

# The Housing Problem—Diagnosis and Prescription

J. W. DARK

TWO conferences were held on housing at the end of last year at Church House Westminster within a few days of each other. The first was sponsored by the Monday Club, a pressure group within the Conservative Party, and the other by the Conservative Party's Parliamentary Housing Committee. While not necessarily endorsing the general policies of either group we feel they can be commended for opening their conferences to a very wide range of views.

This address, which has been abridged, was given by J. W. Dark at the former conference.

THIS PAPER is primarily concerned with the market in rented accommodation, which is so emasculated by the forces described below that it hardly justifies the name of "open market". Indeed the open or free market in the true historical sense disappeared in the 'thirties. As few people now living can remember how a free market operates, it is worth while recounting how the free market nurtured the undeniable culture and wealth of the Roman Empire, the Anglo-Saxon nation in England and the British Empire, even at risk of restating the obvious.

## The Roman Free Market

The popular idea of the Roman Empire, which included the known world for centuries, is of Roman Legions marching hither and thither in search of slaves for imperial orgies, and bloody spectacle in Roman amphitheatres. It is conveniently forgotten that this empire achieved unprecedented wealth by its economic organisation as a free trade area, based upon innumerable free markets. The real function of the various Roman Legions was to drive barbarians, bandits and pirates from the trade routes by sea and land linking these free markets, each of which was protected by a Roman Council.

The Father of the Roman Empire, Augustus Caesar (BC 63 to AD 14) was the greatest exponent of the free market of all time. He found Rome in brick and left it in marble.

He insisted on a sound currency and the sanctity of all contracts agreed in his markets. Many free market tenets stem from his edicts... "Caveat emptor", "my word is my bond", "take it or leave it". His courts strictly enforced the Law of Contract. His markets held no place for the "man of straw", the fraud, the cheat or the man who made a bargain with intent to obtain its official repudiation.

The economic wealth created by the Augustan free market resulted in amazing building activity for all classes. Even in the colonial outpost of Britain, numerous Roman villas, complete with central heating, were commonplace.

## The English Nation (AD 878-1066)

The founder of the English Nation did more than burn some cakes. His many-sided genius fused Christian and Judaic principles with Anglo-Saxon folk practices to form a culture which then and now has been universally respected. Alfred the Great enabled the newly-formed amalgam of Danes, Saxons and others in 878 to emerge from centuries of rapine and invasion into a period of secure trade and culture. The systems of Wergeld ("every man has his price"), owner-occupation of land, safe protection of merchants, market charters, and popular education brought so much prosperity that the English State attracted every robber in Europe, including Duke William of Normandy, who claimed ownership of all England, two-thirds of which he laid waste for generations. He forced the English to build castles in place of markets and instituted the royal practice of currency debasement. The former free Anglo-Saxon markets soon succumbed to the unwelcome presence of armed Normans dictating prices at spear-point. The resultant decline of trade produced famine and misery for generations. The baron in his

draughty castle, the corls in smoky hovels—all classes were ill-housed.

## Era of British Free Trade

The British Empire reached its hey-day in 1870 and its highest production of houses for rent in the period 1860-1910.

Combining altruism with sound economic sense, the shrewd capitalist George Peabody built blocks of artisans dwellings with rents of 2s. 4½d. per week per room, with water and laundry free. He died with the knowledge that many other capitalists were creating towns like Port Sunlight. The odd ½d. is significant commentary on their close attention to financial detail. Cadbury, Rowntree and Owen are famous in the same context.

So much housing was provided in this free trade era that the problem of Edwardian landlords was to find respectable tenants for the numerous well-maintained houses to let, for a few shillings per week. This abundance of houses to let gave extreme mobility to all classes and every one could suit his housing needs to his means.

But this state of affairs ended in 1914. The British thought this war was another skirmish to be fought as usual with soldiers paid a shilling a day, but by 1915 these men were quite unable to cope with the inevitable inflation of prices and rents. Instead of paying more money to the Forces, Government introduced rent control, with a promise to lift all controls at the end of the war.

