

INTERNATIONAL NEWS

bigger the profit left for improving it.

* Taxing land more and improvements less would tend to increase overall real estate values by stimulating development and investment.

* By abetting slums close in and sprawl far out the present property taxes tend to inflate municipal costs.

Apart from recommending reform of assessment practice, publicity facilities and appeals procedure, many of those at the conference considered that land could be assessed easier, quicker and cheaper than improvements.

The Conference agreed that cities could be functionally efficient only if they were kept compact, with their traffic arteries free and open. While the need for better metropolitan planning and zoning was emphasised, it was agreed that zoning at best is a negative power which alone cannot ensure a desired use. City planning was futile if the tax system encouraged speculation in land, making it profitable to misuse and underuse land rather than improve it for its highest and best use. While the need for public open space in urban areas was appreciated, many thought that private owners and exclusive clubs should not be given tax exemptions on valuable and strategic central sites.

Research undertaken by Professor Mason Gaffney showed that if taxes were transferred from buildings to land in central Milwaukee it would become profitable to erect twenty storey buildings on land where currently twelve storeys is the height of diminishing returns. Higher intensity of use in central areas stemming from increased land taxes would tend to contain sprawl, thus cutting transportation and service costs. Moreover, low taxation of strategic sites encourages blight and slums, making for further decentralisation by forced migration or acute overcrowding of existing accommodation.

So far in this country we have not reached the stage where there is real fear of mass flight from the cities. Indeed, our planning controls provide some check on this. Nevertheless the Milner Holland Report illustrated that there is a tendency for younger families to migrate from the inner London area.

Urban renewal is an international problem. It is encouraging to note that in the United States those closely concerned with property taxation are pressing for reform and research. That further serious attention is now being given to the merits of land based taxes in America is a healthy sign and one which should be followed up in this country. At present there are at least some site-value taxes in the United States and the door for extension is partially open. In Britain we have yet to get a foot in the door.

Britain was represented at the conference by Professor Colin Clark, from Oxford University, who explained Australia's system of land taxation.

The report of the conference should be given a wide reading. Copies are available from the Land & Liberty offices.

BOOK REVIEWS

By PETER TRACEY



Plan for Parking

NEXT TO HOUSING, the supply of roads, and more particularly of adequate parking space, is probably the most intractable problem facing the British people today. Perceptive observers may note that these two problems — houses and roads — are the only two commodities in continually short supply in our more-or-less free enterprise economy. Economists searching for the reason for these two conspicuous failures amidst the relative abundance of other products may also note that these are the only two commodities whose expansion requires a proportionate increase in land area.

The price mechanism, which ensures the equating of supply with demand, has been disturbed as far as housing is concerned by the numerous government interferences in the free market such as rent control, subsidies, council houses etc.

In the field of parking, the price mechanism hardly exists. Most parking is free, and when it is paid for, the price is arbitrarily fixed. Parking space has, up till now, been regarded rather as a public service, not a proper subject for competition. The effect of this, as is pointed out by Gabriel Roth in a new Hobart Paper, *Paying for Parking*,* is that allocation of parking space by administrative decree or regulation can be arbitrary, capricious and wasteful.

Mr. Roth remarks that "the idea that parking space can be usefully treated in the same way as office space, hotel rooms or theatre seats seems strange to most people. Readers are therefore asked to put aside all preconceptions . . ." — a necessary warning, for what follows is pretty revolutionary.

The alternative to physical rationing, says Mr. Roth, is pricing, and he shows convincingly that parking troubles, including the use of present-type parking meters, are due to attempts at *rationing*. Pricing would overcome all these difficulties. Parking meters that "sell" a small basic unit of time at a price that varies from place to place would balance supply and demand for street parking.

"If car owners are unwilling to pay parking charges in full, they are asking part or all of parking costs to be paid by non-car owners," points out Mr. Roth. He advocates that private enterprise should provide off street parking space at full economic cost, and that this should not be undermined by free or subsidised parking. "Once the local authority provides *some* parking space below cost, it is liable to find itself having to provide *all* the parking space in its area — below cost."

