

of progress. It would prove to me that conditions were getting worse, not better, by the mere fact that it was found necessary to expand the social services, charity and public expenditure.

The government I would applaud would be one that after some years interval could say, "We have pulled down our prisons, reduced our police force and closed many hospitals. We no longer feed the poor because there are no poor; we no longer house the homeless because there are no homeless; we no longer give rate rebates because there are no rates—except on the owners of land. Widows are no longer in need because their husbands, through lower taxation in their lifetime, have been able to provide adequately for their dependents.

CANADIAN REPORT ON HOUSING

Shafts of Light on the Housing Scene

PAUL KNIGHT

AMONG THE POINTS made by the Canadian Federal Housing Enquiry (headed by Transport Minister Paul Hellyer), in its report recently presented to the Commons, was that the present system of land and property taxation was heavily over-weighted in favour of land speculators, and that members of the enquiry were attracted in principle to the idea of taxing the owner on what he could do with his property rather than what he had done. They suggested that municipalities should ensure that property assessment procedures encourage rather than discourage the use of land, and urged that profits from land sales be treated as taxable income.

Minister Hellyer said that the right to own and dispose of property and take a reasonable gain for labour was an integral part of the Canadian tradition. "But the enquiry group seriously questions whether such rights can be stretched to encompass situations where the owners of the land reap gigantic financial benefit, not from improving or working it, but merely by allowing it to lie fallow or in admitted under-use while the efforts of the community around it make such land an ever increasingly-valuable asset."

Two types of speculators came in for criticism. The first was the person or company that brought land beyond the fringe of development, waited for urban expansion, and then sold to builders, and the second was the speculator who was involved in purposeful under-use of land at the core of a city whilst waiting for higher prices. The latter case, the report said, applied to prime city land where dilapidated structures sit idle or near idle or where owners seem to find no better use for the land than as a parking lot. Present taxation procedures favoured this type of speculator.

Rapidly increasing land costs in several centres,

Pensioners are no longer an object of pity for they have been able to provide from their lightly taxed income adequate provision for their declining years.

"We have done away with the fiction that subsidies to local authorities came out of thin air, instead of out of the pockets of taxpayers. We no longer speak of our wasteful and unnecessary expenditure on palliatives as 'unparalleled social achievements.' We recognise them for what they are, vote catching gimmicks, stop-gaps, and illusory benefits."

Maybe this is a bit of a dream, particularly if the island is Britain, but this is no excuse for not thinking fundamentally and at least making a start in the right direction.

especially Toronto, were singled out as one of the main reasons for the rapid increase in housing costs.

Another of the main problems to be dealt with, says the report, is the jungle of zoning and building laws.

As further aids to lower the cost of housing, the Study Group proposes that the Federal Government remove its eleven per cent. tax on materials used for residential house construction and that provincial governments lift their sales taxes as well. (Ottawa realises more than \$300 million in revenue every year from the tax on building materials).

The Report is also extremely critical of public housing projects as they now exist in Canada, arguing that they tend to become "ghettoes of the poor." These projects are expensive and appear to be psychologically and socially destructive.

The Report strongly criticises the "bulldozer technique" of destroying great numbers of houses to replace them with impersonal high-rise flats. This practice, it says, should be immediately suspended.

In spite of its suggestion that the owner be taxed on what he could do with his property rather than what he has done to it, the Report proposes that property owners be required to maintain their properties at certain minimum standards, or, where necessary, destroy the property without compensation from the State.

Recourse to compulsion to maintain property, with the alternative of destroying it, would not of course be necessary if owners were taxed on their location value only with consequent removal of taxes on their bricks and mortar.

The Report indicates that the Study Group has been doing some original thinking, and many of their sugges-

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, 1883.¹



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*² 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

¹Quoted by the Author.

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