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HOUSING IN IRELAND:
SOME ECONOMIC ASPECTS

by

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CONTENTS

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P. R. KAIM-CAUDLE *

The purpose of this paper is to attempt a quantitative assessment of the burdens borne and the benefits received by occupiers of dwelling houses as a result of State action, to study the incidence of these burdens and benefits on different types of occupiers, income groups and regions of the State and to evaluate their economic results.

Survey of Housing Position

The recent publication of the Housing Volume of the Census of Population 1961 makes it possible to start with a brief survey of changes in the housing position during the last thirty-five years and to discuss some of the important characteristics of the present situation.

Between 1926 and 1961 the population in private households [1] declined by 4 per cent; the number emigrating—883,000—exceeded the natural increase. The decline in population was not spread evenly over the whole State. An increase in the population of Town Areas [2] was more than offset by a decrease in Rural Areas, (see Table I). The Dublin Conurbation increased by a quarter of a million, i.e. by more than three-fifths, other Town Areas increased by a quarter, while the rural population, especially in Ulster and Connacht, decreased sharply. Most of these changes took place during the fifteen years from 1946–1961.

Despite the depopulation of the countryside by migration and the growth of Dublin, about half the population of the State lives in very small communities or isolated farmsteads, while another fifth lives in towns and villages having less than 25,000 inhabitants, (see Table II).

The general housing position has greatly improved since 1926. The number of new dwellings provided with State aid (227,000) has exceeded the dwellings which were demolished or fell into disuse (173,000), so that the population in private households which was 105,000 less in 1961 than it was in 1926, had the use of 54,000 more dwellings, i.e. 4 per cent fewer persons had 9 per cent more dwellings.[3] Furthermore the new dwellings provided were larger than the old ones going out of use; this resulted in an increase in the average number of rooms per dwelling, from 3.8 to 4.4. Improved housing con-

TABLE I

POPULATION IN PRIVATE HOUSEHOLDS 1926-61

	1926	1936	1946	1961	Changes Between 1926–61		Changes Between 1946–61	
	000				000	%	000	%
Dublin Conurbation(a) .	397	471	509	643	+ 246	+ 62	+ 134	+ 26
Other Town Areas . .	440	474	484	559	+ 119	+ 27	+ 75	+ 15
Rural Areas.	1,954	1,846	1,762	1,484	— 470	— 24	— 278	— 16
All Areas	2,791	2,791	2,755	2,686	— 105	— 4	— 69	— 2

(a) includes Dublin County Borough and all Town Areas in Dublin County.

Source: Census of Population 1926, Vol. IV, Table 1, [R1]; 1936, Vol. IV, Table 1, [R2]; 1946, Vol. IV, Table 1, [R3]; 1961, Vol. VI, Table 1, [R4].

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[1] A group of persons jointly occupying the whole or part of a private dwelling house or flat and sharing the principal meals and making common provision for basic living needs, are referred to as a private household.

[2] Places with 1,500 or more inhabitants are classified as Town Areas, all other places and farmsteads are Rural Areas.

[3] Private dwellings are defined as the room or set of rooms occupied by a private household. The commonly accepted statistical measure of overcrowding in Ireland is the percentage living more than two persons per room. The decline of this proportion from over one-quarter to one-ninth between 1926 and 1961 is remarkable.

TABLE II
TOTAL POPULATION BY TYPE OF DISTRICT 1961

	Number 000	%
Dublin Conurbation	663	23.6
Towns over 25,000	196	7.0
Towns between 10,000–25,000	145	5.1
Towns between 5,000–10,000	106	3.8
Towns between 3,000– 5,000	84	3.0
Towns between 1,500– 3,000	104	3.7
All towns over 1,500	1,299	46.2
Towns between 500– 1,500	131	4.6
Towns between 200– 500	79	2.8
Other towns and villages	52	1.8
County population	1,257	44.6
	2,818	100.0

Source: Census of Population 1961, Vol. I, Table 13, [R5].

ditions have resulted in a decrease of about 10 per cent in the number of persons per private household. In 1961 the number of persons per room and the percentage of persons living at more than two persons per room, was considerably lower than in previous years and was approximately the same in Town and Rural Areas, (see Table III). The reduction of

TABLE III
SOME MEASURES OF HOUSING OCCUPANCY 1926-61

	1926	1936	1946	1961
Persons per household				
Town Areas	4.32	4.28	4.15	3.99
Rural Areas	4.55	4.33	4.16	3.96
Persons per room				
Town Areas	1.17	1.11	1.03	.88
Rural Areas	1.19	1.08	1.00	.91
Percentage of persons living at more than two persons per room				
Town Areas	31.3	27.5	21.4	11.1
Rural Areas	25.5	19.9	14.3	11.8
Number of Rooms				
Town Areas Millions	.71	.85	.96	1.36
Rural Areas Millions	1.64	1.71	1.77	1.63

Source: Census of Population 1961, Vol. VI, Tables 2, 3 and 4.

occupation density in Rural Areas was largely the result of emigration, in Town Areas it was the result of building new houses; the number of rooms available increased by two-fifths in fifteen years. However, even in Rural Areas some 35,000 new houses were built but their number was more than offset by old houses falling into disuse, (see Appendix A). The average quality of rural housing in the 1960's is distinctly superior to what it was in 1946. Even so, some 45 per cent of all private dwellings and a still larger proportion in Rural Areas were built prior to the turn of the century, (see Table IV).

The figures in Table IV, regarding the age of dwellings, are subject to some margin of error. The

TABLE IV
PRIVATE DWELLINGS CLASSIFIED BY AGE

Age	Town Areas		Rural Areas	
	000	%	000	%
Prior to 1860	53	18	107	28
1860–1899	58	19	88	23
1900–1918	29	10	56	15
1919–1939	65	22	62	17
1939–1945	13	4	15	4
1946–1961	80	26	45	12
Not known	3	1	2	1
	301	100	375	100

Source: Census of Population 1961, Vol. VI, Tables 22B and 22C, [R4].

age of many old dwellings can only be judged approximately and even the figures for the most recent period may well not be quite accurate. According to the Census, the number of dwellings built between 1946 and 1961 was 125,000, while the Department of Local Government records the number of dwellings built with State aid as 120,000. 5,000 dwellings built without State aid seems a large figure, (see also Appendix A).

Approximately a quarter of all dwellings in Town Areas were build between 1946–61. Virtually all dwellings in these areas have electricity laid on and so have 70 per cent of dwellings in Rural Areas. In view of the sparse distribution of the population in Rural Areas, this is a remarkable achievement. The position as regards piped water supply is, however, rather less satisfactory; this is enjoyed by only a quarter of households in Rural Areas,[4] where the system of dispersed dwellings creates special difficulties and makes improvement expensive. In the towns, 6 per cent of households have to share a water tap (10 per cent in the Dublin County Borough) and another 3 per cent have to rely on pumps and wells.

A quarter of all dwellings in the State have been provided by the 115 Local Housing Authorities [5] — County Councils (27), County Borough Corporations (4), Borough Corporations (7), Urban District Councils (49), Town Commissioners (28). Rather more than a quarter of the houses provided have been sold by the Councils to their tenants. Houses which are in the process of being acquired by tenants are referred to as Tenant Purchase houses

[4] Census of Population 1961, Vol. VI, Table 25C, [R4].

[5] The proportion of dwellings provided by Local Authorities in the ten year period 1953–1962 has fluctuated between 56 per cent (1954) and 27 per cent (1961). This is a considerably lower proportion than in the United Kingdom (range 74 per cent–38 per cent) but appreciably higher than in several Western European countries e.g. Austria, Belgium, Denmark, Finland and Norway. In these countries a large proportion of houses is provided by cooperative and Housing Associations which are quite insignificant in Ireland. (See Annual Bulletin of Housing and Building Statistics for Europe 1962, United Nations Publications 63 II E.7).

in Boroughs and Urban Districts and as Vested Cottages in the Counties. Almost all Council houses in Town Areas and some 85 per cent in Rural Areas have been built since 1900.

In Town Areas approximately a third of all dwellings were provided by Local Authorities; a third by private landlords and a third are owner-occupied; in Rural Areas a tenth are rented from Local Authorities, (see Table V).

TABLE V
PRIVATE DWELLINGS CLASSIFIED BY NATURE OF OCCUPANCY 1961

	Town Areas		Rural Areas	
	000	%	000	%
Rented from:				
Local Authority	87	29	38	10
Private landlord (unfurnished)	77	26	24	6
Private landlord (furnished)	13	4	2	1
Tenant purchase or vested cottage	10	3	32	8
Owner-occupied	104	35	258	69
Special terms (e.g. caretaker)	10	3	21	6
	301	100	375	100

Source: Census of Population 1961, Vol. VI, Tables 16B and 16C, [R4].

Burdens on Occupiers

Dwelling houses have the peculiar characteristic of being taxed and subsidised simultaneously. In most developed countries some houses are subsidised and all houses are taxed.

In Ireland, occupiers [6] of dwelling-houses pay local rates levied annually by County Councils, County Borough and Borough Corporations, and Urban District Councils. In addition, owner-occupiers are liable to income tax under Schedule A.

The valuing of property for local rate and Schedule A income tax is undertaken for the whole State by the Valuation Office. The basis of valuation is rather complex. It dates back to the period 1852–64 (except for Dublin, Waterford and certain other small areas) and it mainly endeavours to maintain consistency of rateable values.[7] The valuation records, while they distinguish between land and buildings, do not show domestic hereditaments separately. In order to assess the rate burden borne by dwelling houses it has therefore been necessary to estimate [8] their rateable valuation. (For details and method see Appendix B.) On the basis of these estimates the rates levied on dwelling houses in 1961/62 have been calculated and are shown in Table VI.

TABLE VI
RATES LEVIED ON DWELLINGS 1961/62 (a)

	Dublin (b)	Town Areas (c)	Rural Areas	All Areas
	£000			
Local Authority dwellings	744	1,416	183	1,599
Other rented dwellings	1,053	1,680	325	2,005
Owner-occupied dwellings	2,344	3,546	2,306	5,852
All dwellings	4,141	6,642	2,814	9,456
All dwellings, number (000)	164	301	375	676

(a) before allowing for rate exemptions and rate remissions;
(b) includes Dublin County Borough, Dun Laoghaire and Town Areas in County Dublin;
(c) Town Areas are all towns with 1,500 or more inhabitants; the figures include the Dublin Conurbation.

Before allowing for rate exemptions and remissions, which are discussed later, the aggregate rates levied on domestic dwellings would have been about £9½ million, approximately two-fifths of all rates collected. In that year rates represented 1.6 per cent of all personal expenditure, an average weekly burden of 5/4d. per dwelling or 1/4d. per person in private households.[9] These averages, however, can be rather misleading. Thus the Town Areas contain only 45 per cent of dwellings but bear 70 per cent of rate charges on dwelling houses. The rate burden per dwelling on town houses is about three times that on rural houses. Amongst town houses, those in Dublin bear an appreciably greater burden than those in other areas, (see Table VII). It is interesting to note that the Dublin Conurbation contains 24 per cent of all dwelling houses but contributes 44 per cent of all rates levied on dwelling houses (Table VI).

It has in the past often been suggested that taxes on dwelling houses tend to be inversely related to the occupier's ability to pay, in technical language that they are regressive. Local rates on dwellings have been considered regressive in three respects between areas, between households of varying sizes

[6] 'As a general rule rates are made on the occupier of property. Exception to this are rates made on the landlord or immediate lessor of a house let in separate apartments or lodgings; rates made on persons receiving rent from certain charitable or public properties and rates made on owners of "small dwellings". Broadly small dwellings are houses provided by housing authorities and owned by them, or houses with a valuation of up to £6 or higher in certain county boroughs and urban districts'. *Returns of Local Taxation,* 1961/62 page 11, [R6].

