

## The Tories' Task— New Diagnosis and New Prescription

EXAMPLES abound of legislation which has been introduced with the best intentions but which has either not accomplished its objective or has produced unforeseen consequences. A recent editorial in *The London Property Letter* says "The plain fact is that nearly every piece of restrictive legislation produces loopholes and anomalies (as well as artificial situations in other parts of the property market) that can be exploited to the full by those who are in the know. For example, when Labour introduced the 1965 Rent Act to control unfurnished rents, rent levels in the furnished sector soared and lots of landlords laughed all the way to the bank."

This simple example is only one of many. Take investment grants in Development Areas as another. The accumulative effect of these, coupled with other public investment in new roads, water supplies and sewers, has been to raise the price of land, thus tending to negate one of the original advantages of location choice. Similarly, among the consequences of introducing the Betterment Levy was a reduction in the supply of building land being offered, which resulted in increased prices.

Why is it that such well-intentioned schemes go wrong? The answer is simple: in most cases failure has occurred because the wrong policies have been developed and/or the wrong objective has been set because the problem has been neither correctly identified nor succinctly expressed. Can a better performance be expected from the new government? Many have their doubts. Already conflicting objectives are being noticed, e.g. reduced taxation yet improved public services; faster economic growth yet pre-

sumably less investment grants. The new Conservative Government is committed to using the full weight of modern management techniques in sorting out the economy. Cost effectiveness, cost benefit analysis and cost control are the "in phrases" of the day. "Programmed budgeting" is the latest evolving analytical tool which is seen by some Conservatives as the guiding saviour of government investment. Programmed budgeting, it is claimed, can identify conflicts and inconsistencies in policy and point the way to better decisions. But the success of programme budgeting depends on the objectives which are set. The objective of putting three men on the moon, for example, is clear and concise. Efforts have been successfully channelled to meet the task. Economic objectives, however, do not lend themselves to such precise definition and the consequences of action taken are not so easily measured. But objectives need to be stated and the means of achieving them carefully considered.

The objective of "increasing home ownership", for instance, depends for its achievement upon reducing housing costs. This can never be really achieved by subsidies because the basic cost remains the same, taking the country as a whole. A real reduction in costs, however, can never be achieved without stabilising land

prices, which tend to increase far beyond that accountable to the fall in the value of money. Government price control, being contrary to market principles, can only have the effect of making the land shortage more acute and only hides the basic problem. A site rental tax, on the other hand, works *with* the market to reduce land prices rather than against it. More important still, it has far reaching beneficial spillover effects which would permeate the whole of society and encourage economic growth. Indeed, the hidden benefits of land-value taxation are far more than meets the eye at first glance. Will this kind of thinking be undertaken? Mr. Heath has carefully avoided the pitfall of making rash promises, but whether he and his colleagues have the wisdom to cast off past prejudices and relate policies to objectives (and spell out all the consequences to the electorate) remains to be seen. Whether we will be faced with just another round of conflict expressed in a new style of ends and means also remains to be seen. This country has witnessed enough woolly thinking in the past twenty years to last at least to the end of the century. Objectives have simply not been met, and fresh thinking in fundamental terms is clearly indicated if election dreams are to become a reality.

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