Unaffordable Housing

Fables and Myths

LOCALIS

policy exchange

Alan W. Evans
and Oliver Marc Hartwich

About Policy Exchange

Policy Exchange is an independent research institute whose purpose is to contribute to public understanding of and stimulate wider debate on a broad range of social, economic and political questions. Using an evidence-based approach to policy development, Policy Exchange aims to generate fresh ideas in support of strong communities in a free society.

About Localis

Localis is an independent research organisation which was set up to develop new ideas for local government. It organises seminars and commissions research relating to all aspects of local government.

About the authors

Alan W. Evans is Professor of Economics and Director of the Centre for Spatial and Real Estate Economics at the University of Reading Business School. He is the author of *The Economics of Residential Location* (1973), *Urban Economics* (1985) and *No Room! No Room!* (1988). He was co-editor of *Public Economics* and the *Quality of Life* (1977) and *The Inner City: Employment and Industry* (1980), and has published extensively in urban and land economics. His most recent books are *Economics, Real Estate and the Supply of Land* and *Economics and Land Use Planning,* both published by Blackwells in 2004. He has also carried out consultancy for the House Builders Federation, Ove Arup, Pro Svi (Milan), Hong Kong Centre for Economic Research and others.

Dr Oliver Marc Hartwich is a Research Fellow at Policy Exchange carrying out research on planning and housing policy in Britain. He was born in 1975 and studied Business Administration and Economics at Bochum University (Germany). After graduating with a Master's Degree, he completed a PhD in Law at the universities of Bochum and Sydney (Australia) while working as a Researcher at the Institute of Commercial Law of Bonn University (Germany). Having published his award-winning thesis with Herbert Utz Verlag (Munich) in March 2004, he moved to London to support Lord Matthew Oakeshott of Seagrove Bay during the process of the Pensions Bill.

Project sponsored by:

Localis

Joseph Rowntree Foundation

Unaffordable Housing

Fables and Myths

Alan W. Evans

and **Oliver Marc Hartwich**

policy exchange

LOCALIS

First published in June 2005 by Policy Exchange Limited
Registered charity, No: 1096300.

Policy Exchange
Clutha House
10 Storey's Gate
London SW1P 3AY
Tel: 020 7340 2650
www.policyexchange.org.uk

© Policy Exchange 2005
All rights reserved

ISBN 0-9547527-6-7
Printed in Britain by Heron, Dawson and Sawyer

Contents

Foreword by Rt Hon David Curry MP 7

Executive Summary 9

1 The British Planning System 12
Beginnings 12
Development 13
Procedures 16
Housing 17

2 The Economics of Planning 18
Costs of Planning 18
Central Planning 19
Fable the First: The Car and Lorry Planning Act of 1948 20
What People Want 21
International Comparisons 23

3 Answering the Questions, Dealing with the Myths 26

4 Reasons for Change 34
The Illusion of Self-Interest 34
Old and Young, Renters and Owners 34
The Urban Environment 36
The Economy 36
Fable the Second: England's Green and Pleasant Land 37

5 Conclusions 39

Figures

Figure 1 Completions by sector 14
Figure 2 Residential building land prices at constant prices: 1892-1998 17
Figure 3 Inflation adjusted residential property prices in different countries 23
Figure 4 Property prices and income 24
Figure 5 Comparison of dwelling sizes 24
Figure 6 Age of European dwelling stocks 25
Figure 7 “The House That John Built” 25
Figure 8 Distribution of the English population 27
Figure 9 Degrees of urbanisation in England and Wales 27
Figure 10 Alleged correlation between urban densities and passenger transport energy use per capita in different world regions 30
Figure 11 Share of vacant dwellings in European countries 32

Foreword

Rt Hon David Curry MP

One of my more surreal moments as Minister of Housing was fixing the house-building targets for the English regions. There was a complex methodology based on household formation. There was intense lobbying: the House Builders Federation arguing that the need for housing was much higher than we were reckoning, while the Council for the Protection of Rural England insisted that we were already wildly exaggerating demand. In the end we came up with the number by very much the same process as I had, in an earlier ministerial existence, fixed fish catch quotas in the Council of Ministers – a mixture of science, intuition and what politics would permit.

In many ways not much has changed since then. Local authorities are still required to meet targets for new homes that were set by national government. Indeed, the element of central planning has become much more explicit. John Prescott's Communities Plan, basing itself upon the figures of house-building shortfall contained in Kate Barker's report into the volatility of the housing market and its implications for interest rate policy, is all about Government "delivering" homes. The issue of affordability – chronicled in eye-catching detail by Halifax Bank of Scotland statistics – has shot up the agenda as "key workers" (usually defined as teachers, nurses, police officers and fire-fighters – whatever happened to bus-drivers and bin-men?) have been priced out of the market. Now, just when there is a general expectation that house prices may decline, Gordon Brown and John Prescott have announced a scheme for the Government to take a stake of up to 50 per cent in homes bought by first-time buyers.

Anyone who feels that we are trapped in a remorseless spiral of state intervention and control, and wonders how we had got there, should grasp at this report. It chronicles, in a brisk polemic, the origin of a post-war planning system which resembles Soviet-style central planning and which at every turn has proved to be not just un-economic but positively anti-economic. It points out that a planning framework which has constrained supply (and refused to recognise demand) has inevitably created a scarcity which has resulted in price inflation.

But Alan Evans and Oliver Hartwich's rumbustious iconoclasm does not stop with chronicling the economic perverseness of the planning regime. They systematically demolish the public good claims for planning, finding that the policy of population allocation to centres of growth does not lead to reduced private vehicle use; that the focus on brown field sites will create its own contradictions and constraints; and, that the preservation of the countryside does not promote bio-diversity. Above all the authors point out that Britain has amongst the oldest and pokiest houses in Europe – not the fault of architects but the result of the remorseless and misguided logic of planning policy.

Evans and Hartwich cut a swathe through the shibboleths and sacred texts of post-war planning. They will cause the eaves to tremble throughout the Home Counties and beyond. The political debate up to now has largely been about speeding up planning procedures and formalising the complex area of planning gain. The authors would no doubt describe that as trying to titivate a fundamentally wrongly-conceived structure.

They have done a huge work of demolition. They intend to look at experience overseas. What we will need then is a tool-kit for rational planning policies in the UK. Let us look forward to the Evans and Hartwich manifesto for planning logic – then light the blue touch-paper and stand well back …

Executive summary

The British Planning System

Although various attempts at controlling development in Britain had occurred earlier – the first ‘green belt’ was introduced in Elizabethan times – full control was only established by the nationalisation of development rights in the 1947 Town and Country Planning Act. The purpose of the Act was to allow the government to plan development in the same way that production was planned in many other industries at the time.

The development plans that resulted from this Act, which were based on predictions of need, also introduced Green Belts. These were not, as is now assumed, intended to constrain development, but instead intended to prevent the piecemeal ‘ribbon’ development that had occurred in the 1930s.

> “Planners have created a system that has led not only to higher house prices but also a highly volatile housing market”

Inevitably these predictions of need proved wrong but, over time, they became regarded as production norms to be fulfilled by the planning system, regardless of other economic factors or indeed people’s actual housing desires. The level of development being politically controlled, the government became susceptible to the arguments of interest groups that wished to preserve their local environment by limiting the building of new houses – Not In My Back Yard (NIMBY).

What was intended to be a system where the state carried out development to ensure that the population were provided with a good standard of housing eventually became one in which the planning system was used to restrict development, particularly in rural areas. This resulted in higher prices as increasing demand was not met by increasing supply.

The Economics of Planning

People seem to believe that planning constraints are costless, but there are serious economic consequences to restricting development. By ignoring the role of supply in determining house prices, planners have created a system that has led not only to higher house prices but also a highly volatile housing market.

Our rigid and nationalised planning system is also delivering the wrong kind of housing. In a March 2005 MORI poll, 50 per cent of those questioned favoured a detached house and 22 per cent a bungalow. Just 2 per cent wanted a low rise flat and 1 per cent a flat in a high rise block. But houses and bungalows use more land, so while in 1990 about an eighth of newly built dwellings were apartments, by 2004 this had increased to just under a half.

Our housing compares poorly by international standards too. Britain has some of the smallest and oldest housing in Europe, and what is being built now is even smaller than the existing stock. Yet despite this, house prices in the UK have risen much more strongly than other developed countries, meaning that despite real growth in our incomes we are not able to afford more and better housing, in the way that we can afford better cars and food as we get wealthier.

The Myths of the Planning System

How has this situation come about? In a country that was among the first to roll back the government's role in the economy, why do we still plan our housing in the way we do? And why do we accept the outcomes of this system, which forces us to live in crowded, old, small and expensive housing of a type we do not want?

> “We are living in crowded and dense cities, not a crowded and urbanised country”

One reason is that the political alliance to save the countryside is very strong, but to be successful there have to be a number of arguments that resonate with voters. By analysing these arguments we discover that they are as much folk myths as the view that British housing is the best in Europe:

- ***Britain is a small, overcrowded country*** – in fact only around 8 per cent of land in Britain is urban, half the figure in the Netherlands and lower than Belgium, (West) Germany and Denmark. We are living in crowded and dense cities, not a crowded and urbanised country.
- ***Southern England is especially crowded, so new development should take place in the North*** – in fact the North West is the most urbanised region in England, and the South West and East Anglia are among the least urbanised.
- ***But the South is full of towns…*** – development is usually near major transport links, giving the impression of over-urbanisation. In addition, there is the psychological effect of travelling between cities – one travels slowly through urban areas but speeds through rural ones, giving a false impression as to the level of development.
- ***We're all getting older and will want smaller houses*** – in the last 32 years the number of households has risen by one-third, outstripping the growth of the housing stock. Besides, many older people do not want to move out of their houses, and nor should they be forced to.
- ***We need agricultural land to be self-sufficient*** – Britain has one of the highest proportions of land given over to agriculture in the world, and we produce agricultural surpluses. We are fully integrated in the world economy and rely on imports for almost everything, especially energy – being self-sufficient in food alone is pointless.
- ***Cities are bad for environment*** – interestingly, it seems that the kind of low rise, low density housing that planners and guardians of the countryside dislike is better for biodiversity than monocultural farmland.
- ***We need to live at high densities to protect the global environment*** – the planning system's emphasis on using brown field land often increases fuel use, as these sites are not always near existing development or people's work places. Taxation is a much more effective tool for reducing fuel usage.
- ***Building on brown field sites is always better*** – the number of brown field sites is heavily restricted, perhaps only 14 per cent of the houses we need could be built on them. If we are only going to use these sites then house prices will continue to rocket and we will be living in very dense, crowded, high rise accommodation – just what we do not want.
- ***There are lots of empty buildings we could use*** – our vacancy rate is very low internationally, and some vacancy rate is required for the market to be flexible.

There is a strong argument for saying we would actually benefit from a higher vacancy rate.

Reasons for Change

Having dealt with the myths surrounding housing, we should look at the positive reasons for changing our planning system. Rising house prices only benefit a small minority of the population – older homeowners who are trading down. Younger generations are deprived of the opportunity to buy houses of a size that their parents bought.

Just as importantly, British cities are becoming increasingly unattractive because green fields outside those cities are saved at the expense of densifying existing settlements. Cities are becoming monotonous agglomerations of small, low-quality dwellings, increasingly provided in tower blocks.

Constraints on the supply of land have led to increases in house prices. This accentuates the instability of the economy because people increase their spending as the value of their houses goes up (and decrease it as the value of their houses falls). The increase in land and house prices also makes it less attractive to work, live and do business in England. This has a long-term negative effect on growth.

Conclusions

Our planning system set out to predict and provide the housing we need, but as the flaws in the socialist model of provision became obvious it evolved to become a system that constrained development in order to protect the countryside. This has significant costs – we now live in some of the oldest, pokiest and most expensive housing in the developed world. A number of arguments are presented to support this situation, but these can be shown to be false. Our next report will look at how other countries succeed, and fail, to provide better and more affordable housing. In our final report we will offer our recommendations for reform, which we hope will enable the British to at long last enjoy the quality of housing they desire.

