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The Politics of Housing

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Abstract

Owning a house is the most important economic choice most families will ever make. Yet, our understanding of the political causes and consequences of homeownership is rather thin. This review argues that political scientists need to take housing much more seriously, not least because of the unprecedented surges and collapses of house prices over the past two decades. The housing market is both a proxy for and a cause of growing social cleavages that shape how citizens view political issues from the size of the welfare state to the attractiveness of populist campaigns. The article begins by reexamining classic work on property from the nineteenth century as a still-relevant guide to the winners and losers from property market shocks and regulations. It then turns to the postwar era and work that suggests that the welfare state and property ownership are in some sense substitutes. It concludes by examining the role housing plays in shaping contemporary political preferences, both as a direct measure of individuals' wealth and welfare and as a proxy for the relative fortunes of different places.

INTRODUCTION

The economic history of the first two decades of the twenty-first century has been shaped by the international housing market. The rapid rise in house prices from the late 1990s formed a credit bubble, the bursting of which led to the worst economic recession since the 1930s. The economic recovery since that crash has been slow and halting, except in asset markets, which have boomed following the policy of "quantitative easing" adopted across the industrialized world. Countries as diverse as Canada, China, and Denmark have seen housing unaffordability reach new heights. Some economists have wondered whether speculative booms and busts in housing markets are symptomatic of a broader growth slow-down associated with "secular stagnation" (Summers 2013, 2016). **Figure 1** demonstrates how nominal national house prices have changed cross-nationally since 1990 and shows that the cross-national distribution of house prices has both risen dramatically on average—quadrupling in nominal terms—and diverged massively across countries. One might expect variation on this enormous scale to have fairly serious political consequences.

Yet, despite the economic importance of housing markets, the political science literature on homeownership, house prices, and consumer credit more generally is embryonic. Whereas we have long understood the importance of labor market fluctuations for political preferences and voting, and the cross-national structure of labor relations that underpins this, we lack a similar consensus on asset markets. More broadly, the importance of land and housing as distinct economic factors and political interests needs to be re-examined.

Why might land and the housing built on it be distinct from other factors of production in politically important ways? Ryan-Collins et al. (2017) argue that land is distinct from capital in three crucial ways: It is permanent, it cannot be moved, and its value tends to rise for speculative

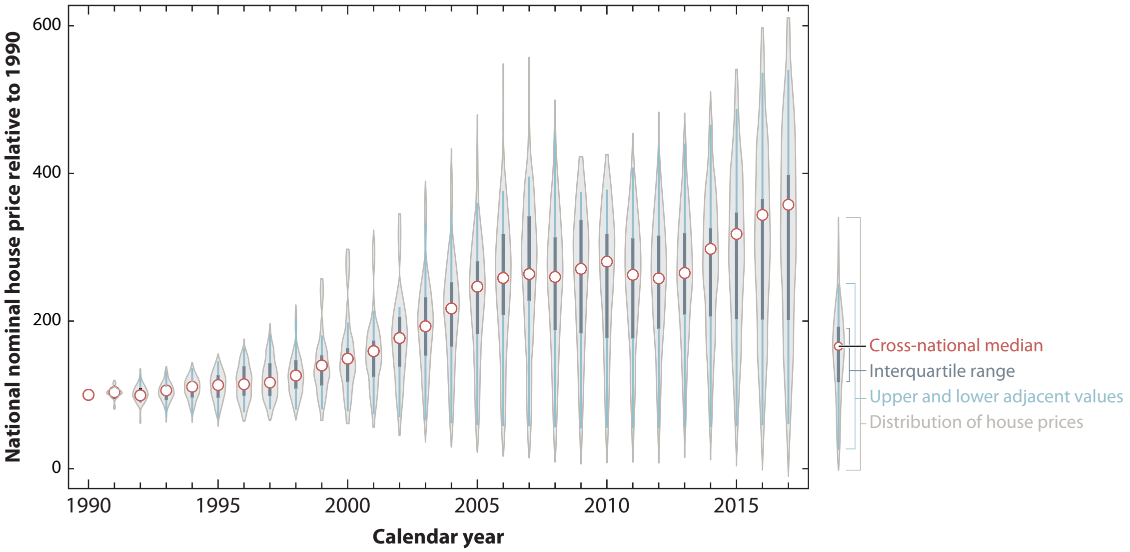

Figure 1

The distribution of nominal national house prices from 1990 through 2017. The circle indicates the cross-national median. The figure uses data from the Bank of International Settlements to demonstrate how nominal national house prices changed cross-nationally. The countries include Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Using an index anchored to mean prices in each country in 1990, the figure shows that the cross-national distribution of house prices has both risen dramatically on average (quadrupling in nominal terms) and diverged massively across countries.

reasons rather than productiveness. These insights date back to David Ricardo; yet only in recent years, with the debate around Thomas Piketty's *Capital in the Twenty-First Century* (2014), have these insights re-emerged into the political economy debate. As we shall see, even in Piketty's book, the role of housing is underplayed.

If housing matters politically, we also need to ask whether it matters in different ways across countries. Are there national models of housing? If so, how do rules about credit market regulation and the taxation of property affect these equilibria? And finally, how does housing affect the groundwater of politics: the behavior of individual citizens and voters? Have housing booms created conservatives, as Prime Minister Margaret Thatcher and President George W. Bush both hoped? Do housing crashes create socialists? And if ideas of community and the importance of place underpin the rise of populism, is this in any way connected to the housing market?

I begin this review by setting out the long history of economic debate over land and property, emphasizing the importance of understanding property as potentially speculative and of property prices as potentially undeserved windfall rents. In doing so, I examine whether the "return of capital" declared by Piketty & Zucman (2014) was actually a return of residential property, with rather different implications for political life. I then turn to examining aggregate variation across countries in the nature of housing markets and the policies that impact them. I conclude by investigating how housing markets shape individual attitudes and voting behavior across two dimensions of politics, the first being economic preferences and the second related to group identity and populism. I draw some connections between the way policies affect housing and the way housing affects preferences by introducing the idea of the anti-redistribution cycle.

THE PREHISTORY OF PROPERTY

The history of writing about housing is a history of writing about land. While land has crept off the radar of political scientists, at least outside of an engagement with agricultural land distribution and policies (Albertus 2015, Thomson 2017), the valuation of fixed space ultimately underpins the relative value of housing constructed on that space, and therefore the relative wealth of residential property owners. In many densely populated countries, the rebuild cost of a house (often detailed in a home insurance policy) amounts to substantially less than the value of the land underneath that house. Yet, over the past century, housing has often been subsumed into the discussion of capital rather than land—presented as residential capital investment, as it is for example by Piketty (2014).

The association of housing with capital rather than land departs from the discussions of wealth and landownership that raged throughout the nineteenth century and culminated in the rise of Georgism, a mass political movement subscribing to Henry George's views on property and the desirability of land taxation. Following the world wars, mass redistribution of land and the collapse in wealth of traditional elites, along with the mass construction of public housing, detached debates over housing from those over the allocation of land. Yet the credit-driven rise of housing prices across the industrial world since the 1980s and ensuing political debates about the distribution of wealth *as well as* income underline the importance of re-engaging with Ricardian and Georgist debates about the distribution of land and the pernicious role residential housing can play in solidifying inequality.

