The Politics of Housing

Ben Ansell

Professor of Comparative Democratic Institutions, University of Oxford and Nuffield College, New Road, Oxford, UK, OX1 1NF; email: ben.ansell@politics.ox.ac.uk

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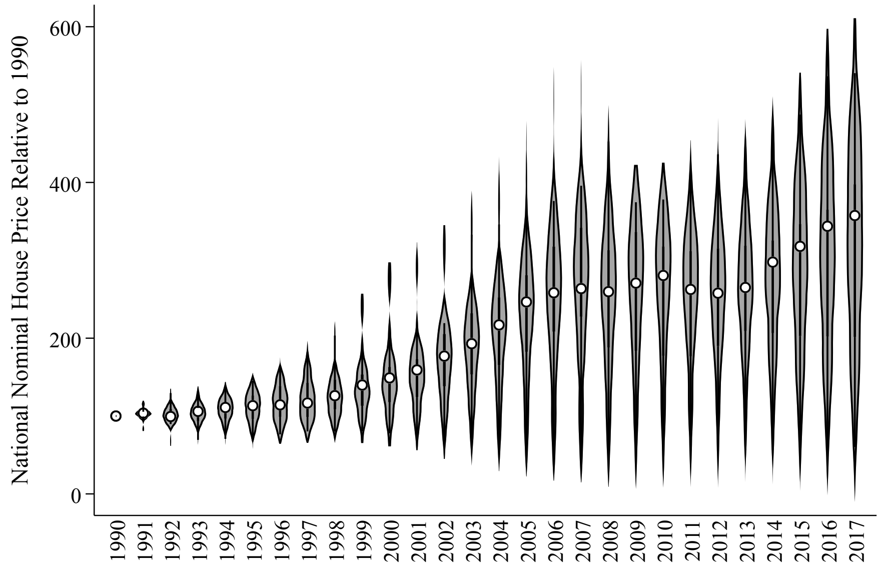
Abstract

Owning a house is the most important economic choice most families will ever make. Yet, our understanding of the political causes and consequences of home-ownership is rather thin. This review piece 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 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 piece begins by re-examining 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.

Figure 1

The Distribution of Nominal National House Prices from 1990-2017 (1990 index): circle is cross-national median.



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 ultimately spilled over into 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. And a number of 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 uses data from the Bank of International Settlements to demonstrate how nominal national house prices have changed cross-nationally since 1990. The figure uses an index anchored to mean prices in each country in 1990 and shows that the cross-national distribution of house prices has both risen dramatically on average since that time - quadrupling in nominal terms - and diverged massively across countries. One might think that variation on this enormous scale ought 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 or 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 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. And if housing matters politically, we also need to ask whether it matters in different ways across countries. Are there national 'models' of housing and 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 Margaret Thatcher and 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 conclude by drawing 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 housing (often detailed in 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 in for example Piketty (2014).

The association of housing with capital rather than land belies the discussions of wealth and land ownership that raged throughout the nineteenth century, culminating 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 on 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 transition from an agricultural to industrial economy that was underway 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 quite 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. 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 productiveness between the newly cultivated marginal land and a given plot of previously farmed land. The 'best' land thus accrued the highest rents. Who benefited from this process? Unsurprisingly landowners were the winners. For Ricardo, as for Smith and Malthus, 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 - to repeal 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, where 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 centre 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 the recent 'rebirth of the city' has seen this pattern recur (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-honoured concern of socialism: how could so much poverty co-exist with massive technological progress? Where 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 then 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.

As for Ricardo, landowners were seen 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 1879, 288). Georgist clubs sprang up around America 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. Where George saw rent as essentially unearned and hence 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. 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 would purchase land up to the point where the return on that extra acre of land exactly matched its cost. Rents then 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, 30). The theory of marginal productivity also led to an eliding of land with capital that would dominate henceforth in neoclassical economics - if each factor could be viewed as an essentially substitutable part of the production process, only differing in their marignal 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? For one thing 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 the First World War. 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 were unearned and speculative in nature - they largely did not reflect any input into production - they predated on productive factors. That use of rent is often the one that predominates in political economy, where the concept of 'rent-seeking' refers to super-profits above the competitive return to factors (the latter being defined by marignal productivity). And herein lies contemporary debate about the value of land and housing. Is it a return that reflects the productive value of land and it usage, shaped by standard market forces? Or is it the deeply political question about who gets to control of 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 reemerged.

