

# Labour sets out to get the U.K. to grow the fastest in the G7

Here's the main aim of the Labour Manifesto. I fully support it. So did Liz Truss. It just shows how varied and wide an appeal it has.

Growth needs to be per capita growth. It needs to be productivity raising, wage increasing growth. We do not want GDP growth based on inviting in more and more people to take low skilled jobs for low wages. That way lies further demands for more homes, more hospitals, more schools, more public spending.

Labour is less clear over how it will bring this about. They want the private sector to build more homes. They suggest that simply setting top down house building targets in revised planning guidance will release extra plots for building and will resolve the matter. This is unlikely. The Conservatives used to set these targets but did not get building up to the 300,000 a year Labour wants, though they did increase the rate.,

Last year in England there were 1.1 million plots with housing permission available but the builders did not hit the 300,000 target. That had little to do with planning permissions and much to do with the Bank of England. The Bank deliberately sold bonds to drive mortgage rates up and kept short term rates high to reinforce the dear mortgages policy. They thought it necessary to drive rates up to stop people building and buying homes. That was a key part of their policy to correct the bad mistakes they had made with money and inflation in 2021-2.

Insufficient homes were built because they are dear, mortgages are scarce and interest rates too high to be easily affordable for many. Labour needs to address the cost of homes, made higher by Stamp Duty and other taxes, and above all by the cost of credit.

Meanwhile more planning permissions take time to filter through as it takes years to get all Councils to change their local plans in response to new guidance.

If the priority is more affordable housing for rent or sale then it will need substantial uplifts in state spending on capital investment and subsidies. To avoid this being inflationary there needs to be expansion of the trained domestic building workforce and more capacity in leading building materials and components.

I will comment on other parts of the Growth plan in later blogs.