Ricardo and His Heirs

Classical economics casts only blurred shadows into the contemporary framework of microeconomics and political economy. The marginalist revolution of the late nineteenth century, with its emphasis on utility theory, the substitutability of factors of production, and market-clearing, provides the bedrock of most modern analysis. While these advances have made possible a highly flexible and mathematically tractable framework, they have led scholars to neglect some of the core distinctions in the economy that drove the thinking of classical economists such as Adam Smith, Thomas Malthus, and most critically for us, David Ricardo. For the classical economists—unsurprisingly, given the world in which they lived—the difference between land, labor, and capital was crucial. In part, this was a reflection of the transition from an agricultural to an industrial economy that was under way at that time, but there was also an important theoretical distinction between land and capital that later economic thought tended to gloss over. Land and capital were viewed as separate entities rather than as different mixes of capital that could be combined with labor to produce goods. Keeping these factors distinct led straightforwardly to thinking about the distributional implications of different policies for three types of economic actors: landowners, capitalists, and labor.

Ricardo's famous theory of "differential rent" demonstrated how the rapid expansion of population ongoing at the turn of the nineteenth century fed into land prices and shifted the balance of fortune between landowners, capitalists, and labor (Ryan-Collins et al. 2017, pp. 39–43). For Ricardo, the rent accruing to land was a direct reflection of the gap in agricultural productivity between that specific piece of land and the marginal acre of land being brought into cultivation. Population growth created demand for more food and a need to expand the amount of territory given over to food production. As more and more peripheral land was brought into cultivation, highly efficient land gained in value. Indeed, farmers ought to be willing to pay in rents the gap in productivity between the newly cultivated marginal land and a given plot of previously farmed land. What farmers judged the best land thus accrued the highest rents. Who benefited from this process? Unsurprisingly, landowners were the winners. Ricardo, like Smith and Malthus, assumed workers were paid only their subsistence. The profits made by capitalists reflected revenues minus the cost of wages (fixed to subsistence) and rents for land (rising)—hence, rising rents meant declining profits. The cost of rents was unavoidable, since it would either be reflected in higher land costs for factories or higher food costs in terms of paying wages. Landowners were the inevitable beneficiary of economic growth ultimately produced by industrialists. Ricardo argued for an end to trade protection for agriculture—for repeal of the famous Corn Laws—as a way to strike against this imbalance.

The Ricardian model has become a mainstay of thinking about the relative value of land beyond its agricultural value. By simple analogy, if the value of land reflects its efficiency in terms of some other production process based on location, and if there is better and worse land, then population expansion will raise rents in the former. Typically, we think of this as a proximity-based production process: If there is economic value in being close to other industries, workers, or transportation networks, then land in the center of cities or by railroad hubs is most productive, and, importantly, its rent rises as population expands. In sum, the center of the city is made more valuable by the expansion of the exurbs. For some time in the twentieth century, the rise of suburbs as desirable locations made this pattern less obvious at the metropolitan level, but with the recent rebirth of the city this pattern has recurred (Florida 2014, Glaeser 2012).

This re-emergence of differential rent in recent decades has produced a number of re-evaluations of late-nineteenth-century thought about rent, particularly a re-engagement with Henry George. George's *Progress and Poverty*, written in 1879, was the *Capital in the Twenty-First Century* of its day, selling three million copies over the 1880s and 1890s (Linklater 2013). George's question was the time-honored concern of socialism: How could so much poverty coexist with massive technological progress? Whereas Marx saw the answer in the nature of a struggle over control of the means of industrial production, George, like Ricardo, saw land as the core villain. In particular, George argued that much of land's value was unearned, and reflected simply higher demand produced by a growing population. George viewed landowners not as productive improvers of the land but as speculators who held land in expectation of its value rising due to broader economic factors out of their control. Like Ricardo, George saw landowners as the residual claimants of growth produced by industry. And since this was an unearned rent, for George a direct tax on land was the necessary response. Indeed, George argued that such a tax could replace all other taxes (George 1883, p. 288). Georgist clubs sprang up throughout the United States in support of the land tax and indeed spread abroad: The British Liberal Party attempted to introduce a land tax in their famous 1909 People's Budget, and the Danish Justice Party was founded in 1919 around a Georgist single tax policy.

Neoclassical economics, still in its infancy when George wrote, took a different path. Whereas George saw rent as essentially unearned and hence as the item of political contention and the target of proper taxation, the economist John Bates Clark responded with his development of the theory of marginal productivity, still the mainstay of price theory in microeconomics (Ryan-Collins et al. 2017, pp. 48–51). Clark argued that the returns to all factors of production—labor, capital, and land—depended on their contribution to the production of goods at the margin. A firm or farmer purchases land up to the point where the return on that extra acre of land exactly matches its cost. Rents, therefore, accurately reflect the contribution of land to production and—provided there is competition in the land market—are necessarily set at fair prices reflecting their economic value. Clark accordingly argued that rents were normatively fair, in sharp contrast to George's attack on rents (Currie 1981, p. 30). The theory of marginal productivity also led to an eliding of land with capital that would dominate neoclassical economics henceforth. If each factor could be viewed as an essentially substitutable part of the production process, differing only in its marginal productivity, then land could simply be thought of as another form of capital and thereby incorporated in the simple two-factor view of production and growth that would dominate twentieth-century economics.

What is the import of these late-nineteenth-century debates about the economics of land for the contemporary politics of housing? First, they show that the elision of land and capital is a twentieth-century phenomenon—debates around land *qua* land were theoretically and politically crucial before World War I. Second, they demonstrate a long-standing confusion in how social scientists talk about the rent that pertains to land. For Clark and the neoclassicals, rent is simply the return to land, indistinguishable from any other return to capital, and its value reflects marginal productivity. For the Georgists, rents are unearned and speculative; they generally do not reflect any input into production but merely prey on productive factors. The Georgist view of rent is often the one that predominates in political economy, where the concept of rent-seeking refers to superprofits above the competitive return to factors (the latter being defined by marginal productivity). And herein lies the contemporary debate about the value of land and housing. Is rent a return that reflects the productive value of land and its usage, shaped by standard market forces? Or is it the deeply political question about who gets to control land and housing stock and reap unearned returns off the top? Are property owners the beneficiaries of fair or unfair returns? How do public decisions about the use and ownership of land underpin—or undermine—these rents? Are the beneficiaries of housing booms the lucky recipients of windfalls that deserve taxation or simply efficient stewards of productive land? In contemporary debates about political economy, these longstanding questions have recently re-emerged.

