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The scourge of housing costs – causes and solutions

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Perspectives on political, social and human aspects of the housing crisis

Produced in collaboration between Caritas Social Action
Network and The Benedict XVI Centre for Religion and
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Parliamentarians often acknowledge that Christian charities are at the forefront of addressing homelessness in our society. It is easy to overlook Christian contributions to stable housing. Catholic charities were instrumental in forming local housing associations. Many have evolved into large housing providers under new names. However, simply starting new programmes, and making general calls for more safe, secure, decent and affordable housing, would fall short of addressing the beliefs, policies and markets that perpetuate injustice in housing, planning and land use today. I am delighted that the bishops have encouraged Catholics to engage afresh with these wider issues. We hope the launch of this new booklet, *Perspectives on political, social and human aspects of the housing crisis*, and the accompanying launch event in Parliament, will be one of many more contributions to 'common good conversations'. We hope it will lead to constructive action in our society.



We are grateful to Professor Philip Booth for his clear and insightful new essay in this booklet, and to those who have contributed forewords: Siobhain McDonagh MP, Jacob Rees-Mogg MP and Lord Shipley of Gosforth.

Philip McCarthy
Chief Executive, Caritas Social
Action Network

Rt Rev Terence Drainey, Bishop of Middlesbrough and Chair of CSAN

In November 2018, Caritas Social Action Network (CSAN), the Catholic Bishops' official agency on social justice matters in England and Wales, published *Abide in Me: Catholic Social Thought and Action on Housing Challenges in England and Wales, 2018-30*. This was a first fruit of collaboration between CSAN and the ecumenical Centre for Theology and Community. In my foreword to the report, I summarised the challenges we identified:

Common uses of housing and land in England and Wales have often become a means of isolating people from each other, with a profound impact on participation in communities. This is the real housing crisis. It affects everyone in our country. It has deep roots in our social and economic history. The human and environmental costs are simply unsustainable.

The bishops of England and Wales have encouraged Catholic organisations to work more closely together and with others, on addressing these profound challenges at local, regional and national levels. We recognise the need for long-term action over a whole generation, to at least 2030. This



timescale is aligned with the UN Sustainable Development Goals 2016-30, and with the UK Government's commitment to play its part in working towards the goals.

Abide in Me introduced the scene for Catholic social action on these concerns to 2030. It will also help to progress conversations for the common good of our society, within a complex range of social matters: how individuals and local communities can participate in forming truly human systems of housing, the economy, associated planning frameworks, land and property law.

“When it comes to the housing crisis, there is not one solution but many”

Siobhain McDonagh MP, Labour MP for Mitcham and Morden



“Our broken housing market is one of the greatest barriers to progress in Britain today.” These were the words of our Prime Minister almost two years ago in the Government’s Housing White Paper. Two years on and our housing crisis has exacerbated, reaching unprecedented, unsustainable, and quite simply unacceptable levels.

The toxic combination of rising inflation, falling real wages and frozen benefits has brought soaring rates of child poverty across our country, with the extraordinary cost and the extreme shortage of housing one of child poverty’s biggest factors.

Meanwhile, average house prices are at a record high of almost 8 times average incomes. No wonder home ownership is at its lowest point in Britain since 1985.

Whilst the most visible indication of this country’s homelessness crisis is the thousands of rough sleepers on our streets, there are also 130,000 children trapped in hostels, bed and breakfasts, and office blocks across the country. This ‘temporary’ accommodation cost the taxpayer an extraordinary £1.1 billion last year alone.

Take Connect House in my constituency, a converted warehouse that stands tall in the heart of a working industrial estate. Amongst the lorries and litter, skips and smoke, up to 86 homeless families are crowded into this warehouse by Local Authorities from across London.

The rooms are so small that one Mum has been forced to share a bed with her 2 young children and her newborn baby. The location is so remote that residents have to walk through the industrial estate to reach any shop or amenities. The air is so toxic that doctors have determined it to be the cause of ill health for children inside.

