

[Changing the housing zeitgeist](#) [1]

Written by [Jan Boucek](#) [2] | Saturday 15 May 2010



The UK's new Conservative-Liberal Democrat coalition is a golden opportunity to both address the short-term problem of the horrendous government budget deficit and to implement fundamental reforms whose impact will extend well beyond the five-year term of this government.

So far, the ultimate judge of the new coalition's performance, the bond market, has been kind. The yield on 10-year UK gilts is now around 3.85%, some 20 basis points lower than at the start of the year, while the spread against comparable US and German bonds has widened only slightly.

We've argued here before about the UK's narrow window to do the right thing. As long as the budget deficit woes of the eurozone and the US look just as bad, the UK bond market will remain patient if the new government takes real and effective steps to dramatically reduce its budget deficit.

That's the short-term challenge and the five-year term of the new government means it should get cracking. That much is obvious.

Longer-term, though, the government needs to change an insidious mindset that has brought about its current difficulties – the British public's obsession with houses. For too long, 'investing' in a house has been preferred over all other investments as a way of saving for the future. It was that ultimately unproductive 'investment' that precipitated the current financial crisis, starting in the US but quickly spreading here.

As a start, let's banish the words 'housing ladder' from the political lexicon with its implication of some magical stairway to heaven.

Next, let's make use of what we've got as a result of the misguided 'investment' in housing. If the house represented saving for the future, then the house is the first port of call to pay for the costs of ageing. When care at home or in a residence is required, then gradual equity withdrawal or outright sale is the preferred funding method over taxpayer funding.

David Willetts's 'The Pinch: How the Baby Boomers Took Their Children's Future and Why They Should Give It Back' is a fascinating insight into the broader issue. Rethinking the role houses play in the UK's zeitgeist would be a big step in redressing this injustice.

Housing could also be fertile ground for the new government's pressing need for immediate funding. After all, that's where the money is.

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