The Return of (Writing About) Capital

The last decade has seen economic inequality rise once more to the forefront of the popular political imagination. The lodestone of this debate was Piketty's (2014) epochal *Capital in the*

Twenty-First Century, which provided not only a simple yet rigorous theory explaining the rise of inequality, but also reams of historical evidence that the period since the 1980s harks back to the world of, if not Scrooge, at least Gatsby. Piketty claims that rising inequalities are driven by fundamental laws of capitalism and—lest one might fear him an unreconstructed Marxist—that these laws are embedded in basic neoclassical economics. Piketty argues that as long as the rate of return to capital is higher than the rate of growth in the economy (Piketty's famous expression $r > g$), the owners of capital will accrue an ever larger share of the economic pie. For Piketty, the period between 1930 and 1975 when inequality was relatively low was a break from trend, a historical accident that blinds us to the story (before and after) of an inevitable rise in the return to capital. What, if anything, can be done? Piketty (2014) is relatively light on politics—a critique made most effectively by Naidu's (2017) reinterpretation of the book. But he does offer prescriptions, most famously a global tax on wealth that might at least reduce net differences in the returns to labor and capital.

Like any work of this magnitude, Piketty's opus has led to a wide array of critiques. A simple first critique is one driven by conceptual confusion among Piketty's readers. Piketty's book is really about the relative returns to capital vis-à-vis labor: that is, between-factor inequality. In contrast, most of the popular debate inspired by the book is about within-factor inequality. When people talk about income inequality, they are generally referring to inequalities in the distribution of wage income across individuals. More interesting, from our perspective, is so-called wealth inequality—the distribution of assets, including housing, across people in society. Since not all people hold capital, there is more similarity here to Piketty's labor-versus-capital model, but still, there is ample inequality in the asset holdings among those people who do possess wealth. Most measures of wealth inequality, be it land inequality or housing inequality, show higher rates than hold for income inequality (Cowell et al. 2017). To understand the politics of housing, then, we need to move beyond a simple labor–capital dichotomy and think about how assets such as housing are distributed.

A more fundamental critique, which is related to the distinction made above between Georgist and neoclassical views of rent, is that what Piketty finds in his empirical analysis does not in fact jibe with his theoretical approach once one splits apart types of capital. An important intervention by Rognlie (2016) shows that almost all of the relative gain in the capital share since the 1970s in advanced industrial countries comes from residential capital as opposed to nonresidential (productive) capital. House prices, in other words, are the drivers of a rising capital share. Since this is nonproductive capital, Rognlie's observation raises problems for the $r > g$ neoclassical view of the world, but the empirics have interesting implications for political scientists. Rather than rising wealth inequality simply being the gains of a bunch of plutocrats with skyrocketing industrial investments, it instead appears to relate to booming condo prices, gentrification, and house-flipping—the mundanities of residential life.

Thinking about inequality that comes from speculative housing investments rather than productive capital helps us as we consider the contemporary phenomenon of "secular stagnation"—an era of slow growth and minimal, even negative, real interest rates (Summers 2016). In this world, in the absence of productive investments, surplus capital instead bids up the prices of unproductive assets, particularly residential real estate, creating bubbles. This bubble effect produced by low returns to capital harkens back to influential work by Tirole (1985), who argues that when capital cannot find productive returns, asset bubbles may be a rational response. This, however, is a sharp contrast to Piketty's argument, where the problems of inequality emerge because capital can always find a productive return faster than the overall growth of the economy. In sum, an economy driven by housing has very different macroeconomic and distributive implications from one driven by investment capital.

If residential capital is the real protagonist of our current economic narrative, then to understand the economic divides that underpin political debate and how they play out differently across countries, we need to take the housing market seriously. We now turn to how political scientists understand variation across housing markets to see if we can shed light on the contemporary political challenges of capitalism.

VARIETIES OF HOUSING CAPITALISM?

Perhaps the core weakness of economic writing on housing and property is the implicit assumption that housing markets are similar around the world—that the dynamics of Ricardian rent, or Pikettian capital, play out similarly across different countries and time periods. In reality, when we look at housing markets across even just the advanced industrial world we see striking variation. In this section, I begin by investigating cross-national patterns in the structure of housing markets and whether they line up with oft-used typologies in comparative political economy. I then turn to a closer examination of the policies that affect private housing markets, specifically credit market regulation and tax policy. I conclude this section by examining direct government intervention in housing markets through the construction of public housing.

The Welfare State Versus the Ownership Society

Broadly speaking, the structure of the private housing market across advanced industrial states can be characterized along two dimensions: First, what proportion of households own their property; and second, how important is the mortgage market in funding homeownership? The variation in these characteristics across OECD countries is both sizable and surprising, in that the patterns of dependence on the private market do not always line up with classic accounts of cross-national variation in the industrialized world (e.g., Esping-Andersen 1990, Hall & Soskice 2001).

Figure 2 plots rates of European homeownership against the proportion of homeowners who hold a mortgage. Homeownership rates vary dramatically from under half of households in Switzerland to over 95% in Romania. The size of the mortgage market also varies widely. Over 50% of homeowners finance their purchase through a mortgage in most of the Scandinavian countries, along with Britain, Belgium, and the Netherlands; by contrast, in Southern and (especially) Eastern Europe, most homeowners own their property outright (not least because many received it outright after the fall of Communism).

Initial forays into explaining cross-national differences in housing markets tended to elide some of the differences in the structure of financing and focused on a simple split between those countries with high levels of private homeownership and low welfare state provision and those with low levels of private homeownership and high welfare state provision. This of course meant including non-European countries (omitted from **Figure 2**) with relatively high rates of homeownership, such as the United States, Canada, Australia, and New Zealand.

This line of thinking has a relatively long lineage in political science and sociology. It traces back at least to Kemeny (1981), who argued that the welfare state and homeownership could be thought of as substitutes at the macro level. More recently, scholars have supported this claim with data at the macro level (Castles 1998, Conley & Gifford 2006) and micro level (Stegmueller 2013, Ansell 2014). Outside of academia, the promotion of homeownership itself enjoyed popularity among the same New Right figures who saw private housing as a wedge against government redistribution. Examples include Margaret Thatcher's promotion of the "Right to Buy" (in reference to social housing) and George W. Bush's promotion of the "Ownership Society."

