

tions have much to commend them, though they have given rise to considerable opposition in many quarters. There is, inevitably, a measure of compromise in many of their proposals, but it is a healthy sign that they are aware not only of the present system's encouragement of high land profits, but also of the regressive effects of taxation that falls upon the work of man's hands, and of government intervention in housing activity.

The recommendations are based on a five-month study of housing by Transport Minister Paul Hellyer and six associates—five men and one woman—who toured Canada for on-the-spot talks with builders, homeowners, tenants, and government and welfare agency

officials. In this comparatively short period the study group produced recommendations ranging over a very wide field, including social housing, mortgages, urban development, construction techniques, house financing, and land cost utilisation — recommendations that are not all in keeping with its advocacy of less government intervention.

It is to be hoped that not only will the Federal Government avoid falling into the pit of a Land Commission and betterment levy, but that its recommendations on incentive taxation on location values will be followed up, exempting no one and making the tax bite hard enough to curb land speculation and under-use of land.

## COUNCIL HOUSING

# Unanswered Questions

A. J. CARTER

"There is not the least reason why, if the state is to provide good lodgings cheap, it should not also be required to supply food and clothing." *The Economist*, November 10, 1883.<sup>1</sup>



AT THEIR BEST, publications by the Institute of Economic Affairs are civilized and refreshing studies, taking a new look at aspects of economic life and dispelling some of the fallacies of the prevailing orthodoxy. When they fall a little below their best, their free market approach can begin to seem like a party line to which discussion of the issues is too obviously subservient. In *The Cost of Council Housing*<sup>2</sup> Mr. Hamish Gray is, to put it bluntly, too partisan. He makes statements at the beginning of the paper which should have been left to the end and so tends to lose the sympathy of the open-minded reader. This is a pity, for although the presentation is tactless, many of the conclusions are sound.

Like many advocates of a free market economy, Mr. Gray feels constrained to under estimate the evils that have accompanied private enterprise in the past. In dismissing the inadequacy of Victorian housing as a reason for public provision of housing, he argues not only that the Victorians built a great number of houses (the average number of persons per house decreased from 5.7 in 1801 to 4.8 in 1901), but also that those houses were mean and squalid only by today's standards; that they were an improvement on most of what had gone before, and could not in the circumstances have been much better than they were.

Mr. Gray declares that it is no longer generally accepted by economic historians that the enclosure movement drove the poor off the land into the towns but that the prospect of higher wages attracted them there. This theory ignores not only the overcrowding and squalor

of the living conditions of the time but also the utter dependence of a man on his employer and the fact that women and even children were obliged to work. No one supposes that life in the country was anything but hard, but at least it had a freedom and dignity which it is difficult to imagine many men voluntarily giving up for the obscenity of the slums. It is scarcely likely that the army of vagrants preferred tramping the roads to agricultural employment, and it is certain that men do not send their young children to sweep chimneys if they can feed and clothe their families without doing so. It could only have been enclosure and the fear of enclosure that uprooted people from the countryside and created in the growing towns a gigantic sellers' market in housing.

Unlike some advocates of the free market, however, Mr. Gray is aware of the existence of poverty today and recognizes that something must be done about it if economic freedom is to be increased. "The root error," he writes of the thinking underlying public provision of housing, "is to suppose that 'the housing problem' is separable from the general problem of poverty." If this problem of poverty were solved the provision of housing and other benefits could safely be left to private enterprise. This is a good approach, but unfortunately Mr. Gray proposes only that the state redistribute income. He does not touch on the deeper question of why in a rich country the incomes of so many are so low in relation to housing and to the cost of living generally.

A substantial part of the paper is devoted to an analysis of housebuilding in the public sector and contains sections on productivity and efficiency, management and standards, and direct labour versus private contract. A distinction is drawn between technical productivity

<sup>1</sup>Quoted by the Author.

<sup>2</sup>*The Cost of Council Housing* by Hamish Gray, Research Monograph 18, Institute of Economic Affairs, 7s. 6d.

and efficiency, a wider term including the satisfaction of consumers, and Mr. Gray prudently treats with reserve some apparent tests of productivity, such as the time lag between the start of a house and its completion, which averages 12.1 months for the private sector and 15.9 months for the public sector. Nevertheless, he does take the time lag as one indication of technical productivity, and omits to mention that since it is a common practice for estate builders to lay all the foundations first, rather than build complete individual houses one after the other, the time lag will vary with the size of the estate and may bear no relation to productivity whatever.

