

The next crash could be much bigger than the last two

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As the [FT has noted](#):

The UK statistics agency defines properties costing more than five years of income as “unaffordable”.

The affordability ratio in England hit a record 8.8 in the year to March 2021, before dipping to 8.4 in 2022. These moves and the latest increase reflect swings in house prices after interest rates rose rapidly from historical lows in 2020 and 2021.

The ratio rose to 8.6 in March 2023.

Prices are now higher.

As the FT added:

For the poorest households, the average house price in England was 18.2 times above average income in 2022-23, with the affordability threshold being met only by the richest 10 per cent of households, at a ratio of 4.3, the ONS said.

The consequences are already apparent. In a separate [article the FT notes](#):

Poorer students are being priced out of going to university in London because spiralling rent costs are outstripping the value of maintenance loans.

An analysis of student housing costs in the UK capital found that average student rent of £13,595 in 2024-25 exceeded the maximum loan for students in London of £13,348 for the first time.

The knock on consequences for many London universities are enormous.

But, so too are they for the economy as a whole. The value of people's labour is being sucked into paying either rents or interest to financial markets, denying them the chance to live well, whilst also sucking the life out of markets for the goods and

services that actually create the prospect of employment and added value within the UK economy which cannot be created because so much income is being diverted into wealth extraction.

The consequence of the extreme financialisation of almost everything that exists within the economy is that the economy is no longer functioning as it should. Not only is it denying people the chance to live well, it is denying the opportunity for anything but further financialisation to flourish.

Nor are there signs of the dangers inherent in this madness being understood. Far from identifying financialisation, rent extraction and excessive interest rates as the problems we face in our society, Rachel Reeves is instead describing the City of London, which is the architect of this madness, as the 'jewel in the crown' of the British economy and is in Brussels proselytising for it.

Where does this end? Ultimately, it can only create economic collapse if not addressed. The signs are all now present that this is unsustainable. The economy is in the doldrums. Poverty is rising. Real economic activity that seems to meet need is failing. Government services are becoming undeliverable because basic obligations, like housing people, are becoming unaffordable. Something has to give.

The City assumes people can bear the yoke of these financial burdens indefinitely. I think they are wrong. People's anger at the exploitation they are suffering cannot be contained for that long, I suspect. Mainstream government's either seek to manage the causes of that anger or extremists will sweep them aside - although they might well make matters worse.

Financialisation, rentierism, exploitation and greed can co-exist for a while. And then they can't. There is always a tipping point. The next financial, crisis might be much bigger than the last two because of this, though. Asset price collapses - which seem likely - create banking collapses. I hope the Treasury has a plan for that happening. The likelihood is it is going to need it.

NB: I am aware that the situation is not as grim in Scotland, Wales and Northern Ireland.