

# The Price of Failure

**Will Tories allow land monopoly to undermine their efforts to create a free market?**



**PETER HUDSON reports**

with the C.B.I. and the Government. Mrs. Thatcher feels that answers to industrial relations problems must be left to free collective bargaining — exactly what the unions have called for in the past. Her non-intervention in the steel strike seems to have paid off.

It has been pointed out that wage increases given to workers in some industries are obtained at the expense of fellow workers in other industries. Mrs. Thatcher and her colleagues are trying to put this message forward as forcefully as possible. It is a huge experiment in public economic education. And the Government has to see that public sector employees (often in positions of very strong bargaining power) receive the message as well as other trade unionists and employers.

**T**URNING from the prophets of gloom and despondency, let us assume that Mrs. Thatcher will be successful in what she has described as the "Herculean task" of getting inflation down by appealing to the judgment of those who elected her and who will further her message.

Will the country then be on the launching pad of economic revival in a competitive world? Will the market mechanism respond to further tax incentives? Will there be a flood of entrepreneurial endeavour?

Those who applaud Mrs. Thatcher's references to Adam Smith will be quick to point out that little has so far been heard about attacking privilege or quasi-monopoly in industry.

And as for mention of the perhaps forgotten or forbidden factor of land monopoly, Mr. Heseltine has only

indicated a willingness to act against publicly-sponsored hoarders. It is true that he is determined to make changes in planning procedures, speed up decision processes and perhaps delegate some power. Development Land Tax has been reduced to provide more incentive to developers. But if the economy shows signs of expansion in the future, there could be a repetition of the great land and property price boom of 1972-73. Detailed statistical analysis of that experience resulted in the general conclusion that "expectations about the future played a vital determining role."<sup>3</sup>

Innovators, new firms and expanding enterprises need cheap premises and low interest rates. Land availability and low land prices are pre-requisites for industrial recovery. However successful Mrs. Thatcher's policies, there will still be a need to deal with the problem of the private appropriation of land rent which confers quasi-monopoly advantage on the recipients. This potential tax base should no longer be ignored.

Wages will rise to their true level only when the tax burden has been lifted from capital and products and re-distributed on to the passive factor of production — the rental value of land. The grand experiment in public economic education needs to be expanded to achieve this end. *If this message is not conveyed, and if the economy stagnates, free enterprise and the market system will be blamed for not fulfilling its hopeful promise of a brighter future.*

#### REFERENCES

1. Weekend World TV programme: "The Thatcher Experiment", 18.10.79.
2. *False Paths to Higher Wages*, V. H. Blundell, Land & Liberty Press.
3. *The Course of Land and Property Prices and the Factors Underlying it*, H. L. I. Neuberger and B. M. Nichol, Department of Environment, 1976.

## 'One-eyed' economics of Heseltine's New Town asset stripping

MICHAEL HESELTINE'S efforts to persuade the new towns to sell off £100m. worth of assets has come under new pressure.

The Environment Minister has now conceded in Parliament that he did not have the authority to force the towns into stripping off valuable town centre properties.

He says that he "requested" the action, as part of the Conservative Government's efforts to reduce public expenditure.

There was little initial analysis of the economic consequences of these sales. But the reaction has now started, in an effort to persuade Heseltine not to use

the powers which he is seeking under the Local Government Planning Bill.

David Hall, director of the Town and Country Planning Association, said:

"It is wrong that the Minister will be empowered by the Local Government Planning Bill to order these sales. This cuts right across the principle of management of assets for the benefit of the community, so that increase in land value goes to the community and not into private pockets or to central government."<sup>1</sup>

And Peter Self, Professor of Public Administration at London University, has condemned the sales as a "very one-eyed form of financial economy." For he says:

"It seems to be an ideological position, contrary to planning aims which have been accepted until now by all political parties, and likely to be of benefit only to speculators on land and property."<sup>2</sup>

There is growing evidence that, when the history of Mrs. Thatcher's Government comes to be written, it will be seen to have been every bit as encouraging to the land speculator as the previous Tory administration under Edward Heath.

1. Angela Singer, "Blackmail" by Heseltine over new town assets, *The Guardian*, 10.4.80.
2. 'Disposal of assets', *Estate Gazette*, 5.4.80, p.23.