Housing policy can't be fixed until we treat houses as homes and not as stores of wealth

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Last week, ***Stewart Smyth*** *outlined recent developments in Social Housing policy up to the Comprehensive Spending Review. In this follow-up article he looks to the future, arguing that lack of access, not lack of housing itself, is a crucial problem. He further highlights how the issue runs deeper still; until we treat houses as homes, and not as stores of wealth, the contradictions in housing policy cannot be solved.*

Housing policy, no less than any other policy area, is full of tensions and contradictions. Some of these exist in the realm of political hyperbole: when the Chancellor promises the biggest house building programme since the 1970s, he omits that those levels were only achieved because of the contribution by local authorities. And his policy has no budget or role for council house building. Another contradiction is shown with the dramatic reduction in upfront capital grants for housing association new builds and the introduction of affordable rents: this apparent saving comes at a cost of increasing the housing benefit bill.

The Comprehensive Spending Review reported that house price increases have moderated down to an expected 6.2 per cent in 2015, from 9.9 per cent in 2014. Yet it also included a prediction from the Office for Budget Responsibility that average earnings will increase yearly by only 3.5 per cent, up to 2020. So addressing the housing crisis in a piecemeal manner will create winners and losers as one side of a contradiction is preferred for a period of time.

But the house price/wages increase contradiction hints at a deeper issue – what is the nature of the housing crisis? This seems like an odd question, as the common sense answer is that we are not building enough new homes. Certainly, in the dominant policy discourse this would appear to be the sole issue. For example, the Lyons Review takes as given that:

> *For decades we have failed to build enough homes to meet demand. We need to build at least 243,000 homes a year to keep up with the number of new households being formed.*

Earlier this year, the Department for Communities and Local Government estimated household formation in England at 220,000 per year up to 2020. The Conservative government (appear to) accept the need to build more houses and have preferenced first-time buyers with their policies since the election. However, when you dig beneath this consensus the issue starts to metamorphosise. In his 2014 book, *All that is solid,* Danny Dorling convincingly shows that we have never had as much sheltered space available in Britain; the issue is one of inequalities in terms of access to that space. And Dorling is not alone.

The UK Housing Review Briefing Paper 2015 highlights the link between economic inequalities and access to housing:

> *Among homeowners just over a quarter of all housing wealth was owned by people in the top income quintile with half owned by the top two quintiles.*

In an earlier report the same authors show that nearly half of owner-occupiers under-occupy their homes. Add in tax changes, such as increasing inheritance tax reliefs, and the conclusion is stark: “the housing market seems destined to continue to fuel inequalities in the UK”.

The conclusion here is that building more homes will only add to the problem as the inequalities continue. One potential solution would be for people under-occupying family homes to downsize instead. But this highlights a deeper issue..

Fundamental contradictions between exchange values and use values

For many owner-occupiers their home is a store of wealth based on its potential *exchange value* (i.e. what it could be sold for). This is the policy position we have all been encouraged to embrace whether it is through tax incentives, such as mortgage interest relief, or huge discounts through the generations of the Right to Buy policy. The contradiction occurs here when we consider the *use value* of a house, as a place of shelter, somewhere to live. Further, an address is needed to access a range of social services (such as health, social care and education) and participate in democratic society (for example, through elections).

The past forty years has seen consistent and persistent efforts to undermine the use values of housing, preferring ever-increasing exchange values; as David Harvey has summarised: “The reckless pursuit of exchange value destroyed, in short, the capacity for many to acquire and afterwards sustain their access to housing use values”.

Therefore, the fundamental contradiction is between the use value (somewhere to live) and exchange value (a source of wealth) for housing. Framing the housing crisis in this way allows us to see clearly the impact that policies will have. Further, understanding this is important as a misdiagnosis of the problem leads to the pursuit of inappropriate policy solutions. Current government policy is aimed at enhancing exchange values through subsidising homeownership. This is not surprising given the powerful institutional actors (construction firms, estates agents, lawyers, financiers etc.) who all gain from an expanding housing market.

But there is a desperate need to develop policies that emphasise use values. In general terms this will mean withdrawing increasing numbers of homes from market relations, by maintaining and expanding the socially rented sector. Policies that would contribute to that end include:

- Ending the right to buy for council housing and abandoning its extension to housing associations (especially, as this will result in even more council housing being sold off to fund the discounts for housing association tenants);
- Developing and enhancing a right to sell (or mortgage to rent scheme) policy. Such a scheme was introduced in the aftermath of the 2008 crash but as interest rates fell the levels of arrears also fell. With interest rates set to rise there will again be a need for an alternative to evictions;
- And any new building must be for socially rented purposes (either through councils or housing associations).

At this point it is important to remember that social rented housing is financially sustainable, as a report for SHOUT and the National Federation of ALMOs has shown. For years, successive governments raided council housing rents, restricting the amounts spent on maintenance and management (this was highlighted by the Moonlight Robbery campaign). In addition, the housing association sector is making surpluses, over £2 billion in 2014.

The benefits of emphasising socially rented properties include: directly addressing those on waiting lists (including the hidden homeless such as sofa surfers); a reduction in the housing benefit bill as social rents are lower than either affordable rents or the private rented sector; and maintaining and developing mixed communities as opposed to the displacement currently taking in London and other city centres.

Expanding the social rented sector also provides a straightforward answer to the question, *where are poor people supposed to live?* And arguably, the most important effect of a bigger social rented sector is that any future property bubble has less room to inflate and therefore, the inevitable crash has a lower impact on the banking and finance system, the economy and society generally.

This leaves a twofold task for academics, practitioners and policymakers; first, to develop policies that emphasise use values (i.e. socially rented) in housing, and second, to find ways of popularising them among the population and politicians. No small challenge, then.

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