1. The British Planning System

Beginnings

Although various attempts at controlling development had occurred earlier, the current system of land use planning in Britain was initiated by the Town and Country Planning Act of 1947. A feature of this Act was the nationalisation of development rights, and a fund was set up to compensate landowners. From that point on landowners had no inherent right to build on or redevelop their land. The state became the owner of any right which there may have been to develop or redevelop land. This makes the British system different from most others, where some right to develop land is retained in one form or another by the owner.

When the system was initiated the plans which had been drawn up, for example the Greater London Plan[1] or the Clyde Valley Plan, were predictive in character. The plans for Greater London envisaged that New Towns would be set up around London, some distance from the existing built up area. The expectation was that people would then move from London to these New Towns, while a strong regional policy would encourage industry in the North and discourage the kind of migration to the South that had occurred in the 1930s. As a consequence, it was believed that little further building land would be required in the immediate vicinity of London so a Green Belt could be delineated round the existing built up area. All the necessary building land would be contained within the inner boundary of this Green Belt. Moreover, population growth would be non-existent since, it was thought, after a brief post-war baby boom, the number of children born would fall back to the low levels of the thirties. And the possibility that increasing incomes would lead to a demand for larger houses with more space was simply not considered.

Thus the Green Belts, when they were instituted, were not actually intended to constrain the growth of London or any other city. It was just thought that the land contained within the Green Belts would not be needed, so the ‘ribbon’ development that had occurred along many main roads in the 1930s could be prevented.

In fact, of course, the predictions turned out to be wrong. Regional policy was not successful in diverting growth in the service industries which turned out, over time, to be more important than the manufacturing industries. The population did increase substantially over the years. Households split up and became smaller, and people’s incomes increased so that they wanted larger homes.

But, while the demand for space increased, the supply of land did not increase in proportion. The allocations of land for different uses that had been made within the planning system changed very little. As a result, the amounts of land designated to be developed gradually changed from being regarded as predictions of need to being seen as statements of the amount allowed. Prediction increasingly became constraint, particularly in the more prosperous parts of the country. In the less prosperous parts the need to encourage manufacturing to provide jobs meant that constraints on land availability were always less tight and more flexible. But where full employment was seen as permanent, in the South and the Midlands, the constraints became tighter as demand increased (for housing, industry, or any other land use), since there was seen to be no need to encourage any development above what was seen as absolutely necessary.[2]

Development

In many respects, particularly with respect to housing, the British planning system has much of the character of a Soviet-style central planning system.

To explain why this is so we need to go back to the beginning, and remember that the 1947 Town and Country Planning Act was drafted and passed into law when central planning was more highly regarded than it is now. The Second World War was over but during it almost every aspect of economic life had been controlled and planned by government. From food ration books and clothing coupons to conscription into the armed forces and the mines, the government had planned. In his celebrated history of the period Alan Taylor remarks that the British economy 'was more fully socialist than anything achieved by the conscious planners of Soviet Russia'[3], and it was certainly more planned than the Axis powers.

Moreover, in 1945 the population had put into power a Labour Government with an overwhelming majority, a government elected on a manifesto dedicated to the nationalisation of the means of production, distribution, and exchange. In doing so, the people expressed a clear wish to turn their backs on pre-war capitalism, which was perceived to be characterised by class-consciousness and high unemployment. The Town and Country Planning Act was just another step towards the socialist future. It is hard to understand this now, but people at the time played down individual rights and liberties and played up subservience to 'the greater good'. Sir Patrick Abercrombie, the leading British planner of the day, wrote of the economist as 'a muddler who will talk about the Law of Supply and Demand and the liberty of the individual'.[4] And two quotations from a 1944 conference on 'the new planning' indicate the views of those implementing the plans that Abercrombie drafted. Discussing the question 'Can we induce people to move?' the borough surveyor of Tottenham, in north London, said: 'It seems that the most difficult hurdle to surmount will be the wishes of the people of Tottenham'.[5] And another contributor took the view that people's views were unimportant: 'Planning means control – you have got to put people out, tell them where to live and if someone wants to build a factory, you have got to tell them "nothing doing in Tottenham – you must build a factory in so-and-so." … [Communist] Russia, [Nazi] Germany, [Fascist] Italy all had planned systems'.[6]

> “The Town and Country Planning Act was just another step towards the socialist future”

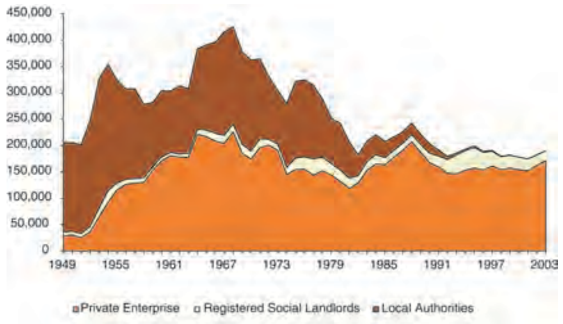
Of course, in practice, the system as a whole became somewhat less planned. The original intention had been that all development would be public development on land which would be acquired by the government.[7] If private development were to take place the difference between the value of land in its current use and its value if development was permitted was taxable by a so-called Betterment Levy at the penal rate of 100 per cent. A shortage of resources hindered public development and the levy effectively discouraged private development. Not surprisingly, the newly elected Conservative government of 1951 abolished the tax and, over time, more and more construction was carried out by the private sector. For the next fifty years, however, land use continued to be planned and controlled by government, and remained a part of the economy where market forces were either not recognised or resisted. The system evolved to represent the views of voters very well, many of whom were keen to protect their own local environment, but to serve the interests of homebuyers badly. So it was under the Conservative government that the New Towns were built and expanded, and Green Belts were enacted round major cities and historic towns, and then expanded in extent.

Even during the years of Thatcherism they remained largely unaffected. For the reasons behind this one can go back to the Town and Country Planning Act of 1968. It was felt then that the planning system was too dictatorial, too technocratic, and that there should be more public participation in the planning process[8]. But the public always prefers development to be somewhere else, not near them: NIMBY – Not In My Back Yard. Public participation in the process, the ability to put pressure on local and central government, meant that Conservative homeowners in Conservative shires could block or divert development which might otherwise occur near them. Thus the planning system was not something that the party's core voters wanted to be dismantled in favour of market forces. Indeed, a former speech writer for a Conservative Secretary of State for the Environment told one of the authors that he wrote speeches, with gritted teeth, in praise of planning, and that the Secretary of State, with teeth gritted, delivered them.

Even then, planning continued untrammelled. Indeed, in 1990, with a move to 'plan led' development, the British system became even more like a Soviet-style central planning system than it had been before. It is a paradox to be savoured that a year after the Berlin Wall came down, whilst the Soviet economy and its satellites were collapsing, a Conservative government should have enforced a system of Soviet-style central planning for the provision of housing in Britain.

This allegation deserves justification. During its passage through Parliament in 1991, a clause was inserted in the Planning and Compensation Bill which made the local authority's development plan a 'material factor' in determining what might or what might not be permitted. Before that it was not. Thus in the 1980s a developer could attempt to demonstrate to a council or, at appeal, to an inspector, that rising house prices indicated a demand for housing in the area, and then try to show that his land was a suitable site for development. So as house prices rose in the late 1980s so did the number of houses being constructed (Figure 1).

Figure 1: Completions by sector[9]



Source: Office of the Deputy Prime Minister

But in the 1990s, once the five-year plan for an area was drawn up and approved, land which was not indicated as suitable for development during this period could be refused permission on the grounds that development on this site was not in accord with the plan. Whether there was a demand for it mattered little. Of course, there was a chance that it might be permitted, but this chance was small.[10] Whether the site was suitable in all other respects and would be likely to be included in the next five-year plan did not matter. As a result, housing production changed very little at the turn of the century even as house prices rose, because changing economic factors were not considered relevant to the plan.

By then, the situation with regard to housing was that central government would estimate how many houses would be required over the ensuing period. It would then allocate to each region and to each local authority its share of this total, in effect its production norm. The local authority then had to demonstrate that its development plan provided sufficient land for these dwellings to be built. Having done this, its plan could be approved by central government. Since, as we remarked earlier, the local authority gained nothing from allowing more houses than its norm to be built, and most of its voters desired as few as possible to be built, the norm, in practice, became a maximum.

On occasion, the system could become destabilising. It has been noted that once a local authority has given permission for the dwellings required early on in the five-year period, it may see no reason to permit any others and so will cut back the number permitted later in the period. So as prices rise even higher than they were earlier the supply is cut back![11] This is a real life example of the old Polish joke – "Why can't you get a tram in Krakow on a Friday? Because the tram-drivers will have fulfilled their production norm for the week by Thursday."

There is another feature of central planning which came to the fore after the 1997 election. All parties at that election made promises that, if elected, more houses would be built on brown field sites and fewer on green field sites. The Labour Party's winning bid was that 60 per cent would be built on brown field sites and, with the backing of the Rogers Report in 1999[12], that was what was sought. Apart from the fact that building on green field sites was thought politically unpopular, it was not otherwise obvious why this was good from any other point of view. The main argument seemed to be that it promoted sustainability by making people live at higher densities in inner urban areas, thus helping to reduce congestion and the use of fossil fuels. Sometimes, however, the term 'sustainable' was used to mean socially sustainable in that, say, different income groups might live nearer each other in an existing urban area, or that jobs and housing could be closer together. Or, again, that 'a sustainable community is one where residents are satisfied and in which they are happy to continue living'.[13]

But it is a feature of central planning that in fulfilling the production target planners may lose sight of the ultimate aim. In this case the overt target has been to increase densities in inner urban areas but, whatever may be desired by planners, the brown field sites which come onto the market for redevelopment are not necessarily located where there is demand for housing. So in northern England there is a demand for housing for rural communities in Cumbria, but since there are very few brown field sites in Cumbria, housing in the North West Region is being provided in Manchester, some seventy miles away, where there are brown field sites.[14] Since it is within the same region the norm is complied with.

> "It is a feature of central planning that in fulfilling the production target planners may lose sight of the ultimate aim"

In southern England, where demand is great, the brown fields norm is complied with by constructing high-density developments whenever and wherever the land has become available, whether centrally, in the inner suburbs, in the outer suburbs, or in the middle of the country miles away from public transport. So the site of a house or hotel in the middle of the London Green Belt may be redeveloped to provide more houses or a larger hotel. The development is on a brown field site so that fulfils the production norm, to be sure. But the development neither preserves the countryside, nor does it reduce the use of private transport. Indeed, it actually increases it above what might have been achieved on a green field site bordering the town. Under no possible criterion is it 'socially sustainable', except of course that people might want to continue to live there.

Of course, achieving the production norm is easier if small houses are produced. They use less land and thus fewer green field sites. And since the planning constraints on the availability of land have meant that house and land prices have risen and made housing 'unaffordable', the construction of miniscule dwellings can be justified by the claim that they were affordable, thus ignoring the fact that it was the planning system which made the homes unaffordable in the first place. During this process, the urban environment is being worsened, and the traditional English garden is being made an expensive luxury for the few.

Procedures

For most forms of urban development other than, say, small extensions to existing houses, planning permission must be obtained before it can be carried out. (Paradoxically, though the planning system is viewed by most people as intended to preserve the countryside, farm buildings have been, until recently, completely exempt from planning controls, and even now permission is only required if the development is near someone's home.) To obtain permission an application has to be made to the local authority supported by the relevant documents, for example a site plan and architects' drawings. Larger developments require more supporting material.

