments of both political parties have made housing a top priority, both have consistently failed to will the means to achieve the ends of those policies by creating realistic policies for the identification and release of land for housebuilding. The last Conservative Government defined its priorities for land release but tried to achieve them, in the absence of suitable machinery, by exhorting planning authorities in successive Circulars. These policies culminated in the great land-price boom of 1972-3, in which the house-building industry and the house-purchaser suffered equally. The Labour Government’s Community Land Act is totally misconceived; it gives principal responsibility for identification, allocation, acquisition and disposal of land to the same planning authorities who have failed to identify or allocate adequate supplies of land in the past.”

To remedy the situation it is proposed that the local authorities be obliged to produce a statutory Land Policy Statement allocating a five-year supply of land clearly available and suitable for house-

* *Land for Housing*, The House-Builders Federation.

building and serviced, or capable of being serviced within one year of a planning application. The De-



partment of the Environment Regional Offices should ensure that these Statements satisfy the criteria of availability and should have powers to step in should the authorities default in their obligations.

Securing a sufficient allocation of land, it is argued, would obviate the need for public bodies to intervene in the acquisition and disposal of land. An overall surplus of available land would arise which would stabilise land prices and eradicate boom and bust cycles. Thus, the incentive for pure speculation in land would be removed and there would be no need for special penal taxes upon development land gains.

While agreeing with the authors that the latter are "ill-conceived attempts to tackle the symptoms . . . rather than to tackle the disease itself . . ." one might question their optimism concerning the extent of the effects of improving the planning system. That there are serious faults in the planning system is beyond dispute and the disastrous delays and irritations that planning restrictions impose upon development are common knowledge. But whether a mere streamlining of planning would work the envisaged miracles on the land market is highly debatable. The long-term secular trend in building land values (in real terms) is inevitably upward. Therefore, however much planning is improved, there will still be an incentive for speculation in land. While this incentive to hold land out of use remains, planners can allocate and designate until they are blue in the face, but speculation will not disappear. This is not of course to say that the paper's proposals would not be beneficial, but merely to point out that there are other fundamental distortions in the land market

besides those introduced by poor planning practice and the rectification of the latter alone will not lead to a plentiful market free of speculation.

On the subject of infrastructure finance, the Federation is anxious that builders should not be saddled with the costs of servicing sites, as has been from time to time suggested. It argues that since development results in complex benefits to the community as a whole, the only equitable method of financing infrastructure is through general taxation.

In fact the public provision of services to land benefits the *landowner*. If builders were faced with having to bear the full costs of production of their development including the infrastructure costs, then the effect would be to reduce the price of unserviced sites by the amount of the cost of providing the services. The landowner, not the builder, would bear the costs. This is so, because the value of land is residual by nature, i.e. it absorbs whatever is left of the product after the costs of production have been met.

On development control, as on identification and allocation of land, the paper makes a very good case. Planners are undoubtedly intervening in minor matters—colour of roof tiles, type of fencing, internal layout, etc.—that should not be their concern. These, says the paper, should be removed from the sphere of planning.

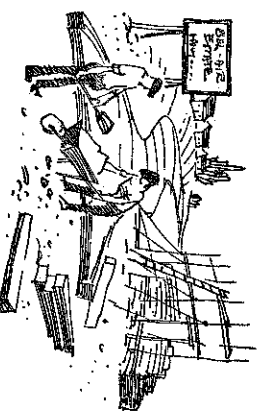
It is also argued that there should be a statement in the Town and Country Planning Act to the effect that "the basic principle is that planning permission should be granted unless there is a sound and clear cut reason for refusal. The onus therefore lies on the authority to show that proposed development is not acceptable, rather than on the applicant to show that it is." Authorities who impose unnecessary delays and costs should be made to pay over the full amount of such costs.

This paper will clearly achieve its aim in part—that is provoke discussion on the question of land availability. While its proposals have merit, it is to be feared that their performance would fall far short of what the authors envisage. Essentially, this is because they do not get to the root of the prob-

lem of land availability. Planning is, in existing circumstances, a negative or restrictive phenomenon. Positive planning, in the absence of compulsory purchase to enforce its dictates, does not exist. The most positive and the most fundamental method of making land available is the replacement of taxation upon development and enterprise with an annual levy upon land based on its optimum realisable value, together with a streamlining of the planning processes.

The effects of such a policy would be to stimulate economic activity, to encourage development where community activity demanded it, to remove the speculative element from the land market making more land available and reducing its price, and finally to tend to iron out booms and slumps.

Clearly this would be most beneficial to the building industry. Given a constant supply of available land at lower prices and with a reduction in the burden of taxation upon its enterprise, it would



be freed and encouraged to get on with its job.

In *The Architects' Journal*, August 3, "Astragal" made the following comments concerning the local application of site-value taxation:

"Recently, I came across an article about an idea which might well have softened much of the impact of the present slump in the building industry. The suggestion was that local rates should be levied according to the market value of sites; thus, the owner of a vacant site would pay the same rates as the owner of a property consisting of a complete and occupied building standing on an identical site. This is in contrast to the present system, in which vacant sites have no rateable value and the more a property is improved, the higher the rates—hardly an

incentive to embark on a building project, is it?

"Just now, vacant sites and buildings are a prominent feature of the urban scene, and they all represent work that has not flowed into architects' offices. With rating based on site values, vacant sites would be somewhat of a liability to their owners, who would be under some pressure to make sure that they were used. All of which would surely have helped to maintain a flow of activity in the building industry and do the inner cities good as well."

The policy of site-value taxation is an area into which the building industry would do well to look.

* * *

SHALL WE LEARN FROM THE SOVIET UNION?

THE common characteristic of most political philosophies designed to end our social ills, is that which places a planned ideal above the laws of economics. Indeed some philosophies proudly assert that this is intentional because economic laws, if left "unchecked", produce the kind of society that generates poverty and its attendant ills. The laws of economics are thus identified as evil and the institutional framework in which they operate of secondary or no account.

But economic laws persist, as do the laws of physics and chemistry, in having their way. Design a bridge as you may, bestow upon it all the artistry and loving care you wish; but unless it is built on scientific principles it will not stand.

But not only does theoretical exposition of this truth fail to move the dogmatists, so also does practical experience—until the sheer force of circumstances compels it.

In the Soviet Union where practically the whole of agriculture is state-owned, experience has shown that the very limited private small-holdings, using only two per cent of the cultivated land, produce over a third of all the meat, milk and vegetables. Now, the circumstances of food shortages and high prices are forcing a change from the previous policy of disparaging private agriculture. According to a report in *The*

Daily Telegraph, August 23, private enterprise farming is becoming ideologically respectable. The small-holder is no longer being accused of profiteering and of being a wicked capitalist, in fact he is being encouraged.

But this belated acknowledgment of the virtues of the free-market mechanism is by no means universal. Perhaps the brain-washing of successive generations is politically too much to compete with; or maybe too many concessions to economic laws would bring too much freedom, the counterpart of which is too little power for the State. Or could it be that a mixed economy is the ultimate compromise? A strong government depends upon a strong economy.

Maybe as the Soviets move a little closer to free enterprise, the western world will move further away—it seems so. And who knows, the future might even bring a complete reversal of attitudes, with our future generations condemning the Soviet free enterprise!

It could be that the Soviets are one step ahead of us and that to catch them up we have first to make all their stupid mistakes. We are learning fast.

