



# Economic Nonsense on the Housing Scene

PETER RHODES

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**B**IRMINGHAM CITY COUNCIL, having already established itself as a forerunner in the unorthodox by launching its programme of selling council houses, is now attempting to sponsor a further revolutionary measure. The Council argues that since some Corporation tenants enjoy rent rebates because of low income, it is right that low income tenants of private landlords should also receive rent subsidies out of the rate fund to which both classes contribute. It is further argued that as the owner occupier benefits by way of tax relief through the option mortgage scheme, or by tax saving on interest repayments, the only person left out in the cold and unassisted by housing subsidies is the tenant of privately rented accommodation who is often the most deserving case.

At present Birmingham's 8,500 council tenants (earning under £18 per week) benefit from the rebate scheme at a cost of £400,000 to other ratepayers. It is estimated that there are 42,000 private against 150,000 municipal tenants in the city. In any event, in the present financial situation, it is unlikely that the necessary parliamentary powers would be obtained. No doubt the ordinary wage earners and rate payers in Birmingham will be thankful for a little grace. The city has also announced that the recent increase in the Bank Rate will cost citizens £800,000 and increased material costs £30,000 before the end of March. No new capital expenditure is to be considered.

On the basis of the City Council's logic it would seem to be an accepted principle that everyone in the country should receive accommodation subsidies if in need. The logic thus far is certainly consistent. Viewed on a national basis, however, what are the implications?

If subsidies are to be given there is certainly a case for them to be personal and clearly seen for what they are. This implies some measure of means test. The question is what kind of test? Firstly wage rates differ throughout the country within certain margins. Secondly, dwelling construction costs differ according to standards of amenity and finish. There are also slight regional differences. Thirdly, the value of land per unit dwelling will vary considerably between regions—and within regions according to the chosen space standards and geographical location. Viewing the problem in this light (analysis would show that it is even more complicated than stated here) what kind of subsidy formula would be required? To be even reasonably fair in the administrative sense, it would require the most complex of sliding scales, special weightings and line drawing. Many would argue that it

would be impossible, impractical and unintelligible. What then could be done to sort out the artificial maze of controls, subsidies and double payments which we have to contend with? Here are some of the anomalies of the moment.

- \* While some 50 per cent of the population lives in owner occupied property, nearly a third of the population are municipal tenants.
- \* In some local authority areas the housing account is brought into balance, after deduction of government subsidies, by raising rents of older stock.
- \* Other authorities run housing deficits on the general rate fund.
- \* Some authorities give rent rebates, others charge very low rents.
- \* All local authorities are obliged to give rate rebates to low income private and public tenants and to owner-occupiers who qualify.
- \* Rent allowances are paid to some people by the Ministry of Social Security.
- \* Some rents are free from control, some are fully controlled, some are “regulated.”
- \* Some council tenants who are all subsidised by the government may subsidise their poorer neighbours.
- \* Owner occupiers buying their property receive interest subsidies; those who have bought do not—both probably subsidise council tenants and some receive rate subsidies as well.
- \* A private tenant may receive a compulsory (legal) subsidy from his landlord, be obliged to subsidise council tenants wealthier than himself and may receive a rate subsidy.
- \* Everyone it seems subsidises everyone else by that part of income tax used to pay housing subsidies.

By any reasonable standard of judgment the whole system is nonsense. It has arisen by expediency piled on expediency, possibly for the right motives, but certainly with the wrong results. And it has all happened for one basic reason: A basic cause of housing problems—land price—has been faithfully ignored by politicians throughout our statutory history. There is only one practical way to reduce land price and that is by levying annual rental charges on all lands. That land-value taxes reduce land prices is one of the most fundamental yet totally ignored economic facts in British political history. But how would a land-value tax resolve the anomalies pointed out in this article?