[7] See M. Lucy, 'Rateable Valuation in Ireland', *Administration,* Vol. 12, No. 1, [B1].

[8] These estimates have been furnished by Mr James Good, B.E. (Staff Valuer in the Valuation Office) to whom the author is much indebted. The use which has been made of Mr. Good's estimates and the computation of the aggregates is the sole responsibility of the author.

[9] By 1964/65 these burdens had increased to approximately 6/2d. per dwelling or 1/7d. per person in private households.

TABLE VII
AVERAGE RATE BURDEN PER DWELLING 1961/62

	Dublin C.B.	Urban Districts(a)	Aggregate Town Areas	Aggregate Rural Areas	All Areas
	£	£	£	£	£
Local Authority dwellings	18	13	16	5	13
Other rented dwellings	20	11	17	7	14
Owner-occupied dwellings	36	21	31	8	14
All dwellings	25	15	22	8	14

(a) excluding Dun Laoghaire.

and between people of different incomes. Recent findings have shown that in England and Wales rates on dwellings are neither regressive between areas nor between households of different size and only slightly regressive between income groups.[10]

In Ireland average incomes in Town Areas are higher than in Rural Areas though the extent to which this is the case is not certain. It is, however, certain that the discrepancy between average town and rural incomes is less than the 200 per cent difference in the average rate burden of town and rural households. Rates on dwelling houses are, therefore, progressive between Town and Rural Areas. Rates on rural dwelling houses are regressive between counties. In all the eight counties in which the average farm income per male family worker exceeded £500 in 1960, rates on dwelling houses represented 1.6 per cent or less of income, while in the nine counties where income was below £300 (every county in Connacht and Ulster as well as Longford) rates represented 2.2 per cent or more of income.[11]

Analysing the result of the Household Budget Inquiry 1951–52 David Walker came to the "very tentative" conclusion that, broadly speaking, rates on dwelling houses are a proportionate tax with respect to the non-farming community.[12] This was the most reasonable inference which it was possible to draw from the evidence available. No firm conclusion on the incidence of rates in Urban Areas can be drawn without a more detailed inquiry into incomes and rate payments.

The size of dwelling varies very little with the size of the household. The average number of rooms per dwelling of two person households is 4.20, that of four person households is 4.65 and that of eight person households 4.80.[13] It appears, therefore, that larger households pay no more, or only very little more, in rent and rates than smaller households and that rates are not regressive between households of varying sizes. Larger households are less well housed than smaller ones; they live in more cramped conditions.

A number of dwelling houses benefit from various statutory valuation and rating concessions; the more important of these are: —

(1) The valuation of a house reconstructed with the aid of a grant shall not be increased for seven years on account of any increase in value arising from such improvement. (Housing (Loans and Grants) Act 1962, Section 3.)

(2) A new house built with the aid of a grant and first rated on or after 1st March 1959 shall be valued in full but rating relief shall be given on a graded scale varying from nine-tenths in the first year to one-tenth in the ninth year. (Housing (Loans and Grants) Act 1962, Section 2.)

(3) Where the erection, enlargement or improvement of a building is begun and completed during the prescribed period and an increase in the valuation of the building is made by reason solely or partly of the erection or improvement, the valuation of the tenement shall be deemed to be reduced for rating purposes by two-thirds of the increase for seven years after the completion of this work. (Local Government (Temporary Reduction of Valuation) Acts 1954/63).

The effect of these valuation and rating concessions is to erode the basis on which rates are levied i.e. to increase the rate poundage which is

10 P. R. Kaim-Caudle – "Are Rates Regressive?", *Journal of the Rating and Valuation Association*, January 1964, [B2].

11 Average farm income per male family worker was calculated from Table 4, Cols 12 and 13 of Attwood and Geary's "Irish County Incomes in 1960" [B3]. Rates on dwelling houses were calculated from Mr Good's estimates of rateable values of owner-occupied dwellings in Rural Areas and rates in £ published in "Returns of Local Taxation 1960/61".

12 David Walker, "Local Government Finance in Ireland", E.R.I. Paper No. 5, [B4] page 18 and Appendix.

13 Calculated from Table 10 (Total) of Vol. VI, Census of Population 1961 [R4]. The same point is made in the Census of Population 1946 and 1951, General Report page 177 [R7] and also in the Census of Population 1926 General Report [R8] which put it very succinctly "... it will be seen that most of the population live in three-roomed dwellings. This is true for each size of family, from those with only two persons to those with eleven persons. The size of the dwelling is, of course, mainly determined by social status and not by the numbers in the family". (Page 58).

levied on lands and buildings. The magnitude of these concessions is quite considerable. On the basis of current rate poundages they are worth to their beneficiaries approximately £1¼ million—£0.44 million [14] in respect of reconstructed houses, £0.71 million [15] in respect of new grant-aided houses and £0.07 million [16] in respect of non-grant-aided houses. The concessions increase rate poundages by approximately 3 per cent—4 per cent, say by about 1/6d. in the £.

Since 1953 rates have increased by rather more than two-thirds,[17] very much more than the Consumers' Price Index which rose by only 37 per cent in this period. Industrial wages, however, have increased even faster than local rates and were in 1964 about 90 per cent above their 1953 level. In spite of the large increase in rate poundage, the relative burden of rates for industrial workers (and probably for all occupiers in Town Areas), has declined over the last eleven years.

The burden of Schedule A income tax on owner-occupied residences is fairly small. In 1961 the White Paper on Direct Taxation [18] estimated it as approximately £325,000. The owner-occupier pays tax only on his "beneficial interest"—the excess of annual value over any ground rent payable. The White Paper stated:

> "In a very high proportion of cases this excess is not more than £15 and accordingly income tax borne under Schedule A would generally be of the order of £5 or less".

Comparatively few owner-occupiers in Rural Areas are liable to pay income tax and it can reasonably be assumed that this tax is mainly a burden on the 104,000 owner-occupiers in Town Areas. Some of them have incomes which are so low that after deductions of personal and other allowances, they are not liable to pay any income tax.

The present burden of Schedule A income tax may well be marginally greater than it was in 1960/61, the number of houses is now somewhat larger and more people have incomes sufficiently high to make them liable to pay income tax. These two factors are partly offset by a reduction in the standard rate of income tax from 7/– in the £ in 1960/61 to 6/4d. in 1964/65.[19] Any person who has been liable to pay income tax at the standard rate since 1952/53 now pays much the same in Schedule A income tax as he did twelve years ago, i.e. the real burden of this tax has fallen by almost one-half.

Benefits Accruing to Occupiers

Occupiers of dwelling houses may benefit as a result of State action in a number of different ways: they may receive grants, rate remissions, stamp duty concessions or rent subsidised houses from local Councils.

Grants by the Department of Local Government for the building of houses were extended in 1948 to cover almost every house built for owner-occupation. Houses qualify for a grant if they have a floor area of not less than 500 square feet and not more than 1,400 square feet and come up to minimum standards in respect of method of construction, materials used and size of rooms. Grants are normally £175, £225 and £275 for three, four and five or more roomed houses respectively. In 1950 power was given to Local Authorities to pay supplementary grants—these may equal the amount of the State grant. Basic grants may be claimed for all houses which comply with the requirements while supplementary grants are restricted to two groups of persons: (1) agricultural labourers and farmers whose property has a rateable valuation not exceeding £50 p.a., (2) other persons having an income of less than £832 p.a. (including the income of the wife if any.) The State also makes grants of £140 for the reconstruction or improvement of dwelling houses of five or more rooms. (There is also a grant of up to £75 for the installation of water and sewerage.) These grants may not exceed two-thirds of the work undertaken by farmers or one-third of the work undertaken by all other persons. Local Authorities may make an additional grant, within the limits laid down for the basic grant.

A grant of £275 in respect of a new house is equivalent to an annual payment of £20 for thirty-five years (assuming a rate of interest of 6½ per cent).[20] The cost of public funds of the grants made in two recent years is shown in Table VIII.

Aggregate loan charges i.e. redemption and interest payments in respect of capital grants for house building and reconstruction amount to about £2.8 million per year. Up to the early 1950's grants in

[14] During the last seven years about 61,000 grants for reconstruction (including installation of water and sewerage) have been made. Assuming that each increased rateable valuation by £3 p.a. and rates average 45/– per £, the benefit accruing was £410,000.

[15] During the last nine years about 42,000 new grant-aided houses were built, assuming that their average valuation is £15 p.a. that rates are 45/– per £ of rateable value, the benefit would average £17 p.a. over the nine year period, say, £710,000.

[16] Say about 1,000 non-grant-aided buildings were erected during the last seven years; their average valuation is £40 and rates average 45/– per £, the benefit of the concession is £60,000 p.a. over the seven year period. The number of non-grant-aided improvements is likely to be small, worth say, no more than £10,000 p.a.

[17] Rates in Dublin C.B. in 1952/53 were 30/7d. per £ of rateable value; in 1964/65 they are 50/10d.

[18] [R9] para. 27.

[19] The standard rate of income tax was reduced in 1961.

[20] 35 years and 6½ per cent have been chosen as they are the length of time and rate of interest at which Local Housing Authorities grant loans under the Housing (Grants and Loans) Act 1962 in September 1964.

TABLE VIII

GRANTS IN AID TO PRIVATE HOUSING IN TWO YEARS

	1961/62		1963/64	
	Grants	Loan charge equivalent(a)	Grants	Loan charge equivalent(a)
	£ Mill	£000	£ Mill	£000
Government Grants: New Houses	1.2	87	1.6	116
Reconstruction	1.0	72	1.2	87
Local Authority Grants: Supplementary	0.9	66	1.1	80
	3.1	225	3.9	283

(a) based on thirty-five year repayment and 6½ per cent interest.
Source: Letter from Department of Local Government dated 17 July 1964.

aid to private housing were financed out of current taxation and thus no loan charges were incurred.

The rateable value of a six-roomed, semi-detached house of 1,400 square feet in a residential area in Dublin is about £25. At the present rate poundage of 50/10d. in the £, (in September 1964) the annual rate payments on such a house are £65. The capitalised value of rate relief on a graded scale, varying from nine-tenths in the first year to one-tenth in the ninth year, is £248 (discounted at 6½ per cent). This is equivalent to an annual payment of about £18 for thirty-five years. The purchaser of such a new dwelling is thus assisted to the extent of £38 p.a. or 14/6d. p.wk. for thirty-five years by way of grant and rate relief; if he purchases a better house—some grant-aided houses have a valuation of £35 and more—the assistance he receives will increase by approximately 14/- per annum for thirty-five years for each additional £1 of rateable value. Rate relief is, in its very nature, of greater benefit to the better-off man, who will buy a house of higher rateable value, than to the less well-off man.

Local Authority houses have been subsidised over the last eighty years in a variety of different ways.[21] Up to 1958 there were different arrangements for the subsidising of houses in Urban Areas and in County Health Districts. At present the State defrays a proportion of the loan charges incurred by a Local Authority in borrowing for house building. With few exceptions, the State pays two-thirds of loan charges up to £2,200 for a flat and up to £1,650 for a fully serviced house. At the current rate of interest of 6 per cent [22] this is equivalent to a maximum of £93 a year for a flat and £70 a year for a services house. These payments are due for fifty years. Local Housing Authorities are permitted to grant additional subsidies out of their own funds and virtually all of them make use of these powers.

It is not possible to ascertain the full extent to which Local Authority dwellings provided since the 1880's are subsidised. The subsidies for dwellings built before 1932, which at different periods took the form of capital grants and payments towards loan charges have all been fully paid up and are not reflected in current accounts, (see Table IX). The aggregate of State grants and rate subsidies shown in these accounts is £4.5 million, to this a further £0.5 million has been added as the estimated loan charges on capital grants made to Local Housing Authorities between 1945–57 from the Transition Development Fund and the vote of the Department of Local Government.

