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1979: the Reagan-Thatcher Myth

Political decisions made in 1979 proved to be critical to modern economic history. The recession produced an electoral swing to the right, giving the so-called free market a last chance to prove itself. If people could be rescued from the chasm of unemployment and the social humiliation of redundancy, Western society would shift away from its flirtation with mild socialism in the form of the mixed economy and demand management. Free enterprise would be vindicated. The formulation of policies, however, did not augur well for the experiment.

In California, ex-Governor Reagan put the finishing touches to his plan to capture the primaries and win the nomination as Republican candidate in the 1980 presidential election. In the event, he overpowered the incumbent President Jimmy Carter, and moved into the White House in January 1981.

President Reagan's approach to the US slump was to cut back severely on public spending. He proposed a 30% reduction in personal income taxes, spread over three years (in 1981 this was revised down to 25% in the face of resistance from Capitol Hill), associated with budget savings of nearly $56bn. in 1982. Here was the chance to test the proposition that the capitalist free market could deliver the goods if only the politicians would stop interfering. More would be saved out of post-tax wages; this in turn would stimulate investment which would provide the formula for economic recovery. Allied with this expectation was the view that it would only work if the Federal government accepted its budget-balancing responsibilities and avoided the deficit financing that caused inflation.

Would it work? Most observers were unwilling to commit themselves. They played a wait-and-see game. The signs of failure were there to be detected, but the commentators did not know which clues to look for. They should have known that when the US finally climbed out of the trough of the recession, this would be *despite* President Reagan's efforts, and at the expense of considerable suffering among wage-earners of unemployment and reduced living standards. For Reagan's policies were not designed to free the economy from the grip of the land monopolist. This was evident at an early stage.

President Reagan did not regard land speculation as immoral. He himself had made a million out of land deals in California, and had used the law to reduce property taxes on his million-dollar 680-acre ranch down to a trifling $908 in 1979 (a fact of considerable irritation to actress Jane Fonda, who paid about seven times more on her 180-acre California property).

Politically, President Reagan wanted the support of a segment of the American population that was imbued with the 'Go West Young Man' mentality of carving up public lands for private profit. The so-called Sagebrush Rebellion that swept the country — a militant demand from the States that they should be given greater access to Federally-owned land — was sympathetically received by the President. To reinforce his attitude that the public domain was to be alienated in favour of the private sector, he appointed James Watt as his Secretary of the Interior, who favoured local control over Federal resources.

And the first major administrative decision on the use of natural resources reinforced the view that the Reagan policy was not designed to free the economy from the monopolists. When member countries convened at the UN in New York in March, 1981, they discovered that Washington had put a block on the Treaty of the Seas which would have confirmed that the value of mineral resources was 'the common heritage of mankind'. Proposals such as a global revenue-sharing scheme were alien to the Reagan Administration philosophy, and the US mining companies successfully lobbied the President's men into adopting the view that the treaty should be reviewed. This effectively scuppered seven years of negotiations that could have culminated in a tax on the value of minerals that would have been shared out in favour of the poor countries.

But a diagnosis would not just rely on these elements to predict that the new Administration's philosophy was a futile one. It was possible to draw upon evidence from across the Atlantic, where the same policy intentions had been carried out for nearly two years in Britain.

For when Mrs Margaret Thatcher led the Conservative Party to victory at the general election in May 1979, she was presented with the chance to use Britain as a laboratory. With a majority in the House of Commons of 43, she pushed through policies that would test the theories of free market economists. The results, as unemployment headed for 3m., exposed the fallacy that the old-style capitalism fostered by Adam Smith and his heirs was sufficient to resuscitate the depressed economy. And in July 1981 even supporters of the Reagan Administration began to feel uneasy about the Conservative strategy as they watched the TV newsreels of Britain's cities aflame as unemployed people rioted in the streets. Here was the anatomy of the looming American experience writ large, and yet the Reagan Administration failed to benefit from the lessons in time to correct its mistakes.

