

CHAPTER 7

HOUSING

Buy land, they're not making it anymore.

Mark Twain, American author and humourist

7.1 Winners and Losers

Politicians are always averse to any change in taxation that will create losers who will cost them votes, so they tend to resort to indirect taxes where no obviously disadvantaged group can be identified. Although any change to LVT would create winners and losers, in any part of the economy where land was involved, it is arguably the effect on homeowners that would give politicians most concern.

The losers would be those who hitherto had been the winners over several decades; those who had enjoyed the benefits of increases in their asset wealth completely fortuitously, without any effort on their part. Under LVT this advantage would be arrested and gradually reversed over time, with a reduction of house prices. This would undoubtedly create opposition from those who have got used to the idea of ever-increasing unearned asset wealth and who would not wish to see

this advantage eroded. The opposition to LVT would be considerable, not only from these homeowners, but also from the government itself, as Josh Ryan- Collins and co-authors note:

No government wishes to see the damaging effects of a fall in house prices, especially when almost two-thirds of voters own a property.¹

The winners would of course be renters and those homeowners who have seen their house values remain static or even go down over the same period, due to being in areas of low or declining land values.

The updating of valuations for any property tax, LVT or otherwise, will always create winners and losers, and the amount of any change, for better or worse, is naturally less where the valuations are frequent. This helps to make the change more acceptable to the losers. The more infrequent the valuations, the greater will be the impact of any change, giving rise to the greater likelihood of protest from the losers. Any updating of the current council tax valuations, neglected for so long, is now viewed with horror by most politicians, knowing full well the impact this would have on the losers in their own constituencies.

And so the situation continues to get worse with each year that passes, and it has now got to the point that any such revaluation would itself require a transition period. Also, those in high-value properties—the wealthy and influential—who would stand to lose the most due to any correction would form a serious opposition, especially where any update was connected to the introduction of LVT.

In Andelson's book *Land Value Taxation Around the World*, Garry Nixon notes that the land-value assessments that operated in Canada in the early part of the 20th century became up to forty years out of date, and whenever attempts were made to correct this situation, 'the landowners (who share a marked disinclination to share their newfound gains), band together and lobby for the status quo.'²

As mentioned in Chapter 3, it is generally accepted that the introduction of LVT is more practicable at a local level than at the national level. One of the options in the UK is through reform of the council tax, which I suggest could be done in a way that addresses this issue of winners and losers. (The deficiencies of the present council tax system are described below).

Currently the council tax is based on the capital value of the property (land and building combined), so the first step would have to be a new valuation where building values are separated from site values. From this point, there would be two possibilities, both the same in principle but different in degree: one a change to a full 100% LVT, the other to a partial LVT based on the split-rate system practised successfully in several cities in Pennsylvania, US.

Under the 100% system the new revaluation (which in itself could take a year), would reveal the discrepancies due not only to the new calculations for site values, but also to the consequences of the many years of previous neglect. These discrepancies are likely to be significant, and it would be important to inform all taxpayers in advance of the new dispensation and the estimated future tax liabilities—over a transition period of say 10 years.

Assuming overall revenue neutrality, I would propose that in the first year nothing would change, but taxpayers would be served notice of their current council-tax liability as well as the new liability under LVT—in side-by-side documents. The figures would show the difference between the two levies, divided into ten equal parts, to be added or subtracted as appropriate over the ten-year period, starting in the second year. At the end of the 11th year a full LVT system would be established, and the council-tax calculations could be discontinued. The transition period would avoid any abrupt or disruptive changeover. Those who are to gain from the change would be obliged to defer their gain over the period, and those who are to lose, would have their loss eased over the same period. In this way the winners would be compensating the losers and the figures would be clearly shown in their tax bills every year. It is important that such compensation should be visible, immediate and personalised, and not in the form of some vague promise that other taxes would be reduced in the future.

The second system would be similar in application to the first, except that the ultimate aim would be to arrive at a proportional imposition of the tax divided between the building and the site (say 40/60% or 20/80%), so there would still be some element of tax on the building. This of course is a compromise, but it would make the transition easier, especially for the losers, and would leave open the option of applying a 100% LVT in the future—if it was seen by the taxpayers to be working beneficially. And this is the crucial point. It has to be seen to be working for the majority.

