

# LAND and LIBERTY

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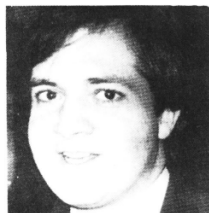
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## Taming the land market

**SOCIALISM** may be on the retreat in the East, but the free market is still a stigmatised concept in the West.

The idea that people can be left to get on with the business of living and creating wealth, without government interference, is a notion still treated with suspicion.

Why?

Memories of the 19th century industrial economy die hard. So they should. The system was a perplexing one: the invention of systems for creating wealth that could banish poverty, co-existing with poverty and human degradation that dictated the need for the conscience of a Rowntree, who studied the London poor, or a Marx, who chronicled the failures of capitalism.

The social critics, however, could not devise anything better; hence the second best solutions like Rowntree's subsidised housing, and the millenarianism of Marx.

THE biggest problem, the one which governments will not tackle, lies in the land market.

Does the bureaucratic planner have the answers? Or should we leave individuals to make the decisions? The latter course is met with scepticism.

We believe that a land market which is efficient will dovetail with individual behaviour to create a decent standard of living for everyone while sympathetically conserving our ecological niche. It is interference with the land market by monopolists that serves to obstruct the attainment of those goals. Our case is illustrated by the history of a 63-acre site occupied by Delhi Cloth Mills.

In 1962 the city's administra-

tion ordered the closure of the textile factory on pollution grounds. It wanted clean air for its citizens. Good. Then the authorities reversed their decision and opposed the closure. They did not want the owners to reap the large windfall gains from a site that could be used for commercial and residential purposes. Bad.

The City Fathers could not conceive a solution that encompassed clean air and higher wages and profits, while denying the landowners a claim to higher unearned rental income.

The dispute has just been resolved. The Supreme Court has ruled in favour of the company, a judgment which is forecast to speed up the redevelopment of valuable industrial sites in the major cities throughout the sub-continent.

The owners of the site will now get richer, but the community - which created that land value - will not share in the economic benefits. Need it have been so?

If the Delhi authorities had spent as much time and effort in adopting the appropriate property tax - one that fell on the market value of land - there would have been no worry about socially-created windfall gains going into private pockets.

They could have secured a cleaner environment and higher-value jobs while clawing back part (if not all) of the enhanced rental value. Everyone would have gained.

There is no conflict between environmental and economic goals, providing the land market is tamed into serving the needs of the people rather than the monopolists whose activities have given the free market a bad name.