Mrs Thatcher was not out on an ideological limb. Her professed aim was to implement the monetary policies shaped by Prof. Milton Friedman, the doyen of a branch of economics that was known as the Chicago school. Her approach, in varying degrees, was simulated by leaders in many other industrial countries. For at their meeting under the aegis of the Organisation for Economic Cooperation and Development in June 1979, it was agreed 'that the right response to the inflationary impact of higher oil prices was non-accommodating monetary policies and tight fiscal policies'. This was to be coupled with a programme designed to persuade people to accept lower living standards, a necessary concomitant — it was argued — of the rise in oil prices.

The emphasis on lower wages dovetailed neatly with Mrs Thatcher's philosophy. Thus, when the news broke a year later, in August 1980, that over 2m. people were unemployed in Britain, the Prime Minister remained steadfast in her commitment. But she was placing more than the electoral prospects of her party at risk. For if she ultimately failed, the full force of people's bitteness would be channelled against the 'free enterprise' system that she loudly eulogised.

Unfortunately, her model of *laissez faire* did not entail a challenge to the monopoly power of landowners, the daddy of all monopolies. By failing to equalise the balance of bargaining power, a reduction in the cost of employing people merely translated into higher land values. This was no help to the entrepreneurs who wanted to create new businesses.

Mrs Thatcher promoted the myth that the market could be stimulated by reducing taxes and the size of the public sector. Her policies were doomed to failure because she did not take account of the macro-economic effects of the law of rent. Ironically, indeed, instead of promulgating fiscal policies that would increase the availability of land and reduce its price, the Government adopted a strategy that directly subverted the regeneration of the British economy. How did this happen?

Mrs Thatcher's chief in-house theoretician in this critical formative period was Sir Keith Joseph, who held the key post of Minister of Industry. He recognised that the establishment of small businesses was crucial for the revival of the flagging economy.[1] What were the problems that confronted the entrepreneurs who wished for nothing more than to be free to put their talents to good use?

Despite the recession in the late 1970s, the supply of building units to accommodate small firms fell short of the demand. Entrepreneurs were constrained from setting up their work-benches, were prevented from taking people out of the dole queues, because they could not find suitable structures in which to set up shop.[2] And yet, according to a study for the Department of Industry, the provision of such units 'offers opportunities for profitable investment by both public and private agencies'.[3]

Why, then, was this investment opportunity not exploited by developers? A study of industry in Warrington illuminates the problem. Despite 'a considerable amount of privately owned land potentially available for industrial development', the major constraint on firms that wanted to expand was the *shortage of land*.[4] Some of the vacant land was owned by statutory bodies. One of these, British Rail, wanted to sell surplus land, but it found that the Development Land Tax was an obstacle to fresh development on its holdings. This tax, a once-for-all impost on capital investment, was introduced by the Labour Government in 1975, but Mrs Thatcher's government merely reduced it from 80% to 60%. This failed to remove the obstacle to new development — at any rate, so far as British Rail was concerned.[5] And in any event, some of the land that it did sell was merely hoarded by speculators![6]

Thus, while businessmen were desperately seeking premises, many of them were thwarted by the failure of owners to provide land. Or, if the land was ostensibly available, its price was set at speculatively high levels which effectively meant that it was out of the reach of entrepreneurs.[7]

What was the Conservative Government's response? The blame was placed squarely on public sector landowners. Mrs Thatcher and her ministers did not take the view that private landowners would want to withhold land from use if it could yield an income. Holding land vacant, failing to derive an income from it, is irrational, and is not accommodated by the conventional economic theory of the perfectly competitive market in which people are viewed as profit maximisers rather than spoil-sports.

Superficial analysis suggests that the Conservative Government's attitude was plausible. An examination of the London Borough of Tower Hamlets, however, uncovers the reality. Alice Coleman, geography lecturer at King's College, London, and director of the Second Land Utilisation Survey, has characterised the creation of derelict urban land as 'Britain's biggest growth industry'.[8] In Tower Hamlets, one of the most depressed Inner London boroughs, between 500 and 600 acres of land were derelict.[9] Only 62 acres were privately owned — a small proportion indeed. But the current figures disguise the historical facts. The council, in keeping with the postwar philosophy of extending public control, purchased privately-owned vacant land which *it* then allowed to remain vacant. This land-buying programme, general throughout the country, was a key determinant in holding (or pushing) values up above the realistic levels, thereby pricing potential users out of the market.[10] Furthermore, the data on vacant sites disguised the scandal of waste. For example, inner London alone contained about 25m. square feet of empty commercial premises.[11]

