

## [Help to What? Moving forward from conference season](#) [1]

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Help to Buy was conceived and born into a dysfunctional legal and political environment, including: (1) a draconian, outdated planning regime which still retains features of its social-democratic origins in the 1940s; and (2) Housing Benefit, a rent subsidy amounting to a staggering £24bn a year, nearly half of which is directed to the private sector, behaving exactly as expected: perversely benefiting private landlords to the detriment of virtually everyone else, including private renters and?in the wake of the implementation of the benefit cap?[welfare beneficiaries as well](#) [3].

With that context in mind, the Adam Smith Institute [argued early last month](#) [4] that the Help to Buy programs, also subsidies, are likely to have a difficult adolescence and produce similar effects, disproportionately hurting the poor and the young while improving the position of existing landowners. We are by no means alone in this view; many believe the scheme will make housing less affordable in the long term by driving up prices, increasing inequality, increasing household debt in an environment where interest rates are very likely to rise, and increasing the overall risk of losses for participants in the sector (including new homebuyers, whose liability to repay high-LTV mortgages could become very onerous, very quickly if interest rates move upwards).

The Government's move last week to empower the Bank of England to harness Help to Buy if the housing market overheats is a welcome admission that the Government shares at least some of the concerns of its critics. It is, however, a pity, and a loss for progress, that the Conservatives are unable to admit this in public, as most recently seen with Radio 4's interview of David Cameron on Tuesday.

In that interview, Sarah Montague peppered the Prime Minister with a list of the scheme's non-partisan opponents, including the ASI, and the reasons for our opposition. The Prime Minister blithely replied that ?you need to get out more and listen to ordinary people who want to buy a home,? and that his government's objective was to liberate young Britons who, ?trapped in rental accommodation, [are] paying high rent to somebody else?.

On the subject of housing, Cabinet-level officials have repeated similarly populist rhetoric with increasing frequency over the past 30 days. While this might resonate with younger voters, it does nothing to address the fundamental imbalances that underpin the high price of housing, and misleads the public as to the character of the crisis. As the Spectator's Fraser Nelson [pointed out](#) <sup>[5]</sup>, the Anglo-Saxon fetish for homebuying is not a value universally shared; if this were the case, he playfully suggested, we should perhaps send humanitarian aid to the long-suffering peoples of ?Austria, Denmark, the Netherlands, Korea and Sweden as well as France and Germany,? where short-term leasehold tenure is more widespread.

Even if the question of tenure were a normative one (and it isn't), in practical terms, the distinction is almost entirely sentimental in the medium-term. For the purchaser who takes maximal advantage of the equity loan component of Help to Buy, for over half a decade he or she may expect to trade his or her landlord for a bank and, after 5 years of interest-free lending, the Treasury?while not paying down very much principal, at least on a typical long-run amortisation schedule. There is also, of course the matter of capital appreciation; but even this, in a climate of high and rising prices, carries the potential to be a double-edged sword for banks and borrowers alike.

The real substance of the housing question is not one of tenure, nor one of "aspirations" (especially when the political realisation of these aspirations is inefficient at best, and reckless at worst). The country would benefit most from a renewed focus on affordability in the long term, a measure on which the British housing market ? social and private, rented and purchased?continues to remain under significant stress.

In this respect there is very little difference between purchased or rented accommodation. In May, for the first time in 18 months rents rose across every region in the country; records were broken in London, where the average monthly individual rent [now exceeds £1,100](#) <sup>[6]</sup>. Only yesterday, Boris Johnson?referring to a ?massive affordability gap? in the London rental markets?called for additional government-subsidised support, ?allowing companies to make tax-free loans for rental deposits, as they can for childcare.?

We might call such a program ?Help to Rent.? Armed with the knowledge that the government already spends £10 billion a year subsidising tenants in the private rental markets?a new Help to Buy Equity Loan scheme every 17 weeks, or Help to Buy Mortgage Guarantee every year?the Mayor?s proposal, too, is unwise, for all the usual reasons.

If the crises in social rented, private rented, and private purchased accommodation are to ease, aggressive supply-side solutions are necessary to increase the availability of housing, which will gradually bring down its price and increase the availability of finance (as lower price-to-earnings ratios will make banks less reticent to lend). One option to achieve this, while appeasing more parochial voices who seek to retain the national character of urban and rural environs, might be placing greater emphasis on private property rights in planning laws governing built-up areas, a form of liberalisation which would allow developers to option out, and then raze, inefficient stock in places with few architecturally or socially redeeming characteristics (such as Fulham and Battersea) and replace it with buildings of considerably greater ambition.

Subsidising demand will not and cannot, given present legal and political restrictions on development, achieve this outcome. Further injections of government cash will only make life more difficult for future market entrants who are forced to pay for these subsidies while competing against them. As the Conservative Party Conference draws to a close, young Conservatives?and indeed first-time buyers of any political persuasion?should resist and oppose calls by senior Tory figures for additional state intervention in the housing market. If affordable housing is the goal, it's time to call for rather less.

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