

Is Britain Heading for a Depression?

— Disturbing Trends Discerned

PETER HUDSON

READERS of this magazine will be familiar with the history of the series of land booms which have been such a feature of the American economic land market and which culminated in the great crash of 1930. Between 1929 and 1932 foreclosures in the U S mortgage market leapt from £60,000 to nearly £250,000. Before this happened, however, there was other evidence of impending disaster. Considerable unemployment, a turndown in production and a considerable decrease in the output of the construction industry were all signs which heralded the fall. It is therefore ominous that in the first nine months of 1970 no less than 729 UK building firms went bankrupt, and by January 1971 nearly 100,000 construction workers were idle. In addition, housing completions showed their third successive annual decline. It has often been said that the construction industry is the barometer of the nation's health. There is therefore good cause for alarm.

Attention has recently been drawn to these trends by Martin P. Pawley, writing in *Official Architecture and Planning*, April, 1971: "Scarcity creates value," he writes, "but the underlying scarcity is not of accommodation but of land . . . If housing becomes too expensive or too risky for anyone to undertake, then we can be sure that it will become so in the general context of massive unemployment and economic depression. Housing has not been a free market for fifty years; the government, the banks, the building societies, the insurance companies—every major financial institution is involved in it. The corporate interlocks between capital and government in any technological society make it excessively vulnerable; just as today a breakdown in public utilities would probably cause the deaths of thousands within a matter of days, so today would also the collapse of any major financial institution threaten the remainder with similar collapse—the current crisis in motor insurance clearly indicates this."

The significance of the interdependence of the lending institutions is emphasised by the fact that even at interest rates of up to 12 per cent, practically half of the owner-occupied properties in the country—about four million homes—are currently on mortgages. In addition, there is a considerably high level of institutional lending and investment in commercial property, bolstered by the advent of the property bonds which are now marketed in conjunction with life assurance on a monthly-payment basis. "Should land prices be stabilised," asserts Mr. Pawley, "not only would considerable hardship result through the collapse of the hidden subsidy in house

purchase but a dangerous political reaction would almost certainly sweep the government that proposed it from office."

This latter point, of course, is an extreme view, but Mr. Pawley's analysis is a valuable one and he certainly appreciates that the housing problem is only a part of the much wider economic problems of today's industrial/technocratic state. Does he see a way out of the country's housing dilemma? Indeed he does, but his proposed solution is likely to be a controversial one.

At the risk of doing Mr. Pawley's thesis an injustice, his view may be briefly summarised:

Just as new mental attitudes have evolved in favour of products that were once scorned (such as instant mashed potato), so he considers a similar attitude could easily be adopted in relation to housing. Instead of the traditional structure of what has now become the mental image of a dream home, in the form of a detached, semi-detached or ranch-style house, Mr. Pawley sees the need for the dawning of a new age in which housing might be viewed as a simple assembly product—as simple shelter rather than the very key to a civilised existence. Just as research work has shown that cornflakes packets could be redesigned so that they could be used in a cardboard furniture assembly after their contents had been consumed, Mr. Pawley proposes that the secondary-use principle could be applied to some products which might ultimately form the component parts of a house. This "do-it-yourself" approach to housing, he asserts, with the re-use of manufactured material, could result in the crucial integration of financial survival with accelerating production which so threatens us today, while the notorious waste output of technology could at the same time be reduced, leading eventually to a cyclical process.

Apart from the rising price of land, what other considerations led Mr. Pawley to proffer the view that we should move towards a national concept of "throw-away" buildings? He points out in his article that even the most ingenious of modern low-cost homes, designed around standard-sized building components, still cost between £3,000 and £4,000 each, even allowing for volunteer labour on a scale that is likely to be unacceptable to the building unions. Even houses based on commercial greenhouse-type plans, as are currently being proposed for Milton Keynes, will need special mortgaging procedures if their initial cost advantage is not to be chained to the spiralling cost of the land on which they stand.

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"We must not forget," Mr. Pawley reminds us "that even a ten per cent reduction in building cost will be absorbed in less than a year The critical economic position of the construction industry seems to indicate that, for the present, no amount of ingenuity, economy or technical innovation will be able to break the stranglehold of land and labour costs for more than a few brief months."

Bearing in mind that there may be as many as 100,000 homeless in London by 1981 (and most likely fewer jobs than now), together with the fact that, nationally, about ten per cent of the houses (1.8 million) are unfit, the need for positive housing policies is undisputed.

But to what extent, if any, would Mr. Pawley's suggestions solve the problem? He acknowledges that there would be at least four major obstacles to be overcome:

—Houses conceived this way would almost certainly be usable only for low-rise, short-life, non-urban situations.

—Such housing would be unacceptable to the majority of the population.

—That, if successful, such a procedure might plunge the conventional building industry into bankruptcy.

—The problem of land costs and scarcity would be unaffected.

Mr. Pawley takes the view, however, that the first three objections might easily be overcome. He accepts, however, that the ruinous cost of land is fundamental. "Since land prices reflect scarcity," he writes, "they would not reduce as a result of the imposition of government controls or even nationalisation, instead they would merely transmute to other ground, as they have in some communist countries. The only real possibility of a reduction in the escalating cost of urban land is to be found amongst the hypothetical consequences of a lifestyle change brought about by the evolution of a society in which employment and transportation become less important as determinants of desirable home location. His suggestion, which is by no means as utopian as it might at first seem, depends on increasing unemployment through automation and functional obsolescence, increasing use of remote-control production processes, and the continued decentralisation of our culture through media." Is this, in fact, true?

Mr. Pawley's main theme is a sound one. Rising land prices, increasing urbanisation and runaway inflation, combined with large-scale lending, are dangerous economic indicators. The similarity with the 1930's situation is

quite frightening. But Mr. Pawley's proposals, imaginative as they are, would appear to require either of two conditions:

That the government intervene on a massive scale and dictate what should be designed, how it should be done, where it should be done, and who should do it, or there be a complete revolution in thought, brought about perhaps by total economic collapse and even then resulting in a land cost situation which might not be very different from today's.

Mr. Pawley's analysis fails because he has forgotten his Ricardo. No matter how the population is dispersed, land demand will always ensure that any returns over and above the normal returns to labour and capital in the competitive market at the margin of production will find their way into landowners' pockets. Although the quantum of wealth produced may alter over time and between locations, the relative distribution of that wealth as between the landowners and the landless is likely to change little. It is indeed a pity that, having made such a careful analysis of contemporary trends, Mr. Pawley has really failed to get to grips with the basic cause of the problem: the land price spiral. If he had looked in the direction of progressive land taxation—an ad valorem annual rental levy—he might have concluded that here was to be found one practical fiscal measure which, if introduced gradually, would not result in considerable hardship to mortgagees and which would have the merit of making land cheaper to buy, particularly at the all-important margins of urban expansion. Taking steps in this direction would not only redress the balance between landowners and land users but would also act as an economic spur to more rapid expansion and innovation on traditionally accepted lines of idealised life-styles. With the introduction of land-value taxation, the dream of a decent home of one's own would no longer be a mirage on a perpetually receding horizon. Increased home ownership would be facilitated, production and wages would rise. If such a course were to be set politically, there would be little to fear from the ominous signs on the horizon.