

THE GOVERNMENT PROLONGS THE PRICE CONTROLS

THE SUPPLIES and Services (Transitional Powers) Bill proposes to continue for a period of five years the regulations for control of prices which would expire next February with the cessation of the Emergency Powers Act under which they were made. It also provides that these powers of controlling the prices of essential goods and services may be extended without limit to all goods and services, whether capable of being designated essential or not.

The original purpose of the regulations was presumably to meet the case in which because of limitation of production and scarcity of supplies, prices might have risen far beyond the cost of production. They came, therefore, within the general idea which is so attractive in theory and so difficult in practice, of "taking the profit out of war." This general principle of preventing undue profits to be made out of the war was correlated with the objective of preventing the incidence of the war falling with undue severity upon the poorer consumers. The argument in favour of the present legislation is, no doubt, that the conditions of abnormal scarcity will continue in greater or less degree for some time to come.

On the other hand it must not be forgotten that if the price of any commodity is fixed at a level which is below that at which the demand would exhaust the supply, the demand of a large number of people must remain unsatisfied in whole or in part. The greater is the difference between the fixed price and the price in the free market, the greater will be the gap between demand and supply. The result of this must be a strong tendency towards the emergence of a "black market." In order to endeavour to prevent this, penalties of an extremely stringent character must be imposed upon those detected in buying or selling above the fixed price, and this is also a feature of the present Bill.

Even if such penalties are effective in

preventing the overt appearance of a "black market," they are not sufficient to prevent favouritism and discrimination, "under the counter transactions" as they are called. This has been a marked feature of war-time scarcity. In the end, therefore, fixation of prices below the market price has to be accompanied by rationing in order to secure some approach to equality in distribution and to prevent some consumers being shut out altogether. This also has been a leading feature of war-time conditions. Rationing has, however, only been applied to a limited range of articles. It has involved enormous waste of time and trouble.

If rationing were to be extended to a wider range of commodities, an enormous extension of a bureaucratic control would be inevitable, as well as a corresponding increase in the expenses of shop-keepers and distributors, as well as delays and complications for shoppers. Apart from all other considerations such expenditure of labour in present conditions of shortage of labour for all purposes is not to be contemplated with equanimity.

The speeches of Government spokesmen during the passage of the Bill through the House of Commons, especially that of Mr. Ellis Smith, the Parliamentary Secretary to the Board of Trade, appeared to indicate some idea in their minds that this Bill was the first step towards introducing a "planned economy." As we have indicated, this idea seems to be based upon the fallacy that the prices of wide ranges of articles can be controlled without having at the same time an equally widespread system of rationing. We take leave to doubt whether the organisation of the Board of Trade is in any way adequate to this purpose, and if it were we doubt whether the public would submit to it. They have put up with rationing and queues as a necessary concomitant of war, but they are heartily sick and tired of it, and

are anxious to see the end of coupons and scarcity.

One other point which deserves attention is the suggestion that this Bill will not only give powers to control the prices of goods of any class, but will also give power to control the prices charged by individual producers and will enable the Government to impose a maximum price upon one manufacturer which is different from that imposed upon another. The dangerous power of favouritism and discrimination which would thus be placed in the hands of the Executive is alarming in its implications. It opens up an unlimited prospect of lobbying and log-rolling which would be beyond the power of Parliament to control. In particular, it automatically places enormous power in the hands of the wealthy producer who can find the means and opportunity to prepare an elaborate and specious argument in favour of himself. An examination of the evidence taken by the Public Accounts Committee of the House of Commons will leave upon the mind of the unprejudiced reader the clear impression that in the negotiation of prices of war-like stores, with Government Departments during the war, manufacturers were able to get better terms out of some departments than out of others and some manufacturers did much better than others. The principle of competitive tendering as a normal practice has been more than vindicated by this experience, and the present Bill appears to strike at the foundations of that practice. In any case, if the view taken by the Board of Trade of the powers they get under it is correct, and is put into operation, the whole principle of equality under the law is endangered.

It is to be hoped that this Bill is only a transitional measure, that the powers given under it will only be used exceptionally, and that it will in due course be allowed to lapse.

THE "ECONOMIST" ON HOUSING COSTS

A COMPLETE analysis of the housing situation must include the element of rates upon the houses when built. It is exceptional to find this recognised, as it is in an article in *The Economist* (Oct. 27) under the above heading, giving a comprehensive survey of all the items which go to make up Mr. Aneurin Bevan's problem as Minister of Health. The writer of the article accepts Mr. Bevan's policy of giving priority to houses for the lower income groups, and points out that before the war the weekly rent for these groups was reckoned at 10s. as a maximum gross figure, but in the case of large families or pensioners even this was often too high. Given the rise in wages during the war, the writer estimates that 15s. might now be a fair rent; it certainly

cannot be higher. "From this a deduction must be made for rates." He goes on: Even if rates are equalised, there is certain to be an increase in poundage to cover the higher social service payments, and the average rates on houses for these groups will not be less than 4s. per week, leaving a net weekly rent of, say, 11s.