For many of the children in this building, life in an industrial estate is all they have known. And living in temporary accommodation will have a lifelong impact. These children often struggle to learn to walk when there isn’t even room for their own bed. They find it difficult to complete their homework with nowhere to study. Their attendance at school can drop, if

school is hours away from where they have been placed.

And this building is not alone. Councils across our country are sending vulnerable families miles away from home to buildings like this without any idea who they are placing them with.

But, of course, the root of our housing crisis is the lack of genuinely affordable housing supply. There were just 1,409 social homes started last year (compared to almost 40,000 in 2009/10).

A fifth of England's population are living in accommodation owned by a private landlord, with the average couple in the private rented sector spending half of their salary on rent. No wonder the most common cause of homelessness is the loss of a private tenancy.

And it is the private rented sector where children in poverty are most likely to live, with child poverty in private rents tripling in the last decade alone. These households face the impossible dream of saving a deposit for their own home.

So what can be done? When it comes to the housing crisis, there is not one solution but many.

We need to enable Councils and Housing Associations to build. After all, the last time the Government target of 300,000 new homes per year was reached was way back in 1969 when Councils and Housing Associations were building new homes.

We need to assess the imbalance in society where one in ten British adults owns a second property and a staggering 200,000 homes are left empty across England.

We need to start talking about the Green Belt. Not the national parks and luscious green open spaces, but the scrappy plots of non-green land littered around our train stations. I'm referring to the car washes, the waste plants and the scrublands, all masking themselves as 'Green Belt' land. It's time to burst the myth that all Green Belt is actually green, because much of this land isn't anything to sing about at all.

We need to encourage the building of modular homes. They are cheap, efficient and quick to build.

And we need to talk about the public bodies who hide behind the requirement to obtain best value with their land rather than providing the housing that we so desperately need.

For twenty-one years I have proudly served as the Member of Parliament for Mitcham and Morden but never have I seen the housing crisis reach such unprecedented levels. It is the urgent responsibility of this Government to ensure that never again will 130,000 children wake up on Christmas morning without a place to call home.

“The fundamental problem is a lack of supply of housing”

Jacob Rees-Mogg, Conservative MP for North East Somerset



There is no doubt that the current housing crisis is one of the biggest problems facing our country today. There is a natural human desire to want to own our home, with all the extra security and benefits for raising a family that this entails. However, owning a home is a distant dream for many young people, with average house prices over recent years having increased at a far greater rate than pay. As Professor Philip Booth says in this excellent paper, the fundamental problem is a lack of supply of housing.

As there are not enough houses to go round, the houses that are for sale sell at premium prices, meaning that many simply cannot afford them. There is only one solution. We need to build more houses. I am pleased that this Government is starting to address the lack of house building over the last twenty years,

with various incentives designed to encourage new developments but more needs to be done. There is plenty of green belt land that is neither particularly green nor particularly close to any town or city. These areas need to be released to allow development.

It is also important that we build the houses people want, alongside the facilities they need. Surveys have consistently shown that most people want to live in houses with gardens. It is important to note that house building of any type helps alleviate the problem. People move to a larger new property will be freeing up more affordable properties for others to purchase while increasing the supply relative to demand, which is the most basic building block of economic theory. Supply and demand set pricing and do so at the margin, hence a shortage pushes up prices all the way down the chain.

Building houses with gardens gives people what they want and provides a better environment in which to live. As Professor Booth says, a garden is arguably a better place for wildlife than a farmer's field. We must then ensure that new developments are accompanied by new schools, shops, roads and healthcare and community facilities, so that existing infrastructure is not overstretched.

The housing crisis is already causing significant problems in our society. This will only get worse if we do not take significant steps to solve the problem.

“Every citizen has a right to a good education, a decent job and a secure home”

The Lord Shipley OBE, Liberal Democrat Housing Spokesperson



Our current housing crisis represents the biggest failure of public policy of the last twenty years.

Over that time, we have built around two million too few homes across the UK resulting in high prices, high rents, many fewer social homes and serious difficulties for younger people wanting to buy their own home. One in five households is now in the private rented sector in conditions which can be very poor and in which tenure can be insecure.

