

THE Centre for Policy Studies was created to promote "intellectually rigorous" contributions to economic, social and political thinking in Britain.

The latest offering is by Donald Denman. As he is a leading authority on land economy, one would expect some fresh insights or new information—and certainly clear thinking—from this booklet of 56 pages.

Expectations are dashed, as we work our way through errors and confusions.

The most ironical contradiction arises from Denman's assessment of the costs and benefits of the free market.

On the one hand, he declares that, but for the restrictive consequences of government policy "the market would have worked effectively and effortlessly of its own accord." So he adds that "It should in general be the aim of a land policy in this country to ensure the unfettered working of a free land market." Really? Then what are we to make of this statement?

"There is some cogency in the argument that land use uncoordinated and undirected could from the national angle lead to misuse and wastage."

We must deduce that Denman has concluded that in the days before the introduction of the 1947 planning laws, social costs were greater than private benefits. In other words, the market, of its own accord, apparently malfunctioned. Very confusing.

But is the solution an alternative system of controls (for which Denman opts)? Or ought we to try and reform the market so that it could function "effectively and effortlessly of its own accord"?

As an advocate of Mrs. Thatcher's idea of a free market, Dr. Denman is a spokesman of ambivalent value!

DESPITE a lifetime's study and teaching, Dr. Denman does not appear to have settled upon views consistent with positive economics.

One can understand that, *as ideology*, he would attack the planning system: "Was it fashioned two generations ago to bring in the decay of our inner cities, urban sprawl in the surrounds where town and country meet, the emptying of villages and the frustration of planners?"

But how can he justify such an attack, when he acknowledges that these problems pre-dated 1947? Urban sprawl, inner city neglect and decay, he admits, existed during the war years.

Yes, and going back to the beginning of the Industrial Revolution, if he were but to glance back that far.

The blunderbuss approach to analysis does not help us to define in a clear way the nature of the problems before us; and without this perspicacity, how can we succeed in formulating consistent policies as part of a workable package of political measures?

STRAIGHT economic analysis, it seems, is not allowed to interrupt the free flow of contradictions.

Take the reasoning on the process of value creation, which is as clear as the metaphysics of Schoolmen of the Middle Ages.

The community's right to claim increases in land values, Denman declares, is spurious. How so? Value, he pronounces, is a quality not a quantity; it cannot therefore be created, "whoever the alleged creator may be." Value is a consequence of supply and demand.

Denman's strictures against the claim that planners create value *per se*, by granting permission to develop, are correct; planning, for good or evil, distorts the pattern of

Conservative Ideology & The Denman Blunderbuss

FRED HARRISON profiles one of Britain's leading postwar land economists (p. 26), reviews Dr. Denman's latest publication, and analyses the claims advanced on behalf of a 'proceeds tax' (p. 29).

land values that would otherwise prevail. But if planners do not create value, who does? Denman does not advance the cause of sound policy formation with his chain of reasoning. For example:

"A road which opens up back land and makes it more accessible alters the physical characteristics of the land, a fact which may make it more desirable on the market than was the land in its former state. The act is creative of physical character of the land, but it does not create value."

This is platitudinous. True the community, through the road-building government agency, merely builds the road. But if new value attaches to the adjoining land, by whatever tortuous process, can the land *owner* claim one iota of that value? Would the contention that the *whole* of the *measurable* value belongs to the community be "spurious"?

Let us look at another example, and invite Dr. Denman to defend his view that the community does not have a special claim to the increase in land values.

The control of malaria elongated people's lives and improved their productive capacities: output increased "by improving land utilization and reducing agricultural and industrial costs out of all proportion to the cost of controlling the disease. As a result of control, ten-fold and even twenty-fold increases in land values are reported from Afghanistan."^{*}

Well now, is there any ambiguity as to how and why those land values increased? Is there any room for contesting the assertion that the fortunate owners do not have any moral or economic claim to those enhanced land values?

In this case, there were no geophysical developments,

^{*}*World Population and Resources*, A Report by Political and Economic Planning, London: George Allen & Unwin, 1955, p.14.

yet the qualitative effects could be quantitatively measured: can there be any argument with the contention that the increased value of the land should be shared out equally among all the citizens of Afghanistan?

THE FORAY into political theory is no more enlightening.

Denman asserts that "Freedom to do what he will with his own, his body, his time and his talents, is the prerogative of the free man." True; but he adds:

"A society is free in the measure in which its land is free and privately owned."

Eighty per cent of farmland in Poland is privately owned, but the people are visibly fighting for their freedom. Clearly, Denman's definition of a free society is inadequate.

If every man and woman owned land, the society would indeed be free. But what happens if a minority (or even 99%) of the population own all the land? Are the landless free, given the importance of land as "a basic resource on which all economic activity depends"?

