

[Let Sleeping Dogs Lie](#) [1]

Written by [Jan Boucek](#) [2] | Monday 24 May 2010



Sometimes the best action a government can take is no action at all. So it is with the Conservative - Liberal Democrat coalition's publication earlier this week with its 'Programme for Government'. The plan of action includes 31 subjects from Banking through Europe to Universities and Further Education. Conspicuous by its absence is any specific section on Housing.

This is a good thing and hopefully a recognition that the root cause of the global credit crunch and subsequent Great Recession was the bursting of massive housing bubbles, starting in the US but quickly spreading to the UK, Ireland, Spain and others. By its silence, the Con-Lib coalition is staying away from that minefield. Yes, there's a handful of innocuous proposals in the Programme's Communities and Local Government section such as exploring a range of measures to bring empty homes into use, promoting shared ownership schemes and creating trusts that will make it simpler for communities to provide homes for local people. But these don't amount to any clarion call for the masses to buy in and trade up.

Thankfully, there's no wild John Prescott-type targets for millions of new homes across the land and no housing-specific tax changes. Most mercifully, the document has taken up this blog's suggestion last week to banish the use of the term 'housing ladder.' More than anything, Britain's housing sector needs a period of benign neglect to find its own equilibrium. Dave, Nick, resist any temptations to fiddle about here.

A decline in the UK home ownership rate from its current 70% should channel savings into actually productive investments rather than merely inflating paper measures of personal wealth. And it should increase mobility as people are more able to relocate to where the jobs are. Germany seems to be housing its people just fine with a home ownership rate of around 50% and some people here in the UK may discover they actually prefer a renter's lifestyle free from home repairs, insurance costs and tedious dinner party chat about house prices.

By contrast, the US is incorrectly adopting a do-nothing strategy regarding its own housing sector. The financial reform legislation now ploughing through Congress hits all the populist anti-banking symptoms but ignores the disease itself. Fannie Mae and Freddie Mac, the two gargantuan federal agencies that did more to fuel the housing bubble than anything else, are yet to be reformed.

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