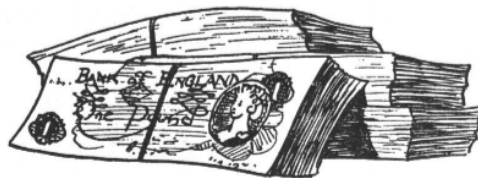
Mr. Gray contrasts the method of allocation of houses in the public and private sectors. Public sector houses are allocated according to a centralised assessment of people's housing needs, whereas the supply of private sector housing is responsive to the desires of consumers. "Land, labour and capital resources are most efficiently employed when they cannot earn higher returns in alternative uses," writes Mr. Gray in one of the crispest justifications of the free market I have seen. Whereas housing is largely publicly provided and there is a shortage, food and clothing are privately supplied and are to be had in abundance. This comparison is not altogether valid, since by means of tariffs and other taxes and agricultural support programmes there is interference also in the private supply of food and clothing. Mr. Gray should have considered an alternative explanation, that the housing shortage is associated with the shortage and high cost of land available for building.

The cost of public housing is met partly by rents, partly by subsidies from ratepayers, and partly by Exchequer subsidies, which are not capital sums paid towards the total cost of houses but annual grants towards loan repayments. Mr. Gray argues that these subsidies have no relationship to housing problems in particular areas, and that reduced rents (a benefit usually lost if tenants move to another district) inhibit the mobility of council households. (One aspect of this lack of mobility not referred to by Mr. Gray is that families who are allocated houses when they have young children may continue to live in them when the children have grown up and left home). It is also suggested that publicly subsidised housing does not in fact help the poorest sections of the community, although this conclusion depends on what figures one thinks are salient. In 1967 the average household income per annum was £1,350 for council tenants and only £1,130 for private tenants, but since the average number of people per household was substantially greater in council households (3.9 compared with 2.7) the average income per person was only £345 for council tenants compared with £420 among private tenants, and the average income per adult per annum was precisely the same—£540—for both categories.

Mr. Gray questions the assumption that the state should insist on minimum standards for housing. In

Elizabethan times, he tells us, housebuilding was forbidden on less than four acres—hardly a decree to help the poor. The reader is stimulated into asking himself whether a family should not be allowed to buy a poorer quality house if the only practicable alternative (because a higher quality house costs too much money) is no house at all. The best safeguard of high housing standards is a prosperous population and in this, as in many other spheres, genuine prosperity would much reduce the need for public regulation.

The hub of the thesis in this monograph is that there is no case for public provision of housing; that the supply of housing should be left to private builders and cash



payments be made to the poorest people. Mr. Gray discusses the possibility of issuing vouchers for housing but points out that, unlike health insurance and education, housing has never been nationalised and "free" so there is no need for vouchers as an interim measure to gradually educate consumers in the art of choice. Moreover, housing accounts for a relatively large proportion of total expenditure and vouchers might unduly restrict freedom of choice and even lead to economies in other essentials such as food and clothing. The difficulties of determining cash allowances specifically for housing would be formidable and Mr. Gray affirms that "housing aid should therefore be as far as possible treated as a problem of income redistribution." He concludes that, as part of a new welfare strategy, payments should be made in conjunction with the collection of income tax—a "reverse income tax"—and that "the minimum income established by the reverse income tax should be sufficient to allow households to purchase housing of suitable quality, but they should not be obliged to spend a specific percentage of income or sum of money on it."

The system of combining welfare payments with income tax deductions would be much neater than the existing ragbag of welfare provision, and would get over the objection to a means test. Its chief attraction is that it would restore the maximum freedom of choice to those who have been forced by poverty to relinquish it. There is, however, one serious disadvantage of state provision of a minimum income and that is that it must have a blunting effect on the incentive to work and self-improvement. For this reason it is essential that, in any reform of the welfare structure, we look beyond the provision of a minimum income by the state to a time when people can, as nature intended, provide a decent minimum income for themselves. And this will require reforms more fundamental than those at present being discussed,