* * *

UPSURGE IN FARM LAND VALUES

AGRICULTURAL land values in Britain might, in the latter part of this year, crash through the £1,000 per acre barrier, reports the August issue of *The Farmland Market*, published by the *Estates Gazette* and *Farmers Weekly*.

During the first half of 1977 farm values are reported to have risen by 22 per cent while bare land values rose by 16 per cent to £901 an acre.

In the investment market, tenanted farms and land registered increases of 42 and 54 per cent, with prices making about 60 per cent of equivalent vacant possession transactions.

The report sees no single explanation for the upsurge, though it points out that the sharp reduction in interest rates must be a contributory factor.

Although farm profits are acknowledged to be too low to justify

the prices being paid for farmland, it is indicated that the purchasing activity arises from within agriculture rather than from outside interests. The reason for this activity, says the survey, must be the prospect of real capital gain from increasing land value or the possibility of borrowing on the strength of it.

The report seeks to explode the myth concerning the foreign invasion of the countryside. The overseas purchaser, it says, forms only a small part of the market, though UK farmland does have particular attractions for the European purchaser. Among such attractions are listed: political stability; little sign of extremism taking root; taxation, though heavy, is not confiscatory.

* * *

BLUNDERERS AND BUREAUCRATS

THE prudent private land buyer will not buy a piece of land for potential development and pay the developable price unless he is assured of planning permission. Only a fool would pay a development land price for agricultural land without first checking the planning permission. Of course, elementary! But only to private citizens who can be relied upon to look after their own money and not squander it. Not so with local councillors or at least with the councillors of Thanet Council, who, less diligent with public money than they are with their own, recently bought a farm of forty-two acres for £85,000.

They wanted to build houses but the Kent County Council and the Ministry of Agriculture bureaucrats said no.

The previous owner of the farm is now back on his land which he is renting from the council for £20 a week. If he only gets five per cent on his money, he needs only £20,000 capital to pay his rent, which leaves him with a nice bonus of £65,000 of ratepayers' money.

Thanet Council, of course, didn't have the money—it had to be borrowed and the loan is costing £10,000 a year. Moral? You may draw your own—and probably more than one.

Asking the Right Land Question

B. W. B.

"No man can possibly have the right to fence in any part of the Earth's surface and to declare, against his fellow human beings, 'this is mine!'"



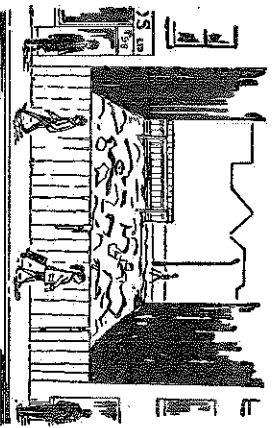
WE live in a changing world in which nothing seems to shift more dramatically than the meaning of words. The word "democracy", for example, once implied only that ideal form of government defined by Abraham Lincoln. Nowadays the mention of a "People's Democratic Republic" inevitably poses the question of what form of tyranny its people are subjected to.

The word "Liberalism", once synonymous with freedom and *laissez-faire*, implying no interference with natural economic forces or the native aspirations of individuals, is now, to judge by the pronouncements of the Party's leaders, nothing but a half-baked form of socialism in which controls over trade, industry, wages and prices—to mention but a few—are accepted as the bread and butter of Liberal philosophy.

If you can't beat it, adulterate it, seems to be the new policy of those to whom any notion demanding freedom of the individual is such a dangerous menace as to be opposed at all costs.

The latest sufferer from this form of semantic warfare seems to be the crusade for reform associated with that evocative phrase "the Land Question".

It used to be straightforward. The land of the Earth—which includes all natural resources outside man himself—was here long before man arrived on the planet and is clearly not a fit subject for ownership by individuals. No man can possibly have the right to fence in any part of the Earth's surface and to declare, against his fellow human beings, "this is mine". No man has the slightest right to expect that others will respect such a claim in perpetuity, doffing their caps to his descendants and paying tribute, in



the name of rent, for the concession to use such part of the plunder as he deigns to spare them.

At its epicentre the Land Question has always been a moral issue from which a myriad social and economic issues flowed. And the only real "question" was

**Land Policy*, John Ratcliffe, Hutchinson. Paperback £1.95.

SEPTEMBER & OCTOBER, 1977

how it should be done, precisely how the right of man to his natural heritage should be re-established.

Judging from a new book on land policy*, times have changed. The roots in morality that traditionally supplied the adrenalin to the Land Question have apparently all but withered. The Land Question is now conceived simply as a matter of betterment and compensation. Land, its value determined (so it is said) by the process of planning, is a "scarce resource" possessing "certain distinctive characteristics", and although there are some "equitable arguments" favouring recoupment of a "portion of community-created land value", any idea that the whole system of land tenure needs a moral re-think, any suggestion that the practice of paying land rents into private pockets is ethically indefensible, is way outside the author's thesis.

The question of land-value taxation is briefly considered but the author's lack of grasp is betrayed by his assertion that "the fundamental purpose of land-value taxation is the apprehension of capital gains."

Whether land should be taxed or not, he seems to suggest, depends solely on the expediency of raising taxes in that way compared with other tax devices. And he asserts that, despite for many years having been successfully employed in a number of countries throughout the world, a land-value tax "can be considered an impost, just as punitive, on total improvement and development."

After such warped assessments of land-value taxation the reader is a little surprised to find it included by the author among a group of "more realistic moderate reforms" claimed by their various advocates to be effective in dealing with the problems of betterment and worsenment. But it does not earn the author's commendation. As he sees it, "to recoup all betterment, the tax would have to be levied at a rate equivalent to the annual value of the whole of the increase in value occasioned by the improved circumstances." And since this rate would apply to the whole of existing use value as well this, he observes, apparently noting the unthinkable, would lead to the market value of land being reduced to zero.

The claim of the community to *all* land values, whether existing now or gained in the future, merits no discussion in this book. The limit of the author's philosophy concerning the Land Question is that betterment, being a community-created value, should be collected; but the proceeds should then be paid out to those whose landholdings suffered worsen-

ment. The fact that land-value taxation, besides securing for all the people the nature-given or community-created profits of land ownership, would automatically adjust to developments leading to betterment or worsenment is either not appreciated or is not considered relevant to Land Policy.

To be fair to Mr. Ratcliffe, his main interest lies in the field of planning and property development. He is concerned primarily about the unhappy relationship that currently exists between the Government and the professions. He recognises the importance of land—and of land taxation—in this field and he has no doubts about the inadequacies of the Community Land Act in meeting the desired objectives. But he is absorbed with the need for any solution to be permanent and proof against the vicissitudes of political change. The result is that, after juggling

CAP THIS!

B. Raymond

A recent issue of *European Community*, which is published on behalf of the Commission of the European Communities, contained the following defence of the Common Agricultural Policy:

"Recent comments on the level of food prices in Britain and the effect of the common agricultural policy have somewhat exaggerated the impact of the policy on prices in the shops. Certain additional considerations may also be worth pointing out:

"a) British food prices are not generally higher than prices in other industrialised countries;

"b) with or without a common farm policy Britain would not be open house to world supplies; some protection would undoubtedly be applied to prevent dumping on the UK market, even without CAP;

"c) the farm-gate price of food represents roughly only half the price to the shopper;

"d) long-term agreements with food suppliers demand prices a good deal higher than the lowest prices on world markets;

"e) the advantages of stability in supplies and prices is not to be underestimated in a world whose growing population will in the long term greatly increase the need for food."