Unfortunately, the various items in the accounts refer to different numbers of dwellings and it is therefore impossible to calculate the average subsidy per dwelling.[23] The average rent of all council houses was £23.2 p.a. i.e. 8/11d. per week, this in County Boroughs 13/– per week, this in Counties 4/2d. per week. Rates averaged some 35 per cent of the inclusive rent. These averages refer to houses which differ widely in age, amenities, size, quality and location. The extent to which these houses are subsidised differs equally widely. Some few council dwellings built in the 1930's are not subsidised at all, i.e. the rent paid by the tenant covers all rates, maintenance, administration and loan charges; while others, especially large flats built in Dublin, are subsidised by more than £250 p.a. Many of the labourers' cottages provided by County Councils are old and require much repair, while their tenants have low incomes and are accustomed to paying low rents. This has led to a position in some counties (i.e. Galway, Limerick, Longford, Meath and both the Tipperary Ridings) where the cost of repair and maintenance are actually greater than the net rents paid by the tenants.

Local Council dwellings are allocated on the basis of an applicant's housing need, in the County Health's Districts preference is given to agricultural workers. The fixing of rents is an executive function

[21] For detailed history of housing legislation see P. J. Meghen, "Housing in Ireland", *Institute of Public Administration,* 1964, [B5].

[22] The rate at which Local Housing Authorities borrowed from the Central Government in September 1964.

[23] Rent and Rates—are paid by all the 125,000 Local Authority tenants, however, some of them under differential rent schemes pay inclusive rents which do not even cover rates. Instalments—relate to houses sold by Housing Authorities to their tenants i.e. 47,000 vested cottages and 8,000 tenant purchase houses. State grants—relate to all the 106,000 dwellings which were built between 1932–61 excluding only urban tenant purchase houses for which the grant ceased on purchase. Others—relate to all dwellings provided by Housing Authorities. Maintenance—relates to all the 125,000 Local Authority dwellings. Loan charges—relate to all the 114,000 dwellings built between 1932–61. Rate subsidies—relate to some 172,000 dwellings built since 1880 i.e. all the 125,000 dwellings let in 1961 plus 47,000 vested cottages.

of the Manager—the chief executive officer of a Local Authority—i.e. rents are not fixed by the elected councillors. A Council can, however, require the Manager to fix the rent of a particular house at whatever level they require. The rents charged differ widely between Local Authorities as well as for very similar dwellings within the area of one Authority.

TABLE IX

INCOME AND EXPENDITURE OF LOCAL HOUSING AUTHORITIES ON CURRENT ACCOUNT IN RESPECT OF HOUSES PROVIDED, 1961/62

	County Boroughs	Urban Districts	Counties (g)	Total
	£000			
Income				
Rent	1,743	665	513	2,921
Rates	953	370	254	1,577
	2,696	1,035	767	4,498
Instalments[a]	231	51	240	522
State grants	987	434	820	2,241
Others	50	16	52	118
Total	3,964	1,536	1,879	7,379
Expenditure				
Maintenance	681	145	343	1,169
Loan charges[b]	2,593	1,046	2,147	5,786
Others[c]	542	148	406	1,096
Rates	953	370	254	1,577
Total	4,769	1,709	3,150	9,628
Rate subsidies[d]	805	173	1,271	2,249
Total subsidies as per Accounts[e]	1,792	607	2,091	4,490
Loan charges on State capital grants 1945–57[f]				500
Total subsidies				5,000
No. of Dwellings Let	51,000	27,000	47,000	125,000
Av. Rent per dwelling	£34.0	£24.6	£10.9	£23.2
Av. Rates per dwelling	£18.7	£13.7	£ 5.4	£12.6

(a) On Tenant Purchase and Vested Cottage Schemes
(b) On dwellings erected since 1932
(c) Includes administration
(d) Expenditure minus income
(e) State grants and rate subsidies as shown in Local Taxation Accounts
(f) Estimated, no separate figures are published
(g) Includes Town Commissioners
Source: Returns of Local Taxation 1961/62 [R6].

The attempt to strike even a rough balance between the burdens borne and benefits conferred on owner-occupiers and Local Council tenants is beset by many difficulties. The estimates which can be made are not only subject to quite substantial margins of error but the various items in the balance refer to different numbers of occupiers. All the same it is judged worthwhile to make an attempt to show the orders of magnitude involved, (see Table X).[24]

TABLE X

BURDENS AND BENEFITS ACCRUING TO OCCUPIERS OF DWELLING HOUSES 1963/64

	Owner-occupiers	Local Authority tenants[a]
	£ Mill.	
Burdens		
Local rates due	5.9	1.6
Less rate remission	—1.2	—
Income Tax Schedule A	0.3	—
	5.0	1.6
Benefits		
Loan charges on grants 1948–64	2.8	—
Rate remissions	1.2	—
State grant		2.4
Loan charges on capital grants 1945–57		0.5
Rate subsidies		2.4
	4.0	5.3

(a) Benefits attributed to Local Authority tenants include some accruing to occupiers of vested cottages built under the Agricultural Workers' Acts.

The benefits shown as conferred on Local Authority tenants (£5.3 million) exclude grants made in respect of about 60,000 dwellings provided (now let or vested) before 1932. Benefits shown as conferred on owner-occupiers exclude loan charges on houses built or reconstructed with grants from Departments other than Local Government e.g. Roinn na Gaeltachta and the Land Commission.

It would have been interesting to show separate figures of burdens and benefits for Rural and Town Areas but the figures are not sufficiently firm to justify any further sub-division. The table in spite of its limitations, does however show that the benefits enjoyed by owner-occupiers (£4.0 million) are not all that much less than the subsidies enjoyed by Council tenants (£5.3 million). There are, of course, many more owner-occupiers than there are tenants.

Unacknowledged Benefits

There are quite a number of important benefits enjoyed by occupiers which are not included in Table X and which are not generally recognised to be subsidies at all. These unacknowledged benefits

[24] Rates are due from all Local Authority tenants and all owner-occupiers. Rate remissions benefit some 104,000 owner-occupiers. (See footnotes 14–16). Schedule A Income Tax is paid by an unknown number of owner-occupiers. Loan charges on grants paid since the early 1950's benefited some 200,000 owner-occupiers. State grants on Council houses refer to 106,000 tenants and occupiers of vested cottages. Rate subsidies relate to all Local Authority houses irrespective of date of building, except urban tenant purchase houses, i.e. 172,000 dwellings.

include the undervaluation of 'beneficial interest' in assessing Schedule A income tax; the rule which considers interest payment on mortgages as a charge on income; the tax saving which can be obtained if a mortgage is repaid by means of a life endowment insurance policy; the relatively low valuation of modern Local Authority houses; the benefit of statutory rent restriction enjoyed by many tenants renting houses from private landlords and finally the difference between the market rent of council houses and the 'economic rent' which is shown in Local Authority Accounts.

The arguments for and against taxing the notional income, or 'annual value' of owner-occupied dwellings, was fully discussed in the Second Report of The Commission on Income Taxation [25] in 1959 and the Government's views were given in the White Paper on Direct Taxation [26] in 1961. Both documents contain powerful arguments but the Government's case is the more persuasive and logical.[27] Not to tax the full 'notional income' of owner-occupation is a serious divergence from the principle that tax should be adjusted to the capacity to pay. This is well expressed in the White Paper:—

> 'Accommodation is an essential of life. The owner-occupier enjoys a very real financial benefit as compared with the taxpayer of equal income who is subject to the inescapable burden of rent. It is this benefit, derived from the capital invested in the purchase of the house, which is taxed under Schedule A. . . . It would scarcely be said that a person who has savings of, say, £ 2,000 invested in Government Stock and lives in a rented house is less deserving of consideration than a person who has invested an equivalent sum in a residence for himself. The former, however, is taxed on the full amount of the interest received which if a rate of 5 per cent is assumed, would be £100, while the latter is taxed only on the excess of rateable valuation over ground rent payable which, as already indicated would not exceed £15 in most cases—a mere fraction of the notional income which might properly be adopted, namely, the letting value of the house.'

The difference between 'the mere fraction of the notional income' at which the value of owner-occupation is at present assessed and 'the letting value of the house which might properly be adopted' constitutes a subsidy. This is by no means a minor subsidy, as is easily illustrated by an example: at present the 'beneficial value' for Schedule A income tax on a house in Dublin with a rateable value of £25 and a ground rent of £10 is £15, i.e. the tax due is about £5. The 'letting value' of such a house would be a minimum of £200 p.a. and, quite possibly, more than £300 p.a., say approximately 7 per cent of its market value. On this basis, the Schedule A income tax would be at least £63 and possibly more than £93, i.e. it would exceed the present tax by at least £58 and possibly by more than £88. A man who pays income tax at the standard rate has to earn some £300 to be able to pay £200 in rent, after having paid £100 in income tax; a man in the same position, who owns his house, is liable to pay only £5 in income tax.

The undervaluation of 'beneficial interest' is of least help to the people in most need. It benefits most the well-off man who lives in a large house and has few children, while it is of no benefit at all to the man who is buying his house, on an income of, say, £ 800 a year. Tax concessions in their very nature, are of most benefit to people in the highest income bracket who pay most tax; they can do nothing for the man who in any case earns so little that he is not subject to income tax.

It is difficult to estimate the tax loss due to this undervaluation. If it is assumed rather conservatively that 'letting values' are eight times the 'beneficial interest' it would increase the estimated yield of Schedule A tax of £325,000 to at least £2,600,000. This is a minimum estimate. All people who already have incomes high enough to pay Schedule A tax, i.e. people whose total income, including 'beneficial interest', is greater than the various allowances to which they are entitled, would be liable to income tax on the increased valuation. There would, however, also be some people who are not liable for income tax at present, who would become liable as a result of the increased assessment of the value of owner-occupation. Allowing for these considerations, it is suggested that the underassessment of 'beneficial interest' of owner-occupiers is a subsidy of at least £2½ million and possibly very much more.

[25] [R10] Paragraph 99–110.

[26] [R9] Paragraph 18–27.

[27] The Commission on Income Taxation expressed the view:—'that if a notional income is attributed to a person's interest in an owner-occupied residence, it is logical to treat similarly other durable assets'. This is a valid argument but it does not refute the essential point that owner-occupiers enjoy a considerable and significant tax advantage over tenants. For a number of reasons the taxation of beneficial interest in other durable goods e.g. cars, yachts and refrigerators may be undesirable in spite of its apparent logical justification. The arguments which can be advanced against the taxation of the beneficial interest in durable goods other than houses, are: First, such goods are not normally rented and the question of equity between owner and renter does therefore not arise to the same extent as it does for houses. Second, the full 'letting value' of a motor car owned by a private person after allowing for depreciation, insurance, taxation and running cost may well be 'very small'. The ubiquity of hire purchase has made the acquisition of such items as furniture and refrigerators so easy that in practice they virtually have no 'letting value'. Third, the assessment of the 'letting value', if any, of such goods would present great difficulty and the administration of a tax on movable durable goods would present many problems and involve relatively great expense.

The nature of this subsidy is such that it is virtually impossible to withdraw it. Proper 'letting values' could only be assessed as a result of a complete revaluation of all properties in the State. Such a revaluation is long overdue for a number of reasons, but it is a very major undertaking which would take some eight to ten years to complete. It would be undesirable to define 'letting values' as the present 'rateable value' multiplied by some arbitrary factor. 'Rateable values' date back to conditions prevailing several decades ago and, therefore, inevitably do not reflect present values either absolutely or relatively. Any attempt to bring them up-to-date by mere multiplication would lead to results which would be quite indefensible.

