

Dorling, D. (2014) 'Housing has become the defining economic issue of our times', The Guardian, February 19th, <http://www.theguardian.com/society/2014/feb/19/ousing-economic-issue-financial-crisis-property-tax-owning-home>

'Housing has become the defining economic issue of our times'

How we are housed lies at the heart of our financial crisis but a land and property tax could make the system more equitable and give young people the chance of owning a home



- -
 - [Danny Dorling](#)
 -
 - [The Guardian](#), Wednesday 19 February 2014
 - [Jump to comments \(133\)](#)
-



'Those who are most adversely affected by housing policy feel they have the little power to change it, and usually they are right.' Photograph: Christopher Furlong/Getty Images

Housing is of greater political consequence than most other areas of government policy. It's as near as most people get, personally, to what is called the greater economy. Employment comes a close second to housing, but most pensioners and children, and many others, are not employed, whereas everyone is directly affected by housing. Conversely, many people, especially those who do not have young children, may not care much about what is happening to education, and those who are feeling well can easily pay less attention to changes to our health services. Most people are not affected by the level at which benefit payments are set, nor by how the minimum wage is determined. Cut benefits and crime may rise, but few make such links and, often, those who do simply demand more prisons.

The people who are most adversely affected by housing policy believe they have little power to alter politics. And, usually, they are right. They are the least powerful in the areas where they live, so politicians can reduce social security spending on the poorest without losing much popular support. Politicians can increase overcrowding in social housing and in much private rented housing and, in the short term, they can get away with it. However, as their housing policies begin to have an impact on a greater and greater proportion of the population, and on the majority of young adults, it becomes harder to sustain such policies. But it also becomes harder to end them. A particular constituency has become reliant on prices remaining high, and rising.

Policy on housing touches everyone. For example, make renting less problematic and you reduce the incentive to buy, so policies that help tenants might be seen to harm the interests of those who own outright and are trying to sell at a high price.

We all need a home to go to, whether we are of school or pensionable age; in good health or poor; not paid, badly paid or well paid. When our housing feels insecure, we feel insecure. That insecurity can range from feeling a little bit less wealthy – as, at some point in the near future, the value of your Notting Hill townhouse (once subdivided into flats) falls – to despairing about being forcibly relocated away from where you grew up because there is apparently no longer any space for you in Newham.

Clearly, losing a little wealth is far less of an issue than having to leave your home town or borough, but the wealthy mansion-owner might be happier to see you go rather than lose a fraction of his equity. If equality were to grow, he might eventually have to subdivide his property again, so that there would be some space for people like you to stay in part of that building. He knows it happened before. If the forces of Conservatism don't triumph, it could happen again.

Many of us worry that there may not be enough homes to go round. We worry that we could easily be evicted were we to be late with the rent or mortgage payment. If we are homeowners, we worry that the home we own outright has a monetary value that is as solid as quicksand and that the future we thought was secure will turn out to have been a pipedream. Few people find reassurance through the ways in which we have come to organise how we are housed.

And those who have won out in the housing lottery – unless they have no children, no relatives and care for no friends in situations somewhat different from their own – they, too, should still have worries. If we carry on as we are, how will society be able to function in a way that allows

people to respect one another? How will all our children be housed? How big will their debts be?

Housing has become the defining economic issue of our times because housing finance is at the heart of the current economic crisis. So many of us put so much money and faith into these little individualised pockets of risk, at least at one point in our lives, that we can easily become more concerned about our home and neighbourhood than the wider picture.

When we concentrate our worry on our housing, we worry less about the wider economy becoming dysfunctional. Worry about housing distracts us from the disaster of millions of young adults having no work, of income inequalities rising relentlessly. We worry about our individual property value or rent level, about paying the mortgage each month, about whether the profit on our sale will pay the nursing home fees or about why we failed to try much harder to buy when we were younger.

