But the boom and bust of the early 1970s transformed the approach in the last years of the decade.

- Land bank cycles were shortened, as demand for houses contracted, and land prices soared (See Table 1) or its supply shortened.
- Big builders resorted increasingly to the takeover of smaller firms as a way of acquiring land: this has resulted in a concentration of building activity into the hands of fewer, larger builders.
- Smaller firms, trying to fend off the land-hungry giants, have been pressing for an increased flow of planning permission. Explains Mr. Smyth:

> "The smaller companies have a vested interest in seeing land supply increase through planning because if they avoid being taken over they do not wish to be squeezed out of the market through competition for land."

- Builders have been trying to diversify, by either finding new markets (e.g., Barratts moved into housebuilding in the U.S.) or moving into new sectors.

DURING the last half of the 1970s, there was a trend towards making profits from creating more wealth (the houses) rather than relying on profits from land.

But in the past two years, there has been a reversal of this trend, according to Mr. Smyth.

Companies increased their purchases of land in 1979 and 1980, in anticipation of a recovery of the housing market. And they are relying on making a greater proportion of profits out of land, rather than buildings.

The housing market was flat throughout 1981, and builders were anxious that the first glimmerings of an upturn in mid-1982 should be sustained into a full-blown recovery (Table II). Recent data, alas, suggests that there is no recovery yet in this vital sector of the economy.

If the economy does not recover soon, many builders will find themselves over-stretched – having to finance high-priced land at high interest rates. Many more builders could find themselves bankrupted in 1983, a repeat performance of the crash of '74.

*Hedley Smyth, *Land Banking, Land Availability and Planning for Private House Building*, Bristol: School for Advanced Urban Studies, Working Paper 23, 1982.

Post-war policy has failed the homeless

THE IDEAL of a property-owning democracy has inspired the belief that the post-war trend in home ownership is an index of prosperity.

Dramatic increases in owner-occupation are cited as a measure of the success of Conservative policies in Britain.

If correct, the latest evidence suggests that new successes are still being chalked up. For the numbers living in private unfurnished rented homes dropped from 12 per cent of all families in 1971 to only six per cent in 1980.[1]

But an alternative perception of the record can be offered which suggests an overwhelming failure to grapple with underlying economic problems.

The theory goes like this.

In the post-war years, uneconomically low wages placed many families in difficulty. This encouraged governments to introduce tighter controls over rents, and greater security of tenure, which reduced the rate of return on landlords' investments.

Because higher yields could be obtained elsewhere, the size of the pool of rentable accommodation shrank. This led to homelessness, with two significant socio-economic effects.

Family life was disrupted. The education of children in unsettled homes suffered, and workers were discouraged from moving in search of new jobs.

This nexus – low mobility both geographically and socially – held down the income earning capacity of many people, which in turn increased the dependence on rent controls and welfare subsidies.

What is the evidence for such an hypothesis?

The table shows that the number of dwellings in owner-occupation is now heading for the 60 per cent mark.

At the same time, however, the Government is being pressured by welfare organisations to extend the powers of local authorities to deal with an increasing number of families who are homeless.

The scale of the problem is seriously understated by official figures.

Growth of Home Ownership
Great Britain

	Millions of Dwellings Owner – Occupied	% of Total Dwellings
1914	0.90	10.6
1944	3.30	25.6
1951	4.10	29.5
1961	7.04	43.0
1965	8.08	46.6
1970	9.27	49.5
1971	9.51	50.1
1972	9.79	51.4
1973	10.13	52.2
1974	10.31	52.5
1975	10.49	52.8
1976	10.72	53.3
1977	10.92	53.6
1978	11.15	54.1
1979	11.38	54.6
1980	11.65	55.4

By Ian Barron

In London, for example, 197,400 households are on the waiting list for public sector housing. But the number of families who need to be rehoused is estimated at 447,000.[2]

The problem will worsen because the share of the government's budget being devoted to housing has declined from ten per cent (1975) to three per cent next year.

THE HUMAN suffering would not be quite so bad if the building stock was used properly. In London, 129,800 dwellings stood vacant last year, almost five per cent of the total.

"Whatever the reasons for this amount of empty housing, it represents an enormous waste of scarce resource and an affront to the needs of the homeless," declares the Citizens Advice Bureaux.[3]

Britain's 500,000 landlords can hardly be blamed for wanting to obtain vacant possession and sell off their properties.

According to evidence submitted to the House of Commons Environment Committee, the median gross returns on capital was 3.5 per cent.[4]

The British Property Federation claimed that a rental return on vacant possession of six per cent net would be necessary to maintain the supply of privately rented accommodation *at its current level*.

But 50 per cent of unfurnished tenants and 40 per cent of furnished tenants could not afford rents producing such a return.[5]

So de-controlling rents would intensify hardship and increase the need for more income transfers from taxpayers.

Thus, to eliminate the vicious circle of family deprivation that is built around the shortage of houses, it would be necessary to adopt a strategy that placed higher incomes at the forefront of a new approach.

This entails a radical departure from post-war policies. These, as we can now see, have failed to provide a large number of families with the decent homes which are necessary for a healthy family environment and the vigorous mobility in the labour market which is crucial to a dynamic economy.

REFERENCES

1. *General Household Survey 1980*, London: Central Statistical Office, 1982.
2. *Homeless in London*: London: Greater London Citizens Advice Bureaux, 1982, p.3, Table 2.
3. *Ibid.*, p.4.
4. *The Private Rented Housing Sector*, London: House of Commons Paper 40-1, Session 1981-82, p.xxii.
5. *Ibid.*, p.xxx.