It will be observed that each of these "arguments" is negative in nature and is more by way of being an excuse rather than a valid point in favour of the CAP. How-

ever, it may be instructive to examine each of them briefly.

a) To say this is to say nothing at all. "Generally" and "other" evoke the questions "which prices?" and "which countries?"

The prices in other member countries will also be affected by the CAP and will of course be comparable with British prices (higher in fact, since Britain is still in the transitional stage). And many other industrialised countries have their own foolish dear-food policies—should we hanker after comparability with them?

b) That protection would still exist in Britain were she not an EEC member is not an argument for membership of a larger protectionist club. It merely demonstrates that the battle against protectionist interests must be constantly fought, whatever Britain's situation.

c) Is this suggesting that while the basic price goes up, all the other elements in the final consumer price should stay the same so that the overall effect on prices will be less significant? This is a fallacy, since the profit margins of wholesalers and retailers must be based upon their own outlay if they are to remain in business—prices are increased accordingly all along the line of production.

d) and e) Food, like any other commodity, is produced in response to the effective demand for it. The proposition that this necessitates inter-governmental

with dynamite, his conclusion is a damp squib. His judgment is fainely to accept the present set-up and merely to advocate partnership between local authority, developer and the Government. The Community Land Act, he concludes dolefully, is now law and "it is imperative that it is made to work."

Perhaps the reader is misled by the title of this book into expecting something more profound; some more fundamental appraisal of the vital place of land in the social and economic life of the community. As it is, the book presents a useful discourse on the superficial problems of local government, planning and property development within the framework of the current conventional wisdom. But in the age-old controversy about the rights of man to the land he walks on, it hardly gets to first base.

agreements with fixed prices is fallacious. A growing population with an effective demand will be fed efficiently if its demands are allowed to be registered on those markets where food can be most cheaply produced. When world resources are misdirected by the restriction of markets, everybody is the loser.

The Common Agricultural Policy is a deliberate dear-food policy instituted for political reasons. Its tools—target prices, external tariffs and intervention buying—*can only make food dearer* than it otherwise would be. Attempts to demonstrate that it does not do so show either an incredible naivety or downright dishonesty.

CITIBANK CHIEF WARNS AGAINST PROTECTION

THE Chairman of Citicorp and Citibank, Mr. Walter Wriston, called for international trade to be as free as possible and cited Hong Kong as the freest market in the world, reports the Hong Kong Trade Development Council.

Mr. Wriston said that the political temptation to return to the jungle of nationalism and imposed quotas and controls and other protective devices, is a real and constantly growing threat.

The old notion that exports are good and imports are bad, is being replaced by reality said Mr. Wriston. "But the simple truth is that when it is agreed that we cut our imports we are increasing our cost to the consumer. We are inviting retaliation. The only way the world can sell more abroad is to buy more abroad."

Taxation & Unemployment

GEOFFREY LEE

WARNINGS that we are speeding down a road leading to economic disaster are not unfamiliar to hardened doom-watchers. Warnings that are accompanied by a cogent analysis of the problem and suggestions for a solution are less easy to come by. Thanks, therefore, are due to Ronald Burgess, who, in *Full Employment and Public Spending**, gives us a sanely reasoned examination of our current economic situation.

To start with Dr. Burgess says that the post-war full employment objective was never given any economic meaning. "It was a political concept which rapidly deteriorated into an emotive slogan justifying profligate spending policies, which were in themselves self-defeating. Successive post-war governments have only succeeded in adding inflation to unemployment."

The reason for this, according to Dr. Burgess, is that the steadily rising level of taxation has itself been a major factor in creating inflation and unemployment. This is because any increase in taxation is off-set by employees demanding higher wages. Over the last 100 years employees' take-home pay has remained constant, fluctuating around 50 per cent of the "domestic cake". It therefore follows that: "Contrary to common belief, the imposition of these additional taxes raises employers' labour costs rather than depressing the take-home pay of employees. Faced with rising labour costs, firms reduce their demand for employees and attempt to raise the prices of their finished products. Those firms unable to cover their tax-inflated costs by charging higher prices eventually cease production." So more unemployment is added to government-created inflation.

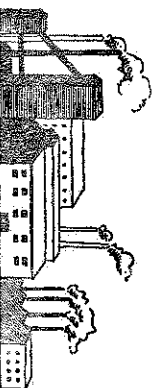
It is clear from reading this paper that the proportion of labour costs is determined not so much by what employees receive as by taxes on employment. The slice of the cake received by employees

remains static but the slice represented by labour costs has in this century expanded by 60 per cent. There is, and Dr. Burgess has statistics to prove it, a direct positive association between labour costs and unemployment. Attempts to subsidise employment from taxation merely mean more public spending, which leads to higher taxes and an intensification of the job destruction that the government is trying to prevent.

The tax burden has reduced profits to near non-existence, and the final straw for the British economy, says Dr. Burgess, has been the massive public authority borrowing requirement of recent years. "First, governments appropriated by all forms of taxation (not merely corporation tax) the income firms needed for essential investment to continue in competitive production. Then, through extensive borrowing operations, governments proceeded to appropriate such funds as became available on the open market."

Little wonder that British industry is in decline. A government faced with the problem of trying to maintain personal freedom in the all-embracing welfare state, is faced, according to Dr. Burgess, with an impossible task. It must, to avoid economic chaos, depress take-home pay—which is what incomes policies and the social contract are all about. "The development of socialistic policies in a welfare state is incompatible with free wage bargaining, collective or otherwise."

What is the solution then? Dr. Burgess believes that nothing less than a radical reform of the present system of public finance will suffice. He wants to see a reduc-



tion in the burden of public authority spending combined with tax cuts in a way that will allow for a sustained expansion of out-

IDLE RESOURCES

THE industrial floorspace survey compiled by King and Company, one of the leading firms of industrial estate agents, shows that 83.7 million sq. ft. of factories and warehouses were empty during April compared to 84.9 million sq. ft. last December.

In other words any reduction of jobs in the public sector to be speedily compensated for by an increase in jobs in productive employment. This can be achieved, according to Dr. Burgess, by reducing direct taxes on employment—taxes which drove labour costs in 1975 to an all-time high of 74 per cent of the share of the product. With these reduced it would again become feasible to create new jobs and many marginal enterprises would become viable again. As a start, Dr. Burgess recommends the removal of the damaging National Insurance surcharge.

This is an important paper. Successive governments and their advisers have failed to understand the significance of their own tax policies. They have not seemed to distinguish between the results of different forms of taxation, or ever thought that there might even be some limit to the taxable capacity of this country. *Full Employment and Public Spending* clearly says that there are limits, and that there are right and wrong ways of taxing the community. Let us hope that the message gets through to the policy makers before it is too late.

Books Received

The Future of Scotland Ed. Robert Underwood. Croom Helm. H.B £5.95, PB £2.95.

Industrial Relations: A Textbook by Michael P. Jackson. Croom Helm. HB £8.50, PB £3.95.

Aid and Development in Southern Africa by David Jones. Croom Helm. £11.95.

Dynamic Investment Planning by M.H.I. Dore. Croom Helm. £9.95. *Asian Drama* by Gunnar Myrdal. Abridged in one volume by Seth S. King. Penguin Books Ltd, £1.75.

*Aims for Freedom and Enterprise, 50p.



