



IMPROVING THE ECONOMIC NARRATIVE FOR HOUSING STRATEGIES

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I.

ECONOMICS POLICY NARRATIVES AND
HOUSING CASES

1. Policy Narratives: None, Tall, Fables, Short or Just Credible?

- Economics is Not Yet a Science (Eichner, 1974)
- Economic Policy Stories are technical, sometimes factual ethically loaded narratives, to make choice JUDGEMENTS, not calculations
- Narratives Change: theory, methods, data but also objectives.
- Post GCF/carbon/Covid-19 shifting narratives: more complex issues: Inclusion, Sustainability, Bio- Security
- Problem: large housing effect comprised of multiple, small long-term effects unmeasured?

WHY DOES AN ECONOMIC CASE MATTER TO HOUSING SECTORS?

2. Coherent, Evidenced Cases Matter: Sometimes

- 1) Makes Departments/ Ministers Task easier in Annual/Stimulus Bids
 - 2) Raises Credibility with Finance/Budget Officials
 - 3) Changing the Political Perspective
 - Advisers
 - Financial Sector Leaders/ Central Banks
 - Financial press (see potency of recent ‘Economist’ ‘planning blame’)
 - 4) Important in periods of major uncertainty; big policy reset.
- Change needed in **both** sectors: HOUSING more than ‘merit’ effects: economic policy-makers look beyond ‘Economics 101’

MORAL, REDISTRIBUTIONAL CASES OFTEN GET THE LEFTOVERS, TIME FOR A CHANGE

II.

**APPLIED ECONOMICS AND THE
POLICY RELEVANCE OF HOUSING**

1. More than 'merit goods' cases

Policy focus at all scales on housing needs rather than wider impacts - 'merit good'/'input'

Ignores housing's weighty economic role:

- Macro: 20-25% consumption: major household asset & debt type
- Micro: add also location, neighbourhood context & capabilities
- Metro: concentrated localities of impact, labour market mismatch

Consider implications for nations where 50pc of GDP is in 3 or 4 metro areas: then macroeconomics cannot ignore housing and real estate

2. New Times, New Story

Economics Policy Perspectives now involve

- affordability, inclusion, social justice, wealth
 - Three prolonged crises , failing system, (Shaping Futures)
- Financial and economic stability
 - Household, mortgage debt and potential instability, reinforces inequities
- Productivity
 - Absorbing household incomes and national investment in existing bricks and mortar does not fashion an entrepreneurial, productive economy

III

OUR NARRATIVE

1. Our Narrative

- Embraces stability, inclusion, sustainability but new focus is on productivity and instability
- Covid-19, requires rethinking PRODUCTIVITY IN THE NEW NORMAL, including housing story

KEY ELEMENTS OF WHAT WE HAVE DONE,
STARTS WITH AHURI REPORT 2015, see Figures 1
and 2 below AND UNDERPINS 3 SUBSEQUENT
CHIA LED REPORTS, LATEST PUBLISHED SHORTLY

