

HOUSING: A SOCIAL DEMOCRATIC OPPORTUNITY

The political environment, or, put another way, the boundary of feasible government action, is *potentially* conducive to the implementation of public policies focused on the expansion of the supply of, and the access to, affordable housing. Until the advent of recession, this was mainly because of the growing unaffordability of a purchased home for first time buyers, particularly in London and the South-east and the South-west, but also in areas within all regions – at least in the absence of substantial assistance from the Bank of Mum and Dad or other related sources.

Gordon Brown in that light almost immediately on becoming Prime Minister made housing a key priority of his government, alongside health and education; moving it, for the first time for decades, politically centrestage again. In effect, the progressive political and social impact of the unaffordability of housing for a growing segment of the key middle England constituency meant that the leaders of the main political parties felt compelled to compete for political credit through them prioritizing and addressing the issue. A similar shift in political climate across party political boundaries occurred back in the sixties and seventies towards the abolition of the 11-plus. Then educational expectations were rising as the aspirations of sections of the working and lower middle classes were tending to both lift and merge, and when growing numbers of baby boomers were entering the secondary school age cohorts. Rather than offering a potential route for an able son of aspiring parents but of limited means to enter the professions, or at least schoolteaching, the operation of selection at 11 was rapidly transforming instead into a threat to those same aspirations. It presented a real and growing risk that their children would not win a place in the local grammar school with attendant loss of perceived opportunity and prestige – a risk that was often realized in the expanding suburban and non-metropolitan areas of the country.

A public policy diagnosis and response by New Labour to the growing unaffordability of housing emerged in its second term. It focused on the failings on the housing supply side, in particular its unresponsive sticky response to rising household demand for independent self contained housing. The publication of the Barker report in 2004 that Gordon Brown had commissioned in 2002 set the terms of the policy debate on those tramlines. The July 2007 Housing Green Paper (HGP) reflected that. It trumpeted a new headline-grabbing new annual 240,000 total new housing additions target for England (at least from 2016 onwards), including an expanded affordable housing programme of 70,000 dwellings per year¹. The 2007 Comprehensive Spending Review (CSR) soon afterwards confirmed plans to increase the social housing for rent programme to an annual dwelling volume of 45,000 by 2010-11, and to 50,000 from 2011-12 onwards².

As way of context, public and private sector builders in 2006-07 between them *actually* completed 170,000 dwellings; only 22,000 of these were completed by Registered Social Landlords (RSL's) and local authorities. Earlier, in 2001-2, total new dwelling completions had dipped below 130,000, one of the lowest combined totals recorded since 1900: private sector activity marked time during a mild

¹ This target is termed in this pamphlet the Government's strategic long term housing supply target

² P.217, 2007 Pre- Budget Report and Comprehensive Spending Review, HM Treasury, 2007.

downturn in the economy while social housing activity hit a historic trough, with barely 10,000 dwellings completed or started by social housing landlords. That slump in public sector activity was a combined product of the total public expenditure limits that Gordon Brown had had self-imposed on New Labour during its first three years in power and a concurrent transfer of resources to education and health away from other programmes, including new social housing during the 1998-2001 period.

Thus New Labour's policy shift towards achieving a step change in housing supply can be seen as a response to the consequences of both its overarching macro-economic framework and the policy priorities that it established when it was elected in 1997. In fact, New Labour's housing record in the subsequent decade was weak in both social democratic process and outcome terms when measured against the mutually supportive ends of expanding sustainable housing opportunity to low and moderate income households, and the achievement of economic efficiency and sustainable growth balanced and shared both spatially and socially. That poor performance directly contributed to the connected problems across the macro-economy and housing market that by 2008 threatened to make Gordon Brown one of the most unsuccessful Prime Ministers since Bonar Law. By then new private housing supply had started to collapse as mortgage markets froze, house prices fell, and unemployment rose, as the policy focus further shifted towards the need to resuscitate housing demand as a component of a wider internally co-ordinated policy package to rescue the western economies from the deepest recession experienced since the second world war. Private sector completions are expected not to exceed 60,000 in 2009: one third of the level that need to reach if the Government's 2016 strategic housing supply target is to be attained.