I am inclined to favour this second course as being more practical and more flexible. It is important to get

the taxpayers outside, otherwise the whole experiment could founder. Another considerable advantage of adopting this second option is that we in the UK could benefit from the experience of the cities in Pennsylvania, which have practised the split-rate system successfully for many years.³

If LVT were to be introduced at the national level, dealing with the issue of winners and losers would be magnified considerably, and a similar formula would need to be devised where the principle of winners compensating losers over a transition period would still apply.

The Council Tax Deficiency:

Local revenue for residential properties is currently collected through the council tax, which a great many commentators report is grossly inefficient and unfair. Apart from the neglect of regular valuations, one serious criticism is with the banding system.

In England, there are eight bands based on what the property would have been valued at in 1991, ranging between the minimum, band A at £40,000, to the maximum, band H at £320,000. Each council is allowed to set its own rates within these bands. In poorer areas the greater number of properties lie in bands A to D, whereas in wealthier areas they tend to be in bands D to H, which means that wealthier areas can raise the same amount of revenue from a lower than normal rate, mainly from high-value properties. This is seen as unfair.

The inequity of the system was summed up in an article by a councillor from Kirklees in West Yorkshire, comparing their situation to that of Westminster:

About 60% of our homes are in band A... if all their houses are in band H, then they only need to set their tax at a fraction of ours and make the same amount of money.⁴

Within London, in 2019–20, a house in band D in Barking and Dagenham paid a council tax of £1,556, more than double the tax of £752 for a band D house in Westminster.⁵ It is often the case that a multimillion-pound band H house in a high-value central location will be paying less council tax than a band D house in a low-value location.

Table 2 shows comparative percentages of the numbers of properties in the tax bands for different cities and counties in England in 2019.

	A %	B %	C %	D %	E %	F %	G %	H %
Leicester	60	19.3	11.6	5	2.5	1	0.4	0.04
Manchester	57	17.3	14.4	6.8	2.4	0.9	0.4	0.04
Leeds	39	21.4	19.2	9.6	6	2.8	2	0.2
Derbyshire	37	22.6	16.7	11	7	3.4	2	0.15
Oxford	4.2	16	31.4	26	11.5	4.6	5.3	1
London	3.9	13.3	27	25	15	7.6	6	1.77
Surrey	2	5.4	18	27	19	12.6	13.5	2.8
Westminster	1.3	5.2	12.6	17.9	18.2	14	18.2	12.5
England	24.3	19.6	22	15.5	9.6	5	3.5	0.6

Table 2 Comparative percentages of the number of properties, in all tax bands, for different English cities and counties, 2019

(Source: Valuation Office Agency, Table CTSOP 1.0, Sept. 2019)

These anomalies arise under the present system where the tax is based on capital values, with an arbitrary cap on maximum payments, disregarding the enormous variations due to location. Were the tax to be based on location values only, these variations would be taken into account, resulting in a higher imposition in the high-value locations. In that sense, the LVT system would be fairer.

The total revenue accruing to the council would amount to whatever was required to meet its commitments, starting from the highest location values and decreasing according to the measure determined by decreasing site values. The council would set the rates within these site-value parameters on a sliding scale rather than a banding system. The bases of the current council tax and a proposed land value tax are very different. Within the constraints of the planning laws, a land value tax is not concerned with what is on the site, but only with a payment for the use of it.

7.2 Getting on the Property Ladder

This expression arose from the time when ordinary homeowners realised that their home had value not only as somewhere to live but also as an investment. It became evident that, over the long term, increasing house values provided a better return on capital than savings accounts. Also, paying rent to a landlord when you could be paying off a mortgage did not make sense to most people. The mortgage lenders were eager to oblige, and with the demutualisation of building societies in the 1980s the banks were more involved.

Lending grew enormously, became overextended, and led eventually to the financial collapse of 2007–08.

It was all based on the hope that house prices would go on rising forever, and everyone wanted to be a beneficiary. But the rising house prices were caused by an increasing demand for a scarce commodity—in the right locations; in the wrong locations prices barely moved. In either case there was no increase of real wealth. Josh Ryan-Collins et al. describe the events of this period of rapid mortgage lending as the financialisation of land.⁶

The figures of Table 3 have been compiled from data on the Design Laboratory website, which gives comparative values of average annual wages, cars and houses from 1900 to 2019. Section A shows the actual values, section B the equivalent 2019 values, adjusted for inflation.

