

paring a contingency plan for a prices and incomes policy, at a time when their nominal masters were still pooh-poohing the idea. Paradoxically enough, their opportunity to transform the contingency plan into Government policy was granted by the Treasury's failures of economic forecasting and management.



industrial subsidies, under unexacting Parliamentary supervision.

These preparations were ordered by the Prime Minister, and at first Mr. Davies was apparently unaware of them. The situation in the Ministry became Gilbertian, with civil servants censoring the speeches of Ministers on the grounds that their contents were in conflict with the forthcoming Bill.

Unlike the Labour party, which will defend the interests it represents even against a Labour Government, and unlike previous generations of Tories, who on the Corn Laws and Tariffs demonstrated some attachments to principle, the modern Conservative party is a pure instrument of power, prepared to support any policy which is not electorally disastrous.

Power and influence, then, have drifted from Westminster to Whitehall, and from the Cabinet to a cabal of Ministers and bureaucrats about the Prime Minister. Is this really a satisfactory expression of Parliamentary democracy? And is not the post-war record of Treasury and Civil Service advice one of such unexampled error as to compel agreement with Paul Johnson's judgment that the decline of Britain can be traced to the Northcote-Trevelyan reforms?

## **Crucial Facts About Land Prices**

Mr. G. G. Moyne in a letter to *The Times*,

November 22, 1972.

**T**HE IMPACT of inflation upon land is receiving some attention. It has been pointed out that a significant imbalance has developed between the price of land and other factors of production which is detrimental to the healthy working of the economy. There are those who believe that this matter, in conjunction with the role of land in economic growth, is crucial

That money does matter is now a distinguished view. Much of the recent upsurge in money supply, widely defined, appears to have spilled into land. House prices have rocketed far beyond pay; inflationary expectations have contributed to speculative purchase of land for development, of agricultural land, and of land held out of use; rents have substantially risen though yields are inclined to fall. Augmenting the long-run unearned increment to land which arises from the activities of the community, purchasing power is diverted from workers and enterprises to owners with a relatively low propensity to consume; on the supply side land becomes too dear for some productive purposes. This growing disproportion between factor prices thus leads towards a check to economic activity.

Although increases in wages and some prices are now suppressed, I suggest this drag upon the economy and the coming pressure upon real wages (indicated by Professor Kaldor and Peter Jay) will imply a further threat to employment and the need for continued "reflation," followed by the leakages in the wage/price control foreshadowed by history. In short the tiger will still lead; money will still seek land.

What can be done? The suggested increased transfer of land to building use hardly covers the scope of the problem. Some relief may be gained in housing; but speculation in agricultural land will be handsomely rewarded; the environment will suffer; planning permissions will still be stored; land will continue to be held out of use; total land cannot be increased.

Could not something be learnt from Ricardo and George? Thought could be given to two possible measures: an expansible tax on the rent of land and a system of site-value rating. Some of the unearned increment could thus be returned to the community; taxes on work and enterprise might be remitted with less inflationary result; land and buildings would be urged into productive use, and speculation therein abated and diverted into less harmful channels. Accepted economic analysis shows that a tax on all land cannot be shifted. As in the Whitstable Survey site values can be determined.

Out of such radical changes, implemented by degrees, might there not come increased productivity and employment; a decline in human distress derived both



from inflation and the system of land tenure; with less resort to that increasingly blunt instrument, the printing press?