

# letter from the editor

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The land question comes up in all sorts of ways, though few recognise its nature. This is evident in two contradictory intentions of the present government. On the one hand it is committed to protecting the environment and securing self-sufficiency in energy. On the other hand it is committed to building a third runway at Heathrow Airport in hope of expanding the economy. The new runway, it is argued, will provide thousands of new jobs and remain a European hub for further journeys. Building the new infrastructure will itself stimulate the economy. Yet this will involve demolishing almost 1,000 homes, will cost investors around £14 billion, and will not be completed before 2040.

If some 1,000 homes are to be demolished to make way for a third runway, this will impact on the present housing crisis, and so conflicts with the government's aim to increase housing. Thus three major aims of the government are in conflict with each other: environmental protection, expanding the economy, and housing shortage. Each of these policies will also have serious social impacts touching on the quality of life of the nation as a whole.

But perhaps the most important question is: how will these policies impact on the widening gap between rich and poor. Increase in GDP does not lift general wages. It is argued that the lion's share of gains from a third runway at Heathrow will go to shareholders, with many of these residing outside the UK. But even supposing the new runway will increase the GDP, and even produces a general rise in wages, this rise will quickly be absorbed again in rising house prices. The government's ambition to build 1.5 million new homes over the next five years would not mitigate this effect. So long as there is any shortage of homes, prices will keep rising as a proportion of household income. In terms of supply and demand economic theory, only an excess of homes would lower prices. Yet it is inconceivable that house builders would aim at building excess homes. The housing market is determined by three main factors: the fixed quantity of land, an increasing population, and what banks will lend on mortgages. The fixed quantity of land opens the door to its monopoly. And unless other factors change, land monopoly in housing is inevitable. Individual buyers seek to out-bid each other by offering the maximum they can afford or borrow, while landlords seek the maximum rent tenants can afford.

The implementation of a land value tax would break this vicious circle. But persuading the population of this is another matter. The home owner has come to see their home as an investment through which, at some future time, they can gain from the vicious circle of rising house prices. Regarding a home in this commercial way contributes to the housing problem, obstructing possible remedies. It encourages each to see housing as a purely individual concern involving no responsibilities towards the community.

This attitude was fostered in the 1980's with the Right to Buy scheme which encouraged those renting to buy their council home below market prices. For a time this looked good. But these homes

could be sold after 5 years at market prices, or let to tenants immediately. By 2013 a third of all Right to Buy homes were owned by private landlords letting them at high rents. And since no new council homes were built to replace those sold, the safety net for the poorest was eroded. What the Thatcher government missed in introducing the Right to Buy scheme was that lower council rents had held the private market in check. Also controlled rents in the private sector served to hold house prices down. Now the government is paying housing benefit to tenants of private landlords in homes that were once council homes. Selling them off has become a net cost to the government. Contrary to encouraging wider home ownership, it has produced the opposite effect. It would have cost less in the long run, and been generally more beneficial, to have let council homes rent free.

Another factor has also influenced the cost of housing. Up until the 1980s there was a large middle class in the UK, which meant that a greater proportion of production was distributed in wages. Increase in productivity has since then been accumulated by investors and shareholders rather than by wage earners, and so the middle class has gradually been diminished. Yet it was this large middle class that met the cost of post-war social housing. In other words, there was a larger proportion of the population paying taxes to the general benefit of society, and this kept the general cost of housing down, and the gap between rich and poor narrower.

The housing situation of a nation may be seen as a barometer of its economy as a whole. It seems obvious that a prosperous country would be marked by its provision of housing for all its citizens. Having a home is equal to membership of society. But so long as land remains a means of exploitation of citizens, either by each other or by renteering, no amount of encouragement of production will narrow the gap between rich and poor. Investors will continue to invest in land speculation and energy monopolies rather than in production or the environment.

This can be seen already. For example, despite the changes in Inheritance Tax introduced on farms, the Knight Frank Farmland Index indicates that there are still buyers in the market looking for a wide variety of rural property. They also suggest an uplift in land values in relation to possible uses for Net Zero. So land speculation is already looking ahead to advantages it can take of government aspirations in Net Zero, expansion in industry, and house building. So long as the land question is not addressed, any improvements in general living standards will be marginal.



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