“The speculative builder is an unplannable instrument” - lessons from the Attlee government, Part 1

This year sees the 80th anniversary of the election of the post war Labour government. The General Election took place on July 5th. The result was announced on July 26th owing to the counting of the votes of troops abroad. Despite dire economic circumstances, far worse than we face today, the government set up the NHS, launched the welfare state, and carried out a large scale council house building programme. What did Labour's housing programme consist of, and what lessons can we draw for today's housing crisis?

After the First World War the Tory/Liberal coalition introduced the first government funded council house building programme through the Housing & Town Planning Act launched by Christopher Addison, the Minister of Health.[1] Prior to 1919 councils had been able to build for 'the working classes' but without government support. The coalition government committed to funding 500,000 homes, but the programme was cut short by austerity measures, funding around 170,000. However, it set an important precedent.

The first Labour government, short lived as it was, amended Tory legislation of 1923 which had provided most subsidy for the private sector. It only funded council housing where the private sector could not meet identified need. The Wheatley Act, named after John Wheatley, the Minister who introduced it, increased subsidy for council housing from £6 to £9 a year and from 20 to 40 years. The Act funded more than 500,000 council homes. It was abolished in 1933 and government support only went to slum clearance. But there was very little funding for it. The 1931 census had shown that there were one million more households than there were dwellings. Overcrowding was the norm. Millions rented rooms in multiple occupation housing.

The Second World war exacerbated the housing crisis as a result of widespread destruction of homes by bombing: 225,000 houses were destroyed and 550,000 'severely damaged'. The Ministry of Reconstruction estimated that 750,000 houses would be required at the end of the war for everyone 'desirous of having one' and 500,000 new dwellings for those displaced by slum clearance. There was a vast backlog of work to be done. Moreover, the living conditions of the majority were without what would now be considered to be basic amenities. Seven million dwellings lacked a hot water supply, six million an indoor toilet, almost five million without a bath.

Squalor was one of '5 giants' which the Beveridge Report sought to vanquish. It referred to the living conditions of millions of people. In a supplementary book to the Report, in 1944, he had this to say about housing.

“Squalor means the bad conditions of life for a large part of our people which have followed through the unplanned disorderly growth of cities, through our spoiling more and more country by building towns, through our continuing to build inadequate, ill-equipped houses that multiply needlessly the housewife's toil. The greatest opportunity open in this country for raising the general standard of living lies in better housing, for it is in their houses and in the surrounding of their houses that the greatest disparities between different sections of the community persist today.”
Full Employment in a Free Society (George Allen and Unwin Ltd)

In a foreword to a prominent book of the time, “The Rehousing of Britain”, by John Madge, Beveridge wrote that government provision of good housing for all was a key priority.

“First, variations in housing standards represent the greatest inequalities between sections of the community and afford, therefore, the greatest scope for raising the standard of living. Second, expenditure of our energies and our money on getting good housing is the most practical immediate contribution that we can make towards winning full employment, by the radical route of social demand. There is no

1 Addison was a Liberal MP. He broke with them and joined the Labour Party, becoming the Labour MP for Swindon in 1929. He wrote a book, Betrayal of the slums, about the experience, which is available online.

question that for years to come we can use all the manpower that can be spared from other essential tasks in bringing about the revolutionary progress that is needed in the housing of the people. Third, good housing – far better than housing we have at present – is the indispensable foundation for health, efficiency and education. It is a waste of money to build hospitals to cure disease if families are forced to live in houses that breed disease. It is a waste of money to build schools for children who must return each night to squalid, crowded, unhealthy homes."

Strange as it is to read a Liberal politician speaking of revolutionary progress, what Beveridge was speaking of here, "social demand", is fundamentally different to 'demand' determined by the market; that is, what people can afford to buy. The first council building programme had been implemented by a Tory/Liberal coalition because of fear of a post-war radicalisation, but also because private builders weren't interested in building for social need. Where they had built for the poor they created the ubiquitous slums which often destroyed their tenants' health. *Council housing was a means of providing for 'social demand' outside of the market*.