The owner-occupier, who is in the process of buying his house, benefits from another provision of income tax legislation: the interest he pays on a mortgage is considered as a charge on income, rather than a disbursement of income. For all practical purposes, such interest is treated as an allowance against income, i.e. taxable income is reduced by the amount of interest paid.[28] This is a proper and equitable provision if, and only if, tax is charged on the full 'beneficial interest' of dwelling houses. An owner-occupier who has a 'beneficial interest' of, say, £300 in respect of a house purchased with the help of a mortgage on which he pays £200 interest, has a 'notional income' of only £100. To tax him on the full 'beneficial interest', without deducting his mortgage payments, would be inequitable. His case parallels that of the man who buys shares which yield him £300 per year, with the help of a loan on which he pays £200 a year. This man's income is £100 per year and he should properly be taxed on this amount. However, if his investment income of £300 is tax free, there would be no case for allowing him to deduct the £200 p.a., which he pays for his loan, from other sources of income e.g. earned income. This is in essence, what happens to the owner-occupier. He acquires an asset, the income yield from which is tax free, or almost tax free, by means of a loan, the interest on which he may deduct from his earned income, as an expense.[29]

This tax relief is of considerable practical importance. The interest payment on a loan of £2,200 at $6\frac{1}{2}$ per cent equals £143 p.a.; for a man who pays income tax at the standard rate, this represents a tax saving of £45.

At present rates of income tax (1964/65), a man who has three dependent children would have to earn about £1,200 p.a. to be able to benefit in full from this tax relief. A married man, who has no dependent children, would enjoy the full relief, if his income is about £730 p.a. In order to borrow £2,200, the average loan granted by one of the largest building societies in 1963, a man would need a basic income of about £900.[30] At that income, if he had three or more children, he would not pay any tax at all and, if he had two children, his tax liability would be approximately £13. There must be a very appreciable number of people who buy their own houses but whose incomes are so low that they do not benefit from any tax relief. However, the possibility of this tax saving encourages better-off people to spend more on housing than they would otherwise do. In effect, the man who pays income tax at the standard rate, borrows money at just under $4\frac{1}{2}$ per cent ($6\frac{1}{2}$ per cent less 6/4d in the £) while the less well-off man has to borrow at $6\frac{1}{2}$ per cent or even 7 per cent.[31] This tax relief benefits the same persons who benefit from the undervaluation of Schedule A—those who need least help. It is very difficult to estimate the aggregate tax loss accruing on account of this relief, it is however, certain that in recent years, due to rising income and house prices, the cost of this concession must have increased considerable.[32]

Life Insurance Companies are an important source of mortgage finance. The usual arrangement when a company grants a loan to the potential house purchaser, is for the loan to be covered by a mortgage and to be repaid over a period of years by premiums towards a life endowment policy. When the policy matures, its proceeds are used to repay the loan. This arrangement has the advantage that the borrower receives an income tax remission, not only on the interest paid on the loan, but also in respect of the premiums he pays towards the endowment policy.

The rules under which remission is granted are summarised in the Seventh Report of the Commission on Income Taxation [33] thus—

> 'Life Insurance relief is granted against income tax for premiums payable by the taxpayer, or his wife, on the life of either, subject to the conditions (a) that the relief shall not apply to premiums for any year in excess of one sixth of his total income, or that of the taxpayer and

[28] See *Seventh Report of the Commission on Income Taxation,* Chap. XI, [R11].

[29] In exceptional cases mortgage interest paid exceeds the 'beneficial interest' properly assessed. In such cases the tax saving on the excess should be considered as a subsidy.

[30] The average value of loans granted by the Dublin Corporation under the Housing (Loans and Grants) Act 1962 was about £1,750 in the first quarter of 1964. The average income of the borrower was £700 p.a.

[31] The current rate of interest (September 1964) is 7 per cent on a Building Society loan and $6\frac{1}{2}$ per cent on an insurance company loan paid by banker's order.

[32] A further concession to purchasers of new grant-aided houses was made in 1950. This reduced the stamp duty (in practice) from 3 per cent to 1 per cent of the purchase price. The cost of this concession may well be small, as most new houses are bought in such a way that no stamp duty liability arises.

[33] [R11] para. 571.

his wife, if married, and (b) that the relief on each policy is restricted to seven per cent of the capital sum payable on death. The allowance granted for policies taken out after 21st May 1953 with an Irish company is two-thirds of the premium, in other cases one-half of the premium.'

This relief is of considerable practical importance. The annual premium for an endowment assurance of £3,000, with participation in bonuses, payable at the end of 20 years or earlier, for a borrower aged 30 next birthday, is £153.[34] For a man paying income tax at the standard rate the two-third tax relief amounts to £32 for twenty years, equivalent to an immediate cash grant of £350 (assuming a rate of interest of 6½ per cent). This again benefits those who need least help.

Income tax remission on insurance premiums is not restricted to people purchasing houses but is granted to all policy holders. Similarly, the rule that interest on loans from certain financial institutions is for tax purposes a charge on income, rather than a disbursement of income, is not restricted to interest paid by owner-occupiers, but applied to all borrowers. It may, therefore, be argued by some people that these two provisions are not really in the nature of housing subsidies. This argument, in the author's view, would be fallacious. This is illustrated by the following example: in comparing the assistance the State renders to parents in the rearing of their children in Ireland and in the United Kingdom, it would be necessary to consider inter alia Children's Allowances, provisions for education and health services available without charge. The fact that the U.K. National Health Service covers the whole population and not just children does not make it any the less a type of State assistance to parents. The same applies to the various tax remissions discussed above, the fact that they are available to all policy-holders or to all borrowers does not make them any the less a subsidy to owner-occupiers in the process of purchasing their houses. It is true that these tax remissions were not intended as specific housing subsidies but the important point is, that they operate, in fact, as such and that they favour the better-off man who pays tax but not the badly-off man who pays no tax.

Alternatively, it may be argued that income tax, prior to any allowances for interest or insurance premiums, is designed to promote (however inadequately or arbitrarily) distributive justice. Hence, any changes, favouring or discriminating against persons in certain positions e.g. mortgages of dwelling-houses, disturb the balance of distributive justice and are in the nature of special concessions or penalties.

[34] Quotation of the New Ireland Assurance Co., Ltd.

A further unacknowledged benefit is the relatively low valuation of modern Local Authority houses, particularly in major urban areas. This is a disguised permanent remission of rates. In Dublin the differential in valuation between owner-occupied houses and corporation houses may be as much as 10 per cent in the past it has been even greater. In Cork and Waterford the differential is 12½ per cent at present and in other towns it may be as high as 16 per cent. The benefit of this concession is unlikely to exceed £3 per dwelling per year.

Rent control is the statutory restriction of rents at levels below those which would obtain in competitive conditions. In effect it subsidises the tenant at the expense of the landlord. The vast majority of tenants, who rent from private landlords, benefit from rent control. All rented dwellings are subject to control except, inter alia, dwellings

(1) having a rateable value of £60 or more in Dublin (or £40 or more elsewhere),

(2) rented from Local Housing Authorities,

(3) occupied by the owner in 1960 or thereafter,

(4) having a value of £30 or more in Dublin (£25 or more elsewhere) and which have come into possession of the owner after 1960,

(5) erected after 1941,

(6) which are self-contained flats reconstructed by conversion since 1960,

(7) where the value of the furniture and/or service rendered exceeds one quarter of the rent.

Rents are controlled at various levels according to the age of the dwellings, e.g. rents of pre-1919 premises, which have always been controlled, are related to the 1914 level and the rent of the premises affected by the 1944 Order are restricted to 1941 levels. Rents may be increased to cover certain improvements and repairs. In 1960 landlords were permitted to increase basic rents by 12½ per cent.

Virtually no information is available about either the number of dwellings which are subject to rent control or the level of controlled rents.[35] Some information can be gleaned from the Population Census 1961.[36] In that year average monthly rent of all rented dwellings (81,000) in the Dublin County Borough was 102/–; excluding the dwellings rented from the Corporation (37,000), the average rent was 110/– per month. This refers to a very

[35] It would obviously be very useful to have this information. In the time available to him the author could not make an estimate.

[36] [R4] Vol. VI, Tables 19A, B and C supplemented by information supplied by the C.S.O. to the author (letter 12th August 1964).

heterogeneous group of 27,000 flats and 16,000 houses. These 43,000 dwellings of all ages and conditions had on average 4.45 rooms and included 19,000 one or two roomed dwellings; some 9,000 of the total were let furnished. The rents of the Corporation dwellings which were smaller—averaging 3.44 rooms—were decidedly lower at about 82/– per month. The average rent per room of Corporation dwellings was almost the same as that of other dwellings some 24/– per month. Rent in Town Areas outside Dublin City averaged 82/– and in Rural Areas 38/– per month.

The effect of rent control has been to transfer income from landlords to tenants. Most, but not all, landlords are better off than their tenants. Rent control limits the income of one type of property owner while leaving the income of other property owners free to expand [37]; it is widely believed to have led to a deterioration of rented property at a much faster rate than would otherwise have been the case. Landlords are reputed to have failed to maintain dwellings in proper repair as they consider such expenditure unprofitable. Attempts to encourage repairs by allowing rents to be increased in certain circumstances do not appear to have been successful. There is little evidence available on which to form a judgement about the extent to which rent control legislation is evaded. The Rent Restriction Act 1960, in Part III provides for occupiers of dwellings in the Dublin Conurbation, Cork, Waterford, and Limerick, having a rateable value of £10 or less, a cheap, simple and expeditious method of determining lawful rents. These provisions of the Act are used very sparingly; in recent years there have been no cases at all from Limerick and Waterford, only a few dozen from Cork and less than two hundred a year from Dublin. The fact that so few people avail themselves of the machinery provided could be due to three causes; (1) landlords adhere to rent control, (2) the tenants are unaware of their legal rights and the machinery for enforcing them, (3) the tenants know their rights but are reluctant for one reason or another to enforce them.

In a competitive free-enterprise economy one would expect rents to bear some relationship to replacement cost. Even allowing for the inferior quality of much rented property, the average rents quoted above are quite out of line with replacement costs. The inclusive economic rent of a four-roomed cottage outside Dublin, built in early 1964, was somewhere about 240/– per month and in Dublin it was well over 300/– per month.

The case for rent restriction is made succinctly in the Report on Rent Control (Conroy Commission) in 1952 [38]

> 'We are of the opinion that the discontinuance of rent control would lead to substantial increases in rents and to the ejectment of tenants either because they could not pay increased rents or because the owner wanted to get possession to sell at an inflated price with resultant hardships to large numbers of tenants and also with possible serious repercussions on the economic fabric of the nation. Such unrestricted increases in rent would inevitably lead to widespread demands for increases in wages, with consequences that cannot be foreseen'.

Of course this quotation does not tell the whole story which, as indicated earlier, would include references to hardships for some landlords and to deterioration of house property through disrepair.

According to the Local Taxation Returns [39] the subsidies received by Council tenants in 1961/62 was £4¼ million, i.e. the difference between the 'economic rent' of these dwellings and the actual rent paid by the tenants. This, however, is not a true measure of the real benefit received by these tenants as a group. The free market rent of council houses built prior to say 1950 would certainly be well above their economic rent; for houses built in the 1930's, or earlier, the difference between market rent and economic rent would be very appreciable. The economic rent of a four-roomed cottage built in Dublin in the 1930's is about £75 p.a. (£30 loan charges on £450 at 5.5 per cent, Rates £25 and Repairs and Administration say £20) i.e. 30/– per week inclusive; the market rent of such a cottage may well be twice as much. This is a measure of the 'market subsidy' [40], i.e. the difference between economic rent and free market rent. Economic rents are relatively stable as loan charges, their largest component, do not alter over time; free market rents, however, tend to change in line with increases in incomes and building costs and are also effected by changes in interest rates; their tendency is to rise fairly rapidly. Market subsidies to council tenants have, therefore, increased appreciably in recent years.[41]

Distribution of Burdens and Benefits

At this point it is possible to show the effect of burdens and subsidies—acknowledged and unac-

[37] Rent control has a differential effect as regards persons of different ages. The benefits accrue mainly to the older and middle-aged tenants who are the occupiers of most rent restricted property. Young people who are looking for accommodation of a reasonable standard rarely are able to rent dwellings to which the rent control legislation applies.