Several years ago, the Liberal Democrats adopted a policy of building 300,000 new homes a year for a decade to meet both existing demand and the expected level of future household formation. The Government

today accepts that figure. To achieve it, it must unlock the capacity of local government to solve the crisis by adopting a civic house building model rather than accepting the current speculative model that has increased land values, encouraged land banking, and created a dysfunctional housing market in which viability assessments for affordable housing have regularly been abused.

In recent years, too much public money has been spent on subsidising owner occupation at the expense of building social homes for rent. Help to Buy has ended up increasing prices and fuelling the share prices of large builders resulting in some enormous bonuses for those at the top. Meanwhile, major house builders hoard land to keep prices high.

So, it is vitally important that we reduce the level of public subsidy going into owner occupation and use the saving to increase the amount going into supporting social housing. We should not forget that for very many people renting - either in the social housing sector or the private rented sector - owner occupation is an unattainable pipe dream.

It is the duty of any government to give most financial help to those on low incomes with few assets. Social and financial exclusion is the curse of today's society and it must be an absolute priority for the government to narrow the gap between rich and poor.

Decisions on the detailed policies that can achieve this have got to be underpinned by values. The four values that we should aspire to are that:

- Everyone in work on the living wage should be able to afford to live reasonably close to where they work
- No-one should be forced to spend more than a third of their income on housing costs
- No child should be forced to move schools because a landlord serves notice to quit because that landlord can command a higher rent if the existing tenants leave
- No-one should be forced to sleep rough or depend on temporary accommodation when they cannot find a permanent place to call home

Adopting a set of clear and sustainable values such as these would help to inform government thinking on the legislation to bring forward. We need to establish the planning and financial structures that will build the homes people need at prices which are genuinely affordable for them, and which are founded on the principle of maximising the benefit to local communities from house building in their localities.

Inevitably, we need a balanced approach to solving our housing crisis - one that builds the homes people need with the right mix of tenures in those places where demand is unfulfilled. Owner occupation will always be the preference of most people, but the priority of a government must be to ensure all its citizens have a safe and secure place to call home. That means intervention by the

state to deliver more resources for social housing (whether by councils or by housing associations) and to encourage a high quality but strongly regulated private rented sector.

Crucially, as the government takes the necessary action to increase the rate of house building, it should stop describing homes as 'affordable' when they are nothing of the sort for very large numbers of people. The very use of the word seems to be a convenient way of disguising the impact of rising prices and rents in recent years.

Too often, opinions on how to solve the housing crisis miss the central point of this lack of affordability for those on average to low incomes. So, we allow second home owners to pay comparatively little in taxation for the privilege of having two homes at the same time as we fail to deliver the support needed by those who have no home at all to give them the security they need.

Every citizen has a right to a good education, a decent job and a secure home. Those rights form the basis of a healthy society in which opportunity and wealth can be shared by everyone. Unfortunately, it remains an unfulfilled aspiration for far too many people and we should not tolerate that.



The scourge of housing costs – causes and solutions

*Philip Booth, Professor of Finance, Public Policy
and Ethics, St. Mary's University, Twickenham*

The changing face of homelessness and problems caused by high housing costs

On Christmas Day 2005, Pope Benedict XVI published an encyclical, *Deus Caritas Est*. When reading one passage from this encyclical, the problem of homelessness immediately came to mind:

Love—caritas—will always prove necessary, even in the most just society. There is no ordering of the State so just that it can eliminate the need for a service of love. Whoever wants to eliminate love is preparing to eliminate man as such. There will always be suffering which cries out for consolation and help. There will always be loneliness. There will always be situations of material need where help in the form of concrete love of neighbour is indispensable. The State which would provide everything, absorbing everything into itself, would ultimately become a mere bureaucracy incapable of guaranteeing the very thing which the suffering person—every person—needs: namely, loving personal concern. (28)

Talking to charities that dealt with homelessness at the time the encyclical was published, they would generally have agreed that homelessness was caused by complex

personal and family circumstances and that addressing the problem required personal attention to the needs of the person and their family. Homelessness of this type could not simply be cured by the provision of money. Even today, Shelter's website explaining the causes of homelessness relates a similar narrative. If an individual's problem was a shortage of money, the housing benefit system tended to address this, even though the housing benefit bill in 2005 was about half today's level. A shortage of money was therefore not the crux of the homelessness problem.

