



Britain's Captains of Industry have always been foremost amongst the advocates of free market economics, but not, it seems, when they themselves are in trouble. Now they too have joined the queue of benefit claimants and have got their begging bowls out. The Society of Motor Manufacturers and Traders (SMMT) and the Retail Motor Industry Federation (RMIF) have sent a joint letter to the chancellor, the Rt Hon Alistair Darling MP, and business secretary, Lord Mandelson, regarding the impact of the current economic crisis on the UK motor industry. The letter suggests a number of initiatives, designed to stimulate the UK vehicle market and mitigate the short and long-term effects of the economic downturn throughout the sector. The industry is calling for special measures.

"The motor industry faces a set of unprecedented market conditions. The dramatic falls in demand for new vehicles in the UK, Europe and around the world, combined with the limited availability of funding and liquidity now puts at risk valuable industrial capability. Urgent action is required to boost demand for new vehicles and ease pressure on UK automotive suppliers," said Paul Everitt, SMMT chief executive. The pre-Budget report should set out the strategy and measures needed to restore consumer confidence and support valuable industrial capability during this difficult period."

Also in the queue are the country's housebuilders, with a call for a tenfold increase in the £200m fund set up by the government to buy unwanted homes from the private sector and turn them into social housing. The fund - one of several measures to stave off a collapse in the housing market that were announced by Alistair Darling in his spring Budget - must be expanded to £2bn in the pre-Budget report to have a significant impact, according to Stewart Baseley, executive chairman of the Home Builders Federation. The money already allocated for this "clearing house" of homes came from front-loading the budget of the new Homes and Communities Agency, which has £8.4bn to spend over three years. It is understood that officials are examining ways of moving more of the total amount upfront to help meet Mr Darling's desire for Keynesian pump priming of the economy. A cabinet minister told a Financial Times correspondent that housing offered an easier way of moving capital spending forward than other big projects, such as schools, hospitals and transport.

These people ought to be sent away with a flea in their ear. The boom conditions up to 2007 encouraged the motor manufacturers to increase capacity beyond reasonable long-term demand. The demand for cars is not unlimited. Everyone in Britain who wants a car must already have one, so the market is mostly for replacements of worn-out vehicles. Manufacturing capacity will have to be reduced or adapted to produce other goods.

The situation with housing is a different matter. Much of the unsold property looks something like that in the picture, the schemes having been badly designed and overdeveloped in the rush to cram in as many as possible on to their sites in order to cash in on the boom. These are not

the most attractive places in town to live and were always liable to be difficult to sell. The housebuilders did well in the good times and if they paid too much for their sites a few years ago, they should be made to take the consequences of their bad decisions - these firms are not run by inexperienced amateurs and they of all people ought to have known that the land market is cyclic and that badly designed housing is likely to stick. The price should just be allowed to fall to market-clearing levels with no help from the taxpayer to prop up prices artificially. This unassisted fall will itself help to make housing more affordable. If the firms go bankrupt and are forced to sell their stocks of land at knock-down prices, that too will be no bad thing, and a salutary lesson for the future.

It is worrying that it is being suggested that supporting the market with government money would help the economy. This argument is being used to advance the homebuilders' plea. It would be utterly misguided to give in. Unlike infrastructure projects, sustaining land values artificially is not creating wealth and actually inhibits the country's capacity for further wealth creation.