Preparations for post-war building had begun as early as March 1943 when all local authorities in England and Wales were asked to prepare a programme for the first year following the future peace. In 1944 the decision was taken to build temporary accommodation, the 'prefab'. According to the Prefab Museum 156,623 were built between 1945 and 1948. Anuerin Bevin called them rabbit hutches, though they were popular with some who lived in them.

By March 1945, councils in Britain had already acquired or were in the process of acquiring land sufficient for 662,000 homes. A year later only 194 out of 1,469 local authorities in England and Wales had no scheme under way.[2]

Speaking in the House of Commons in June 1945, just before the General Election, Arthur Greenwood, Deputy Leader of the Labour Party, addressed the housing situation in the UK, which he called "one of the most vital human issues". Many houses were 75 or even 100 years old, built when there was no sanitary science and "the new Liberal manufacturing interests...believed in the gospel of everyone for themselves and the devil take the hindmost".

"These houses are old houses. They are described in the White Paper as obsolescent, but they are more than obsolescent, they are rotten, according to modern standards, and that really is the core, the heart of Britain's housing problem. It is not merely a case of patching up what is left, it is not merely trying to catch up the leeway. The fundamental housing problem is the rehousing of the vast majority of our industrial population". (Hansard)

He had described the coalition's proposal of 200,000 homes for the first two years after the war, as "chicken feed for a hungry nation."

No housing target

Pressure on the government and its MPs was acute. In his biography of Aneurin Bevan, Michael Foot writes that

"The housing shortages caused more anguish and frustration than any of the nation's manifold post-war problems; all over the country the need was desperate and every MP and every local councillor was being besieged by the endless queue of the homeless."
Michael Foot, Aneurin Bevan 1945-60

Another source of pressure on the government was the squatters movement which saw homeless people occupying army camps, and other empty properties. In October 1946, the government announced that 1,038 military camps had been squatted in England and Wales by 39,535 people in a wave of occupations of empty properties by ex-servicemen and their families. Over 4,000 people had occupied such camps in Scotland as well. In response, some army service camps were used for accommodation but the government "urged that local authorities should take action to prevent the spread of the movement". When squatters took over a number of empty fat blocks in London, five of the organisers were arrested.

What would the Labour government do to address this crisis? Ernest Bevin had promised "five million houses in quick time" and Stafford Cripps had allegedly claimed "housing could be dealt with in a fortnight"! This was nothing more than empty rhetoric.

2 State Housing in Britain, Stephen Merrett 1979, citing Ministry of Housing and Local Government statistics.

Despite the urgency of the need, readers may be surprised to learn that there was no mention of council housing in the Party's General Election manifesto. It promised only a generalisation, that "it will proceed with a housing programme with the maximum speed until every family in this island has a good standard of accommodation". There were no housing targets in it either. Bevan set no targets and resisted demands to do so from the Tories. Why? In October 1945 he told the House of Commons

"I tell the House, bluntly and frankly, that I am not going to do any of that crystal gazing. We have had too many programmes. It is time we had houses... *We, on this side of the House, have committed ourselves to no figures*. It would be comparatively easy for me to state figures in excess of those that have been stated by hon. Gentlemen opposite. *It would be demagogic*. It would be as demagogic as those figures were. *The fact is that if at this moment we attempted to say that, by a certain date, we will be building a certain number of houses, that statement would rest upon no firm basis of veracity*; in fact, it would be as unveracious as the temporary housing programme of hon. Gentlemen opposite. All I can promise is this: I will treat the House with the utmost candour. I will give monthly detailed progress reports starting at the beginning of the new year, so that the House can see what progress is being made." (Hansard - my emphasis)

The circumstances faced by the government were very difficult. There were severe shortages of labour and materials. Many of the skilled trades were still in the army abroad. Bevan said that "when the materials and labour have been provided to the local authorities, he would give them targets".

