# letter from the editor

Amid all the debates over our economy during the election campaigns there was a conspicuous silence on the question of the housing market. There were certainly proposals for building new homes, with an emphasis on social housing. There is no reason to doubt sincerity here. But a glance at the tendencies of the housing market shows a profound contradiction. Contrary to the cautious predictions of estate agents and building societies, according to the Land Registry house prices have continued to rise during 2024 by about 1.8%. This despite rising mortgage interest rates and the cost of living crisis. Rents have risen by 9%.

This continuing rise in house prices is seen as 'encouraging' by the market. It is assumed that when house prices rise the economy as a whole is growing. But this is only half true. What is overlooked is that the proportion of household income spent on housing is steadily increasing. From a sellers perspective this looks good, while from a buyers it looks bad. If house prices are rising it means that a smaller proportion of household income is being spent in the general economy. It indicates that the income of mortgage lenders is absorbing a large part of any increase in general economic growth. This means it will depress general economic growth, since growth gets absorbed into rising house prices. The one thing that continues to increase is debt, and debt as such is not an indicator of economic growth but of a burden on the economy. For the mortgage lenders it is non-productive income.

Political parties argue that there is a housing shortage and propose various policies to increase building new homes. While welcome in itself, this does not touch on the real question of why households are paying an ever-increasing proportion of their income on housing. Over the last 30 years it has risen from 22% to 55%. This increase is not due to the rising value of homes but principally to the availability of larger mortgages. Forty year ago a mortgage would be offered at three times the annual income of a single wage earner in the household. That is when most mortgages were from mutual building societies, where any profits were shared by members. But when banks and other lenders were permitted to offer mortgages they offered a higher proportion and included the income of two household members. Thus all restraints on the housing market were lifted, and every household began to pay more of their net income on housing. The 'housing boom' was nothing else than paying more for the same. It represented a decrease in actual household spending power. Buying and selling the same houses at everrising prices indicates no increase in economic wealth. Yet market analysts and governments see rising house prices as an indicator of uptake in the economy. While there is general concern for inflation, rising house prices are not seen as inflationary. Yet they are clearly a major indicator.

It would be perfectly possible to stabilise house prices. Limits could be set on lending for homes, as used to be the case, and rents could be controlled as once they were. Or a land tax could be implemented as George proposed on all privately owned land as the main source of government revenue. This would put a stop to the ever-increasing debt on households and eliminate usurious lending on land speculation which is the primary cause of rising house prices.

There is a difficulty here. Housing and land prices are seen as part of the free market where demand and supply should balance out. But this cannot be the case with a finite resource such as land. Land, like water, inevitably becomes a monopoly in a free market. It is because land becomes a monopoly that mortgages can claim such a large proportion of household income. The home owner is in fact supporting the money lender. It is in the mortgage provider's interest to see house prices continually rising, not the buyer's nor the seller's. This is why the current rise in house prices is seen as 'encouraging' by estate agents, banks and economists.

Yet price rises in any other part of the free market economy are seen as inflationary. There is a curious blind spot here which calls for a revision of economic understanding. The ever-rising cost of home ownership and rents are a primary indicator of an economy in serious trouble. A wealthy society that accepts increasing homelessness, as now in the UK, along with increasing household debt, is suffering from self-inflicted wounds through lack of understanding of economic principles. Land, as a gift of nature, is not a 'commodity' like any produce of labour. Neither is it 'capital'. It is the common home of all towards which we have a collective duty of care. Equity in land use is the first principle of true economic analysis. It is the first point at which justice and economics converge, or at which they may diverge.

An economy built on land speculation will always tend to monopoly and a widening gap between rich and poor. Likewise an economy built on ever-increasing debt will continually run into social crisis. And as in Victorian times, this will lead to gangs and all kinds of crime in deprived communities.

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