As can be seen, prior to World War Two adjusted house prices had risen and fallen more or less in equal measure; by 1940 the price of a house was only 9% more than in 1900. After World War Two house prices rose sharply, then stabilised for a period in the 1950s, before beginning the inexorable rise that would continue to the present time. Homeowners recognised that in the longer term their home would generally appreciate in value despite temporary declines during economic recessions.

Of course, property developers had always understood the opportunities available in appreciating property values and also that land values varied according to the demand for good locations. Their

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Year	A Actual values (£)			2019 £10 equiv	B Adjusted values (£)			Wage/ house ratio
	Wage	Car	House		Wage	Car	House	
1900	58	200	200	1219	7069	24377	26815	3.79
1910	62	220	330	1168	7242	25698	38547	5.32
1920	186	270	320	443	8244	11967	14183	1.72
1930	131	295	450	648	8491	19121	29169	3.43
1940	181	310	530	555	10048	17209	29422	2.93
1950	332	600	1829	339	11281	20388	62152	5.51
1960	634	800	2385	228	14480	18271	54470	3.76
1970	1204	1090	4690	153	18470	16721	71946	3.89
1980	5069	3550	22246	42	21556	15096	94600	4.39
1990	11820	9000	56365	22	26643	20286	127048	4.77
2000	18848	12780	83333	17	31461	21332	139101	4.42
2010	25882	17120	163052	13	32910	21769	206057	6.26
2019	30420	19995	235298	10	30420	19995	235298	7.73

Table 3 UK average values of annual wages, cars and houses, 1900–2019

(Source: The Design Laboratory <http://thedesigntlab.co.uk/costofliving2015/ukupdate.php?uid=36>)

success depended on their ability to make advantageous choices about where and when to buy and invest and when to sell. From 1960 onwards, their ranks were swollen by a growing number of aspiring homeowners who saw the same opportunities. This is when the idea of getting on the property ladder became current.

Figure 14 shows three different types of tenure: homeownership, private renting and social renting, in the period from 1918 to 2014.

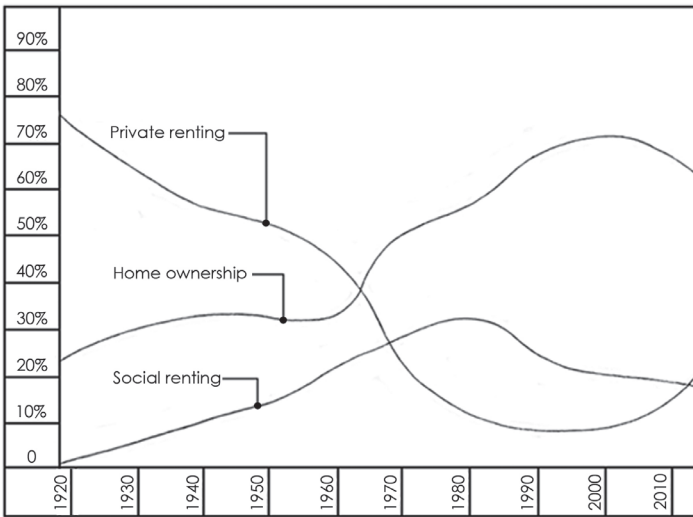


Fig.14 Variations in tenure, 1918–2014
(Source: ONS, webarchive, National Archives)

As can be seen, with homeownership there is a sudden increase from the 1960s onwards, peaking around the year 2000. From 1918 onwards private renting declined until reaching a low point in the 1990s, and then starting to rise again. It's notable that these two graph lines almost mirror each other. Social renting reached a peak in the early 1980s and has been in decline ever since

It has to be borne in mind that during the period in question tenure varied considerably. In the early years the majority of people were private renters; social renting was only just becoming established, but it increased constantly after World War One, until reaching a peak in the 1980s. The trends shown could also be seen to represent the changes of influence on

politicians exercised by the different social blocs through the vote.

