

Is there need for planning in an efficient land market?

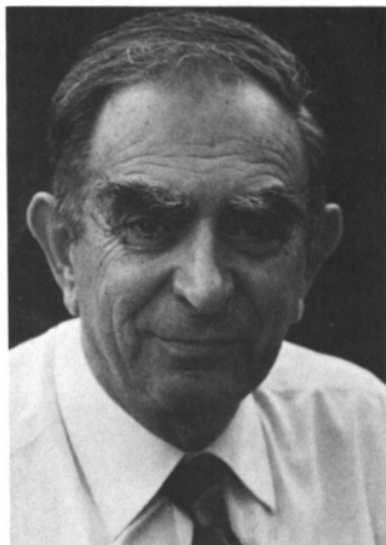
THE economic and social significance of land is under-rated by policy-makers. Superficial interest is occasionally expressed, as evidenced by the sorties into (usually ill-fated) legislation. But few politicians attempt to systematise their efforts at defining a rational framework for the operations of the land market.

One of the obstacles to a clear appreciation of the nature and scale of the problem – let alone the definition of solutions – has been the dearth of up-to-date comparative material.

The book by Lichfield and the late Darin-Drabkin is, therefore, an important compendium. It provides a global guide to the full range of policies, from bureaucratic planning to fiscal policy. So, despite its price, it is an essential addition to the library of any serious student of land.

The most valuable section, which was prepared by the late Haim Darin-Drabkin, is the appendix: an international survey of land policy measures, with a useful bibliography.

The book is weakest in its economic analysis. The attempt to be even-handed produces some nebulous conclusions. This can be illustrated by



● Haim Darin-Drabkin

the attempt to evaluate the role of speculation on the land market.

We are told that "While there could be some support for the view that land speculation is not entirely anti-social, nonetheless it is most important on occasions for the com-

munity to control excesses which flow from it."

Where do the benefits end, and the "excesses" begin? Well, the authors agree that speculators "clearly have an anti-social role in terms of land prices," but how do we identify the turning point in social acceptability?

There are errors. The British Labour Government's land legislation in 1975 and 1976 was not, "in essence . . . Henry George's single tax as a curtain-raiser to municipalisation of all development land" (p. 4).

The capture of economic rent for the benefit of the community would not "reduce drastically the incentives to the private sector to take part in development" (p. 159). Providing entrepreneurs receive a rate of return on capital improvements which was comparable to the yields that could be expected from other forms of investment, development would continue and, probably (as the authors note in the case of the Sydney business district), intensify!

The authors also seem to think that an annual tax on land values would lead to the destruction of privately-owned buildings of historic or architectural importance which might otherwise have been retained. Who decides the historic status? If owners sought public recognition that their structures should not be demolished in favour of optimal economic use of the land, and if – through the democratic process – this recognition was forthcoming, preservation orders would be granted which would reduce the market value of the land, and therefore the tax obligations!

Heavy weather is made of the importance of the planning process (insufficient emphasis is placed on the virtues of a freely-functioning market). One suspects that Nat Lichfield (Emeritus Professor of the Economics of Environmental Planning, London University) has a scholarly interest in promoting the art of planning.

This study is long overdue. We hope that the publishers will find it worth their while to commission Lichfield to revise the book for a second edition within the near future to take account of the latest developments in a field of knowledge which is vital to the formulation of sound economic and social policies.

Paul Knight

REAGANOMICS: cont. from P.80

have been there before, in a system not unlike the one proposed by Gilder and supply-siders.

Wealth and Poverty ends where *Progress and Poverty* begins. Henry George's work, more than 100 years ago, began by noting the wonderful advances in productive power that had been unleashed since the industrial revolution. But poverty persisted. The problem of distribution had not been solved. And George showed how the solution lies in an understanding of the laws of distribution. (One might note that the very term "supply-side" suggests an incomplete economic framework.)

Gilder criticises "distribution" as though it only means "redistribution." That is, as if it means that the government takes from some and spreads it around to others. But distribution needs to be understood in terms of fundamental economics: the primary

distribution of wealth – rent to land, wages to labour, interest to capital.

Even the processes of production as envisioned by Gilder could use a dose of fundamental economics. For the idea that we must depend on the rich to get production going is a modern version of the wage-fund theory – the idea that wages are paid by capital. (It must be admitted that this notion is shared by many today, on the Left as well as on the Right.) As Henry George pointed out, labour produces its own wages and needs only access to land, not the gigantic organisation of capital.

George Gilder's thesis does represent an improvement on what we have been treated to over the past few decades. But unless we pay some heed to Henry George's message, a supply-side remedy will only land us back again to Square One.