The application will be reviewed by the planning officers employed by the authority and they may approve relatively small applications under 'delegated powers'. Other applications will come before the local authority's Development Control Committee, or its equivalent, almost invariably with a recommendation from the officers as to whether the application should be refused or granted. The members of the committee are elected councillors and will make the formal decision. In some local authorities members of the public can ask to address the committee to object to an application, in which case the applicant has a right of reply. In practice, applications to speak are rare and councillors are more likely to refuse an application than the officers, if only because they are more likely to be made aware of local feeling about some development by their constituents; councillors, unlike planning officers, have to be re-elected.

If the application is refused, the applicant has the right of appeal to the Secretary of State (at the time of writing the Deputy Prime Minister), who will appoint an Inspector to hear the appeal on his behalf. The Inspector's decision is almost invariably final, although the Secretary of State can still ignore his own Inspector's report and reach a different decision. If the application is granted there is no right of appeal by third parties such as exists in, say, Australia. Finally, some major applications may be 'called in' by the Secretary of State so that they will be heard by an Inspector anyway, and not considered by the local authority.

> “Over the years the difference between prediction and constraint has become increasingly blurred, and nowhere has this been truer than with housing”

Americans have called the British system a 'non-zoning' system in contrast to their zoning system. In the American system areas may be zoned for particular uses, say single-family houses on quarter acre lots. If that is what one wants to construct then no further application for planning permission is necessary. (Though in most states, but not everywhere, some kind of building permit is required to ensure that the building complies with local building regulations.[15]) On the other hand, some other type of building would require a zoning variance, which would be unlikely to be granted.

Within the British system, however, even though an area may be indicated by the plan as suitable for single-family housing, an application to construct such a house may not be granted. But an application to construct something else may be.

Housing

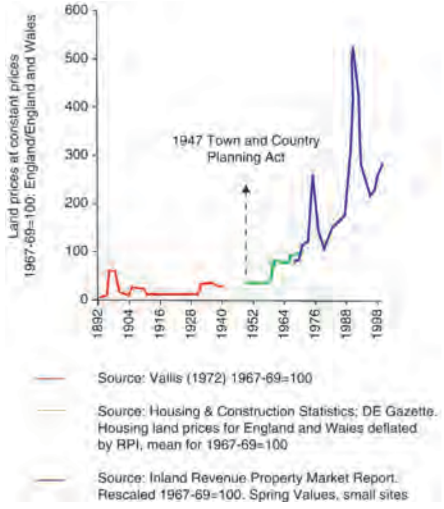
As we said earlier, over the years the difference between prediction and constraint has become increasingly blurred, and nowhere has this been truer than with housing. As we have already indicated, what has developed is a system under which the statisticians and demographers of the Department of the Environment, or its successors (currently the Office of the Deputy Prime Minister), would predict some years ahead the number of 'households' expected in each year, for the nation as a whole and for each region.

After some negotiation and attempts to reduce the predicted numbers by interested parties, each local authority is instructed as to the numbers of dwellings that ought to be constructed in its area during the ensuing period. The local authority then has to ensure that enough land would be available to construct these dwellings. In the early 1980s, joint committees with house builders were set up in many areas to ensure that there was some agreement that the amount of land designated would be sufficient.[16]

The fact that agreements were reached could be taken to indicate that there was no constraint. In fact, the extent of the constraint was indicated by the increasing divergence between the value of land with, and without, planning permission for residential development. In southern England this began in 1969, and Figure 2 indicates the way in which land values in England, which had been more or less constant through the early twentieth century, started to climb in the 1950s after planning controls started to be enforced.

How then do we reconcile the differences in land values with the apparent agreement that there was land available to meet the need for dwellings? What happened is that as land prices rose so the extra demand for housing space arising from increased incomes was choked off by the rising price of housing. Because land and house prices were higher, people could afford less housing; and because the supply of land was restricted, the price of land and housing rose. So land was made available for higher density developments which allowed the demand to be accommodated. In the end, supply was equilibrated with demand in the usual way with markets, by price reaching the level at which demand equalled supply.

Figure 2: Residential building land prices at constant prices: 1892-1998[17]



Planners who thought only in physical terms could thus congratulate themselves that demand equalled supply, and could ignore the fact that prices rose to ensure that this was so. Being unconcerned with economics they could see that there never was, after rent controls were abolished, a physical shortage. Only when prices are fixed will a physical shortage be evident. Instead, prices adjusted to clear the market and the planners could slap their own backs for the accuracy of their predictions. There just happened to be this problem of high house prices and smaller houses, but that after all was nothing to do with them!

2. The Economics of Planning

Costs of Planning

People seem to believe that town planning constraints are costless. The view seems to be that an area that is planned is better than one that is unplanned. So where then are the costs? In this short review we shall try to show that there are significant costs attached to planning constraint. Chief amongst these are constraints on the availability of land for particular uses – and, most obviously, constraints on the availability of land for urban development, as opposed to it being protected and preserved in some rural use.

As economists know, price is determined by the interaction of supply and demand. In a famous analogy, just as one cannot say which blade of a pair of scissors actually cuts the cloth because both do, so one cannot say that either demand or supply fix the price of a good because both do, together. Thus the supply of land can be regulated and constrained, but the demand is not under the control of the planning system. If incomes increase and consequently people want larger houses, but the system only allocates land for small houses, then, even if it gets the numbers right, prices will be bid up. Furthermore, if the system underestimates the number of households then they will be bid up even more.

It is evident that many planners often ignore the economic consequences of their decisions. Their view is that it is up to the planners to plan and the market to follow; in effect saying that increases in demand can be ignored, that economics has little or nothing to do with town planning. To quote the response of a planner in southern England in the late nineties to a question as to whether price data would be useful, 'we would not see the point of looking at price data … Planning should lead, not prices. Land price should reflect planning, not the other way round'.[18] Indeed, up to the early 1990s, it seems that it was the official government view that planning constraints on land availability had nothing to do with the price of urban land; the price of land was determined solely by demand, the supply of land was thought to be irrelevant. Only after considerable argument by economists did the Department of the Environment commission, in 1992, a research survey which confirmed the economists' view that constraints did affect prices and that the tighter the constraint the higher price of land would be, given the level of demand.[19]

Although, therefore, it is now officially accepted in Britain that planning constraints can have an economic impact, until very recently there was little evidence to suggest that the implications of this were also accepted. Thus the bidding and counter-bidding by the political parties at the time of the 1997 General Election as to who could build fewer houses on previously undeveloped land, so-called green field sites, went on without any recognition that the less land was made available, the higher land and house prices would be. When the Labour

Government set up a Committee chaired by Lord Rogers to advise on urban planning policy it included no economists and seemed to regard itself, to judge from its acknowledgements, as needing no economic advice.[20] Its point of view was that of an architect (the profession of its chairman). So when it was observed in the report that 'average floor space in new German homes can be as much as 50 per cent greater than English equivalent house types'[21], it saw this as needing research by English architects to try to achieve German standards. What it ignored was the economic explanation, that because space was deliberately constrained in Britain, house prices were higher and the British could afford less space than the Germans.

Only in 2003, with the appointment by Gordon Brown and John Prescott of Kate Barker, an economist and member of the Bank of England's Monetary Policy Committee, to inquire into the supply of housing, did economic analysis and expertise appear to be recognised as useful in the analysis of the town planning problem.

What provoked this change of tack were the macroeconomic implications of the British planning system. It had become very evident that housing supply had become unresponsive to market forces; indeed the elasticity of supply with respect to price appeared to have fallen to zero. While house prices rose in the 1990s, the supply of new homes did not. Indeed for much of the period the number constructed actually fell, year on year, reaching in 2002 the lowest level since 1924.[22] And since there was no increase in the supply of houses to damp down prices, so prices rose faster and further than they had in the 1980s when supply constraints were not quite so tight.

Two associated macroeconomic problems resulted from this house price inflation. First, interest rates had to be increased and maintained at higher level than they otherwise would have been, largely to damp down the inflationary impact of rising house prices. These higher interest rates had a negative impact on employment in regions where unemployment was higher and where low demand kept house prices low anyway. It was further realised that if interest rates had to be kept permanently higher to damp down this latent inflationary fire smouldering in the housing market, then Britain would never be able to join the Euro zone, whether it was otherwise thought desirable or not.

> “Just as the British increased consumer expenditure as house prices rose, so there was the probability that they would cut their expenditure as and when house prices fell”

Second, just as the British increased consumer expenditure as house prices rose, so there was the probability that they would cut their expenditure as and when house prices fell, thus exacerbating any economic downturn. So interest rates had to be used to try to dampen down any house price boom in order to try to prevent a consequential house price fall.

But British planning policy for housing has other consequences apart from higher interest rates. It affects the type of housing that is built, and imposes costs which are, in our view, far in excess of any possible benefit.

Central Planning

What is the problem with central planning? Why are economists virtually unanimous in their certainty that central planning can never be efficient, not even with politicians and planners with the best intentions? Basically there are two reasons, which are closely interrelated. The first concerns the difficulty, if not impossibility, of economic calculation in an economy without prices. Market prices are necessary to assess whether what is proposed is profitable or not, that is to say, whether the

Fable the First

The Car and Lorry Planning Act of 1948

The new Labour Government which came to power in 1945 set about creating a democratic socialist state in which the economy was properly planned rather than left to the vagaries of the market. Many industries were nationalised: coal, rail, gas, electricity, steel and, in 1947, a Town and Country Planning Act was passed. Since towns were now to be properly planned, and other means of transport were now publicly owned and properly controlled, it was argued that the production and distribution of motor vehicles should also be planned and controlled, and this was achieved with the Car and Lorry Planning Act of 1948.

The Act set up a system under which the production of cars was planned on the basis of past ownership patterns and no more than this number were allowed to be produced. No vehicles were allowed to be imported, and anyone wishing to order a new car had to wait until a manufacturer had obtained production permission from the local authority on their behalf. The application was considered by the local transport planners and by the local transport planning committee, which could refuse or grant permission. To make the system democratic, people could write in to say why someone should not get permission. Often the objection was based on the fact that the objector did not have a car and did not see why his neighbour should have one. Such people were called NIDDIES from the acronym NIDHI (Not If I Don t Have It).

As incomes rose and the population increased the demand for cars increased, but the number of cars permitted to be produced did not increase to the same extent. It was felt that allowing more cars would create unfair competition for bus and rail.

The price of cars rose substantially. It was argued by some that this was because of the constraint on production, but the transport planners thought that this was not so. The constraint on production did not affect the price; the increase in price was solely caused by the increase in demand caused by things like lower interest rates, so they said. And anyway car prices were not their concern. They were concerned with the real economy. It was for them to plan and for the market to follow.

People adjusted to the situation of course. They drove their old cars as long as possible. Indeed it was rare for a car in Britain to be scrapped if there was any possibility that it could be repaired. After road accidents cars were reconstructed which would have been written off as scrap elsewhere. Tourists visiting Britain were often overwhelmed with nostalgia when they discovered car models they had not seen for years in their own countries.

They also adjusted to the increase in the price of cars. People who had cars discovered that far from depreciating in value the price actually increased over time. This increased the demand further as people without a car felt that they had to get a foot on the ownership ladder. Banks were willing to lend money on the security of the vehicle. Of course, as car prices rose people who wanted to buy cars found that they could not afford anything very large and so the cars built and sold in Britain became much smaller than elsewhere. The transport planners said that this showed that small cars were what people wanted in Britain. The British were different from foreigners who wanted large cars. Indeed, people had so much invested in their cars that they resisted any relaxation in the control of production because this would result in their cars losing value.

The justification for this came to be that the limitation of car production was in the interests of global sustainability, to reduce pollution and fuel usage. Some economists said that the stock of old cars in Britain polluted far more and were far less fuel efficient than the newer cars used elsewhere. But these critics were ignored, because after all, they were merely economists and what did they know...

benefits exceed the costs. To give a simple, even trite, example – if you want to build a railway there are certain materials with which you could produce the rails. Of course, one could make them from platinum but no one would do so because steel would do the same job and cost less. But why does steel cost less than platinum. Because it is less scarce, but how do we know that it is less scarce? Only because the market, through the mechanism of supply and demand, has attached a price to the various materials so that anyone who wants to use them can calculate the cost using different materials.