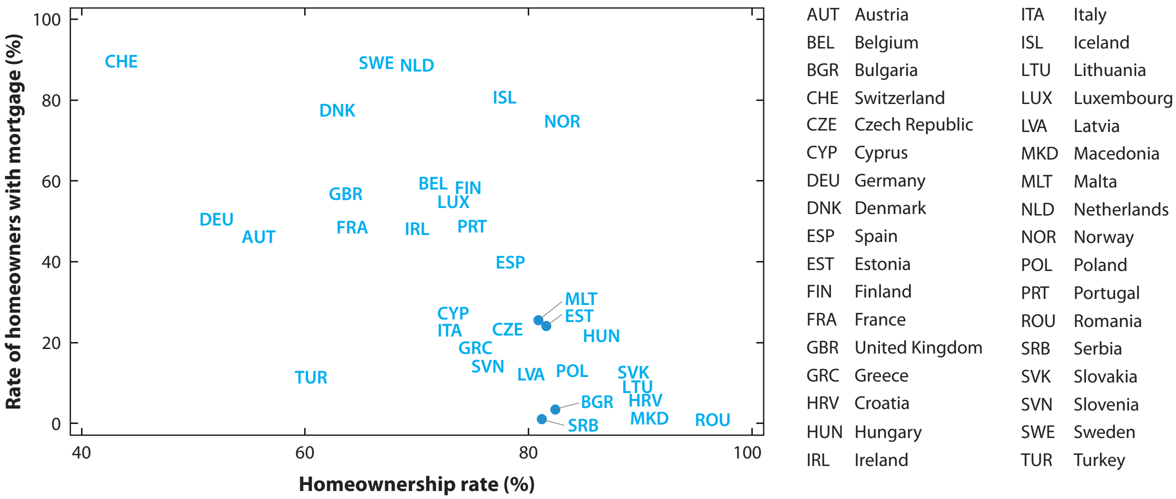

Figure 2

Cross-national variation in European housing markets (2015 data from Eurostat 2018). Homeownership rates range from below 50% in Switzerland (CHE) to over 95% in Romania (ROU). The size of the mortgage market also varies widely. Over 50% of homeowners finance their purchase through a mortgage in most of the Scandinavian countries, along with the United Kingdom (GBR), Belgium (BEL), and the Netherlands (NLD), while in Southern and (especially) Eastern Europe, most homeowners own their property outright.

Thinking back to the longstanding debate on the political economy of rent in the previous section, this claim is not surprising. Broadly speaking, homeowners may benefit from rising house prices (driven by broader economic growth), which essentially create windfalls that may be converted to income streams. Countries with greater proportions of homeowners are those where more citizens are invested in, and recipients of, benefits from private markets, reducing their toleration of the taxing and spending necessary to support large welfare states. How have scholars approached this claim?

In the first explicitly comparative approach to the politics of housing, Kemeny (1981) argued that the traditional sociological view that homeownership would simply expand monotonically as countries developed economically failed to explain the substantial variation in homeownership rates among similarly wealthy countries. Kemeny's take was holistic: Homeownership was part of a parcel of social practices that also included living in nuclear family units in the suburbs or exurbs and traveling by privately owned cars. These practices reinforced an antitax gestalt—purchasing a car and house was an expensive and essentially private phenomenon. On the micro side, the financial investment that was necessary in order to afford property—for example, down payments to purchase a house with a mortgage—created budgetary strains, making people more tax averse as they tried to save private funds. This form of living reinforced antitax and hence anti–welfare state views. The prevalence of anti–welfare state attitudes in political life implied continued weakening of social insurance, which intensified the need for private investments to fall back on, including housing. And hence multiple equilibria would emerge once more: In countries where privately owned housing was important, citizens would demand less social insurance, and the absence of such insurance would then reinforce the importance of housing. If this sociological claim holds, it connects together the trends of financialization and of a form of moral neoliberalism, where citizens abandon public services for private reliance.

But the sociological story is not the only one that can be told. Castles (1998) also argues for a split between homeownership and the welfare state but with a simpler account related to the reliance of retirees on owning their homes to provide imputed income on old age. Retired renters, by contrast, required more generous pensions to afford housing they did not own. For Schwartz (2009, 2015), too, retirement policy is connected to homeownership, but what matters is the political economy of the financial system that prevails across countries. Some countries establish growth strategies dependent on consumer debt and a booming financial sector, and these in turn shape the types of welfare provision that are available. In particular, Schwartz argues that liquid mortgage markets and funded occupational or private pension schemes are codependent. In order to finance sizable mortgage markets, a large investment pool is needed—and in order to provide stable returns to pension schemes, financial markets have to be able to securitize residential debt. Public pensions are then crowded out by this logic; pay-as-you-go systems have to be funded by tax revenues, not mortgage payments. Here, the private housing market has taken on a role as funder of private welfare, and as private welfare systems grow they may reduce the demand for public provision.

Nonetheless, as **Figure 2** indicates, at the aggregate level (at least within Europe) the clear trade-off suggested by Kemeny (1981) and Castles (1998) does not appear to hold. The big-spending Scandinavian countries have homeownership rates similar to the lower-spending Britain, Ireland, Spain, and Italy. Schwartz, along with his coauthor Len Seabrooke, has also been among the key figures in moving beyond the simple dichotomy of welfare society/ownership society to a more variegated account of cross-national variation that takes seriously the complexity we see in **Figure 2**. In part, this change reflects the fact that early work ignored the still-Communist world of Eastern Europe, where ownership rates were very high but the mortgage market was very unlike that of the English-speaking world. But Schwartz & Seabrooke's (2008) account also examines the Nordic countries, which are difficult to explain from the simple perspective of the ownership/welfare trade-off.

Rather than a simple dichotomy, Schwartz & Seabrooke (2008) argue for at least four "varieties of residential capitalism." Countries with lower homeownership rates and high reliance on mortgages (measured as mortgage debt as a percentage of gross domestic product), including Denmark and Germany, are referred to as Corporatist-Market; those with higher homeownership rates and larger mortgage markets (such as the United Kingdom, Canada, Norway, and the United States) are called Liberal-Market; those with low rates of both, such as France and Austria, are Statist-Developmentalist; and finally, those with high rates of homeownership but small mortgage markets, such as Italy, Greece, Poland, and Hungary, are Familial.

While countries do not perfectly cluster into these groups (as the authors acknowledge), the ideal types help us think about broad social trade-offs. For example, countries with low homeownership rates vary in terms of how stratified their housing markets are. In countries where mortgages are easily available (Corporatist-Market), higher-income citizens can access housing and differentiate themselves from renters more easily than they can in those with repressed mortgage markets (Statist-Developmentalist). And while no countries with high homeownership rates have fully decommodified housing markets, those with repressed mortgage markets (Familial countries) have essentially non-commodified housing markets, where access to housing is dependent on inheritance (Schwartz & Seabrooke 2008). Thus, being an insider or an outsider to the housing market depends on the availability of either financial resources (mortgages) or family resources (inheritance), which vary systematically across countries.

Regulating the Housing Market: Credit and Tax

What explains this stark variation in housing markets around the world? In particular, how can governments, by altering credit market regulation and the taxation of property, alter where countries fit into these cross-national patterns?

There is a long tradition in comparative political economy of analyzing variation in government intervention in financial markets. However, for the most part, these studies have focused on how countries differ in terms of industrial financing: that is, on how firms access investment funds. Zysman (1984), for example, contrasts market-based financing in the Anglo-American model to patient capital from private banks in the Germanic model and to state-subsidized credit in the planning model used in France and Japan. For Hall & Soskice (2001), the binary division between market-based and patient capital is connected to different production strategies for firms across what they term Liberal and Coordinated Market Economies. The connection to consumer finance in both analyses is implied at best.