If housing prices are rising and you have bought a home, none of the other trends appear to matter that much, because you are doing all right, even if society as a whole appears to be in more of a mess than it was when people did not overwhelmingly profit from the rising value of their bricks and mortar rather than from their labour.

Volatility is ultimately the reason why even those not bothered by the idea of increasing inequality should be. You may think you are doing fine – you own a home and it is worth a lot – but its value is being propped up by a government desperate for your vote, a government that appoints members to its national bank's advisory board who will ensure that interest rates are kept at historically unprecedented lows. Low interest rates cannot last for ever. Everything depends on confidence in the market – so the more volatile the market, the sooner it will crash.

As they often do, events may be moving faster than policy. In Ireland, [anew tax](#) on property comes fully into force this year. It is a tax that increases in line with the value of that property. While not strictly a land value tax, its effect may well be similar in terms of acting as a brake on future rising housing prices. Unsurprisingly, the most vocal opposition to the tax was from the wealthy residents of those parts of Dublin where prices remain highest. Of course, there are many slightly less affluent areas in Dublin the rich could move to if they wished to reduce their tax liability, and a huge number of empty properties from which to choose. It is not the threat of being unable to afford a home that worries them; it is the possibility that they may not be able to keep all their wealth in a country where so many have lost all that they had. Great inequality engenders a great fear of sharing.

The new Irish property tax has embarrassed the British Treasury, which claimed that imposing a similar tax in the UK would be too costly. A land registry would be necessary to administer any property tax, and the UK already possesses a mostly complete one. When a land value tax is in place, it becomes financially far less profitable to sit on unused land and homes. Indeed, it has often been claimed that one of the quickest ways to improve a country's infrastructure or to generate jobs is to introduce such a tax. The US land value tax is widely credited with having cured the 1930s slump.

In Britain, [Kevin Cahill](#), a journalist, calculated that, in 2002, 69% of the land was in the hands of 0.6% of the population. Government statistics show that since then the concentration has intensified. Between 2005 and 2011 the number of landholdings in England had fallen by 10%, while the average size of holdings had risen by 12%. This could be one of the fastest consolidations of ownership since [the Highland clearances](#). The British have enough land and housing; it is just that, increasingly, most of it is owned by a smaller and smaller elite.

What is clear is that the [housing market](#) will not be made more equitable through voluntary action on the part of the most interested parties. We need to help the rich to learn to control themselves. As a first step, we should at the very least be enacting policies such as [levying a land value tax](#) on, at a minimum, all undeveloped developable land that is worth above £2m in value. This would swiftly encourage new building and raise funds for the government for housing investment.

A land value tax is evolution, not revolution. It is being proposed by some of the most serious commentators. The existing UK council tax is a very crude and inefficient form of it. Taxation may be just a part of any solution, but it is fundamentally necessary for two reasons. First, it can discourage excessive land and property holding by a very few. Second, in raising funds from those who have the most to give, it helps to house those who in most need. Wealth is redistributed. So it is wrong to assume that tax is a penalty rather than a subscription to society.

If the threat to our housing and our children's chances of being well housed is realised as optional, rather than inevitable, then there is hope.

This is an edited extract from [All That Is Solid; The great housing disaster](#), by [Danny Dorling](#), published by Allen Lane on 27 February at £20. To order a copy for £18 with free UK p&p go totheguardian.com/bookshop

133 comments. Showing conversations, threads
, sorted

• 5 PEOPLE, 7 COMMENTS



Jenstuds

19 February 2014 8:25am

Recommend

39

One of the biggest challenges for those seeking change to housing policy is the way it is generally perceived as a private, market led issue, rather than one where government has a responsibility to secure positive change. Voters wouldn't stand for the supply and demand, access or quality issues which housing has if they occurred in education or health. But because the electorate generally don't think the government could/should be responsible for housing in the same way it's easier for politicians to stand back and do nothing. The shocking rise of families in the private rented sector, a generally unsuitable tenure, should have been a call to arms but because it's seen as an arena which is market led the state just steps back and leaves people to fend for themselves. Hence housing benefit at over £20b a year. It'll only be when voters see the government as responsible for their poor, inadequate housing situation or that of their children that things might change.

o

[Share this comment on Twitter](#)

[Share this comment on Facebook](#)



aletheiaspark Jenstuds

19 February 2014 8:53am

Recommend

11

If it really was a private, market-led issue, there would be no planning laws to artificially create a shortage.

