When vested interests make proposals to “restore confidence” in the housing market, hold on to your wallet.

The *Sunday Independent* last week reported that the construction industry is calling for the Government to introduce incentives to shift the existing stock of unsold houses. Having built too many houses, builders are now looking for a bail out.

One proposal is for the Government to offer a subsidy to first-time buyers to purchase a new home. Builders argue that the subsidy would reduce the cost of buying a house, thereby boosting demand.

But exactly the same result could be achieved if builders were to slash asking prices for unsold homes. The only difference would be that under the construction industry’s proposals, taxpayers would foot the bill for the mistakes of developers and the banks that financed them.

Having made large fortunes during the bubble years, the construction industry’s plan is all about privatising gains and socialising losses. Heads they win, tails you lose.

Proposals to eliminate stamp duty similarly imply shifting the burden to taxpayers.

Another proposal is for the National Pension Reserve to buy new mortgages from lenders. Such a scheme would supposedly increase mortgage lending. But the main reason that banks are tightening lending restrictions is that they expect house prices and the value of collateral to continue to drop. Unlike a developer, a mortgage lender must worry about the market price of a house long after it has sold.

Only when the house price bubble has fully deflated will mortgage lending pick up. That means further price cuts. It is up to the construction industry to get houses moving again by slashing prices to market clearing levels.

Builders and bankers have a responsibility to face the reality of revised housing valuations. The Government’s responsibility is to protect taxpayers.