

letter from the editor

Nothing demonstrates the importance of the land question more clearly than the present housing crisis in the UK. While wages are stagnant or falling, rents and house prices are rising. The proportion of a householder's income taken up in housing is increasing each year and is now averaging 47%, while in London it is 75%. Orthodox economic theory puts this down to a housing shortage, which should be resolved eventually by 'market forces' of supply and demand. Meanwhile, people get into rent areas or debt, borrowing at usurious rates, and the number of homeless increases.

The problem has been compounded by the policy of selling council homes to tenants through the 'right to buy' scheme without replenishing the stock of social housing. Many of these homes, initially bought at subsidised prices, are now being let at market prices. What was once affordable housing provided by the community for the community, is now housing for private profit. The policy that was intended to increase the number of home owners has had precisely the opposite effect and substantially decreased them. It has increased private letting and raised the cost of housing as a proportion of income for all. Why did the government that implemented this policy fail to see the actual effect it would have?

The removal of regulations for rented homes has compounded the problem. Most tenants have six month shorthold tenancies with no future security, while there are no regulations any longer over rent increases.

There is a curious contradiction here between all other commodities and housing. If we buy practically any other product we have numerous consumer protections, while the seller has numerous obligations to the buyer. For example, there are minimum food standards, a duty on sellers to replace or refund defective products, and regulations to prevent cartels. All these obligations and regulations curb abuses or prevent criminality or exploitation in the market, thus tempering 'market forces'. But in housing there are practically no obligations of providers to tenants. All obligations are the other way, of the tenant to the landlord. Why should the provision of housing bypass or ignore normal market regulations or obligations? Why should the cost of buying or renting a home be permitted to take an ever larger proportion of wages and drain the resources of a nation? The current economic slowdown cannot be overcome if an ever increasing proportion of income is taken up in housing, and while investment increases in land speculation instead of in the actual production of wealth.

There is a great deal of talk about the widening gulf between rich and poor in the UK. The largest proportion of wealth is accruing to the few very rich, and a diminishing proportion to everyone else. The only way this can happen is if the wealth produced by some is appropriated by others. The housing market is a prime example of this. A landlord hopes to get a maximum return from his tenants from rents that arise through land monopoly. Without producing any wealth himself the landlord has an income from the tenant who is producing wealth. The advantage of the landlord leaves the tenant with no choice. All the housing is taken. The house owner is doing the same by regarding his home as a financial investment, because

he has a monopoly on that site. Such monopoly is not permitted in any other part of the economy. So why is it permitted on the one basic need of all?

Obviously the establishment of the land tax would solve this problem and end the housing monopoly. Yet, simple regulation of the rented housing market could greatly mitigate it. Other European countries regulate rent increases and have longer term minimum tenancy agreements. A regulated rented sector would in turn affect the sale of homes, reducing the overall proportion of income spent on housing. Some local authorities in the UK, for example, have introduced private rented sector licensing schemes which have eliminated many rogue landlords. Likewise, a limit on the proportion of income that may be borrowed for mortgages would regulate the price of buying a home, as used to be the case with the building societies who in the 1960s would lend only three times the buyers annual income.

While such measures could greatly help and should be encouraged, the question remains as to why market forces exacerbate the UK housing problem rather than relieve it. The answer is simple. Supply and demand can produce a mutual benefit only when the parties are equal and an alternative supply exists to bargain with. But there is no alternative supply of land to bargain with, and so the land owner has a monopoly advantage over the buyer or renter. Not only is land of fixed supply, it is not a commodity produced by the economy at all, and so is not subject to the law of supply and demand as are commodities produced by labour. Land is the given of the economy, that which must be there prior to any wealth production, and so it is subject to the law of *right use* over and above that of private possession. The law of right use demands that the land renders a *mutual benefit* for the whole community or nation. A land tax would assure this right use of land. But so long as land remains in the hands of speculators, and its general benefit accrues to the private owner, there will be no remedy to the housing crisis in the UK. The country might as well be invaded and paying a tribute to the invader.

Readers may wonder why I commend some of the measures that would alleviate the housing crisis instead of simply proposing the land tax. My reasons are quite simple. However the housing crisis is met it forces us to grapple with the land question. No solution will work unless it removes land speculation and tenant exploitation. That means no solution will work if it involves the state subsidising land owners, either by way of helping with mortgages or the rents of tenants. These subsidies lead to increased prices. It is now clear, for example, that Housing Benefit has only profited land owners while maintaining increased rents. There is a simple rule. The state should not subsidise anything that may be appropriated to private interest. Whatever the tax system, tax is for the general public good, such as for infrastructure, defence or the rule of law. Like the land itself, it is what is meant to be shared in common.



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