

# Housing Policies—Good Intentions, Poor Economics

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AFTER two-and-a-half years' work, the Government has published its consultative document on housing policy.\* Recommendations have been put forward under seventy-four headings ranging from tax relief to battered women. They are no doubt meant to encompass everyone's housing needs from the cradle to the grave. Within its 154 pages of text, diagrams and tables the document presents a comprehensive view of housing needs and a brief survey of past performance and trends. Here are a few of the official figures:

- ◆ Since 1951 the number of households in England and Wales living in physically unsatisfactory conditions and shared accommodation has fallen from nearly 10 million to 2.7 million.
- ◆ About a third of the housing stock was built before 1914.
- ◆ A deficit of about 750,000 houses compared with households in 1951 had been turned into a surplus of about 500,000 more houses than households by 1976.
- ◆ There are still about 900,000 unfit houses in England and Wales.
- ◆ In 1918 about 90 per cent of the housing stock was privately rented while now 55 per cent of houses are owner-occupied, 30 per cent are in the public sector and only 15 per cent are privately rented.
- ◆ The initial weekly cost of an average mortgage rose from about 26 per cent of income in 1947 to 34 per cent last year.
- ◆ In 1975/6 tax relief and option mortgage subsidy amounted to £1,100 million while rent rebates, rate fund contributions and general public sector subsidies amounted to £1,502 million.

It will be seen from the above figures that while significant improvements have been made in

housing standards there remains much to be done. Furthermore, what is being achieved depends on what the authors of the document call "general assistance"—a term coined expediently to cover nearly the whole range of tax-funded housing help. This "general assistance" in 1975/6 amounted on average to £195 for each mortgaged house.

The consultative document argues that the public expect general housing assistance to continue and because of this, there are no dramatic proposals in the policy recommendations. As far as the diminishing private rented accommodation is concerned it is recognised that this sector of the housing market still has an important function to perform. A review of the Rent Acts is being undertaken and it is proposed that the scope for a publicly accountable letting agency should be investigated. There is not much comfort to be found here for those who cannot buy their own home but who do not qualify for public sector housing. Indeed, the document accepts that to meet this point it will be necessary for the public sector to accept responsibility for housing a wider range of households! We see here that the Government is still firmly committed to an expanding public sector in housing but because of the attractions of owner occupation to a large proportion of the electorate, it is proposed to introduce further measures to help home buyers. Here are some of the proposals:

- ◆ £500 loans to first time house purchasers who are able to save at least a matching sum over two years with the loan to be interest-free for five years.
- ◆ A savings bonus broadly equivalent to income tax at the basic rate on the aggregate of interest up to £1,000—worth about £100 on £20 a month savings over five years.
- ◆ Higher percentage mortgages,

more loans on older properties, more low-start mortgages, fresh sources of mortgage funds (life and pension funds) and building society quotas for house-builders.

There can be no doubt that if such measures were introduced, the housing market would be stimulated by increasing demand. What would remain to be seen would be whether the land market would respond with dramatically rising prices as it did during 1971-73 when expectations of continuously rising property prices were high. Very little is said about land in the government's document.

Local authorities are to be asked to prepare comprehensive Housing Strategies which are expected to ensure that sufficient land is available where required, using their planning and acquisition powers to assemble and dispose of sites under the Community Land Act. By such methods, according to the Government, local authorities should help to provide a further element of stability for the building industry both in the flow of land on to the market and in the price at which it is obtainable.

We therefore find once more that it is thought that the answers to the country's housing problems are to be found in further detailed planning, continuing and higher subsidies and more action by local authorities, especially in the inner cities.

It has been pointed out frequently in this magazine that the housing problem is really two-sided: on the one hand high land prices in a tight island economy are sustained by ever tighter land-use planning; and on the other, fundamental poverty excludes a large part of the population from bidding effectively in a market which has been manipulated by



controls and high levels of public intervention for more than fifty years. Surely the way forward is to attack the land-price problem

\*Housing Policy—A Consultative Document (Cmd 6851) H.M.S.O. £2.50.

at its roots through progressive *ad valorem* land taxation and by sustaining a high rate of economic growth to shift the poverty margin downwards. This, however, has yet to be appreciated by most politicians of all parties.

