

LAND & LIBERTY

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NOVEMBER, 1963

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JOURNAL OF THE UNITED
COMMITTEE FOR THE TAXATION
OF LAND VALUES LTD.

177 Vauxhall Bridge Road, London, S.W.1.
VICtoria 4266 & 4979

Annual Subscription:

Established

JUNE, 1894

U.K. and Sterling Area, 8s.

VOL. LXX, No. 835

U.S.A. and Canada, \$1



EDITORIAL

The Price Of Land

ONE of the difficulties of making an impartial academic survey of the price of land is that there is no co-ordinated registry in this country of who owns land or what prices for land are actually paid. It is therefore difficult to calculate the rate of increase in land values over recent years except in the cases where there has been more than one transaction concerning the same parcel of land and where the comparative prices have been published.

Attempts have been made by many people to calculate this increase. In a recent article, "What is driving up Land Prices?" in the *Financial Times*, November 7, Dr. D. R. Denman (Cambridge Department of Land Economy) estimates that the price per acre of building land increased nearly eight times between 1939 and 1959, and has almost doubled since then. Even if one assumes that the value of the pound has declined to a quarter of its 1939 purchasing power, the rise in land values has been phenomenal—at around four hundred per cent.

The author of the article, Patrick Coldstream, questions the reason for this rise. He draws our attention to the increased competition for land between developers, and aptly illustrates the operation of the Ricardian theory of Rent.

"All (builders) admit that it is competition among themselves that has driven up prices so fast. Nor is it entirely here that the price of land determines the final price of the houses they build; rather, a builder decides on the price at which he thinks houses could be sold in an area, and from that works out the maximum price he will bid for a plot of land."

What proportion of the cost of a house is the price of the land? He says: "At present it is not uncommon for the cost of land to

represent about one quarter of the final price of houses selling around £4,000. A large contractor recently paid £107,500 for a site of ten and a half acres near Brentford. In this case, if the 103 houses to be built there can be sold at the expected average of £3,850 each, the site of each will have cost just 27 per cent of its final price."

On the question of speculators, the writer is not convinced that land is being withheld from use on a large scale. "What is far more common," he says, "is for farmers or land owners near towns suddenly to find themselves presented with a huge potential profit if the planners suddenly decide that permission could be given for houses to be built on some of their fields." Mr. Coldstream gives an example. In Bishops Stortford, agricultural land with a market value of about £250 per acre rose in value to £10,000 an acre when re-zoned for residential development!

The point to be made here, however, is that planning decisions do not create land value—it is already there. Planning regulations and zoning controls restrict the value of the affected land. It is only when these restrictions are lifted or relaxed to any degree that the value of the land shows itself. (Planning permission to build on the top of Mount Snowdon would not increase the value of the land there). As we know, until the introduction of the system of land-value taxation these gains will continue to accrue to private interests.

As for speculation we would refer Mr. Coldstream to a recent example of land being held out of use quoted by the County Planning Officer of Berkshire who knew personally of a case where land with planning permission for houses was being "stock-piled," and to the statement in *The Observer* that there is enough land within the Greater London area for housing at the present rate of development to last for years. If this land could be brought into use, we would not need to encroach upon the Green Belt.

Those who are concerned and sometimes indignant over what has become a lottery in the field of land use invariably confine their reforms to windfalls and speculative gains. "Land reformers" of this kind argue that increases in land value belong to the community and not to individuals, but they forget that this applies equally to all land values, for which a perpetual toll is demanded of the community.

*To our readers and contributors
we extend our best wishes for
A HAPPY CHRISTMAS
and a
PROSPEROUS NEW YEAR*



The Tories' New Clothes

WHAT has the Government in store for us in the new session of Parliament?

According to the Speech from the Throne (written by the Prime Minister) the Government will continue its efforts to reduce trade barriers and to strengthen EFTA, but at the same time will continue to seek "harmonious relationships" with the Common Market. It will "maintain the position of sterling" and "strengthen the balance of payments."

The Government is to "ensure a proper balance between home grown and imported food" on the basis of an efficient and prosperous home agriculture. To this end steps will be taken "to prevent imports from undermining the market."

On the home front, plans for comprehensive regional development will be laid before Parliament. The fishing industry will continue to be supported. The rate of house building will be increased. And special attention will continue to be given to the development of the Scottish Highlands and Islands.

"My Ministers" said the Queen's speech "are determined to maintain the expansion of the economy in all parts of the country, based on a high and stable level of employment. They will continue to encourage growth without inflation, aided by the work of the National Economic Development Council and the National Incomes Commission, and supported by a sustained export effort."

A Touch of the "Throttle"

Sir Alec Douglas-Home, in his first speech in the Commons as Prime Minister, said that the theme of the country's economic development was modernisation and efficiency. "The formula is growth without inflation, and the method is acceleration from positions previously prepared." All the programmes outlined by the Government in the Queen's speech, said Sir Alec, could be implemented provided national productivity is raised by four per cent.

Mr. Heath, Secretary of State for Industry, Trade and Regional Development and President of the Board of Trade, speaking on the second day of the Debate, mentioned that as part of the regional development programme "a steady, high level of work" would be encouraged in the reclamation of derelict land (85 per cent grants are available). Work on a study of land use and employment problems in the South-East was well advanced, and studies were also in train in the North-West and the Midlands.