The Department of the Environment, under the command of Michael Heseltine, did perceive the importance of the role of land in regenerating the economy. But before this perception could be used to achieve results, three things had to be accomplished. First, the facts had to be established. Second, the supply of land had to be increased. Third, the price of land had to be reduced to levels consistent with the current earning capacity of labour and capital. The thrust of the government's policies, however, far from facilitating these objectives, actually worsened the problem to the advantage of speculators, the men whose bank balances were destroyed when the land boom collapsed in 1974, but who decided to come out of retirement in 1980. There was, in fact, a fatal ambivalence in government policy.

To obtain facts, Michael Heseltine ordered a survey of derelict land and the compilation of the data in registers. The fact gathering, however, was restricted to the public sector. From this, we could be excused for thinking that the government did not regard private land monopolists as dogs in mangers. If (as orthodox conservative philosophy postulated) they were responsive to the price mechanism, land was not arbitrarily withheld from use. If that were true, there would be no need to catalogue the quantity and location of vacant land in the private sector. Yet Whitehall circulars which sought to cajole local authorities into taking action when landowners failed to respond to the price mechanism, was a confession that the private land market was *not* effective.

The forms of action that were recommended included 'being prepared to acquire compulsorily land needed for development which an owner is unwilling to sell'.[12] These circulars, according to the Land Authority for Wales (which in 1980 found that land was being developed at an alarmingly faster rate than the increase in the supply), 'have consistently failed to engineer the release of land in areas that mattered'.[13] One enterprising builder, Barratt Developments, overcame the supply problem by paying a minimum of $12m. for the Californian-based American National Housing Corporation, which had a land bank sufficient for three years.[14] But despite the strength of sterling against the US dollar at the time, such a solution was not open to most British construction firms.

On the price of land, the government's philosophy precluded it from taking decisive action. Market pressures were supposed to adjust supply to demand. But because of the monopolistic nature of the land market, the paradoxical situation prevailed in which vacant sites — *apparently* available for use — were associated with rising prices. Rising prices, while signalling a shortfall in the supply relative to demand, do not say anything about *potential* availability. In the land market, they indicate an unwillingness of vendors to sell below speculatively high levels, which during a recession effectively means that there is no realistic attempt at reaching agreement on a transaction.

In Tower Hamlets the land potentially available for development is painfully obvious to the eye: nonetheless, 'property developers recognise that, due to the high cost of land in Tower Hamlets, private housing schemes are normally unprofitable'.[15] There was no shortage of readily-usable land in Britain in the 1970s. Over 130,000 acres were officially classified as derelict but reclaimable. In addition, 250,000 acres in towns and villages stood dormant,[16] an area equivalent to Birmingham, Derby, Glasgow, Hull, Liverpool, Manchester, Nottingham, Portsmouth and Southampton combined! This astonishing waste meant that agricultural land was being eaten up at an unwarranted rate. According to Reading University's Centre for Agricultural Strategy, up to 80% of urban land requirements to the year 2000 could be met from this idle land.[17] Government policy, however, instead of forcing this land into use (by fusing the market mechanism with fiscal policy), ultimately increased prices instead. Because of the absence of any tax liability on idle land, no rational land use strategy was pursued. As a result, about 50,000 acres of farmland were lost every year to sprawling urban centres. This represents a net loss of agricultural jobs: and by reducing the output of domestically grown food, the country's foreign currency has to be spent on importing food.

The incoherence of official policies was not due to ignorance of the Ricardian law of rent. The *mechanism* for converting income into higher rents and land values was well-understood by senior Cabinet ministers. The problem was that they did not recognise the macro-economic impact of artificially-inflated rental levels and land values. The influence of the Conservative government can be illustrated by examining the 'enterprise zones' which it created as models of how to release the energies of private enterprise.

