

by imports. As part of the value of home produced eggs is accounted for by imported feeding stuffs such a policy would have little impact on the balance of payments but would prevent a misallocation of economic resources within Britain.

Throughout its existence the Board has justified its



policy of interfering in the market by claiming that it was bringing supply and demand into balance. But this is not what the Board is really trying to do. It is trying to become a "price-maker" instead of being a "price-taker." It fixes a price which fails to take account of the prevailing conditions of supply and demand. It could have often sold additional eggs. Thus in January, 1966, eggs were taken off the market although total production then was less than sales of shell eggs in January, 1965. Every month during the period July, 1963, to December, 1963, eggs were taken off the market although production in each of these months was less than sales in the corresponding month of 1964 or, in four cases, the corresponding month of 1962. These facts underline the fact that the Board could have sold more eggs if it had been willing to accept a lower price for them.

Whilst supporters of the Board would admit that its policies resulted in the consumer paying higher prices in the short-run, they would argue that the higher prices were in the consumers long-term interests. They would argue that the lower prices would jeopardise the supply in the long run. But this argument conceals the fact that the Board's prices are so attractive that the Contracts Scheme was introduced to retard the rate of growth of production. In addition the fact that the Board's policy of taking eggs off the market was regarded as a permanent policy would suggest that the Board itself realised that its prices were more attractive than was necessary to ensure long-run supply. Finally the producer has to make a substantial contribution towards the cost of the Board's operations. These are now equal to about 20 per cent of the price of shell eggs. Whilst certain of the operations of the Board will be continued after its demise, there should be a substantial reduction in costs. The elimination of the loss on egg products would be a substantial gain to producers. If producers had not had to bear this burden, then prices could have fallen to lower levels without endangering the level of eggs supplies.

The second justification which might be used for the Board's policies is that they have permitted a reduction in the cost of the egg subsidy. Although it is obvious that any policy, which raises producers' returns, will

reduce the cost of the subsidy it does not follow that this is desirable.

It means first of all that the true costs of our policy of protection are hidden. But it is only if the costs of a policy are known that rational decisions can be made about the wisdom or folly of that policy.

Secondly such a policy is socially undesirable. Higher food costs bear particularly harshly on the poorer members of society. But because of the progressive nature of our taxation system, any reduction in taxation caused by the small subsidy bill will tend to benefit the rich rather than the poor.

Finally, it is extremely dubious whether at a time when some people are still undernourished a policy of raising food prices should be allowed.

The failures of the Board were correctly forecast by economists in 1956. They have been underlined by the Report of the Reorganisation Commission. The Minister has accepted that the Board should be wound up. But the failure of the Board should have a further result. It should cause a complete review of the work of all the Boards. The policies of the Egg Board are similar in their consequence to the policies of the other Boards. Whilst the demise of the Egg Board is to be welcomed, it would be even more welcome if it were to be accompanied by the abolition of the other producer-controlled marketing boards.

## Southfield Under Attack

READERS who attended the Twelfth International Conference of the International Union for Land Value Taxation and Free Trade will recall the paper, "The Southfield Story" written by Ted Gwartney, former city assessor. Under policy targets set by ex-Mayor James Clarkson, Assessor Gwartney had brought the Southfield (Mich., U.S.A.) vacant land valuations into line with the assessments for improved property. Before that time valuation practice had resulted in considerable disparities between market and assessed values for vacant and under-used sites. Pursuing a policy of annual revaluations of the central area, Mayor Clarkson saw the fruition of aims long cherished. The rapid development, spurred on by the higher tax impact on vacant sites, made Southfield a model for the nation as cited in this report from *Time* magazine.

"Five years ago the city was listed as a depressed area. Then it boosted the tax on land and cut the tax on buildings by re-assessing them (depreciation allowance). In the resulting building spurt, Southfield has been constructing new office space faster than neighbouring Detroit, a city thirty times its size."

But the policies that turned Southfield into the

"boomiest city in the State" could now be phased out by a new administration. Mayor Clarkson has been elected a district Judge. Ted Gwartney has taken a new job as Sacramento's assessor. Dr. Irene Hickman, who proposes to sponsor a California State Legislative amendment in 1970 to limit the property tax to land values only. Newspaper reporters hint that there was a powerful land owning pressure group behind the election of Southfield's new mayor, Norman W. Feder, and his assessor, E. E. Beren.

