



## Radical Options for Scotland and Europe

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### BRIEFING 73 SEPTEMBER 2024

## THE HOUSING CRISIS

**Rent levels across Britain.** According to August 2024 ONS figures rents rose as a share of wages by 2.2 percent over past year. Tenants are now spending 38.8 percent of their net income on housing. The Starmer government has commented that it would not be imposing rent controls as this would deter investment.

**Scottish rents** Average rents in 2022-23 exceeded £1,000 a month for first time at £1,016. The highest annual increase was 15.1 percent for shared one bedroom properties. The highest 'area' increase was Greater Glasgow at 22.3 percent.

**Size of Scottish private rental sector:** up from 5 to 15 percent of total housing between 1999 to 2019: public rental sector down from 32 to 22 percent of all houses over the period.

**Homeless in Scotland** those assessed as homeless in Scotland increased by 10 percent between 2022 and 2023 to 32,240. Those in homeless accommodation had increased by 30 percent since 2014 and in September 2023 included just under 10,000 children. Shelter Scotland director Alison Watson notes as a major cause of child poverty.

**Budgets:** The Scottish government cut its housing budget by 22 percent for 2023-24. In summer 2024 it declared a 'housing emergency'.

**Local authority housing starts** in 2023-24 numbered 1,322.

### The past achievement of local authority housing

Between 1946 and 1979 just under six million council houses were built across Britain; an average of 170,000 a year. Earlier, under the Housing Act 1919, 500,000 council houses were to be built in three years. This Act was announced in the king's speech the day before Scotland's 1919 general strike was formally stood down. The prime minister justified this spending to Cabinet colleagues as 'insurance against Bolshevism'.

By 1975 54 percent of Scottish families lived in council housing. Rents averaged around 7 percent of the average weekly wage. The previous year, 1974, a housing policy document issued by Conservative Political Centre 'The Eclipse of the Private Landlord' attributed the strength of class solidarity on Clydeside to the security given by council housing. 'Housing in Scotland has much in common with that in many Iron Curtain countries and ... has frozen class divisions'. It was one of the first policy papers to define housing policy under Thatcher.

### Labour government housing proposals in the King's Speech

The Planning and Infrastructure Bill outlined in the king's speech on 20 July set the objective of building 1.5 million new houses over five years. This would be achieved by relaxing existing restrictions on building on hitherto protected green belt land. Local communities would lose their right to object – only to influence how the houses should be built. Landlords would be given 'fair not excessive' compensation. Angela Rayner's **Written Statement to the Commons** on 30 July gave some further details: that the government would ensure a pro-active relationship with local councils through liaison with Mayoral and Combined Authorities and a re-enforced supply of planners. Ms Rayner also insisted that the government had a commitment to social housing and that this should

be 'rising not falling'. The government would intervene in the short run to ensure an 'additional 2,000' affordable houses are built and that the longer-term target for affordable rented social housing be increased from 110,000 to 130,000. It appears, however, that the great bulk of construction would be via commercial builders and that most houses would be sold commercially.

### **Britain's Building Industry**

In 2023 the Competition and Markets authority published its report on the building industry [housebuilding@cma.gov.uk](mailto:housebuilding@cma.gov.uk). It found that just eleven companies built and marketed something over 40 percent of all houses built in Britain. It also reported that the profitability of these eleven companies was 'higher than would be expected in a well-functioning market' – inferring some level of monopoly collusion. These are the companies that would presumably be responsible for building most of the houses under the Labour government proposals. The report also condemned significant aspects of their performance – in terms of infrastructure provision and responsiveness to building faults and that 'there was significant consumer detriment from the private management of public amenities'. As with most other big companies in Britain these are largely owned and controlled by investment companies and hedge funds – of which a significant number are externally owned and export their profits – mainly to the US.

## SCOTLAND

### **Government spending freeze**

On 14 August Shona Robison, Finance Secretary, wrote to government departments and local authorities to halt all non-essential spending and to freeze new appointments. This was in light of unforeseen expenditure mainly, it seems, public sector wage settlements made earlier this summer.

### **Government Expenditure and Revenue Review Scotland**

The figures were published on 14 August. They indicate the notional fiscal deficit, currently met by the UK government, if Scotland was solely reliant on its own tax revenues including that from oil. Falling oil prices meant a notional increase in the Scottish budget deficit from 8.4 percent to 10.4 percent.

## EUROPE

### THE EU'S TWO DOMINANT MEMBERS FACING ECONOMIC AND POLITICAL CRISIS

### **Failure of growth; mounting debt**

Across the Euro Area government debt has reached 88.6 percent of GDP against the EU's legal limit of 60 percent. Growth has slowed to less than half that in the United States at 0.3 percent in the second quarter 2024. In Germany 2024 second quarter growth was minus 0.1 (debt 63.2), France 1.1 percent growth (debt 110.5 percent). Italy had 0.9 growth (debt 137 percent), Spain 2.9 percent growth (debt 107 percent). In Belgium debt now stands at 185.2. The growth failure is concentrated particularly in the industrial sector. For the Euro area as a whole this has fallen by 3.9 since June 2023 and was particularly marked in the production of capital goods (minus 7.8 percent). The biggest contributor to this fall was Germany where motors, machinery and chemicals make up 40.2 percent of all exports.

Most commentators attribute the crisis in Germany to a) the US Inflation Reduction Act which offers major subsidies to companies (whether US or externally owned) that relocate production back to the US. This Act followed a decade in which German exports, particularly of cars, had been seen as seriously impacting the US economy. b) the cutting of Nord Stream 1 and 2 pipelines in 2022 which resulted an increase in energy prices for German heavy industry of up to a third. On 14 August 2024 Germany issued an arrest warrant for one operative from Ukraine – also citing two more – while Sergei Lavrov repeated his claim of ultimate US responsibility.

Levels of unemployment in Germany are highest in the East: 7.8 percent against 5.8 in the former 'West' (and for juveniles 3.7 in the West and 14.5 percent in the East). The East is currently where the threat by the extreme right AfD is strongest. It leads in Thuringia (30 percent) and Brandenburg (24) but remains behind the CDU in Saxony (30 against 34 percent). Voting in these three Lande takes place this September. For Germany as a whole the AfD is on 19.5 percent against CDU 30.5 and SPD 15.

France has also seen a rise in support for the extreme right. The most recent National Assembly vote gave 37.1 to National Rally (far right), the New Popular Front 26.3 and Ensemble (Macron 24.7).