

# The 'Housing Bubble' & Its Social Implications

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# Theoretical Framework: 'The Social Map'

(Bone, 2005; 2006)

- ENSN – CGS
- Cognitive Science/Neuroscience 'Revolution' (Mapping /Function/MRI)
- Some Features: *Co-constructionist* model (non-deterministic) Process of Individual/(Social) Environmental Interaction
- Human Cognition and Emotion (Human Brain, Cognitive Parsimony & Emotional Arousal)
- 'Great Expectations' - Emotionally Motivated Drive for Simple/Consistent/Coherent ID and Worldview within (relatively) predictable Environment

[Balance: Conformity (routine, predictability, belonging) & Autonomy (status, distinction) – Emotional Arousal]

- Complexity, Organisation & Order

# Demodernization (Bone, 2006)

## ■ Modernity:

- Orderly Progress
- National/Citizenship
- Rational (Planned, Development Orientated, Producer Driven) Capitalism
- Econ./Public Interest: Intersects (Stable Demand, Employment, Growth)
- Shared Risk (Castells)
- Predictability
- Control

## ■ Demodernity:

- Permanent Impermanence
- Global/Consumerism
- 'Booty'/Rentier (Short Termist, Speculative, Finance Driven) Capitalism
- Econ./Public Interest: At Odds (Instability, Flexibility, Shareholder Value)
- Individualised Risk
- Anxiety/Uncertainty
- Fatalism

■ Twin Pillars of 'Modern' Security – Secure Work (income) & Adequate, Secure Housing – Crucial Impact upon Identity, Status (Spatial Location)

# Endemic Insecurity & Risk Shifting

- Competitive Risk Shifting: (Legitimate or Illegitimate 'Hobbesian' Struggle for Security/Distinction/Resources)
- Winners & Losers: Inequality, Social Polarisation, Fragmentation, Unpredictability, Decline in Infrastructure of Shared Socialization - Fear, Distrust, Stigmatization, Reinforcement of Exploitative Competition
- Growing Underclass: *Learned Helplessness*, Fatalism, Retreatism, Distress, Frustration, Anger, Conflict
- Insecure Lives: Mental Distress, Relationship and Family Tensions

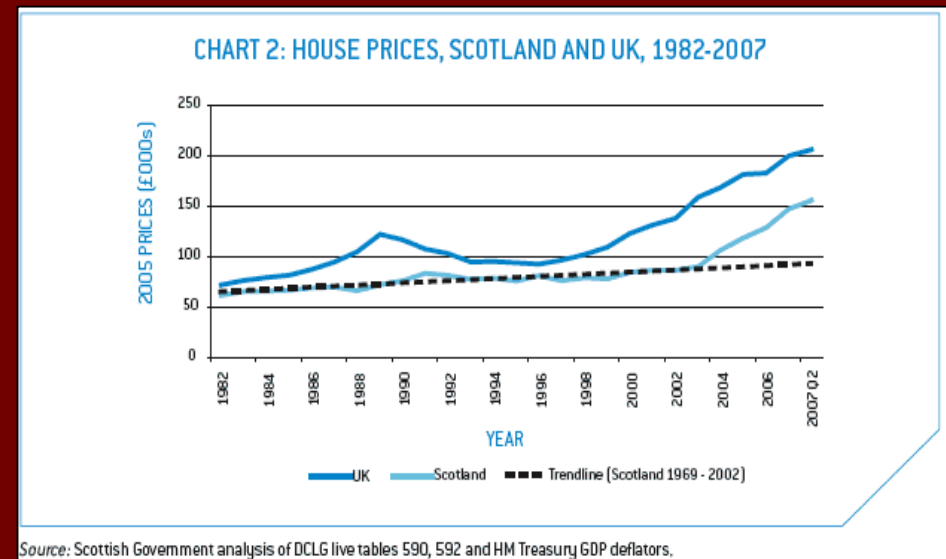
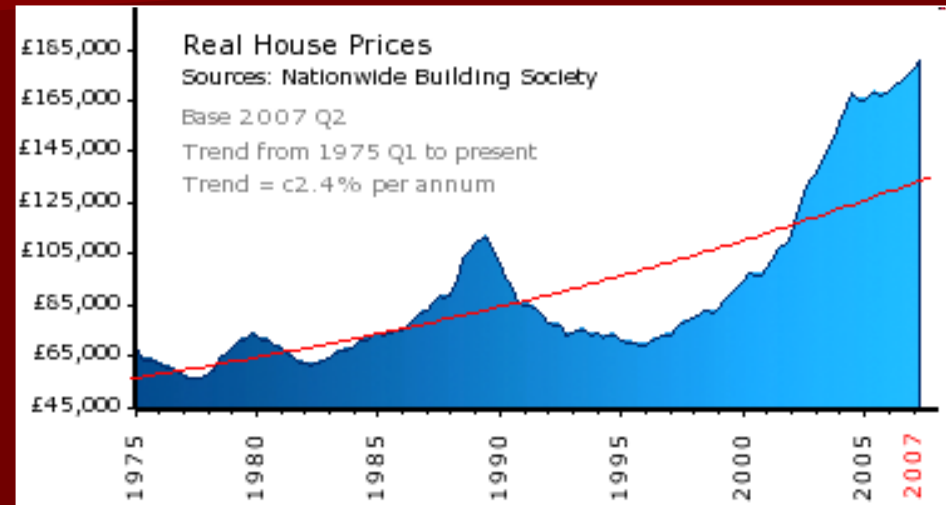
# Global Labour Markets