[38] Pr 1340 § 66.

[39] [R6].

[40] A phrase coined by the author in an article "A New Look at Housing Subsidies", *Local Government Finance*, March 1964, [B6].

[41] Increases in rents charged to tenants will bring actual rents, nearer to economic rents, they will not reduce the market subsidies.

knowledged—on different types of occupiers. Any attempt to estimate aggregates would have to rely on a fair amount of conjecture but it is comparatively easy to illustrate the effect by examples. This has been done in Table XI. (All occupiers are assumed to be married and to have three dependent children.)

Occupier A is a successful professional man, aged forty, who builds himself a house for £8,000 with the help of an insurance company loan. He pays 3¼ per cent of his net income in rates but only an insignificant sum, in Schedule A tax. He will receive a building grant (£275) and rate relief to the value of £47 p.a. for thirty-five years. On top of this, he will enjoy remission of income tax on two-thirds of the premium for a life endowment policy of £6,000 [42]; this will save him £41 p.a. for twenty-five years. The undervaluation of 'beneficial interest', i.e. the true letting value of his house (say, £400 p.a.) will save him a further £130 p.a.[43] In all, he will benefit by grants, rates and tax remissions by £218 p.a. say £4. 5s. per week, equivalent to 7 per cent of his net income after paying income tax and surtax.

Occupier B is an Executive Officer in the Civil Service of the same age as occupier A, who buys a new house for £4,000. His rate bill will equal 4¼ per cent of his net income and he will receive a building grant of £275 and rate relief (less than occupier A as his house has a lower rateable value) of £38 for thirty-five years. His life endowment premium tax relief, on a £3,600 policy [44], will be £25 and on undervaluation of 'beneficial interest' he will save £100 (assuming a letting value of £310). A total benefit of £163, say, £3. 3s. per week, equivalent to 11 per cent of his net income.

Occupier C, a craftsman, borrows from the Corporation under the Housing (Loans and Grants) Act 1962, in order to buy a new house. His rate liability will be 6½ per cent of his income—£700 p.a., the average income of borrowers from the Corporation in 1964. As his income is less than £832 p.a., he will receive from the Corporation a supplementary grant of £206, in addition to the State grant of £275. As he is a married man with three dependent children, he is not liable for income tax, even if his 'beneficial interest' in the house is assessed at the true letting value (say £208 p.a.). As he is not liable to tax, he does, of course, not benefit from tax remissions. The total benefits he receives will be £48 p.a., for thirty-five years, say 18/6d. per week, equivalent to 7 per cent of his net income.

Occupier D is a young labourer who cannot find anywhere to live at all and is, therefore, forced to buy an old, substandard house for £1,000. He will pay 4½ per cent of his income in rates and will receive no benefits at all. As his house is not new he will not be entitled to either rate relief or a building grant and, as his income is too low to pay tax, he will not benefit from tax relief.[45]

Occupier E is a craftsman who has been allocated a Corporation house built in 1964. He too pays 4½ per cent of his income in rates. The State pays the Corporation £70 towards the loan charges of the house and the Corporation subsidises him out of rates to the extent of another £25 p.a. He benefits from £95 p.a. in subsidies, say, 36/6d. per week, almost exactly the same as he pays in rent and rates. This is equivalent to 13 per cent of his net income.

Occupier F, a shop assistant rents a modern Corporation flat. His earnings of £10. 15s. per week are just high enough to make him liable to pay the maximum differential rent of 32/6d. per week. This represents 30 per cent of the flat's economic rent. The large subsidy of £195 p.a. (equivalent to 35 per cent of his net income) is mainly due to high loan charges on a flat which cost £3,490 to build in early 1964. His rate liability equals 5½ per cent of his income.

Occupier G, a bus driver, lives in a Corporation house built in the 1930's and pays a fixed rent of 18/5d. per week. The loan charges on his house which costs only £480, are moderate and, in spite of the low rent he pays, his house is subsidised only to the extent of 9/– per week, i.e. 3 per cent of his net income. His rate liability equals 3½ per cent of his income.

In the examples selected the rate burden is distinctly regressive, i.e. inversely related to income. Owner-occupiers who are buying comparatively modern, expensive houses with the help of insurance company loans receive most benefits. Those in older houses only benefit from undervaluation of 'beneficial interest' if they are liable to pay income tax. The contrast between the man who buys a new house for £8,000 and receives benefits amounting to £218 p.a. and the man who buys an old house for £1,000 and receives no benefit at all, is most striking. Tax payers who buy their own houses by instalments receive, on balance, quite as much in benefits qua occupiers as the tenants of recently built Corporation houses. Corporation tenants who

[42] It is assumed that on a house of 1,400 sq. ft., costing £8,000 the maximum loan would be £6,000.

[43] An alternative method of assessing the tax relief enjoyed by owner-occupiers who pay income tax is to calculate the tax saving on mortgage interest. In the case of an £8,000 house, on a 75 per cent loan at 6½ per cent, this is about £130 p.a.; for a £4,000 house, on a 90 per cent loan at 6½ per cent, the saving is £110 p.a.

[44] It is assumed that on a £4,000 house it would be possible to receive a 90 per cent loan.

[45] Occupier D, as his house is substandard, would be entitled to an improvement grant from the State of up to £140, and as his income is less than £832 p.a., to a Supplementary Grant from the Corporation. These grants would cover 2/3 expenditure on improvements up to £420. Furthermore, these improvements would not attract the full rate burden for seven years.

TABLE XI

ANNUAL BURDENS AND BENEFITS ACCRUING TO DIFFERENT TYPES OF OCCUPIERS IN DUBLIN 1964/65 (OCCUPIERS ARE MARRIED AND HAVE THREE DEPENDENT CHILDREN)

RV — Rateable Value GR — Ground Rent	A New House £8,000 RV £40 GR £20	B New House £4,000 RV £25 GR £12	C New House £2,500 RV £18 GR £15	D Old House £1,000 RV £9 GR £2	E Council rented house built 1964[a] RV £13	F Council rented flat built 1964[b] RV £12	G Council rented house built 1935[c] RV £10
Income[d]	£4,000	£1,600	£700	£500	£700	£560	£700
	£	£	£	£	£	£	£
Burdens							
Rates	100	65	45	22	32	30	25
Schedule A tax	7	4	—	—	—	—	—
	107	69	45	22	32	30	25
Benefits							
Basic grant	20	20	20	—	—	—	—
Supplementary grant	—	—	15	—	—	—	—
Rate relief	27	18	13	—	—	—	—
Undervaluation of beneficial interest	130	100	—	—	—	—	—
Endowment policy relief	41	25	—	—	—	—	—
State grant to Local Authorities	—	—	—	—	70	93	16
Rate subsidy	—	—	—	—	25	102	8
All benefits	218	163	48	—	95	195	24
Inclusive rent paid	—	—	—	—	94	85	49

(a) 4 roomed-house on maximum differential rent
(b) 3 roomed-flat on maximum differential rent
(c) 4 roomed-house on fixed rent
(d) The disposable income, i.e. after deduction of surtax and income tax of occupier A is £3,006. That of occupier B is £1,459. All other occupiers are not liable to tax.

earn less than, say, £560 p.a. pay, under the differential rent system, lower rents and receive higher subsidies. Many tenants of furnished dwellings —nearly 9,000 in Dublin County Borough—are not covered, or think they are not covered, by rent restriction and pay market rent, i.e. they receive no benefits at all qua occupiers. Most tenants of rent-restricted dwellings are subsidised by their landlords. The general pattern of burdens and benefits in Town and Rural Areas outside Dublin is much the same. Agricultural workers' cottages are, relative to their cost, more heavily subsidised than Council houses in Town Areas. These cottages often are not fully serviced, i.e. they lack a piped water supply, but they are let at very low rents, e.g. inclusive rents in Longford vary between 6d and 4/6d., in Cavan between 11d and 3/2., in Kildare between 11d and 7/6d.[46]

The various burdens and benefits accruing to occupiers are not the result of a considered policy aiming to achieve social and economic objectives. Some occupiers receive considerable benefits from tax provisions which were devised for quite different purposes than to encourage owner-occupiers e.g. tax concessions on insurance premiums were introduced to encourage savings. Some of the most important benefits result from failing to take action, e.g. the undervaluation of 'beneficial interest' was not a policy decision; it evolved over the years.

Dublin Corporation Housing

About 29 per cent of all dwellings in Dublin are rented from the Corporation. They differ, like other Council houses, widely in age, amenities, size and situation—more than 2,000 were built prior to 1918, about 10,000 in the inter-war period and nearly 28,000 since 1945—some 29,000 are cottages (21,000 four-roomed) and more than 9,000 are flats. Cottages—generally two-storey—are on the perimeter of the town, flats—four and five-storey blocks are in the inner areas. All modern flats have bathrooms and lavatories, while in a few of the older flats several families share a tap and a lavatory.

Differential rents, related to family income, are payable by half the tenants; the other half pay fixed rents plus rates. Differential rents were introduced in 1950 and are payable in respect of most new lettings since that date. The maximum rent £1. 13s. per week inclusive, for a four-roomed flat or cottage, was meant to be the economic rent, i.e. to cover loan charges, maintenance, administration and rates; the minimum rent (6s. 6d.) was meant to cover rates

[46] Information supplied by Department of Local Government (letter of 17th July, 1964).

only.[47] The average earnings of an adult male industrial worker in 1950 were £5. 7s. 11d. per week, so that the maximum rent represented 31 per cent of his income. The method of assessing the differential rent was as follows:—

> 'Within the maximum and minimum limits, rent will be assessed as one-sixth of the combined family income . . .; this is arrived at by taking that of the principal income producer and reducing it by 10/–. To this is added the income of every other member of the household, ignoring the first 5/– in each case, and subject to a maximum of £2 in each case. State and other allowances, with the exception of children's allowances are taken into the calculation. A further 5/– is subtracted from the assessable family income in respect of each child after the second.' [48]

A married man who had four dependent children and earned the average industrial wage paid, on this basis, in 1950, a rent of 14s. 6d., i.e. about 13 per cent of his income. A man in these circumstances would have had to earn at least £10. 18s. before he was liable to pay the maximum rent. The essence of the scheme was that all State grants and rate subsidies should be reserved for families who were judged not to be able to pay the full economic rent. If a family's income was 59/– per week or less, they were not charged any rent at all, but they still had to pay rates. The rent increased by 2d. on every shilling above 59/– earned by the principal earner. The rent contribution of any other earner was limited to 5s. 10d. The scheme had many commendable features and was reasonably equitable in its incidence. However, it remained unaltered for fourteen years until April 1964. During this period average earnings increased from £5. 7s. to £12. 12s. per week,[49] rates from 29/– to 47/– in the £, the Consumer Price Index rose by 65 per cent and the economic rent of a four-roomed cottage increased to £3. 12s. 11d., that of a flat to £6. 5s. 9d.