Those scholars who have examined historical variation in consumer finance have found a pattern somewhat similar to the Zysman (1984) and Hall & Soskice (2001) typologies. In particular, there is a general consensus that Anglo-American (or Liberal-Market) economies have had more widely available and cheaper credit than countries such as Germany or Japan. In part, this difference reflects less credit rationing for consumers; Canada, the United Kingdom, and the United States, unlike Japan, did not try to channel funds explicitly toward investment, and, unlike Germany, they had a competitive consumer banking sector. Rosenbluth & Schaap (2003) argue that the cheaper price of credit in the United Kingdom and United States as compared to Germany and Japan is connected to the differing electoral systems across these countries. They argue that the former countries have centripetal electoral systems that drive policymaking in the arena of credit toward the preference of swing voters for deregulated, cheap credit. By contrast, Germany and Japan have centrifugal electoral systems that force policymakers to cater to industry interests, which leads to higher interest rates and less financial market competition. A similar story is told by Chang et al. (2010), who directly exploit the Stiglerian model of regulation to argue that politicians in highly competitive majoritarian electoral systems have greater incentive to set regulations that lead to lower prices for (voting) consumers than politicians in proportional systems, where producer interests consequently hold greater sway and the cost of consumer borrowing will be higher. Thus, some of the differences we see in **Figure 2** can be explained by institutional variation in the electoral incentives that politicians face when making regulations. What remains to be explained is why highly proportional countries such as Sweden and the Netherlands nonetheless have highly developed mortgage markets.

Perhaps the explanation lies in the fact that national capital markets are increasingly interconnected, making it difficult to sustain anticompetitive financial regulations. A more recent line of work that builds on these earlier distinctions takes global mass credit more seriously. Hardie et al. (2013) argue that because of securitization and speculative consumer lending, even banks from the patient capital core are increasingly subject to market pressures. Although Schwartz (2009) notes that consumer mortgage markets still vary dramatically across advanced industrial countries, the integration of capital markets, particularly in the European Union following the Single Market Act, has led to similar incentives and pressures on banks from traditionally distinct financial systems and the opening up of mortgage markets to cross-border lending. As Ansell et al. (2018) show, the integration of global financial markets directly impacts house prices; these once entirely domestic residential markets are now strongly related to countries' capital account balance.

As it becomes harder to directly control national housing markets due to international financial flows, what other options are open to governments? One obvious route is to tax property, either at transfer (purchase tax, capital gains tax, inheritance tax) or annually (property tax, land tax). Scheve & Stasavage (2016) provide the most comprehensive current account of the development of inheritance taxation. They show that average rates of inheritance tax across industrialized countries rose from negligible at the turn of the twentieth century to over 40% by the 1950s, with a systematic decline in most countries since the 1970s. Although the rise in inheritance tax crudely correlates with the spread of the democratic franchise, Scheve & Stasavage (2012, 2016, 2017) argue that the strongest predictor of inheritance tax increases was war mobilization, which led to changing mass beliefs about tax fairness. The decline in the taxation of inherited property since the early postwar period, at least in part, reflects the fading of these norms and may have contributed to the secular rise in property prices since that time.

Housing also plays a major role on the tax benefits side of the redistributive ledger. In many countries, housing is tax favored; for example, property taxes may exist but only be assessed at a small proportion of their value (a practice termed fractional assessment), and spending on mortgage interest repayments may be tax deductible, as is true today in the United States and was true until 2000 in the United Kingdom. These reliefs tend to keep house prices high as they reduce the tax implications of ownership. Accordingly, homeowners are typically highly protective of these benefits. Martin (2008) argues that homeowners come to see such reliefs as a form of social protection from the potential fiscal implications of treating property like other assets and that tax revolts, such as that in California against the end of fractional assessment, can easily become mass movements [and are not driven by elite manipulation or popular misconceptions, as in Bartels' (2016) study of attitudes toward the estate tax]. The use of tax benefits, particularly for housing, can become a major part of the "hidden" welfare state (Howard 1999), potentially clouding citizens' understanding of how redistribution works in their country and even the positions of political parties (Gingrich 2014).

Recently, scholars have argued that taxation and credit regulation should be seen as deeply interconnected. Rajan (2010) develops this claim at length, arguing that the global economy has settled into an asymmetric equilibrium with a set of global savers (particularly in Asia but also including Germany) and a group of global borrowers, chief among them the English-speaking countries. The latter have been able to access cheap capital inflows enabling the buildup of huge current account deficits and an environment of low consumer finance costs. This cheaper credit could be viewed as a partial substitute for the welfare state in these countries. Stagnating real wages could be supplemented with low-cost borrowing—in Rajan's (2010, p .21) evocative phrase, the political imperative in the United States has been "let them eat credit." Hence we return to the earlier division between the ownership society and the welfare state, but this time we trace it to the incentives facing politicians who prefer not to expand public spending but need to keep the public content. Prasad (2012) develops a similar claim, dating the adoption of "mortgage Keynesianism" in the United States back to at least the 1940s. At the micro level, Mian et al. (2013) show that the political logic of providing cheap credit to constituents plays out in legislative decision making in Congress: Mortgage lenders systematically target campaign support to congressional representatives in districts with more subprime loans, and these same representatives are more likely to support liberalizing mortgage regulation.

This interplay between the tax and credit systems also plays out at the cross-national level, particularly as governments seek to respond to the political challenges of rising income inequality. Drawing on a model developed by Frank et al. (2014), Ahlquist & Ansell (2017) argue that rising income inequality may spill over into "consumption cascades." That is, as the rich get richer, citizens with lower incomes—including the so-called median citizen—will try to increase their own consumption in order to "keep up with the Joneses" (Bertrand & Morse 2016). This can occur either for directly status-related reasons, as a long line of literature following Veblen (2017) has argued, or because when the rich get richer they can bid up the price of goods held in fixed supply—termed positional goods—forcing lower- and middle-income individuals to spend more, or borrow, if they wish to access those goods. A classic example of a positional good is, of course, housing, which is typically inelastic in supply, and in certain cases (e.g., apartments bordering

Central Park) essentially fixed in nature. Accordingly, income inequality drives up borrowing levels (and reduces saving).

Why does this relationship between income inequality and credit vary across countries? Ahlquist & Ansell (2017) argue that tax and transfer systems both reduce the level of conspicuous consumption by the rich (by cutting their net income) and boost the net incomes of relatively poorer citizens, making them better able to afford positional goods from current income. So taxation essentially squeezes the gap between the net incomes of different groups and reduces the consumption cascade problem. It is less hard to keep up with the Joneses, so there is less need to borrow money to do so. The authors show that the relationship between income inequality and credit varies systematically with the long-run level of redistribution, proxied for by the cumulative period of left government experience by countries (current redistribution itself also being a function of inequality and hence endogenous). Financialization, then, is more closely connected to rising inequality in those countries with smaller welfare states and lower taxes. The supply of redistribution is negatively related to the supply of credit.

Moreover, the reliance on credit to buy off redistributive demands has a number of dangers. Rajan (2010) argues that it leads to short-term discretionary fiscal policy, which is prone to corruption, rather than the development of stable long-term counter-cyclical institutions. Ahlquist & Ansell (2017) claim that credit-reliant countries are more likely to face, indeed create, global financial shocks due to mass consumer engagement in financial markets. *In extremis*, as McCarty et al. (2013) argue, political systems themselves may fuel underregulated markets due to systematic political biases not unlike those economists identify as causing asset bubbles in the first place (Shiller 2007).

