

**ENHR PRAGUE:
CHALLENGING TIMES,
CHALLENGING QUESTIONS
TAKE 2**

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1. CHALLENGING TIMES

- Andre Sets Out Excellent review of cycles
- For most Countries Worst in ENHR history?
- Policy Debate, Here and Elsewhere Focuses on
 - Financial Collapse and Re-Regulation Policy
 - New Salience for Public Debt, Fiscal Policy
 - Traditional Keynesian multiplier role for housing
- Need Finance Restructuring/Stimulus

BUT

**AFTER MULTIPLE (5) HOUSING BOOMS/BUSTS IN
LAST 35 YEARS WHAT ABOUT THE HOUSING
SYSTEM AND HOW WE UNDERSTAND THE
ECONOMICS OF PROCESSES AND POLICIES?**

1. IN CHALLENGING TIMES

RECOGNISE PATH DEPENDENCY : NEED TO LOOK BEYOND BOOM/BUST.

- Endogenous growth with housing and land
- Relatively fixed, localised systems
- In more flexible world of globally mobile labour and capital

TO MAKE A START

- Recall Kindelberger's Laws
 - Crashes more frequent than allow: compare
 - Pervasive capacities of consumers, investors (us too) to forget: understand
- Recognise endogeneity of next upswing
 - Household numbers rising (cf David Miles)
 - Asymmetric downs and ups, eg unemployment
 - Supply system fragmented
- Instability in context of longer process, 2- way relations

NEED TO RETHINK HOW HOUSING POLICIES CONFIGURED

2. START: IMPROVING ANALYSIS

REINFORCE MARTIN LUX'S POSITION

- Basic price data (quality, infrastructure effects asymmetric))
- Do not mislead affordability debates with P/Y ratios
- Aim for comparative/national econometric models
- Emphasises macro to metro/regional links (Meen, Muellbauer)
 - Macro-only masks ineluctably local housing process (cf Case, Quigley, Wood)
- Macro Analysis De-emphasises Housing Systems: SEE IMF GAPS
- Little use of New Behavioural Economics?
 - Expectations formation, revision as emerge from this recession?
 - Wealth transmission in households; family path dependency?
- Aim to understand the housing effects not just on aggregate demand and instability but on growth: PRODUCTIVITY, CAPABILITY

SET INSTABILITY IN WIDER, LONGER GROWTH CONTEXT

ESTABLISH STYLISTED FACTS

GLOBALISATION for OECD has meant

- Long term income growth
 - But not poorest 20pc, less so young
 - Increased immigration role, key pressure places
 - Tension is between rich and poor, rather than labour v capital (1970's)
- Long term increase in house, land prices
 - Pressure in rental supply, but flatter rents: the real issue?
 - Important source of markedly increased wealth inequality
- Accompanying Policies for Housing Aim to (Roughly)
 - Restrict public investment in homes
 - Encourage wide home-ownership via tax

FAST GROWTH IMPACTS STICKY SUPPLY AND
INFRASTRUCTURE SYSTEMS, UNTIL NOW GIVEN LITTLE
THOUGHT IN NATIONAL FINANCE/INDUSTRY MINISTRIES, BUT
HAS MADE HOUSING SECTORS MORE UNSTABLE
TRANSMISSION MECHANISM FOR MACRO INFLUENCES

RECOGNISE HOUSING POLICY MORE PRO-CYCLICAL

- Reduced non-market support brings demand closer to market outcomes
- Market more reliant on mortgage market
- Mortgage market more globally connected: Integration has mattered
- Households more wealth sensitive: EW
- Planning gain effects cyclical

HAVE BUILT MORE PRO-CYCLICAL SYSTEMS
ALSO CONTINUE TO IGNORE 'POLICY
FUNDAMENTALS': HOW RECONSTRUCT?

3. CHALLENGING POLICIES

RECALL PLENARY 1 ON CONTEXT DIFFERENCES:

1. Broken financial systems
 - USA, UK yes, Canada, Australia no
2. Housing Booms Unwind since 2007
 - Most, not Japan, Germany (1990'S)
 - Excess supply, Spain, US not Canada, UK
3. Impacted by Reduced Trade and Exports
 - Canada, Germany

Trade or Balance Sheet Recession: In some Redesign through Long Corrugated Recession/Recovery to Upswing in different Political Economy Traditions (Schwartz and Seabrook)

3. WHAT CHALLENGES WILL WE NEED TO THINK ABOUT ?

- Reduced resources, Focus on Outcomes
- Carbon and energy matter more: accessibility, form and density issues : the future path dependency: housing creates key structures
- Reduced Emphasis on Ownership Growth
 - Neutralising long term tax treatment
 - Housing assets in intergenerational policy
 - Ascendancy of the elderly?
 - Return of redlining?
 - Doubts on shared equity? Futures Index

3. CHALLENGING POLICIES

- Remaking Rental Housing
 - Broader, longer roles for 20 to 35 year olds
 - Questioning effectiveness of buy-to-let supply
 - Reducing fault lines to Social Housing (people, providers, properties)
- Emphasis on Supply Side
 - Integration, infrastructure, transport
 - Development Vehicles: Planning Gain, or
 - Rethinking Taxation of land

ARE WE READY TO ADDRESS OR CHANGE THESE ISSUES?

GOOD LUCK.