Landlords accepted this as their patriotic duty, but when all other price controls were abolished in 1919, rent control was retained, and apart from a slight alleviation in 1957 has been applied with increasing severity to this day. Unable to cope with the inflated costs of World War II, private landlords could neither maintain their properties nor sell with vacant possession. The long wait for

tenants to die in the decaying houses had begun, with whole areas falling into disrepair and complete cessation of investment in houses for rent. To add insult to broken promises, every Government since 1915 has mounted propaganda campaigns against private landlords for being unable to maintain dwellings out of rental incomes of less than 16s. per week per house.

This official hostility was necessary to damp down wage claims arising from protectionist policies following World War I. In effect, the cost of these two wars and protection was thrust upon the private sector under the guise of rent control. Moreover, the private sector has had to carry the rate subsidies demanded by the increase of council housing. The workers no longer enjoy the labour mobility provided so cheaply by rented accommodation, but are tied to existing tenancies, subsidised council houses, and owner-occupation. This economic nonsense has adversely affected the location of industry, which must now be taken to the workers regardless of economic factors.

**Industrial Development Certificates force industrialists to locate plants in the most unlikely and unsuitable places, far from their particular markets or linked suppliers, without adequate transport or communications simply because the labour force is immobile and frozen by lack of rented accommodation elsewhere.**

Whereas before 1915, 90 per cent of all rented accommodation was provided by private landlords in abundance and offered on the open market, today they control less than 18 per cent, with extreme shortage and a dying market. During the past forty years every effort, at untold expense, has been made by Whitehall to fill the gap with council housing, but this accommodation is filled with immobile tenants and is not offered on the open market, so that the new generation of virile workers is deliberately excluded and forced to compete for mortgages at ten per cent per annum.

### The Rent Acts, 1965, 1968

Introduced by Mr. R. H. Crossman, a dedicated socialist intellectual, the Rent Act of 1965 is the classic method of wrecking the open market. Directed against suppliers of unfurnished rented accommodation, this highly successful Act created a huge bureaucracy of Rent Officers and Appeal Committees whose sole function is to nullify or alter any tenancy agreement at the request of either landlord, tenant or Rent Officer, and to substitute an arbitrary "fair" rent based on no known economic formula. Within two years the market in unfurnished lettings dried up. Today no sane person would consider letting unfurnished accommodation. The success of this Act encouraged Parliament to introduce a similar Act directed against suppliers of furnished accommodation. Many private landlords were too slow in reading the 1965 Act and were caught in its machinery. Their cries for help are still being heard.

### Housing and Town Planning Acts

The latest Housing Act of 1969 is another classic blow directed against providers of multi-occupied houses, for whom Part IV is a real body blow. They must supply various amenities, often requiring extensive alteration at uneconomic cost, in order to qualify in 1975,



after a tortuous administrative procedure involving thirty-nine steps, for a slight increase in rent to offset the capital outlay.

Failure to comply will mean a hardly-disguised confiscation of the property by means of management control orders, followed by com-

pulsory acquisition. This Act will not attract any capital investment in more housing but the market in furnished lettings will be successfully wrecked by 1971.

Town planning appears to be a necessary part of social organisation, but in the hands of a local housing authority it becomes a very powerful instrument for obtaining land by compulsory means. By repeated refusals of planning permission, and by insisting upon uneconomic uses, the planning officer can sterilise areas until they suffer from the dreaded "planning blight"! These measures cost the planning authority nothing, but eventually the interest charges on the blighted land force the owner to sell at any price to the only purchaser, viz. the local authority. Shortly after sale, town planning permission for a beneficial use is granted.

In South London large areas are, and have been, standing idle for years whilst this process of planning by attrition drags on. The practice of keeping land idle has the merit of converting whole districts into rat-infested slums, thus reinforcing the case for a compulsory purchase order and forcing down the market value.

Every Act concerned with housing contains innocuous-looking clauses designed to make the holding of land by the lower middle class onerous, if not impossible, thus creating the proletariat so necessary for progress towards a fully socialist state. The two-party system in democratic Britain is eminently suited to this process because the legislation passed by one party is never repealed by the next. The Tory Party attains office merely to provide a breathing space before the next onslaught of legislation. In the field of housing, the consensus of opinion and aim between the major parties is so strong that both parties claim superiority in taking land out of the market and building council housing.