- 'Footloose' Capital & Shareholder Value:
- Flexibility/Deregulation/Casualisation
- Offshoring/Inshoring
- Extension and Degradation of Work
- 'McJobs'
- Reduced Benefits/Pensions



# The Housing Market

- 'House prices have doubled in real terms in the last decade. The average house now costs over £210,000, over 8 times the average salary.' (DCLG Green Paper, July 2007)
- House Prices have risen more moderately in Scotland as a whole. But, Great Regional Differences – Highlands, Grampian, Lothians etc.



# UK (and Scottish) Housing (Hyper)Inflation: Causes

- Fundamentals?: Supply and Demand, Immigration, Divorce, Household Growth, Planning Restrictions
- OR: Liquidity – Speculative ‘bubble’ built on Credit Boom rather than Housing Boom (Real Estate Investment - Global)
- Landlordism – BTL Investment accounts for upwards of 10% of UK Market – 28k '97 - 1mill + Today (see Kate Barker; Paul Diggory - CIH) , (Tax, Legislation & Speculation) – Risk Shifting (Work & Pensions)
- Lending – (Helping Out?) Increased Salary Multiples, Self Cert., Interest Only - Collateralised Debt Obligations (CDO's)
- Construction Industry Failing to Adequately Respond to Demand?

# Housing Issues: Priced Out

- First Time Buyers effectively priced out in most major cities without parental help – Number of FTB's at 25 year low <30% of market (Halifax, September 2007)
- Key Workers priced out of 70% of UK towns (Halifax, April 2007)
- Post War Era – Housing Purchase Required Long Term Financial Commitment From Relatively Secure Income Stream
- Now – House Purchase Requires High Risk Extended Commitment From Unpredictable/Insecure Income Stream



# Private Ownership & the 'Boom'

- Key Issue – Houses as homes or investment vehicles
- Investment Buying is Bad for the Economy – Diverts Productive Investment – Creates Booms and Busts - Makes the Majority Worse Off in the Long Run
- Immobile heavily indebted workforce ('poor consumers', easily exploited)
- Debt Servicing, Overworking, Overcrowding (socialisation/parenting issues)
- Demographic issues (delayed relationships & parenthood)
- Shortage of essential services in some areas (key workers)

# Private Ownership & the 'Boom'

- Social Injustice : Social Closure, Social Polarisation & Declining Social Mobility (but geographical hypermobility) (social tensions in future?)
- Landlordism – Risk Shifting of insecure work/pensions onto next generation compounding existing insecurity– Transfer of wealth from poor to rich/young to old/working to inactive (political/generational tensions).
- Loss of Societal Legitimacy – Increasing disjuncture between Education and access to expected lifestyle, including good quality housing (Opportunity Society?) Life chances and social standing shifting in favour of property ownership/inheritance rather than merit (Rentier Society?)
- 'Brain Drain': UK Immigration/Emigration Highest on Record :2006 – 574k in but 385k out

# The UK Housing Market: Crash?



Negative Equity      Scotland is Immune? ('Local Markets')

Govt. Response – Support the 'Bubble' (Investors, Property Interests, MEW) or Let it Fall (FTB Affordability, Spending)

'Help' for Priced Out: 'Shared Equity'- Private Renting

# Why Buy? : Private Renting in the UK - 'An Insecure Base'

- The Past: (Riis, Veblen)
  - 80-90% Privately Rent
  - Squalor, Overcrowding & Exploitation
  - (Glasgow 1915)
- The Present:
  - Culture (Speculation/'Booty Capitalism')
  - Fiscal, Legislative & Financial Framework
  - 'Sale and Rent Back'



# Why Buy? : Private Renting in the UK - 'An Insecure Base'

- Insecure Tenure & Cost (AST) (SAT, Scotland)
- Permanent Impermanence:
- Family Instability
- Work Base
- Childhood Socialisation/Education
- Community Effects
- Social Closure/Exclusion
- Poor Housing Conditions

# Solutions?

- 1) Disincentivise Multiple Ownership/Investment: Remove BTL Tax Incentives, Tax Rental Income, Stamp Duty Sliding Scale, Land tax?
- 2) Reform AST (SAT) to provide greater security of tenure in private rented sector (see also Banks & BTL lending criteria)
- 3) Regulation: FSA mandatory ceiling on salary multiples, mandatory repayment vehicles, more regulation of independent mortgage brokers/sale and rent back schemes
- 4) Reduce market dominance of private house builders
- 5) Provide good quality social rented accommodation where required as a necessary competitor to the private sector and as a necessary component of a stable housing market and cohesive society (Public/Private 'Mosaic'/Mixed Housing Tenure)



# Social & Economic Instability

- Unregulated Markets & Speculation in 'Basic Needs' have negative economic, personal and social consequences

