

London for sale: towards the radical marketization of urban space

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London is the capital of the most class-stratified (unequal) nation state in western Europe, second only to Portugal¹. Britain never experienced the bourgeois or socialist revolutions which modernised the state and land ownership elsewhere and it pioneered capitalism through a distinctive evolution of earlier feudal relations, expelling the people from the land and forging the first urban working class. The elites of Britain became dominant over a vast empire and that dominance has evolved into a powerful set of financial, professional and cultural institutions which still exercise influence (and make money) on a world scale. This is a place where the world's elites come for education, medical treatment, shopping, consultancy advice on privatisation, money laundering and business management: important parts of London's economy make up a global clearing house for the practices of neoliberalism.²

A second distinctive feature of London is the dominance of landed interests in the society. The Crown, Westminster and Grosvenor Estates (all aristocratic) act alongside corporate giants like Land Securities and British Land in the management of London. The dominance of property has recently been reinforced by the unintended consequences of an urban planning system which protects 'countryside', protects areas of high amenity and gives owners—an owner-occupying majority in the housing system as well as hereditary, corporate and developer owners—a dominant say in how land is used, allowing private house building companies to build at the (slow) rate which best suits their profitability. Through the decades since 1975 when salaried workers in all the OECD countries have received declining shares of the growing social product, the flow of funds into land and property acquisition has been boosted, especially since

2000, to the point where the 'value' of housing, commercial properties, land and infrastructure reached 87% of the national stock of tangible assets.³ This process has been fuelled by easy credit for households and corporate buyers, and was reinforced by the collapse of confidence in collective forms of pension which led families to pour their savings into housing as an individualised strategy of wealth accumulation. The geography of this process has focussed land value growth increasingly in London and in the surrounding regions so that the lower quartile price of a dwelling in London reached nine times the lower quartile London household income by 2008.⁴

A third particularity of London has been crucial in helping to bridge the contradiction of low-paid people surviving in a high-rent city: the struggles for housing in the 20th century which led to a large stock of social housing, publicly owned and let at manageable rents to nearly half (at peak) of ordinary Londoners—three quarters in some districts. Along with rent controls on private landlords this had stabilised the patchwork of fine-grain social (and ethnic) mixing across more of the city than would be expected. If the phrase 'sustainable communities' has meant anything in London it has been the scope for working class, as well as richer communities to reproduce themselves from generation to generation in most neighbourhoods.

That has all been changing since the 1980s as the social housing sector has shrunk through privatisation, incomes have increasingly polarised, de-industrialisation has destroyed middle-level jobs and an unregulated private landlord sector has captured a quarter of the stock. This private stock houses high-, middle- and low-income people, offering flexibility to the growing flows of educated migrants and students, but also some of the worst value-for-money and most crowded conditions for the poorest households. The stresses are evident in three main spheres.

In the labour market: millions are employed at (or below) the national minimum wage, on which it is not possible to live decently in London. This has prompted a strong movement, London Citizens, linking local and religious organisations with precarious and low-paid workers' groups to demand a 'London living wage'. The campaign has brought gains to workers, initially in public bodies, then to some of the big banks at Canary Wharf (and universities) who were shamed into compliance.

The labour market requires far more, both in quantity and quality of workers, than can be reproduced within Greater London, sucking in three quarters of a million daily commuters and major migration flows of qualified and other workers from other regions, from the rest of Europe and the world. It is an economy sustainable only by denuding other regions and nations of their expensively-trained people⁵. It involves burdensome amounts of travel too, local and global.

The third sphere where stresses are powerful is in the welfare system which covers much of the gap between low income and high London rents for working and non-working households, private and social tenants. These benefits have become a target for the new Conservative-led national coalition government and their proposed cuts would greatly shrink the proportion of London in which lower income people can afford to live. Tens of thousands will have to move to the cheapest parts of the city, or to other towns and regions. The more central or salubrious districts will become entirely unaffordable and homelessness will escalate. The city will rapidly become much more segregated.⁶

Fig 2 about here.

Since the 1990s, areas exhibiting strong concentrations of deprivation have been designated for 'regeneration' and this slippery word is used to legitimise almost every construction project. The evidence is now very strong that public funds and agencies carry much of the risk while the gains flow to property owners and investors. The 'deprived' residents in whose name the 'regeneration' is launched

often get displaced or priced out as their areas cease to be viable locations for mixed-income residence or the businesses they need.