In 1950 a man with four dependent children had to earn double the wage of a male industrial worker before he became liable to pay the maximum rent; by 1964 average earnings had increased by 135 per cent but the maximum rent had remained unaltered. In 1964 this resulted in workers who earned substantially less than the average, paying the maximum rent. However, the actual rent paid by a worker, earning the average wage, increased from 14s. 6d. to £1. 13s., i.e. by 128 per cent. The man whose income was about the average of that of an industrial worker had his rent increased on average by about the same proportion as his income rose. All workers whose income was above that average had their rents increased by smaller proportions or not at all. The result of this 'leave things alone' policy was to increase the actual rent due from lower-paid workers and non-earners [50] proportionate to increases in their income while the better-paid worker's rent remained frozen, as soon as his income reached £10. 18s. per week, (see Table XII). Another result of this 'leave things alone' attitude was to reduce the rent (as a proportion of income) paid by multi-earner families—they would easily earn incomes exceeding the limit beyond which higher incomes do not lead to higher rents. At the same time, the real rent burden on the single-earner family man, with a low income, actually increased as the purchasing power of the 5/– per week allowance for third and subsequent children declined. The rise in the contributory old age pension of a couple over 70, from 80/–to 87/6d. per week in January 1964 increased their differential rent by 1/3d. per week; a worker whose earnings were above the average would continue to pay the same rent irrespective of his earnings increasing by 7/6d. per week.

TABLE XII

DIFFERENTIAL RENT PAID BY FAMILY HAVING FOUR DEPENDENT CHILDREN, 1963

(Four-roomed dwelling).

Income (Shillings per week)	Rent (Shillings per week)	Rent as % of income
60	6.7	11
100	13.4	13
140	20.0	14
180	26.7	15
220	33.0	15
260	33.0	13
300	33.0	11
400	33.0	8

In April 1964, the Corporation increased the maximum differential rents by approximately 10 per cent. This was, of course, quite inadequate to restore the 1950 position. The new maximum rent —36/3d. for a four-roomed dwelling—was about half of the economic rent of a house built in early 1964 and about 30 per cent of the economic rent of a four-roomed flat built at that time.[51] The minimum

[47] Maximum and minimum rents differed according to the number of rooms in the dwelling.

[48] 'Differential Rents Scheme'–an official Corporation of Dublin leaflet (undated).

[49] These average earnings refer to the whole State, earnings in Dublin are certainly higher—say by some 10–15 per cent.

[50] All Home Assistance cash grants and all Social Insurance Benefits are fully assessed as incomes, Social Assistance Payments and pensions are assessed at the rates payable prior to the 1957 increases.

[51] Since that date building cost on account of the 12 per cent wage increase early in 1964, and the settlement of the Dublin builders strike in October 1964 have increased substantially.

differential rent was left unaltered in April 1964, i.e. it now equals about three-fifths of local rates due, while it fully covered local rates in 1950.

Dwellings let prior to 1950, about half of all Corporation houses and flats, are let at fixed rents. The Corporation determines the exclusive rent of a dwelling irrespective of the circumstances and income of the tenant. The inclusive rent charged covers rates as well as rent; it is adjusted annually to allow for changes in rates. The exclusive rent in the 1930's varied from 1/6d. to 2/7d. per room. For houses built prior to 1932 this was increased between 1932 and the present time, by 3d. per room, i.e. 1/- for a four-roomed cottage, for houses built after 1932 the increase has been 8d. per room, i.e. 2/8d. for a four-roomed cottage. The inclusive rent of a modern four-roomed cottage with bath was 13/9d. in 1939, the present rent of such a cottage is 18/10d., an increase of less than 40 per cent in twenty-five years. Average earnings of male industrial workers during this period increased from 58/- per week to £12. 12s. per week i.e. by 335 per cent.

At current levels of building costs and rate of interest, the economic rent of a four-roomed cottage is more than £100 p.a. and that of a three-roomed flat more than £200 per annum higher than the maximum differential rent charged. In addition to State grants, the Corporation subsidises the houses it lets by about £700,000 out of rates.

In 1963 there were 4,500 families on the 'approved' waiting list, i.e. recommended by the Corporation's Medical Officier of Health for re-housing. Most of these families lived in overcrowded conditions or in condemned houses. A further 4,500 families had applied to be housed by the Corporation but their need was not considered as urgent. The number of families who would prefer to live in Corporation houses—at present rents—rather than in their present accommodation is certainly well in excess of 9,000. They do not apply for a house, as they consider—rightly—that their chances of being allocated a dwelling are negligible.

The collapse of one house in Fenian Street and another one in Bolton Street in June 1963 led to the discovery of 900 houses which were considered 'dangerous' i.e. liable to collapse.[52] This has aggravated even further the already considerable pressure for new houses in the City.[53]

In addition to building houses for letting, the Corporation grants mortgages under the Housing (Loans and Grants) Act. 1962.[54] The loans are restricted to persons whose incomes are £1,040 per annum or less [55] and the amount of the loan must not exceed 95 per cent of the value of the house. Loans up to 99 per cent of the value of the house, without any limitations of income are granted to Corporation tenants who surrender the tenancy of their houses. The loans are made for a period of up to thirty-five years, at a rate of interest one-half per cent above the rate the Corporation pays for borrowing money; at present (September 1965) the rate of interest charged is 6½ per cent. This compares with 7 per cent charged by most Building Societies. The loan scheme is in no sense a subsidy, the half per cent, by which charges to borrowers exceed payments to the Corporation's creditors, more than covers the cost of operating the scheme. The purpose of the Act is to enable potential owner-occupiers to receive loans which might not be available from commercial sources.[56]

The average number of loans granted during the last five years was about 560. For the first three months of 1964 the average income of borrowers was £700, the average selling price of the houses they bought was £2,520. They paid on average a deposit of £389 and incurred a gross housing cost, including rates but excluding maintenance and decoration, of £4.3s. per week.[57] As most persons borrowing from the Corporation bought new houses, they were entitled to the basic grant of £275 and, if their income was less than £832, to the Corporation's supplementary grant of £206. These two grants would reduce the gross housing cost by 13/6d. per week but still leave the net cost at £3. 9s. 6d. equal to 26 per cent of the average income of borrowers.[58] Only a small minority of persons borrowing from the Corporation have incomes sufficiently high to enable them to benefit from any income tax concession. There must be fairly few people who at the present time can purchase a house under the Corporation's loan scheme at less than double the cost they would have incurred in renting a Corporation house. The houses aquired

52 *Irish Times,* 8 September 1964.

53 It is interesting to note that the density of occupation of Corporation dwellings is exceptionally great. They have a smaller number of rooms per dwelling (3.5 against 4.5) and a larger number of persons per household (4.8 against 3.5). This results in the average number of persons per room being 1.35 in Corporation dwellings and only 0.78 in other dwellings in the County Borough (these calculations are based on unpublished Population Census figures supplied by the C.S.O.—letter dated 12 August 1964). These crude density indexes do not take into account the larger number of children in Corporation dwellings.

54 Similar loans were previously granted under the Small Dwellings Acquisition Acts.

55 One of the conditions of receiving a Corporation loan is that the borrower must be left with an income of at least £9 per week after meeting the full outgoings on the house.

56 Irish Building Societies have for years had insufficient funds to grant all loans for which they have been asked. The high advertising cost to attract funds explains their high operating expenses. They charge borrowers 7 per cent, pay shareholders 4 per cent and pay income tax at the rate 4s 5.2d. in the £, i.e. their expense ratio is more than 20 per cent. (This includes allocation to reserves as an expense).

57 Loan charges on £2,130 at 6½ per cent, £153. 10s., Ground Rent £15, Rates £45, Insurance £3, Total £216, not allowing for graded rate relief in the case of new houses.

58 Rate relief will reduce the net cost in the first nine years by an average of, say, nine shillings per week.

by owner-occupiers are usually rather larger, five rooms as against four rooms in a Corporation house; the latter are said to be better built.

Many Corporation tenants belong to the same social class and income group as the families who become owner-occupiers. It is, therefore, difficult fully to understand the justification of a policy which makes the cost of acquiring a house under the Housing (Loans and Grants) Act so much greater than the rent paid by a Corporation tenant. Part of the explanation is that low rents in the new housing estates were a necessary part of the policy of slum clearance. Most slum rents were very low and migrants had to be offered tempting terms to induce them to move.

Social and Economic Results

The Present Housing Position

Housing conditions in present day Ireland are better than then have been at any time in the past. The improvements which have taken place during the last forty years have been very substantial. Housing and social services, however, reflect generally the state of economic development and in this respect, Ireland, by the better Western European standards, is still underdeveloped. Housing conditions in Ireland and especially in Dublin in the first quarter of this century were notoriously unsatisfactory, (see Table III). There has been much leeway to make up and in all the circumstances the object of attaining the general housing standard of Western Europa would have been unreasonable.[59] Having regard to the comparatively low level of the economy and the slow rate of growth until very recent years, housing improvement in Ireland was creditable.

The significance of international comparison can easily be exaggerated. However, there is a remarkable incongruity between the level of improvements which have taken place and the widespread feeling in the State, both in the towns and in the countryside, that housing conditions are not as good as they ought to be. The increase in standards which has taken place has been overtaken by the increase in standards which are expected. Present day standards are not compared with the past but with the levels attained by the best housed sections of the community. Looked at from this point of view, the lack of piped water in three-quarters of all dwellings in Rural Areas, the overcrowding in one-ninth of all dwellings, the shortage of self-contained accommodation for young couples and the fact that well over a quarter of all dwellings are more than a hundred years old, appears unsatisfactory. In all Western European countries, housing conditions in recent years have much improved, but in these richer countries, dissatisfaction with the state of housing is quite as great.[60]

To attribute all the short-comings of housing in the State to government policy is quite as unreasonable as it is to attribute to it all the credit for the improvements which have taken place. The emigration of some 900,000 people over the last forty years, the movements of the population from the countryside to the towns, the change in the purchasing power of money and the general increase in economic prosperity are all reflected in the present day housing position.

The major objectives of government housing policy have remained virtually unaltered since the foundation of the State. They can be summarised under four headings—to encourage owner-occupation, to maintain and improve the stock of dwellings, to increase the number of dwellings and to keep rents down to such levels as tenants are willing and able to pay. All the various measures adopted—grants for owner-occupiers of new dwellings; rate remissions; grants for supply of water, sewerage and for general improvements; subsidised rents for Local Council tenants; rent restrictions—were directed to achieve these objectives and on balance, did so successfully.

Obsolescense of Rate Relief and Building Grants

A particular measure which is successful in one set of economic conditions is not necessarily so in quite different circumstances. Rate relief and building grants for new houses encourage building and owner-occupation when building resources are under-employed and potential purchasers are relatively poor; but when the building industry is fully stretched and even over-loaded and when potential purchasers have higher incomes, these subsidies merely increase house prices, and thereby builders' profits, wages and materials, without increasing the number of dwellings which will be built.[61] In present day conditions in Dublin and some other parts of Ireland, rate remission and grants for owner-

[59] For a well-informed discussion of housing in Ireland and Europe see P. O. Higgins "Social and Economic Aspects of Housing", [B7].

[60] The housing conditions of coloured immigrants in England and foreign workers and their families in Germany, France and Switzerland are quite possibly worse than anything which exists in Ireland. Statistics and literature are meagre on this topic. One of the few books is that by Pearl Jephcott–"A Troubled Area–Notes on Notting Hill", Faber 1964, [B8].

[61] The extent to which building subsidies increase the output of dwellings and reduce the price at which they are sold, depends on the price elasticity of supply and demand. The more elastic the demand and the less elastic the supply, the smaller will be the share of the subsidies which are passed on to the purchaser in the form of lower prices. In the extreme case when the supply of dwellings is quite inelastic, i.e. when the number of dwellings which will be built is not at all responsive to the price at which they can be sold, no proportion of the subsidy will be passed on to the purchaser and not a single additional house will be built as a result of the subsidy.

occupiers may well be obsolete, an important problem which the author considers worthy of closer investigation than he has been able to devote to it. On the other hand, in rural areas, especially when building is undertaken by under-employed local labour using local material, grants will, even at the present time, increase the number of dwellings which will be built.

