

The effectiveness of selected housing subsidies in the Czech Republic

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Abstract The goal of this article is to evaluate the effectiveness of the new housing policy in the Czech Republic as an example of a transitional society after the collapse of communism. The first part provides a brief history of the housing policy dating back to 1918. The second part presents the results of empirical tests of effectiveness (or equity) of selected housing subsidies applied during the transition. As in other transitional countries, the considerable decrease in the financial affordability of housing after 1989 demanded an active housing policy. Housing subsidies, whether direct or implicit, were, however, often not well targeted. The economic subsidy from rent regulation, tax relief and housing allowances are especially assessed here.

Keywords Housing policy · Welfare economics · Subsidy effectiveness · Transition economies

1 Introduction

After the collapse of the socialist regime, housing reform in the Czech Republic was, like in many other countries, a consequence of wider economic liberalization and political changes. The reform led to the liberalization of housing construction material prices, privatization of construction firms and the rapid introduction of a legislative framework to support the establishment of new private construction companies where salaries were

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