

Tinkering With Housing Subsidies

THE bedraggled weeds are taken one by one from the Whitehall jam jar, dusted, trimmed and replaced. The rating system first . . . state transport next . . . then the health service . . . and now public housing. Rearrangement is all the rage, a poor substitute for desperately needed radical reforms. Borrowing Churchill's language, there is no good red meat for the political commentator to sink his teeth into, only an insipid hash of the week-end joint served by tired Tims and weary Willies. Perhaps this is better than nothing. Our criticism then, of the White Paper on *Housing in England and Wales* (Cmd. 1290) must be directed more against its omissions than its contents though these shall not escape unscathed.

Present housing subsidies are running at the rate of £61 million a year and increasing by roughly £3 million a year. These are mostly distributed in a manner so illogical as to disturb even those who subscribe to the rob-Peter-to-pay-Paul-and-leave-Jack-alone philosophy. Jack, the land-rent-recipient, is very much "all right," thank you.

The proper solution would have been to have made a clean sweep by repealing all previous Housing Acts and abolishing all subsidies. Whatever the Ministers and their apologists may pretend, they are neither morally nor constitutionally sacrosanct, for Parliament cannot properly bind future governments. It is patently wrong for legislators to load those too young to vote, and generations yet unborn, with commitments to pay for other people's housing, or, indeed, to saddle them with debt of any kind.

THE STATIST'S BRASSY TRUMPET

The funny thing is that Mr. Brooke proposes leaving the main bulk of the present subsidies (the £61 million a year) untouched and merely to rearrange the already discriminatory and reasonably sensible extra £3 million. It takes Tory genius to think up a plan of that sort! Funnier still, in a sad way, his measure, if successful according to its lights, is bound to accelerate the annual rate of increase. One might have expected an anti-socialist (?) administration to have cut the taxpayer's commitment. Instead, while genuflecting before the altar of free enterprise and mentioning the increasing part it has been playing recently and has yet to play, in the White Paper, Mr. Brooke sounds the statist's brassy trumpet: he is proud of the progress made in building and improving houses with money filched from taxpayers, and of the steady march towards making us a nation of Council tenants.

About 3 million of the approximately 14½ million dwellings in England and Wales are subsidised. About one million of them were:

"built at relatively small cost before 1939, on which loan charges are low; today such houses, as a result of inflation, no longer need to be subsidised, although they still attract subsidy under past statutory commitments."

Fantastic though it seems, they will continue to "attract subsidy". The ratio of cheap, pre-war to dear, post-war council houses varies widely from place to place:

"An anomalous effect of the present position is that, by and large, rents of council houses are higher in the rural areas than in the big towns, though the incomes of the tenants are almost certainly lower."

These are among the considerations which have led the Government to conclude that "radical changes need to be made in the subsidy system."

PRESENT SUBSIDIES TO STAY

As remarked earlier, subsidies on houses already built (the £61 million) are to remain unaltered. These include: £10 a year for one-bedroom dwellings for general needs, £22 1s. for slum clearance rehousing, £24 for housing "overspill" population and, in special circumstances, for incoming industrial workers, with a further £8 a year where "overspill" people are rehoused in the New Towns. There is discretionary power to increase some subsidy to £30 where otherwise the local authority would have to charge what are called "unreasonably high rents" or incur an unduly heavy rate burden. Additional subsidies are payable for certain agricultural dwellings, for protection against subsidence, and for the use of special materials, for building flats in high blocks and for "expensive sites". By definition a site is "expensive" where the developed land costs more than £4,000 an acre. Most urban building land long ago soared above that figure. The Red Queen would have appreciated this Looking-Glass-Land arrangement: land which should contribute most towards the upkeep of society places the heaviest burden on the community. All these subsidies run for sixty years.

In future, it is proposed, all new council dwellings will receive subsidy at the rate of either £24 or £8 a year. The gentlemen-in-Whitehall-know-best technique, at which Conservatives used to poke gentle fun, will be applied with a vengeance, the Minister having to be satisfied that the houses which councils want to build are needed. Taxpayers are entitled to expect such "safeguard," if we may so dignify the workings of a centralised bureaucracy, but it impairs local autonomy and democracy and this is almost sufficient to condemn the scheme out of hand. The market, not political Ministers and their civil servants, should decide whether, where and how many houses of what type should be built.