An Americ

NICHOL

"The very liberties the War of Independence undermined by government favouring self trial producers in search of ca

that foreign nations will receive our raw materials . . . We cannot force them to become buyers when they are not sellers, or to consume our cotton when they cannot pay the price in their own fabrics." In a letter to Lord Stowell during the same year he expressed the fear that, "We are beginning also to become a manufacturing nation; but I am not much pleased, I am free to confess, with the efforts made to give an *artificial* (my italics) stimulus to these establishments in our country . . . The example of our great manufacturing cities, apparently the seats of great vices, and great fermentations, affords no agreeable contemplation to the statesman or the patriot, or the friend of liberty." Notwithstanding such anxieties, the U.S. tariff continued to be raised in 1824, then again in 1828, followed by another hefty rise in 1832. In 1828 the tariff rise on average increased duties to around fifty per cent on the value of imports!

Other prominent Americans, such as John Caldwell Calhoun (1782-1850), the U.S. Vice-President from 1825-1832, and a great protector of minority rights from the abuse of unrestricted majority rule through centralised government, were alarmed at the growth of privileged commercial protection being afforded the powerful Northern manufacturers' lobby. Economically, America had become two distinct nations, whose commercial interests were in conflict. The South was rich with the abundance of agricultural produce, much in demand in Europe—in particular, the U.K.—while the North was becoming industrialised, and out to secure a domestic monopoly of manufactures against European products with which it could not readily compete. Calhoun stated the problem in a nutshell when he said, "The question is in reality one between the exporting and non-exporting interests of the country."

Among visitors to the U.S. was our own William Cobbett who wrote in his *Political Register* for 1833, that "All the Southern and Western States are, commercially speaking, closely connected to Birmingham, Sheffield, Manchester and Leeds; . . . they have no such connections with the Northern States, and there is no tie whatsoever to bind them together, except that which is of a mere political nature . . . Here is a natural division of interests, and of interests so powerful, too, as not to be counteracted by anything man can do. The heavy duties imposed by Congress upon British manufactured goods is neither more nor less than so many millions a year taken from the Southern and Western States, and given to the Nor-

THE United States of America from its earliest days has generally subscribed to a belief in the private ownership of property and the freedom of private endeavour. Until the aftermath of the Civil War, the former belief included the owning of and trading in slaves; the latter belief has been characterised by a long history of protection and the growth of trusts and cartels, with periodic outbursts of hostility against foreign imports. A free trade Britain was often cited as being as good a reason as any for American protectionism. Prior to the Civil War, there existed a deep division between the Northern and Southern states regarding free trade. The agricultural South with its slave labour favoured free trade, whereby raw materials and agricultural produce might be exported in exchange for manufactured products from an expanding industrial Britain in particular. Such a policy incurred the wrath and hostility of the industrial North. These mutually hostile interests which existed between the supporters of free trade and those favouring protectionism, led to threats by the South of secession, the issue of slavery, though peripheral to the main issue, adding fuel to the disenchantment and bitterness which was festering between the two parts of the less than a hundred-year-old democratic Union. Not only was political stability under immense strain in a nation "half-free and half-slave", the inevitable incompatibility between protectionist and free-trade sentiment ran deep, the final breach leading to a civil war which lasted from April 12 1861 to April 9 1865, in which 600,000 lives were lost out of a total population of around 32 million; as an indirect result of the war, it has been estimated that the loss of population was as high as 2.5 million. The protectionist North won, and for good or bad, the foundations of modern America were established. It being an ill wind that blows nobody any good, in 1863 an Emancipation Proclamation abolished slavery, the Union was saved, and with it the establishment of a protectionist policy which has too often been the cornerstone of American domestic economic policy. Lincoln admitted that if the preservation of the Union meant tolerating slavery, he would readily have accepted its continued existence. Great man that he was, he remained a protectionist at heart—not for personal aggrandisement, but rather out of ignorance of economic law. A great reconciler, he paid with his life by pursuing a policy of chivalry towards the defeated Southerner. His heirs were less benevolent men.

Prior to the Civil War, the issue of free trade versus protection bothered a number of wise and erudite minds at the heart of American politics. One man in particular who held strong views on the issue of minority rights as they were affected by the issue of tariff protection, was Judge Joseph Story (1779-1845), a member of the U.S. Supreme Court, who, in 1820 said: ". . . if we are unwilling to receive foreign manufactures, we cannot reasonably suppose

In Tragedy

BLITCH

was supposed to bring into being were being interests by legislating on behalf of industrial markets for their production."

thern States."

The advance of protection in the interests of the Northern manufacturers at the expense of the rest of the Union angered men like Calhoun, who complained most bitterly that, "Government is to descend from its high appointed duty, and become the agent of a portion of the community to *extort*, under guise of protection, *tribute* from the rest of the community." (my italics)

Calhoun's rising anger at the continued levying of higher duties passed by a Congress surrounded by corrupt self-seeking vested interests, was mirrored by the rising disenchantment of those States who stood to suffer most from such blatant discrimination favouring the Northern industrialists. Three States, Virginia, Georgia and North Carolina, gave notice that they would ignore the discriminatory tariffs being imposed by the introduction of nullifying ordinances. By now, Calhoun was representing South Carolina in the Senate. "The essence of liberty", he said, "comprehends the idea of responsible power—that those who make and execute the laws should be controlled by those on whom they operate—that the governed should govern No government based on the naked principle that the majority ought to govern, however true the maxim in its proper sense, and under proper restrictions, can preserve its liberty even for a single generation. The history of all has been the same—violence, injustice and anarchy, succeeded by the government of one, or a few, under which the people seek refuge from the more oppressive despotism of the many."

In other words, undiluted democracy where proper constitutional checks are absent or ignored, leads to tyranny and the arrogance of a corrupted majority using the machinery of government for private aggrandisement and personal gain by oppressing the natural right of minorities. The very liberties the War of Independence was supposed to bring into being were being undermined by government favouring those selfish interests by legislating on behalf of industrial producers in search of captive markets for their production. Outrage, bitterness and resentment were, in the nature of things, bound to follow; other issues, such as the existence of slavery were inevitably brought to the fore as the Northern States reacted against the accusations levelled against them by Southern politicians; talk of secession and the dissolution of the Union gathered momentum as accusations and counter-accusations grew in force. As the tariff controversy raged between 1828 and 1831,

Calhoun's protests attracted a number of gifted and articulate supporters. In particular, Hugh Swinton Legare (1797-1843), lawyer and statesman from South Carolina, though not supporting nullification, was just as outspoken an opponent of the tariff policy as Calhoun, when, in 1831, he protested that, "The authors of this policy are indirectly responsible for this deplorable state of things, and for all the consequences that may grow out of it. They have been guilty of an inextinguishable offence against their country. They found us a united, they have made us a distracted people. They found the union of these states an object of fervent love and religious veneration; they have made even its utility a subject of controversy among very enlightened men I do not wonder at the indignation which the imposition of such a burden of taxation has excited in our people, in the present unprosperous state of their affairs Great nations cannot be held together under a united government by anything short of despotic power, if any one part of the country is to be arrayed against another in a perpetual scramble for privilege and protection"