"...but it would be foolish for any Minister of Health to give a target to local authorities unless labour and materials were ready for use, because all they would say would be that the Minister was passing the buck. When we have provided the materials and labour, the local authorities must be stimulated to reach certain definite figures of production. We shall do that. Furthermore, there are instances where the local authorities' own efforts will have to be supplemented by other forms of building organisation. As a general rule, the labour force in the building industry distributes itself over the country in accordance with the needs of the building industry itself, but there are certain instances now—for example, blitzed cities, and places where there are new factories going up, and especially in the rural areas where there is an acute shortage of labour—where some other agency will have to be found to supplement and reinforce the efforts of the local authority. The Government are going to do that very shortly. It is useless for us to give precise particulars now because we are governed in the immediate few months by the over-all resources of labour, which is consequent upon the fact that there are in the Forces large numbers of people who will shortly be coming home." (Hansard)

The 1939 construction labour force was 1 million. In 1945 it was only 337,000. By March 1947 the workforce for new housing had risen by 200,000 but it was still around 100,000 less than needed.[3] In 1945 Bevan was concerned that setting a target would be used against the government.

"I am not going to tie myself to figures because if you tie yourself to figures you become the victim of importunities by undesirable elements. I would explain who those undesirable elements are; *they are those building contractors who want to hold the public up to racketeering prices*, and if they know the Minister has committed himself to a certain number of houses, in a particular time, *they will use that as a lever against him*. I want the support of the House to resist tenders where those tenders are too high. *I want to bring down housing costs*." (Hansard)

Labour's Manifesto in 1945 said that "There must be no restrictive price rings to keep up prices and bleed the taxpayer, the owner-occupier and the tenant alike."

Council housing

If people living in squalor were to be housed, in what would they be housed? Council housing was to be the priority. Local authorities did the planning, *in the knowledge that they had grant available from the government*. A Housing (Financial and Miscellaneous Provisions) Bill was passed early in 1946 . Bevan managed to gain the agreement of the Chancellor to *triple the grant* previously available. It was increased from £5 10 shillings (50p) per property a year, to £16 10 shillings. A contribution from the local rates (precursor of council tax) of £5 10 shillings meant that the grant was £22 a year. It was also increased from 40 years to 60 years, providing over time a total of £1,320.

3 State Housing in Britain, Stephen Merrett (Routledge, Keegan and Paul)

I haven't as yet found evidence of a 'costed programme' based on these grant levels. The NHS was costed at £176 million in its first year but actually cost £447 million, owing to the vast amount of unmet need undealt with by the private system.[4]

The government restricted building for private sale by use of a licensing system (by local authorities) utilising war time legislation. Since it decided that the priority was rented homes, it concluded that only councils could provide them at a rent that was affordable. It aimed for four council homes for every one for market sale. In 1945-6 some authorities were ignoring the one fifth private target and "the Ministry of Housing imposed constraints on them".

Bevan determined that the only "plannable instrument" was local authorities.

"Before the war the housing problems of the middle classes were, roughly, solved. The higher income groups had their houses; the lower income groups had not. Speculative builders, supported enthusiastically, and even voraciously, by money-lending organisations, solved the problem of the higher income groups in the matter of housing. We propose to start at the other end. We propose to start to solve, first, the housing difficulties of the lower income groups. In other words, we propose to lay the main emphasis of our programme upon building houses to let. That means that we shall ask local authorities to be the main instruments for the housing programme....If we are to plan, we have to plan with plannable instruments, and the speculative builder by his very nature is not a plannable instrument...We rest the full weight of the housing programme on the local authorities, because their programmes can be planned, and because in fact we can check them if we desire to..." (Hansard)

Michael Foot (in his biography of Aneurin Bevan) says that:

"Compared with pre-war, this marked a revolutionary change. Previously, house building had been left in the main to the operation of the free market, to speculative builders building for profit; now even when a small proportion of houses were to be built for sale (one in five was the suggestion at the outset), permits had to be secured from the local authority."
Michael Foot, Aneurin Bevan 1945-1960

To carry out a building programme at the end of a war which had devastated and exhausted the country was no easy feat. The building workforce had to be reassembled as more soldiers were demobilised and they faced shortages of all manner of materials. Chancellor Hugh Dalton complained in his autobiography[5] of resistance in the Cabinet to speeding up demobilisation of troops.