Housing as Policy

There is a surprising asymmetry in writing about cross-national housing policy. The previous section shows a vibrant literature on the cross-national differences in private housing markets, particularly with reference to the demand side of the residential economy, such as mortgage market differences. However, governments do not only influence housing through changes to credit regulation and property taxation. They can also intervene directly in the supply side of the housing market by constructing and managing property themselves. "Social" or "public" housing programs, mostly developed in the first few decades following World War II, often house a sizable proportion of the population in advanced industrial democracies. The dismantling of this system from the 1980s onward was a core part of New Right ideology, as public housing was replaced by vouchers in the United States and the "Right to Buy" council-owned housing was introduced by Margaret Thatcher in the United Kingdom. Thatcher's ownership policies often proved extremely politically popular, enabling the Conservative Party to secure much greater support among the working classes than they had hitherto garnered (Studlar et al. 1990).

Despite the political importance of these reforms, the political science literature on public housing is rather thin. This is surprising given the extent of scholarship about the welfare state more generally and the presumably decommodifying nature of public housing. As an example, "public housing" goes essentially unmentioned in the seminal modern work on the welfare state by Esping-Andersen (1990). The literature that does exist tends to focus on particular countries, above all the British experience of the mass construction of public housing in the 1940s through 1960s followed by its sale in the 1980s. Theories about why social housing was expanded or retrenched tend to emphasize class power. For Dunleavy (1981), particularly important was the political ability of the suppliers of public housing—large construction companies—to lobby government for valuable contracts. This reflected a neo-Marxist understanding of how "specific influence-exerting activity by private firms could come to set an influential ideological context for the development of state policy" (Dunleavy 1981, p. 190). Similarly, many scholars viewed selling off the British council housing stock as a reflection of the interests of capital, embodied by the neoliberal Thatcher government (Hay 1992).

Simple class power accounts of public housing, however, are not especially useful in explaining differences in public housing across countries. The most developed analysis of cross-national variation in public housing comes from Kemeny (2002), who distinguishes different aggregate systems of rental policy that may incorporate social housing. His analysis develops a distinction between "unitary" rental markets with rent convergence around publicly subsidized "at cost renting" (i.e., rental charges set at the cost of provision by regulation) and "dualist" rental systems with a large publicly owned social housing sector and a large for-profit rental market. Countries with large public housing systems are thus, perhaps surprisingly, often the most stratified. Kemeny (2002) argues that unitary systems have tended to emerge in countries with corporatist political systems, such as Denmark and Germany, where at-cost housing associations and landlords could guarantee themselves representation. By contrast, dualist systems emerged in pluralist, majoritarian countries such as the United Kingdom, where such actors were politically squeezed out by right-wing parties representing homeowners and for-profit landlords and by left-wing parties supporting mass public housing. Studlar et al. (1990) found that in the United Kingdom, individuals who purchased social housing during the Right to Buy era did vote for the Conservative Thatcher government, whereas those who remained social renters strongly supported Labor—underlining the importance of a dualized housing policy in structuring voting along an economic dimension.

More recent work on public housing examines the politics of choices about who gets access to it, particularly important as the supply of such housing remains highly constrained. In many European countries, this limitation has led to substantial conflict between native-born and immigrant communities over access to this potentially valuable social right. Dancygier (2010) develops a useful typology of group-based conflicts, where public housing plays a major role. She shows that where migrant communities are concentrated and politically active locally, migrant groups often acquire greater access to social housing; in such localities, the tensions this creates with native-born populations leads to direct "immigrant–native conflict." By contrast, in areas or countries where immigrant groups are less politically organized, they lack the ability to access public housing, and conflict tends to involve police and other state actors ("immigrant–state conflict"), rather than native-born citizens. Cavaille & Ferwerda (2018) demonstrate that the plausibly exogenous shock of an EU directive that opened up Austrian public housing to immigrants substantially increased the support for anti-immigrant parties among citizens in the affected municipalities. Finally, in terms of longstanding racial divisions beyond immigration, Enos (2016) finds that when public housing is demolished, white voters near the sites of demolished housing projects are less likely to vote for racially conservative candidates.

Public housing shapes the conflictual nature of group relations. These studies show that housing policy can have unexpected impacts on group identity politics as well as determining more conventional economic attitudes. We now turn to examine these political impacts of housing more closely.

HOUSING AT THE MICRO LEVEL

Housing markets clearly vary sub- and cross-nationally. But does this matter for individual political life? After all, most property that we own—our cars, our clothes, our household appliances—does not have obvious political implications. However, our house, should we own it, is qualitatively distinct from most of our other possessions in at least four ways. For one, it is almost always entirely location specific, and hence phenomena that affect our locality affect the value of our house. Housing is also the largest individual investment that most people will ever make. Furthermore, it is sentimentally important—something that ties us to the community and a potential bequest for generations to come. Finally, a home is an asset that can be consumed regardless of events in people's work life: Provided they own their house outright, their shelter is not dependent on their income stream. For these reasons and more, we might expect owning a home, and the relative value of that home, to figure highly in people's day-to-day welfare and their understanding of their community, both of which are deeply political concerns.

In this section, I examine how scholars have connected homeownership and house prices to political attitudes of various types. I begin with the dominant domain of political life—attitudes toward economic policy, or so-called first-dimension politics, where we see a clear connection between housing and antitax/antispending preferences. I then move to the less obvious domain of second-dimension politics—views about group identity and globalization—and show that even here, housing plays a key role.

First-Dimension Politics

Most political economy analyses of attitudes toward government intervention in the economy emphasize the importance of citizens' position in the labor market (Iversen & Soskice 2001, Rehm 2011). This logic holds in terms of their preferences toward microeconomic policies such as redistribution or the size of welfare state institutions, as well as toward macroeconomic policies such as public debt or the (potential) trade-off between unemployment and inflation. If we think about the flows of economic resources that citizens experience on an annual basis, this makes a great deal of sense—high-income citizens typically pay higher income taxes, while citizens on fixed incomes such as pensions are often hurt by inflation. But this focus on flows has led to an unfortunate neglect of stocks of economic resources: the wealth that citizens own. How does wealth differ from income? Why might factors related to labor market status—such as private income, employment, unemployment, self-employment, and receipt of public benefits—be misleading in certain cases? I suggest four reasons.

