

LAND&LIBERTY

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message from the honorary president

Last year I wrote in this column about my experience as an engineer and management consultant working to provide affordable public water services in water scarce regions of the world. I highlighted how the same water that represents a luxurious amenity for some is a matter of life or death for others and how, where supplies are limited and people pay for water on the basis of a metered supply, many are deprived because wealthier people are able to purchase all the available supply. My 'Safe Water for All' (SWaFA) solution to this, and other water quality and corruption issues, was to ensure that every household received a guaranteed basic supply before any received more than that. Given that water resources are frequently more than enough to provide a *basic supply for all*, I described how selling the surplus at market prices would yield more income than needed to cover supply costs.

Along with air, food, energy and water every person born needs an affordable home. Unfortunately the UK's tax system clearly militates against this because it reduces earnings to the barest minimum and increases housing costs to a maximum. More specifically it: (i) Increases the cost of accessing the land dwellings stand on. (ii) Increases employment costs of the labour and capital needed to build and maintain every dwelling. (iii) Reduces the earnings of those who supply the labour and capital needed to build and maintain every dwelling. (iv) Reduces the earnings of those who need to rent or buy their dwelling. (v) Fails to collect the *economic rent of land* thereby inflating it into a *monopoly rent* which allows part of the population to collect it at the expense of others.

Failure to collect the economic rent of land as public revenue also means it must be acquired as unearned income (imputed or in cash), for those who society recognises as *land owners* rather than just *land holders*. This causes land to have a selling price and become an asset. The value attributed to this asset is a malign fiction. It is malign, because the speculation it induces distorts the whole economy by drawing investment away from productive ventures - including house building! It also distorts the monetary system as privately created and inflationary money arises as debt in the form of mortgages, to fund a land market. It is a fiction because it is based on an *estimate* of the current value of an *imagined* future stream of rents.

As with water and land there is a fundamental difference between the *need* for housing and the *demand* or market for housing - the latter requires sufficient financial means. As I have been looking into the issues surrounding the 'Local Plan' in my area (Epsom & Ewell) I have been struck by how the government's directive with regard to the number of new dwellings to be planned for fails to make this distinction. It assumes the more unaffordable housing is in an area, the more new housing is needed. This leads them to require the borough to plan for many more new dwellings over the next twenty years than needed to house the projected population. The fallacy is that, being a very attractive place to live, there remains effective *demand for new dwellings at prevailing market prices*, however the new residents will be drawn from outside the borough and housing will be no more affordable to a younger generation of existing residents than now. A further consequence of this failure to harmonise land use planning and tax arrangements, is that the town centre is in danger of high rise over development, and green belt land will be sacrificed to unnecessary new housing developments - good news for developers, bad news for existing residents and their children! Bad news also for other parts of the country since this makes 'levelling up' less likely.

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