The subsidies were set so as to produce an average rent of 10 shillings a week, 7 shillings and sixpence a week for rural areas. The lower rent of the latter was compensated by an increased grant from the government of £28 10 shillings and £3 from the local rates.

The Financial Secretary to the Ministry of Housing, Mr Key, said this in relation to the Housing (Miscellaneous Financial Provisions) Bill,

"There is no greater social problem facing the people of this country today than that of housing, and at no time have there been placed before the House financial proposals for tackling that problem more generous in amount, more consistent in principle, or more complete in character than those embodied in this Bill. For 25 years I have tried to play my part in local government in tackling this problem. From very wide contact with my fellow councillors and aldermen up and down the country, I know they welcome these proposals as being in excess not only of their widest expectations, but even of their highest hopes. Their acceptance by the House will provide an added impetus to the building programmes of those local governing authorities, whose activities will furnish by far the larger part of the accommodation that is necessary to satisfy our great housing needs." (Hansard)

Key said that the standard of homes must be improved "not merely above that of the jerry-built boxes normally provided by private industry for the poor but above that, too, which was provided by local authorities in the period between the wars." These better homes must be available at rents people can afford to pay.

"Greater living space, better bathrooms, and more up-to-date kitchens must not be secured at the cost of a reduced standard of food and clothing and common comforts. How often have we seen in the past

4 National Health Service: 70th Anniversary
5 High Tide and After, Hugh Dalton (Frederick Muller)

families struggling to pay the increased rent and the increased cost of travel to and from their work which new homes so often involve, only to have to abandon the struggle in the end."

From his own experience he knew of housewives who denied themselves adequate food and clothing, ran into debt with tradesmen, fell into bad health through worry and care, in the vain hope of retaining for the better homes they deserve, and then, broken in health and heart, have been forced to return to the bad old overcrowded conditions from which they longed so much to be free.

"Our rents must be such as will allow our people not merely to exist in our new houses, struggling against hunger, debt and worry, but really to live in them, comfortable and content."

Land

One of the key pieces of legislation which facilitated the council house building programme was the 1946 Acquisition of Land (Authorisation Procedure) Act. It gave the local state power of veto over development; that is control via planning permissions. The price of the land was based on its use value. Hence councils bought a great deal of agricultural land at low prices. As Stephen Merrett explains, the Act "established an extremely important principle in local authority site acquisition: the price councils had to pay did not include a site's development value".

The government did set up a fund of £300 million to meet claims from owners "where hardship could be shown from the loss of existing development values", but the cost wasn't borne by the councils.

Not only did this cut the cost of building new homes but it had an impact on the rent tenants paid, since they did not have to bear the cost of development values. This would be fundamentally changed when the Macmillan government in 1961 introduced 'hope value' which increased land prices, enabling the builder/developer to sweep up development values as a result of the increase in land prices following the granting of planning permission.

The Manifesto said that Labour would "work towards" Land nationalisation, though it never did. The "wider and speedier powers" of local authorities to acquire land for public purposes was described as "the first step".

How could they pay for it?

The economic situation which the government faced was desperate. They had relied on Lend Lease from the USA, which provided not only armaments but food. Yet within seven days of the end of the war with Japan, the USA ended Lend Lease, *with no notice and no discussion*. So rigidly was this cut-off applied that ships on the way to Britain and other countries were turned round. John Maynard Keynes said that Britain faced "a financial Dunkirk". The country's debt to GDP ratio was 250%, more than two times what it currently is. The country faced the threat of austerity worse than during the war. However, the government negotiated an emergency loan from the USA of $3.75 billion, supplemented by $1.5 billion from Canada to extricate itself from an imminent collapse.

