

BRITAIN is just beginning to come out of the depression caused by the latest phase of land speculation. Government spokesmen are triumphantly pointing to a hardening in the prices of houses in some regions, and interpreting the data as virtuous. To dampen the euphoria, it is worth reviewing what happened since 1985.

An economic crash always follows a period when families are forced out of the housing market. It happened in the run-up to the Crash of '73. It happened in the run-up to the Crash of '81. It happened in the run-up to the Crash of '92.

Time and again, in the pre-crash phase, surveys revealed that house builders did not face any problems with either the supply and price of labour or materials. The price of land was identified as the most disruptive element in the construction process. Governments failed to act, and ordinary folk paid the price through unemployment.

THE FIRST to signal an economic crisis is the construction industry. Between 1989 and the end of 1993, nearly 500,000 building workers will have lost their jobs.

But the social results of residential land speculation are equally tragic. Witness the repossession of homes from families that bought during the final phase of the land boom. Once interest rates were forced up, they were squeezed by an economic vice that forced them out of their homes.

It is this human price - the direct result of an avoidable stream of action in the economy - that receives no attention in Parliament. The stories and statistics leave no doubt about the corrosive impact of socio-economic conditions in Britain today. The effects on children are particularly tragic.

◆ By the end of the 1980s, nearly 3m children were living in poverty, according to the Child Poverty Action Group. Many of them take to crime before they reach their teen years - and they regard their anti-social behaviour as a thrill to be shared with friends. An Exeter University survey found that children as young as 11 years drink to escape problems.

◆ According to the National Society for the Prevention of Cruelty to Children, child abuse is closely connected with "poverty, rootlessness,

FAMILIES

destroyed by the land market

by Peter Poole

family breakdown and disruption."

◆ Male suicides have increased in the 25 - 44 age group. Deprivation encourages women to smoke; this creates a health hazard not only for themselves, but also for their children - a risk of which they are aware, but with which they appear helpless to deal.

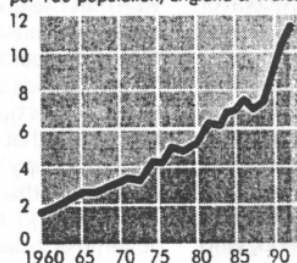
We should not imagine that this is a peculiarly British problem. In Germany, the authorities have recognised the connection between unemployment and the resurgence of neo-fascism. And they have drawn a direct connection between the recession and the record number of deaths among

the home. Yet the origins of the problem can be clearly identified by examining the problems of maintaining the house-building industry on an even keel.

Analysts fail to take account of how, when land prices are forced beyond their affordable levels, builders have to squeeze more (smaller) units onto each site. Result: cost-cutting and cramped housing estates. The Tarmac group recently acknowledged that the ratio of houses to sites had been too great; and that it was now reducing that ratio: cheaper land means more breathing space for families in their homes.

Notifiable offences recorded by the police

per 100 population, England & Wales



homeless people living on the streets: 29 people froze to death last winter.

But no matter how long the catalogue of woes, it is impossible to give anything more than a portrait of the severity of the crisis that starts in the destruction of the family and the home, and finds its way onto the streets. And it is a problem that will not go away: the Confederation of British Industries says that the jobless level is unlikely to fall below 2.25m for the rest of the decade.

So until we develop a clear theory of the ultimate cause of economic dislocation, governments will not be able to formulate policies capable of ameliorating the stresses that lurk in

IT WAS THE failure to understand this mechanism - that land speculation disrupts the economy - which led to the failures of policy under Mrs. Thatcher's Chancellor of the Exchequer, Nigel Lawson. But was he really to blame? Forecasting techniques betrayed the policy-makers of the 1980s. There is no mystery as to why economists were in the dark about the acid corroding the foundations of the UK economy: their economic models ignore the malfunctions in the land market.

What should now be done? John Major's government has proved devoid of original strategies. Nevertheless, there is no reason why the Tories should not defend the notion of private property and the housing market - providing they take action to correct the structural flaw in the system.

History, economic theory, and the evidence from other countries, show that there is one policy only that can remove land speculation. That policy is a tax on the annual rental value of land. The tax rate must be high enough to remove the propensity to speculate in the selling price of land - in the pursuit of unearned capital gains.