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ON MARCH 19 Mr. Peter Shore, the Secretary of State for the Environment, once again declared that the supply and price of land was *not* a problem for house builders. Questioned on London Weekend TV's *The London Programme*, the Minister repeated his government's attitude that there was enough land with planning permission to satisfy a five-year building programme.

The house building industry is a vital sector. Trends in house building are an important indicator of how the economy generally is performing. Hundreds of thousands of workers in ancillary trades rely on a prosperous building industry. The Minister knows this. On April 19 he declared:

"The fortunes of the construction industry are indissolubly linked with the general prosperity of the nation. It is the revival of confidence and the consequential growth of investment to which we must look for a durable improvement in the industry's fortunes."

What are the facts?

◆Well over 200,000 workers in the construction industry are unemployed.

◆Building in both the private and public sectors is declining, according to DoE figures.

◆By the end of last year dwelling plots with planning permission held by speculative builders was the lowest for at least three years.

◆In April the National House-Building Council warned that land prices were rising steeply, reaching prices up to £100,000 an acre.

**D**ESPITE this evidence, Peter Shore has maintained an attitude of optimism. He will only admit to one problem: the supply of loanable funds threatens Britain with another round of price rises and gazumping similar to the experience of 1971-73. So official policy has aimed to curtail those funds: building societies were told to cut back mortgage lending from £680m. a month to £610m. (rising to £640m. for the months of July, August and September).

The thrust of this policy is wholly mis-directed. For while it is true that some house prices did rise

# Labour's land policies ravage the builders

BY P. E. POOLE

significantly faster in the past few months (with a few scattered examples of gazumping) house prices are *not* on a runaway trend! According to the Nationwide Building Society's *Housing Trends*, house prices on average rose by only 5 per cent in the first quarter of 1978.

Where has the Minister gone wrong?

The belief that an increase in the supply of loanable funds means an inexorable increase in house prices is based on a superficial analysis. For while aggregate funds may have increased in the coffers of the building societies, the real issue is how much will be loaned to individual house buyers. The yardstick which is employed is that a person can borrow from 2.5 to three times his annual salary. Because of the restraints on the growth of money supply and an incomes policy which has severely restricted wage and salary increases, there is a ceiling above which loans will not go. So sellers may ask for astronomical prices, but buyers can only offer a price limited by the amount they can borrow—which is related to their income. Thus, there could be no general boom in house prices at this time.

The exception to this favours the rich. People who can dip into savings to offer unrealistically high prices can out-bid those who rely on a minimum deposit and the rest on mortgage. A restriction on the supply of new houses accompanied by a rise in prices, then, must benefit rich people and force

those with no savings to remain in rented accommodation or in houses which they have outgrown.

The very high rises in prices have been on a limited, regional basis—located in the south-east and the central suburbs of large cities. These areas have experienced an increase in demand and a shortfall in the supply of building land. Thus Shore's claim that there is enough land available with planning permission to last for five years is nonsense: it ignores the fact that much of this land is in areas where builders could not sell houses—so why build? Furthermore, land with planning permission in areas where the demand does exist may nonetheless not be ready for development. Infrastructural services may not be available, for example.

In February a survey conducted among 600 firms by the National Federation of Building Trades Employers revealed that 73 per cent of the firms were operating at three-quarters capacity or less—a proportion that was likely to be maintained for at least six months. This parlous situation conflicts dramatically with the government's optimism. And an enquiry by the House-Builders Federation revealed that a record 79 per cent of the 250 firms it surveyed isolated the lack of building land at viable prices as the greatest single obstacle to the supply of new housing.

**BUILDERS** have no doubt as to what is causing their difficulties. The Community Land Act

and the Development Land Tax are restricting the supply of land (see page 38). This pushes up the price of land which, together with a limit to the prices that can be charged, squeezes profit margins and threatens many builders with bankruptcy.

The planning system (see pages 36 and 39) compounds this situation to create a nightmare for builders and dissatisfaction for buyers. Meanwhile the Government chooses to ignore these real problems and concentrates on a non-issue!

All of this spells disaster built on dogma. Because of the importance of the building industry to the economy, the policies pursued by the Department of the Environment and its political chief will continue to suppress general levels of economic activity and so keep people on the dole.

**THE ORIGINAL** crisis for builders was triggered off by private land speculation, which had the effect of both preventing them from buying raw land on which to build, and pricing houses out of the reach of many potential buyers. We can see what happened in 1974 from the Dept. of the Environment's index of employment in the construction industry (1970=100).

1974 January	99.2
April	96.6
July	95.9
October	95.8

The peak in land prices came around the second quarter of 1974, whereas the oil price explosion—which is popularly selected as the explanation for the recession—did not occur until the end of the year.

Since then, however, official policies have reinforced the slide in employment.

1975	93.7
1976	92.8
1977	89.7
1978	87.4

It is a tragic irony that economic distress increases in proportion to the degree of governmental intervention.

**IN THE NEXT ISSUE**  
**HOW GOVERNMENT POLICIES ARE KILLING THE HEARTS OF BRITAIN'S CITIES...**