

Tullett Prebon Research, a blog by Dr Tim Morgan

Of mice and men

by Tim Morgan on August 28, 2012

Spats at the top of government are indicative of paralysis, near-panic, and an addiction to image over substance. The economy is going off the rails, the fiscal plan is failing, and no one has any answers because the system is incapable of delivering strategic resolve.

Senior Tory MP Tim Yeo has called upon David Cameron to decide whether he is “a man or a mouse” over building a third runway at Heathrow. Writing in the Daily Telegraph, Mr Yeo warned about “presiding over a dignified slide towards insignificance”. This echoed the comment by Boris Johnson that the Prime Minister should stop “pussyfooting”. Meanwhile, polls suggest that George Osborne is even less popular than Nick Clegg.

Are these mid-term blues, silly season spats, or matters of substance? Well, certainly not the latter, because the British political system doesn't do substance. When Nick Buckles of G4S was about to appear before a Commons committee, Alistair Campbell advised him to “get a haircut”. Mr Campbell wasn't wrong over this, mind. The worrying thing is that he was right. Image does trump substance in modern British politics. Given the scale of the challenges facing the UK, this is very disturbing indeed.

Let's be clear about where we are on the page. The British economy is in very, very deep trouble, seemingly incapable of growth now that the erstwhile drivers of private borrowing and public spending have ceased to function. The deficit reduction plan isn't working, because it was always predicated on implausible growth expectations. The ingrained habit of living beyond our means is making an economic recovery look increasingly implausible.

What is needed is action, but the danger is that what we'll get instead will be a mixture of ideological sound-bites, waffle, and short-term stratagems determined by focus groups.

In this context, a third runway – or, for that matter, “Boris island”, or the HS2 rail link – is irrelevant. All of these projects would simply take too long to have an impact on the economy.

Ministers need to realise that what is needed now is a policy that will create jobs, and will inject demand with a minimum of leakage into imports. **That policy is a major programme of building social housing.**

Present this as a crusade against homelessness, if you wish. If you must have a label, call the new properties, er..... council houses?

This should be a big (£10bn a year) programme, funded by government, and carried out by housing associations and local authorities. Forget, for now anyway, pandering to the British obsession with home “ownership”. Forget involving developers, or bringing in private-public financing gimmicks.

This is not a tricky concept to grasp, or to present. Put builders to work building quality homes that some of the families on Britain's appalling, 1.8 million-strong housing waiting lists can rent.

Do it now. If doing this requires streamlining the planning system, get on with it.