Thatcher's dream becomes a nightmare for a jilted generation

The goal of a property-owning democracy will wither and die if Britain doesn't start building many more homes

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Comment

Contrary to popular myth, it was not Margaret Thatcher who coined the phrase "property-owning democracy". She made it central to her creed, she sold more than a million council houses to their tenants, and since then politicians of many stripes have agreed that owning your home is a good thing. But the copyright on the concept belongs to a much less famous Tory called Noel Skelton, an MP in the 1920s and 1930s. It was his idea – novel for the time – that extending property ownership beyond the rich would encourage a sense of independence, pride and responsibility among the masses. An implication, which influenced Harold Macmillan's house-building programme in the 1950s as well as Mrs Thatcher in the 1980s, was that the working classes would turn away from socialism as property ownership infused them with conservative values.

The British left was highly hostile, then regretful that it had made a strategic political mistake by opposing council house sales, and finally became an enthusiast for property ownership in the 1990s. Thoughtful progressives located an egalitarian case for doing so. They noted that the starkest dividing line through British society is whether or not you possess capital assets. For most people, that comes down to whether or not you own your home. The haves do; the have-nots don't. Once the mortgage is paid off, the haves possess a store of wealth and an inheritance for their offspring. The have-nots have nothing to show for a lifetime of paying rent and zip to leave to their children. By the end of New Labour's time in office, it had not only embraced the property-owning democracy, it had even set a target for it. Property was not theft – it was aspiration.

The moment when an idea achieves universal consensus is often precisely when the concept starts to eat itself. The steep rise in values made British homes very pricey relative to income. Then came the financial bust and much tighter rationing of mortgages. A slew of surveys and reports has recently confirmed just how tough it has become to get a foot through the door. The average age of a first-time buyer fell to around 25 when Mrs T was in her pomp; it has now climbed to 37; the National Housing Federation forecasts that it could soon rise to 43. The postwar trend of more owning and less renting is sharply reversing. It may be a little premature to pronounce the death of the property-owning democracy. It is fair to say that it is having extreme difficulties with breathing.

What is to be done? The cool response is to say that there is nothing to panic about and something to celebrate because property ownership is a stupid obsession, a weird British fetish which we would be well rid of. There is a side of me that hears this argument and finds within it some seductive strains. We do, as a nation, tie up too much cash and emotion in unproductive bricks and mortar. There's too much

mistaking house price inflation for economic wellbeing. There have been four price spikes in the last 40 years. A ghastly feature of each boom was the sound of middle-class home-owners smugly congratulating themselves on how much their houses were soaring in value as if this was testimony to their brilliant judgment rather than the simple good luck of surfing an asset bubble. It sounds sort of attractive when people say: "We should be more like the continentals." For good effect, that statement should be accompanied by a shrug; for best effect, the shrug should be Gallic.

As it happens, the notion that the rest of Europe is much more contented with renting is another myth. More people do rent in France and Germany for a variety of complicated reasons, but they are not always happy about it. Home-ownership is higher in Italy and Spain than in Britain. We are actually mid-table in the European league.

In any case, it clearly does matter to millions of us. A big survey of Britons aged 20 to 45 for the Halifax and headlined "Generation Rent" suggests that three-quarters of those who don't own a property would like to, but nearly two-thirds believe that they have no chance of being able to buy. An acute shortage of affordable housing is making a lot of people miserable. Politicians ought to take note if only for the purely self-interested reason that unhappy voters tend to express their discontent by throwing out governments.

The consequences will be far-reaching and deep-seated. The shortage of accommodation is already powering a vicious spiral – pushing up rents, making it even more difficult for the young to save for a deposit, forcing some back to live with their parents or to kip on mates' sofas. People will have families later. Saving for a deposit is a good habit, useful to both those who acquire it and for the economy and society. That is a discipline this generation will not bother to learn – and why on earth should they? – if there is no point trying because they will never be able to save enough.

Fewer people owning their homes means fewer people with money in property when they become elderly to support their retirement and care. They will be losers when young and losers again when old. Our already highly unequal society will become even more dramatically divided by the widening wealth gap between home-owners and the rest. This will entrench the privileges of the baby-boomers, who got into property while it was still affordable, over younger generations who find that the ladder has now been pulled up beyond reach.

Politicians of all mainstream types – meritocratic Tories, egalitarian social democrats and concerned liberals – have been worrying that social mobility is freezing up, making it harder to rise out of the class into which you were born. This trend will make life chances even more contingent on your birth certificate. Those fortunate enough to have affluent and friendly parents with cash to spare can turn to them for help in raising a deposit. This will hand them a huge advantage, quite possibly a lifetime advantage, over those who do not have access to the Bank of Mum and Dad.

The easy political response is to bash the banks for lurching from one extreme to the other in their lending policies. At the demented peak of the pre-crash borrowing

binge, Northern Rock offered first-time mortgages worth 125% of a property's value and six times the salary of the borrower. Banks are now much more conservative about salary multiples and demand much bigger deposits from first-time buyers, typically 20% to 25%. This at a time when you won't get much change out of £200,000 for a one-bedroom flat in an unspecial part of London. The number of mortgages offered in April slumped to the lowest level since records began. Easing lending criteria might salve some of this pain. The trouble is that it would also risk setting off another unsustainable boom and creating another cohort of over-stretched debtors.

There is one simple reason why so many people can no longer afford to buy. Property is incredibly expensive. A bolder policy solution would be to use the tax system to force down prices. The Treasury forgoes billions in revenues because people don't pay capital gains tax when they sell their main residence. Are you up for abolishing that exemption, Mr Cameron? Nope, thought not. You'd be lynched by your party. What about you, Mr Miliband? Your beloved "next generation", the younger ranks of your "squeezed middle", would be the net beneficiaries of a fall in house prices – so how about it? The Labour leader shakes his head for, like his rivals, he doesn't think that a declaration of war on the propertied middle classes would enhance his chances of winning an election.

The housing minister, Grant Shapps, made a speech a few months ago which included the observation that it was "in everyone's interest to have stable house prices for a long time, because the only way we can make sure housing is more affordable for future generations is not to have these crazy housing booms".

Note that he was merely suggesting that it would be sensible if prices stayed flattish in the hope that, as earnings rose, this would gradually help new buyers across the threshold of ownership. This suggestion was regarded as so heretical that he came under attack from many sides, especially his own. So we arrive at the last solution and it is the blindingly obvious one. Britain needs to build more houses. In just one year, 1953, Harold Macmillan presided over the construction of 300,000 new homes. He understood that a property-owning democracy could not be realised unless there were enough properties. This basic requirement eluded his successors, whether they were Conservative or Labour. The social housing sold off by Mrs Thatcher was never replaced. House building in the last year of Gordon Brown fell to a postwar low. We are currently building around 100,000 homes a year when new household formation is running at about 250,000. So long as demand continues to be so much greater than supply, the prospects for the young – and a lot of the not so young – will become ever bleaker.

Politicians still talk about a property-owning democracy, but it is just piffle and wind unless they do the necessary to make it a property-building one.