First, and most simply, wealth is typically accrued by saving a stream of income over multiple years. Therefore, although wealth and income in any given year are likely to be correlated, transitory shocks to income may not be reflected in wealth. Someone may lose their job and hence most of their income stream but have stored multiples of annual income in liquid or illiquid savings. Their policy preferences may differ from those of some other unemployed individual who has no savings to fall back on. Conversely, someone with little saved wealth may suddenly enter lucrative employment; comparing their social policy preferences with respect to wealth to the preferences of someone who also has little wealth but a low income may be misleading. Second, wealth can be inherited. A citizen expecting an inheritance in the future may choose a low-income but high-satisfaction career in the knowledge that their ability to consume in the future may not be greatly constrained by their relatively meager income from work. Third, shocks to the value of wealth can occur from volatility in asset markets. The value of owning a given home rises and falls with fluctuations in local house prices. The value of cash savings depends on inflation and interest rates. The value of equities depends on the performance of the stock market. These shocks to wealth may be entirely uncorrelated with either individual or aggregate shifts in the labor market. Finally, some wealth has direct consumption value—particularly residential wealth but also many forms of physical wealth such as cars, jewelry, and art. In these cases, one can think of an imputed rent (typically untaxed) to ownership of this wealth—homeowners receive the value of shelter by virtue of owning a property.

Unsurprisingly, scholars have found that wealth has an effect on citizens' social and economic policy preferences independent from their labor market status. At the very least, we should expect a simple material effect of changes in wealth, distinct from those in income, that might be driven by savings, inheritance, or asset price shocks. Depending on the policy one examines, we might also imagine specific preferences driven by the policy's interaction with particular forms of wealth. Focusing on housing—the topic of this article—we find that differing forms of taxation, macroeconomic policy, and public spending connect to homeownership in varied ways.

On the tax side, we might expect a generalized antipathy toward taxation related to citizens' permanent income embodied in housing (and other wealth) along with whatever tax preferences are produced by their transitory annual income. For example, for retired individuals with expensive houses, their currently low incomes are likely less reflective of their generalized views about the merits of taxation than are the relative value of their houses. Taxes can also be specifically raised on housing and other wealth. Many countries charge capital gains taxes on sold property, including on the main residence. Similarly, annual property value taxation often funds local services such as education. One might expect individuals with expensive houses to be less supportive of local education spending in such circumstances, all else equal.

In terms of macroeconomic policy, since house prices are generally negatively correlated with interest rates, owners—especially those holding variable-rate mortgages—may be inclined toward expansionary monetary policies (in sharp contrast to the views of cash savers). As Scheve & Slaughter (2001) argue, even attitudes toward aggregate trade openness may be shaped by home ownership. The authors find that homeowners in areas that suffer from import competition tend to be less supportive of free trade because it potentially lowers the value of their property (presumably the reverse may be true in regions with internationally competitive industries, such as financial centers in developed countries).

On the spending side, it is likely that private homeownership reduces support for government public housing schemes, since private homeowners are unlikely to be direct beneficiaries. Moreover, construction of further housing, by increasing supply, potentially reduces the equilibrium price of housing for all homeowners. As for broader social spending, here the key trade-off will be with forms of social insurance spending, particularly unemployment insurance and pensions. Both of these policies provide income to people whose income is temporarily or permanently lower than during their employed working life. Housing provides a separate mechanism to access funds during periods of lower income, whether by selling the property, borrowing against its value, or renting out rooms. Moreover, owning a house removes the need for monies from the government that could be used to pay for housing itself—in other words, living in a house you own provides an imputed rent. In all these cases, housing provides a substitute for social insurance. Crudely, we can think of homeownership as a form of private insurance against income shocks.

This concept of private insurance crowding out public insurance underpins Ansell's (2014) argument that citizens view increases in the value of their housing as increasing their permanent income, providing resources that can be fallen back on in tough times or in retirement. The demand for social insurance is substituted for by the view of houses as nest eggs. Ansell (2014, 2018) finds strong evidence at the individual survey level that rising house prices produce more antagonism toward the welfare state, a result that holds up in detailed data on the United Kingdom and United States, across the OECD more generally, and in a survey of post-Soviet countries. The result also holds symmetrically: In panel data, Ansell (2014) finds that when homeowners believe the value of their house has declined, their preferences shift toward government protection. What we know less about at this stage is whether renters are affected in similar ways.

Do renters in expensive areas become more supportive of social insurance, knowing it is harder to buy property to self-insure? Or do they hold out hope of leaping onto the housing gravy train?

Of course, one difficulty with this type of analysis is the fact that high-income people also tend to own expensive houses. We might wrongly assume that people are against social insurance because they use their expensive house as private insurance, when in fact their opposition merely reflects the fact that they have high incomes and dislike taxation. Both Stegmueller (2013) and Ansell (2014) exploit multiyear information on incomes in the British Household Panel Study to separate permanent income over the survey period (more than a decade) from housing wealth. Both authors show that housing appears to have an important effect on social policy preferences that is independent from long-run income.

Does the apparent relationship between homeownership, house prices, and social policy preferences extend to voting? Studlar et al. (1990) shows that homeowners, private tenants, and most importantly those people who purchased council-owned housing formed the base of support for Margaret Thatcher in 1987. Many scholars of American politics, by contrast, have only found weak relationships between homeownership and voting Republican, although homeownership is strongly correlated with voter turnout (Kingston et al. 1984, Gilderbloom & Markham 1995). It seems likely that what matters is not homeownership per se but rather the value locked up in housing, and only recently have scholars been able to access reliable house price data.

Second-Dimension Politics

Although housing seems to have a close relationship to first-dimension politics at the individual level, there is an apparent contradiction at play. Despite the collapse of house prices in 2008 and then the recent resurgence of prices during the era of quantitative easing, in many countries electoral politics has shifted away from a classic left–right divide over the size of government and toward greater polarization over so-called second-dimension issues, typically related to group identity and attitudes toward globalization and cosmopolitanism. Are house prices politically unimportant in an era of populist politics?

In order to think about housing and populism, we may need to move beyond the individualist and materialist framework developed above to explain the effects of house prices on redistributive preferences. We also need to recall that houses are by their essence fixed in place. If populist politics revolves around a sense of the relative fortunes of different communities—spatially defined—we might expect relationships between house prices and populism to emerge for sociotropic reasons rather than individual ones.

In a controversial recent book, British commentator David Goodhart (2017) argues that the divides exposed by the British referendum on EU membership in 2016 reflect a division between "Somewheres" and "Anywheres." The former are people who are deeply rooted in their local communities and have grievances against the perceived alien nature of the European Union as well as against immigrants and metropolitan culture. By contrast, the latter are cosmopolitan people with a global economic and political outlook—those who have been the chief beneficiaries of the United Kingdom's long economic boom since the 1980s under EU membership. Goodhart is half right. In fact, we have two sets of Somewheres, as people with cosmopolitan attitudes (the so-called Anywheres) have their opinions shaped just as much by where they live as the more nativist Somewheres. Recall our earlier discussion of Scheve & Slaughter's (2001) finding that homeowners are often most concerned about the economic effects of shocks to their local economy. People in communities with sharply different experiences of integration into the global economy are very likely to have contrasting views about its merits, along with the merits of related internationalizing policies, such as higher immigration. We also saw in the work of Dancygier (2010)