From the middle of the period, the politicians would have been more concerned with the votes to be gained from the growing number of social renters, up until the 1980s. After that their concern turned towards the interests of homeowners. In the case of homeowners (those safely on the property ladder), there was, and still is, a vested interest in constantly increasing house prices. This increase is not due to any increase in the overall wealth of the community, but merely an increase of existing asset value for the homeowners. The media, encouraged by many politicians and economists, still see any such increase as a matter for celebration. LVT would of course arrest this process and gradually reverse it, so it is likely to be opposed by the many homeowners who would see themselves as the losers in any such radical change.

The graphs of Figure 15 show comparative costs of cars and houses in relation to average wages, for the period 1900 to 2020. They are based on the figures shown in Table 3B. (The use of adjusted values are more meaningful, especially in the earlier years).

In 1900 a house cost just under four times the annual wage, a car 3.4 times; a car was certainly a luxury. Wages rose slowly from 1900 to 1935, then more rapidly, reaching a maximum about 2008, Car prices fluctuated in the earlier decades, but stabilised after about 1952. Car prices and annual wages were about the same in 1968, after which car prices were always lower.

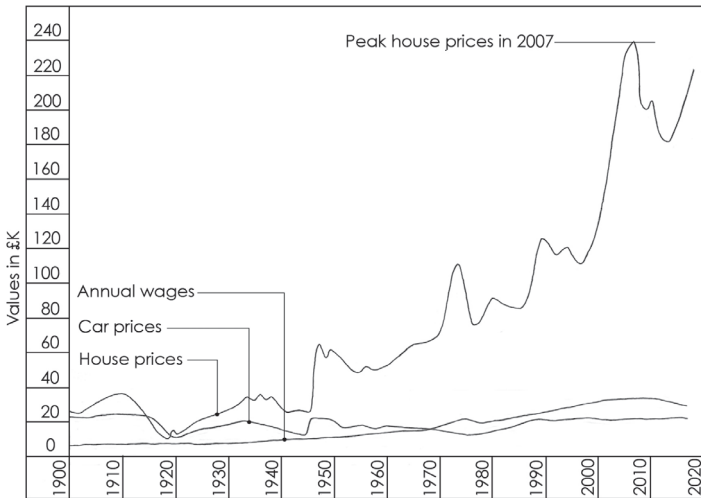


Fig. 15 Cost of living indicators: Average values in £ (adjusted) for Houses, Cars and Annual Wages, 1900–2016

At the end of World War Two, house prices jumped from £26,536 in 1945 to £66,700 in 1947, before returning to £50,421 in 1954. Thereafter house prices continued to climb—with peaks in the 1970s and 1990s—until reaching another peak in 2007, just before the economic crash of 2008. The ratio for average wages to house prices fluctuated in the first 50 years no doubt due to distortions caused by the two wars and the 1930s depression, but the ratio in 1970 (3.89) had returned almost to what it had been in 1900 (3.79). Thereafter the ratio increased steadily until it had reached 7.26 in 2007 and 7.73 in 2019. For the younger generation, buying a home from their own resources was becoming impossible.

Private renting, which had previously been in decline, started to increase again in the 1990s. The annual

minimum wage in 2019 was about £16,000, well over double the average wage in 1900, but taxes on the individual then were less onerous than in 2019. However, due to the lack of social and welfare provisions in 1900, there was a larger proportion of the working population that could be considered ‘poor’.

7.3 Affordable Housing

As with any commodity, it is the combination of the price demanded and the financial means of the prospective buyer that renders it affordable or not. Housing is no different. House prices have been rising inexorably at least since the 1960s and continue to do so, especially in the most sought-after areas, such as London and the South East. However, since the economic collapse of 2007–08 these increases have not been matched by any commensurate increase of wages and salaries above the general level of inflation. Even in the less sought-after areas of the country, where the increases have been less marked, people still have to struggle to find the down payment for a mortgage. This situation is nothing new, but it has become far more acute in recent years. The consequence is that, since 2000, home ownership has been in decline and private renting has been increasing—as shown in Figure 14.