The article then analyses the costs of building these lower type houses and arrives at a sum of £1,040 a house, "so that a total of £1,200 a house, to include site purchase and clearance, would be a reasonable guess . . ." and this conforms to Mr. Bevan's ceiling for building licences. It will be noticed that this estimate gives £160 per house for the cost of site and clearance, and at 10 houses to the acre, it means £1,600 per

acre for land for working class houses, a confession of helplessness in the face of land monopoly.

The weekly cost of a £1,200 house with money borrowed at 3½ per cent., plus 1 per cent. amortisation and 1 per cent. repairs is worked out as equal to 23s. 6d. per week, more than twice the figure of 11s. a week maximum net rent as estimated above. Assuming an annual output of 400,000 houses this would mean an annual cost to the Exchequer of £13 million for each year's houses, and for a 10-year programme a semi-permanent annual burden of £130 millions when complete.

The article discusses two complications. "The new houses will not be occupied, however good they are, if there is always available, at much lower

rents, a surplus of perfectly sanitary houses whose defects are merely those of less convenience within and less sightliness without." Hence the pulling down of old dwellings will become a necessary part of housing policy, involving additional cost to the national scheme. Secondly, building costs will probably fall after a few years, which means that new houses of 1955-60 will be cheaper than the houses of 1945-50, and the latter will have to be further subsidised or stand empty because people will prefer the new and cheaper houses. "This may not show itself for a time, since the 1945-50 houses should be more attractive than the 1919-39 houses, but as the latter are also cheaper the dilemma will not be long delayed."

The allocation of subsidies is next discussed, a question whose insolubility is shown by the sentence: "If the maximum social benefit is to be provided at the lowest cost, the subsidies need to vary not only from place to place but also from tenant to tenant." The article complains of Mr. Bevan's silence on subsidy policy and makes the comment: "Even though Mr. Greenwood is in supreme charge of the housing programme its costs cannot be dismissed as a meaningless symbol." The definite suggestion made by the writer of the article, however, will not be a palatable one. It is that the new Dudley standard of 990 square feet as the minimum living space per house should be abandoned in favour of the pre-war three-bedroomed Tudor-Walters house of 600-700 square feet, admittedly a reactionary proposal, but "no more reactionary than to hold that half a loaf is better than no bread."

One final quotation: "The ordinary unskilled wage-earner has never in history been able to afford the economic rent of a new house." But the article does not go on to ask why this is so, nor why workers have to be satisfied with half a house as well as half a loaf. Nor does the article appear to recognise any relation between the rate of wages and the cost of building sites, and of the land from which building materials are procured. And though reference was made at the beginning to the factor of rates in the cost of house room, there is no recognition of the relation between the high cost of land and the system of levying rates on houses and leaving valuable unused land exempt from any contribution to the rates. Yet what a difference it would at once make if the houses for the lower paid groups were free of the 4s. a week rates, and if the cost of sites and materials were reduced by bringing into the market increased supplies of land and commodities by the operation of a tax and rate upon land values? The analysis always fails that leaves this out of its calculations.

D.J.J.O.

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LAND POLICIES

"A PRACTICAL and effective scheme of land reform must be based upon recognition of the fact that the value of land is the reflection of the advantages which come from the possession of a particular site, and that those advantages are dependent upon its situation in relation to the surrounding community. In short, site value is the measure of community advantages, and therefore of the obligation which the owner of the site owes to the community. It must, therefore, be a primary object of land policy to require the owner to fulfil that obligation."

"At the same time, and as a result of requiring the owner to pay his due to the community without regard to whether he is so employing the land as to earn its full value or not, a continuing pressure is put upon the holders of land to ensure that the land is used adequately. This is the second object of land policy—to see that the natural resources are used to serve the needs of the people."

"The third object of land policy is to prevent by appropriate rules and restrictions such use of land as is detrimental to adjoining occupiers or to the community generally. This is the field of town planning, which, unlike the previous two, involves the community in costs instead of immediately realisable benefits."

"The proposals of the Uthwatt Committee and those of the White Paper fail to link together these three aims, and consequently fail to provide a firm basis for achieving a complete and final solution. Neither do they provide the indispensable instrument needed in the practical application of a sound land policy—a valuation of the site value of all land, made as at as recent a date as possible and kept up to date by periodic revisions. Instead they contemplate complex and partial valuations which will involve much dispute and expense, and which are not tied to the purpose of either a general national tax on land values or a complete system of local rating of site value. There would, therefore, be absent the practical and compelling interest in accuracy of valuation which arises when the valuation is a basis for taxation."

"Finally these schemes do not provide for a substantial revenue from land values, and conversely make no provision for relieving houses and other buildings and structures from the burden of local rates and national taxes which add so much to the cost of houses and other buildings to their occupiers."

"All these problems are comprehensively and easily dealt with by means of land value taxation and rating, and this should therefore be the fundamental step in a permanent and developing programme of land reform."

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