▪

[Share this comment on Twitter](#)

[Share this comment on Facebook](#)



o

muhammedaa aletheiaspark

19 February 2014 9:00am

Recommend

46

The housing market, like the banking sector, is just another "so-called" private scheme underpinned by "state" support.

▪ [Report](#)

[Share this comment on Twitter](#)

[Share this comment on Facebook](#)



o

swiftasgold aletheiaspark

19 February 2014 11:34am

Recommend

12

What is a private market led issue is the use of property as an exportable commodity creating increased demand. A significant proportion of new homes being built in London are sold off to investors in Asia and the Middle East. To my mind it is akin to exporting bread when you have food shortages but it boosts the economy so it's fine right?

▪ [Report](#)

[Share this comment on Twitter](#)

[Share this comment on Facebook](#)



o

muhammedaa swiftasgold

19 February 2014 12:09pm

Recommend

6

If you didn't watch it already, you might want to catch up with "How China Fooled The World" on BBC iPlayer...it shows very clearly how an extremely

corrupt and wealthy elite have priced many Chinese people out of their own housing market forever---and unless we start to apply the brakes over here, we'll be heading in exactly the same direction.

- [Report](#)

[Share this comment on Twitter](#)

[Share this comment on Facebook](#)



borris14 muhammedaa

19 February 2014 12:15pm

Recommend

5

We're already way down that road

- [Report](#)

[Share this comment on Twitter](#)

[Share this comment on Facebook](#)



muhammedaa borris14

19 February 2014 12:18pm

Recommend

2

Yours is the "PS" I forgot to mention.

- [Report](#)

[Share this comment on Twitter](#)

[Share this comment on Facebook](#)

• 8 PEOPLE, 10 COMMENTS



Davy1983

19 February 2014 8:32am

Recommend

20

No, tax is not the answer. Building more houses on brown field sites, that's the answer.

The state should be doing all it can to stimulate house building, that will supply the starter homes so many young people need so badly, and will keep future house price increases under control.

o [Report](#)

[Share this comment on Twitter](#)

[Share this comment on Facebook](#)

o



bernardcrofton Davy1983

19 February 2014 8:46am

Recommend

10

Under our systems it is impossible to solve the housing problem.
1 The maximum we can add to the housing stock in any year is 1%.

▪ [Report](#)

[Share this comment on Twitter](#)

[Share this comment on Facebook](#)

o



bernardcrofton bernardcrofton

19 February 2014 8:49am

Recommend

6

2. Any rise in prices feeds through to land prices. When prices rise, it is profitable to complete houses on land banks, but not to acquire further land for a while.

▪ [Report](#)

[Share this comment on Twitter](#)

[Share this comment on Facebook](#)



LarryH77 Davy1983

19 February 2014 9:03am

Recommend

32

No, tax is not the answer. Building more houses on brown field sites, that's the answer.

Duh, did you even read the article? Land Value Tax would achieve exactly that!

Blocking building on green sites pushes up the value of brown sites, making them not financially viable. That is the situation we have now.

- [Report](#)

[Share this comment on Twitter](#)

[Share this comment on Facebook](#)



Danden Davy1983

19 February 2014 9:47am

Recommend

17

I propose the following solution:

A windfall tax on the land rich payable in land. (Including the crown and duchy)

The repossession of derelict property. (including those on millionaires row and old air/army bases)

Rent controls and the return of assured tenancy.

Scrapping stamp duty for all properties under £350,000 and then link this figure to house price inflation. Also stagger the tax in similar way to income tax.

How about a Labour front bench with some balls? (no pun intended)