However, this situation has changed. In the five years to 2015, the number of people becoming homeless because of their tenancies in rental properties ending rose by 154 per cent. In many of these cases, the reason would be that the tenant was no longer able to afford the market rent of their property or an alternative, even with the help of housing benefit. In other words, the affordability of housing has become a significant cause of homelessness. Almost certainly, this problem has worsened since 2015.

High housing costs are not just a cause of homelessness – that is just the extreme

manifestation of the problem. All the following problems (and many others) can be attributed partly, largely or wholly to the extremely high cost of housing in the UK which, as will be explained below, is an outlier in international terms:

- The requirement for many less-well-off people to use foodbanks: people cannot afford food not because food is expensive but because housing is expensive.
- Poor quality housing: as housing becomes more expensive, families have no option but to compromise on space and quality.
- Difficult relationships with landlords and problems at the end of tenancies: these are the direct result of limited options for families who cannot afford decent accommodation.
- Crisis moments when people are put on Universal Credit: the lack of financial resilience arises at least partly from the difficulty that most families have saving because day-to-day costs are so high, dominated by housing costs.
- Wealth inequality: high house prices make those who own a house better off relative to those who do not and make it difficult for an increasing number of families to own their own home.

We should not therefore measure the social problems caused by high housing costs simply by the extent of homelessness. The problem of people sleeping on the streets is a tragedy, but it is simply the most visible of a number of problems caused by the cost of housing.

Non-solutions to the housing crisis

Very specific solutions to the problem of high housing costs are often proposed. Most of these are irrelevant, would worsen the problem or would have other undesirable side effects. For example, demand-side schemes such as help-to-buy do little other than help very specific groups of people. Without an increase in the supply of housing, their effect will simply be to raise house prices.

Charities often propose more social housing and cite the 'right-to-buy' council houses as a policy that has caused the housing crisis.¹ This is simply a misdiagnosis. The UK has the third highest level of social housing in the UK (about 20 per cent of the stock) and the mass provision of social housing was a policy that brought with it many problems including poor quality accommodation and reduced labour mobility. In the vast majority of countries, governments and local authorities are not significant providers of housing – in a well-functioning housing market, it is simply not necessary. This is not to say that a variety of

1. See, for example: http://england.shelter.org.uk/campaigns/_why_we_campaign/Improving_social_housing/Why_we_need_more_social_housing

providers is not desirable. Indeed, not only is it desirable, Catholic social teaching strongly approves of civil society institutions making provision where purely market-oriented organisations may leave gaps or do not provide the right type of accommodation or tenancies for specific groups in society. There is certainly a role for housing associations, charities and possibly local authorities in the provision of housing. However, they are already more dominant in the UK than in most other European countries and under-provision by such organisations is not the cause of our housing crisis.

Cuts to housing benefit are often criticised². It is certainly true that some particular changes in housing benefit have caused problems for specific groups of people who rely on housing benefit to pay rent. However, it is worth noting that the total amount spent by the government on housing benefit has risen from £15.7bn from 2007/08 to £24.2bn in 2013/14, since which time it has stabilised. Simply increasing the housing benefit bill, which has to be financed by taxes which are paid by rich and poor alike, is not a solution. Indeed, the already high level of the housing benefit bill is a symptom of a dysfunctional housing market. If housing costs were lower, so that the housing benefit bill could be significantly

reduced, there could be very large reductions in taxes and/or increases in other welfare payments. In other words, the cost of housing benefit to the government, which is borne by taxpayers at large who themselves suffer from high housing costs, should be seen as a problem in itself. It is a symptom of high rents which are a direct result of high housing costs.

