We're paying the price for Labour failure

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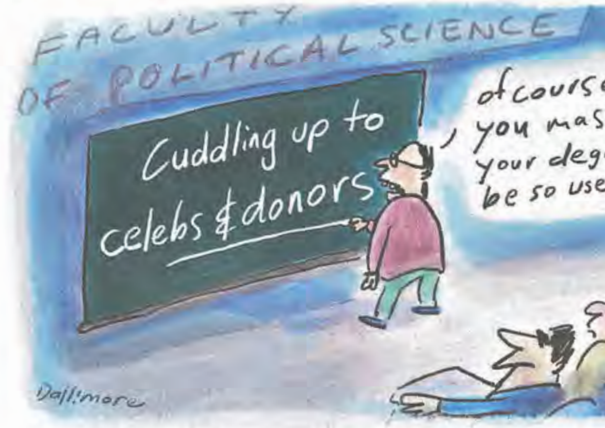

THE most glaring hole in the main parties' manifestos is the "i" word. Investment. All three parties are still engaged in a short-term, Elastoplast exercise, aimed at balancing our economic books.

But to what end, if the country as a whole does not improve – more particularly, if another word missing from their outpourings, productivity, does not increase?

They all like to sound off about this great nation of ours, about how we're right up there in the economy rankings. What they don't like discussing is why our national productivity is so poor, and how it's getting worse – reports the Financial Times, 6% behind the rest of the G7 leading nations in 2007, 15% in 2010, and as of today, 17% behind. That's a terrible number.

But where does the blame reside? Firmly with a Labour regime that did not pay enough attention to productivity, and a Coalition that adopted a similar policy – although to be fair, it inherited such an economic mess, that first things first, the mountainous deficit had to be tackled.

Labour was very good at pushing people towards university. Arguably, too many went; for courses that should not have been taught at university level and places that should not have been universities at all. As well as doling out degrees willy-nilly, the party should have been creating trade apprenticeships, ensuing that those who did not want, or could not afford to go to university would learn a valuable skill. Often those apprentices would go on to form their own businesses.

Instead, that conveyor belt of innovation and economic dynamism never got going. Meanwhile, Britain suffered a growing problem of unemployed, unskilled youth. Employers pointed this out, loudly, saying they could not find sufficient recruits; but not enough was done.

In short, Labour banged on and on about "enterprise" without having the faintest idea as to how it could be achieved.

It took a financial crisis to uncover the fact that Britain's small firms and start-ups were treated appallingly by the major banks, often struggling for funding. That finance dried up pretty much completely during the credit crunch, but the rot had set in before as banks became more and more grand and distant from their traditional customer base.

Business pleaded constantly for the scrapping of red tape and more easily understood taxes. What did Labour do? Absolutely nothing where petty regulations were concerned (if anything they increased) and watched, as Britain acquired just about the most-complex tax system in the world (ours is more convoluted than India's).

It was excellent at inviting industry leaders in for breakfast and afternoon tea, but in reality Labour did not seem to care a jot that Britain was slipping down the productivity league table. The lack of infrastructure planning was truly shameful.

Late in the day, George Osborne has promised to do something about cross-country transport in the north of England, but that is not a new problem – it was present and getting worse throughout the Labour years and they ignored it. This, don't forget, was Labour's heartland – but the hierarchy was keener on cuddling up to celebrity and embracing the bright lights of London and the bankers (and potential donors) of the City than helping its own folk.

Similarly, the housing crisis has not appeared out of nowhere. Again, it existed during the Labour years. Did Labour build new towns? Hardly.

In some areas, in science, competition policy and open markets, the UK does well versus its peers. But in others, most notably those that involve taking long-term decisions and getting inside the factory gates, on to the shop floor and finding out how real improvements can be achieved, we score woefully.

For 13 years in power, Labour, the party of the working man and woman, unforgivably failed to get Britain working more efficiently, and today, 17% less productive our rivals, we're now paying the price.

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Getting greedy about property again as old lessons are still not learned

AT a packed pre-election seminar organised by property and construction consultants Pellings, the audience of industry practitioners and experts was asked when it thought the London house-price bubble would burst.

They had four options: 2016, 2017, later, never. A thumping majority went for later. In a sense, it was a loaded question. A bubble must burst at some time, so later was a safe assumption. Intriguingly, though, they did not think the implosion would come this year despite the uncertainty hanging over the market from the election.

In a few weeks, we could be well on our way to having a mansion tax – Labour leader Ed Miliband is claiming it is at the top of his "to do" list – but this did not sway them. We may face the prospect of a second election if the first does not produce a decisive result. Again, this did not seem to move them.

What concerned them more was looking beyond this year and next. Talking to them afterwards, there was a worry that London is in great danger of cutting off its nose to spite its face. In short, it may have got too greedy. Right now, 14 years' supply of high-end apartments are being built or planned. Jim Mellon, the entrepreneur and investor, points to a telling statistic. As it happens. He's struggling to sell his flat in the West End. But he reckons that task can only get harder. Why? Because currently there are 41,000 units under construction in London priced at over £1 million when last year only 3000 homes were sold for more than that.

Everywhere you look, towers are going up. As pubs, service stations, office blocks fall empty, they're being turned into luxury apartments. Where I live, the Gala bingo hall was going to be a nightclub. Not now. Apartments. The Alexandra pub down the road? Six flats. The Richmond Park pub, half a mile away? Almost certainly, in time, more flats. The old Atkinson Morley and Wolfson hospitals in Wimbledon? They're now the site of a huge development, with units costing between £1.15 million and £4.95 million.

Building is being aimed at those with plenty of money. But is the demand there?

That's being repeated across London. These aren't cheap places providing affordable homes for those on low wages. By and large, what are being erected are apartments and houses aimed at those with plenty of money. But is the demand really there? If developers think the new projects are going to cash in on the predicted growth in London's population over the next decade, there is precious little proof those incomers will be able to afford these properties.

At the very top end of the market, there are already signs of a slowdown; the Russians are finding it harder to get their cash out of the country and the Chinese government is cracking down.

If the European Union returns to growth, what is the likelihood of an exodus of EU nationals wanting to enjoy better times back home? (Especially as they may face a clampdown on non-domiciles here if Labour is returned and an increasingly hostile environment whipped up by the likes of Ukip).

Yet again, it would appear, lessons have not been learned. Remember how the dot-com boom led to the over-creation of fast-fibre optic networks? After the crash, a use had to be found for this hardware, which is why we now have broadband. So, there will be winners. Those who are currently priced out of the market (another Pellings finding was that lack of suitable property was by far the biggest drag on the residential market) may succeed, in years to come, in buying a flat or house after all. However, a lot of pain must be experienced before then.