

H O U S I N G

Tragedy behind the irony

by *Richard Bramhall*

NORMAN LAMONT, Britain's Chancellor of the Exchequer, brought cheer to families threatened with repossession of their homes. Politicians want his emergency measures (including a "holiday" from the payment of stamp duty) extended beyond the mid-August deadline. RICHARD BRAMHALL welcomes Lamont's action as a "a gesture of compassion." But he has strong reservations about the remedy.

THERE IS one elementary observation which Norman Lamont - in common with the Opposition - failed to make about the steps he took to rescue the distressed families who are losing their homes by the thousand.

Whenever something makes home ownership easier, the market will generally adjust so that prices swallow up the advantage.

So is there any hope for the disadvantaged of our society? The answer, I fear is "No" - not while there is no tax liability on idle land and under-utilised housing; not while society fails to recoup the values conferred on land by society's own need to use it. So long as the owners of potential building land are unwilling to sell below speculatively high prices - which in a recession means that there is no real attempt to reach agreement on a sale - the land element of a house will continue to be high enough to cause hardship

A supreme irony lies behind the tragedy of homelessness, bed-and-breakfast accommodation, and mortgage repossessions: none of it is necessary. There is no shortage of land for housing. A 1981 report (one of the very, very few pieces of hard information available on the pattern of land use and misuse) revealed that 1.3 million acres of land in Britain were underused, idle, or derelict. Nothing much has happened in the intervening decade to put it to good productive use, though it is, in total, roughly the same area as the whole county of Powys. Yet in the 1980's the building industry's biggest headache was the apparent shortage of affordable building land.

Tens of thousands of acres of agricultural land were lost each year to sprawling towns and cities which were forced to leapfrog underused land which speculators refused to develop while they waited for larger gains in

the future. The miserly supply of land that does find its way onto the market gobbles up anything from a fifth to a third of the selling price of a house, which compares starkly with the paltry 1.2% discount represented by Norman Lamont's temporary suspension of stamp duty on an average house sale.

If the Chancellor really wants to kick-start the housing market he has to persuade his colleagues to bring genuine competitiveness to the land market by implementing the Green Party's Site Value Taxation policy. This system of raising public revenue cuts at the root of the problem of housing shortage by taxing land owners for the value of their sites as if the land were being used to the full potential allowed under local planning.

The immediate effect would be to cause such owners to compete to develop their holdings as permitted under local plans, since they would be paying the same rate of tax on derelict sites as on fully-used ones. A competitive free market in land would bring down prices, and builders would be able to provide affordable housing at less risk to their businesses.

I don't envy Mr. Lamont his task of bringing fairness to the housing market - his own party and the land-owning class that supports it would crucify him rather than admit the basic injustice of a system which allows a small number of people to keep for themselves most of the benefits of owning a vital commodity which none of us created nor ever could create.

He certainly won't find an ally in Teresa Gorman, if we are to judge from her intervention in the Commons on the day he announced his package of measures on mortgage repossessions. Ms. Gorman suggested that we in the UK should adopt the same standards as Japan, where it is usual for mortgages to run for 60 years,

as against 25 years in Britain. The lady rarely opens her mouth but to shoot herself in the foot, and this was no exception: the Japanese economic miracle has been achieved at the cost of having one of the worst-housed workforces of all the industrialised nations.

Sixty-year mortgages can only be needed where the price of land for building is astronomically high, as in Japan, due to the national hobby of land speculation. Some measure of the resulting human misery can be found in the incidence of the deaths of whole families: it is not, I hear, uncommon to read in the Japanese press, reports of the heads of households murdering their children and then committing suicide, so oppressed are they by the unseen forces of greed and land monopoly. I hope that Ms. Gorman will take account of this before she seeks to add life-long mortgage terms to the crushing armoury of weapons which are already lined up against the poor and disadvantaged in Britain.

Somehow I can't see anyone in the Major government taking on this cause: the conservatives are too apt to claim that competition does exist in the land market, since there are so many landowners. This glib argument takes no account of the fact that everyone needs land to live and work on, while the few who control its supply generally can afford to wait for a price that is satisfactory to them.

But until someone does grasp this nettle, the Chancellor's little present will not benefit hard-pressed home owners. In the short term it will inflate house prices: in the long term it will inexorably make its way into the pockets of the very people who need it least - the landowners.

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