Because the grant for house building was given out annually local authorities had to borrow money from the Public Works Loans Board to pay for the upfront cost of building new homes[6]. The government, which nationalised the Bank of England, pursued a "cheap money" policy; which is to say low interest rates. For local authorities the interest rate was cut to 2.5% in June 1946[7]. Nationalisation meant that "on important points of policy the Government must have the last word".

Dalton told Parliament

"We must in the years that lie ahead borrow as cheaply as we can. The Government intends to continue the money policy which has been pursued for some time, and I am now exploring with my advisers both at the Treasury and the Bank of England the future possibilities in the field of cheap money and low interest rates. We must see whether we cannot give even further assistance to industry and other borrowers, including local authorities for housing, by cheapening still further the cost of great capital operations. We are actually pursuing that, and this is a matter which has, of course, great importance for our industrial efficiency in general and our export trade in particular, and for the standard of life of our people." (Hansard)

6 The problem with annual grant payments, especially over a long timescale is that inflation reduced their value. Grants to day are lump sums.

7 The interest rate was raised to 3% in the financial crisis in 1948.

The limits of the government's programme

Despite the absence of targets, the government would facilitate the building of just over 800,000 council homes in Great Britain[8](see Appendix). However, expectations of building 300,000 a year, were undermined by the level of expenditure on defence. In Dalton's third budget in April 1947 with projected expenditure of £3,181 million, the Defence Budget was set at £899 million. Even though that was a 46% cut over the previous year, it stil, constituted 28% of expenditure!

There was a great row in the Cabinet. So much so that Dalton threatened to resign. In a paper for the Cabinet he wrote:

"What shall it profit Britain to have even 1,500,000 men in the Armed forces and Supply, and to be spending nearly £1,000 million a year on them, if we come an economic and financial cropper two years hence?..."

With some irritation he complained of being told that having only 1,400,000 troops and to spend a 'mere' £750 million on them was 'unilateral disarmament'. A the time there was an estimated domestic manpower gap of 630,000.

Dalton wrote to Atlee that "This huge expenditure of manpower and money on defence is making nonsense of our economics and our public finance."

The US and Canadian loans were being exhausted more quickly than expected, "partly as a result of rocketing American prices had reduced the value of the loans and partly because the recovery in production and exports was too slow" (Foot). Above all, it was the drain on resources resulting from 'defence' expenditure, that is the cost of keeping so many troops abroad (there were 100,000 in Palestine) which impacted on social spending. Dalton complained that he was met by "a blank wall" from Atlee.

In 1947 Britain suffered a convertibility crisis. The government restored current account convertibility (removing exchange controls) at the insistence of the United States, but abandoned the policy after a mere thirty-seven days as a result of a run on the pound.[9] This led to cuts in the housing budget.

Give us cuts was the demand of the Federation of British Industries, The Times, The Economist, and the Guardian. Lord Woolton, Chair of the Conservative Party, demanded

"I ask in these days of over-full employment for the postponement of all works of a public nature, and for the discouragement of all capital expenditure, whether by government or private industry."

Bevan resisted cuts in the housing programme but couldn't stop them. A programme of cuts had already been announced before the convertibility crisis: food imports from dollar areas were curtailed, the petrol ration was reduced by a third, and miners were to work half an hour longer. Then three days after the convertibility climax, the meat ration was cut and foreign travel allowances were stopped. In part the cut in the housing programme was to reduce dollar expenditure on timber. The recruitment of building apprentices suffered a setback.

Further cuts were made when the pound was devalued from $4.03 to £2.80 in September of 1949.