The air was being filled with hate and bitterness; the arguments of the Northern protectionists grew cruder and cruder, so that President General Jackson, outraged by Calhoun's threat of nullification, and if driven to it, secession, ordered his law officers out of their beds in the early hours of the morning to see if there was a case for impeaching his Vice-President for treason, threatening that if Calhoun were guilty he would have him hang from the gallows for such infamy. Reason and common-sense were giving way to the naked power politics of populist democracy and mob oratory at its very worst, constitutional government being abandoned to the greed and avarice of selfish vested interests. Secession threats had come at different times from both the Northern States and the Southern States; however, a temporary truce was reached on the tariff question by the introduction of the Compromise Act. The Act only "papered over" a situation which was rapidly passing the point of no return. A pyrrhic victory by the South only added to the mounting hostility that the Northern States felt for their Southern countrymen. It was then that the Northerners' frustration at the South's stubborn resistance to the imposition of protective tariffs took a new and ugly turn. The issue was slavery. The North charged the South with violating human rights, not to mention undermining Northern prosperity by the use of slave labour in unfair competition; the South countered by charging the Northerners with humbug, accusing them of using wage-slaves in the form of large numbers of illiterate immigrant labourers paid low wages for long hours, and exploiting them under appalling factory conditions. The South, for good measure, argued that they were obliged to look after their slaves in sickness and in health, whereas the North could (and

did) discharge its labour force without compensation when it ceased to be of any use, like so much worn-out plant and machinery. America had become two nations ;the conflict of interest had reached a point where reconciliation seemed beyond a reasonable solution. The dogs of war were on the loose; the break-up of the Union seemed inevitable. The only question left was when, and how?

A new nation founded on "Life, liberty and the pursuit of happiness" had tragically built into its make-up no adequate means of discharging its duty to safeguard the rights of minorities and the fundamental liberty of the individual. Group interests as expressed through majority rule stood paramount. The Constitution was flawed and incapable of protecting the individual from the tyranny of mob rule. Corrupt politics, which to this day bedevil American democracy, had taken deep root in a society founded on freedom and equality before the law. There is no doubt that the existence of slavery was a black spot on the American Republic. Sooner or later its abandonment was certain to take place; had free trade and sound constitutional government been the cornerstone of a free America, its demise as an institution would have been inevitable. Its continued existence acted as a convenient club with which the protectionist North could beat the free-trade South; in reality few Northerners cared a fig as to whether the South owned slaves or not, and if their demand for tariff protection had not met with stern resistance by the Southerner, they would have continued tolerating its existence. Slavery notwithstanding, the fundamental issue was whether "one section of the nation was to be made a tributary to another; whether property guaranteed by the Constitution was safe or not, if the North objected to an economic system which was different from its own; whether the Southern planter should be forced to take his morality from the Northern businessman; whether an agrarian civilisation could preserve its character or should be forced to conform to a disliked industrial one; whether a section of the country was to be allowed to maintain its own peculiar set of cultural values or be *covered* to conform to those of an alien and disliked section by force of numbers; a question of what would become of *liberty* if Union were to mean an *enforced* unifor-

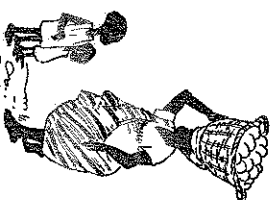


mity." (John Thurslow Adams, *The Epic Of America*, 1938). In spite of a bloody and disastrous Civil War which ended some 112 years ago, many of those

same questions still remain to worry large numbers of liberty-loving Americans.

On April 12, the South Carolinians fired on Fort Sumter; the die was cast; the next four years were ones of tragedy and blood-letting, the aftermath of which was to alter the whole course of American history in ways the founding fathers could not have envisaged. In spite of America's commitment to free enterprise and capitalism, the issue of free trade remains unresolved; the corrupt practices that worried and outraged men like Calhoun and Story continue to undermine the political institutions of a great nation.

The years following the end of the Civil War saw the degradation of the South, the growth of gigantic frauds and wild land speculation; hordes of cheap immigrant labour competing with freed slaves—both



groups landless and ignorant—forming the nucleus of today's urban poor, relying on public works and relief which have brought great metropolises like New York to bankruptcy, while outbreaks of civil strife tax the budgets and harass the officialdom of the United States to the point where anarchy and inflation have taken over from orderly government and civil tranquillity. The declining standards of government ethics that the old Southern politicians complained of have produced a bitter harvest, so that organised crime in America accounts for sums of money which exceed the budgets of many relatively prosperous independent nations; in fact, a self-governing criminal oligarchy exists under the effective protection of the U.S. Government elected by the people of the World's largest democracy.

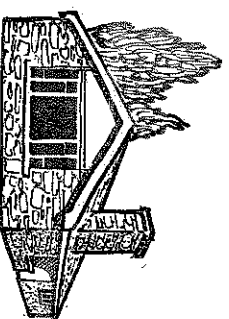
If there is a lesson in all of this for us, might it not be that the dream of a United States of Europe, containing many languages, customs and conflicting interests, arising out of long and diverse histories, makes such a dream more a prospect for a future nightmare, rather than a recipe for peace and prosperity?

Most Britons have a long-standing affection for America—often taking the form of a love/hate relationship; it is therefore necessary that we should take special note of those factors in that fine country's history which brought about the undermining of the dream its early settlers played and worked for. Those who refuse to learn the lessons of history seem fated to repeat those tragic errors which I have briefly recited.

Space as a Tool of Social Control

FRED HARRISON

"By regulating the use to which land can be put, one section of society can heavily determine the life-styles of other people."



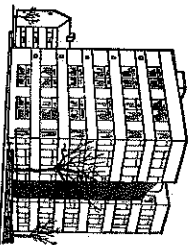
LAND monopoly not only enables people to exploit others for economic reasons: it also provides those who control property rights and the institutions which make laws, with an important mechanism of political control. For by regulating the use to which land can be put, one section of society can heavily determine the life-styles of other people.

We tend to neglect this aspect, which only comes to the forefront when we hear of cases such as the practice in Rhodesia and South Africa of physically separating people on to "reserves" or "homelands".

The recent row in Salisbury over the discovery that the Rev. Ndabaniingi Sithole, a black nationalist leader, was living in an area designated for "whites only", highlighted the racial motive. But we can find similar examples of social control much nearer home—though they are more difficult to pin down, in view of the absence of a Rhodesian-type Land Tenure Act.

Spatial segregation has been a useful means of perpetrating the class structure in Britain, and the weapon which has been used—by the Labour Party just as much as the Conservatives—has been the council estate. By building large, subsidised estates, people with low incomes who fit into a certain educational and occupational status have been safely isolated from middle-class areas with their semi-detached homes and well-manicured lawns.

If anyone doubts the political consequences of this pattern of house-building, they should examine the way in which it helps the Boundary Commissioners to carve up constituency boundaries to create and maintain distinct Labour or Tory voting profiles. Integration of the two groups (and one is not denying that there is, in fact, considerable overlap) would lead to a blurring of the conventional two-party political system, thereby altering the balance of power in



Westminster in favour of so-called "moderate" third-

1. M. N. Danielson, *The Politics of Exclusion*, Columbia University Press, New York, 1976, \$6.95.
2. T. R. Lee, *Race and Residence*, Oxford University Press, 1977, £6.95.
3. D. H. McKay, *Housing and Race in Industrial Society*, Croom Helm, 1977, £7.50.

party candidates in a General Election.

The class-based motive may not be a strongly conscious one in Britain, undeniable though the sociological effects are; but there are plenty of cases where middle-class groups fight to prevent their councils building estates in their vicinity, the ostensible reason being the desire to preserve open space. But having council tenants in the neighbourhood is often felt undesirable for reasons other than the wish to walk the dog among trees instead of concrete. Prejudices emerge (lower classes are more prone to vandalism, aren't they?); vested interests come to the fore (a council estate will affect adjoining property values, won't it?).