With the absence of market prices comes a second reason – no central planner could possibly know everything necessary to estimate the supply and demand for goods in the economy, particularly as both supply and demand change as technical progress occurs and as people's tastes change. The knowledge of planners will always be limited, as indeed is the knowledge of consumers and business people. But whereas the latter can engage in bargaining and exchange processes that will gradually produce information and knowledge, the planners can only operate by trial and error.

The kinds of problems which will become evident are, firstly, the wrong good is being produced, and, secondly, either too much or too little of a good is being produced. The first possibility is illustrated by the problems of the former Soviet Union in measuring output in physical terms rather than in terms of value: 'When the output of factories that produced roofing tin was measured in terms of square feet of output, the sheets of metal were so thin that they would be damaged by rain. Seeing the problem the authorities changed the metric to measure output in terms of tons of roofing metal produced, but then the sheets were so thick and heavy that they caused structural problems for the buildings on which they were used. Similar stories tell about lots of large nails, but no small ones, being produced when nail output was measured in tons. When the metric was changed to numbers of nails, there were lots of small nails but no large ones'.[23]

If too much of a good is produced then much of the production may simply be stored, thrown away, or sold elsewhere at a knock-down price. If too little is produced then this will be demonstrated, if distribution is controlled and prices are fixed, by the existence of some form of black market. If too little is produced and prices are not fixed then the shortage will be indicated by increases in price.

The British housing market, of course, has been characterised by scarcity. In the years when rents were controlled there existed a black market, with 'key money' being charged and illegal techniques used to oust tenants. In the market for owner occupied housing we have seen rising prices, an indication that what has been allowed to be built has been too little and of the wrong type.

What People Want

Central planning attempts to ensure that what is thought best for the people by the central planners is what is produced. So, as we showed earlier, the system currently attempts to produce exactly the number of dwellings which are estimated to be required from calculations of need, calculations involving assessments of demographic change, household formation, household splits, migration, deaths, births, etc. Built into the system is a pressure at all levels to provide the minimum. Using green field sites is politically problematic. The cry goes up that the countryside is being buried under tarmac. And anyway, as we have shown, the system adjusts. If too little housing is provided, house prices rise and housing becomes expensive. When it is more expensive, people can afford less and so buy smaller homes. With smaller homes, more dwellings can be provided on less land because homes can be built at higher densities, namely flats or houses with tiny gardens.

But is this really what people want? In March 2005, a widely reported survey carried out by MORI on behalf of the Commission for Architecture and the Built Environment found that over 50 per cent of those questioned wanted a detached house and 22 per cent preferred a bungalow. Only 2 per cent per cent expressed a preference for a low rise flat and less than 1 per cent a flat in a high rise block. But since detached houses and bungalows use more land than other kinds of house, fewer and fewer are built each year. And many are also demolished to make way for terraced houses or blocks of flats. So while as recently as 1990 only about an eighth of newly built dwellings were apartments, by 2004 the proportion had increased to just under a half.[24]

A survey, financed by Joseph Rowntree Foundation, found in 2004 that, when asked about development in their area, people preferred houses to flats, and that the type of housing that people most disliked was blocks of flats of four storeys or more.[25] And recent research into people's satisfaction or dissatisfaction with their neighbourhood 'found that those living in higher density built forms … were a quarter more likely to be dissatisfied with their neighbourhood.'[26] So whilst people may not want to live in them or want them built where they live, more and more blocks of flats of just this type are being built because the central planners think that they should have them, and because the production norms are filled more easily in this way than by building houses or bungalows.

Lord Rogers, in his report, argued that better architecture would make high-density living desirable, that 'vibrant urban environments' would be created in which people would want to live. But many of the new apartment blocks that we have seen have had all the architectural merit of a barracks. And Rogers himself has indicated the nature of the problem.[27] He noted that good architects may be employed to draw the initial plans for new housing. Then, when planning permission has been obtained on the basis of these plans, the original architects are often replaced. The new architects, possibly cheaper than the old, are employed to draw up plans for buildings which can be put up more cheaply, but have less architectural merit. Once the principle of a certain number of dwellings on the site has been established, the local planning authority has little option but to approve the later, cheaper, designs.

The British planning system means that the most important thing the developer has to do is to obtain planning permission. Once this has been obtained, given the demand for housing, whatever is built can be sold. So the way to make the greatest profit, having obtained permission, is to produce the permitted dwellings at the lowest possible cost. Adding good design is an unnecessary expense because whatever is built will sell. So the constraints imposed by the planning system work against the achievement of a better architectural environment, something which might be achieved with less pressure to build at the lowest possible cost. Competition between developers on design becomes largely unnecessary because they know that they will be able to sell whatever they produce.

So the current position is that what people want, when asked, is lower density housing. What they get, what the planning system now insists upon, is high density development, much of it in the least desired form – blocks of flats.

Thirty or forty years ago, when much housing was provided by local authorities, large numbers of tower blocks were built in and around Britain's towns and cities in order to save on land. They too were not what people wanted, but when their houses were demolished this was the subsidised accommodation that was provided to them. Only when one of the towers collapsed was it accepted that people's preferences had to be taken into account.[28] Now the same cycle is being repeated. True, fewer tower blocks are being built, but high density developments are now being put up with even less garden or 'amenity space' than was provided around the tower blocks. Once again, people are being forced to live in arid urban developments because that is what 'those who know best' think they ought to.

Those who advocate this kind of high density development argue that it is achieved elsewhere and so it should be achievable in Britain. Frequently, the models pointed to are Mediterranean cities such as Barcelona. Indeed, in the Rogers Report, Barcelona is held up as the most preferable model and the mayor of Barcelona contributes a preface. Such proposals leave unasked questions as to the effects of differences in climate and history, and as to whether there might not be more interest in gardens and gardening in England than in Catalonia. Nevertheless, even leaving these questions unasked and unanswered, it is still relevant to point out that there is no evidence put forward to confirm that what appeals to the tourists also appeals to the local inhabitants. Indeed, what evidence there is suggests the reverse is true. When the inhabitants of Barcelona were surveyed and asked whether any increase in population should be accommodated by higher density development at the centre or natural growth further out the preferred solution was natural growth.[29] What they wanted was a more spread-out city. Thus the very model of urban living that we are told to aspire to is not even popular among those who live in it.

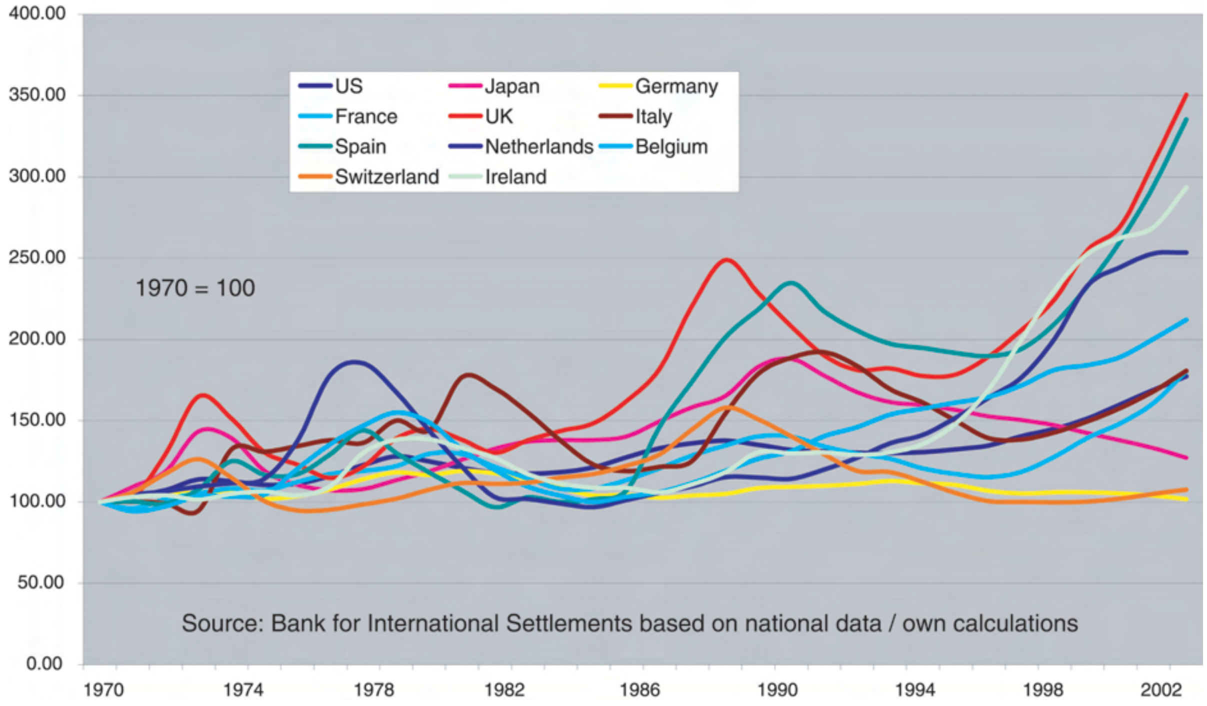
International Comparisons

The comparison with Barcelona brings us to the question of whether what is being built in Britain is, in some sense, better than what is being built elsewhere. It might, for example, be argued that what is produced under the control of the British planning system is better, being better planned by British planners, than what is produced in other countries. But, unless saving land is regarded as the only objective of planning (and at the present moment there is some danger that it is), then all the evidence suggests that saving land is achieved at excessive cost to the people of Britain, people who, of course, largely live in towns.

The most basic indicator is the increase in house prices that has occurred over the period during which the British planning system has been in operation. As we have said earlier, increasing demand, as incomes and population have increased over time, has not been met. Instead, the supply of land and housing has been constrained and this has resulted in significant increases in the price of housing.

Figure 3 is reproduced from the Barker Report on the Supply of Housing. It clearly shows that over the past thirty years, the period for which evidence is available, house

Figure 3: Inflation adjusted residential property prices in different countries[30]

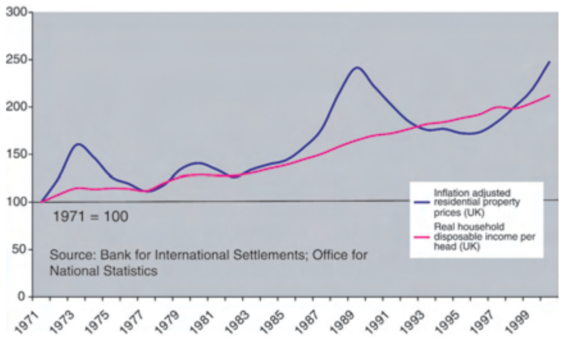


Source: Bank for International Settlements based on national data / own calculations prices in Britain have increased faster than in the other EU countries in Western Europe, Japan, Switzerland or the United States. As Kate Barker notes, the rate of increase in the UK is about 2.5 per cent per annum in real terms, as against an average increase for Europe of 1.1 per cent.

The rise in land prices, and the consequent high cost of housing, choke off the demand for larger houses, at all income levels, which would otherwise occur as incomes increase. Because housing has become more expensive people are forced to buy less. The evidence suggests that with a 1 per cent increase in income people will increase their demand for housing by 1 per cent. But that if house prices rise by 1 per cent the amount demanded will decrease by 1 per cent. What has happened, as another figure from the Barker Report, Figure 4, demonstrates, is that, in their joint effect on the amount demanded, the rise in prices has almost exactly balanced the increase in incomes. This means that, in general, although people's incomes are two or three times higher than they were thirty or forty years ago, the size of house that they can buy is, on average, very little larger. And, since prices have risen more in the South than in the North, the implication is that the size of house which can be bought is, on average, actually smaller in the South.

