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modern Irish and European capitalism. It was a gamble that paid off massively for a small number of people and cost the majority of us huge losses. When Lehman Brothers collapsed as a result of the gamble that was and is international capitalism, the Irish property bubble exploded spectacularly.

Irish capitalism has never had a housing policy. Rather than housing being seen as a way of providing homes and shelter for the citizenry, it was instead seen to be a way of making money. The U.S. economy had its sub-prime mortgages, the Irish economy had its tax incentives and land rezoning – two sides of the same coin which resulted in economic misery which will last for generations.

rental income in the first year, including rents from other properties owned, with any unused tax relief being carried forward indefinitely. After a slow start, Section 23 eventually became one of the main drivers of development, with investors often snapping up the lion's share of new housing schemes. And, as if this wasn't enough to keep the developers happy, further tax breaks were made available over the years for multi-storey car parks, holiday homes in jaded seaside resorts, hotels anywhere and everywhere, and student accommodation. In most cases, these incentives meant that the capital cost of qualifying new developments could be written off against an investor's tax liability over a 10-year period. What's more, anyone leasing office or retail space in a designated area got tax allowances equivalent to double their annual rent bill and didn't have to pay a penny in commercial rates for ten years."[10]

These tax incentives proved very costly to the State; a review carried out by Goodbody Economic Consultants in February 2006 concluded that they cost the Exchequer almost €2 billion in tax foregone – another example of welfare for the wealthy. This equated to a handout of over €40,000 per residential unit – handed to the developer by the state, added to the price paid by the purchaser.This level of tax incentivisation of investment meant that up to 90% of the tax-subsidised properties were purchased as investment, freezing out first-time buyers and resulting in windfall profits for landowners.

GAMBLE

By virtue of space, this article can only touch briefly on what proved to be a period of massive gambling in the history of

[10] McDonald, Frank & Sheridan Kathy, "The Builders", P. 5

The years from 1995 to 2007 saw record levels of housing construction in Ireland. Construction output went up, land and house prices mushroomed and it seemed as if there was a never-ending bandwagon on which everyone was going to get rich by simply waiting for their pile of bricks to increase in value.

A whole new lexicon of terms and vocabulary entered the everyday parlance – terms such as 'starter home', 'property ladder', 'first time buyer'; Newspeak phrases such as 'affordable housing' were bandied about. Houses and housing estates were advertised for sale by estate agents and property developers with colourful banner headlines and slogans such as 'live the dream', 'live the lifestyle' – it was almost explicitly stated that even the dreary Irish weather could be by-passed by buying an apartment or house in the latest development. It seemed as if the dream would go on forever. But in mid 2007, disaster struck. With the onset of the world- wide recession, Ireland's very own property bubble burst with a huge bang and left only destruction behind it. The dream turned to a nightmare for many people and the vocabulary was now dominated by terms such as 'negative equity', 'ghost estates' and 'price collapse'.

And it wasn't just those directly effected who felt the chill wind. As the construction boom shuddered to an abrupt halt, an economy hugely dependent on construction employment saw large numbers of people thrown onto the unemployment queues. The taxation system, dependent for years on property transaction taxes such as stamp duty (a tax on house purchases) to offset the reduction of income taxes in line with neoliberal 'low-tax' politics, suddenly found itself grossly underfunded.

HOMELESSNESS

Amazingly, in the midst of the past construction frenzy, homelessness had increased, the numbers of families living in temporary accommodation shot up and the numbers on local authority housing waiting lists went out of control. At the same time, the private rented sector went through a boom of its own. But without proper standards or regulation, thousands of families found themselves forced to pay astronomical rents for poor standard accommodation.

Landlords in the private rented sector were major beneficiaries of state aid through the Supplementary Welfare Allowance which saw, and continues to see, vast amounts of taxpayers' money handed over to wealthy landlords, many of whom were able to use it to build up large banks of properties – a classic case of welfare for the rich. Bearing no connection what- soever to the reality of people's lives and incomes, average rents in Dublin increased by a staggering 53% in the 3 years between 1998 and 2001.