Essentially New Labour's management of the macro-economy had become increasingly dependent on a rising housing market that not only widened class and generational inequalities but undermined the sustainability of its core macro-economic objectives. Successive Treasury teams relied on rising real housing prices to sustain a much-touted 'economic miracle', but one that was fuelled by, and depended upon, demand conditions predominately driven by credit and buy-to-let booms. These could and should have been tempered by social democratic policy mechanisms. Instead they were encouraged by neo-liberal policy assumptions coalescing with short-sighted electoral tactical calculations that prevented the development of a value- and evidence-based policy framework more capable of delivering the greater stability in house prices that the achievement of sustainable and economic efficient growth combined with social cohesion requires. In short, New Labour's economic and housing booms contained the seeds of their own implosion into bust, as the policy drivers of the Thatcherite boom orchestrated by Nigel Lawson had in the late eighties. Added to that, economic inactivity, low income, and general social exclusion remained both entrenched and interlinked within the social rented sector.

These fundamentally destructive socio-economic outcomes and trends can be directly linked to the application of New Labour's political methodology, which Gordon Brown has continued. It is focused on contingent tactical interventions and maintaining control of the news agenda in order to forestall future Conservative initiatives and to protect Labour from perceived vulnerable points of electoral attack, not the pursuit of economic efficiency and social justice explicitly referenced to a compelling or at least defensible social democratic narrative. Yet Brown's

premiership has exposed that in practice New Labour political methodology can prove self defeating to such self-serving political terms, as well as being devoid of vision, choice-diminishing for the electorate, and inimical to the achievement of actual core social democratic outcomes, including the reduction of inequality, poverty, and social exclusion. Political consequences tend rather to the haphazard and the indeterminate, encouraging the electorate to conclude that the New Labour project was and is essentially one focused on the maintenance of power for its own sake: truly old wine in a new and ultimately shallow bottle.

Examples are plentiful. Wider electoral recognition of the regressive distributional implications of the forward abolition of the 10 per cent tax rate made in the 2007 Budget showed how it can be ultimately politically counter productive *in both electoral and policy outcome terms* not to connect values, policy, and presentation together. Trumpeting headline direct tax rate reductions while clawing money back elsewhere without reference to defined economic and social ends, to the ultimate cost of individuals and households that New Labour 'strategists' deemed to be electorally less significant than others, led to visible and tangible voter cynicism, disillusionment, and confusion: it also put Gordon Brown's new government into an early electoral tailspin.

An evidence-based 2007 budget, for way of counter-example, that raised the basic tax threshold in order to reduce the tax burden for the low income workers and pensioners facing the highest marginal tax rates, and which concurrently raised taxes on the wealthy in order to help the sums balance would have helped to clearly define Gordon Brown's social democratic values and intentions, and provided a template for the future long-term strategic advance of post-New Labour social democratic politics. Linked to a future strategy to progressively take the working poor out of tax net, connected to a narrative focused on combining fairness and economic efficiency, such a budget would have laid down a recognisable social democratic tramline for sustainable and progressive change. It would also have provided a political banner for Gordon Brown to march under in order to engage with the electorate while creating some political blue water between him and the superficially more attractive David Cameron.

A real choice between based on values and policies, not on soundbites, nor on personality, nor on image projections, nor on ephemeral 'connects' with 'voter concerns', would have been refreshing to an electorate that has become attuned to an increasingly unconnected and separate political 'class' self defining its concerns for self serving purposes; an alternative value-and evidence-based approach driven by broader social democratic aims, rather than short-term tactical calculations to protect electoral ground possesses more potential to attract respect at least, if not necessarily acclaim.

Within the housing policy sphere, the same 2007 Budget's treatment of inheritance tax provided yet another example of New Labour in contrast to social democratic methodology being applied. The Chancellor, Alistair Darling, failed to highlight the linkages between rising house price and asset wealth and the growing unaffordability of housing for first time buyers, and focused instead on the preemption of Conservative proposals to reduce the incidence of inheritance tax on parts of the cherished 'middle England' political constituency when he could instead have made a

commitment to ring-fence the proceeds of that tax to fund affordable housing as part of a wider coherent and concerted package of policies to extend housing opportunity³. The apparent reprioritizing of housing within the policy lexicon of New Labour does not represent a change to its fundamental methodology insofar that it reflects a contingent reaction to voter concern rather than sustainable strategic policy development.

