

Liberal Democrat conference



Lib Dems target economic growth with housebuilding plan

Ministers consider penalising property firms who fail to build as they aim to take coalition lead on providing stimulus

[Liberal Democrats](#) inside the cabinet are putting pressure on the Treasury to bring forward capital spending as an emergency response to the mounting evidence that growth is slowing. The Treasury is insisting that no changes are being considered, but Lib Dem ministers are pushing for quick extra investment, including boosting housebuilding by penalising property firms that fail to build on land that has long-term planning permission.

They also want the [Bank of England](#) to undertake further quantitative easing within weeks by buying the debts of small businesses. They say it is for the Bank to work through the scale and precise timing but argue that the need to act is growing urgent, and that a public debate is needed. Ministers are aware that the Bank must retain its constitutional independence in setting interest rates, but believe the use of quantitative easing as a means of stimulating the economy has broken down the distinctions between it and government.

The ministers recognise that the government cannot be seen to be straying openly from the deficit reduction strategy and that doing so would lead only to a self-defeating reaction in the bond markets. "We cannot be seen to do anything dodgy or use bogus Labour schemes like the private finance initiative," one said.

But they are starting to argue in private that it may be possible to bring forward capital spending from the timetable set out in the initial spending review in 2010, or that the overall level of capital spending could be increased by a couple of billion to keep the economy from sliding back into recession and unemployment rising.

Explaining the government's dilemma, [Vince Cable](#), the Lib Dem business secretary, said: "We have built up a lot of credibility in international markets. We don't want to lose that position. "There is flexibility built into our fiscal plans, we have that. There are other ways of maintaining stimulus to the economy. There is monetary policy and we can use imaginative infrastructure development to push the economy forward domestically."

Accused by some of depressing confidence by sounding gloomy, Cable added that the IMF downgraded forecast was an "objective independent assessment" which sounded "broadly plausible".

"It is very difficult to get our own economy growing again – financial markets, recession problems.

Getting that going is difficult and is even more so when our main markets in Europe in North America are seizing up."

Ministers have already set out proposals to speed up the process of gaining housebuilding planning permission, a move backed by both wings of the coalition, but they now say that land banks and hoarding by house-builders need to be addressed. A house-building programme is seen as central.

The National Trust has estimated the total land bank with planning permission at around 330,000 plots. That figure is based on research by the Campaign to Protect Rural England (CPRE), which found that the biggest developers last year held land with planning permission for 281,993 homes. Companies have added tens of thousands more plots to their stocks over the course of this year.

Bovis, one of the biggest developers, said this month it had bought 1,571 "consented plots", and was acquiring another 2,500. Ministers say England needs 230,000 extra homes a year. They are looking at fining companies that hoard land with planning permission.

The Tory Cabinet Office minister Oliver Letwin told a fringe event at the Lib Dem conference: "We need to do the deficit reduction but that isn't the total answer to how you do things.

"We have been working extremely hard in other domains and I think you'll find that in the coming weeks and months we will have a great deal to say on the [housing](#) market." A housing strategy is due for publication by the government in November.

More broadly, Lib Dem strategists are pleased they have been seen to be taking the lead in a more activist fiscal and monetary stance.

Lib Dem ministers are nervous of institutional restructuring, and believe the £3bn Green Investment Bank can lever in a further £15bn of private investment over the parliament. They admit that locating shovel-ready infrastructure projects is painfully slow inside Whitehall.