

Backlash of Bureaucratic Planning

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QUANTIFYING the costs of economic planning is an exercise that the economic planners do not normally care to attempt. When they do, the language they use is "safe"—*i.e.*, sufficiently sterile and not likely to drive the citizen to frenzied action in protection of the taxes that he grudgingly but unquestioningly hands over to the Inland Revenue.

A topical example is the cost involved in controlling office development in London. The Location of Offices Bureau was set up in the early 1960's with the function of persuading firms in central London to move out. This was too negative an approach for Mr. Wilson's Government, which introduced the complementary positive policy—the Control of Office and Industrial Development Act (1965). The Labour Government, concerned about the high unemployment regions of the North and West, attempted to coerce successful and/or new businesses into taking jobs into those areas by denying them the chance to expand in the south-east. How successful has this been? And what has been the cost?

The LOB used propaganda in its attempts to divert employers out of London. For example, in 1967 it was able to argue that it cost an extra £465 per employee to operate in central London, compared with other regions. This figure was made up of the extra cost of space per worker (£315) and the salary differential (£150). The figure today has gone up to over £900—most of it taken up in rent.

The table below shows the LOB's performance:

Year	Enquiries	Firms Moved	Jobs Moved
1963/4	354	7	291
1964/5	522	97	6,342
1965/6	408	146	10,768
1966/7	308	162	11,564
1967/8	253	191	14,002
1968/9	203	146	10,996
1969/70	172	129	9,367
Total	2,220	878	63,330

The cost to the taxpayer of operating the LOB has been £674,494 up to this year—and this does not include the salaries of the Bureau's chairman and three members which are paid directly out of the Ministry of Housing's budget. So we can see that it costs us about £11,000 per job moved out of central London.

But that is only a superficial figure. The true cost, thanks to the Labour government's efforts, is very much greater. For they decided that you can legislate against market forces; that an Act of Parliament would cause firms earning a profit in the south-east to move to depressed regions in the north-east.

It just did not work. Employers were almost wholly

96

against moving more than forty miles from central London. And in the LOB's last annual report we find that the attempt, under the Labour Government's regional policies, "to force firms to the development areas by denying them opportunities elsewhere has, after five years, shown negligible signs of success. Without a change in the Government's office policy, decentralisation from London must remain below its potential." This view is backed up by the statistical evidence above, which shows 1967 as the high point in the decentralisation movement.

The consequence was a restriction in the expansion of some businesses in the City, a criminal feature of Labour's economic mismanagement. For the City earns this country the bulk of our "invisible" foreign earnings for services (like insurance and shipping) rendered abroad. Historically, these have always shown a fat profit. Service industries, in fact, are a growing proportion of the world's annual product. That they should be impeded by a Government which could bring itself to think of little else but balance of payments problems leaves one speechless. That the Government should adopt a policy which artificially restricted the supply of accommodation, and consequently, to the glee of landlords, forced up rents, leaves one questioning the sanity of that Government.

This is exactly what happened. Businesses in the City found themselves going through a traumatic period. These are some of the costs upon which one cannot place a monetary value:

● Inefficiency resulted from firms being unable to expand their activities in poor or renovated accommodation;

● The small, but important, professional firms (such as solicitors, accountants and brokers) found themselves facing astronomical revisions of their rents as their leases matured—and some of them were pushed out of the City nerve centre;

● The plain inability of new firms to set up in the City because of the absence of accommodation;

● Physical congestion on the roads, and human irritation in the office, as a result of existing firms having to hive off growing departments into the suburbs—which nevertheless had to retain communication with the head office;

● Price inflation due to the rocketing rents (why is it that we hear only about the unions' part in causing

“wage inflation,” and never hear anything about the centrally-planned inflation?);

● Disincentives to foreign (and particularly American) firms to set up branches in the City.

This is by no means an exhaustive list. For instance, the planners themselves have become victims of the institutional chaos they are helping to create. For by working partially on the basis of what they think ought to happen regarding economic expansion in the City, they have not been able to make the provisions necessary for the direction in which economic expansion is taking place.

The dearth of office accommodation in central London is matched in the suburbs and outer metropolitan area. Early in 1965 there were about 13 million square feet of new offices completed or under construction in this wider area. By the end of last March the figure had shrunk to three million square feet.

Rents, in response, have rocketed. In the City, the precious office space is fetching between £10 and £14 per square foot. Given these obstacles, it is a commendation of the resilience of the City that it continues to play such an important role in world financial affairs (and, indeed, has managed to snatch the lead in Euro-\$ dealings).

Still we can observe the wanton wastage of empty skyscrapers, their owners demanding the sky-high rents that no-one, as yet, appears willing to pay. Thousands of commuters daily pass by luxurious but empty accommodation, on their way to dingy turn-of-the-century offices.

One of these blocks, Centre Point in Tottenham Court Road, is owned by Harry Hyman's Oldham Estate Company. My attempt to discuss the problem of office

accommodation with a representative of the company was met with a blank rejection by the firm: “It is not company policy to give Press statements.”

Like the gaunt totem poles of a confused society, they stand erect, blank and empty—taunting gestures to people preoccupied with the absence of living and working space, who yet tolerate the phenomenon of idle land in their midst.

Admittedly, the Labour Government did give us the General Rate Act (1967) which provides local authorities with the power to levy half-rates on unused premises. To date, however, only ninety-nine out of more than 1,400 rating authorities have taken up this option (six others did so, but successfully applied to the Minister of Housing and Local Government to have their new power rescinded). Of the thirty-two London boroughs, twenty-four have decided to levy half-rates.

The effect on large property speculators in London has been negligible: half-rates are a small price to pay for a large capitalised income in the future. Experts in London's housing and office problems are now privately talking in terms of penal double-rates on property owners who refuse to accept realistic market rents for their accommodation. Such a proposal, needless to say, would be vigorously opposed if it got beyond the whispering stage. Nevertheless, to people severely restricted in their philosophical outlook on the *status quo* (who could not, for example, absorb the implications of a rate levied on site value) such an idea at least suggests an encouraging consciousness of priorities.

Just how the Tories will respond to this situation remains to be seen. Change there will almost certainly be. But can one really expect better substitutes? Of one thing I am convinced: it would be salutary if each Minister of the Crown, and every bureaucratic organisation financed out of the public purse, were ordered to publish the costs as well as the benefits of their efforts. Would this not cause them to think a little deeper than at times appears to be the case? Would they not be less impetuous and superficial? And would it not be easier for the citizen to involve himself in his country's affairs, instead of showing the apathy which provides admirable camouflage for the excesses of our social and political leaders?