

THE GREAT HOUSING DISASTER OF 2015 FORETOLD

Inequality is the problem. Barack Obama declared recently that “inequality is the defining challenge of our time”. It is a theme that runs through the books of Danny Dorling. In his book *Injustice*, published in 2010, he writes that “recognising inequality as the disease behind injustice, and seeing how all the forms of injustice which it creates, and which continuously recreates it, are intertwined is the first step that so often is advocated in the search for a solution.”

With reference to the prevailing economic zeitgeist which has been the wind beneath the sails of politicians in power since Thatcher’s time he writes that, “The most serious and in the long term most deadly outcome of rising inequality is that as inequalities rise, those who argue that inequality is good become politically stronger and their arguments gain ground. When inequality is rising, if there is recession, market forces are allowed to operate unfettered and the poor are the first to be laid off. When inequality is rising, if there is an economic boom, it is the highest paid who tend to win the highest pay rises, and inequality rises further as a result. There are times when inequalities are allowed to rise and there are times when inequalities are engineered to fall, and these times are independent of boom or bust. There are people advocating rises in inequality and people arguing for falls. The former have won the debate for most of the last 40 years in those countries that have become socially unequal as a result.” The two countries where such arguments have prevailed more than most are the UK and in the USA.

Danny Dorling in his book *All that Is Solid* deals mainly with housing inequality in the UK but as he writes events in the USA both drive what occurs in Britain and also offers a portent for what may soon happen here. In particular how people in the USA began to want more than they needed and found ways of satisfying their greed. To illustrate his point he includes a drawing of the floor plan of a ‘dream home’ in America which has provision for a three car garage. “Slowly,” he writes, “and at first most clearly from the example set by the United States of America, we are learning that disaster unfolds if you fail to curtail the excesses of the rich, if you fail to regulate housing, and if you fail to

see shelter as a right, not something to be sold freely by the highest bidder, to the detriment of the majority.” The plans for subterranean homes by the superrich in London are a portent of what Dorling fears is on the way.

It was the reluctance of those in power in America to do anything to prevent bursting the housing bubble - that was acceptable in the political climate at the time - which ultimately led to the inevitable crash. The same was true here in the UK. American economist Robert Franks gave a lecture about his fears to Chancellor of the Exchequer Gordon Brown in Downing Street in September 2006. Dorling writes that the young men of the Treasury found the lecture very impressive. They knew that growing inequality in housing was bad but just didn't know what was to be done. (William Keegan, associate economics editor of the Observer, in his booklet *Saving the World, Gordon Brown reconsidered* tells of a meeting Gordon Brown when he was Prime Minister held with his staff to plan for the general election. One aide mentioned housing and that there was a serious housing crisis and an urgent need to build more social housing, to which another controversial aide replied, “If we did that it would hit house prices and lose we the election.”)

Dorling writes that it is not necessary for a government to be Machiavellian for its actions to result in the personal economic positions of voters to be harmed. It simply requires enough members of parliament to believe that what is best for a few landlords is best for us all. (Dorling believes that MPs should be given a pay rise but their expenses should be stopped. The purpose being that it would make them experience for themselves what voters are experiencing.) Yet, as Dorling states, “Housing is of greater political consequence than most other areas of government policy. It's as near as most people personally get to what is called the greater economy. Employment comes a close second to housing, but most pensioners, children and many others are not employed, whereas everyone is directly affected by housing, all of the time.”

It is a view I share and as a result of the failure of politicians of successive government to give housing the priority it deserves led me to register a political party, the House Party, in order that housing should never again be viewed as a precious metal but as a basic need. It was Harold Macmillan, a former Conservative housing minister in the 1950s, who said that “Housing is

not a question of Conservatism or Socialism. It is a question of humanity.” Likewise it is necessary to remind governments of what the Victorian social reformer John Ruskin said about the duty of a government was as regards providing shelter for its people. He believed that “The first duty of a State is to see that every child born therein shall be well housed.” Simon Jenkins used the quotation at the beginning of a chapter called Tory Social Engineering in his book *Accountable to None* about the change wrought by the premiership of Margaret Thatcher and her successors. It was as a result of a series of articles written by Jenkins in the summer of 1974 on London housing estates that he came to the attention of the new leader of the Conservative Party. Margaret Thatcher, who once held the party’s housing brief, wanted to see some council estates. “I want you to show me these terrible council estates” were her instructions. Jenkins explained that there were both good and bad estates. “No”, she replied, “there are just bad ones.”

In offering council tenants the right to buy their homes Margaret Thatcher hoped not only to create a property owning democracy but also to achieve specific social objectives. As well as political ones it should be added. Dorling sets out to discover, more than thirty years later, why the percentage of people owning their own homes gone into reverse, the free market had to be rescued by the State and why housing has become a problem for everyone.