The pressure on London has been increased by the appeal its housing offers to elites and investors from around the world, so that foreign buyers now make up a majority of all buyers in some districts. Some have second or multiple homes, others are simply speculating in what is seen as a safe market (and may not even have their apartments occupied) while others again are buying as investments for renting. It is reported that, in the 'prime' London housing market, the average price paid ranges from £6.2m by Russian buyers to £1.3m by Latin American buyers, with price fluctuations correlating strongly with the numbers of new billionaires being created in each continent.⁷ A substantial part of the housing stock is thus going to meet international luxury consumption and investment demand. This makes nonsense of the planning system in which demographic and economic studies of need and demand have long influenced how housing capacity is allocated. Not any more: it is the market which increasingly determines what gets built, where and for whom. Even the relatively progressive mayor Ken Livingstone struggled to secure modest outputs of new social rented housing on land which, in the boom, he could extract from private developers but even he, with government subsidies helping, could never achieve his targets or keep up with the shrinking of the social stock through privatisation. This remains the most explosive single issue in London planning.⁸

Fig 1 about here.

The penetration of financial capital into unexpected parts of society has recently been dramatised by breakdowns in the sale and leaseback of 'assets' which exist to serve collective public needs. The London fire service turns out to have transferred the ownership of its fire engines to a private company, Assetco, from which it leases them. This became problematic when Assetco got into financial difficulties and it looked as though London might suddenly have no fire engines.

A similar potential disaster has emerged in the care homes sector where a lot of private companies are now contracted to care for elderly and other dependent people, often at public expense - throughout the UK. A large chain of care homes, Southern Cross, turned out to have done a sale-and-leaseback with private equity companies, on terms which embodied upward-only rent reviews and indexation to inflation. This means that as Southern Cross gets into financial difficulties it, and the residents for whom it cares, risk eviction from their buildings. Even London's City Hall is on a lease from developers More London. The concept of public buildings is slipping away.

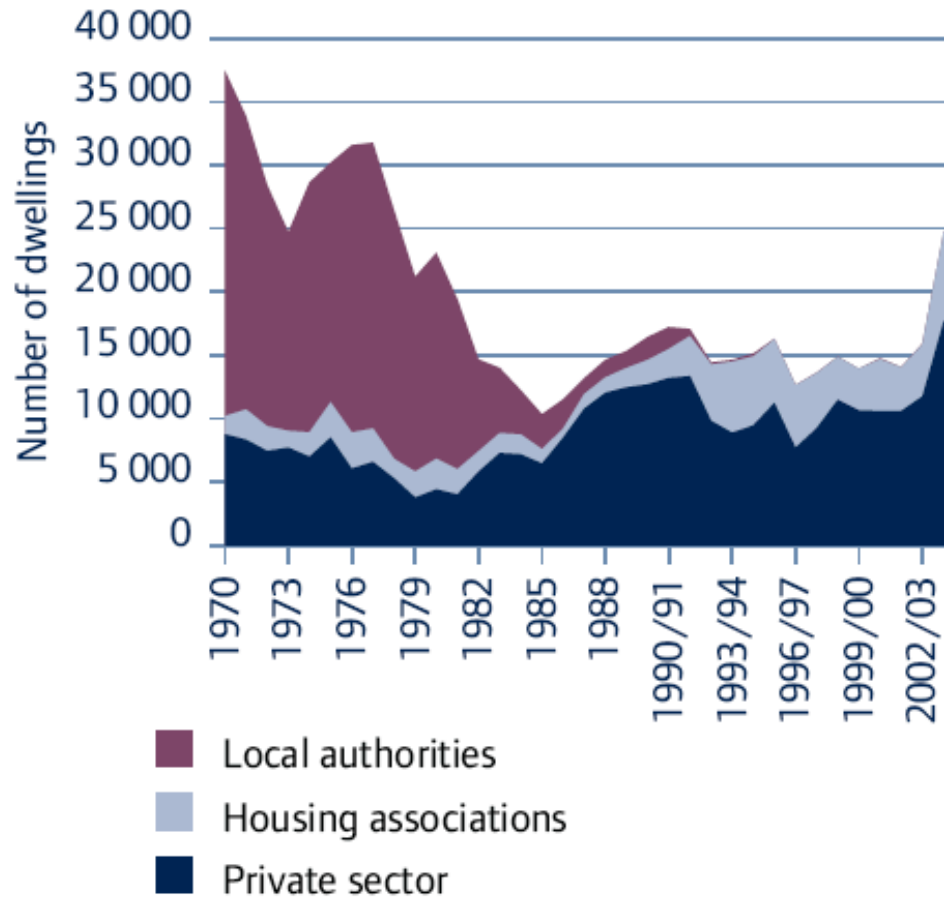
Perhaps most pernicious of the expanding set of market relations in London is the role now played by the housing market in regulating access to good state schools. In such an unequal society primary and secondary schools are very different in the character of their intakes, in how they educate and socialise their children and in how they are perceived by parents. Policies of successive governments since the 1980s have undermined measures which made the system somewhat egalitarian and emphasised 'choice' for parents. In this context parents compete for places in what are seen as the better primary schools which in turn help gain access to better secondary schools. Since access to popular schools nowadays tends to be limited by catchment area boundaries there is competition for housing mediated through local price premiums which may run to tens of thousands of pounds.⁹ Thus class differences, and their spatial expression get further hardened between generations.