Despite the advance made in the council housing programme, the scale of the housing problem still left was illustrated by the 1951 census. The UK had 12.4 million dwellings. Despite the bout of post-war building, in England and Wales 1.9 million dwellings were of three rooms or less, 4.8 million had no bath (more than one third of all dwellings!), 2.8 million did not have exclusive use of a lavatory (leave aside the question of whether or not it was indoors). Of these 12.4 million dwellings 4.7 million (38%) were built before 1891 (of these, probably 2.5 million before 1851). The majority 'had been put up by Victorian jerry builders'.

As far as planning is concerned it was largely left to local authorities. Although Bevan, in a speech quoted above, said that the government would develop targets later on, I haven't been able to find evidence that this was done. In *State Housing in Britain*, Stephen Merrett says that "there was no attempt to set up a balance sheet of needs and annual completion targets broken down by sector and region."

It should be said that Bevan was handed a huge task in being responsible for creating the new Health Service and Housing at the same time. It would have made more sense to divide the work. The Manifesto

8 Drawing on government data, Merrett records 804,921 council homes completed and 180,727 private homes. It appears that there were, in addition, 156,000 'prefabs' (prefabricated bungalows) constructed. See Appendix 1

9 Britain was forced to let holders of sterling convert their earnings into other currencies such as the dollar and allow these earnings to be spent outside of the sterling area. Gradually, America exploited liberalisation of trade to displace the position of British companies in former colonies.

had promised a Ministry of Housing and Planning. Yet then again, another Minister would probably not have had the political will and determination of Bevan, to drive through the building programme with a high quality of housing.

Nevertheless, despite the limits of the Attlee government's programme, as compared to the scale of need, it showed what was possible with political will backed up by central government grant. It didn't resolve the housing crisis but it transformed the lives of many people liberated from private rented accommodation, over-crowded and slum housing.

Despite his criticism of the government, this seems a fair summation by Merrett.

“Despite the labour and materials shortages, municipal housebuilding had responded to the critical need of the British working class with an urgency and vigour which few save the most optimistic could have hoped for.”

He described it as “a great leap forward”.

Prior to the war the minimum size of a three bedroom house had been 750 square feet. An enquiry presided over by Earl Dudley suggested 900 square feet. Bevan went with the Dudley formula. Ironically, when Bevan resigned later over charging patients for spectacles, he was replaced by Hugh Dalton, who had agreed to the funding of the council house building programme. Once derided by Ted Heath for having learned what he knew about the working class on the playing fields of Eton, Dalton accused Bevan of being a 'tremendous Tory' for insisting on high standards of housing rather than building volume and initiated reduced standards which were taken up by the Tory government when it unseated the Atlee government. Bevan's insistence on an upstairs toilet in three bedroom houses was derided.

In another housing act Bevan removed “the ridiculous inhibition” incorporated in pre-war housing acts that public provision should be made only for “the housing of the working classes”, Bevan posed instead general needs. His much quoted comment was

“We should try to introduce in our modern villages and towns what was always the lovely feature of English and Welsh villages, where the doctor, the grocer, the butcher and the farm labourer all lived in the same street. I believe that is essential for the full life of a citizen...to see the living tapestry of a mixed community.”

If this was a somewhat rose tinted view, in a society in which deference and exploitation were two of its most prominent features, what was certainly true of council estates in the post second world war period, was that they were socially mixed communities, with the school teacher and the school cleaner, the skilled worker and the labourer, the clerical worker and the factory worker, living together on council estates.

As Michael Foot points out, “one of the oddities of Britain's post war housing history, is that the best houses were built, in the first five years when the stringency was greatest...” The scale of building and its quality was in advance of what had come before. It could have been on an even greater scale but for the government's attachment to the declining Empire and increasing its defence budget.

Martin Wicks
August 2025

(Thanks to Paul Watt for suggestions on the text)

Appendix

Permanent dwelling output in Great Britain 1945-51

Year	1945 (a)	1946	1947	1948	1949	1950	1951	Total
LA completions (b)	n.a	25,013	97,340	190,368	165,946	163,670	162,584	804,921
Private completions		31,297	40,980	32,751	25,790	27,358	22,551	180,727

Merrett, *State Housing in Britain*