



Book Review

Boom Bust: House Prices, Banking and the Depression of 2010
By Fred Harrison



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I have been quite public about my belief in property tax (my caveat being that we should have far less income tax/levies etc: perhaps a 'flat tax' would be best), and if there is one book that has really helped to shape that opinion quite succinctly it is Fred Harrison's masterpiece on the topic, and the subject of this review: 'Boom Bust'.

Fred Harrison predicted the property crash in the UK of 1989/90 in 1980; and furthermore, he named a date. He also named a date, specifically 2010 (as a bottom, not as the 'start' of a crash), in the mid 90's. How? It is due to his analysis of property cycles, which goes back to the 1500's; and while I am still sceptical about his '18-year' cycle theory, the one thing that fully convinced me was his argument regarding the basis and need for a more rational and working approach to property and the taxation of same, or the 'democratisation of the tax base', as he often refers to it.

This book was published in 2005, based on research carried out long before that, and setting out the time-lines in which a crash would occur. How this book is not more widely known is a mystery: it is almost like a looking glass into what was coming down the line in the property markets.

The book covers a wide diversity of opinions and areas, (one that is slightly overdone is the personal vendetta Harrison seems to have against Gordon Brown), but his knowledge, the breadth and scope of which seems almost unbounded, would offer any discerning reader an opportunity to look into what is perhaps the 'right road' to travel in terms of avoiding painful busts in the future.

One of the messages I took from this book was that perhaps income related tax was only brought about due to the societal mix of the people in power when it was passed into law; and that meant that from the very start the system has been flawed. Harrison points out that taxation on property should have been the basis of the system, but the House of Lords, who prevailed over passing laws in the late 1700's, were the very landowners at whom such a tax would have been targeted, so such an approach would never have come to pass. In essence, rent seekers have been protected from the outset.

While there are elements of this book that one may disagree with (it covers so much that it would be hard not to find fault in at least one or two areas), it is, on the whole, a 'must read', particularly if you have an 'against' opinion when it comes to property taxation. While it doesn't go on to say we need flat tax on incomes or the like, the idea of taxing assets rather than focusing on incomes is well put forward and makes for challenging reading. Don't read this book if you are looking for something to switch off to; it is inherently thought provoking.

The idea of property being central to almost every historic bust with few exceptions is a compelling one and it is teased out in no short order with facts and statistics drawn from around the world. The link to speculation in land as well as leverage is clearly drawn out; as well as the idea that liquidity and leverage are core correlations between the roaring twenties, the late nineties and now, albeit the periods of 'bust' had very different causes.

Fred Harrison's 'Boom Bust' is nothing short of excellent, even though you may or not may agree with elements of it, such as the 18-year cycle theory that the author puts forward. The problems of property are many but the solutions are thankfully pragmatic. Will we actually see any of his solutions used any time soon? Unfortunately, I would wager 'no', but that doesn't mean that the process of rationalising taxation and understanding the shift that needs to take place in revenue raising is not underway on some level. However, the recent suggestions of the Commission on Taxation are a far cry from what Fred Harrison has prescribed as a democratisation of the tax base.

The question that still remains is one first asked by perhaps the greatest economist of them all: 'to whom belongs the wealth of nations?' Until we realise that land is a national rather than a purely private asset, then we are likely to continue the current application of taxation, and thus follow the 'boom bust' path that has led us here to begin with.