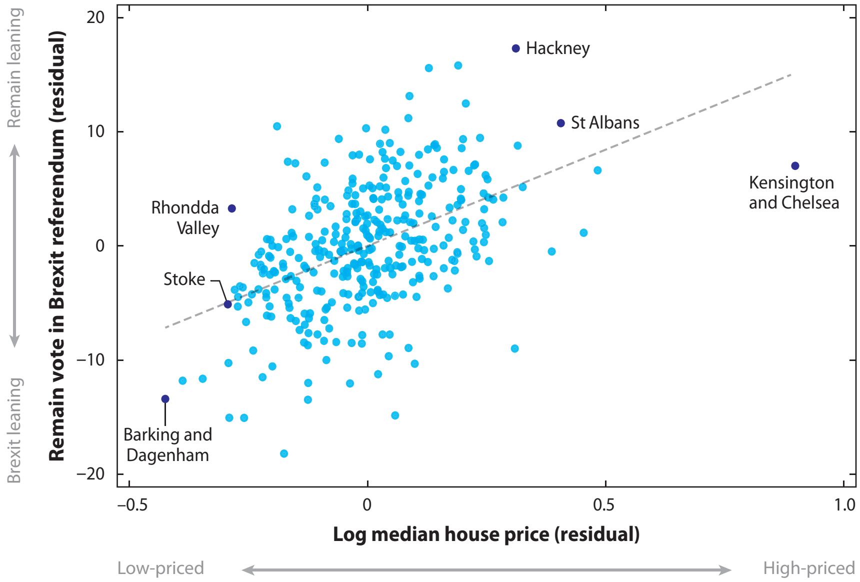

Figure 3

House prices and voting in the Brexit referendum. The figure shows the connection between (logged) median house prices in 2015 and the percentage of support for remaining in the European Union in 2016 at the level of local authority (a unit of approximately 100,000 people) in England and Wales. The figure is an added-variable plot, where both house prices and the Remain vote are adjusted for statistical controls for geographic regions; immigration levels; and local unemployment, wages, demography, and industrial structure. Thus, the figure compares "unexplained" house prices with "unexplained" voting for Remain. The relationship (shown by the dashed line) is extremely strong, with a standard-deviation increase in house prices associated with an eight-point increase in support for Remain.

and Cavaille & Ferwerda (2018) that contention over access to public housing can heighten the importance of immigration for native-born citizens. Housing, by activating attitudes about how community is defined, could play an important role in structuring the populist vote.

As an example of how housing interacts with populist voting, **Figure 3** examines how house prices were connected to vote choice during the EU referendum of 2016 (Brexit) in the United Kingdom (Ansell 2017). Both house prices and the Remain vote are adjusted for statistical controls for geographic regions; immigration levels; and local unemployment, wages, demography, and industrial structure. Thus, the figure compares "unexplained" house prices with "unexplained" voting for Remain. The relationship is extremely strong, and analysis using changes in house prices since 1996 produces very similar relationships. Although the exact pattern of causality is difficult to draw out of one voting analysis, we do see a strong relationship between house prices and Brexit voting even while controlling for income and demographic differences that typically structure general elections in the United Kingdom. The unexpected geographic pattern of voting in the Brexit referendum, which cut sharply across normal Labor–Conservative voting patterns and split both parties, reflects the fact that certain UK communities have done much better out of engagement with the international economy through the European Union than others over the past few decades. This discrepancy appears to have shaped attitudes toward international institutions, the value of immigration, and cosmopolitanism in general.

Over the past few years there has been a proliferation of studies, both ethnographic (Cramer 2016, Hochschild 2016) and statistical (Gest et al. 2018), examining the origins of preferences for populist politicians and policies. Many scholars of populism have argued that "place" matters in structuring community and identity. Future work could build on these claims by asking how the housing market structures community. Do high house prices lock people from poorer regions out of booming cosmopolitan cities, thereby reinforcing polarization of attitudes across the urban–rural divide?

CONCLUSION: HOUSING AND THE ANTI-REDISTRIBUTION CYCLE

As house prices have boomed, crashed, and then soared once more over the past two decades, few commentators would now view housing as a negligible economic issue. This article has argued that we should also no longer view it as a minor political story. Indeed, perhaps the mid-twentieth century, when labor market differences and relative income drove politics, was an aberration from the longer-term dominance of land, wealth, and property. We live more in David Ricardo's shadow than in Karl Marx's. We have seen that long-standing cross-national differences in housing markets have widened further in recent years, creating qualitatively distinct varieties of housing capitalism. These patterns of variation also manifest at the subnational and individual levels, as homeowners' views on matters as diverse as welfare spending, vote choice, and attitudes toward cosmopolitanism all increasingly depend on house values.

An effective, if perhaps a little crude, way of bringing some of these findings together is to think about how the housing market now conditions both the demand for, and supply of, redistribution. **Figure 4** presents an anti-redistribution cycle connecting several of the arguments outlined in the previous sections. Beginning with supply, in countries with more redistributive taxation systems there has broadly been a weaker expansion of consumer finance and credit (and accordingly higher savings rates) than in those countries with lower levels of taxation and redistribution. In these latter cases, this expansion of credit has been used in part by citizens to maintain levels of consumption where public transfers are minimal. The use of credit and broader expansion of the money supply have had inflationary effects on assets in fixed supply, particularly in the housing sector, where prices have skyrocketed over the past two decades. This growing value of housing has increased the wealth of homeowners and lowered their demand for government spending and redistribution. To complete the cycle, this reduced demand manifests in a continued low supply of redistribution by policymakers. In those countries where, by contrast, redistribution was initially high, there has

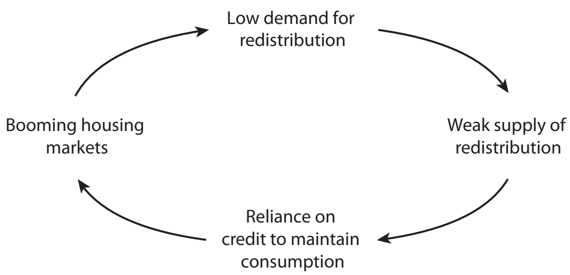

Figure 4

The anti-redistribution cycle. Beginning at the right, in countries with more redistributive taxation systems there is weaker expansion of consumer finance and credit (and accordingly higher savings rates) than in countries with lower taxation and redistribution. The use of credit and broader expansion of the money supply have inflationary effects on assets in fixed supply, such as housing. A booming market for housing increases the wealth of homeowners and reduces their demand for government spending and redistribution. This reduced demand manifests in a continued weak supply of redistribution by policymakers, completing the cycle.

been less demand for credit to maintain consumption, a weaker growth of housing prices, and consequently less housing-induced demand for lower redistribution.

Two equilibria then emerge across countries: a high taxation–low credit/house prices equilibrium, and a low taxation–high credit/house prices equilibrium. Comparative political economists, of course, have a long tradition of developing typologies around complementarities between economic models and their bases of political support. Yet these are distinct varieties of housing capitalism with underexplored implications for popular support for the bargains struck in postwar democratic capitalism. The rather unlikely protagonist in much of today's political strife is the humble house.

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