The Rent Restriction Acts were passed to prevent rents from rising but incidentally discouraged expenditure on repairs and thus contributed to the rapid deterioration of many tenements. Subsidies to Council house tenants from taxpayers and ratepayers enabled low rents to be charged but proved so expensive, particularly in recent years, that they discouraged the building of more Council houses.

Financial Measures

Loans of up to 95 per cent of valuation under the Small Dwellings Acquisition Acts (now the Housing (Loans and Grants) Act 1962) appear to encourage owner-occupation more than they actually do. It is a fallacy, by no means confined to Ireland, that financial measures, in all circumstances, can improve the general housing position. Thus, many people believe that owner-occupation can be encouraged by lower rates of interest on mortgages and by lower deposits on purchase. Both these measures increase the demand for houses without necessarily increasing the supply; their short run effect may be to increase the price at which houses sell and not to increase the number of persons who can become owner-occupiers. The resulting increase in prices of old and new houses makes building of new houses more profitable and thus increases the number of new houses which builders find it profitable to erect. These financial measures thus achieve the desired object not directly by lowering the cost of becoming an owner-occupier, but indirectly by increasing the prices at which houses can be sold. An incidental result of these measures is to present all existing owner-occupiers with a wind-fall capital gain. All measures which increase the demand for houses result in higher prices which in their turn, increase the supply of houses. The state of supply and demand, i.e. their relative price elasticities, determine how many more houses will be built as a result of a given increase in the price of houses.[62] In a free enterprise society where competitive forces are fairly weak and the mobility of the factors of production is fairly low, quite substantial price increases are needed to increase the output of the building industry. In theory it should be possible for the State or Local Authorities to increase the supply of dwellings without increasing prices by building houses by direct labour. However, past experience has proved fairly conclusively that building by direct labour is more expensive than building through contractors, i.e. the difference in efficiency between building contractors and Local Housing Authorities is greater than the profits made by contractors.

[62] The less elastic the supply of dwellings and the more elastic the demand for dwellings, the smaller will be the increase in output as a result of a given increase in price.

The Younger Generation

The younger generation, newly-weds with possibly one or two children, are most affected by the housing shortage which still prevails. The middle-aged and elderly benefit from rent restriction of the better class property and occupy most of the subsidised Council houses. Inflationary rises in salaries and wages have reduced the burden of mortgages which have been taken out several years ago. The younger generation are either forced to become owner-occupiers by incurring loan charge which take a large proportion of their wages or to occupy sub-standard accommodation.

Housing Problems in the Years Ahead

The Government Proposals

The Second Programme for Economic Expansion (Part II)[63] in Chapter VI § 8–10 summarises the Government's housing policy. This envisages an increase in the number of dwellings from some 7,500 in 1963/64 to about 14,000 in 1970 and also a continuation of the large programme of modernisation of existing dwellings. State (basic) housing grants will be continued to encourage the provision of houses for owner-occupation. Local Authorities will continue to provide rented dwellings, subject to realistic rental policies. Rent control will gradually be relaxed. In essence this is the same mixture as before but rather more of it. The Government has also shown awareness of the overriding need to reduce the cost of building and has encouraged this in a number of ways, most recently and possibly most significantly, by setting up An Foras Forbartha (The National Institute for Physical Planning and Construction Research).

Most aspects of the Government's programme seem well designed to achieve the objects set out. There is in Irish conditions an overwhelming case for encouraging Local Authorities to pursue 'a realistic Rent Policy' and differential rent schemes seem well suited for this purpose. The differential rent scheme at present operating in Dublin can hardly be considered as realistic. A reappraisal of this scheme and similar schemes in other towns seems overdue. (For comments on such a reappraisal see Appendix C.)

[63] [R12].

Rent Restrictions

It seems doubtful whether the further decontrol of restricted dwellings can make a significant contribution to an improvement of the housing position. This blunt statement is a mere impression; no facts are available either to support it or to contradict it. The number, size, location, state of repair, amenities, and occupation density of controlled dwellings are not known, nor are the levels known at which rents are controlled. There appears to be an overwhelming case for conducting a survey of rent-controlled dwellings. Modern methods of sampling make it possible to carry out such a survey at moderate cost.

A Rent Allowance

Council tenants who have low incomes usually enjoy the benefit of low rents, e.g. under the Dublin differential rent scheme non-contributory old age pensioners pay 2/6d. per week for a single room flat. Old people in similar financial circumstances who live in other accommodation frequently pay higher rents to private landlords for premises offering fewer amenities. The same applies to households receiving unemployment assistance.

A rent allowance to cover the actual rent paid, awarded to all recipients of assistance or pensions which are subject to a means test, may well be a fairer method of helping such households, than the present preferential treatment of Council tenants. Such an allowance could be paid by the Department of Social Welfare as part of its welfare programme. Local Councils are meant to provide houses to rent, primarily for people who cannot afford to buy their own houses; but this is not an adequate reason for imposing on them the additional burden of providing excessively cheap housing, for those of their tenants who are in any case given an income from public funds on the basis of a means test. The author has argued in another place [64] the case for the extension of social assistance, administered by the Department of Social Welfare, to cover all social contingencies and needs. If this were done it would be possible and desirable to award the rent allowance, subject to an appropriate means test, also to contributory pensioners.

An Owner-Occupier's Grant

The Government intends to continue and expand the present system of housing grants and rate relief for new houses. For reasons advanced above (page 16) this may not be desirable for non-farm houses. People who are in the process of buying their houses and who have incomes sufficiently large to make them liable to income tax are at present assisted to become owner-occupiers by generous tax relief. People not liable to pay income tax either on account of low incomes or on account of many dependent children, do not receive any corresponding State assistance. To remedy this it may be desirable to introduce a new owner-occupier's grant and simultaneously, discontinuing the present basic grant [65] and rating relief for new non-farm houses.

The owner-occupier's grant would be a cash payment to people who do not pay income tax, equivalent to the tax saving on mortgage interest and life endowment insurance premiums of people who pay tax. This grant might be payable by the Revenue Commissioners. The consequences of these changes in grant policy can easily be appreciated by studying their effect on the benefits received by the occupiers in Table XI.

Occupier A whose income is £4,000 a year would lose the basic grant and rate relief—£47 in all. Occupier B whose income is £1,600 per year would also lose the basic grant and rate relief—£38 in all. As both Occupiers A and B are liable to pay income tax they would not benefit from the suggested owner-occupier's grant. Occupier C whose income is £700 per year is not liable to pay income tax. He would lose £33 in basic grant and rate relief, but, assuming he takes up a mortgage of £2,200 at 6½ per cent, would benefit from the new grant by £45 in respect of mortgage interest and £24 in respect of endowment policy premium relief. Occupier D whose income is £500 is also not liable to pay tax. As he is buying an old house he is not receiving either a basic grant or rate relief and thus would not stand to lose any benefits. Assuming he takes up an £800 mortgage at 6½ per cent he would benefit from the new grant by £16 in respect of mortgage interest and possibly by £8 in respect of endowment policy premium relief. Occupier E, D and F being tenants, would not be affected by the revision of grant policy.

Supplementary Cost of House Purchase

Supplementary costs incurred by vendor and purchaser in respect of advertising, Stamp Duty, Estate Agent's fees and Solicitor's charges on the sale of a £4,000 house, vary between 10 per cent and 19 per cent. (For details see Appendix D.) Both Estate Agents' fees and Solicitors' charges appear to be unduly burdensome.

Conclusions

The scope of this paper does not cover all economic aspects of housing. Some very intriguing questions cannot be discussed. The wisdom of building four and five storey blocks of flats (without lifts) in the centre of Dublin in the present economic position of the country seems open to some doubt,

[64] "Social Security in Ireland and Western Europe", E.R.I., Paper No. 20, June 1964, [B9].

[65] The Supplementary grant payable by the Housing Authorities is subject to a means test. The case for its continuation is therefore much stronger.

especially if it is realised that the cost of a three roomed flat (late in 1964) is between £3,750—£4,000, requiring an economic rent of approximately £6 per week, i.e. a subsidy from public funds of say £4. 7s. 6d. per week. However, all the problems arising out of urban renewal, the building of new towns and the provision of dwellings most suitable for rearing young families or most suitable for old people are outside the terms of reference. So is an assessment of the number of houses which will have to be built to allow for the reduction in the rate of emigration, the increasing marriage rate, the lowering of the average age of marriage and the replacement of obsolete and dangerous houses.

An attempt has been made to quantify the burdens and benefits accruing to occupiers as a result of State action. It has been shown that not all of these are the result of a considered policy aiming at economic and social objectives, but that at least some of them have just evolved, sometimes accidentally, over the years. The resulting distribution of burdens and benefits is considered unsatisfactory.

The tentative suggestions made in this paper are directed to modify the incidence of State assistance for housing. The owner-occupiers grant would benefit above all young low-income families who wish to become owner-occupiers. The abolition of rate relief and building grants for new non-farm houses is advocated in the expectation that this would not lead to any marked increase in the price at which houses are sold. In any case these subsidies largely benefit income groups who already are favoured by quite substantial tax remissions.

The rent allowance for non-contributory pensions and recipients of assistance would give some much needed relief to the least well-off section of the community. A survey of rent controlled dwellings and a review of legal charges and Estate Agents' fees have also been suggested.

APPENDIX A. NEW BUILDINGS AND OBSOLESCENCE

In the fifteen year period 1946–61 the number of State aided houses built was 120,000, i.e. eighteen new houses were built for every hundred in existence at the beginning of the period. The Population Census in 1961 recorded that 125,000 houses were built in the previous fifteen years. This total included an unknown number of dwellings built without State grants and there may have been some minor inaccuracies in estimating the age of dwellings.

TABLE A1

DWELLINGS BUILT AND DEMOLISHED 1946-61

Thousands

	Counties			Boroughs and Urban Districts	Total
	Rural Areas	Town Areas	Total	Town Areas	
Stock of dwellings, Census 1946	423	24.4	447	215	662
Dwellings built 1946–61[a]	(35)	(32.4)	67	53	120
	(457)	(56.8)	514	268	782
Stock of dwellings, Census 1961	—375	—54.6	—430	—247	—677
Dwellings demolished[b] 1946–61	(82)	(2.4)	84	21	105
Dwellings demolished, % of 1946 stock	19%	(10%)	19%	10%	16%

(a) Built with State aid. Very few dwellings were built without aid.

(b) including uninhabited dwellings and those fallen into disuse. This is a minimum estimate.

N.B. Figures in brackets are based on the assumption that in County Council Town Areas the % of houses demolished was the same as that in Borough and Urban District Council Town Areas.

Source: Dwellings built 1946–61. Statistical Abstract—1953 Table 126—1956 Table 134—1963 Table 160. Dwellings in Census years in Boroughs and Urban Districts, Census of Population 1946, Vol. IV, Part II, Tables 1 and 2 and Census of Population 1961, Vol. VI, Tables 16B and 17—in County Town Areas, Census 1946, Vol. IV, Part II, Table 2 and Census of Population 1961, Table 16B (Total in Aggregate Town Areas) less dwellings in Boroughs and Urban Districts—in County Rural Areas, Census 1946, Vol. IV, Part II, Table 3 and Census of Population 1961, Vol. VI, Table 16C.

The stock of dwellings increased between 1946 and 1961 by a mere 15,000; the 120,000 grant-aided new houses were offset by 105,000 houses which were either demolished or went out of use. In Table A1 an attempt is made to estimate the distribution of dwellings becoming obsolete between Rural and Town Areas. The statistics giving the number of dwellings built relate to administrative areas, i.e. Counties, Boroughs and Urban Districts. Unfortunately the counties contain a large number of Town Areas [1]; especially in County Dublin and County Cork. No information is available about the number of dwellings built in Town Areas in counties. The figures shown in brackets in Table A1 are based on the assumption that in County Town Areas the percentage of houses demolished and becoming obsolete was the same as that in Boroughs and Urban Districts. This is a rather conservative assumption, as the Town Areas in the counties are mainly suburbs and will have had relatively few dwellings which became obsolete.

