

Housing, Inequality and the Future of a Property-Owning Democracy in London

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Over 30 years after Thatcher's radical reformist agenda set out to create a property owning democracy in Britain the majority of politicians, both on the left and right, have agreed that owning one's home is a good thing. The principles underlying this agenda have been to encourage pride, responsibility and independence amongst citizens.

The political philosopher John Rawls considers the aim of such a system is to realise the idea of society as a fair system of cooperation between citizens regarded as free and equal. As the access to the ownership of property in London declines for those on middle and low incomes, what will the impact be upon these ideals, and in turn policy making, democracy and governance in London by 2062?

Home ownership in London is in decline. The National Housing Federation forecast that in London the majority of people will rent by 2021, with the number of owner-occupiers falling from 51.6% in 2010 to 44% by 2021. The National Housing Federation reported in November 2011 that the average Londoner would need to triple their salary to buy an average price property in the capital. Their publication 'Home Truths London' shows that the average property in London cost £408,384 with the average income at £27,128. A salary of £87,511 was needed to obtain a 75% mortgage with the deposit alone topping £100,000.

The majority of politicians are keen to underline the flaws in a housing market where property values are rising at an incomparable rate to

earnings, leading to boom and bust cycles. But what politicians also recognise is the psychological importance to the British middle classes of the ownership of an asset that will appreciate over time and provide them with a pension, options for care in old age and a 'nest egg' for their children. Young people, the next generation, in London still aspire to homeownership, they aspire to escape poverty in old age and help their children – despite how unrealistic or expensive that may feel to them.

The policy response to spiralling house prices, from left and right leaning Governments, thus far has been to promote the supply of new housing to alleviate pricing pressures. Despite this the demand for homeownership in London continues to outstrip the pace of supply. Since the 'credit crunch' the potential for a significant increase in house building in the near future has been seriously undermined by a lack of access to finance for both developers and would be purchasers.

While many will consider a more risk averse approach to lending will go some way to slowing the pace of price rises it does little to support new supply. In addition, the commitment to reducing the deficit from both main political parties suggests that any large-scale public sector investment in house building is unlikely anytime soon. The crisis in the financial markets has meant that securing finance to buy a home has become increasingly difficult. The impact has been felt strongly amongst those on low to moderate incomes who may be able to repay mortgages,

but are unable to save the money needed for the high levels of deposit which lenders require.

Policies and programmes to assist first time homebuyers are considered by many of those priced out of the housing market as unfair as they can only help the chosen few. In fact some argue it only serves to keep prices inflated. Interference by the state in the housing market can be seen as the solution or the problem depending one's perspective. John Rawls suggests that in order for a property-owning democracy to thrive institutions must, from the outset, put in the hands of citizens generally, and not only of a few, sufficient productive means for them to be fully cooperating members of a society on a footing of equality.

Recent history has suggested that few politicians are willing to contemplate policies that seek to reduce the prospect for the accumulation of wealth through property ownership, be that for homeowners or speculators and investors. Currently the majority of households are indeed homeowners and any such action may not be the most sensible thing to do for any politician seeking election to office. But what happens when the balance of homeownership tips? The shifting picture of London from a majority of owner occupiers to a minority, with the former locked out of the benefits of owning an asset, is likely to lead Londoners to look to their political leaders for a response on this issue, possibly ahead of other regions in the country. The policy response may be to encourage an increase in supply, reduction in demand through other housing options or to discourage the speculation on housing values in London. Whatever the response needed the more pertinent question may well be around the adequacy of the autonomy and power of London's political governance arrangements to respond effectively.

There are many who claim that the property-owning democracy ideal has achieved neither its social nor its financial goals, come 2062 it seems that London may well have been its first fatality in Britain.