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**CABINET**

**A PROPERTY-OWNING DEMOCRACY**

**MEMORANDUM BY THE MINISTER OF HOUSING AND LOCAL GOVERNMENT**

I very much welcome the Lord President's paper, C. (52) 207.

Naturally I have had all these matters much in mind and have been preparing with my advisers for the next forward move. We are governed by two factors; by the labour and materials available and by the political and economic climate. I have not brought to my colleagues any further proposals on private building since I raised the permissible proportion of private licences from 1 in 5 to 1 to 1. I have been waiting to learn from the Import Programme and Capital Investment Programme for 1953. For it would be foolish to step further forward to freedom only to be forced back again by circumstances.

My instructions from the Cabinet are to build 230,000 houses in 1952, 260,000 houses in 1953 and 300,000 in 1954 (Great Britain figures). I cannot say exactly what will be built in 1952. So far we have built 90,000 odd in five months. Last month production was just over 19,000; so unless we run into serious difficulties over fitments I think we will reach the 230,000. As I told the Prime Minister and my colleagues I am anxious about fitments, especially metal fitments. We must have either more steel for steel windows, or more timber for wooden windows.

There has been a big dammed up demand for private building over six years, which our new licensing system has to some extent let loose. For instance, private building starts in May totalled 4,700 against 2,700 in January (England and Wales). There are 116,000 applications outstanding. But like all such queues and long order books this is certainly fictitious. There are already signs of licences not being taken up because of the heavy burden of cost and other difficulties of the private owner.

The Lord President says that the subsidised dweller of a council house pays a rent of 18s. average. Of course, in fact the rents vary according to local conditions but the figure is correct actuarially, as an average figure. He says the private owner will have to pay 45s. a week for twenty years. This is, if anything, too low, since it makes no allowance for Schedule A income tax and for repairs.

There is therefore a gap of more than 27s. Some of it, of course, ought not to be filled; for the private owner obtains a permanent asset which the renter does not. But the subsidy element in the gap is at least 13s. How can we fill this gap? There are two methods; by the reduction of various imposts or by some form of subsidy or special assistance or both. In respect of the first, the most urgent thing is to get rid of development charge. This I am trying to do. Development charge falls not upon the landowner, or even on the commercial developer but like every other such tax upon the final consumer. Again, we might abolish Schedule A income tax, for houses below a certain value.

Direct subsidies can take the form which Lord Woolton suggests, of a lump sum payment per house. It is worth recalling that the Coalition Government agreed in 1944 to £100 per house. This was when the subsidy to the tenant was £300. Now the tenant subsidy is £769 (£577 exchequer and £192 rates). So an equivalent subsidy would be of the order of £250.

But there are other and perhaps healthier methods of assistance than direct subsidy (which in any case involves legislation). We are studying in my Ministry various methods. We could arrange for borrowing for Housing at lower rates:

or over a longer period. Or we might be able to devise some special saving system, the product of which would be directed towards house building and which would encourage house building and saving at the same time. I suggest that a committee of Ministers (perhaps those studying the Town and Country Planning Act with me) might go into all this. I am ready.

Every house built without *any* form of subsidy saves the Exchequer £577 per house and saves the local authorities £192 per house; £769 in all. It will be seen, therefore, that even substantial help in other ways will be a gain to the national economy.

The Socialists built on the average of the last three years 180,000 houses in Great Britain to let. If we can build 260,000 next year we ought to try to get a larger number of houses both to rent and for the owner occupier. We have a margin of 80,000. If we can add to some thousands to those available to rent we shall be in a strong political position. At present, private starts run at the rate of about 40,000 a year. But they may dry up.

Somehow or another, we must get them up to about 70,000 in 1953 and more in 1954

Among other things, the strict "comparable needs test" will have to go or be modified.

It may be necessary to alter the system of distributing licences, in order to overcome recalcitrant local authorities.

These problems require further studying; but no action can, or ought to be taken, until we know what timber and steel will be available for next year's programme.

H. M.

*Ministry of Housing and Local Government, S.W. 1,  
26th June, 1952.*