Overall this means that the standard of housing in Britain has fallen substantially relative to the rest of Western Europe, where people have been permitted to build, and to buy, larger houses if they want to. As we have said, the Rogers Report noted that new dwellings in West Germany were 50 per cent larger than those built in England. Rogers attributed this to German architects and asked that British architects should learn how these larger houses were achieved. But Rogers had no economic knowledge and took no economic advice. So in attributing larger German houses to the skill of German architects he ignored the economic forces leading British houses to be smaller. He also ignored the fact that he and his committee were themselves arguing for restraint in the amount of land used for housing, and hence for higher density, small dwellings.

Figure 4: Property prices and income[31]



Source: Bank for International Settlements; Office for National Statistics

Moreover, Rogers only made a comparison with German houses. Figure 5 shows the position with respect to the rest of the European Union (pre 2004). The table shows that the average floor space in new dwellings in England, at 76 m^2, is

Figure 5: Comparison of dwelling sizes[32]

A: floor space (m^2)

B: number of rooms

C: room size (m^2)

	All dwellings			Newly built dwellings		
	A	**B**	**C**	**A**	**B**	**C**
UK	85	5.2	16.3	76	4.8	15.8
Italy	90.3	4.1	22	81.5	3.8	21.4
Portugal	83	4.3	19.3	82.2	4.7	17.5
Sweden	89.8	4.3	20.9	83	4	20.8
Finland	76.5	3.6	21.3	87.1	4	21.8
Ireland	88.3	5.3	16.7	87.7	5.2	16.9
Austria	90.6	3.4	26.6	96	3.7	25.9
Spain	85.3	4.8	17.8	96.6	5.1	18.9
Luxemburg	125	5.5	22.7	104.1	5.1	20.4
Germany	86.7	4.4	19.7	109.2	5.1	21.4
France	88	3.9	22.6	112.8	4.2	26.9
Netherlands	98	4.2	23.3	115.5	4.1	28.2
Belgium	86.3	4.3	20.1	119	5.8	20.5
Greece	79.6	3.8	20.9	126.4	3.2	39.5
Denmark	108.9	3.7	29.4	137	3.5	39.1

substantially lower than in any of the other countries. Indeed the average size of new homes in Denmark is almost twice as great as in England. In Belgium, Greece and the Netherlands the average is 50 per cent larger, and it is nearly 50 percent larger in Germany and France. Furthermore, the new homes built in Britain have a relatively large number of rooms, an indication that they are not simply being built for 'singles' but for families. The consequence is that the average room size in new dwellings, just over 15 m^2, is also lower than anywhere else.

Figure 6: Age of European dwelling stocks[33]

Dwelling completed …	< 1945	1946 -1970	1971 -1980	>1980
Denmark	41.3	25.0	17.3	16.4
Spain	38.9	12.9	15.6	32.5
United Kingdom	38.5	21.2	21.8	18.5
France	33.0	18.0	26.0	23.0
Belgium	32.5	29.8	15.6	22.2
Italy	29.5	40.7	19.7	10.1
Sweden	28.4	37.9	17.6	16.1
Germany	28.0	46.8	10.8	14.3
Luxemburg	26.7	27.0	14.9	28.7
Austria	26.7	28.1	16.0	29.2
Nederland	20.3	30.9	18.9	29.8
Ireland	19.2	17.0	18.1	45.6
Portugal	14.4	22.9	18.3	44.4
Greece	12.0	42.0	30.0	17.0
Finland	10.3	30.0	23.9	34.5

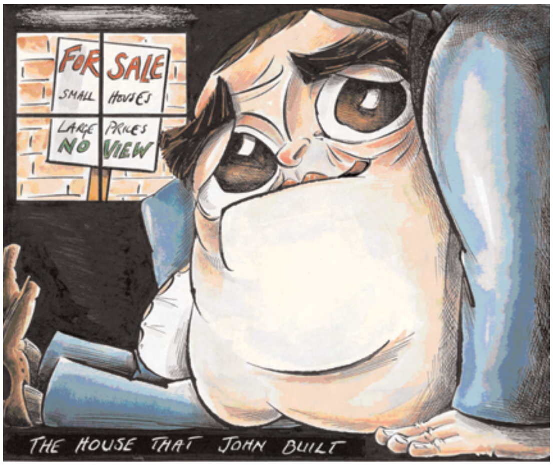
Britain does not come out of these international comparisons well. The average floor space for all dwellings – new and old – is two-thirds of the way down the list, and is lower only in Greece, Portugal, and Finland. Noticeably, the average sizes of all existing homes in France and Germany are only a little larger than those in Britain, while the average size of new homes in those countries is much larger. The only thing in which Britain comes top of the list is in the average number of rooms in existing dwellings, 5.2, but this means only that it comes bottom of the list in terms of average room size.

Moreover, the British housing stock tends to be older than in the other countries. Figure 6 shows the age of the housing stock in the fifteen countries. Nearly forty per cent of the UK housing stock dates from before 1945, a higher proportion than in any other country except Denmark and Spain. In all the rest, the proportion is less than a third.

The conclusion that we can draw from these statistical comparisons is that British housing tends to be older than elsewhere in Western Europe. Because they are older their efficiency, in terms of heating for example, tends to be less. The houses tend to be smaller, with more, but smaller, rooms. New houses tend to be even smaller on average than existing houses. In addition, house prices rise faster in the UK so that, year on year, housing in Britain has been getting more expensive relative to that in the rest of Western Europe.

It used to be a widely-held British view that 'our' housing was better than that in continental Europe, that no Frenchman would invite you back to his house because it was so small and poky – 'that was why they all eat out in restaurants'. Whatever may have been the truth of this folk myth fifty or sixty years ago, the statistical evidence shows that it has no factual basis now. If fifty years of planning has achieved one thing, it has demolished that myth; it is now Britain that has the oldest, pokiest, housing in Europe.

Figure 7: "The House That John Built"[34]



3. Answering the Questions, Dealing with the Myths

Why has this come about? One answer is that the political alliance to protect the countryside is very strong. The Campaign to Protect Rural England is one of the most successful pressure groups in Britain with about 59,000 members. It has been speculated, however, that through various affiliations the actual membership could be well over half a million.[35] How it operates and how the political system is manipulated to favour rural versus metropolitan constituencies is very thoroughly analysed and described by Mark Pennington in his book 'Planning and the Political Market'.[36]

But to be successful, in the sense of ensuring that people accept that there is no alternative to living crowded together in small, expensive and old houses in cities, while those who live in the country can ensure that their lives do not suffer from the intrusion of these urban masses, to be that successful there have to be arguments that resonate with the urban voters. What we shall try to do in this section is to analyse these arguments, which turn out to be as much folk myths as the view that British housing is the best in Europe.

(A) "Britain is a small country in which space is limited, there's hardly room for anyone to live anyway, so we have to live crowded together"

This is a frequently stated view that seems to be widely held. Britain is an overcrowded small island, with little green space left, all of which, if possible, should be preserved before it runs out. A view neatly encapsulated in a remark by someone in a recent television programme, who said she wanted to preserve the field behind her house from development just so that people in the future would know what a field looked like. In fact, Britain is not overdeveloped when compared to other European countries. The most careful post-war study of land use statistics was carried out by Robin Best. He found that only 8 per cent of the land in the United Kingdom was 'urban'. The urban proportion was higher in the Netherlands (15 per cent), Belgium (14.6 per cent), West Germany (11.8 per cent), and Denmark (9 per cent). He also found that the proportion of the UK which was used for agriculture was the highest in the old European Economic Community, 78 per cent compared with an average of 64.2 percent.[37]

There is no reason to suspect that the position has changed significantly since Best carried out his research. Indeed, given the stringency of the British planning system the urban proportion has, if anything, increased far more in other countries than in Britain. This was even confirmed in the Rogers Report. Figure 8 is taken from the Report and shows that the assertion that England is a country that is slowly being buried under tarmac is simply not true. 35.1 million inhabitants live in cities of more than 20,000 inhabitants. These are roughly three quarters of the total population. Yet, these people only use 7.2 per cent of the land. What this means is that, contrary to popular belief, we are not living on a crowded and urbanised island, but only in crowded and extremely dense cities.

Figure 8: Distribution of the English population[38]

A: Inhabitants of urban areas

B: Total population in these areas (million)

C: Cumulative percentage of population (%)

D: Area covered (hectares)

A	B	C	D
More than 250,000	21.8	46.3	509,000
100,000 - 250,000	5.4	57.7	139,000
50,000 - 100,000	4.1	66.5	109,000
20,000 - 50,000	3.8	74.5	105,000
10,000 - 20,000	2.7	80.3	78,000
5,000 - 10,000	2.1	84.8	61,000
3,000 - 5,000	1.2	87.3	39,000
Less than 3,000 and rural areas	5.9	100.0	12,002,000
Total England	47.1	100.0	13,042,000

(B) "That may be true for Britain as a whole, but southern England is much more crowded than other parts of the country. Any new development should take place in the North"

The true position is shown in Figure 9. Once again, the figures were put together by Robin Best, and there is no reason to suppose that the position has changed significantly since he did his research. The figures show that the North West is the most urban part of England, followed, it is true, by the South East. However, the South West and East Anglia are among the least urbanised regions in England. Taking these three regions as constituting southern England, the proportion which is urbanised seems no higher than in the rest of the country. Indeed, given that London is contained within the South East Region, outside London the rest of the South does not look to be at all over urbanised compared to the rest of the country.

Figure 9: Degrees of urbanisation in England and Wales[39]

Proportion of regional areas under urban land (per cent)

North West	22	Yorks/Humber	10	East Anglia	7
South East	17	East Midlands	9	Northern	6
West Midlands	12	South West	6	Wales	4

(C) "That's just statistics, and we all know what Disraeli said: 'there are lies, damn lies and statistics'. You can't fool me – what I see of the South where I live is that it is full of towns, urbanised if that's the word"

Why do people believe that Britain is overdeveloped? One reason may be that they are so frequently told by rural dwellers that it is. And the second reason is almost certainly that the nature of urban life means that they have little opportunity to find out that it is not true. The population of cities rarely leave those cities. When they do they travel by road or rail, usually to other towns and cities. The routes of both main roads and rail lines follow transport corridors which maximise the population living near them in order to maximise potential usage. Railways go between and through towns, main roads now bypass towns but skirt their boundaries. Indeed the road may often be used to define the boundary of the built up area. For example the M4 west of London forms the southern boundary of, successively, Slough, Maidenhead, and then Reading. Thus the traveller sees almost continuous urban development, but if the road were a few miles north or south it would run through open countryside. It is the air traveller who gets the correct impression, particularly by day. We have all heard passengers comment 'it looks much less built up from here'.

Reinforcing the impression given by the way travel routes link urban development is the psychological effect of the differing speed of travel within and between cities. Travel between, say, inner London and Cambridge by car may take about one and a half hours, but at least half of that time, three quarters of an hour, is passed getting out of London and entering Cambridge at speeds substantially less than 30 mph.

But travel across the 40 miles or so of countryside between the two cities is at 70 mph. Thus the time spent in urban areas is equal to that spent in open country. The perception is of an area which is 50 per cent urban whilst the reality is that the proportion is somewhat less than 20 per cent.

(D) "Possibly, but I don't take back my remark about statistics. Anyway, I don't see why we need more houses in the first place. We have a large number of houses already. And we are all getting older so we will want smaller houses. There is plenty of scope for using the existing stock without building lots more houses"

If you do not like statistics you will not like this answer, but almost everyone agrees that we do need more houses because there are more households. In 1971 the population of England was just over 46 million, there were 16 million households and the average size was 2.86 persons. In 2003 the population had increased to nearly 50 million but the average household size had fallen to 2.36 persons so that the number of households had risen to 21 million. The fall in household size meant that, over the 32-year period, while the population had increased by just over 7 per cent the number of households had increased by 30 percent.

The same sort of change is expected to occur over the next few years. The Office of National Statistics forecast that in 2021 the population of England would be about 52.5 million, up about 5 per cent, but that average household size will have fallen to 2.15. So the number of households wanting houses and flats will be over 24 million, an increase, over eighteen years, of just over 15 per cent.