FIG. 1

HOUSING-ECONOMY CONNECTIONS: METRO SCALE

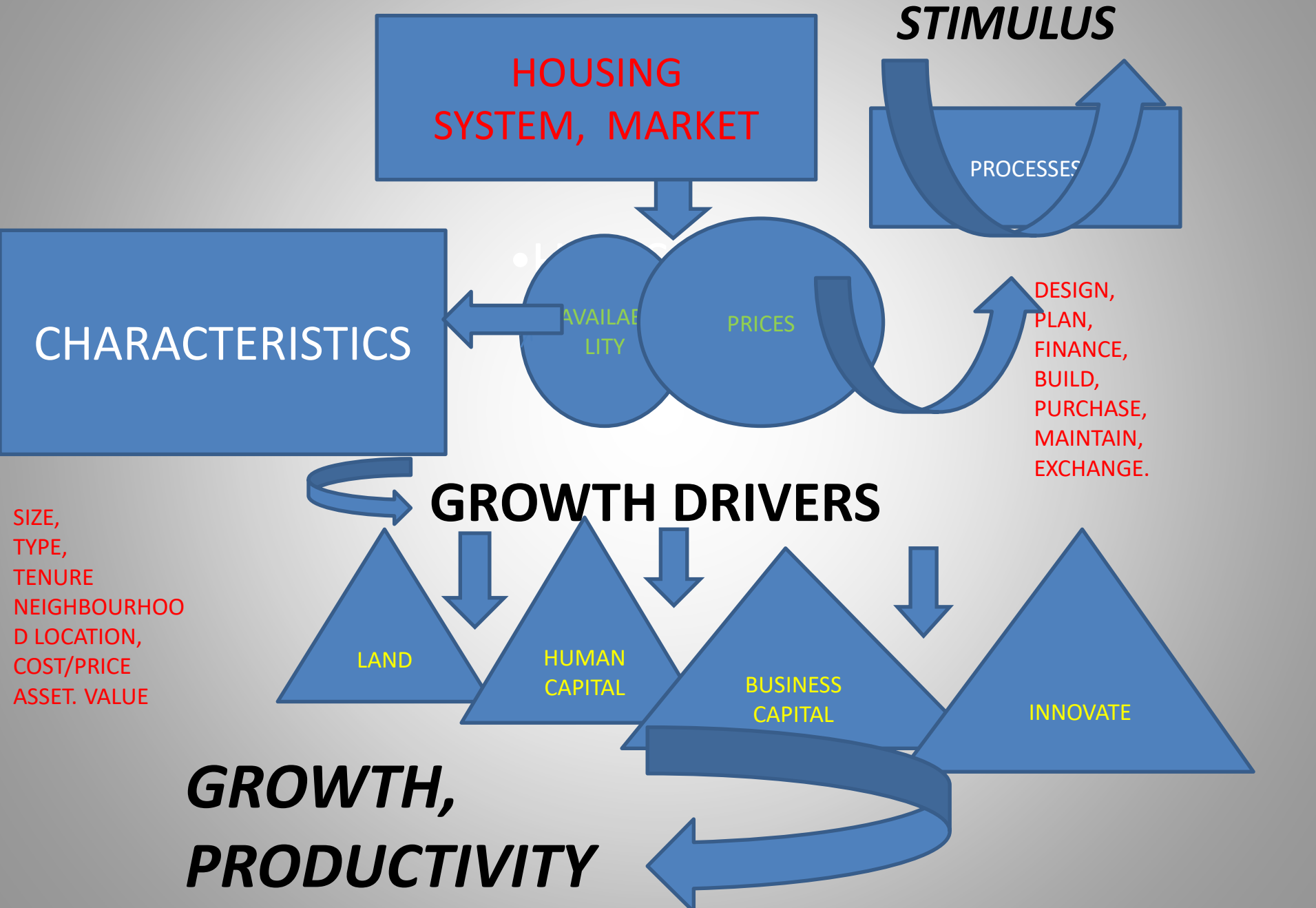
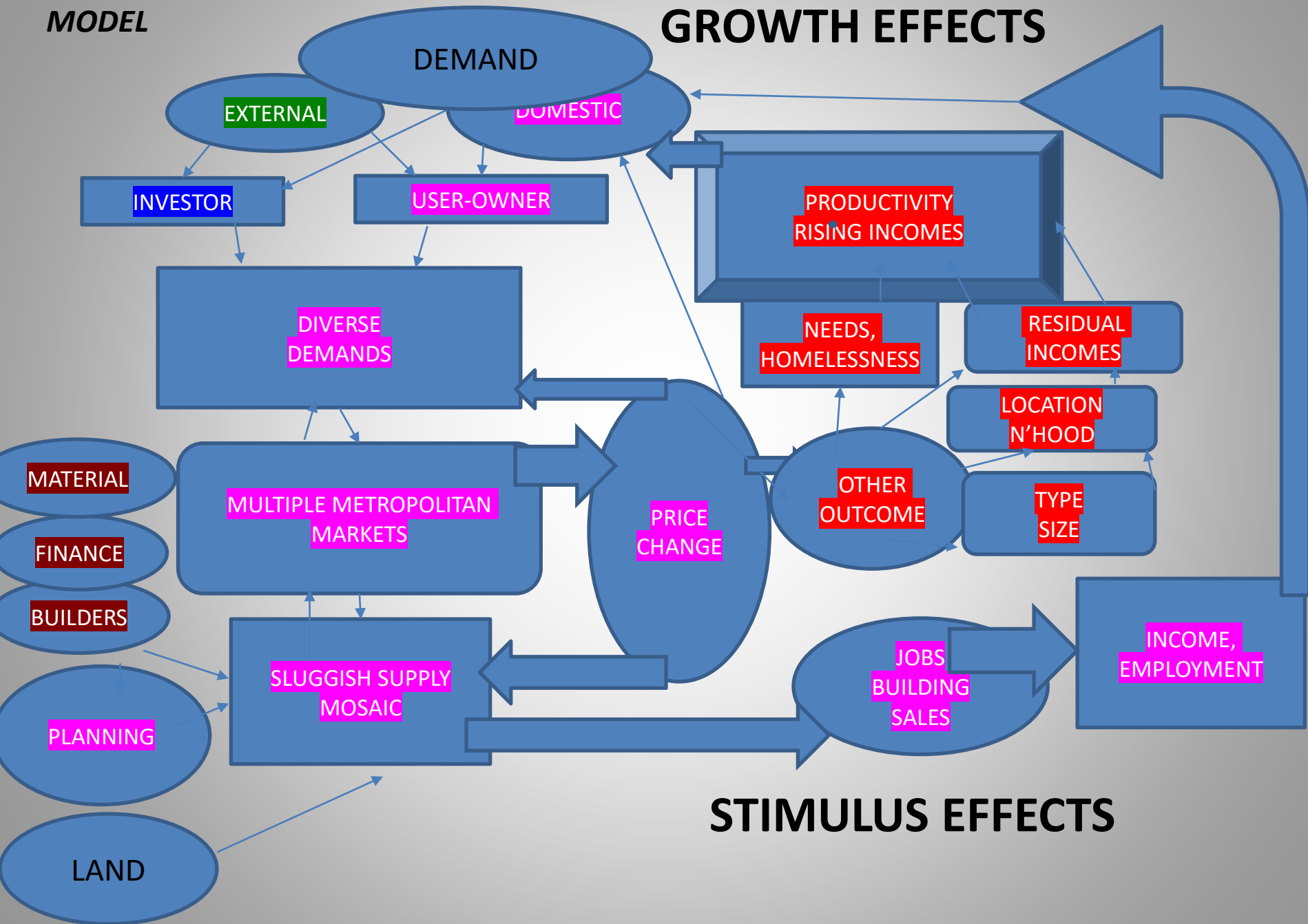