Messrs. Beren and Feder are now claiming that much of Southfield's phenomenal growth was attributable to factors unrelated to property taxes. But Judge Clarkson and his supporters refute this by pointing to Eight Mile Road, the boundary between Southfield and Detroit. On the Detroit side there is little development apart from a few shabby stores amid the vacant sites, while on the Southfield side there is a long line of new offices and research centres. "If you tax land, you tax it into use," says the former mayor, "but Mayor Feder, through use of a citizens advice committee, will try to establish an income tax".

Mayor Feder has made no comment on the income tax issue but claims that if additional income is not forthcoming within five years the city will face financial problems. Against this, Assessor Gwartney told a newspaper correspondent that the assessment policies of the former administration had led to such a demand for sites in Southfield that assessed value had increased by 20 per cent per year over the last three years. "We cut our tax rate every year and slums virtually disappeared," he said. "As a result of the first reappraisal and the new assessments for vacant land, the average home owner and productive businessman got a 22 per cent reduction on his first tax bill. Our policies created probably the most active land market in the United States. We attracted some of the largest Corporations in the nation to build headquarters in this little suburb of 65,000 people and an area of twenty-seven square miles. 8,000 apartment buildings were erected, together with thirty-five high rise office blocks. This is creative taxation."

A recent report cites the case of a twenty-acre site zoned for a shopping centre, but unused since 1959. With mounting tax pressure the land was recently sold to a developer who cheerfully paid \$1.2 million. In some cases, however, Gwartney was unsuccessful in achieving full valuation following appeals to the State Tax Commission. The *Southfield Sun* cited these examples of valuation "frozen" by the Commission for three years:

- \*156 acres valued at \$90,000 per acre frozen to \$50,000.
- \*80 acres valued at \$50,000 per acre frozen to \$10,000.
- \*20 acre site valued at \$700,000 fixed at \$400,000.

The *Sun* claims that unless the incoming administration is vigilant in maintaining up-to-date valuations, great inequities in tax payment will arise, favouring large taxpayers against home owners. When this last happened, a specialist valuation company had to be called in to re-assess 20,000 parcels to match run-away land prices.

Although Judge Clarkson is now no longer directly involved, he still aims to keep a keen eye on the Southfield situation. "If Feder follows a different course," he says, "taxes will be raised on buildings, homes or enterprise. We have kept them down. This was the issue that elected me to mayor, and despite a 'judicial sabbatical' I shall remain vigilant."

In Britain we have much to learn from the Southfield saga. Although Southfield city still taxes buildings, the example it has set in recent years shows clearly what can be accomplished if vacant land is properly valued and more highly taxed.

## Land Taxes For Urban Transport

SAN FRANCISCO'S much publicised Bay Area Rapid Transit system (BART) could run into a \$146 million deficit by 1970. Two financing methods appear to be available to keep the capital flowing: increase in the local sales tax, or a "special benefit" property tax in districts around the station sites.

In 1968 the California State Legislature passed the Mills Act which enables special land taxes to be raised on sites close to the rapid transit stations. It now remains to be seen whether there is sufficient political courage to invoke the new powers. The Bay Area Citizens Group, the prime movement in sponsoring the *ad hoc* land tax legislation, is concerned that if the sales tax is used, the land holders around the stations will reap a billion dollar windfall at the expense of consumers.

In support of the Bay Area Citizens Group, Professor Mason Gaffney said at a recent workshop seminar that successful rapid transit depends on how quickly private investment will take place around the stations. According to this economist, rapid transit can act as a powerful catalyst in the creation of new wealth if the benefiting land is taxed but not the improvements and buildings. "Land cannot get up and walk away if you tax it," he said, "but business will if sales taxes are used instead of the Mills Act."

The Bay Area Citizens are making a stand for the land tax. Research Director Robert Tideman appeared before the Senate Transportation Committee in Sacramento earlier this year and pointed out that a family of four would have to pay \$250 a year in sales tax if this alternative is chosen. But the transit authority is hesi-