## Generation Homeless

If anyone was looking for evidence of just how much speculation in property has destroyed an entire generation's chances of getting their hands on any, Tim Walker's article in the *Independent* "No place like home: The Generation That Can't Afford to Buy", made illuminating reading. Despite an apparent crash in house prices, the average age of a first time buyer in the UK is now a very elderly 38 and the average deposit on a property is 64 per cent of the average income. This, claimed the article, was compared to just 16 per cent 10 years ago. At the age of 30 and with no prospect of being able to afford a home, Tim Walker described just how much easier it was for his parent's generation when they were buying their first home. He said that their mortgage: "Represented around double my baby boomer parents' combined annual income in 1980. If I wanted to buy the same house today, it would cost me 10 times mine. Even if I had a pregnant wife with comparable wages, it would still be well out of our reach. The same would be true of a studio flat in north London, where I currently rent—or one in south London, for that matter. And I have a decent job, unlike a lot of other young people in this economic climate."

Sadly for Tim, he wasn't able to identify how the damaging inflation in the property market had been caused by a flawed British tax system that promoted reckless property speculation.

Go to: www.independent.co.uk/life-style/house-and-home/property/no-place-like-home-the-generation-who-cant-afford-to-buy-1921781.html

THE INDEPENDENT

## 'Easy peasy' budget

As the orchestrator of a so-called "phoney budget" released just before a general election, nobody expected UK Chancellor Alistair Darling to come out with anything truly revolutionary. But there were a few media analysts who were able to point out what he could have done, had he had been blessed with a little more courage.

Larry Elliott, economics editor of *The Guardian*, argued that enormous damage has been done to the British economy by the destructive bubbles in the UK property market and added: "The reason Britain has destabilising bubbles in property is simple: this is a small island with a large and growing population, tough planning regulations limiting new housing developments and a tax system that encourages owner-occupation."

But Elliott admitted that reforming that tax system would be fraught with difficulties.

"Nobody has yet come up with a better solution than that of David Lloyd George in his 'people's budget' of 1909: a land valuation tax," he said.

"Darling needs to get the economy moving again; he needs to build-up its long-term productive capacity; he needs to invest in a long-term future, and he needs to tackle the two roadblocks to reform: the City and the housing market. All he has to contend with are a record peacetime deficit, powerful vested interests and deep-rooted cultural inertia. Easy peasy."

Go to: www.guardian.co.uk/business/2010/mar/22/budget-2010-rebalancing-economy

theguardian

## Debt bombs in Greece

Those finding Greece's current debt crisis scary will have felt the need to hide behind the sofa while reading Professor Michael Hudson's article in the *FT* about the other 'debt bombs' waiting to go off in Iceland and the old communist countries in Eastern Europe. "Although most of these countries are not in the eurozone, their debts are largely denominated in euros," he says. "Some 87 per cent of Latvia's debts are in euros or other foreign currencies, and are owed mainly to Swedish banks, while Hungary and Romania owe euro-debts mainly to Austrian banks"

Why are these nations in such dire straits? Hudson, a professor of economics at the University of Missouri, suggests that: "There is growing recognition that the post-communist economies were structured from the start to benefit foreign interests, not local economies.

For example, Latvian labour is taxed at more than 50 per cent (labour, employer, and social tax)—so high as to make it noncompetitive, while property taxes are less than 1 per cent, providing an incentive towards speculation. This skewed tax philosophy made the "Baltic tigers" and central Europe prime loan markets for Swedish and Austrian banks, even as domestic labour struggled to find well-paying work."

The solution he finally identifies is a familiar one to regular readers of this publication: "In addition to currency realignments to deal with unaffordable debt, the solution for these countries is a major shift of taxes from labour to land," he says. "There is no just alternative. Otherwise, the age-old conflict between creditors and debtors threatens to split Europe into opposing camps, with Iceland the dress rehearsal."

FT FINANCIAL TIMES