**Paying for Parking* by G. J. Roth. Hobart Paper 33. Institute of Economic Affairs. 6s.

Mr. Roth's neatest suggestion is for solving the problem of frontagers — people with meters outside their homes. Let them rent the meters at the market rate from the local authority, "hood" them whenever they want to stop others using the meter, and collect for themselves any money deposited when the meter is unhooded.

Mr. Roth's Paper is a fascinating piece of economic analysis and a convincing demonstration of the superiority of the free-market pricing mechanism over any form of arbitrary control, even if many people might find the remedy hard to swallow.

Light on the City

THE CITY OF LONDON is still regarded as anything from an unrivalled national asset to a sinister conclave of the high priests of finance. So says Arthur Seldon in the preface to *The City in the World Economy*,* by William M. Clarke, Financial and Industrial Editor of *The Times*.

It is a safe bet that very few people have even a sketchy understanding of the workings of the City. Its ancient traditions, customs and rites, some of them of a distinctly restrictive nature, give it an air of mystery, even unreality, that few would trouble to penetrate. However, recent criticisms of the City have shown its members that such an important institution should not be so unknown to the general public, and Mr. Clarke's admirable survey is an attempt to dispel much of the ignorance and prejudice that surrounds it.

The book is divided into two parts. Part I consists of a description of the main City markets — commodity, insurance, shipping, banking, etc. — and of their operation in the face of growing economic discrimination by foreign governments.

London still remains the world's largest international insurance and banking centre, but these activities, as well as shipping, are being increasingly affected by economic nationalism, particularly by the governments of newly-independent countries. In addition, there is a threat to commodity markets from giant sized industries that have tried to fix their prices direct with main consumers.

In Part II Mr. Clarke discusses international monetary relationships, the role of sterling in international trade and the City's contribution to economic growth and the balance of payments. Mr. Clarke puts the City's invisible earnings for 1963 at £185 million — a very high figure. He outlines the way in which changing world circumstances — the inflation of the currency during the first world war, the return to the gold standard at pre-war parity and its subsequent abandonment, the growth of the sterling area, the exchange control regulations of 1939, the formation of the International Monetary Fund, the ups and downs of the relative financial strengths of Europe and the U.S.A. — have caused the City to change its tactics and operations to suit, and always to come out on top.

**The City in the World Economy* by W. M. Clarke. Institute of Economic Affairs, 42s.

Farmers' Plea for Land Tax Exemption

By PETER RHODES

ONE OF the symptoms of an expanding economic system is an increasing rate of conversion of agricultural land to urban uses. In California in particular, where an influx of something like 700,000 people a year is forecast, the speed of land-use intensification is very great indeed. In such a situation, the farmers with holdings close to urban centres soon feel the cold wind of change. Where partially land-based taxes are the rule, it is not long before attempts are made to give agriculture concessions.

It is reported by *The Christian Science Monitor* that in the dormitory community of Walnut Creek, some thirty miles from San Francisco, one farmer with a 450 acre estate is now surrounded on three sides by urban development. For many years his tax bill stood at about \$3,000 a year. Recent revaluations, although not fully in line with residential land values, have brought this man's tax burden up to \$20,000. If the valuations were made on strict residential value his bill would double again and his farming business would collapse. Local farmers have been urging tax exemption of a special kind. They urge that farm assessments should be based on agricultural values but that those who sell at a later date should be charged retrospectively for past tax favours if they convert their land to urban uses.

Part of the strength of the farmers' case is the fact that much of the close-in land is of great agricultural productive capacity. It is estimated that the two million acres of Grade I soil in California could be eroded by urban conversion within fifty years. Good agricultural soil represents only about eight per cent of all California's vacant land and the farmers think that there is a case for channelling urban development on to inferior land. Californian specialist fruit growing would be more difficult on marginal agricultural land.

This sort of situation presents problems for the land economist. On the one hand, the farmer's claim has seeds of justification. On the other the need for close-in urban land is equally great, since if inferior land is used the cost of community services like water, drainage and transportation systems will be greater. Moreover, urban centres would become fragmented as population increases. Some agricultural specialists like Professor Mason Gaffney have argued that sophisticated farm techniques and technological innovation have always tended to increase agricultural productivity. Soil conservation is no longer a strong argument for holding on to agricultural land on urban fringes.

It is clear that politicians and legislators face a dilemma, with possible loss of agricultural votes. In this situation some hard value judgements need to be made. While

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