In his 1980 budget, the Chancellor of the Exchequer, Sir Geoffrey Howe, announced the first six of twenty-two zones, each of approximately 500 acres. They would enjoy freedom from planning controls, and in particular there would be tax concessions for 10 years. Construction firms would be free from the Development Land Tax, and there would be total exemption from rates, the local property tax. Here we had a controlled experiment which removed the impediments of bureaucracy and socialist-style planning. The zones, then, would throw into sharp relief the role of the land market in the productive process.

The Prime Minister jubilantly announced that there would be a flood of applications from entrepreneurs. Estate agents warned, however, that 'if everyone flocks to these zones then rents could rise quite dramatically and the benefits of paying no rates could be lost'.[18] The anticipated rise in rents and land values, however, was not a responsive one — a rational adjustment of the supply price of land in the face of heavy demand. The rise *preceded* the stage at which the actual demand from firms for sites could be calculated. The rise in the price of land, in fact, occurred on budget day — immediately the Chancellor announced the tax concessions. The sites for enterprise zones had not even been designated, at this stage. But landowners who anticipated that their sites would be selected knew that the tax concessions would be capitalised into higher values. So, in fact, the entrepreneurs who were supposed to receive a head start by benefitting from lower rents and property taxes, were to enjoy no such concessions.

Professional organisations warned the government of this effect. The Rating and Valuation Association declared: 'There is little doubt that the enterprise zones will attract speculators who will take advantage of the various allowances and grants by realising the enhanced gains before moving on to alternative fields of investment. It is suggested that the operation of the zones should be closely watched in order to prevent excessive speculative gains being made in the short term'.[19] When the threat of speculation was raised in the House of Commons, the Financial Secretary to the Treasury, Nigel Lawson, said that firms would benefit to the tune of between £25m. and £30m. in rate relief and capital allowances. Who would be the ultimate beneficiaries? Mr Lawson conceded:

> Once an area has been designated an enterprise zone, it is likely that land values will then rise. But that is not the end of the world. That is no terrible thing. It is an extraordinary suggestion that we should not rescue these areas from dereliction because land values might rise. It is almost inconceivable that they will not rise if these areas are to be rescued from dereliction.[20]

Yet unrealistically high land values were the major obstacle to new development in the run-down areas of the cities which the government said that it wished to revive. There was no shortage of voices to remind the government of that fact.[21]

New and small firms rarely own or build their premises. They rely on rented accommodation, and it was clear from the outset that they were to be denied the tax concessions which were apparently intended to bring them into existence. The subsidies that were supposed to stimulate an increase in employment were capitalised into higher land values, much to the dismay of prospective tenants.[22] Thus the barriers to the creation of new jobs were consolidated.

The government, however, far from publicly deprecating the actions of landowners, actually condoned them. Just a few days before the jobless youths of Brixton (London) and Toxteth (Liverpool) challenged authority and attacked property, a Junior Minister at the Department of Environment wrote: 'So long as the result is to bring the zones into development, increased rents seem perfectly acceptable'.[23]

But who benefitted? Economic theory informs us that, under the existing fiscal regime, the benefits accrue to the land monopolists, the very people who are strangling the productive efforts of the economy.

Well-meaning local politicians, however, taking their cue from the government's strategy, helped to compound the problems of the businessman. The West Midlands County Council, with 124,000 people out of work (9% of the workforce), decided to allocate £150,000 as cash aid for new firms. The money was to be paid in the form of a 'Rent and Rates Grants Scheme'. People who agreed to rent or buy premises in certain priority areas would receive grants of up to £2,500 over three years.[24] Landowners in the Birmingham area had to be philanthropists if they decided not to increase their rents or the selling price of their land to absorb these grants.

The politically-inspired buoyancy of land values were not only at the expense of prospective firms, however. In the enterprise zones, the local authorities were assured that the lost revenue from rates of between £5m. and £10m. would be made up out of Treasury funds. Thus, the taxpayers' burden was increased for the benefit of landowners. As this occurred at a time when the depressed economy was desperate for a revival of consumption in the High Streets, government policy was economic suicide — for consumers and producers, that is, but not for landowners.

