

RAISING the ROOF

WHAT'S THE BEST '**FREE-MARKET *BREAKTHROUGH* POLICY**' TO SOLVE THE UK'S HOUSING CRISIS?

THAT'S THE QUESTION WE POSED FOR OUR SECOND ANNUAL **RICHARD KOCH *BREAKTHROUGH* PRIZE**

THE COMPETITION – CARRYING A **FIRST PRIZE OF £50,000** – ATTRACTED OVER 330 ENTRIES FROM AROUND THE WORLD, FROM STUDENTS, ACADEMICS, THINK TANKS, JOURNALISTS AND MORE

THE WINNERS WERE ANNOUNCED AT A **GLITTERING CEREMONY** IN CENTRAL LONDON IN OCTOBER AND THE BEST OF THE ***BREAKTHROUGH* PRIZE** ENTRIES WILL FEATURE IN A FORTHCOMING **IEA BOOK *RAISING THE ROOF***

HERE WE HIGHLIGHT THE TWO MAIN WINNING ENTRIES...



BEN CLEMENTS was the £50,000 winner of the 2018 Richard Koch **BREAKTHROUGH** PRIZE.

Here he summarises his winning entry, calling for the release of huge swathes of government-owned land

“The roots of the UK’s housing crisis date back to the 1947 Town and Country Planning Act, which created a framework for the strictest planning laws in the OECD.

The Act designated vast swathes of land as ‘green belt’ and imposed height controls, which have significantly reduced the number of homes being built, especially since the 1970s.

Government interventions to address this – such as the Help to Buy scheme, changes to inheritance tax, and higher taxes on buy-to-let landlords – have made the problems in housing worse, not better.

Indeed, the initiatives have inflated the demand for housing, while having a negligible impact on quantity.

Although government-imposed restrictions have prevented people from getting on to the housing ladder, a number of government departments are among the largest landowners in the UK.

Large swathes of government-owned land are also located in areas where there is a high demand for housing, and there are estimates that public land nationwide could deliver around two million new homes.

Releasing surplus public land would improve access to housing.

I therefore propose the ‘Land Purchase Act’: a policy that makes underused public land available for housebuilding.

This would involve the government entering into a contract with the occupier, who would take out a mortgage to cover the cost of building a property on the land.

The occupier would decide on the style of house to be built. And they would be given choice over the timescale and structure in



which they acquire ownership of the land.

This would include options such as paying rent for the land, purchasing the land at set intervals over time, or buying the land at a discounted rate after living on it for a set period of time.

To ensure the scheme is not captured by short-termist developers, certain safeguards would be put in place. Age, employment status and whether the occupier is a recipient of government assistance related to housing could be included in the criteria.

The policy would also reduce the number of

GOVERNMENT INTERVENTIONS HAVE MADE THE PROBLEMS IN HOUSING WORSE

planning restrictions on houses built on land made available under the scheme.

Lowering the cost of housebuilding by removing certain restrictions would make it easier for the new occupier to be approved for a mortgage, ensuring their financial security.

Moreover, targeting those who currently receive government assistance with housing would alleviate the pressure on the existing social housing stock.

A free market in housing is the remedy to the current housing crisis. Removing government restrictions and liberating the market would increase the supply of land, lower the price of acquiring a home and allow people to build homes they want which are aesthetically pleasing. ”

LIBERATING the MARKET

THOMAS SCHAFFNER took home two awards in the 2018 Richard Koch **BREAKTHROUGH** PRIZE – winning our **STUDENT PRIZE** as well as a **HIGHLY COMMENDED** trophy

His successful entry puts forward measures that would stimulate the supply of land for housing...

“ Why do we have a housing crisis?

My essay focused on how restrictions on the market for land have contributed to skyrocketing house prices.

In particular, I looked at how the ‘Green Belt’ has held down the supply of new homes, and what could feasibly be done to fix it.

Designed to protect rural land from the unrelenting force of urban sprawl, the Green Belt now accounts for 13% of land in England.

Despite its draconian nature, political support for the measure has remained incredibly strong.

Comprehensively liberalising the legislation therefore verges on the politically impossible at present.

THE GREEN BELT NOW ACCOUNTS FOR 13% OF LAND IN ENGLAND

With this in mind, the solution I proposed sought to reform the way in which we protect ‘Green Belt’ areas, focusing on the externalities associated with house building.

Referred to sometimes as ‘Transferable Development Rights’ (TDR), the idea draws on the same principles which underlie tradeable pollution permits.

Briefly put, a TDR scheme seeks to create a market where previously none existed. This would involve allowing the rights to limited



housing development to be bought and sold, putting a price on the social costs associated with urbanisation.

Ensuring that the developer pays this cost would ‘internalise the externality’ and fix an instance of market failure.

But how would we go about applying such a scheme to current UK planning law and, in particular, the Green Belt?

We would have to begin by dividing the land into zones, to distinguish protected areas from those which are suitable for house building.

Secondly, TDRs would be allocated to landowners in the protected areas. Thirdly, in order to build in a development zone, one would have to purchase TDRs from those that own them.

Finally, in order to ensure the market for rights operates efficiently, local authorities would be tasked with facilitating a ‘credit bank’ system, so buyers and seller can be brought together.

Essentially, a TDR system would create areas of permanent conservation, free up land for development, and simultaneously compensate those affected for the inconvenience of construction.

In economic terms, it seeks to assign the social cost of house building to those responsible for it. In political terms, it gives landowners an incentive to support the reformation of Green Belt land.

Ultimately, adapting our planning legislation in this way might just be necessary in order solve the housing crisis.”

UNBUCKLING the GREEN BELT