### Council Houses

The collapse of the open market has of course swollen the waiting lists for local authority housing. These lists reflect the desire for

subsidised rents more than inability to pay. The lists are highly confidential—one may say secret—and are based upon a variety of points systems related to all sorts of family factors. Some families invite overcrowding, slum conditions, health hazards, etc., in order to qualify for more points, the temporary self-induced hardship being amply repaid by more speedy entry into low-rent, subsidised housing. After entry, no further effort is made to relate income to the housing, with the result that many persons quite able to qualify for mortgages naturally prefer council housing at derisory rents.

The high cost of constructing council housing, especially with direct labour, is a disturbing force in the market. When councils dispose of large chunks of public money regardless of economic return, the tightly-squeezed private sector is subjected to intense inflationary pressures.

Inexplicable losses occur in direct labour construction. In one London borough "losses" of one million pounds were revealed.



Taxation

The high incidence of taxes on capital, effort and initiative now prevailing in the private sector has extinguished any spark of capital investment in moderately priced dwellings to let.

When the private sector sags, the public sector must sag in sympathy. The load must then fall on owner-occupiers as the only viable entity left in housing, in the form of higher rates and a so-called wealth tax on their properties.

**Curiously enough, owner-occupiers believe this tax is to be imposed upon large land owners and owners of costly jewellery, pictures and rare artifacts. Their disillusion will be heart-rending.**

#### Remedies — Immediate Action

Having faced the brutal truth that fifty years of rent control has produced increasing homelessness in a siege economy during peacetime, we recognise that no gimmicks can produce the change of climate required to remedy a too-long-ignored malaise. Immediate action is required along the following lines:

- (a) Stop all public funds for official anti-landlord campaigns.
- (b) Abolish rent control, with its shortages and squalor.
- (c) Repeal the Rent Acts.
- (d) Repeal anti-landlord clauses in other Acts.
- (e) Charge economic rents in the public sector.
- (f) Sell council houses, with ten per cent reduction for sitting tenants.
- (g) Give rent subsidies to needy tenants.
- (h) Restore the Law of Contract.
- (j) Revive the free market in rented accommodation.

#### Long Term Measures

- (k) Reduce taxation on capital, effort and invention by 50 per cent in the first year, 25 per cent each succeeding year.
- (i) Abolish import levies, tariffs and duties on all building materials.
- (m) Replace the British taxation system with the Anglo-Saxon system of land value rates and taxes.

This latter taxation system, inaugurated by Alfred the Great, was a successful means of creating prosperity, security of tenure and cultural progress in the first English nation of 878 to 1066, and is eminently suited to the present dilemma. The system was well-defined, not subject to abrupt changes, easily administered and certain in collection. Very briefly, central government taxation under this system would be based on the value of actual raw land as shown on the Ordnance Survey geological maps of England. Every parcel of land would yield, on a general overall rate, sufficient *in toto* to meet all government expenditure. Local government taxation would be met

by a schedule of rates for permitted uses applied to the extent of the permitted uses attaching to each parcel of land. The permitted use and its extent are readily obtained from the Development Plans required by law for every part of England.

Under this Anglo-Saxon system, the cost of holding land out of use is prohibitive for all but insane millionaires.

#### Pity the Poor Earl

**E**ARL FITZWILLIAM is to lose half of his 1,600 acre family estate at Peterborough to make way for the city's £300 million expansion scheme, reports *The Daily Telegraph*, November 18. The planners have earmarked 800 acres of rich farmland bordering the Earl's Elizabethan manor in Milton Park for their 30,000 new homes to be built over the next fifteen years for London over-spill families.

The Chairman of the Peterborough Development Corporation, refers to Lord Fitzwilliam's estate as his "allotment", but so far no price has been reached in the negotiations for the Earl's land.

The Earl does not object to the expansion proposals, and bearing in mind the words of a local agent, "on current market prices for agricultural land it could fetch about £300 an acre, but as building land it would, of course be worth considerably more," the Earl's decision is not surprising.

#### H. R. LEE

We regret to report the death of Mr. H. R. Lee, a member of the United Committee, on the 29th December. He was 92. He was one of the early members of the English League for the Taxation of Land Values and a Founder Member of the Portsmouth League.

Until a few years ago he was conducting classes for the Henry George School in Portsmouth. His consistent work and devotion to the cause of land value taxation and free trade will be long remembered. To his family we extend our sincere condolences.