Nonetheless, one's experience suggests that group action to control land use for ulterior motives are not as deep-rooted in the UK as they are in the USA, where Americans are strongly guided by income and racial considerations. To protect group interests, laws and group pressure are accordingly used to regulate the movement and location of people. The evidence has been exhaustively examined and documented by Michael Danielson in *The Politics of Exclusion*¹.

Danielson shows how zoning laws and building regulations are used to segregate people according to their incomes and the colour of their skin. The main thrust of action has been aimed at containing black people in decaying inner cities, by making it difficult for them to move out into the more congenial suburban environment.

"Land is the most valuable resource in the suburbs," writes Danielson. "Suburbs attempt to influence land use through a variety of means. Roads, sewers, water lines, schools, and other public facilities and services can be utilized to foster or preclude various types of residential, commercial, and industrial development. Tax policies may be manipulated to attract business, or to stimulate the construction of particular kinds of housing. In addition, federal and state funds can be sought or eschewed for sewerage systems, urban redevelopment, or housing for lower-income families. Direct land-use controls, however, are the principal instruments available to suburban governments seeking to shape development and control populations within their boundaries."

Manipulating building standards is one way to regulate spatial segregation. For example, by preventing multiple-unit, low-cost housing developments in favour of single-family detached homes on sizeable

plots, costs are pushed up so that poor families are automatically excluded from the neighbourhood.

Poor people, of course, have neither the organisation nor the resources to fight back. So they fester on in the ghettos, carefully contained in sharply-defined territorial units—the modern equivalent of the reserves on to which the native Indians were herded by the conquering settlers in the nineteenth century.

The racial problem is not, however, one towards which we in Britain can be complacent. For the inward flow of immigrants in the past two decades has resulted in several alarming trends which are aimed at a similar spatial segregation. Some councils (and that means elected councillors) are operating policies aimed at concentrating families on to particular council estates.² And according to David McKay,³ some estate agents are accepting instructions from clients unwilling to sell to blacks: with the result that we have the beginnings of a dual market in the private housing sector.

The concept of spatial segregation in industrial

society is one which needs much more elaboration and research, the better to understand the nature of the problem. As to the solution—there can be only one: the destruction of those legal rights which vest monopoly power in the hands of the few, thereby enabling them to fashion the destinies of the many.

* * *

ADVERTISEMENT

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A First Step to Reform

FOR perhaps fifteen years, I have been urging my Tax Map Plan, a programme designed to bring to public attention the actual assessed valuations of land and improvements—as well as tax exempt parcels—of each individual plot of property in the County. The intent is to bring to light the quite chaotic kind of assessing now existent, without any seeming pattern, formula or equitable design for bringing tax procedures within the State statutes. It has been a most discouraging effort not only to get encouragement or support, but even to evoke a glimmer of understanding or interest.

Recently however, I did get word from a newly-elected County Supervisor that while there would be no assistance for such a Tax Map Plan, there would be no objection to my undertaking it at my own expense and effort. I have now proceeded to do this. Very shortly, we will have at least two model maps, covering a section of land, each one square mile. On these will be noted the assessed valuations of each parcel for land and for improvements. These will be submitted to the governing body of the County, as well as placed in a suitable public place for easy inspection by any inter-

ted citizenry. And then, we hope, the move for reform will be on its way. It seems like such a logical, uncomplicated way of attacking this problem, that it is to be wondered at that it has not happened sooner.

During the same period of the last few months, a land zoning matter came up which indicated the entrenched hold which inequitable practices have and against which the general public seems so unable to protect its rights. A parcel of 220 acres, owned by a

JOSEPH ZASHPIN reports from
Pima County, Arizona, U.S.A.

large developer, was presented for a zoning change to increase its density for building purposes three-fold or more. Located in a very desirable area, it brought out a large number of protestors, concerned that the increased density would be detrimental to the services of water supply, sewer, schools, roads, etc. They made very telling arguments. Nonetheless, the Board of Supervisors voted five to none to grant the change. A possibility of compelling on a lesser density was

ignored. The political influence of the land-holder was clearly demonstrated.

Curious about this, I examined the hearing record and discerned that the acreage was assessed largely at \$1,100-\$1,300 an acre—a third or fourth of its conservative market value. The State Law requires that it be assessed at full market value annually. When I presented this fact to the Board, they did nothing. When I publicized this by contacting all the interested parties I could involve—the two newspapers, the School Boards in the area, the chairmen of the Democratic and Republican parties, the Pima Bar Association, the Local Consumers Council, the League of Women Voters, the County Assessor, Treasurer, Presiding Judge, County Attorney, State Attorney, Governor of Arizona etc, I had one reply—from the Assessor that he would sue me for libel if I did not desist. Not a peep out of any of the others. In the recent period, an adjacent parcel has come to light for a County improvement and the value is given as \$10,000 an acre so that my estimate of under-assessment might be an eighth or a ninth of market value. My hope is that the Tax Map will be the end of such outrageous inquiry.

E.E.C. Costs and Benefits: an Alternative Yardstick Needed

ROY DOUGLAS

SUPPOSE that a biologist wishes to ascertain what effect a particular factor has on a phenomenon he is studying. He wants (let us say) to discover whether rats develop faster at 20° centigrade or 25° centigrade. He takes two similar sets of rats and tries to rear them in conditions which are identical save for temperature. He tries, for example, to ensure that the two samples have the same sex proportions, are of similar genetic constitution, are of the same initial age and size, are kept in similar cages on similar food, and so on. He tries to use large numbers of rats in each sample, so that the effect of a few aberrant individuals will not distort his results. Finally, he submits his data to mathematical analysis, and ends by telling us what the "probability" is that one set of rats grows faster than the other.

Analogous techniques are often applied in other sciences; but even when rigorous controls are applied, the conclusions are often criticised by different workers in the field. How much more difficult is it to derive satisfactory conclusions from observations in economics! There can be no "controlled experiments". Even when it can be clearly demonstrated that a particular result has occurred—the price of butter, or the number of registered unemployed, has increased, for example—it is seldom possible to establish beyond reasonable doubt that some particular measure (like joining the European Common Market) produced that effect.

This is the sort of difficulty we encounter when we discuss and compare two recent pamphlets which are designed to establish opposite conclusions. They are *Britain in Europe Since 1973: The Benefits of Membership*¹ and *The Common Market: The Cost of Membership*². Both documents

1. European Movement, 50p.
2. Labour Common Market Safeguards Committee, 50p + 10p postage.

are crammed to the rafters with data, which I suppose we must accept as authentic. Yet Lord Thomson, who writes the introduction to the former pamphlet, practically admits the dubious value of all the figures: "There is a lot of talk about the economic cost of membership. That can fluctuate from year to year and even from month to month."

Just so. On the balance of figures adduced, I should be disposed to award the palm to the anti-Market pamphlet; but nobody will call me an impartial umpire!