When unemployment reached two million in August 1980, the Prime Minister had no doubt who was to blame. According to her analysis (which was sustained by her Treasury ministers' as unemployment reached for 3m. towards the end of 1981[25]), wages were too high in relation to output. This was as spurious as the argument that high wages and trade union power engineered the 1974 slump: real wages between 1970 and 1972 were on a downward trend[26] at the same time as those key adjustments — a declining house-building sector, collapse of profits and speculatively high land values — were undermining the economy. In 1978, the year that saw an end to the recovery from the recession of 1974/75, wages remained constant.[27] Yet entrepreneurial profits slumped, while rental income rose dramatically. Between 1972 and 1980, property outperformed equities and fixed-interest investments, and over the course of 1976-1980 property beat both the inflation and earnings indices.[28] Given the low yields on capital, the concept of property — when reflecting on these results — should be understood to mean land.

In the face of these trends, Mrs Thatcher's prescription was that unemployed workers ought to move to areas where job prospects were brighter. She failed to explain how workers could abandon their homes (many of them council houses with subsidised rents), and compete for high-priced houses at a time when record interest rates prevailed in the mortgage market. In the US, the problem of labour mobility was solved for top executives in the big corporations: employers made the cash available to overcome the cost of switching homes.[29] This option was not available to the redundant docker of Merseyside.

Had the Chancellor of the Exchequer announced in his budget a high *ad valorem* tax on the value of all land, the situation could have been transformed: more urban land would have come onto the market, rental levels would have slumped, and entrepreneurs would have been confronted by a benign environment. Instead, however, the fiscal pressures were moved in the opposite direction, as can be seen by a decision announced in the House of Commons on May 15, 1980.

Under the General Rate Act (1967), local authorities had been given the power to levy 50% of the rate on the owner of unoccupied property after three months of vacancy. Formerly empty properties escaped the property tax entirely, even though the local services — fire and police protection, for example — were still available to the owners of the properties. In 1974, after a protracted public row over empty buildings (especially the vacant Centre Point skyscraper that dominated the corner of Oxford Street and Tottenham Court Road), the Local Government Act had removed the 50% figure and left the proportion to the discretion of individual authorities. Many local governments exercised their discretion, and increased the levy to 100%.

The deficiencies in the British rating system guaranteed that the intentions behind void rating would be thwarted. By itself, the rate burden was not heavy enough to act as a deterrent against the speculative motive. And because the tax also fell on the value of capital improvements, it could be avoided by destroying the functional value of the buildings — it certainly could not encourage the refurbishment of old structures. The Minister for Local Government, Tom King, finally announced that the 198 authorities that were using their discretionary power were to lose the right to levy rates on vacant property.[30] Rates on unoccupied properties had raised about £55m. in 1979/80, but had singularly failed — according to the Minister — to persuade owners to bring their properties back into use. Furthermore, he announced, some owners had preferred to demolish properties rather than continue to pay the rates.

There are other examples of how the government undermined its publicly-proclaimed goals. For instance, in his budget in March 1981 the Chancellor of the Exchequer, Sir Geoffrey Howe, extended the tax privileges enjoyed by agricultural landowners. Relief from the capital transfer tax which was already accorded to owner-occupied land was extended to tenanted land, a decision which enhanced the attractions of land as a haven against tax and inflation, and consequently increased its selling price. Money and entrepreneurial skills that ought to have gone into new productive machines were diverted into land, and the dole queues lengthened to a chorus about the need to erect trade barriers against Japanese imports. Passions were channelled in irrational directions because the dominant ideology distracted people from an informed appreciation of the causes of their problems. This was the intention of the vested interests that laid the foundations of the modern political state. So long as their values and analytical terms are preserved, effective remedial action is bound to be frustrated.

And so the British economy slithered into the 1980s. Housebuilders offered to lead the nation out of the recession, but the pre-condition for this strategy was the release of more land. The Director of the House-Builders Federation correctly identified the *motive* which was more important than whether the land monopolists were from the public or private sectors:

> Local authorities must sell land at realistic prices to house-builders, rather than acting like 'property speculators', if the potential private sector contribution is to be realised.[31]

London's small entrepreneurs also became aware that the supply of land was intimately linked to their fortunes. They wanted to bring into use the 30 square miles of vacant land in the capital. This, they suggested, should be done by enabling businessmen to bid at auctions for land which had been held idle by the public sector for over 10 years.[32]

But there was little prospect of the Conservative Government taking comprehensive action. For as one of the Prime Minister's closest advisers said with resignation, on the second anniversary of Mrs Thatcher's rise to power: 'She has fallen into the very trap she promised she never would. She has come under the influence of the layabouts and the landowners of the party'.[33]

In Washington, President Reagan continued to court Mrs Thatcher as his closest international ally; their political philosophy and economic ideology dovetailed perfectly, and the mounting social tensions within their two nations failed to dissuade them from their course. The US economy slumped into a recession six months after Reagan entered the White House.