At the heart of the current housing crisis is the issue of income inequality and the choices people make as a result of the importance to live in a good area especially if you want to get your children into a good school. As Dorling writes fundamentally it is the linking of housing to social status that allows prices and rents to rise beyond what the cost of providing a home might be, or beyond what the value of the land might be if it were used for other purposes. Living near a good school is but one of many effects of rising income inequality on housing choices. “Unequal incomes necessarily fuel the growth of bubbles in the housing market, because individually it makes sense to spend as much as you can on a home when inequalities are growing. People worry about not getting on the ladder and borrow whatever they can to leap on to it. As a result poorer areas become relatively even poorer again. But such impurities must eventually end. There is nothing fundamentally wrong with land the land in

richer areas, other than that richer people live there. Left unchecked, [prices will rise and rise where they start off highest – until almost no one can afford to live there – and then who would be fool enough to buy or rent there? This is how a new cycle of volatility begins.”

Superficially, Danny Dorling believes, the current housing crisis can appear to be a crisis of land and building more homes. “The ultimate solution to England’s housing crisis is to build more homes”, says the housing charity Shelter. Fundamentally Shelter is wrong, argues Dorling. The ‘ultimate’ problem in recent decades has not been too little building, but growing inefficiency in our use of the housing stock that exists.

It is necessary to go back to just before the First World War for a time when income inequality and housing are similar to the current situation. The demand for housing in cities such as Glasgow was seized upon by landlords to increase rents for workers employed in the shipbuilding industry and war-related factories. A rent strike ensued by workers which resulted in rent controls being imposed on private housing in 1915. Income tax was raised during the war and continued at the same level after the war to pay for the building of the ‘homes for heroes’ promised by Lloyd George.

Danny Dorling cites recent research which has shown that housing was becoming more equally shared out at the same time as more was being built. He writes, “New council housing was allocated on the basis of need, and so was filled up with families that could use all the rooms. New build private sector housing was bought because a family needed more space or was forming a new household as a couple, perhaps after living with one pair of their parents. Now they could start a family and no longer have to fit their new family within the original family home. This recent research, by Professor Rebecca Tunstall of the University of York, has shown that the allocation of space in housing became much more equitable between the censuses of 1921 and 1931, and 1931 and 1951 – a conclusion that she researched by comparing the amount of space occupied by the best-off tenth with that of the worst-off tenth in England and Wales using the census records. Before that, from 1911 to 1921, inequalities in allocation had been growing.” (Rebecca Tunstall, ‘What we should worry about when we worry about housing problems?’)

Today, the situation is very different. “What little housing is being built is being even more unfairly shared out than it was a decade, or two or decades ago. New housing is not going to those most in need. Contrast this with the period throughout the 1950s and 1960s, and between 1971 and 1981, when housing was becoming ever more fairly allocated. Fairness over the course of the last century comes into relief when the decadal population and housing censuses are used to measure how many rooms people had, how crowded they were. The housing crisis, as the census data tells us, was between the years 1921-1981 being successfully addressed.

Professor Tunstall’s findings shows that between 1981 and 1991 those who started off with more space ended up, on average, gaining more of any additional space as compared with any other group in society. “They were mostly likely to extend their property or to move home to an even larger property, despite having started with so much. Shortly before 1981, at the point at which we had become most equal, the best-off ten per cent of households still had three times as many rooms in their homes per person as the worst-housed tenth; by 2001 that ratio had risen to 3.7 times, the highest inequality post-war. Rising inequality in housing provision mirrors rising inequality in income and wealth overall.”

In the 1930s, Dorling points out, there was - as there is today - a perceived chronic shortage of housing yet the situation was very different. “Then there was an absolute shortage of housing, not just a very poor distribution of a large amount of housing, as is the case today; neither was there such a vast amount of often unoccupied housing. Social divisions were very high, similar to the extent they are today. The top one per cent took a similar share of income in 1936 as they did in 2008, but back in 1936 they had been taking less and less each year for the previous twenty years; and they would continue to take less and less for the next forty. By contrast, the very best, the very best-off today have been taking more and more for at least the last thirty years and, as yet show few signs of slowing down their land, housing and wealth grab.” Therein lies the essence of the great housing disaster that Dorling believes is on the way unless the acute income inequalities that have arisen since 1980 are addressed.