A further solution to the housing crisis that is often proposed is rent control³. It is difficult to think of a policy that is more destructive or which is as universally condemned by professional economists as rent control⁴. Rent controls were brought in as a temporary measure in the First World War in 1915 and they were not relaxed until 1989. By 1989, the proportion of private tenancies had collapsed by 85 per cent. Other social consequences of rent control were just as dire. Landlords had no incentive to maintain their properties and tenants had a strong incentive to remain in their properties even when their economic or family circumstances may have made it desirable for them to move. So-called ‘Rachmanism’ whereby a landlord would use intimidation, create noisy conditions or neglect the upkeep of accommodation to drive tenants out of properties he wished to sell was a further consequence.

2. For example, see this news report, citing the National Landlords Association: <https://www.theguardian.com/society/2017/mar/06/housing-benefit-cuts-young-people-homelessness-landlords>

3. See, for example: <https://www.commonspace.scot/articles/11776/jeremy-corbyn-calls-rent-controls-part-radical-programme-housing>

4. In a 2015 survey, just 2 per cent of economists in a 2015 survey agreed with the proposition that rent control had a positive impact on the amount and quality of broadly affordable rented housing: <http://www.igmchicago.org/surveys/rent-control>.

The root of the problem

The underlying cause of the high cost of housing, and all the other associated problems that go with high housing costs, is a lack of supply of housing. This, in turn, is caused by a land-use-planning system that prevents new building. All the other problems in the market are direct results of this underlying problem. To use a phrase of Pope Francis, we have created an 'economy of exclusion'. But, it is not that people are excluded by markets: they are excluded from markets. This has been a long-standing problem in the UK and can be traced back to the Town and Country Planning Act 1947. However, its effects have not been fully felt until recent years as the change in demographic structure and increase in population has gradually increased the strain on the system. The Town and Country Planning Act made the development of land much more difficult and the development of large tracts of land called 'green belt' almost impossible.

It should be noted that much green belt is not green at all – indeed, quite a lot is downright ugly. The 'green belt' is not the same as an 'Area of Outstanding Natural Beauty'. Its protection, however, has led to a situation where more land is used for golf courses in Surrey than is used for houses and where twice as many houses were built in Doncaster and Barnsley in the five years to 2013 than in Oxford and Cambridge which have the highest

house prices in the UK relative to incomes. It is much easier to build homes where they are not needed than where they are needed.

The main purpose of the green belt is to prevent urban sprawl. However, it is not an efficient way to achieve that objective. The green belt promotes car use, increases commuting distances and prevents the useful concentration of human activity. It also leads to a situation whereby it is easier to build on a green part of an already-developed area than in an area which is totally undeveloped. As such, cities become less green and more densified.

The policy restricting building can be thought of as rather like putting a belt round a growing man who is getting fatter and fatter. The belt might have been quite loose in 1947. Once it is tight, however, the situation becomes more and more uncomfortable.

The impact of development restrictions

The extent of the increase in house prices caused by this policy is difficult to exaggerate. The most direct effect is on the price of land for housing: this rose 15-fold over and above inflation between 1955 and 2013⁵. The second-round effect of restricting development is on the price of houses and the third-round effect is on rents. Rents are directly affected by the price of houses because landlords require a target return on housing

5. See: <http://cep.lse.ac.uk/pubs/download/cp421.pdf>

as a proportion of the cost of the house they are letting in order to pay the finance costs required to purchase the house as well as taxes, depreciation and other costs.

Between 1971 and 2011, median house prices rose more than three-fold relative to inflation. During this time, the ratio of house prices at the bottom end of the market (i.e. house prices in the lowest quartile) to incomes in the lowest quartile has risen from 3.2 to 5.7 in the East Midlands; 3.9 to 9.0 in London; and 4.2 to 8.2 in the South East. Bottom quartile house prices relative to bottom quartile incomes in the region with the lowest ratio today (the North East) are higher than bottom quartile house prices relative to bottom quartile incomes in the region with the highest ratio (the South East) in 1997. In other words, it was easier for somebody on a low income to buy a house in London in 1997 than it is for somebody on a low income to buy a house in the North East today.

The average ratio of house prices to average earnings in the UK is 5.9⁶. This does, of course, disguise regional variations with much higher figures in the south east of England and London. Reflecting high housing costs and the scarcity of supply, the UK also has amongst the smallest dwellings in

Europe⁷. Furthermore, the UK housing stock is of poor quality with many people living in accommodation that is inadequate by modern standards.