By 2005, the State was paying a total of €350million per annum to private landlords in rent subsidies and a further €20million was being paid to the owners of Bed & Breakfasts for emergency accommodation.[1]

> *"The number of people who were homeless doubled during the Celtic Tiger years (from 2,500 in 1996 to over 5,000 in 2008) as they were squeezed out of the private rental market. Those on low incomes found that they could afford only dingy bed-sits, unfit for human habitation, tiny, damp, mouse-ridden, with little heating … illegal sub-standard accommodation, paid for by the State! Exploitative landlords became millionaires, with tax-payers' money, by providing appalling accommodation to those who had no other choice. While City Council slums were being demolished, new slums in the private rented sector were being created."*[2]

[1] TASC: "Out of Reach: Inequalities in the Irish Housing System" by P.J. Drudy and Michael Punch, 2005

[2] Jesuit Centre for Faith & Justice "The Irish Housing System Vision, Values, Reality," Foreword by Fr. Peter McVerry, May 2009

accounted for by land cost went up from 21% to 36% during this period. This happened principally because a small number of developers had built up huge land banks over previous decades and their near-monopoly position allowed them to release land as they wished and charge as they wanted. As far back as 1974, the government-appointed Kenny Report had recommended that all land designated for urban development should be compulsorily acquired by local authorities for a controlled price. But this was never implemented and by 2003, just 25 individuals or companies owned 50% of the building land in Fingal. *"With this kind of power, the landowners were able to push up the prices they got from builders. Before the boom, land made up about 10 to 15 per cent of the cost of a house. At the height of the boom, it made up a breathtaking 40 to 50 per cent. Given the huge absolute rise in house prices, this generated vast profits for those who controlled the land."*[9]

TAX INCENTIVES

Probably the greatest driving force behind the building frenzy was the array of tax incentives which the government made available to property developers. The 1981 Finance Act introduced what were called "Section 23" incentives which provided tax relief for the capital expenditure incurred in the construction, refurbishment or conversion of rented residential accommodation. The 1986 Urban Renewal Act ensured that "Section 23" incentives were concentrated in urban areas. And in subsequent years, a succession of urban renewal, rural renewal, seaside area and town renewal schemes were introduced.

> *"Section 23 allowed investors to write off all but the site costs of an apartment or town house against their total*

[9] O'Toole, Fintan "Ship of Fools. How Stupidity and Corruption Sank the Celtic Tiger" P. 104

CONSEQUENCES

This has serious consequences for people. Not only does the interest paid clock up hugely the longer the term of the mortgage, but the proportion of a person's lifetime earnings paid for their house has mushroomed compared to previous generations. Now, as prices plummet, people find themselves paying these massive mortgages for properties worth a fraction of the money they have to pay to the mortgage company or bank. As an aside, an aspect of house prices that is never commented on is that nobody other than the very wealthy buys a house or apartment for the sale price. Those of us who have to rely on mortgages to be able to buy end up paying the sale price plus whatever interest the mortgage company can squeeze out of us. And as the banking crisis has developed, one of the ways in which the banks hope to redress their liquidity problem is through increasing the mortgage rates they charge their customers, despite the fact that the rates at which they borrow has remained relatively static. I've already referred to the fact that the connection between house prices and what was considered 'affordable' had lost all link with reality. Neither was there any connection between either house building costs or the consumer price index (C.P.I.). Between 1994 and 2005 house prices rose four times faster than house building costs and seven times faster than the C.P.I.

TRIGGERS

So what were the triggers which contributed to the property bubble? Which of them could be put down to international trends and which were uniquely Irish?

Firstly, land prices, especially in Dublin, went through the sky. Between 1995 and 1998, average development land prices went up by approximately 200%. The portion of house prices

The numbers in need of housing have continued to rise, with Focus Ireland estimating that there are currently 5,000 people homeless and almost 100,000 people on local authority housing waiting lists.

REZONING LOTTERY

Property developers had become the new elite as farm land changed hands for lottery-type prices. All that was necessary was to have the land rezoned from agricultural use to 'development'. And with such vast sums of money to be made from rezoning, it was no surprise that local councillors who had the power to rezone were much sought after and sought much palm-greasing.

Many 'ordinary people' bought into the dream. People queued overnight to purchase apartments and houses in new developments. 'Units' were purchased off the plans by people who never had any intention of completing the purchase, but knew that all they had to do was put down the deposit and when the houses/apartments were actually built they'd be able to sell them on at a profit.

The frenzy even spread outside of the borders of the country. Eastern Europe became the new frontier and Irish people snapped up 'investment properties' in Bulgaria, Poland and elsewhere.