Dorling asks the question why have a minority of people become hell bent on hoarding property over the past thirty years and wonders whether it is due rising economic insecurity that leads wealthy people to become even greedier. At a lecture at the London School of Economics accompanying the publication of his book Danny Dorling had some fun at David Cameron's expense when he showed a slide with the response to a question by a journalist about the number of homes he owned (four). He writes that "Many thought that in 2009 when David said, "Don't make me sound like a prat", their kind were a dying breed. Many thought that property ownership was still spreading to more and more households, that wealth could be diluted, especially in the aftermath of the economic crash. Now we need to realise that owning just four homes may be a low point for people as rich as the Prime Minister and his wife; in future wealthy people are set to have more. For the author debates about the arrangement of housing and wealth are ultimately debates about freedom. "The point being made here is also the potential for a great disaster looming in housing, there is also the potential for a disastrous loss of wider freedoms. When all that is solid about our housing systems becomes uncertain, our freedom to live without fear of the future diminishes. Similarly our freedom to choose where we live is curtailed. We are less free to move home, to live in other places, just across the other side of our town, let alone across our country. We become fearful of how much further our right to be sheltered well will be impacted upon by those who always want more. More and more people become victims of a peculiar type of market failure, one that deprives us of the right to live where many of our parents did." Since the book was written whilst the author was moving from his post at Sheffield University to his home town and a professorship at Oxford University one can detect some personal frustration at moving to a home which he said was caused by being outbid by property speculators on five occasions looking for homes to let out to students.

It is because of the present system is weighted in favour of the wealthy that he is opposed to many of the usual solutions on offer to the housing crisis. The book does suggest that the housing crisis requires a more serious solution than merely building more homes. (Although he does concede that if the population continues to increase building more homes would be necessary) "This

conclusion has resulted partly from concerns about the near-future, not about the present. Solutions such as home-building, which look as if they might solve some of our present woes, may not be the panacea many imagine if we continue to allow a few to get richer and richer through exploitation of what the housing system has become. Building more may result in the wealthy owning even more houses, more families renting some of those homes, but more being empty at any one time and in greater future inequality, unless we address rising inequalities in how housing is shared out.”

This is why Dorling believes that unless the present system is changed we are sowing the seeds of a housing disaster. None of the many suggestions put forward as solutions will work if the rising polarisation of wealth is tolerated. Since the majority of national wealth is held in the form of housing and that wealth is becoming more unevenly shared out as our incomes become more unequal annually, the polarisation in house prices trends only exacerbates the divides begun by growing income inequalities. It is a trend that harks back to inequalities of 1920s America as described by F. Scott Fitzgerald in *The Great Gatsby* and *Tales of the Jazz Age*. An example of how that trend is being aided and abetted by the coalition government is the loan guarantee scheme for private landlords. The government’s underwriting of the investments of private landlords enables them to make significant profits with no risk involved. (Labour’s Decent Homes Programme did nothing to stop house prices from soaring during their time in office. Equally Dorling is not impressed by Ed Miliband’s pledge to ensure that they would build 200,000 homes a year as they did nothing to reduce the issues of inequality in housing.)

Danny Dorling understands that nothing dramatic will be done this side of the 2015 general election to deflate the housing bubble created by George Osborne as it would affect the feel good factor associated with rising house prices. He reminds readers that such price bubbles will eventually burst and when that happens the housing crisis will become a housing disaster. A disaster is inevitable if the richest one per cent were allowed to continue to obtain an ever-greater share of the national wealth. Housing, unlike precious metals, is a special kind of good – a social good – which brings with it wider

benefits. In this it is like education and health. It is necessary to make the rich understand that a more equal society is in their own interests.

One proposal put forward by Dorling at the end of the book is the adoption of a land tax - possibly in place of stamp duty – untouched by George Osborne in his budget. A land tax is now being introduced in Ireland despite there being no land registry in existence at the time it was mooted. In the UK a land registry, although not complete, already is in existence. Dorling rejects the idea of a mansion tax in favour of gradually reforming the council tax system with higher bands for the super-rich. In all Danny Dorling lists ten ways in which housing policy could be changed for the better.

It is inevitable that any change to the present structure will be resisted by the rich with their friends in the media. In a study by a journalist about why more people in Ireland failed to show more concern about the housing bubble he concluded that it was because the media were complicit in inflating the bubble. The same is true in the UK with house price rises seen as importance to newspaper readers to merit coverage on the front page. Dorling believes what we are seeing is not a conflict between old and young, but a new real and dangerous historical trend. A whole generation has now grown up in an economy based on monopolistic markets and the myth that these are somehow free markets. Housing shows how markets can fail and a failure in housing matters more than in almost any other area that affects people's lives.

For readers of the book intrigued as to where Danny Dorling got the title for the book, he, like a good thriller writer, reveals the culprit(s) on the last page. It is a quotation from the 1848 Communist Party manifesto by Marx and Engels. The full quotation reads as follows, "All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses, his real conditions of life, and his relations with his kind." **Terry McGreenera**