



Spatial Economics Research Centre

Friday, 30 May 2014

Is Help to Buy 'working'?

Back in 2012, I proposed the following [two step method for assessing housing policy initiatives](#):

1. How many people are likely to be affected?
2. If the policy affects relatively large numbers of people, what's the likely impact on the housing market?

If you want to solve the housing crisis you need the answer to (1) to be 'lots' and the answer to (2) to be 'does not increase house prices, but increases supply'.

On (1): Currently Help-to-Buy [has assisted 7,313 people](#). This is *not* a lot.

On (2): If Help-to-Buy ends up helping a lot of people, it will increase demand, rather than supply. This will push up prices making housing less affordable.

In other words, if Help-to-Buy does 'work' it won't 'help'.

Posted by [Prof Henry G. Overman](#) on [Friday, May 30, 2014](#).

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Ben Jamin' said...

Quite right. All State subsidies to freeholders are not only capitalised into selling prices, they cause a large disparity in wealth inequality.

Of course the biggest subsidy is the right to exclude others from a natural resource, without paying compensation to those excluded.

This is worth around £250bn per year in the UK.

Has anyone at the LSE calculated what would happen to housing affordability, as ratio of discretionary income, if this implicit subsidy were to end?

[4 June 2014 at 02:14](#)

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