



■ Authors (left to right) Timothy Eccles, Sarah Sayce and Judy Smith

## Payments compromise scientists and narrow policy options

**B**RITAIN'S housing sector is beginning to boom, at least in the most prosperous regions, writes Sandra Sinclair. Good or bad news? Conventional economic wisdom would have us believe that rising house prices, providing they do not "overheat", are good. But the embarrassing regularity with which happiness ends in tears encourages the suspicion that something is missing in the analysis.

Conspiring with the property dealers who make their money out of real estate are the teachers who turn out the tame professionals who are encouraged to hype the good news and turn a blind eye to the downside which routinely terminates construction activity with the cyclical crash.

Refreshingly, a new textbook on the economics of the construction industry attempts to offer students some leads to alternative thinking.\* The authors reach beyond the nuts and bolts of the property market to offer a survey of economic philosophy and history. They explain how it is possible to draw different conclusions from the same evidence, despite the use of identical methodology. Ominously – and to their credit for the courage for saying so – they report that conventional wisdom may have been shaped by

"payments and grants". That is the kind of admission that is not designed to curry favour with university employers.

As an example of how the dominant neo-classical theory of economic analysis can be challenged, they cite *The Corruption of Economics* (1994), by Mason Gaffney and Fred Harrison. "They argue that economic theories of the late 19th century are the product of landowners' desires to defeat the ideas of Henry George. George... envisioned a society much like today's but with considerably lower levels of taxation on both individuals and firms. This, he argued could be achieved through heavy taxation and nationalization of land, a move obviously detrimental to the owners of land. Thus, they (the landowners and influential people of the day) paid economists to create neo-classical economics, which is the predominant theoretical premise today. To Gaffney and Harrison, then, modern economics is a consequence of Victorian landowners' desires to protect their vested interests, and not a serious intellectual study aimed at producing the most efficient use of economic resources for the general good. This view is contentious and not universally accepted, but it does serve to illustrate that the prevailing economic view of the Western

world encompassed in neo-classical economics can be questioned".

The British authors, Timothy Eccles, Sarah Sayce and Judy Smith, lecture at Kingston University, Surrey. They err in reporting that George proposed the nationalisation of land. It was the flow of income from land which he said ought to be in the public domain, with private possession of land untouched by the state. Even so, this book does offer students who are destined for lifetime careers in the property industry a fighting chance of viewing their sector from a fresh perspective.

The writings of Henry George are studiously ignored by universities, but these three authors are to be congratulated for acknowledging that "even today his theories offer a non-socialist alternative to modern capitalism, and an appealing alternative for property professionals who know the value of land and the development uses possible on it, and who would thus play a major role in the practical mechanics of implementing Geogist policies".

\* *Property and Construction Economics*, Timothy Eccles, Sarah Sayce and Judy Smith, International Thomson Business Press, £18.99