



Bringing you the
best of our blog
idealog

iea.org.uk/blog



Unlocking Britain's housing crisis

The housing crisis is Britain's most urgent economic and social problem. This is not exactly news, but until serious steps are taken to address it, it cannot be said often enough.

In this sense, Shelter's report *'A vision for social housing. The final report of Shelter's commission on the future of social housing'* is a welcome contribution. As a description of the problem, and of some of its devastating effects on people's lives, this report is spot on.

Unfortunately, it fails to identify the true causes, which renders it ineffective in developing solutions.

Shelter repeats the conventional wisdom that 'the market' simply cannot provide housing. It talks about 'a generation of people failed by the market' (p.183).

The market, it claims, can only build luxury homes for the super-rich, but it cannot work for ordinary people. Only the state can do that.

Shelter therefore demands a large-scale social housing programme, under which the government, with housing associations, would build over three million new housing units over the next

two decades.

But Shelter's own data, in the very same report, casts some suspicion on the 'market failure' assertion.

Figure 9 (p.73) shows how much of an international outlier Britain is in terms of house price inflation.

In both the US and in (what is now) the eurozone, house prices have only increased about one-and-a-half-fold, after inflation, since 1980.

In Britain, meanwhile, they have increased three-and-a-half-fold (!!) over the same period.

If 'the market' is to blame – why do we not see the same problem more or less everywhere? Do all these other countries only have state housing?

Absolutely not. In Britain, social housing accounts for one fifth of the total housing stock. By international standards, that is a high proportion.

Shelter mentions social housing in the Netherlands and Austria as positive examples, but fails to mention that these are the only two countries in Europe where the share of social housing is higher than in Britain (with Denmark being about on a

par with Britain).

In Germany, where house prices have been flat since 1980, social housing only accounts for one in twenty housing units.

Shelter avoids such comparisons. Instead, it chooses pre-Thatcher Britain as its reference point, so it can peddle the old 'residualisation' hypothesis, which blames the privatisation of council housing for the current malaise.

Social housing is a sideshow. If we want to see the levels of housing affordability that we currently see in places such as Germany, Switzerland and Japan, we need to make it as easy as they do to release new land for development, and to get planning permission for new housing.

If we fail to do that, social housing cannot be a solution, because social housing providers will simply be held back by the same planning constraints and the same NIMBY ('not in my back yard') opposition that currently block private development ●

Kristian Niemeitz

Head of Political Economy
Institute of Economic Affairs
kniemeitz@iea.org.uk