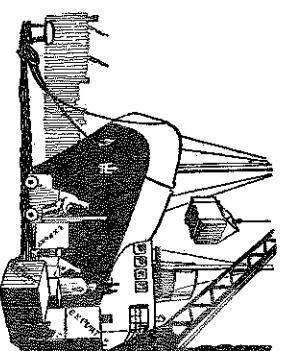
Yet when we ask the cost of membership, what is our standard of comparison? Do we hypothesise what would have happened if we had continued our former trading policies, or do we consider some third or fourth possibilities? At one extreme an "alternative" to the Common Market would have been free trade; at the other extreme an all-out policy of trade restrictions. If I am asked whether I want a portion of chicken-and-veg, I like to know whether the alternative is steamed cod, or roast pheasant, or no food at all! Neither side has really stated clearly with what particular alternative they are comparing membership of the Common Market.

On one point, I am quite sure the pro-Marketisers are wrong. "It is the political case for British membership," Lord Thomson writes, "that remains fundamental and consistent, whatever the current state of economic argument on the surface." The political and economic arguments cannot be in conflict. If the people of Britain are convinced that it is economically harmful to remain in the Market, then membership will assuredly produce unbearable political tensions—and vice versa. Surely the whole history of post-1945 separatist movements throughout the world has established that, if nothing else?

Although both pamphlets have

been carefully compiled, I do not believe that either will make ten converts throughout the land. What will ultimately decide the people of Britain whether to remain in the Common Market or not will be the policies pursued by the E.E.C., and the alternative offered by the anti-Marketisers. Both sides may with profit consider those questions.

This country has almost twice as many people as it can feed. The continental E.E.C., by contrast, can more or less feed itself. A similar, though not quite so stark, contrast exists with raw materials. If the Common Market continues to operate (as it does operate to-day) in a manner which compels us to buy our food and raw materials at prices higher than those which we could obtain outside the E.E.C., then it is acting to our detriment, and in the end this country will leave it. If the Common Marketisers are truly convinced that it is for everybody's long-term good that Britain should remain in the Market, then the most useful thing they can do is to exert every pressure on Brussels (including the threat of withdrawal) in order to compel the organs of the E.E.C. to allow Britain to obtain these goods from outside sources without tax or restriction. Better still, let the E.E.C. methodically dismantle its own trade barriers towards the rest of



the world. Let the Common Marketisers also take action to cut down the power of that monstrous bureaucracy, the E.E.C. Commission. If, after a few years, they

can show real results on those two fronts, the people will be much better disposed towards their case.

Conversely, however, let the anti-Marketees look to their laurels, and not simply wait for an impoverished Britain to collapse out of the Common Market. Let them sit down and think out the free trade alternative. How do we get from here to there? Today,

Where have all the Flower-children gone?

ROBERT CLANCY

IN the late 1960's the world seemed to be coming apart with a series of disturbances, protests and revolts, largely on the part of youth. Hippies and yippies, flower-children and counter-culture protagonists passed in array and promised or threatened a new order of things.

How has it been since then? What has become of the youngsters of that era? And what are the new youngsters of the late '70's doing?

A good deal of the older man-ners and morals have indeed become unstuck. There is more informality, more sexual permissiveness, more drifting away from the established religions, more drug-taking and alas, more violence.

As for the youth of the '60's, they have tended to blend in with society without having moved it very much (other than a proliferation of blue jeans and longer hair). A bit of research along these lines appears in the book *What Really Happened to the Class of '65?* by Michael Medved and David Wal-technisky. A group of high school students of that year were christened by *Time* magazine as "child-

not only our external trade but our internal trade as well is subjected to an almost unbelievable range of restrictions. Many of these restrictions spring from the E.E.C.; but many were there before we joined. If Britain had not clogged up her economic life by this farrago of controls, the question of joining the E.E.C. would never have been seriously raised.

As for today's youth, there is also a spectrum: a good many are simply going along with things as they are, hoping to get ahead. Many are experimenting with sex and drugs. There is still youthful idealism. Current students of Kent State University have vigorously protested at the building of a gymnasium on the site where students in 1969 were shot down by National Guardsmen.

Many young people are devoting time and effort to various causes. But the causes of today differ from those of yesterday. Rather than social gospels, there is emphasis on cults that seek more to escape from the problems of society than to solve them, a drift toward individual salvation rather than social salvation. Hare Krishna, Rev. Moon's Unification Church, Scientology, transcendental meditation and the like are claiming hordes of young adepts. If there is any zeal for reform it seems to be in the area of agitating on behalf of minority groups, prisoners, homosexuals, various nationalities, etc.

The most lamentable of all trends is the proneness to violence. During New York's recent blackout, gangs—largely young people of minority groups—looted and pillaged. It was a sad illustration of Henry George's premonition of "carnivals of destruction alternating with the lethargy of a declining civilization." Apart from this special case, slum youngsters of sixteen, fourteen, twelve and even younger go around mugging,

If the people come to believe that the only alternative to the E.E.C. is the kind of economy some of its opponents on the Labour "left" desire, they may well conclude that even the E.E.C. is preferable.

To both sides, then, the message is equally clear. Less of the apologies; more action! Nothing is permanent in politics.

stealing and setting fires.

Misguided youth of various nationalities, supposedly to voice their national grievances, are turning too readily to senseless violence—bombing, hijacking, kidnapping hostages, killing—and one wonders what good they can expect from it.

We wax hot with indignation at such goings-on, but it must not be forgotten that these things are coming from within our own civilization. In the case of violent and destructive youngsters, it is fatuous to rail against them, for we are literally breeding such problems. Plainly, we are doing something, or not doing something, that is making these things happen.

One important factor that has to be considered is that in this restless era, our society has not lived up to the promises it has made. It has created marvels of technology and has withheld their benefits from many people. It has preached morality and has produced corruption in high places. It has held up education as a goal and has turned out ill-trained misfits. It has put forward the injunction to succeed and has denied economic opportunities to many.

Modern society has not really provided a satisfying matrix for youth, a *rite de passage* for joining the mainstream—and ill-guided youth makes up its own rude standards.

Young people are of course going to inherit it all, for weal or woe. Since they are human, they will probably carry on many of the mistakes that are now being made. But a hope remains that within human nature there is a balance that—with all the deviations we have gone through and are going through—will eventually lead to the basic truths of equal liberty, economic opportunity, freedom of trade, a just system and social harmony.



ren of destiny . . . on the fringe of a golden era." The authors tracked down these favoured individuals and found them in varied

Housing Policies—Good Intentions, Poor Economics

PETER HUDSON

AFTER two-and-a-half years' work, the Government has published its consultative document on housing policy.* Recommendations have been put forward under seventy-four headings ranging from tax relief to battered women. They are no doubt meant to encompass everyone's housing needs from the cradle to the grave. Within its 154 pages of text, diagrams and tables the document presents a comprehensive view of housing needs and a brief survey of past performance and trends. Here are a few of the official figures:

- ◆ Since 1951 the number of households in England and Wales living in physically unsatisfactory conditions and shared accommodation has fallen from nearly 10 million to 2.7 million.
- ◆ About a third of the housing stock was built before 1914.
- ◆ A deficit of about 750,000 houses compared with households in 1951 had been turned into a surplus of about 500,000 more houses than households by 1976.
- ◆ There are still about 900,000 unfit houses in England and Wales.
- ◆ In 1918 about 90 per cent of the housing stock was privately rented while now 55 per cent of houses are owner-occupied, 30 per cent are in the public sector and only 15 per cent are privately rented.
- ◆ The initial weekly cost of an average mortgage rose from about 26 per cent of income in 1947 to 34 per cent last year.
- ◆ In 1975/6 tax relief and option mortgage subsidy amounted to £1,100 million while rent rebates, rate fund contributions and general public sector subsidies amounted to £1,502 million.

