

in price or where his own financial circumstances dictate that he must dispose of his asset.



In the face of limited land availability under town planning control and an increasing population within a given geographical area (not to mention monetary inflation), the incentives to sell are not very great. It is not surprising, as Mr. Bowhill points out, that some people would favour a return of the Land Commission. Unfortunately, as we know too well, a new Land Commission would have no impact on house prices worth mentioning and any minimal advantages could easily be cancelled out by counteracting forces.

Anthony Bowhill sees the problem in two parts: he believes that it should be tackled on the house-price demand side and on the land supply side. His proposals for the former amount to an advocacy of re-introducing the old Schedule "A" tax on owner occupiers and the limitation of second-time house purchasers to only 50 or 60 per cent loans from building societies. These measures, he believes, would put a great burden on existing purchasers and discourage them from "trading-up" in the housing market thus giving the newcomers a greater opportunity to bid for recently constructed homes. As an afterthought, he concedes that such measures might discourage "cheaper" housing from reaching the bottom of the market!

On the land supply side, Mr. Bowhill does in fact favour some form of acquiring commission or commissions. These he suggests might be charged with the responsibility of acquiring land at something less than market value and preparing it with roads, sewers and other utilities while at the same time earmarking sites for public facilities, schools, parks etc. Eventually the commissions would dispose of the land to developers and return any profits *pro rata* to the former owners!

In fairness to Mr. Bowhill, there is no doubt that his proposals could be made to work after a fashion but only at an unnecessary price and with detailed controls which many people would find intolerable. There is of course a far superior solution. A system of *ad valorem* land taxation would deliver the goods with many added bonuses. These would have deep and lasting consequences on both the land supply side and the house-price demand side which are of so much concern.

At once, the land-value tax would be far superior to the old Schedule "A". Not only would it charge the

current owner of any site (occupied or unoccupied, used or unused) a fee for the right of tenure related to imputed value received, but it would also increase the rate of supply and decrease the market price of undeveloped land. In fact, it would decrease the price of all property. And what is more, it would raise the demand for structures, which is the best way of increasing their supply in the long run. After all, to dampen down demand is to admit defeat.

A land tax would increase the effective purchasing power of the first time buyers, decrease their borrowing requirements and decrease the amount they have to pay in interest. In effect they would be able to buy more house with their limited income and we would begin to see higher standards of design and construction as a consequence. Finally, but most important of all, those outstanding permissions would be acted on far more quickly as the land market received the really fundamental shake-up it so drastically needs. What a turnaround it would be for land agents to be offered commission not to search out land for development but to market it in large acreages!

### Swedes Provide a Lesson

(From *The Individualist*, February 1973)

THE HOMELY old saying, found in most countries, runs: "Experience is the best school, but the fees are high." In fact, experience is not the best school for the intelligent person: he profits by the experience of others. But what shall we say of the Swedes? They are a highly civilised people, and they revere school education as devotedly as do the Germans. For many years, the Swedes have inclined to the Left. Business is strictly regulated. Taxes are high; and the government looks after the individual, from the cradle to the grave, with a paternalism that would break up any family if practised by the parents. The *Economist* Stockholm correspondent reports that the latest venture is for the government to become a shareholder in industry—the same policy as that with which we are threatened by Labour here today. The *Statsföretag* is a state holding company. In 1968 it selected a company in a backward industry (railway equipment) and prepared to demonstrate how it could turn to advanced products. It produced a mini van with a glass fibre body. Unfortunately the van was bought in quantity only by another state department, the Post Office. In 1970 the company lost nearly £2m. Production was then stopped, workers were dismissed, and some of the plant was sold off to the privately-owned Volvo Company! A nationalised machine tool company, formed three years ago, has just announced heavy losses. The country's dispensing chemists, nationalised this year with the aim of cutting prices, have raised prices three times, but are still losing money. The chairman and president have now both been sacked.