

NO MATTER how much money and well-meaning effort is directed at solving "the housing problem," ultimately there is no way of realising the ambition of a decent home for every household in Britain. This is because a structural defect in the economy guarantees the perpetuation of slums and homelessness.

Why, after 200 years of industrial production, in which we have learnt to manufacture as much wealth as we want, have we failed to keep up with the demand for housing? The answer is simple. No matter what the level of need, and no matter how successful we may be in raising living standards for some people, an intrinsic fault in the system periodically creates bottlenecks which choke off the efforts of the construction industry to supply affordable homes.

The irrational aspects of the housing market identifies the points of friction which lead us to a practical solution.

- Hundreds of thousands of houses stand empty while people beg for shelter. This paradox is clearly at variance with all that we are taught about the rationality of the marketplace. How can the owners of those houses afford *not* to earn an income from them? Put another way: why don't they have an incentive to sell the houses if they don't want to occupy or rent them?

- Periodically, the nation is assailed by speculative fever. People treat their homes as assets on which to make unearned profits. This would not be a problem if speculation generated the results described by economists, who argue that speculation ultimately encourages an increased supply of the article in question, and so reduces prices. The reverse happens in the housing market: speculation encourages a reduction in the supply and forces up prices.

So the construction of housing, instead of being a smooth process responding to the needs of a growing population, becomes cyclical. Cycles terminate in slumps and Britain is now heading for such a dark chasm.

The major cause of the con-

AS THE 'CRASH OF '92' APPROACHES...

Answer to prayers of homeless

By Fred Harrison

struction bottleneck is the land market, which is the start and the finish of the problem. It must be so, for there is no shortage of demand for housing: no technological obstacle to constructing enough buildings to meet everyone's needs; no shortage of a willingness to build new homes; no shortage of space on which to locate those structures.

Yet hundreds of thousands of families are condemned to waste away their lives in environmentally impoverished surroundings, simply because we have failed to neutralise the monopolistic characteristics of the land market.

Land is in fixed supply. As prices rise, so there is a powerful tendency to further restrict its supply - the better to push up prices even higher! Result: builders realise that prospective homeowners, on current wages, could not afford the prices which would have to be charged, taking into account the phenomenal increase in the price of land (in the South-East, today, an acre with planning permission is running at £1m).

Two things happen. Mass builders try to compensate for the price of land by opting for even higher-density construc-

tion, and paring down the quality of their houses.

As a result, fewer people can afford to buy or rent homes. A larger proportion of disposable income is used to pay the rent or the mortgage (which means that fewer consumer goods are bought - think about the knock-on effects for the manufacturing sector and the employment prospects of workers).

Eventually, as builders use up their land banks - and currently they hold stocks that will last them for another 20 months - they discover that it is impossible to get the raw land that they need; so they go out of business. All this helps to push the economy into a tailspin....

Based on our study of the cycles in land values we predict that the output of new homes will peak in 1990, even though hundreds of thousands of people would like to quit their slum-like quarters in favour of decent accommodation. The housing cycle is a leading indicator of what looms for the rest of the economy. About 18 months after the peak in housing construction, the economy goes into a recession. If history repeats itself - and our studies tell us that it will - the current cycle in land values will terminate in 1990.

WASTELAND WOES

THE Civic Trust last reported on urban dereliction in 1977. Today they alert Britain to the problem yet again with a hard hitting and well researched report: *Urban Waste Now*.*

Stephen Joseph, the author, sets out why and how wasteland is a problem what action has taken place over the past ten years, and what should be tackled now.

There is still much to do despite some grant aid to urban development corporations, garden festivals and local activity.

All over Britain, the report says, land is going to waste, lying idle, unused and derelict.

With the help of on-the-

ground evidence from many local amenity societies and other environmental groups the report illustrates the problems of prolonged vacancy, associated with dereliction, danger and decay, a scarce resource wasted while greenfield sites are being put under pressure.

The report reveals that 62% of the surveyed sites were privately owned or small, often being held out of use in the hope of gaining planning permission.

Just how much of Britain is lying wasted can only be estimated, but powerful pressures - from housebuilders, high-tech industries and major retailers - tend to push

development towards greenfield sites rather than towards urban wasteland.

The Civic Trust calls for improved information on the nature and scale of the problem. Local planning authorities, for example, should be required to prepare and publish regular land audits of all vacant, unused and derelict land, both public and private, in their areas.

The government's register of publicly owned surplus land should drop the

minimum size criteria of 0.4 ha (1 acre) and the public's right to request that sites be included in the register, and disposed of, should be given full publicity.

A full public register of all land titles should be prepared, embracing ownership, date of purchase and price. The impressive list of suggested solutions includes tax incentives.

The Civic Trust is an independent agency promoting higher standards and management in the environment. It is to be congratulated on this excellent report.

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followed by a depression in 1992.

With the best will in the world, there is no way - under present conditions - that we can finally consign the housing problem to the dustbin of history. Ask the Japanese: their trading surplus has attracted tens of billions of dollars in extra disposable cash. Far from being a blessing - enabling hard-working, thrifty workers to acquire decent homes - the money has been a curse. It has been sumped off by the land market, so that workers are even worse off. Japan now has the highest land prices - and some of the worst housing - in the world.

In Britain, successive Labour Governments tried their best to deal with the land problem by taxing capital gains, acquiring development rights, regulating the market. The owners of land merely sat tight and awaited better political climes.

There is one solution only: a high, annual tax on the current market value of all land, irres-

pective of whether it is being used or not.

If landowners had to pay a tax on the unimproved rental value of their sites they would not leave houses standing empty for years on end while desperate parents prayed for roofs over their children's heads.

If the tax was high enough, the incentive to speculate would be diminished if not wiped out: so owners would not withhold their sites from the market even while builders struggled to make their prices match the pockets of their prospective customers.

This is the only way to destroy the monopoly power of the land market. Empirical studies, based on an examination of those cities that levy heavier taxes on site values than on the value of buildings - eight cities in Pennsylvania, most towns in Australia - confirm our predictions. Idle urban land is brought back into use. This restricts sprawl, conserves the green belts and reduces those wasteful costs of infrastructure that are

associated with leapfrogging developments.

It is too late to do anything about the current business cycle. Through its impact on the supply and price of houses, the land market has already begun to distort the labour market, force people heavily into debt and persuade Nigel Lawson, the Chancellor of the Exchequer, to raise the cost of borrowing money (which inhibits entrepreneurs from investing in new capital and creating new jobs).

Today, 70% of house builders say that the supply and price of land is the major constraint on their ability to produce new houses. The price of land is heading towards the heights that were last seen in 1972/3 and 1979, when prices peaked just before the recessions of 1974 and 1980. The government, by abolishing the residential property tax, has added to the momentum: land prices will receive an extra fillip at the turn of the decade, and place Britain on course for the Crash of '92.