When it comes to rents, according to a Countrywide survey, the average 20-29 year old will spend about half their post-tax income on rent for a one-bedroomed property⁸. UK government (ONS) figures, published in 2015, showed that the ratio of median monthly rent to median monthly salaries in Westminster (the most expensive area of the country) was over 78 per cent. Also, 18 London boroughs were amongst 25 areas where the rent to income ratio was over 50 per cent⁹.

The effect of high house prices on the disposable incomes of the poor is especially dramatic. Real incomes before housing costs for those at the tenth percentile of the income distribution grew by 80 per cent between 1965 and 2009, before the financial crisis led to falls in real incomes. However, incomes after housing costs grew by only 45 per cent over the same period. In other words, had housing costs grown only at the same rate as incomes between 1965 and 2009, low income families would now have a level of real income about 25 per cent higher. It is not only the least well off, of course, who have suffered from this rise

6. http://www.nationwide.co.uk/~media/MainSite/documents/about/house-price-index/2016/Nov_2016.pdf

7. See Morgan M and Cruickshank H (2014), Quantifying the extent of space shortages: English dwellings, Building Research & Information, 42:6, 710-724.

8. See: <https://www.theguardian.com/money/2016/jun/13/cost-of-renting-one-bed-property-soars-in-uk>

9. See: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/housingsummarymeasure-sanalysis/2015-08-05>

in housing costs, but they feel the problem most acutely.

The UK is unique

Allowing more houses to be built would not involve “paving over the countryside”. Only a relatively small proportion of the country is used for housing or infrastructure. The UK is simply unique in Western Europe in terms of its attitude towards house building. In the UK, new dwelling starts have ranged from a highest level of 331,000 in 1970 to a low of 119,000 in 2008, with a strong secular decline – that is peaks generally being lower than earlier peaks and troughs being lower than earlier troughs. In Germany, new housing starts have ranged from 810,000 to 179,000 in the same period. Only 8 per cent of all housing finance in Germany comes from government sources: the grant of planning permission for a piece of land raises its value to such an extent that government funding is simply not necessary.¹⁰

This situation, it should be noted, is not a

natural consequence of the UK’s relatively high population density. If the regions of Switzerland, Belgium, Germany, Holland and the UK are ranked by their density (excluding single conurbations), no UK region appears in the top ten. Indeed, less than 5 per cent of the south east of England comprises buildings or transport infrastructure¹¹.

Perceived environmental problems of house building

It might be felt that development brings particular environmental problems. No doubt that is true. However, the picture is more nuanced than is often thought. The question of greenbelt protections leading to the elimination of ‘green lungs’ in already built-up areas has already been noted. In addition, a shortage of land available for housing feeds directly into higher housing densities and smaller gardens. Importantly, the conversion of farmland into housing can bring significant environmental benefits. A major study¹² conducted by Dr. Ken Williams of Sheffield University eight years ago found

10. Indeed, it is worth considering the absurdity of a particular example here in relation to government finance of housebuilding. A government subsidy of £6.5m has recently been granted for private housebuilding for a small scheme in Burgess Hill, West Sussex. In this case the government paid for changes to processing of sewage that was leading to odours that might have affected the development. Either the sewage works should not have been creating odours in the first place and should have been held responsible for the odours or the developers should have paid for the changes to the processes of the sewage works. Ultimately, this form of subsidy simply feeds into land values and does not reduce the cost of housing: <https://www.midsussextimes.co.uk/news/mp-soames-welcomes-6-5m-investment-for-homes-in-burgess-hill-1-8361442>. Presumably, this is one of many such cases.

11. The problem of housing costs is greatest in the south east. However, the south east is less densely built on than the West Midlands and, as has been noted, in Surrey (one of the most expensive areas for housing) more land is used for golf courses than housing.