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 Thomas Piketty's epochal 'Capital in the Twenty-First Century' which provided both a simple - yet rigorous - theory explaining the rise of inequality and reams upon reams of historical data demonstrating that the period since the 1980s harkens a return to the world of, if not Dickens, at least Gatsby (Piketty 2014). Piketty's claim was that rising inequalities were driven by fundamental laws of capitalism and - lest one might fear Piketty an unreconstructed

Marxist - these laws were 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 equation $r > g$), 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, an 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's book is relatively light on politics - a critique made most effectively in Suresh Naidu's reinterpretation of the book (Naidu 2017). 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.

As with 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 rather than the author himself. 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 Piketty 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 vs capital model. but still, there is ample inequality in the asset holdings among those people that 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.

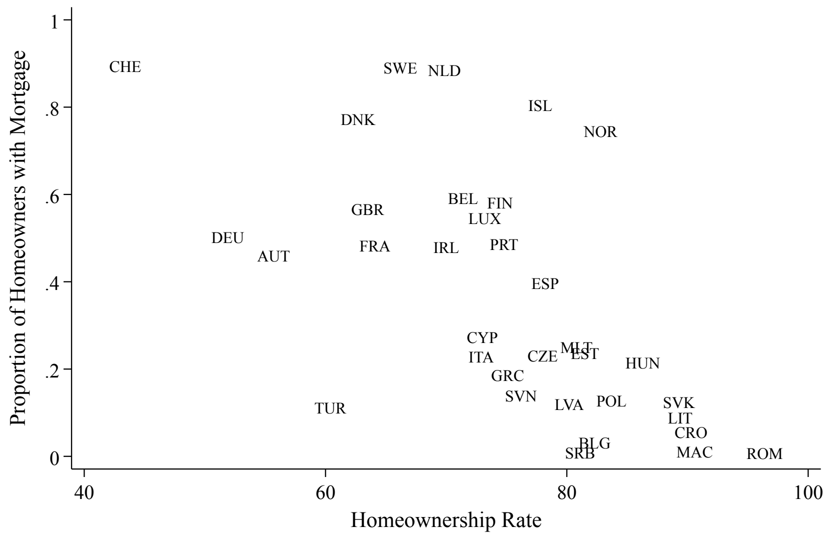
A more fundamental critique, and the one related to the distinction made above between Georgist and neoclassical views of 'rent', is that what Piketty finds in his empirical analysis does not in fact jibe with his theoretical approach once one splits apart types of capital. An important intervention 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 non-residential (productive) capital. House prices, in other words, are the drivers of a rising capital share. Since this is non-productive capital this raises problems for the $r > g$ neoclassical view of the world but the empirics have quite 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 that surround most people.

Thinking about inequality that comes from speculative housing investments rather than productive capital helps us when considering 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 Jean Tirole, who argues that when capital cannot find productive returns, asset bubbles may be a rational response (Tirole 1985). This, however, is a sharply different claim to Piketty, 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 than 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.

Figure 2

Crossnational Variation in European Housing Markets (Eurostat, 2015)



VARIETIES OF HOUSING CAPITALISM?

Perhaps the core weakness of economic writing on housing and property is the implicit assumption that housing markets look and function similarly around the world. That is, the dynamics of Ricardian rent, or Pikettian capital, play out similarly across different countries and time periods. And yet, when we look at housing markets across even just the advanced industrial world we see quite 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 (for example, Esping-Andersen (1990) and Hall & Soskice (2001)).

Figure 2 plots rates of homeownership against the proportion of homeowners who hold a mortgage, using data from Eurostat for 2015. Homeownership rates vary dramatically from fewer than half of households in Switzerland to over ninety-five percent in Romania. The size of the mortgage market also varies widely with over fifty percent of homeowners financing 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 their properties 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 the graph above - 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 - starting at least with Kemeny (1981), who argued that the welfare state and home-ownership could be thought of as substitutes at the macro-level. More recently, a series of scholars have supported this claim with data at the macro level (Castles 1998; Conley & Gifford 2006) and micro-level (Ansell 2014; Stegmueller 2013). And, of course, the promotion of home-ownership itself enjoyed popularity among the same New Right figures who saw private housing as a wedge against government redistribution - for example, Margaret Thatcher's promotion of the 'Right to Buy' social housing or George W. Bush's promotion of the 'Ownership Society.'

