



The Long-Term Cost of Rent Control

BY PETER RHODES

DURING the last few weeks the Press has been full of articles and comments on housing policy. The announcement by the Minister of Housing and Local Government that the number of new houses completed in October, 1966 was nearly 3,000 less than in October, 1965 was gladly seized upon by the Conservative Press, particularly since the total of 1966 completions is running behind the 1965 figure for the same period. In spite of the promises of Mr. Crossman and Mr. Greenwood, it is clear that the Government's plan for a mammoth increase in housing output is unlikely to be realised quickly, if at all.

For anyone wishing to look closely at the housing issue it is important to remember the three factors that have adversely influenced house production since the first world war—the price of land, the introduction of rent controls, and the effects of periods of economic restraint following on periods of rapid inflation.

Leaving aside the land price question, it is worth looking at the more general economic issues. Writing in *The Daily Telegraph*, Alfred Sherman emphasised that housing must be seen as a competitor for the nation's resources against other uses: "People can never be better housed than society can afford, but they can easily be worse housed if the mechanism for allocating resources to housing works badly. In Britain today many people are visibly housed worse than society—or for that matter, many of the families themselves—can afford."

An example of mis-allocation of resources in housing was given by Peter Reade in *Property*. A seventy-year old widow in Bewdley, Worcestershire, owns a semi-detached rent-controlled cottage which she is obliged to let for £1 a week to a man who owns three cars. She has to work to finance maintenance costs.

In a memorandum to the Housing Minister the Chartered Land Societies Committee drew attention to the privileged position of municipal tenants, pointing out that since many private tenants now have near-market rents (regulated tenancies) assessed under the 1965 Rent Act, there is no reason why rents in the public sector should be assessed any differently. Over two-thirds of tenants in council houses spend less than one tenth of their income in rent.

Mr. Crossman pointed out in a White Paper of 1965 that most other countries with successful housing records "devote a greater proportion of their national resources to housing" and presumably have a more efficient pricing system for it. Analysis by the Chartered Societies shows

that in 1965 about one thousand local authorities charged rents that left £61 million to be found by taxpayers and ratepayers. A slight increase in rents to an average level of just under £2 a week would have made this subsidy unnecessary. In the private sector, a Birmingham man with several inherited houses in Wales let at controlled rents of 16s. a week can neither sell them nor afford to maintain them.

The Government has "guesstimated" the nation's housing shortage at three million dwellings. As only 5.5 million homes (public and private) have been built since the war, it must be accepted that either the nation must continue to be relatively badly housed or be prepared to spend much more money on housing.

Mr. Sherman has pointed out that under the present subsidy system an expansion of council housing on a large scale could mean a doubling of the subsidy bill within four years or less. In particular, housing construction costs per unit have risen very rapidly—nearly ten per cent last year—no doubt mainly on account of the attempts to solve the balance of payments deficit. In Mr. Sherman's view the only effective way to restore the balance in housing would be to return to self-financing and market pricing. The present trend is in the opposite direction. Countering the argument that public agencies should build for those who are relatively lowly paid and those employed in public services, such as busmen, postmen and gasmen, Mr. Sherman puts his case neatly: "A rational policy would be to charge economic prices for services so that workers could be paid a living price from which they could afford to house themselves at market prices. In many cases such an operation would ob-



lige management to introduce substantial labour economies."

Mr. Sherman goes on to suggest a re-casting of tax policies, the revaluing of municipal housing and an end to rent control. This last proposal, also advocated by Mr. Reade, is not likely to be approached for some time, for

although the 1965 Rent Act provides for all controlled tenancies eventually to be reviewed, the Housing Minister has recently declined, probably for political reasons, to make the necessary Order.

Mr. Sherman recognises that part of the housing problem is a poverty problem, and like other contemporary writers, advocates personal subsidies where these are essential. This method he prefers to subsidising dwellings, and argues: "A housing policy based on the assumption of continued widespread poverty can only produce a pauper state. Changes of the magnitude suggested would have to be implemented gradually over a period of years, but always with the ultimate goal in sight. If the purpose of the change was explained to the public the majority would recognise its justice."

It is encouraging to know that in these days of increasing government management of the nation's affairs a belief in market forces is still to be found. Unfortunately, Mr. Sherman, like so many commentators on hous-

ing problems, has failed to see the importance of the high price of land in house production. Until land-value taxes are introduced the cost of land will always be an obstacle in the path of a free housing market. It is large-



ly the lack of a land policy and the continued taxation of improvements that has made the housing shortage as acute as it is. One of the contradictions in our tax policies was recently highlighted in the matter of grants for sound-proofing houses near London airport. No sooner had those who could afford to take advantage of the scheme done so, than their rating assessments were increased.