

Work In Progress



Research Findings

Promises and lost illusions of the political homeownership dream

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The political homeownership ideal is the promise to create more equal and stable societies as well as to solve housing market problems by making more people homeowners, largely through the extension of mortgage credit to homebuyers. It also promises to fill the gap left by declining public housing and infrastructure investments and retrenching welfare states.

The British sociologist Colin Crouch considers the political homeownership ideal to be part of a neoliberal “unacknowledged policy regime”. He calls this, “[privatized Keynesianism](#)” which he sees as gaining the upper hand in most Western countries since the 1980s.

In a recent [study](#), I trace the rise of the homeownership ideal in nineteen Western countries, from its origins as a conservative answer to the nineteenth-century upheavals of industrialization and urbanization, to the present day.

Based on extensive analysis of election manifestos, I find that virtually all conservative parties in the countries I examined have defended the ideal of homeownership, and supported the expansion of mortgage lending rather than public welfare programs. However, there are large differences on the political left, especially before the 1980s.

In Anglo-Saxon countries, center-left parties like Australian Labour or the U.S. Democrats, have long had a strong preference for homeownership over other forms of housing, the goal being to make workers into small property owners.

A similar pattern could be observed in the Scandinavian countries. In Norway, for example, since the 1920s, Social Democrats have sought to free workers from rental market exploitation by bringing them into cooperatives – a socialized form of homeownership.

Homeownership and small property-holding has also been widely promoted among Southern European socialist parties, particularly where conservative dictatorships had left behind a legacy of homeowner majorities.

In contrast, social democratic parties in Germany and some neighboring countries followed the position laid out by Friedrich Engels in his 1872 publication, “[The Housing Question](#).”

Engels argued that the conflict between labor and capital was to be solved in the workplace and not through palliative compensation measures on the housing market. He opposed both the homeownership ideal of bourgeois reformers as well as the socialist small-property faction then organized around Pierre-Joseph Proudhon.

Home-owning workers, Engels suggested, would lose their labor market mobility and revolutionary zeal, and since housing market crashes and unemployment were usually correlated, homeownership would moreover make a poor form of insurance for workers.

This tradition of thought led German Social Democrats to oppose the homeownership ideal with great persistence. Therefore, beginning in the 1920s, the Social Democrats became active supporters of the public provision of rental housing.

With this housing policy, public subsidies were provided to municipal or non-profit housing companies which constructed rental housing and offered units below market price. At the same time, national rent legislation protected tenants from eviction and ensured reasonable rent price levels overall.

As the twentieth century wore on, defense of homeownership went beyond ideological convictions. With homeownership rates rising in almost all countries and the median voter becoming a homeowner, parties could no longer ignore this important constituency. Competition from other parties and their promises of subsidized homeownership made parties embrace the homeownership ideal, even without any ideological commitment.

Parties thus raced to promise ever more encouraging mortgage conditions to potential homeowners. Already in 1970, long before Thatcher’s right-to-buy scheme granting easy

mortgages for council-house purchases, British Labour promised to encourage home ownership.

“For the first time in our history, 50 per cent of the nation’s homes are now owner-occupied. We believe that this proportion will rise and should continue to rise. We shall extend the system of 100 per cent mortgages.”

As a result of this political dynamic, the rules governing the provision of mortgages became less and less restrictive and the amount of mortgage debt reached historically unprecedented levels. Surprisingly, Sweden, Norway and the Netherlands outpaced the Anglo-Saxon countries and reached levels of up to 100 percent or more outstanding mortgage debt as a fraction of GDP.

Not surprisingly, since 1945, there were associations between the frequency with which center-left parties had defended homeownership in their manifestos, and the accessibility of mortgages and the overall volume of mortgage debt in different countries.

As mortgage debt is tightly linked to house prices, countries where the center-left had promoted homeownership also had a steeper house price crash between 2007 and 2011.

Ever since that crash, homeownership rates, for the first time in decades, have been declining considerably in the high-homeownership countries. This has decreased much of the gains the homeownership ideal had arguably achieved.

Additionally, the mountain of private mortgage debt is another definite legacy of the latest house-price boom brought about by the homeownership ideal. But was it worth it?

In a companion [study](#), I show that the extension of mortgage lending did not always lead to higher homeownership rates. There were periods, particularly after the two world wars, when homeownership surged without considerable growth in aggregate mortgage indebtedness. There have also been periods during which mortgage debt exploded but mainly inflated house prices without increasing homeownership.

One reason why more mortgages have not necessarily resulted in more homeowners is that they didn’t always result in new construction. Instead they drove up the prices of existing homes, privileging those who already had access to mortgages over new entrants to the housing market.

In other cases, homeownership grew without additional debt because these kinds of shortage-driven price bubbles were absent, while alternative models of housing provision based on government programs and more savings-based housing finance were present.

Overall this research shows that the political homeownership ideal has been an important part of the turn to “privatized Keynesianism.” This is due to the fact that it was also on the agenda of many center-left parties, and not just a conservative and neoliberal project.

The reliance on the extension of mortgage credit as a primary means to homeownership, however, has obstructed the realization of this politically fabricated homeownership dream.

Read More

Sebastian Kohl, [“The political economy of homeownership: a comparative analysis of homeownership ideology through party manifestos,”](#) *Socio-Economic Review* 2018.

Sebastian Kohl, [“More Mortgages, More Homes? The Effect of Housing Financialization on Homeownership in Historical Perspective,”](#) *Politics & Society* 2018.

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<http://www.wipsociology.org/2018/10/24/promises-and-lost-illusions-of-the-political-homeownership-dream/>