But Reagonomics was not entirely to blame for the new downturn in the protracted depression: the seeds were re-sown in the mid-'70s, when official policy came to the rescue of the land speculators. A boom in house prices began in 1975, as people switched money into the best of all assets: land.[34] But the profit for a few was the loss of the many. The boom in house prices meant that mortgage payments increased faster than other components of the cost of living. Between 1970 and 1980, the after-tax cost of home ownership rose by 52%, in real terms, compared with the increase in median family incomes of 6.5%. With land values held unrealistically high, the housing market began its slide in 1979. Three years later it slumped to the lowest level since World War II. The rise in the cost of housing struck family budgets severely. There was a cut-back in consumption, and especially in the purchase of new cars. The drag on the economy promised a new recession in the early 1980s, yet the policy-makers failed to take corrective action.

And so President Reagan fought a losing battle with his election promises. As agricultural landowners signalled their gratitude for the passage of $11bn. in subsidies, poor families lost $700m. in food stamps as the President tried in vain to make sense of the Federal finances. The nation's statesmen who had grudgingly accorded the President initial support were outraged when the Budget Director, David Stockman, confessed to a journalist in the *Atlantic* magazine (December 1981), that Reagan's supply-side economics was 'essentially guesswork'. The guessing game took interest rates to record levels, successfully bankrupting many firms.

The rich financial institutions, however, were able to borrow money at interest rates below the prime level and divert the funds into land. And as the speculators braced themselves for a fresh spate of deals, the President reaffirmed his faith in the litany of the New Right. Enterprise zones would be established to demonstrate the superiority of the free market; the government would quit interfering with the private sector; welfare programmes would be pruned back. At the end of President Reagan's first year in office, unemployment touched 9.5m, the highest since the 1930s, and then crashed through the sensitive 10% barrier in September 1982.

The New Right failed before they had time to institute the reforms to which they aspired, and this was no more evident than in the fiscal goals. President Reagan was elected on a promise to balance the budget in 1984. Instead, his defence expenditures and tax cuts directed the 1982 budget to a forecasted deficit of $99bn., soaring to over $160bn. by 1984. As for Mrs Thatcher, her desire for lower taxation was interred in the new Tax and Price Index which she introduced; this revealed a progressive annual rise from the day that she assumed power in 1979, thanks to a rise in the tax burden under her stewardship.

These two political allies failed because they were unable to analyse the source of the economic problems confronting their nations. It was inevitable that their policies would be buried along with the jobs of millions of innocent employees who asked for nothing more than the opportunity to work for their daily bread. And so it is towards an appropriate programme of action that we must now turn, to consider how the global economy can be rescued from the economic debris of the 1970s.

Notes

1 D. Penfold, 'Joseph plea for small businesses', *Estates Gazette*, 5.4.80
2 Coopers & Lybrand Associates with Drivers Jonas, *Provision of Small Industrial Premises*, London: Department of Industry, 1980, p. ii, para. 8.

3 *Ibid.*, p. ii, para. 10. The report asserts the obvious: 'The provision of premises on suitable terms has undoubtedly itself had the effect of stimulating the formation of new firms and the growth of existing small firms'.

4 'Inner Warrington Industrial Survey', Warrington Borough Council: Development Services Committee, 20.5.80.

5 T. Glover, 'Break-up nearer for PO and BR assets', *Estates Gazette*, 19.7.80.

6 'Hoarders mop up rail land sales', *Land & Liberty*, July-August 1981.

7 The Town and Country Planning Association noted that 'experience has shown that suitable locations and premises are often not available in densely developed areas, or are available at prices or rents which small firms cannot afford'. 'Draft Circular on Development Control — Policy and Practice', London: Town and Country Planning Association, 17.10.80, p. 5.