Let us challenge Denman to provide an answer to an analogy. Suppose that 100 men and women live in a hermetically-sealed orb, the inflow of oxygen into which is regulated by a number of taps "owned" by, say, 25 of them.

Is this a free society "in the measure in which its oxygen taps are free and privately owned"? The 25 men and women would not want to kill off the other 75, of course, because (a) there is enough oxygen to go round, and (b) the control of the taps enables the privileged class to require the others to do their bidding. The proprietary rights enjoyed by the 25 are such that they can charge the others for their gulps of oxygen: are the 75 people who pay oxygen rent in order to continue breathing, free men? Let Denman solve the problem generated by his definitions of private property and freedom.

IF, AS Denman suggests, the "pursuit of social equality has proved a will o' the wisp for 300 years in capitalist and socialist countries alike," the reason is probably because the particular solutions that have been propounded have been faulty, rather than that the ultimate goal (equal rights) was unrealisable.

Yet Denman's contribution to this pursuit does not advance the cause at all.

Through his Press articles he has shown himself to be a formidable enemy of the Labour Party's attempts at appropriating a part of economic rent for the benefit of the community. But his case has not been enhanced by faulty logic. For example:

"Land to a developer is a factor in the construction and production process. To tax away all development value robs the builder of part of the just reward due for risking capital, labour and time in the construction enterprise."

Conclusion: "The whole or a substantial part of the increased value of land from development should be secured to the developer."

Can Denman offer this as serious economic analysis? Businessmen build into their calculations for a sound property development the element for risk and reward. *Still* there is an extra return on such investments, known to economists as economic rent. These returns could be taxed away *completely* and entrepreneurs would *still* not be deterred from investing their labour and capital! So what is Denman on about?

Not to be outwitted, however, Denman has defensive arguments up his sleeve.

"If we accept the theory that the community in a general way substantially creates increments in land values in a manner peculiar to land, how can we sever these particular increments from those which are the consequence of a landowner's and developer's foresight, planning and investment? In practice the distinction is impossible to make."

This is one of the oldest and most incredible claims made in defence of the private appropriation of community-created value.

Let us return to Denman's example of the effects of building a road on formerly inaccessible land. Suppose the road was built by an estate owner. He costs the job, adds a price which allows for a fair return on his capital and labour, and *still*, even after deducting these costs, the increased selling price of the land is £1,000 an acre. Where is the difficulty? The exercise in apportioning value to various claimants, and in separating the value of land from capital improvements thereon, is executed every day in Britain by land tribunals. A profession of valuers and surveyors justifies its existence on the basis of an ability to do precisely what Denman says cannot be done in practice!

Denman is well aware of all this, of course; so why trail out the red herring? Or am I unreasonable in expecting "intellectual rigour" from *Land In A Free Society*?

The 'perversity' of site value rating examined

THE VIEWS on site value rating expressed by D. R. Denman, the former Professor of Land Economics at the University of Cambridge, ought to be illuminating.

He says that Britain's local property tax, the rate levied on the value of land and buildings, is a "tolerably satisfactory means of taxing rising values of all manner of interest in land and the structures upon it. It is to be preferred to site value rating, as practiced in some places." So we come to his assessment.

● "Site value rating uses the capital value of a site as the tax base."

COMMENT: It need not; annual rental values are preferable.

● Periodic assessments are made which purport to reflect the development potential of the site on the land market. Assessments of capital value have much of the uncertainty and abstruseness of assessments to development value about them."

COMMENT: Nothing of the kind. Assessments are based on market values, and they are made daily in the land market by buyers and sellers. Assessments for tax purposes can be tested against actual deals.

● "The taxpayer has difficulty in knowing his future liabilities."

COMMENT: Unless the market is widely erratic (which does happen when a speculative boom nears its peak, but a high site value tax would reduce or eliminate speculation), owners would know well enough the value—and therefore the tax liability—of their holdings.

● "He [the taxpayer] is at the mercy of tax assessors who make assumptions of how they think he should develop his land..."

COMMENT: The assumptions would be clearly stated. If the assessor placed an assessment on land that could not be realised in the marketplace—i.e., was not realistic for

whatever reason, planning permission included—then the assessment would be adjusted accordingly. An appeals procedure is used for the current rating system which Denman commends.

● "... his assumptions which could run quite contrary to what is best for the landowner and which could impose so great a burden upon him as to cause an involuntary sale of the taxed land."

COMMENT: A justified result if, as Denman admits, "There is some cogency in the argument that land use uncoordinated and undirected could from the national angle lead to misuse and wastage." The big question is the correct formula for coordinating the land market.

● "There is a perversity about site value rating. It is not recommended."

COMMENT: Compare SVR with Denman's alternative, the proceeds tax analysed on P.29.