It will be seen from the above figures that while significant improvements have been made in

housing standards there remains much to be done. Furthermore, what is being achieved depends on what the authors of the document call "general assistance"—a term coined expediently to cover nearly the whole range of tax-funded housing help. This "general assistance" in 1975/6 amounted on average to £195 for each mortgaged house.

The consultative document argues that the public expect general housing assistance to continue and because of this, there are no dramatic proposals in the policy recommendations. As far as the diminishing private rented accommodation is concerned it is recognised that this sector of the housing market still has an important function to perform. A review of the Rent Acts is being undertaken and it is proposed that the scope for a publicly accountable letting agency should be investigated. There is not much comfort to be found here for those who cannot buy their own home but who do not qualify for public sector housing. Indeed, the document accepts that to meet this point it will be necessary for the public sector to accept responsibility for housing a wider range of households!

We see here that the Government is still firmly committed to an expanding public sector in housing but because of the attractions of owner occupation to a large proportion of the electorate, it is proposed to introduce further measures to help home buyers. Here are some of the proposals:

- ◆ £500 loans to first time house purchasers who are able to save at least a matching sum over two years with the loan to be interest-free for five years.
- ◆ A savings bonus broadly equivalent to income tax at the basic rate on the aggregate of interest up to £1,000—worth about £100 on £20 a month savings over five years.
- ◆ Higher percentage mortgages,

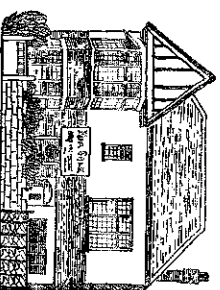
more loans on older properties, more low-start mortgages, fresh sources of mortgage funds (life and pension funds) and building society quotas for house-builders.

There can be no doubt that if such measures were introduced, the housing market would be stimulated by increasing demand. What would remain to be seen would be whether the land market would respond with dramatically rising prices as it did during 1971-73 when expectations of continuously rising property prices were high. Very little is said about land in the government's document.

Local authorities are to be asked to prepare comprehensive Housing Strategies which are expected to ensure that sufficient land is available where required, using their planning and acquisition powers to assemble and dispose of sites under the Community Land Act. By such methods, according to the Government, local authorities should help to provide a further element of stability for the building industry both in the flow of land on to the market and in the price at which it is obtainable.

We therefore find once more that it is thought that the answers to the country's housing problems are to be found in further detailed planning, continuing and higher subsidies and more action by local authorities, especially in the inner cities.

It has been pointed out frequently in this magazine that the housing problem is really two-sided: on the one hand high land prices in a tight island economy are sustained by ever tighter land-use planning; and on the other, fundamental poverty excludes a large part of the population from bidding effectively in a market which has been manipulated by



controls and high levels of public intervention for more than fifty years. Surely the way forward is to attack the land-price problem

* *Housing Policy—A Consultative Document* (Cmd 6851) H.M.S.O. £2.50.

at its roots through progressive *ad valorem* land taxation and by sustaining a high rate of economic growth to shift the poverty margin downwards. This, however, has yet to be appreciated by most politicians of all parties.

Meanwhile, with good intentions and poor economic understanding, more and more interventionist policies are proposed. The familiar rag bag of minor modifications to irrelevant action looks as if it will persist for a long time to come, although it may change its superficial appearance over the years. The sale of public sector housing, increased grants for rehabilitation, more public acquisition of vacant houses and new forms of tenure like equity-sharing

will have only marginal effects where the natural allocative bonus of the market place has been disregarded for so long and where deep-rooted monopolistic characteristics of the land market are firmly entrenched. If my readings of the trends are correct, the next major housing policy proposal from this Government will be to use Community Land Act powers and public finance to "write down" the values of acquired land. The Americans have already travelled in that direction and found the financial consequences disastrous.

"Tax the land and not the buildings" is still a worthy slogan. Let us hope it will never be forgotten. It will always have relevance to housing policy.

Political Acrobatics

T. O. EVANS

IF you make mistakes you don't just admit them and attempt to rectify them. You justify your original arguments and then find new ones for putting the mistakes right under the guise of a new policy. This is standard Government philosophy. See an evil—pass a law. If this creates another evil—pass another law. If the laws conflict and tie lawyers, laymen and administrators in knots, why, then you pass a consolidating act leaving a few crafty loopholes that counsels' opinion will find for those concerned—at a price.

Of course the wrangling will continue over what the appropriate action of our rulers should have been, missing the point that no action at all was the right action in most cases.

Londoners will be familiar with the large posters on the hoardings, the underground railway and in the press in recent years, exhorting firms to move out of London. The Location of Offices Bureau, set up twelve years ago to "encourage the decentralisation of office employment from congested central London to suitable centres elsewhere", was backed by subsidies and inducements of many kinds. But now the Government wants the offices back again. It was all a mistake. Well, not exactly a mistake—you see there is a new policy. The Bureau is not to be

wound up, it is to be used to promote office employment in city centres and in case not enough firms come back, it is to encourage foreign firms to establish offices in Britain. This of course is definitely not a reversal of policy—Mr. Shore, Secretary of State for the Environment, says it isn't and what more could you want? Accusations of somersaulting, making a U-turn or back-tracking are quite unfounded.

The Bureau is now to "offer advice on the location best suited to the particular firm in question, whether in an assisted (subsidised) area, an inner urban area or elsewhere."

So whether you are assisted, cajoled or intimidated to move in or out of London, the Bureau is there to advise you what to do. And that advice, I seriously suggest, should be listened to very carefully by firms contemplating a move. A farmer, asked to what he attributed his exceptional success, replied that he listened carefully to government advice—and then did precisely the opposite.

Of course, the whole thing could be a plot to confuse land speculators or to encourage them. What with the claimed success of the Bureau in getting 120,000 office jobs moved out of central London and the slump reaction to the speculative property boom, office

rents have been depressed. Now however, there are signs of a slight recovery. But with all the Government's fooling around with planning and fiscal policies, and with its land nationalisation and development charges, not to mention the concealed but inexorable effects of economic laws, the poor land speculator doesn't know which way to jump. He has dipped into the community's land-rent chest before and burned his fingers.

The Government is at present very concerned about the inner urban areas that are run down, soulless and economically unbalanced. Without a single thought as to its own contribution to the problem, which was consistently to ignore or dismiss the right steps, it is now busy trying artificial respiration with more of the taxpayer's money. Urban aid expenditure on selected inner city areas is to be increased by £95 million this year as a step towards a commitment of £1 billion over the next decade. Office Development Permits are to be raised from 15,000 to 30,000 sq. ft. and Permits given to a limited number of speculative office buildings in inner London.

To whatever extent the exodus from London and other cities has been a result of the Bureau's activities, the fact is that firms were moving of their own volition anyway. To give space to a clerk to work in the City of London it costs an average £2,674 per annum including rates. Office workers take a dim view of commuting these days, what with the swinging increases in fares and unreliable and uncomfortable transport facilities.

Maybe if the latest policy fails a Grand Plan will be devised with a computer-controlled office and population transfer grid. Every engagement and dismissal in the cities would be fed into the computer as would every office letting or vacancy. Office workers with their desks would then be transferred in coaches and vans on a weekly basis to preserve an equilibrium decided upon by planners as the ideal. After all a precision computer-planned chaos must be better than the old-fashioned human brand we have now!