It is a little difficult for those who are staunchly opposed on principle to all subsidies to balance the merits of one scheme against another: choice between evils must be left to others. Nevertheless, we accept that where undeserved poverty caused by fundamental economic justice can be mitigated only by redistributive measures, payment of subsidies should be restricted to those who otherwise would suffer hardship though only as a crash programme until the cause of distress is removed. That seems sensible? Not, apparently, to Mr. Brooke.

The White Paper states that the higher rate of subsidy will be payable to local authorities "who satisfy a test of financial need" and the lower rate to those "who do not satisfy the test". Such liberality is monstrous.

The "test" is on a par with the puerile posers set for contestants in radio and TV quiz games. Each housing authority will be deemed to be in receipt of a rental income for its residential properties equal to twice the total 1956 gross rateable value of all its dwellings. Where this falls short of housing expenditure, the local authority will qualify for an annual subsidy of £24 for each new dwelling it builds, of whatever kind. Where it exceeds expenditure, the authority will be deemed to be not in need and will thus qualify for the £8 a year subsidy for each new home it builds for letting.

GREEN SIGNAL FOR SOCIALISM

The White Paper (Para. 29) states:

"The test will be applied from year to year, so as to take account of the effect of further building by each authority. Where it is shown that an authority which earlier had adequate resources have used them up by further building, that authority will then become entitled to the £24 rate of subsidy on new building thereafter."

This is the green signal for creeping municipal socialism and acceleration of the annual rate of increase of the housing bill. Its primary purpose is quite different, however. It is intended to induce councils to introduce more realistic rent schemes so that privileged sitting tenants who can afford a car, a telly and holidays abroad shall share a little of the jam on their well buttered bread with others who really do (in present circumstances) need subsidised housing. In areas where Conservatives and Liberals hold sway and such policies are not already the rule, the new scheme may be expected to achieve the end desired.

We doubt whether it will have much effect where Socialists are deeply entrenched. Generally speaking (though there are exceptions) they would prefer either to soak

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ratepayers or to restrict building, in either case blaming the "wicked Tories", rather than reduce the "pension for life" a sitting council tenant receives.

Turning for a moment from the broader aspects we may consider a purely practical question. The 1956 gross value for houses is a multiple of a hypothetical 1939 figure. No one ever pretended that it was more than a guess, especially in the case of houses built since the war on what were open fields in 1939, and for local taxation purposes it will be abandoned two years hence. Yet for establishing the basis of need for housing subsidy, this multiple of a pre-war hypothesis is to be doubled and used for goodness knows how many years to come. Valuers in 1962 and 1965—perhaps even in 1970—will have to look at council houses, just erected, and say to themselves, now what would have been the free market rent of this house before the war? Some will then have been at school; some unborn. They are condemned to such sterile fatuity by a man who makes out that it would be almost insuperably difficult to assess the present site value of land.

A TRICK WITH MIRRORS

The basic and additional subsidies for building houses for "overspill" purposes are to be increased and special additional help is to be granted to help local authorities in what the White Paper quaintly calls "less well-off areas". Croesus would have cut off his right hand for the right to levy on the land value of these districts. Their duly recorded, apparent poverty is a conjuror's trick done by mirrors; what is reflected in official returns is the value of the decaying, neglected buildings in their present condition instead of the immense value of the land itself. Mr. Brooke intends also that the expensive sites subsidy and several other present housing doles should still be handed out wherever appropriate for new buildings.

Every curate's egg has some good parts. This White Paper is no exception. For instance,

"The stage has been reached when greater flexibility is desirable, to take account of the varying problems of different authorities and to enable authorities with a wide range of needs to hold the balance rightly between them."

Admission of error by a government is rare indeed but here is tacit recognition that the policy being followed at present is rigid and unfair.

The Government will seek power now to reduce—at some future time—the scale of subsidies authorised from now on. This one sickly ray of hope is all that the White Paper offers taxpayers. It is to be found in Para. 38.

A SHOCKING ADMISSION

In future it will be possible, when the Bill implementing the White Paper proposals is enacted, for local authorities to rescue people from over-crowded, insani-