12. See: <https://www.dailymail.co.uk/sciencetech/article-1211748/Average-gardens-buzzing-wildlife-compared-desert-like-farmland.html>

that a typical garden contains thousands of worms, invertebrates, spiders, and around 250 different varieties of plants. By contrast, farms often contain just one plant (wheat, corn or maize) pollinated by the wind, rather than by insects. Farmland covers 75 per cent of the UK and wildlife has been in catastrophic decline in this uniform, sterile culture. Since 1970, the number of birds on British farmland has fallen by one-half and butterflies by one-third.¹³ Recent research on hedgehog proliferation undertaken by Nottingham Trent University and Reading University suggests that gardens in urban areas are becoming increasingly important as the rural environment becomes more ecologically sterile. In relation to environmental sustainability more generally, modern housing is far more energy efficient than older housing stock and generally allows families to live in a greater degree of comfort at lower cost.

This is not to say that housing is good for the environment, of course. However, the question is more nuanced than is often suggested.

Catholic social teaching and housing policy

There is always a danger of retro-fitting Catholic social teaching to a particular set of policy prescriptions. In this section, it is not suggested that the proposals outlined are the only policy response consistent with Catholic social teaching. However, they do resonate

with Catholic social teaching and are not inconsistent with the tradition.

To begin with, Catholic social teaching consistently argues that for human dignity and the common good to be promoted, all must have food, clothing, shelter and basic education and healthcare. These things are not generally provided directly by the government. The government may be responsible for creating certain conditions which brings about the common good. In the case of housing, in the UK, the role of the government must firstly be to remove the impediments to the provision of decent housing. The government should allow the market to function in such a way that those in employment can afford housing – in most cases without government assistance. Housing costs should be at a level such that, with relatively few exceptions, a market wage should be a living wage. Government provision and charitable help for most people should be temporary or apply to those with complex needs as enunciated at the beginning of the article.

Catholic social teaching on inequality is not straightforward, but Pope Francis has raised the issue in several letters and in his encyclical *Laudato Si*. It can certainly be said with conviction that a policy that makes it extremely difficult for families to obtain a living wage and live in decent housing and which also exacerbates inequality of both income and wealth artificially is highly undesirable.

13. See: <https://www.theguardian.com/environment/2013/may/21/uk-species-struggling-wildlife>

Both in terms of income and wealth, restrictions on house building creates clear winners (older people, people who own their own home, richer people who own a house, people who own land that is made available for building, and so on) and losers (younger people, migrants, people who do not own their own home and poorer people who do not own a house).¹⁴

The restrictions on house building arise from pressures on politicians that come through the democratic process. Although there have been attempts recently to loosen restrictions on house building at central government level, they have not been directed at the root cause. Furthermore, local government comes under severe pressure not to grant permission to build. Home-owning voters have a strong interest in supporting restrictions on building. They may feel that they lose out if house prices fall due to increased building. They may also feel they will lose environmental amenities. Of course, such opposition might be expressed out of a genuine regard for the environment and a relative lack of knowledge of the problems caused by current policies. However, in so far as such views are reflecting the protection of special interests, Catholic social teaching is clear that this is not a legitimate motivation for voting or for other activity within the political system (see, for example, *The Compendium of the Social*

Doctrine of the Church 565-574). It is, though, important to have political and economic structures that work with the grain of human nature as far as is possible. How could this be done in the area of housing?

What should we do?

Given that the UK is such an outlier in housing policy, it is not difficult to think of alternative approaches that might work better. To begin with, the UK is one of the most centralised democracies in the Western world. Table one shows the proportion of taxes raised and government spending (less relevant to this discussion at local level) in a number of major countries in 2013. More recently, the picture has been complicated by the very complex devolution deals that have been struck between Whitehall and various parts of the UK and its constituent nations.

14. The recent book by Thomas Piketty, *Capital in the 21st Century*, has been widely credited with changing the intellectual climate and moving the focus of debate onto inequality – especially wealth inequality. Piketty proposed wide-ranging interventions. However, a number of analyses of his data have suggested that much (and possibly all) of the increase in inequality in some countries can be explained by real estate prices a problem that can be solved by the removal of interventions.

