



House — and Land Prices

NOT FOR the first time in the last few decades have newspaper readers and television viewers been presented with a spate of news and of comment on the high cost of houses. The current one, however, differs from previous ones, in that what at one time would have been regarded as exceptional in house prices, has now become almost commonplace, particularly in London and the South East, where house prices have been described simply as "mad".

Proposed remedies have been various, ranging from house-price control to the nationalisation of building land. More discerning and sober commentators have argued reasonably for the release of more land, much of which is being held by local authorities, the nationalised industries and public institutions. There is even a call for the release of green belt land, particularly that which exists as pockets in otherwise developed areas, and is devoted to little or no use, and offers no amenity worth the mention. An indication of what can be done to make more land available is the proposal to release up to 200 acres along the London dockside, which would provide homes for 250,000 people. Next on the list could be some of the 4,385 acres given over to allotments in the Greater London area; much of this land is not properly tended. And in the same area the Army can account for 3,991 acres. Mr. Peter Walker, Minister for the Environment, and his officials, reports the *Daily Telegraph*, April 26, have been "studying the land shortage for some time," and "are considering what can be done."

Mr. Enoch Powell has contributed his own analysis of the high-cost housing problem, which he expounded at a public meeting in Hertfordshire on April 14, and he sees nothing really remarkable in it, since the whole thing is "simply a question of supply and demand." He makes

some good points. He says that the rising price of houses is not the result of criminal or demonic intervention or of wicked speculators. He points out that



inflation itself must account for a good slice in the house price rise, and this of course is true. He admits, however, that inflation does not fully account for the astonishing increases witnessed in recent months, and he says that a whole string of other reasons present themselves, among which is the inability of the building trade to take advantage of mass production and the mechanised techniques available to other industries. So far, so good. Mr. Powell hits out at various "bogeys" such as speculation and profiteering, and goes so far as to say that the speculator, far from being a burden upon society, does it a service; here he is speaking of speculators in general. Mr. Powell is right when he says that the "profiteer" fixes neither the price at which he buys or produces nor the price at which he sells. The market does this. He then adds that high profits in such circumstances will stimulate production until profit is brought down again to a normal level, and although he does not appear to exclude land, which of course cannot be stimulated into production, he does pose the question as to why this has not happened with houses. He says that the answers are political not economic answers, and can be found in controls of all kinds, particularly control over the use of land and control over the letting price, if not the selling price of accommodation.

Mr. Powell then deals with the price of land and notes that it is not a factor in the price of houses in the way that the price of labour or of grain is a factor in the price of whisky. He goes on, "It is the value of the house - of that house in that place - which is determined by supply and demand in the market. How much of that value we place to the site or location and how much to bricks and mortar is a matter of arbitrary estimation. When we read about the price per acre of building land, what we are reading about is the share-out of the profits of building the houses, that is, of the difference between cost of construction and the market price of the product. If the price of all land for the building of houses were nil, house prices would be exactly what they are at this moment."

This all sounds just a little odd, but we can assume that Mr. Powell is intentionally or otherwise referring to the Ricardian theory of rent, which measures the desirability, and thus the cost, of one

plot with that of another, while leaving the cost of *what actually stands upon it* unaffected by its particular location. Thus when Mr. Powell says "house prices would be exactly what they are at this moment," this can only mean the price of the house *as a house*, not including the land on which it stands.

While Mr. Powell is right in assessing the growing demand for houses as a natural pressure of demand, whatever the reasons for this demand may be, he falls short of the complete answer on the supply side. In the long run the building trade can meet demand for bricks and mortar no matter how great, if it gets its accustomed rewards. But the supply of land is more than a matter of bloody-minded planners, land-hoarding public bodies and out-of-date green belt policies, although these are undoubtedly factors and important ones at that. What is needed is not the heavy boot of government to kick land holders and planners into compliance with the demand for more land, nor the sweet voice of reasonableness lecturing them on the public interest. What is required is an instrument of policy that will impell all holders of suitable land, *in their own interests* to put it to use forthwith, sell it or rent it. This instrument is a hefty tax on land values (not to be confused with inane development charges and betterment levies) which would operate sharply and effectively to this end.

The pressure of demand on supply would still run its course but with this difference. First, there would be a marked increase in land available (no one would hold on to land for speculation or any other purpose if he were obliged to pay the land-value tax irrespective of use or non-use). Secondly, and perhaps more importantly, that profit element in house prices, the value of land - which may be truly described as unearned - would be channelled back by way of reduced taxes, and if substantial enough, could place the purchase of a house within the means of most of those who wanted to purchase, leaving others, either from necessity or desire, to rent one. Here we must agree with Mr. Powell that all forms of rent control must ultimately go so as to clear the way for a new growth and a new availability of properties to rent. But this will come about only when property owners can charge market rents, and have some form of guarantee against future rent control. While there exist people whose means preclude them from anything other than subsidised housing, then, things being as they are, and in the absence of root remedies, this must be the people's responsibility generally, not the responsibility of property owners.

Finally, for those who think that speculation in land (and we do not blame the speculators as such) does no harm, we would commend the words of the late Winston Churchill on the subject:-

LAND & LIBERTY

Land, which is a necessity of human existence, which is the original source of all wealth, which is strictly limited in extent, which is fixed in geographical position - land, differs from all other forms of property in these primary and fundamental conditions. Nothing is more amusing than to watch the efforts of our monopolist opponents to prove that other forms of property and increment are exactly the same and are similar in all respects to the unearned increment in land. They talk to us of the increased profits of a doctor or a lawyer from the growth of population in the towns in which they live. They talk to us of the profits of a railway through a greater degree of wealth and activity in the districts through which it runs. They tell us of the profits which are derived from a rise in stocks and shares, and even of those which are sometimes derived from the sale of pictures and works of art, and they ask us, as if it were the only complaint, "Ought not all these other forms to be taxed too?"

But see how misleading and false all these analogies are. The windfalls which people with artistic gifts are able from time to time to derive from the sale of a picture - from a Vandyke or a Holbein - may here and there be very considerable. But pictures do not get in anybody's way. They do not lay a toll on anybody's labour; they do not touch enterprise and production at any point; they do not affect any of

the creative processes upon which the material well-being of millions depends; and if a rise in stocks and shares confers profits on the fortunate holders far beyond what they expect, or indeed, deserved, nevertheless, that profit has not been reaped by withholding from the community the land which it needs, but, on the contrary, apart from mere gambling, it has been reaped by supplying industry with the capital without which it could not be carried on. If the railway makes greater profits, it is usually because it carries more goods and more passengers. If a doctor or a lawyer enjoys a better practice, it is because the doctor attends more patients and more exacting patients, and because the lawyer pleads more suits in the courts and more important suits. At every stage the doctor or the lawyer is giving service in return for his fees, and if the service is too poor or the fees are too high, other doctors and other lawyers can come freely into competition. There is constant service, there is constant competition; there is no monopoly, there is no injury to the public interest, there is no impediment to the general progress.

Fancy comparing these healthy processes with the enrichment which comes to the landlord who happens to own a plot of land on the outskirts or at the centre of one of our great cities, who watches the busy population around him making the city larger, richer, more convenient, more famous every day, and all the while sits still and does nothing.