Nor can we assume that older people will move into smaller houses. As we all know, many older people wish to stay in the house they have occupied for most of their lives and see no reason to move. There is both a sentimental attachment to their house and also a feeling that having finally bought it and paid off the mortgage, now, at last, is their opportunity to enjoy their home and, particularly, their garden.

It might be argued that if they were renting then they might be forced to move, but they are not, and over the years the tax system has actually been structured to encourage them to remain. For example, unlike the domestic rates which they replaced, both the Community Charge and the Council Tax were explicitly intended to reduce the cost of a single occupant in a house, the example usually given being the surviving widow.

So since, rightly, we are unprepared to force people to move, we have to build the houses to accommodate the increase in the population and the bigger increase in households. At the current rate of construction it is unlikely that we are shall achieve this target.

(E) "I still don't like statistics. But the problem is where these homes get built. It's not the proportion that's urban that's the problem, it's the loss of agricultural land. Once land is built on it's lost forever, and in a war we will need the land to help protect us against a blockade"

It is claimed that urban development is eating into the countryside and reducing agricultural production, but a higher proportion of the British countryside is used for agriculture than in any other country of the pre-enlargement EU.[40] Much of the product is surplus to requirements, and only produced because of subsidies. The level of production is only kept at a reasonable level by stopping production on some land. It is illogical to claim that urban development has to be constrained to encourage this kind of agriculture.

Even if Britain were blockaded due to a war, given the integration of the western European economies and the global economy, it is not sensible to see it in terms only of food. The defence argument suggests that Britain should aim at some level of self-reliance, but we stopped being self-reliant in terms of fuel with the closure of the coalmines and increased reliance on oil with, in prospect, the import of gas by pipeline across Europe from Russia. With manufactured goods being imported across the world and aeroplane construction being dispersed across

Europe it does not appear that we take this argument seriously in respect of any other product.

Moreover, if we were to take it seriously, a large part of the problem can be eliminated by allowing houses with gardens to be built. People can then 'dig for victory' as they did in the 1940s. If, on the other hand, they were only allowed to live in flats, it would not be easy to increase production on the monocultural fields which result from current policies.

(F) "But what I'm really concerned with is the environment. You can't argue that a town is better for birds and animals and plants than the countryside"

Actually we can, and the evidence is pretty conclusive that a town which has plenty of garden space will have a high level of biodiversity, far higher than some farmland after the pests and birds and weeds have been got rid of in order to maximise agricultural production.

The Royal Horticultural Society recently commissioned a study by University of Sheffield biologists Kevin Gaston and Ken Thompson. They analysed the biodiversity of a selection of English gardens and concluded that 'our 61 gardens contained nearly as many plants as the native flora of the British Isles. We trapped and identified over 37,000 individual invertebrates, individual animals, that's at the last count. We positively identified 786 species of invertebrates in our gardens . . . Gardens are brilliant for wildlife . . . We would simply say gardens are England's most important nature reserve'.[41] Another RHS study was done by Dr Andrew Evans, head of terrestrial research at the Royal Society for the Protection of Birds, which dealt with the importance of gardens for birds. He emphasised the positive role that gardens play when it comes to saving species of birds from extinction.[42]

Evidence from Germany confirms these findings. Professor D. K. Hofmann, a biologist at the University of Bochum, found that 'from a biologist's point of view, living on the outskirts of cities has created niches for plants and animals that would not have prospered in agricultural areas' and concluded that low density 'sprawl', or what would have been called 'garden cities' in the early twentieth century, are settlement patterns that provide favourable living conditions for a wide variety of species.[43]

One interesting finding of biological research in Germany was that the number of bird species increased with population. The Bavarian city of Passau had 40,000 inhabitants and 65 species, Nuremberg had 493,000 and 105 species, Munich 1.2 million and 111 species and Berlin had 141 species with a population of 3.6 million. Biologist and ecologist Professor Josef Reichholf counted the butterfly and moth species in Munich and surrounding areas and found that the lowest number of different species was to be found in the agricultural areas surrounding the city. These agricultural areas had fewer than 10 per cent of the species that were found in low-density 'sprawl' areas, and even the city centre itself had greater biodiversity than the agricultural areas. Reichholf also systematically analysed the link between biodiversity and settlement patterns. His results were unequivocal: where there are only green fields and agricultural land void of any villages, there are only a few species to be found. Where, however, human settlement has taken place, biodiversity will be much higher.[44]

Far from being monocultural and environmentally unbalanced places, modern cities are places in which the human race is just one amongst many species. Professor Bernhard Klausnitzer, a biologist from Leipzig, estimates that a typical European city is home to no less than 18,000 different species. When the environmental authority of Frankfurt am Main actually counted through separate genera, their results identified 102 bird, 14 amphibian, 2,000 beetle and 33 ant species – one of the most diverse places being a used car market.[45]

Thus the scientific evidence shows that urban areas have a greater biodiversity than rural areas where man is concerned to ensure maximum food production for himself, rather than any other species. And relatively low density urban development may actually be the best sort of development for biodiversity whilst high density urban blocks of flats surrounded by intensively farmed fields may actually be worst of all. Yet that is the pattern of development which is en route to being achieved.

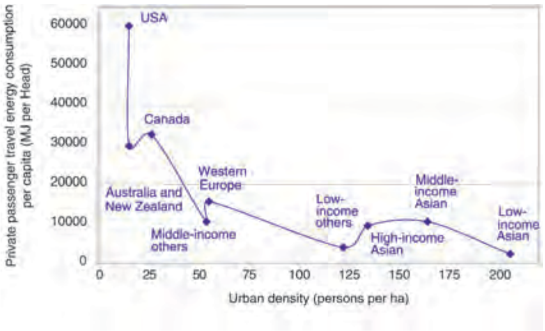
(G) "That's all very well at the local level, but what I really wanted to say was that what is really important is global sustainability. I think the planners are onto something here. We need to live at high densities in small homes in order to minimise the use of fossil fuels and carbon emissions. We have to do our bit for the global environment"

We see what you mean, but you have to be careful. When planners talk about sustainability, they may not be talking about global sustainability. Indeed, we are not sure that they know themselves what they mean by the term. Sometimes it seems to be used because it is thought to be something we are all in favour of; 'motherhood and apple pie' as the Americans would put it. Sometimes it seems to mean that a community is socially mixed, and sometimes it seems to refer to the characteristics of the local economy. But you are right, what the general public takes it to mean is the sustainability of the global economy. So in both the Rogers Report and the Urban White Paper it is taken as axiomatic that using land intensively helps sustainability in that the use of fossil fuels is reduced.

The only evidence that is presented in either document is a diagram of the kind reproduced here as Figure 10. This shows that, using data for a number of cities across the world, there is a simple negative correlation between urban density and the use of petrol. Unfortunately simple correlation proves nothing as to the direction of causation. It is like demonstrating that there is a simple negative correlation between the sales of bikinis and the sales of sweaters, and then going on to tell the clothing stores that since bikinis have a higher profit margin they should try to sell fewer sweaters. Of course such an argument is silly, and we know it is because we know there is a third variable, seasonal temperature, which determines both the others.

In the case of density and fuel consumption there is also a third variable, the price of fuel, and this also determines the other two. In the cities of the USA and Australia petrol prices are low, and have been lower than elsewhere for many years. Because prices are low people use more, by, amongst other things, buying larger vehicles. And because petrol prices are and have been low, densities have been low. Research has shown that once prices are taken into account variations in density contribute almost nothing to any statistical explanation of variations in fuel use.[46]

Figure 10: Alleged correlation between urban densities and passenger transport energy use per capita in different world regions[47]



One would have thought that this was a simple argument and easy enough to understand. It is, however, somewhat more complex than the observation of a simple negative correlation would suggest. Once the simplistic level of thinking involved in this argument is realised, then the fact that the thinking behind other policies is equally simplistic can be better appreciated.

Thus current planning policies encourage the construction of housing near to public transport. But they cannot make people use public transport. So the construction may, or may not, result in greater use of public transport. For example the Oxfordshire Structure Plan of the early 1990s required that housing be encouraged to be built outside Oxford where space was restricted by its Green Belt, and primarily in the four towns of Banbury, Bicester, Didcot, and Witney, where public transport was available. Later researchers at Oxford Brookes University surveyed those who had recently moved into new housing in these towns to ascertain whether their use of cars to go to work had been affected. In all cases people used a car more after they moved than before. The extreme case was Didcot where 70 per cent travelled to work by car before they moved there and 98 per cent after. The authors surmised that many journeys to work were across the Oxford and London Green Belts and that car usage would be reduced by allowing more development on the inner edge of these green belts.[48]

Such a major change in policy is, of course, unlikely to happen, and one has to presume that neither the government nor the planning profession are actually serious about the use of planning policies to reduce fuel usage. The current stress on the use of brown field sites, wherever they may be, demonstrates another facet of this lack of direction. Brown field sites occur where they occur, and they may or may not be near public transport. In one case that we know, a hotel site in the middle of the London Green Belt has been redeveloped at a high density. Since there is no public transport within two miles all travel to and from the site will be by private transport. Thus the objective of maximising the use of brown field sites is achieved but at the cost of what one is led to believe are supposed to be the primary objectives, preservation of the countryside and the minimisation of fuel use!

The use of planning policies to try to reduce fuel use reveals in itself a lack of seriousness of purpose with regard to fuel use. Planning policies can only affect new development. But new development is only a tiny fraction of the stock of buildings already in existence. Thus anything that is done through the planning system has little effect on total fuel consumption in the short run. As Kate Barker notes in her report, given the scale of current new building it would take 1,200 years to replace the current housing stock. Expressing concern over global sustainability but then embarking on policies which would take hundreds of years to have any noticeable effect indicates, at best, a lack of seriousness of purpose or a misunderstanding of the nature of the remedies being applied, and, at worst, gesture politics.

To have an immediate effect it would be necessary to use taxation. Increased taxation on petrol affects everyone, not just those moving into new homes. It has an immediate and measurable negative impact on consumption. And certainly in the late 1990s taxes were increased in order to reduce consumption. But a public and well-publicised consumer revolt in 2001 slowed any further increases in taxes. So the planners are allowed to get on with policies because they affect few people and so no revolt is likely. But, of course, leaving fuel consumption to be dealt with by the local planning system means that the policies will be ineffectual and ineffective in actually reducing consumption.

Finally, there is a question as to whether such policies are actually in the national interest. The evidence quoted earlier shows that Britain is building smaller houses than in the rest of the pre-enlargement European Union, and we also know that they are smaller than in Japan or the USA. No other country, with the possible exception of South Korea, constrains development in a similar way.[49] But if constraint is being carried out in the interest of global sustainability, then constraint by Britain alone has a negligible and scarcely noticeable impact on the global economy. If no other country thinks it worthwhile why do we do it? Maybe we are wrong and everybody else is right.

(H)"You raised this question of brown field sites. Surely it can't be wrong to build on brown field sites, whatever you say. At least then we aren't building on green field sites"

The difficulty with this is that the brown field sites do not necessarily tend to be where the demand for housing is, and, besides, there are not that many. Even if nobody cared about the location of his or her house there would still be a problem. But location matters, both to people and the firms that employ them. The success of the industries which dominate the economy of southern England, particularly the City of London, one of the three major world financial centres, means that the demand for housing is high and increasing in the South. On the other hand, because of the decline of mining and manufacturing, industries which have been dominant in the rest of the UK, the demand for housing has been lower outside the South.