Thinking back to the longstanding debate on the political economy of 'rent' in the previous section, these claims are 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 tax and spending necessary to support large welfare states. How have scholars approached this claim?

The first initial foray into an explicitly comparative approach to the politics of housing was in Kemeny (1981), who argued that the traditional sociological view that homeownership would simply expand monotonically as countries developed economically failed to explain the substantial variation in home ownership rates among similarly wealthy countries. Kemeny's take was holistic - homeownership was part of a parcel of social practices - living in nuclear family units, in the suburbs or exurbs, traveling by privately owned cars. These practices reinforced an anti-tax gestalt - purchasing a car and house was an expensive and essentially *private* phenomenon. On the micro-side, the financial investment that needs to be made in order to afford property - for example, down-payments to purchase a house with a mortgage - creates budgetary strains, making people more tax averse as they try to save private funds. As some societies structured family and work relationships around this form of living it would reinforce anti-tax, and hence anti-welfare state views in those countries. To the degree that anti-welfare state attutudes prevailed in political life this also implied continued weaker provision of social insurance, thereby intensifying the need to engage in private investments to fall back on, including housing. And hence multiple equilbria 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 realted 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 Herman Schwartz (2009; 2014), retirement policy is also 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 the 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 - with the big-spending Scandinavian countries having similar homeownership rates 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 in 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 reflects the fact that early work ignored the still-Communist world of Eastern Europe where ownership rates are very high but the mortgage market is very unlike the English-speaking world. But Schwartz and Seabrooke's (2008) account also examines the Nordic countries, who are difficult to explain from the simple perspective of the ownership / welfare tradeoff.

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 (in their case measured as mortgage debt as a percentage of GDP), including Denmark and Germany, are referred to as 'Corporatist-Market'; those with higher homeownership rates and larger mortgage markets (such as the UK, Canada, Norway, and the USA) as 'Liberal-Market'; those with low rates of both, such as France and Austria as'Statist-Developmentalist'; and finally those with high rates of homeownership but small mortgage markets, such as Italy, Greece, Poland, and Hungary, as 'Familial'.

While countries do not perfectly cluster into these groups (as the authors acknowledge), the ideal types are helpful in terms of thinking about broad social trade-offs. For example, countries with low homeownership rates vary in terms of how stratified their housing markets are - in those where mortgages are easily available - 'Corporatist-Market' - higher income citizens can more easily access housing and differentiate themselves from renters than they can in those with repressed mortgage markets ('Statist-Developmentalist' countries). 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 who an insider and who an outsider to the housing market is 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

Given this stark variation in housing markets around the world, what explains this divergence? 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 analysing 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. In Zysman (1984), for example, market-based financing in the Anglo-American model is contrasted to patient capital from private banks in the Germanic model, and state-subsidized credit in the planning model used in France and Japan. In Hall & Soskice (2001), the binary division between market-based and patient capital is connected to different production strategies for firms across 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 somewhat similar pattern to the Zysman and Hall and Soskice 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 reflects less credit-rationing for consumers since unlike the case of Japan, Canada, the UK and the USA did not try to channel funds explicitly towards investment and unlike Germany they had a quite competitive consumer banking sector. Rosenbluth & Schaap (2003) argue that the cheaper price of credit in the UK and USA 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 towards the preference of swing voters for deregulated, cheap credit. By contrast, Germany and Japan have 'centrifugal' electoral systems which force policymakers to cater to industry interests, which leads to higher interest rates and less financial market competition. A similar story is told in Chang et al. (2010), which directly exploits the Stiglerian model of regulation to argue that politicians in highly competitive majoritarian electoral systems will have greater incentive to set regulations that lead to lower prices for (voting) consumers than in proportional systems, where producer interests will consequently held 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. With this said, what remains to be explained in this type of approach 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 'anti-competititve' financial regulations. A more recent line of work that builds upon 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 quite 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, with these once entirely domestic residential markets 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 forty percent 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 and Stasavage argue that much the strongest predictor of inheritance tax increases was war mobilization, which led to changing mass beliefs about tax fairness (Scheve & Stasavage 2012, 2016, 2017). 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 ('fractional assessment') and spending on mortgage interest repayments may be tax deductible as is true today in the USA and until 2000 in the UK. 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 hence not driven by elite manipulation or popular misconceptions as in Bartels' study of attitudes towards the estate tax (2016)). 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. Raghuram 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) anda 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. For Rajan, 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 evocative phrase, the political imperative in the USA has been 'let them eat credit.' Hence we return to the earlier division between the ownership society and the welfare state but this time because of 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: with mortgage lenders systematically targeting campaign support to Congressional representatives in districts with more subprime loans, and these same representatives 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 in 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 'median' citizen - will try to increase their own consumption in order to 'keep up with the Joneses' (Bertrand & Morse 2016). This can either occur for direct 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 - so called '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 (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 and Ansell argue that tax and transfer systems reduce both 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, 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 under-regulated 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 the Second World War, often house a sizable proportion of the population in advanced industrial democracies. The dismantling of this system from the 1980s onwards 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).