FIG. 2 SIMPLE HEURISTIC MODEL



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City Futures Research Centre
UNSW Built Environment

A Report to the New South Wales
Federation of Housing Associations

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March 2018

MAKING BETTER ECONOMIC CASES FOR HOUSING POLICIES



STRENGTHENING ECONOMIC CASES

UNSW Sydney and
University of Glasgow
JANUARY 2019



@UNSWCityFutures

#newhousingstories

2. PURPOSE OF THIS STUDY

1. A demonstration to estimate **some** key productivity effects of housing: elsewhere and in future
2. Specific results relevant to Sydney/NSW 2019
3. A partial economic impact assessment
4. **Not a cost-benefit analysis**
5. **Not a specific subsidy scheme assessment**

**A STEP FORWARDS BUT FAR FROM THE LAST
WORD**

3. THE APPROACH

1. Metropolitan challenge: **affordability problematic to median incomes**
2. Identified 4 key questions with Steering Group
 - Effects of high housing costs (with a caveat, might not be able to model)
 - Cyclical stability pattern (Time Pattern of Investment)
BUT MAJOR FOCUS ON RESIDENTIAL-SPATIAL PATTERN OF INVESTMENT
 - Travel to work times
 - Access to jobs and labour markets
3. Framework of **agglomeration economies**: need housing to reinforce not 'eat' gains
4. Absence of data to model and calibrate from past impacts
5. Construct plausible scenarios, model effects via CGE: some limits

4. *Conclusions from 'Strengthening'*

1. A credible , and strong link, between metropolitan housing outcomes and productivity established: housing has to understand this area and governments now have to pay attention to it
2. Housing cases at least **now on a par with transport infrastructure.**
3. A broad range of productivity issues still to explore, for which there are also prima facie cases, but will need different data/methods
4. Can begin to move from Economic Impact Analysis to broader CBA (include other costed environmental and social benefits) confident in the knowledge that the productivity effects alone appear to reach a CB ratio of around 3 (this is high).
5. Can comment on specific current policy issues but be careful until governments accept the core cases.

5. A new economic housing narrative

- a) Refreshed definitions, more evidence (especially supply side)
- b) Emphasis on housing as KEY ECONOMIC infrastructure
- c) Joint housing/transport/place modelling + decision-making, with clear productivity aims (e.g. housing in City Deals)
- d) Focus on system-wide, long-term effects
- e) Make different scale impacts & origins explicit



EXTENDING ECONOMIC CASES

UNSW Sydney and University
of Glasgow
JANUARY 2020, REVISED
JUNE 2020

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Australian Housing and Productivity Research Consortium

Development of the Productivity Consortium (Extending Economic Cases).

1. Framing Project: Exploring, connections from housing to economic outcomes, a coherent framework for Federal, state and community action? Making connections, to 2025,2040
- 2) Key Longer Projects: Long term consequences of
 - Poor housing for human capital development and use
 - Of present housing outcomes for 20-40 age groups through their life courses to retirement and beyond (tenures, wealth, pensions and housing markets)
- 3) Shorter, fast response projects as Covid moves through emergency to stimulus and recovery



Thank you
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