The problem of housing affordability has been around at least since the end of World War One, when the Homes for Heroes programme was established, leading later to subsidised council housing which, although a form of welfare, was an effective solution to the problem of affordability for many years. The council-housing stock thereafter was added to with

greater or lesser enthusiasm by all governments until being set into reverse by the ‘sell-off’ policy of the Thatcher government in the 1980s. This policy of course added to the number of homeowners who then had a vested interest in continually rising house prices, not to mention a new group of grateful Tory voters. But council housing, rightly or wrongly, has always carried a stigma; given the choice and the financial means, the majority of people would choose to live in the leafy suburbs rather than the council estate. And the crucial phrase here is financial means; without the financial means, many things become unaffordable, including housing.

At the present time, amongst economists and commentators on housing, various reasons are suggested for high house prices:

- Low housing supply
- Low interest rates, and therefore cheap mortgages
- The attraction, to investors, of an appreciating asset
- Government policies encouraging home ownership

No doubt all of these factors, either singly or in combination, have an effect on causing house prices to rise, but the one thing that is rarely mentioned is the land-value factor, which is the indicator of the demand for houses. In the most sought-after locations, it is the ownership of the location—rather than the ownership of the house—that provides the best return, which accrues through the economic rent, either directly at the time of sale or indirectly—as explained in Chapter 8. It is worth considering each of the above factors individually.

Low Housing Supply

The solution to the problem of housing supply offered by politicians (and many economic advisors) is simply to build more houses hoping that, by the law of supply and demand, the increase of supply will bring prices down. But they do not recognise that the price of a house is related not only to the value of the building, but also the value of the site upon which it stands. In high-value areas the site value may be as much as four times that of the building value, so any increase of house building can only affect 20% of the total price; the 80% due to site value will continue to rise regardless. Land does not obey the law of supply and demand, because the supply of land is fixed.

This last statement has to be qualified: Although no more land can be created, sites can always be supplied for particular purposes through a change of use or simply through demolition and re-use. But these changes of use are rare, and in any case controlled through the planning system.⁷ Since the 1980s, a substantial amount of public land has been sold to the private sector for commercial development, including housing.⁸ So there is a supply, but the competition is intense for such sites, and once acquired, the release for development is strictly controlled to the best advantage of the landholder (see 7.4 below, Land Banking).

A further point on this allocation of value between the house and the site is one relating to actual wealth. Houses represent real wealth, land does not (see Chapter 13, Definitions). So, in the example given above, only 20% of the total value is due to real wealth,

the remaining 80% is a paper asset, a value that is not based on any tangible asset or productive increase. As Ryan-Collins et al. note, ‘When the value of land under a house goes up, the total productive capacity of the economy is unchanged.’⁹

Housebuilders and developers have a built-in aversion to providing affordable housing; they make the bulk of their profits from building and selling high-priced properties. They will go to any lengths to wriggle out of the section 106 requirements for affordable housing that are a condition imposed by local councils for the granting of planning permission.

In 2012, the housebuilders and other property interests strongly influenced the drawing up of the government’s National Planning Policy Framework (NPPF), which included a ‘viability assessment’ clause. This clause made it easier for the housebuilders and developers to negotiate their way out of the section 106 requirements by arguing that if the conditions were too onerous the scheme would become ‘unviable’. This was simply another way of saying that their profits would be reduced. In his book *The Property Lobby*, Bob Colenutt describes all this in considerable detail.¹⁰

Ireland suffers the same problem with housing as England. Conall Boyle, former lecturer in economics and statistics at Birmingham City University, wrote an interesting article showing that the increase of house building in Ireland between 1975 and 2015 did not help to bring prices down.¹¹

It is the site-value factor that has the greatest effect on house prices in high-value urban areas and the

ever-rising prices are exacerbated through land hoarding and land speculation, creating an artificial shortage. The consequent increase in prices is always to the benefit of the landholders, whose ranks are now increased by the new homeowners.

Low Interest Rates

An article of February 2020 for the University College London IIPP blog by Josh Ryan-Collins is entitled ‘When it comes to high house prices, it’s not enough to just blame low interest rates’¹² Also in his book *Why You Can’t Afford a Home*, he notes that, ‘However fast you can build, banks can create new credit faster.’¹³

Low interest rates mean cheaper borrowing, which includes mortgage lending. Whenever a bank lends, it is creating credit for the borrower, and the amount credited is effectively new money. Certainly, greater access to mortgages results in many more prospective buyers looking for houses, which inevitably raises prices, especially in the best locations. There is general agreement that the economic collapse of 2007–08 originated in the US and was brought on by the irresponsible granting of mortgage credit to so-called sub-prime borrowers. But the same practices were being carried out in the UK and worldwide. In another article, Ryan-Collins suggests that this situation was more the result of deregulation and entry of the banks into the mortgage industry than by low interest rates. He notes that ‘interest rates were not particularly low in the 1980s.’¹⁴ So although low interest rates are an encouragement to borrowing, there is some doubt that

they are the prime cause of high house prices (see Box 1, below, for a brief history of UK interest rates).