The political science literature on public housing is, despite the political importance of these reforms, 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, 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, 190). Similarly, many scholars viewed the selling off the British council housing stock as again 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 at explaining differences in public housing across countries. The most developed analysis of cross-national variation in public housing belongs 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 '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 argued that 'unitary' systems tend 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 left-wing parties supporting mass public housing. Studlar et al. (1990) found that in the UK 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 Labour - underlining the importance of a dualized housing policy in structuring voting along the 'first' economic dimension.

More recent work examining public housing examines the politics of choices about *who* gets access to public housing, particularly important as the supply of such housing remains highly constrained. In many European countries this 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 occur against 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 then shapes the conflictual nature of group relations.These studies show then that housing policy can have unexpected impacts on so-called 'second-dimension' politics of group identity 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. 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. It is also 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 worklife - provided they own their house outright, their shelter is not dependent on their income stream. So, 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 deeply political concerns.

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

First-Dimension Politics

Most political economy analysis of attitudes towards 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 towards micro-economic policies such as redistribution or the size of welfare state institutions as well as towards macroeconomic policies such as public debt or the (potential) tradeoff between unemployment and inflation. If we think about the flows of economic resources citizens experience on an annual basis this makes a great deal of sense - high income citizens typically pay higher income taxes, 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, (un-) or (self-)employment, and receipt of public benefits be misleading in certain cases?

First, and most simply, wealth is typically accrued by saving a stream of income over multiple years - hence while 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 illilquid) savings. In this case, their policy preferences and those of some other also unemployed individual, who in their case has no savings to fall back on, may be quite distinct. Of course the pattern may reverse: someone with little by the way of saved wealth may suddenly enter lucrative employment - in this case comparing their social policy preferences with respect to wealth to someone who also has little wealth but a low income may be misleading. Second, wealth can be inherited. In this case, a citizen expecting an inheritance in the future may be able to voluntarily 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.

Putting these differences together, it should not surprise us that 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 to 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 essay - differing forms of taxation, macroeconomic policy and public spending connect to home ownership in varied ways.

On the tax side, we might expect a generalized antipathy towards 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 the relative value of their house. 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 towards expansionary monetary policies (in sharp contrast to the views of cash savers). As Scheve & Slaughter (2001) argue, even attitudes towards aggregate trade openness may be shaped by home ownership - they find that homeowners in areas that suffer from import competition tend to be less supportive of free trade since it potentially lowers the value of their property (presumably the reverse may be true in those regions with internationally competitive industries, such as financial centers in developed countries).

On the spending side, it is likely that private home ownership reduces support for government public housing schemes since private homeowners are unlikely to be direct beneficiaries, presuming public housing is targeted at non-homeowners. 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 - either 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 the argument made in Ansell (2014), which claims that citizens view increases in the value of their housing as increasing their permanent income, providing resources that can be fallen on in tough times or in retirement. The demand for social insurance then is substitute for by taking the view of houses as 'nest eggs.' In both this paper and Ansell et al. (2018), there is strong evidence at the individual survey level that rising house prices produce more antagonism towards the welfare state, a result that holds up in detailed data in the UK and USA, 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 towards 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 get onto the property ladder 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 to separate out the fact that high income people also tend to own expensive houses - we want to avoid the problem of assuming that people are against social insurance because they use their expensive house as 'private insurance' when in fact it merely reflects the fact that they have high incomes and don't like taxation. Both Stegmueller (2013) and Ansell (2014) try to handle this dilemma by exploiting multi-year information on incomes in the British Household Panel Study to separate out permanent income over the survey period of over a decade from housing wealth. Both authors show that housing appears to have an important effect on social policy preferences *independent* from long-run income.