In the first place it would tackle the most serious problem at its roots. Land would be cheaper to buy, the tax

being capitalised and discounted in the price. It would be unprofitable to hold land idle. Cheaper land would mean keener competition among builders and a wider choice in structures. People would move outwards from the congested areas to the cheaper margin until relative prices were equated by travelling costs. In the meantime some middle distance area rents would fall—some dramatically as has happened in Chicago. These market pressures would build up and as they were satisfied so progressively could the subsidies and controls be relaxed within the framework of a comprehensive plan to restore a true housing market. It is high time that a start was made to clear away the present fog of nonsense.

## GERMANY

# A SURVEYOR LOOKS AT LAND AND PLANNING

\*A new book on land rights, fiscal problems and land use by Gustave Bohnsack, has the following introduction by Professor Hillebrecht of Hanover city council.

THE RIGHT OF LAND OWNERSHIP is an old social and political problem that since the beginning of the 19th century has touched the minds of mankind. The proposals for reforming the right of land ownership are as numerous and multifarious as their motives. Ideological accentuations have in the past often enough rendered objective discussion difficult or even impossible. Also well founded proposals were wrongly suspected of revolutionary tendencies and were thus discredited by those who could not see their true purpose.

The first German townplanner this century, Fritz Schumacher, and many of his colleagues have for fifty years been proffering schemes and proposals for reforming the system of land ownership. They were not characterised by this or that ideology, but by the realisation that the present rights of land ownership no longer suffice for the exigencies of modern society nor to what this society requires by way of town planning.

Fritz Schumacher can certainly not be suspected of revolutionary tendencies arising from some ideology, nor of a narrow specialist outlook. Since his time an incomparable change of structure has come over society and especially over the economy, which requires a continuous adaptation of our cities and their town planning schemes to the changed conditions of existence. Because of the obsolete right of land ownership, however, this process of adaptation is already now being rendered so difficult—

\*Society, Space-Order, City Planning, Land. Published in German by Wichmann Verlag, Stuttgart, 55 pp. D.M. 13.20.

and sometimes even impossible—that the task of modernising our cities in a sensible and expedient way is in serious danger.

Cities, however, are just the local bases of society and its economy. In those cities where the houses are outdated and where—for want of a modern land order—renewals are too difficult, too costly, and too protracted, or in cities that are not capable of carrying through the necessary renewals and adaptation to modern forms, the economy and the community are doomed to stagnation and decay. Thus the land order has become an inner political task of nation wide significance.

In his book Mr. Bohnsack brings proposals for the modernising of the rights of land ownership from the point of view of a town planner and offers them for discussion. For the practical town planner the first problem is to secure land for the further development of the cities and their surroundings. The suggestion for setting up authorities for storing land was originally brought up by Professor Dr. Werner Weber, Göttingen. The indispensable renewal of the old parts of our cities implies a qualitative improvement of the conditions of living as well as of the economy itself, and this involves a considerable demand for land.

Thus the renewal of cities leads to further problems which cannot be solved by the authorities by storing land alone. Therefore Mr. Bohnsack brings *land value taxation* once more into the discussion.

How vital the subject is, was expressed by the Federal Constitutional Court in a resolution of January 12, 1967: "The fact that land is unmultipliable and indispensable forbids leaving its use *entirely* to the opaque and uncontrollable play of the free market and to the option of the individual; a just order of society requires that, in the interests of the community, land be neither economically nor socially placed on a par with other kinds of property. It cannot in judicial proceedings be treated like a mobile good. From article 14, Para 1, sentence 2 of the Constitution, no obligation of the law giver can be deduced that he should submit all objects of property whose value can be expressed in money to the same judicial principles."

(Quoted from the information of German Städtetag Nr. 15 of Aug. 15th, 1967.)

Gustav Bohnsack, municipal surveyor in the building administration of the city of Hanover, has written his book from the experience and from the point of view of a public servant who feels obliged to serve the common weal. Others from a different point of view, but with the same sense of responsibility, may present the problems and their proposed solutions in a different way. In any case, it will be profitable if from the critical and public discussion the legislators will come to a new understanding of the problem and above all to early conclusions that will guarantee a social and just use of land.