8 *Op. cit.*, p. 14.

9 R. Nabarro and D. Richards, *Wasteland*, London Thames TV Report, n.d. (1980), p. 14.

10 'Land Values and Planning in the Inner Areas', Report of a Working Party of the Royal Town Planning Institute (chairman: Prof. G. Smart), London, March 1978, p. 22.

11 *Ibid.*, p. 39.

12 'Land for Private Housebuilding', London: Department of the Environment, Circular 9/80. The responsibility for dealing with the failures of the private landowners were also conveniently shifted to local authorities by government advisors, e.g. Coopers & Lybrand, *op. cit.*, p. 40, and *Structure and Activity of the Development Industry*, Report of the Property Advisory Group, London: HMSO, 1980, p. 13, para. 4.13.

13 *South Wales housing land availability study 1980*, Cardiff: Land Authority for Wales, para. 7.32(3).

14 'Barratt's Californian venture undeterred by poor US outlook', *Estates Times*, 11.4.80.

15 Nabarro and Richards, *op. cit.*, p. 25.

16 *Urban Wasteland*, Civic Trust, London, 1977.

17 *Land for Agriculture*, CAS Report 1, 1976, p. 11.

18 'Property News', London: Bernard Thorpe & Partners, No. 544, 27.3.80.

19 'RVA criticises the principle of rate exemption in enterprise zones', R & VA Press Release, London, 3.6.80.

20 Debate on the Finance (No. 2) Bill, *Hansard*, 4.6.80, col. 1516. Nigel Broackes, chairman of the London Dockland Development Corporation, insisted that the increase in land values had been exaggerated; he estimated, in a letter to the *Financial Times* (14.9.81), that the increase was in the order of 50% over former prices.

21 The Town and Country Planning Association issued a memorandum noting that 'the greatest block to development comes from the way in which land is valued at an artificially high level which bears no relationship to either its current unproductive state or the amount of money which is needed merely to bring the sites up to a condition which allows construction on them'. Quoted in *Estates Gazette*, 21.6.80, p. 1075.

22 C. Tighe and J. Tucker, 'Rent rises undermine spirit of enterprise, *Sunday Times*, 5.7.81

23 Letter dated 25.6.81 from Lord Bellwin to Walter Goldsmith, director-general of the Institute of Directors. The government's attitude was not wholly benign,

however. On Nov. 18, 1981, the Local Government Minister (Tom King) described developers who were cashing-in on the absence of the property tax as 'greedy'. Quoted in *Estates Gazette*, 28.11.81, Vol. 260, p. 864.

24 'Cash aid for new firms', Birmingham: West Midlands County Council Press Notice, 14.7.80.

25 J. Lewis, 'No crock of gold for wages, says Lawson', *The Guardian*, 13.6.81.

26 W. E. Martin, *The Economics of the Profits Crisis*, London: HMSO, 1981, p. 218, Chart 3.

27 Employers did not assign blame to 'greedy' workers for the alarming rise in unemployment. See M. Crawford and J. Fryer, 'Two million: who's really to blame?' *Sunday Times*, 31.8.80.

28 *Property Funds for Pension Schemes*, London: Metropolitan Pensions Association, 1981, p. 5.

29 A. M. Morrison, 'The Going Gets Lusher for Employees Who Move', *Fortune*, 16.6.80.

30 *Hansard*, 15.5.80, cols. 1132-3.

31 R. Humber, 'Housing Crisis Caused by Local Authority Policies, Not Public Expenditure Cuts', The House-Builders Federation, London: Press Notice A. 81.40.

32 *30 Square Miles of Waste-land*, London: National Federation of Self Employed and Small Business Ltd., 1981.

33 S. Winchester, 'You see before you a rebel', *Sunday Times*, 3.5.81.

34 The rate of return on a typical house bought in 1973 and sold in 1978 was from 12% to 21%, depending on how the calculation was made. This far out-stripped returns from bank deposits, government bonds and stocks and shares. See S. A. Seelig and J. L. Freund, 'The Homeowner's Best Investment', *Real Estate Rev.*, Vol. 11, No. 2, 1981, pp. 75-76.