In Boroughs and Urban Districts, some 21,000 dwellings became obsolete, about 10 per cent of the stock of dwellings in 1964, while in Rural Areas the number of dwellings becoming obsolete was about 82,000, i.e. 19 per cent of the 1946 stock. In spite of a 16 per cent decline in the rural population, some 35,000 dwellings were built in Rural Areas during this period. This indicates considerable mobility amongst the rural population, partly to better-quality new houses and partly from outlying farms to small village settlements. The reduction in overcrowding and occupation density which occurred could, in theory, have come about without any new buildings in Rural Areas at all.

The number of dwellings in Town Areas within counties, increased from 5 per cent to 11 per cent in the period. The growth of Dublin and Cork has not resulted in the redrawing of Local Government areas to allow fully for this expansion.

[1] Places with 1,500 or more inhabitants.

APPENDIX B. ESTIMATE OF ANNUAL RATEABLE VALUE OF DWELLING HOUSES

Rates on houses provided under the Housing of the Working Classes Acts 1890–1958 and the Labourers Acts 1883–1962, and let by Local Housing Authorities are levied under Section 9 of the Local Government (Rates of Small Dwellings) Act 1928. These rates are shown separately in the Returns of Local Taxation 1961/62 [2] under the heading 'Increases in Rents of Small Dwellings'. They have been divided by the 'Rate in the £', levied in the same year to arrive at rateable values, e.g. Dublin C.B. Increase in Rents £673,033 by Rate in £—40/9½d equals £330,000.

The rateable value of all other dwelling houses had to be estimated. The valuation records distinguish only between land and buildings (including factories, offices and shops); they do not show separately the rateable values of dwelling houses. The estimates used were furnished by Mr James Good, B.E., Staff Valuer in the Valuation Office. Mr Good estimated the average rateable value of four types of dwellings—owner-occupied and rented, separately for Town and Rural Areas—for every county, County Borough [3] and Dun Laoghaire; (e.g. for Kildare County in Town Areas, owner-occupied dwellings £12, rented £6, in Rural Areas, owner-occupied £5, rented £3). His figures are based on very long experience as a valuer and were arrived at in consultation with some of his senior colleagues. These average rateable values are estimates, it is not claimed that they are absolutely accurate, but it is suggested that they are sufficiently accurate to indicate the rate burden borne by dwelling houses.

The average rateable values were multiplied by the number of private dwellings recorded in the Census of Population 1961 [4]. Tenant Purchase and Vested Cottage scheme dwellings have been valued at the rateable value of rented houses, but otherwise are shown as owner-occupied dwellings. The aggregate estimates are produced in Table B1.

TABLE B1
ESTIMATED RATEABLE ANNUAL VALUATION 1961

	Dublin	Cork	Limerick	Waterford	Dun Laoghaire	U.D.C.[a]	Counties: Town Areas	Counties: Rural Areas	Total
	£000								
Domestic Dwellings:									
Rented from council	330	53	34	18	24	147	46[b]	87	739
Other rented	471	59	25	16	31	111	70	155	938
Owner-occupied	803	59	29	18	110	213	447	1,098	2,777
Total	1,604	171	88	52	165	471	563	1,340	4,454
Other buildings	1,457	159	89	55	124	475	727		3,096
All buildings	3,061	330	177	107	289	946	2,630		7,540
Railways etc.	122	14	5	2	6	32	110		291
Land	20	3	6	2	5	72	6,930		7,038
All hereditaments	3,203	347	188	111	300	1,050	9,670		14,869
All dwellings, number (000)	130	19	11	6	12	69	55	375	676

(a) Excluding Dun Laoghaire.
(b) Number of dwellings multiplied by estimated rateable value.

APPENDIX C. REAPPRAISAL OF DIFFERENTIAL RENT SCHEMES

The difficulty of persuading locally elected Councillors, many of whose supporters are council tenants, to vote for higher council house rents is only one of the difficulties which beset the revision of differential rent schemes. The object of such schemes is assumed to be four-fold. To charge tenants rents:—

(i) In accordance with their ability to pay.

[2] [R6] Tables III, XV and XXVI.

[3] Separate estimates were made for each Ward of Dublin C.B.

[4] [R4] Vol. VI Tables 16B, 16C and 17.

(ii) Bearing some relationship to the cost of providing accommodation.

(iii) Sufficiently high to prevent subsidies on council houses to increase at such a rate that they impede the willingness of councils to build more dwellings for letting.

(iv) Sufficiently high to encourage better-off tenants to become owner-occupiers.

However, in designing a scheme which applies these objectives, many difficulties arise.

In a period of rapid changes in money as well as real incomes, the burden on people purchasing their own houses is reduced with time. Tenants renting uncontrolled dwellings from private landlords will have their rents increased in line with other prices. Council tenants have in the past often been in much the same position as owner-occupiers. Their wages increased and, as rents remained fairly stable, rent, as a proportion of income, declined.

It seems reasonable to expect tenants who can afford it to pay the full economic rent. Is it right that they should pay more than the economic rent? Posed in this way the question seems to invite a negative answer. The view may be put forward, however, that a man who can now afford it should repay the community in form of higher rent, some of the subsidies he received in the past. It also appears inequitable that of two people living in broadly similar houses, one pays a rent of merely 25/– a week because his house happened to be built when rates of interest and building costs were relatively low, while the other pays a rent of, say, 50/– because his house was built when rates of interest and building costs were higher. Another problem is whether, as in England, the tenants of houses having low economic rents should be made to subsidize tenants of more recently built houses having high economic rents. Why should council tenants of pre-war houses not enjoy the "benefits of inflation" quite as much as owner-occupiers? Would not housing subsidies be more equitably financed if they were raised according to the general tax-payer's ability to pay, rather than overcharging council tenants, in the sense of making them pay higher rents than necessary to finance the services they enjoy? There are no easy answers to these questions.

The present Dublin differential rent scheme has the considerable advantage of being simple to understand and cheap and easy to administer—the latter partly due to the fact that some 80 per cent of all tenants covered by the differential rent scheme are reputed to pay maximum rent. Any reappraisal which attempts to be equitable to people living in houses differing greatly in quality and who find themselves in vastly different circumstances is likely to be less simple to understand and more expensive to administer. In this field, as in so many others, equity and simplicity are incompatible. Without attempting an answer to these fundamental issues, the following guide-lines for a reappraisal are suggested for discussion:—

(i) All council dwellings in town areas should be let at differential rents.

(ii) The differential rent for households having average incomes or above should be one-sixth of assessed household income with a maximum equal to the economic rent or a notional economic rent related to cost and rates of interest 10 years previous, whichever is the higher.

(iii) Households having below average income should pay on a sliding scale a smaller proportion of assessed household income in rent.

(iv) The differential rent scheme should not be a disguised family allowance. Children's allowances from public funds should be paid on other criteria than the nature of occupancy. Similarly, differential rents should not be a disguised form of social welfare payment. These should be matters of social welfare, not of housing policy. (See the suggested Rent Allowance).

(v) The assessed household income should fully take into account the earnings of all members of the household, but allow a reasonable personal allowance, say 25/– a week, to every income-earner. The Dublin differential rent scheme, taking into account only incomes of subsidiary earners of between 5/– and 40/– a week, i.e. a maximum rent contribution of less than 6/– a week, appears quite inadequate.

Another abnormality of the Dublin scheme is, that households living in the centre of Dublin in three-roomed flats which are very expensive to build, pay lower maximum rents than the tenants of four-roomed cottages which are much cheaper to erect. This seems all the more inequitable as the flat tenants will have on average much lower travelling expenses than the cottage tenants, living on the outskirts.

APPENDIX D. SUPPLEMENTARY COST OF HOUSE PURCHASE

The transaction of selling a dwelling house involves other expenses in addition to the selling price. These include Stamp Duty, Estate Agents' fees, Solicitors' charges and advertising. They are partly borne by the vendor and partly by the purchaser.

The Stamp Duty on newly built houses is 1 per cent irrespective of price. On all other houses (with few exceptions) sold at £2,500 or more, the duty is 3 per cent. The 1 per cent duty on new houses is frequently avoided; that on old houses has to be paid in all cases. It is paid by the purchaser.

Estate Agents' fees are laid down in the 'Scale of Professional Charges' issued by the Irish Auctioneers and Estate Agents Association (Incorporated). The fee for sales by auction is 5 per cent of the amount realised, payable by the purchaser. Advertising and other disbursements have to paid by the vendor. For sales by Private Treaty the fee in the Dublin area is 2½ per cent of the agreed price, payable by the vendor; in other areas the fee is 5 per cent, payable by the purchaser. The cost of advertising a sale by auction in Dublin amounts to about £100–£150. Adherence to the fees laid down by the Association is the general rule; undercutting is most exceptional. The normal auctioneer's fee on the sale of a dwelling house at £4,000 is £200, after reimbursement for all expenses.

Solicitors' charges are laid down in the Solicitor's Remuneration General Orders 1884–1960. The details of the calculation of charges are rather complicated. Their effect is best illustrated by examples taken from Table A of the General Orders. The charges for the completion of a successful sale by auction or Private Treaty of a dwelling house (not subject to the Registration of Title Acts) are £87. 10s. for a consideration of £3,000, £107. 10s. for £4,000 and £125 for £5,000, i.e. 2.9 per cent, 2.7. per cent and 2.5 per cent respectively. These fees are payable by both the vendor and the purchaser, i.e. the solicitors' scale charges on a £4,000 house are £215. Undercutting of the scale charges by some solicitors does not appear to be unusual. A charge of £80 for a £4,000 house is not uncommon.

Solicitors' charges in respect of a £3,000 mortgage according to the General Orders (Table A) are £75 for the mortgagee's solicitor and £52. 10s. for the mortgager's solicitor. Solicitors' scale fees for Building Society loans are "on advances not exceeding £1,500–1½ per cent, on advances exceeding £1,500–1½ per cent on the first £1,500 and 1 per cent on the remainder, exclusive of searches, registration, stamp duty and other legal out-of-pocket expenses" [5]. For a £3,000 mortgage the charge is £37. 10s. It is interesting to note that professional charges in England are decidedly lower. The aggregate supplementary costs on the sale of a £4,000 house by auction, in Ireland and England are approximately:

	Ireland	England
	£	£
Advertising, say	100	100(1)
Estate Agents' fees	200	113(2)
Solicitors' charges	160(4)	120(3)
Legal charge on Building Society Mortgage	38	19(3)
Stamp Duty on sale	120	20
Stamp Duty on Mortgage	4	3
	622	375

Notes: (1) Advertising cost is often much lower.
(2) Scale of Professional Charges of the Chartered Auctioneers' and Estate Agents' Institute (29 Lincoln Inn W.C.2). In some localities lower scales operate, e.g. in County Durham the fee is only £80.
(3) Law Society's Scale of Charges in Solicitor's Diary 1964.
(4) A charge not uncommon in Dublin. The General Orders charge is £215.

Aggregate supplementary costs in Ireland amount to 15.6 per cent of the selling price. If the house is sold in Dublin by Private Treaty the cost would be about £452, i.e. 11.3 per cent. The aggregate supplementary cost may amount to as much as £752, i.e. almost 19 per cent. This is the case if the solicitors' charge the full General Orders scale and the house is bought at an auction, the scale being financed partly by a £3,000 private mortgage.

Estate Agents' fees on the sale of a £4,000 house either by auction or by Private Treaty are 150 per cent higher in Irish provincial towns than in say Sunderland or Newcastle-on-Tyne (£200 as against £80). Solicitors' scale charges are higher by 79 per cent (£215 as against £120).

[5] 'House Purchase Service' issued by the Irish Permanent Building Society.

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