The popular version of the County of London Plan 1945 was introduced with the proud statement "So when the LCC plans for London it is not merely planning these things in an abstracted way *for* Londoners; it is London's own people through their own democratic government, planning themselves."¹⁰ That plan clearly assumed that business interests (which it refers to as 'vested interests') would be subordinated to the plan; today's plan implicitly assumes we are all

subordinated to capital. That is what is meant by today's legal requirement that a plan must be 'viable' to be 'sound'.

Our subordination to the market is even clearer here: the introduction to the 1945 Plan uses wording which would be inconceivable today: 'In 1941 Lord Reith, who then was Minister..., asked the London County Council to prepare a plan and to work it out without paying overmuch respect to existing town planning law and all the other laws affecting building and industry but with a reasonable belief that if a good scheme was put forward it would provide reasons—indeed more than "reasons"— the impulse and determination to bring about whatever changes in law are needed to carry the plan into effect.'¹¹

Figure 1 Greater London: annual output of new dwellings by type of development agency, 1970-2003



Source: GLA and Communities and Local Government

¹ Richard Wilkinson and Kate Pickett (2009) *The Spirit Level: why more equal societies almost always do better*, London: Allen Lane

² Massey, D (2007) *World City*, Cambridge: Polity Press

³ ONS data and see Michael Edwards (2011 in progress) Towards better urban development. Draft at <http://societycould.wordpress.com>

⁴ Department of Communities and Local Government data, in GLA Economics (2009) *Economic Evidence Base to support the public consultation drafts of the London Plan* London: GLA Fig 7.2

⁵ Massey op. cit.

⁶ Fenton, A (2011) Housing Benefit reform and the spatial segregation of low-income households in London, working paper 34, Cambridge: Department of Land Economy.

⁷ Savills (2011) The World in London: how London's residential resale market attracts capital from across the globe, London: Savills
<http://pdf.euro.savills.co.uk/uk/residential---other/the-world-in-london---summer-2011.pdf>

⁸ This is the core issue for the Just Space Network of community groups pressing for changes to the London Plan. <http://justspace2010.wordpress.com> and see Michael Edwards (2010 October) Do Londoners make their own plan? in K Scanlon and B Kochan (eds) *London: coping with austerity*, LSE London Series, paperback, 978-0-85328-459-8, chapter 5, 57-71. Eprint <http://eprints.ucl.ac.uk/20241/> Whole book is a free download at <http://www.lse.ac.uk/collections/LSELondon>

⁹ Cheshire, P and S Sheppard (2004) Capitalising the Value of Free Schools: The Impact of Supply Characteristics and Uncertainty, *Economic Journal* 114(499): F397-424.

¹⁰ Carter, E J and Ernő Goldfinger (1945) *The County of London Plan explained*, West Drayton: Penguin.

¹¹ Ibid., p5.