Prior to deregulation, for most people, mortgages were only obtainable through building societies, which were not allowed to lend more than they had from savers' deposits. The commercial banks, on the other hand, operated under the system of fractional-reserve banking whereby they could lend far more than their reserves. Mortgage loans, in consequence, became more readily accessible, leading eventually to irresponsible lending and the financial crash of 2008.

Attraction to Investors of an Appreciating Asset

This is a more likely cause. As noted in item 7.2, above, the attraction of housing as a financial asset became more evident in the 1980s and 1990s, not only to professional investors, but also to ordinary homeowners. Both saw it as an excellent way of increasing their wealth and security, if they were able to buy into an area with good growth prospects. Of course, in the most sought-after areas, the homeowners were competing not only with professional investors but also wealthy foreign buyers who bid prices up to extraordinary levels, especially in the capital.

The great attraction of housing to investors is that, over the long term, it is invariably an appreciating asset (see Figure 15). The house, as with any physical commodity, depreciates in value over time, but the land on which it stands can only appreciate with the demand. Where, as in the example above, the site value is 80% of the total, the appreciating portion—the site value—far

outweighs that which is depreciating—the house value. Even in low-value areas, where the proportions may be reversed, but where the house is well maintained and depreciation slight, there may still be an investment interest, however slowly the site value may be increasing.

Government Policies

From the 1980s onwards, governments have pursued policies to encourage home ownership, which could be seen as subsidies for existing and prospective homeowners. The ‘Right to Buy’ policy for council tenants, introduced in the 1980s, is well known, but there was also MIRAS (mortgage interest relief at source), which encouraged mortgage borrowing, and which lasted from 1983 to 2000. Since then, there have been a number of schemes designed in different ways to enable homeownership or stimulate housing supply, such as ‘Help to Buy’, ‘Rent to Buy’ and ‘Build to Rent’. These schemes are well described in an article by Christopher Walker, a housing specialist and government advisor.¹⁵ The exemption of capital gains tax on first homes could also be seen as an encouragement to homeownership. All of these schemes in different ways encourage prospective buyers to enter the market, which inevitably has the effect of raising prices.

The best solution to all of these problems would be to introduce a land value tax, which would arrest the rise of the land-value factor, keep prices under control and make land banking and speculation unprofitable. Only then will housing become affordable.

Box 1. UK Interest Rates

Private banks are able to charge whatever interest rates they wish, but normally these are closely related to the interest rate they in turn have to pay for borrowing from the Bank of England. So, effectively, interest rates are determined by the Bank of England—which was established in 1694. The history of the rate shows distinct periods of stability and other periods of volatility.

For the first 25 years the rate varied between 6% and 3% then, in 1719, stabilised at 5%. This rate remained constant for the next 103 years until 1822, then for 23 years varied between 2.5% and 6%. In 1840 the rate entered a long period of volatility that lasted till 1932, during which time it varied between 2% and 10%. Another period of stability, for 19 years, from 1932 to 1951, maintained a rate of 2%, except for a brief blip to 4% in 1939 at the start of World War Two. From 1951 a second period of volatility that lasted until 2009 saw the rate vary between 2% and 17%. In 2009 the rate dropped to the unprecedented level of 0.5% and has been at or near this level ever since.¹⁶

7.4 Land Banking

Land banking, also known as land hoarding, is nothing new but has become a more noticeable issue in recent years due to the increasing housing problem, which is

seen as largely a matter of supply. House builders complain of the lack of access to, or the excessive cost of building sites, as the main reason for their inability to deliver the houses required. The theory is that building is restricted by the high cost of land acquisition—which is reflected in the final price, hence the high house prices.