Meanwhile, with good intentions and poor economic understanding, more and more interventionist policies are proposed. The familiar rag bag of minor modifications to irrelevant action looks as if it will persist for a long time to come, although it may change its superficial appearance over the years. The sale of public sector housing, increased grants for rehabilitation, more public acquisition of vacant houses and new forms of tenure like equity-sharing

will have only marginal effects where the natural allocative bonus of the market place has been disregarded for so long and where deep-rooted monopolistic characteristics of the land market are firmly entrenched. If my readings of the trends are correct, the next major housing policy proposal from this Government will be to use Community Land Act powers and public finance to "write down" the values of acquired land. The Americans have already travelled in that direction and found the financial consequences disastrous.

"Tax the land and not the buildings" is still a worthy slogan. Let us hope it will never be forgotten. It will always have relevance to housing policy.

rents have been depressed. Now however, there are signs of a slight recovery. But with all the Government's fooling around with planning and fiscal policies, and with its land nationalisation and development charges, not to mention the concealed but inexorable effects of economic laws, the poor land speculator doesn't know which way to jump. He has dipped into the community's land-rent chest before and burned his fingers.

The Government is at present very concerned about the inner urban areas that are run down, soulless and economically unbalanced. Without a single thought as to its own contribution to the problem, which was consistently to ignore or dismiss the right steps, it is now busy trying artificial respiration with more of the taxpayer's money. Urban aid expenditure on selected inner city areas is to be increased by £95 million this year as a step towards a commitment of £1 billion over the next decade. Office Development Permits are to be raised from 15,000 to 30,000 sq. ft. and Permits given to a limited number of speculative office buildings in inner London.

To whatever extent the exodus from London and other cities has been a result of the Bureau's activities, the fact is that firms were moving of their own volition anyway. To give space to a clerk to work in the City of London it costs an average £2,674 per annum including rates. Office workers take a dim view of commuting these days, what with the swingeing increases in fares and unreliable and uncomfortable transport facilities.

Maybe if the latest policy fails a Grand Plan will be devised with a computer-controlled office and population transfer grid. Every engagement and dismissal in the cities would be fed into the computer as would every office letting or vacancy. Office workers with their desks would then be transferred in coaches and vans on a weekly basis to preserve an equilibrium decided upon by planners as the ideal. After all a precision computer-planned chaos must be better than the old-fashioned human brand we have now!

## Political Acrobatics

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**I**F you make mistakes you don't just admit them and attempt to rectify them. You justify your original arguments and then find new ones for putting the mistakes right under the guise of a new policy. This is standard Government philosophy. See an evil—pass a law. If this creates another evil—pass another law. If the laws conflict and tie lawyers, laymen and administrators in knots, why, then you pass a consolidating act leaving a few crafty loopholes that counsels' opinion will find for those concerned—at a price.

Of course the wrangling will continue over what the appropriate action of our rulers should have been, missing the point that no action at all was the right action in most cases.

Londoners will be familiar with the large posters on the hoardings, the underground railway and in the press in recent years, exhorting firms to move out of London. The Location of Offices Bureau, set up twelve years ago to "encourage the decentralisation of office employment from congested central London to suitable centres elsewhere", was backed by subsidies and inducements of many kinds. But now the Government wants the offices back again. It was all a mistake. Well, not exactly a mistake—you see there is a new policy. The Bureau is not to be

wound up, it is to be used to promote office employment in city centres and in case not enough firms come back, it is to encourage foreign firms to establish offices in Britain. This of course is definitely not a reversal of policy—Mr. Shore, Secretary of State for the Environment, says it isn't and what more could you want? Accusations of somersaulting, making a U-turn or back-tracking are quite unfounded.

The Bureau is now to "offer advice on the location best suited to the particular firm in question, whether in an assisted (subsidised) area, an inner urban area or elsewhere."

So whether you are assisted, cajoled or intimidated to move in or out of London, the Bureau is there to advise you what to do. And that advice, I seriously suggest, should be listened to very carefully by firms contemplating a move. A farmer, asked to what he attributed his exceptional success, replied that he listened carefully to government advice—and then did precisely the opposite.

Of course, the whole thing could be a plot to confuse land speculators or to encourage them. What with the claimed success of the Bureau in getting 120,000 office jobs moved out of central London and the slump reaction to the speculative property boom, office