As a metaphor for all that can go wrong with the gamble that is modern capitalism, the Irish property boom and collapse provides a perfect description. As a lesson in the manner in which such financial gambling impacts severely on the lives and living standards of ordinary people while making multi-millionaires out of a small number of people, it stands unparalleled. And, above all, it showed us how large numbers of people can be sold a lie, how they can buy into the idea of certain riches.

In one of the most bizarre outcomes, local authorities found themselves with stocks of 'social and affordable housing', bought from developers before completion, for which the 'affordable' price was now higher than the collapsed market price.

HOME OWNERSHIP

To fully understand what happened in those crazy years, it's necessary to go back a number of decades and to try to understand why home ownership in Ireland is so important, and why, uniquely in Europe, the policy of home ownership rather than long-term renting became part of the Irish psyche.

In the early 1900s, housing in Ireland's capital city, Dublin, was renowned for its poor standard. Dublin's slum housing provided the backdrop for the great lockout of 1913 which saw the fledgling trade union movement take on the might of Dublin's employer class, with the employers led by William Martin Murphy, himself a notorious slum landlord.

This housing situation continued into the early years of the new Irish 'Free State' in the 1920s and 1930s. In the 1940s some small effort was made to address the problem but in reality it was the 1960s before any real effort at slum clearance got under way.

There was by then a real housing crisis in Ireland as a result of landlords being allowed to charge uncontrolled rents for unregulated and hugely sub-standard properties, and a complete lack of an adequate social housing building programme. This led to the formation of the Dublin Housing Action Committee which agitated for reform and took the direct action of squatting in empty property and encouraging homeless families to force the provision of housing onto the political agenda.

In the first edition of its publication, The Squatter[3], published in June 1969, the D.H.A.C. called on homeless families to squat empty property: *"The D.H.A.C. would like to see people squatting in some*

[3] Available at: cedarlounge.wordpress. com/2008/06/16/the-left-archive-squatter-broadsheet-of-the-dublin-housing-action-committee-june-1969/

more housing units were pumped out onto the market, prices went through the sky. The housing market became a frenzy of people camping out overnight to get the chance to buy in new developments and people paying prices that a few years previously were not even dreamt of. Average new house prices increased by 344% between 1994 and 2007, with prices in Dublin increasing by 408%.

These prices bore no relation to average wages and forced workers to take on debt that was and is going to cripple them for decades to come. The table below, taken from an article on the website "Irish Left Review", illustrates starkly the huge divergence between average house prices and average wages in the years of the property bubble.[8] International standards and 'best practice' has always seen the ratio of average house price to average income, known as the "house affordability ratio" as being between 2.5 and 4 to 1. As can be seen from the above graph, this ratio deviated hugely from the norm during the bubble years. Indeed, even as property prices started their crazy upward movement, in 1997 the ratio was already at 5:1. And over the course of the following 10 years the ratio shot up to over 11:1. The price of putting a roof over one's family's head had truly lost all connection with any level of reality.

These prices were only made possible because banks and building societies put together finance packages that were not dreamt of before. 100% mortgages became the norm, the link between a person's income (which obviously dictated ability to re-pay) and the amounts s/he was being lent was stretched beyond breaking, and, most frighteningly of all for housebuyers, 25 to 30 year mortgages became the norm.

[8] see www.irishleftreview.org irish-housing-wages-1977-2006-portrait-scam/

MIND-BLOWING FIGURES

The figures for the numbers of houses built in Ireland during the boom years (1995 – 2007) are truly mind-blowing. Just under 750,000 housing units were completed in this period with 2006 being the peak year when over 93,000 homes were completed. Two factors contributed to an increased demand for housing. Firstly, the years 1996 to 2006 saw a dramatic demographic change with the population increasing by about 20%, or 800,000 people. For a place whose most famous export had always been its people, this level of immigration into the country was truly unprecedented.

This period also saw a reduction in average household size from 3.2 in '96 to 2.8 in '06. The combined effect of these two factors was to bring about an increase of over 30% in the number of households. Even with this however, the number of houses built bore little relation to the need: *"…house completions per 1,000 of population in 2006 were 50 per cent higher than in 2002, 137 per cent higher than in 1996 and 292 percent higher than in 1991"*[5] The 2006 Census showed that there were 216,533 empty housing unites in the country (excluding the 49,789 houses which were described as holiday homes)[6]. Estimates as to the current number of vacant houses vary with an article on the website 'Ireland after NAMA' assessing it to be 302,625[7].

