



**THE LAND QUESTION:
FIXING THE DYSFUNCTION AT THE ROOT
OF THE HOUSING CRISIS**

BY DANIEL BENTLEY

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To many free-market advocates, the lack of affordable housing is perceived largely as a problem of an overly restrictive planning system. If only more land could be released to the market for residential development, then supply would rush to meet demand and the housing crisis would be as good as solved. To Daniel Bentley, however, who is the editorial director of the think-tank Civitas, the problem is more complicated and will not be overcome by deregulation alone.

Because the supply of land is finite and therefore gives rise to economic rent, landowners effectively have a power of constraint on the housing market. And as long as this power persists, land will only be drip-fed into the market at the highest possible price.

The only way to effectively increase the supply of housing, according to Bentley, is to make sure that the unearned wind-fall gains that accrue to residential land are recaptured by the community.

Without question, the ideal way to do so, he argues, is to levy a tax on the unimproved value of land, such as proposed by Henry George, and such as attempted by David Lloyd George in the beginning of the twentieth century.

However, given the practical problems regarding the valuation of land as well as the widespread political animosity towards a land value tax, Bentley argues that the *best achievable* way of capturing the increase in the rent of land would be to revise the *Land Compensation Act* of 1961, which determines that landowners have a right to be compensated, in the event of a compulsory state purchase, according to the prospective residential value of the land.

Opposed of this, Bentley suggests that a more reasonable rate of compensation would be its existing value as reflected by the present planning status of the land, disregarding the anticipated value-increase of a potential residential planning permission.

By making this revision, the state will thus be able to purchase land, grant itself a planning permission, and either provide affordable public housing at a much lower cost than presently possible - and on a scale reminiscent of the New Towns that were built after World War II - or to sell the land back to private developers at its new residential value and thus collect the rent differential for the state.

Bentley does not argue, however, that the state ought to - or need to - engage in mass-expropriation of land at this lesser rate of compensation, but he does believe that such a revision would sufficiently incentivise landowners to either develop or sell their land rather than hold on to it for future gain, and that the power of constraint that the landowner now holds over the development of the community would be seriously challenged.

Editors: The book is available for purchase via the ISBN number; but can also be downloaded as a free PDF from the Civitas website.

Go to: www.civitas.org.uk/content/files/thelandquestion.pdf 