Looking to the future, therefore, a coherent and thought-through modern and rational value-led social democratic methodology needs to be adopted if Labour is to electorally survive as a political entity that is capable itself of furthering long-term progressive and sustainable change, rather than a party rudderless in value terms forever chasing the breezes of electoral fortune as circumstances encourage or permit. Such a hard social democratic methodology should not only drive the policy design and implementation process but also offer the electorate a vision of the good life, using presentation and tactics to protect and further future electoral prospects with reference to that vision⁴.

That does not mean slipping back into the collectivist responses of the seventies; or, indeed, relying on short-term tactically-driven responses, such as the 1992 Housing Market rescue package that Norman Lamont and his advisers produced in cooperation with a left-leaning housing lobby, which are not sustainable and just store up problems for the future. Opportunity both negative and positive, and its sibling – expectations, are related to both the locational and tenure composition characteristics of where people live. *This is, perhaps, the most crucial connection that bedevils the achievement of wider social democratic social cohesion - save the connection between social class membership and socio-economic opportunity and outcomes.*

In that light, housing policy needs to be integrated within a broader, concerted, and focused economic and social policy framework that can spread socio-economic opportunity both between and within neighbourhoods and classes. That, in turn, means expanding the intermediate housing market rather than over-rely on a poorly thought out and unsustainable expansion of conventional social housing for rent particularly in low income, deprived areas. At the same time, on the demand side, tax concessions to buy-to-let landlords should be phased –out, so removing a bias in the market that works against first time buyers. Such a policy paradigm shift should extend and expand housing choice to lower and moderate income households as consumers within a managed rather than speculative housing market.

³ The September 2008 economic and housing rescue package, included proposals for a stamp duty holiday on housing transactions up to a value of 175K until August 2009, and a £300m scheme to assist 10,000 first time buyers by extending the Government's existing Low Cost Home Ownership Programme to include the purchase of newly built dwellings provided on selected sites that its developers would otherwise find difficulty in selling: Most commentators considered that the package will do too little to revive the housing market some arguing that prices needed to fall further, others that the supply mortgage finance needed to unblocked by government action, for buyer activity to recover. The proposals set out in this

⁴ It is both sad and poignant that Gordon Brown, probably the government member most intellectually attuned and committed to social democratic processes and ends, appears to personally lack the courage and judgment at the helm of government to pursue a course that would put Labour back onto a such sustainable and electorally defensible social democratic tramline.

Within such a sustainable housing system, new housing supply should be increased and maintained at a sustainable level that is consistent with both greater stability in house price and affordability levels as part of a wider strategic social democratic strategy to flatten the credit, economic, housing and construction cycles. Within that strategy it is not only necessary for planned non-market production to rise and exceed 70,000 dwellings year in order to achieve a more realistic and sustainable 200,000-220,000 long term dwelling supply target, but for those units to be also provided through tenure forms and mechanisms that diversify and blur the class and tenure composition of neighbourhoods. The achievement of these key outcomes requires, in turn, the provision of affordable housing needs to be mainstreamed across both public and private sectors provision and business models.

Housing purchased or rented should move back as a means of obtaining somewhere to live in line with household circumstance and preference, and away from being a speculative asset holding; one that can offer paper wealth for the established owner but also negative equity for those timing their purchase wrongly, and one that comes with an attached cost of insecurity and a skewed work/family balance.

Such a successful application of social democratic mechanisms in housing should help to shift the parameters of wider political debate and decision more generally towards social democratic aims and methodology: in particular a focus on the achievement of greater equality in both the availability of life chances and material outcomes, and greater social cohesion.

Housing is a policy area where the *technical* and *political* ends of social democratic strategy and policy are mutually supporting. The avowed and broadly accepted objectives of expanding access to affordable housing, the stabilization of house prices intra-cycle by flattening both peak and trough, and the related ones of shifting resources towards production rather than consumption in housing, and even more crucially, across the wider economy generally, all require mechanisms that are firmly social democratic in both intent and character.