Does the apparent relationship between homeownership, house prices and social policy preferences extend to voting? The article by Studlar et al. (1990) mentioned above showed 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 it is strongly correlated with voter turnout (Kingston et al. 1984; Gilderbloom & Markham 1995). It seems likely that what matters is not so much home ownership *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 appears 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 towards greater polarization over so-called 'second-dimension' issues, typically related to group identity and attitudes towards globalization and cosmopolitanism. Are house prices then 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 the British commentator David Goodhart (2017) argued that the divides exposed by the British referendum on European Union membership in 2016 reflected a division between 'Somewheres' and 'Anywheres', the former being people deeply rooted in their local communities and with grievances against the perceived alien nature of the European Union as well as immigrants and metropolitan culture. By contrast the latter group represented those cosmopolitan people with a global economic and political outlook who had been the chief beneficiaries of the UK's long economic boom since the 1980s under EU membership. Goodhart gets the analogy half-right - in fact we have two sets of 'Somewheres' - people with cosmopolitan attitudes (the so-called 'Anywheres') have their opinions shaped just as much by where they live as the more nativist 'Somewheres.' Referring back to our earlier discussion of the finding in Scheve & Slaughter (2001) 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 the merits of related internationalizing policies, such as higher immigration. We also saw in the work of Dancygier (2010) and Cavaille & Ferwerda (2018) that contention over access to public housing can heighten the importance of immigration for native-born citizens. Housing then, 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 in the United Kingdom (Ansell 2017). The figure shows connection between (logged) median house prices in 2015 and the percent of support for remaining in the European Union in 2016 at the level of local authority (a unit of around 100,000 people) in England and Wales. The figures 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 it shows 'unexplained' house prices against 'unexplained' voting for Remain. The relationship is extremely strong, with a standard deviation increase in house prices associated with an eight point increase in support for Remain. Anal-

Figure 3

House Prices and Voting in the Brexit Referendum

ysis using changes in house prices since 1996 produces very similar relationships. While the exact pattern of causality is difficult to draw out of one voting analysis, there does appear to be a strong relationship between house prices and Brexit voting *even 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 Labour-Conservative voting patterns and his split both parties, reflects the fact that certain communities in the UK have done much better out of engagement with the international economy through the European Union than others over the past few decades, which appears to have shaped attitudes towards international institutions, the value of immigration, and cosmopolitanism in general.

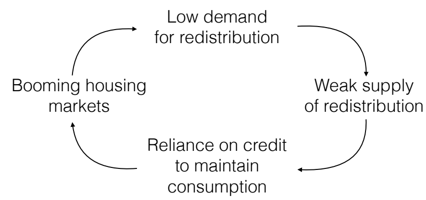
Over the past few years there has been a proliferation of studies, both ethnographic (Cramer 2016; Hochschild 2016) and statistical (Gest et al. 2017), examining the origins of preferences for populist politicians and policies. Many scholars of populism have argued that 'place' matters in structuring 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 essay has argued that we should also no longer view it as a minor political story. Indeed, perhaps the mid twentieth century, where labor market differences and relative income drove politics, was the aberration from a 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

Figure 4

The Anti-Redistribution Cycle



further in recent years, creating qualitatively distinct 'varieties of housing capitalism.' These patterns of variation also manifest at the subnational and individual level as homeowners' views on matters as diverse as welfare spending, vote choice, and attitudes towards 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 a number 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 has had inflationary effects on a number of assets in fixed supply, particularly housing, where prices have skyrocketed over the past two decades. This growing value of housing has increased the wealth of homeowners and, through a variety of mechanisms, has produced lower demands from that group 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 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 rather distinct 'varieties' of housing capitalism with underexplored implications for popular support for the bargains struck in postwar democratic capitalism. The rather unlikely protoganist in much of today's political strife is the humble house.

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