DEMAND AND SUPPLY

Whatever the precise figure, it is clear that there was absolutely no connection between demand and supply. The normal rules of capitalism would surely have dictated that prices should have plummeted, but the opposite was in fact the case – as more and

[5] Jesuit Centre for faith & Justice op.cit. P. 3

[6] see beyond2020.cso.ie

[7] irelandafternama.wordpress. com/2010/01/18/an-estimate-of-vacant-housing- in-ireland/

of the empty, surplus property owned by the foreign bums and parasites who have come in here to tear our city to shreds in order to build gaudy office blocks and expensive hotels. We say that the idle, surplus property of any big speculating landlord should be squatted in. People come before profits, and the worker's natural right to proper accommodation comes before the legal rights of Landlords." Similar campaigning groups were formed at the time in Cork, Derry and Dun Laoghaire.

SOCIAL HOUSING

Things were so bad on the housing front that eventually the government had to act and a huge programme of local authority house building got underway, leading to the development of new suburbs such as Ballymun, Clondalkin and Tallaght. While there were serious deficiencies in the manner in which this development proceeded, as vast estates were developed with no shops, public transport or employment prospects, at least it was seen that social housing was a necessary and important component of the delivery of housing.

This never came however from any ideological perspective, and the Irish political establishment remained firmly wedded to the concept of home ownership as opposed to renting/social housing. Nonetheless in the 1970s and 1980s, local authorities were a hugely important deliverer of housing, and in 1975, 33% of all housing output was constructed by local authorities. By 1985 though, this figure had shrunk to 27%.

From the time of the 1966 Housing Act, however, local authorities were actively promoting the privatisation of social housing through the medium of tenant purchase schemes which offered subsidies and incentives to local authority tenants to purchase their homes from the local authorities – a policy which had the obvious consequence of reducing the overall availability of social housing.

So while local authority house building programmes went ahead at relatively high levels throughout the 1970s and 1980s, the rate at which houses were being sold meant that the actual numbers of public or social houses in the national housing stock remained static at about 100,000 units. Private housing output also grew during this period with the consequence that social housing fell as a percentage of the total housing stock from 18.4% in 1961 to 9.7% by 1991.

TENANT PURCHASE

The late 1980s saw massive cutbacks in the numbers of houses being built by the local authorities. Government cutbacks in local authority funding meant that local authority housing output fell to below 10% of total output by the end of the 1980s. In addition, a renewed vigour was added to the policy of privatisation of existing social housing.

Dublin Corporation, along with other local authorities around the country, introduced a new tenant purchase scheme in 1985 which over the course of the following decade had the effect of devastating the availability of social housing

> "*Purchase prices for local authority housing were typically extremely favourable to tenants.The tenant purchase scheme implemented by Dublin Corporation in the late 1980s, for example, entailed discounts on the market value of housing of up to 60 per cent….*
> *The consequence for Irish social housing was that by the early 1990s, of the 330,000 dwellings built by local authorities over the previous century, some 220,000 had been sold to tenants…*"[4]

[4] Combat Poverty Agency "Housing Poverty and Wealth in Ireland", 2004, P. 21

In 1971 there were 726,400 housing units in the country, 69% of which were owner-occupied. By the early years of the new century the stock of total housing units had risen to 1.22 million with 82% owner occupancy, and the boom in output was still in full flow.

STATE SUBSIDY

Mainstream political and social discourse around housing policy in Ireland is usually predicated on the theory that there is something uniquely Irish about our desire for home ownership, and that unlike continental Europeans we're not really "into" either social housing or long-term renting. Some commentators put this down to folk memories of the Famine and evictions by absentee landlords.

What is almost completely missing from this superficial analysis of housing policy is the fact that it was state subsidies and interventions that resulted in the surge in ownership rates in the last 30 years of the twentieth century. Because of the government's ideological commitment to 'ownership', local authority tenants were essentially able to buy houses for about 40% of the cost of building them. But when this same drive for 'ownership' continued intthe years of the boom it did so in a completely different economic climate.

Now the only subsidies which the government provided were to the builders and developers who availed of tax breaks and write-offs to build massive numbers of houses for sale at exorbitant prices to a population who had bought the myth of 'ownership', but were doing so in a society and in an economy where the private sector had total control and profit was king. This is a fact that is of crucial importance in understanding the extent of the debt crisis which the desire to get on ' the housing ladder' has caused for ordinary people during the years of the 'boom'.