The housebuilders are also inclined to blame the restrictive planning laws (which constrain the release of greenbelt land for development) and they constantly press for their relaxation. They disregard the fact that there is a large amount of brownfield land that is capable of redevelopment.¹⁷ The developers and housebuilders naturally prefer the easiest route—the development of clear uncontaminated land. This is preferable to the messy business of decontamination and clearance involved with brownfield land, whose potential future value is uncertain.

The temptation to hoard land, whose increase in value is assured, and where there is no incentive to develop, is described in Brett Christopher's book *The New Enclosure*, where he speaks of 'developers consciously, strategically deciding to bank land rather than build on it.'¹⁸

A great deal of course depends on the granting of planning permissions, which for a former greenbelt site can increase the value by as much as 275 times.¹⁹ By comparison, the increase on brownfield would be a great deal less, as it would involve remediation work and would be a much longer-term investment. So, for developers, the release of greenbelt land is the main prize. The existing landowner is well aware of this and aims to exact his share from the future uplift of value.

On the anticipation of permission being granted, the claims to this uplift are already being made by many interested parties, except, ironically, those to whom this uplift truly belongs, the general public. Also, the transactions of these claims may take place several times over before, or even if, a single brick is laid.

It is quite possible for a developer to gain planning permission for a site on the strength of a detailed project submission, which he hasn't the slightest intention of building. Once the permission is obtained (and the increased value established) the developer can sell the project on 'with planning permission' to another developer, who is obliged to carry out the scheme within three years. Even if this time limit is allowed to lapse, any future buyer knows that the site has previously been granted permission, and this makes all the difference to the potential value. This is an example of the collection of the economic rent in advance (see Chapter 8, Rent Collected in Advance). All these are paper exercises, but at each stage money is made by the seller, and whoever finally owns the site is often content to sit tight in the knowledge that its value will continue to increase. The logical outcome is the accumulation of valuable sites with planning permission, actual or potential.

Housebuilders and developers acquire sites in this way and have no real incentive to build on them as their value is appreciating in any case, without effort. They release sites into the market deliberately slowly to keep the prices high. They have to do this to maintain a profit, after all the previous claimants have taken theirs in advance.

This ongoing scandal is described very well by Oliver Wainwright, a journalist and architectural commentator. In a *Guardian* article he revealed that, in 2015 the UK's biggest housebuilders were sitting on 600,000 plots of land that had planning permission.²⁰ In another article, the planning manager of the Council for the Protection of Rural England, Paul Miner, said that developers maintain their profitability by 'drip-feeding homes onto the market at a pace that best suits their profits.'²¹ Christophers also discusses at length the consequences of land privatisation, the selling off of public land that began in earnest with the neoliberal policies of the Thatcher administration in the 1980s. The policy was ideologically based on the belief that land was always more efficiently used under private ownership—a dubious claim. He goes on to show that the three main consequences of land privatisation have been 'increased land banking', a shift towards a 'rentier economy' and widespread 'social dislocation.'²²

An experiment in dealing with land banking has been taking place in Ireland with the Vacant-Site Levy that came into force in 2017. But so far it has proved difficult to enforce and easy to avoid; the resulting revenue being a fraction of what had been anticipated. The scheme appears to have been a failure; many people agree with the idea in principle but the drafting and administration has apparently been insufficiently rigorous.²³

Land speculators have been around a long time—as noted in the early settlement of North America in Chapter 2. The situation mentioned above is merely a variation on this old technique; now exacerbated by the

peculiarities of the planning system. The acquisition of a planning consent is clearly a very valuable and saleable asset, and a number of individuals and organisations are able to privately profit from the system.

The Labour administrations after the World War Two were very much aware of this ‘betterment’ and attempted to curtail the resultant profiteering, but without success. (see Chapter 4, 20th Century History). To make matters worse, the Conservatives, who regained power in 1959 introduced a provision—section 5 in the 1961 Land Compensation Act—which allowed landowners to add the future betterment value, the ‘hope value’, into their selling price, a virtual speculator’s charter. This provision is the main cause of the high cost of building land at the outset, which, after each player adds on their own profit, results in the final high cost of housing. The provision should be one of the first things to be repealed in any move towards land reform. There is now an increasing view among many politicians, that it should be abolished, or at least amended.²⁴