You can take what appears to be the planners' view that if you prevent development in the South, where there are few brown field sites, then it will take place in the North, where there are more. But to do so you have to think through the economic forces which would cause this, to understand that what you are engaged in is a kind of house price-based regional policy. Demand in the South coupled with the restricted supply of land means that house prices rise there. This discourages firms from expanding there, and discourages people from moving there. At best this would mean that the economic development which is discouraged in the South would occur elsewhere in Britain leading to the physical development of the brown field sites there. At worst, at least from a British viewpoint, the expansion is simply choked off in the South and occurs elsewhere in the world where people are less concerned about brown field sites. A policy of this kind has a cost to the nation which is concealed but certainly exists, and it may be substantial.

Moreover, as we have said, there are not enough existing brown field sites to solve the problem. The Rogers Report, which might be expected to take an optimistic view on the subject, estimated that, during the period 1996 to 2021 there would be a demand for 3.8 million homes. Of these, however, on their calculations, only some 531,000 could be built on the sites of currently vacant land or derelict buildings, that is about 14 per cent of the total. Another 1.5 million they calculated could be built on so called 'windfall or other sites', which means land which is not currently vacant, but where it is estimated that developers will find it profitable to demolish the existing buildings and redevelop the site. Thus even on the Rogers Report's own estimates very little development could take place on genuine brown field sites, that is those which are currently vacant and derelict. Most would take place on sites in urban areas where the local inhabitants are as likely to object as any country dweller.

(I) "But what about vacant buildings? I've heard people say that there are lots of homes which are lying empty and if they were occupied there wouldn't be a problem."

Unfortunately for this argument, the proportion of homes in Britain which are lying empty is actually quite low compared to the proportion in other countries, at about 3.5 per cent. The Figures are shown in Figure 11. Indeed, one might rather expect that this would be so because property prices are higher in Britain than elsewhere. That means that the opportunity cost of leaving houses empty is also higher than elsewhere.

Figure 11: Share of vacant dwellings in European countries[50]

Vacant dwellings (per cent)

Sweden	1.7	Netherlands	2.2	Luxemburg	2.3
United Kingdom	3.4	Denmark	4.2	France	6.8
Germany	8.2	Finland	8.4	Greece	9.4
Portugal	10.8	Spain	13.9	Italy	19.6

True, if all these properties were occupied that would make a substantial difference to the total supply. But that is like saying that, in a period of high labour demand, if only there were no unemployment there would not be any labour shortage. Just as there will always be some unemployment in the labour market so there will always be some properties vacant in the property market. As applicants have to find suitable jobs, and employers find suitable employees, so buyers of homes have to find suitable homes, and sellers have to find people who will pay an acceptable price. The OECD estimates the nonaccelerating-inflation rate of unemployment – the minimum rate for a flexible labour market – in the UK was estimated to be 5.4 per cent in 2003, much higher than the vacancy rate in the UK housing market.[51]

Indeed, there are procedural problems in the property market which should result in a higher vacancy rate than the labour market unemployment rate, because there are good reasons why properties lie empty even when no one wants them to be. For example, when an owner-occupier dies, the executor has to obtain probate in order to be able to sell the house. This can take several months. Only when probate has been obtained is it worth advertising the property for sale. The property then has to be looked at by prospective purchasers, a price negotiated, building surveys carried out, and, finally, the necessary legal procedures have to be completed. Experience suggests that the whole process will take at least a year, possibly longer. If we estimate that the average time that an independent household exists, from leaving home to death, is about fifty years, then the minimum vacancy rate, for this reason alone, works out at 2 per cent.

Other reasons for vacancies exist. An obvious example are properties which are empty because they are about to be demolished to make way for new development, whether a road or new housing. Thus the British figure of 3.5 per cent looks to be about the minimum. Certainly there seems little scope for bringing such properties into use. One possible course of action would be to adopt the speedier Scottish system of house sale so that properties would lie empty for a shorter period after a death. However, this was recently looked at by a government-appointed committee and ruled out. Its alternative suggestion of a 'Home Information Pack', where many of the necessary procedures were carried out before the property was put on the market, may be of some help.

In the end it has to be accepted that some vacancies are essential to allow for movement between properties to occur and to allow the market to function. It is impossible for there to be no vacant properties, and the number is likely to vary with the state of the market, being very low when prices are rising rapidly and high when prices are falling.[52]

4. Reasons for Change

The Illusion of Self-Interest

The section above deals with the myths and arguments which are put forward to support the policy of constraint and control and which relate to planning and land use. But there is another rationale for control and constraint which is rarely stated baldly, and that is naked self-interest. Bluntly, the constraints on the availability of land have meant that house prices have risen over the years, according to the Barker Report at a rate of 2.5 per cent per annum in real terms. At that rate, property prices double every twenty-five years. The British have got used to the idea that buying a house is as much an investment as the purchase of a home. It is expected that this will continue, though a continuation of such a rate of increase is simply not feasible in the long run. However, no warnings are attached to house purchase as they are to other forms of investment. House buyers are not warned that prices may go down as well as up, though prices have fallen, in real terms, three times over the past forty years (though only once in nominal terms, in the early 1990s).

If we put this perception in the same way that we put the points in the previous chapter then it runs as follows:

"It's all very well saying that there is no reason for excessive constraint, but what I want is for the value of my house to increase and to go on increasing. So far as I can see, the tighter the constraints, the faster will be the rate of increase in prices. So why should I want any relaxation in the constraints at all. It would be like turkeys voting for Christmas. What I say is keep the constraints and make them even tighter. No new houses anywhere!"

Three answers can be given to this, all to some extent interlinked. They have this in common: rising house prices may be good for a few older people now, but what about the future? What sort of housing and environment does this older generation want for future generations, for their children and grandchildren?

Old and Young, Renters and Owners

Increasing house prices may appear to be good for some people, but they are bad for others. Most obviously higher prices are good for landlords and bad for those who rent their homes. Since 30 per cent of the population rent they have a very clear interest in property prices staying low or even being lower.

So far as the other 70 per cent are concerned, the owner-occupiers, they constitute two groups. Age matters, there is a difference between the generations. The group who have the most interest in prices going up and staying up are the middle aged and elderly. They have reached the stage in life when they own the largest property they are ever likely to own. Moreover, this property forms part of their savings. If they sell it and move into a smaller and less costly property, part of the proceeds can be used by them to maintain their standard of living. In fact, they are usually reluctant to sell the family home and see no reason to do so because they have made adequate provision in other ways for retirement. In that event the benefit goes to their heirs on death.

Which brings us to the younger generations, those who have not yet bought and those who have bought somewhere but wish to move on and purchase something bigger. In the case of the former their position is clear. They would prefer prices to be lower so that they can buy a better first house.

The position of the second group is not so self-evident. A high proportion bought some years ago and now congratulate themselves on the fact that the property they own has increased in value. On the other hand, they usually fail to realise that the general increase in prices means that the properties which they might have been able to buy previously, with a higher income, are now out of their reach. They perceive that they are better off but in fact they are worse off than if prices had not increased. If they had a clear perception of their own position, and some do, they should prefer that prices remained low so that they could buy a better house when they move.

There is also a small sub-group consisting of people who have recently purchased properties and have borrowed a very high proportion of the purchase price, say 80 or 90 per cent. A fall in prices for them is disastrous because if the value of the house falls to less than the amount of the loan and they cannot keep up payments for any reason they face the possibility of foreclosure. This was the group that suffered most from the fall in property prices in the early 1990s.

Nevertheless the position of the younger generation as a whole is, or should be, that whilst they do not want prices to fall, they do not want prices to increase.

This is reinforced by their position vis-à-vis the older generation. Firstly, the current position would seem to be that, because housing is so expensive, many young people have to be helped in the purchase of their first house by their parents. The figure of £17,000 has been quoted as the average amount passed on at this time.[53] Though this average is skewed upward by the very large amounts which may be passed on by the very rich, it is indicative of the perception by the older generation that the younger generation needs help because housing is so expensive.

Second, in the end the younger generation inherits the proceeds of the sale of the properties of the older generation. This inheritance may then allow them to buy the sort of properties their parents were able to buy. But of course, by then, the 'younger' generation are likely to be in their fifties or sixties and no longer minded to buy a larger house.

> “Compared with other countries, the standard of living in terms of housing has fallen over the years, both relatively and sometimes absolutely”

Thus the continuing increase in house prices fails to benefit the younger, and probably fails to benefit, in the end, the older generations. For the continuous increase in prices has meant that each successive generation has not been able to buy any better property than their parents at the same age, and in many parts of the country, in particular in southern England, they have only been able to buy worse. Compared with other countries, the standard of living in terms of housing has fallen over the years, both relatively and sometimes absolutely.

Thus to answer the question as put, there is every reason for the majority of the population to want house prices not to increase, and therefore to support a relaxation of the constraints and the system which has caused the continuing price increases. First, the 30 per cent of the population which rents should support it. Indeed, this group would be happy to see price falls. Second, the younger generations, say those under forty-five, should support any change which stopped prices rising, although a substantial group, those who have just bought, would not want prices to fall. Third, the older generation would not want any price fall. But their position is not absolutely clear. In many cases the gains which they make in their lifetime from the increase in the price of their own homes remain unrealised in their lifetime and benefit only their heirs. But these heirs, as we have argued, would benefit more if they could afford to buy a better house earlier. So they too, for the sake of their children and grandchildren, should generally support a change in the system which would mean that prices did not increase or increased at a slower rate.

The Urban Environment

Consideration of the generations brings us to the second of the reasons why people should support a change in the system. They should do so for the sake of the environment in which they, and especially their children, will live in the future. This may seem paradoxical. After all, many of the arguments in support of constraint which we met above have been expressed in terms of the environment. But, as we have shown, while they appear intuitively correct they actually have little merit, and consist largely in trying to protect the 92 per cent of the country which is open land from any intrusion. That may be beneficial to the small minority of the British population which actually lives in the country, far removed from town or city, but what of the urban environment in which the vast majority actually live and who rarely visit the country?

> “The continuing increase in house prices stimulates increased consumer expenditure”

Recent research into the impact of increased urban densities concluded that ‘urban compaction’ results in a loss of urban environmental quality and ‘questioned whether the loss of environmental quality and urban character in low density housing areas is a price worth paying’.[54] To put those questions more directly than academic researchers might do: do we want gardens to be more and more expensive and, eventually, built over? Do we want the few low density urban conservation areas we have to be destroyed in order to preserve a few acres of countryside that few can visit? Do we want the whole of every urban area to be covered in tarmac? Should we not keep some trees in urban areas? Do we want playing fields to gradually disappear as being uneconomic, given the price of land? Do we want future generations to live walled up in urban areas in blocks of flats? Do we want biodiversity to be reduced as the scientific evidence shows that it would be?

The Rogers Report may talk of a ‘vibrant urban environment’ being created, but what is being created now is often not vibrant but soulless, and there is no evidence whatsoever that it is what the British want. It is what is being imposed on them by an elite dictatorship. As with the tower blocks which were imposed on the British in the sixties and seventies by the man in Whitehall, there will inevitably be a reaction if the system is not changed to take into account people’s wishes.

The Economy

The constraints on land availability affect the economy in a number of different ways. The continuing increase in house prices stimulates increased consumer expenditure, and since this is inflationary the housing market has to be reigned in by increases in interest rates. The constraints on supply mean that changes in demand impact on prices because the supply of housing does not respond as it does in other markets. As a result, house prices are more volatile and this has a destabilising effect. People may like rising house prices but they dislike falling house prices. We have had only one period, in the early 1990s, when house prices fell in both nominal and real terms. But there have been two other periods, in the mid 1970s and the early 1980s when house prices fell in real terms, but not in nominal terms because the rate of price inflation was so high. Now,

Fable the Second

England's Green and Pleasant Land

Once upon a time there was a great Queen, called the Virgin Queen, and in the 32nd year of her reign, in 1580 by our reckoning, she laid down that there should be a 'Green Belt' about her capital, the great City of London. For it covered much land being greater than one square mile in extent. And this was a great city where playwrights and poets lived, and from which explorers went out all over the world. But she saw that there were 'great multitudes of people brought to inhabit in small roomes, whereof a great part are seene very poor … heaped up together, and in a sort smothered with many families of children and servants in one house or small tenement'. So to protect this great City it was announced that 'her Majestie … doth straightly command all manner of Persons … to desist and forbeare from any new buildings of any house or tenement within three miles of any of the gates of the said cittie of London for Habitation or Lodging where no former House hath bene known to have bene in the memorie of such as are now living'.[55]

And this 'Green Belt' was thought a good idea by the people. For otherwise they said, 'ye south east will be covered under ye cobble stones'. And it was thought a good idea by the lords because it stopped the common people moving out of London to live near them. So it was widened and extended by later Kings and also by the Commonwealth, first to five miles and then to seven miles and then to ten miles. It was in doubt only at the time of a Great Fire in 1666, but, fortunately for our fable, it was not so great a fire after all because the wind changed and so the City was not burned as it had been feared but only some manufactories and common people's houses in the East. And after this the City was rebuilt in brick to hinder fires, but the Green Belt was kept.