Table 1: Centralisation of government spending and taxation

Country	Percentage of tax revenue raised at sub-national level (2013)	Percentage of expenditure at sub-national level (2013)	For comparison: percentage of expenditure at sub-national level 1890
UK	5	25	43
France	13	21	22
Italy	16	28	25
Japan	25	–	–
Germany	29	39	–
US	37	48	62
Canada	50	67	–

As can be seen from the final column, it has not always been the case that the UK has been so centralised. The lack of a proper local tax base, with much of local government spending being financed by grants from central government, means that new homes are simply a cost to local authorities and local residents. They may be a cost in terms of perceived loss of environmental amenities, in terms of the provision of public services to new residents and in terms of the provision of infrastructure. In turn, new housing provides only a small amount of new revenue that can help reduce local taxes for existing residents and pay for some of the costs that come with new housing. This is quite different from the situation that prevails, for example, in

Germany. It is surprising that the Bishops of England and Wales have not focused more on the centralisation of the UK's government given the principle of subsidiarity which is so clearly enunciated in Catholic social teaching.¹⁵

Decentralisation of tax raising might create a dynamic in favour of a more permissive environment for housebuilding. A convincing case can also be made that developers should pay taxes (the relevant tax being Council Tax in most cases) as soon as planning permission is given. There are many reasons why development is delayed after a planning permission grant, but it is difficult to see why there should be a difference in tax

15. "it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do." (*Quadragesimo anno*, 79).

treatment for land which is undeveloped but for which development permission has been given.¹⁶

Such changes would help somewhat. But, further policies might not only alleviate the housing crisis more rapidly, but also allow development to take place in a way that is sensitive to the environment and might even improve it. The most obvious approach would be to promote constructive engagement and negotiation between local communities affected by development and those who wish to build. Currently, developers have to compensate local councils through what are known as Section 106 agreements, providing community facilities and the like in return for major planning permissions. However, such agreements rarely relate to the environmental costs of development or to the loss of environmental amenity by those affected by housebuilding.

Local communities directly affected, perhaps represented by the lowest level of government¹⁷, could discuss compensation for loss of environmental amenities in return for dropping local opposition to planning. Such compensation could be in cash form, might involve concessions in relation to the design of newly-built houses, or could lead to the provision of trust funds and the purchase

of restrictive covenants to provide land which would be set aside for environmental conservation purposes and which could not be built on under any circumstances for a pre-defined and long period of time. The aim here is not to prescribe a particular solution but to propose a mechanism by which those affected by development can work with developers to improve its impact and trade-off costs and benefits of different approaches in a rational fashion. This would involve the principle of subsidiarity being brought into effect in such a way that the community as a whole might benefit whilst the development led to environmental enhancements.

Any costs that these proposals would impose on those building houses would ultimately be borne by the landowner. The premium that a developer would be willing to pay for land with planning permission would fall because of the additional costs involved.

16. The problems of 'land banking' are hugely exaggerated. However, this would help alleviate this problem and ensured that local authorities received some immediate benefit from the granting of planning permission. It also speaks to the desire expressed in Catholic social teaching for land to be privately owned but to be put to fruitful social use.

17. Generally parish councils.

Conclusion

It is difficult to think of an area of policy that causes more social difficulties than restrictions on house building. Their effect cannot be accepted by any Christian within an interest in promoting human dignity and the common good in the economic sphere. Almost all other proposals to deal with this problem involve re-arranging the deckchairs. Basic economics and the experience of other countries suggest that the solution to the high cost of housing and the analogous problem of the difficulty families have in making ends meet is quite simple. It must be made easier to build houses. When considering how this can be done, there are a number of principles of Catholic social teaching that can help inform our discussions.

About The Benedict XVI Centre

The Benedict XVI Centre is an international hub for research and engagement activities in the area of religion and the social sciences (primarily economics, sociology, and political science). It is founded upon the conviction that interdisciplinary research, in which the sciences are brought into direct engagement with theology and ethics, is central to the life of a Catholic university.

Accordingly, the Centre draws together existing strands of research on campus, while fostering new projects in collaboration with external partners, both individual and institutional. Through major publications, media activity, regular events and attracting research students, we seek to make a major contribution to academic, ecclesial, and public debates concerning the place of religion (and non-religion) within contemporary societies.

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