Indeed the idea of this greenness was thought so good that the area of the belt was extended further and further and other Green Belts were put round all the other towns and cities in the kingdom, and Areas of Great Romantick Beauty were declared, because the country was now thought truly romantick and it was thought that such areas should be preserved for ever.

So the cities and towns of Britain were not allowed to expand. The countryside was kept free of any building and agriculture in Britain became prosperous. Of course there were threats to the countryside but these were resisted. Many years later, some land owners wanted to dig coal from under their land in the north of England and in Scotland and Wales. But this land was in Areas of Great Romantick Beauty, and this coal mining was fiercely resisted, particularly by those landowners who did not have coal under their land. And so the countryside was preserved.

At about this time a Great Industrial Revolution occurred in Germany and in America and France, and there was a great demand for labour in these countries. And because house rents were so much higher in Britain than in these countries, because of the pressure of population, many people left to get jobs elsewhere. So the countryside remained romantick while the country emptied …

with low inflation, it is inevitable that the volatile prices of the early nineties will occur again, and, if the supply side is not relaxed, again and again. And nobody wants this, literally the down side of rising prices. The planning system has created such rigidities in the market, that only small changes in demand are needed to trigger off even bigger changes in prices. Every demand swing will translate directly into a big price swing. Therefore, the overall volatility of the house market is largely due to the planning system, but a highly volatile housing market with all the insecurity this creates is probably the last thing that either buyers or sellers would like to see.

There is also a possible long run impact on the British economy of a policy of constraint. We said a few pages ago that continuing real price increases of the kind we have seen in Britain over the past 40 years or so are not feasible in the long term. On the previous page we told a fable, a fairy story in which the constraint on the growth of London in the sixteenth century was maintained and strengthened long after, in real life, it was actually relaxed. And as a result the economy of Britain stagnated. The same danger exists now. Planning policy constraints impact indirectly on the economy but impact they do. The McKinsey Global Institute in 1998 pointed to the planning system as one of the factors negatively affecting the growth and competitiveness of the British economy. In particular, they pointed to the way in which, because the planning system assumes location to be relatively unimportant, the free location of firms is hindered and the growth of industrial complexes where firms in new industries can closely interact with each other is slowed, if not prevented.[56] The OECD recently gave a similar warning about the negative growth effects of the British planning system.[57]

The constraints on the availability of land raise the price of land for all use, not just housing. In terms of office rents, London is one of the most expensive cities in the world, and other major British cities appear higher in this list than one would expect, given their size. The high cost of land discourages land uses which do not use land intensively. So manufacturing industry has virtually been driven out of London and the South of England. Sites which can be redeveloped for housing and offices are redeveloped even where the previous activities would have been profitable at a lower rent, so that, say, public houses and petrol stations are reduced in number but those that remain are more crowded.

But can this process go too far? The firms which pay higher rents only do so if they think that the financial benefits outweigh the costs – if the expertise and services available make the rents demanded acceptable. But the demand has to be there, and the demand has still to be there as property prices increase further. There is already evidence of a drain of service activities elsewhere in the world, and of financial service activities out of London to Paris and Frankfurt. If this trickle becomes large enough, the major European financial centre will cease to be London. Since the City and its activities are the main driver of the UK economy, this move would be fatal to the economy. As the fable shows, this scenario is feasible and, as constraints on the availability of land tighten, increasingly likely.

But will the British of the future say we may be poor and badly housed but we preserved the British countryside, and we did our bit for sustainability where other countries did not? They might, but we doubt it. More likely they will blame shortsighted policy makers for creating these problems.

5. Conclusions

What we have tried to do in this report is to set out the reasons for change in the British planning system. In doing so we have outlined the way in which the system operates, the policy of constraint, and the pattern of development which results. This has increasingly been development at a high density, with half the dwellings built in England being flats and apartments. And we have shown that, when they are asked, the vast majority of the public, 97 per cent in fact, state that they would prefer a house. And, when asked, the majority of the population state that they would prefer not to have blocks of flats built in their neighbourhood. So what is now being built is not wanted. It is bought because that is all that is made available, and the cost of land resulting from the policy of constraint means that people cannot afford the houses that they aspire to.

It might be argued, indeed it is argued, that this kind of development is necessary to serve other ends – sustainability, self-sufficiency, environmental biodiversity etc. But we have shown that most of these arguments are based on myths. What basis they have in reality could be far better served by other policies; they have simply been appropriated as a justification for planning.

Finally we have shown that, even in terms of naked self-interest, only a small proportion of the population has an interest in maintaining the scarcity of housing land, although it has to be allowed that this minority is wealthier and older and therefore relatively powerful. It also predominantly lives outside towns. For the majority who live in towns their interest lies in preserving and improving the urban environment, an environment which is under threat from current policies.

Even those who are older, wealthier, and live in rural areas can perceive that there is a housing problem, if only for their children. It is not unknown for people to be heard complaining about possible development in their region, and, a few minutes later, also complaining about the inability of their children to find a decent house at a price they could afford. That the two views are in conflict is something we have tried to get across in this report. And we have argued that to resolve the conflict it is necessary to ease constraints on development in order to allow future generations to be able to afford to buy something better than their parents' home, in a better environment.

Finally we argued that there is a danger that the constraints on the growth of the major cities, the major office centres, ignores the effect of higher costs on their ability to compete with other cities in other countries. The nightmare scenario for the British economy would be that a 'tipping point' was reached where the financial services industry of the City decamps to cheaper cities elsewhere in Europe.

The next report resulting from this project will be a study of how other countries plan, to find out how they manage to build larger houses than is possible in Britain, but also to learn from mistakes made abroad. What can be learned from these countries, and what should be avoided? How do they plan their cities? It may be claimed that other countries have more land. That is true of some but it is not true of all. It is not true, for example, of Germany, which has an average population density that is about the same as that of the United Kingdom. Nor is it true of Belgium and the Netherlands, which have much higher population densities. These countries do not have the same housing problems as Britain. Indeed, as we have pointed out, their new houses are much larger than new houses in Britain. It would seem that Britain has something to learn, and in the next report we will look at how a range of different countries plan the use of their land.

Having absorbed the lessons of this and the next report, we hope in a third report to put forward proposals for modifying the system to achieve something better for the UK.

Notes

1 Patrick Abercrombie, Greater London Plan 1944.

2 Barry Cullingworth, British land use planning, Urban Studies, 1997; Peter Hall, The future of the metropolis and its form, Regional Studies, 1997.

3 Alan Taylor, English History 1914-1945, 1965, p 507.

4 Patrick Abercrombie, Town and Country Planning, 3rd ed. 1959, p 27.

5 Barbara Bliss, The New Planning, 1945, p 35.

6 Bliss, op cit, p 40.

7 Peter Hall, Urban and Regional Planning, 1982, 2nd ed, p 109.

8 Skeffington Report: Report of the Committee on Public Participation in Planning: People and Planning. London 1969.

9 ODPM Housebuilding Statistics Live Table No. 241 (http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_604055.xls).

10 Mark Pennington, Planning and the Political Market, 2000, p 75.

11 Sarah Monk, Brian Pearce and Christine Whitehead, Land use planning, land supply, and house prices, Environment and Planning A, 1996.

12 Urban Task Force, Towards and Urban Renaissance, 1999.

13 Geoff Green, Mike Grimsley and Bernard Stafford, The Dynamics of Neighbourhood Sustainability, 2005,

14 Conversation with board member, Action with Communities in Rural England, 2005.

15 John Cobin, Building Regulations, Market Alternatives, and Allodial Policy, 1997.

16 Yvonne Rydin, Urban Environmental Planning in the UK, 1998.

17 Alan Evans, Economics and Land Use Planning, 2004 p.129.

18 Helen Jarvis and Wendy Russell, The use of prices in planning for housing. Dept of Land Economy, Cambridge, 1999.

19 Gerald Eve, The Relationship Between House Prices and Land Supply, 1992.

20 Urban Task Force, op cit.

21 Urban Task Force, op cit, p 67.

22 House Builders Federation, Building a Crisis – Housing Under-Supply in England, 2002.

23 Randall Holcombe, Equilibrium versus the Invisible Hand, Review of Austrian Economics, 1999.

24 National House-Building Council, New House Building Statistics, Table 17.

25 Stephen Platt, William Fawcett and Robin de Carteret, Housing Futures: Informed Public Opinion, 2004.

26 Alison Parkes, Ade Kearns and Rowland Atkinson, What makes people dissatisfied with their neighbourhoods? Urban Studies, 2002.

27 Richard Rogers, The Guardian, 12th February 2005.

28 http://www.museumoflondon.org.uk/MOLsite/exhibits/towerb/towerb.htm.

29 Dolores Garcia and Pere Riera, Expansion versus Density in Barcelona, Urban Studies, 2003.

30 Bank for International Settlements based on national data / own calculations.

31 Bank for International Settlements; Office for National Statistics.

32 European Union, Housing Statistics in the EU 2002.

33 European Union, Housing Statistics in the EU 2003.

34 “The House That John Built”, Nicola Jennings, The Guardian, 8th March 2000.

35 Pennington, op cit.

36 Pennington, op cit.

37 Robin Best, Land Use and Living Space, 1981.

38 Urban Task Force, op cit.

39 Robin Best, op cit.

40 Best, op cit, p 169.

41 http://www.rhs.org.uk/learning/research/biodiversity/gastonthompson.asp.

42 http://www.rhs.org.uk/research/biodiversity/evans.asp.

43 Interviewed by one of the authors on May 9th, 2005.

44 Josef H. Reichholf, Der Tanz um das goldene Kalb: Der Ökokolonialismus Europas, 2004.

45 Michael Miersch and Dirk Maxeiner: Öko-Optimismus, 1999.

46 Michael Breheny, Ian Gordon and Susanne Archer, Can planning for a more compact city secure sustainable levels of urban travel in the London region. Department of Geography, Reading, 1997.

47 Jeff Kenworthy and Felix Laube, UITP Millennium Cities Database for Sustainable Transport (CDDatabase), International Union (Association) of Public Transport (UITP), Brussels, 2001.

48 Peter Headicar and Carey Curtis, Residential development and car-based travel: Does location make a difference?, 1994.

49 Chung-Ho Kim and Kyun-Hwan Kim, The political economy of Korean government policies on real estate, Urban Studies, 2000.

50 European Union, Housing Statistics in the EU 2003.

51 OECD, Economic Policy Reforms 2005: United Kingdom, 1 March 2005, p 117.

52 Alan W. Evans, Economics, Real Estate and the Supply of Land, 2004, pp 162-164.

53 Joseph Rowntree Foundation, Homeowners: Sons and Daughters, A survey of parents who are owner-occupiers, 2004.

54 Stephan Pauleit and Yvonne C. Golding, The spatial impact of urban compaction, Town Planning Review, 2005.

55 John Richardson, London And Its People, pp. 62-3.

56 McKinsey Global Institute, Driving Productivity and Growth in the British Economy, 1999.

57 OECD, Economic Survey of the United Kingdom, 2004.