HOUSING WEALTH AND THE ECONOMY: ALL THAT GLITTERS IS NOT GOLD

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Executive Summary

Key Findings

- Rising housing prices and housing wealth have significantly exacerbated inequalities in wealth and income in Australia over the last three decades
- As it functions in Australia, home-ownership has transitioned from a wealth spreading to a wealth concentrating institution
- Housing wealth formation has shifted from non-speculative accumulation through paying mortgages to more active household borrowing and leveraging strategies
- Increasing housing wealth has encouraged households to adopt housing-asset-based strategies to ensure wellbeing after retirement, but in the process reinforcing renter-owner inequalities for older Australians
- While seen by many commentators as 'too difficult to change', Australia's home ownership system may be reaching the limits of its sustainability, as incomes and borrowing limits become increasingly real constraints and as growing numbers of younger adults can no longer become secure home-owners.

Context

Economies become wealthier because they discover new ways of producing more with less or because they attract, or find, new resources. Innovation and mutually beneficial trade are the core drivers of increased wealth. Where nations own globally demanded resources then their scarcity also drives national prosperity. However, when resources, including housing assets, are scarce and increasing in price, but not traded internationally, then the resulting wealth gains of existing owners are offset by the losses of those who purchase them. Some economists dismiss the significance of these mutually 'cancelling-out' gains and losses. This is unduly simplistic. The literature review underpinning this paper suggests that across major OECD economies the patterns of gains and losses from house price changes impact the distributions of wealth and change the ways in which resources are invested in the economy. Housing assets now have significant distributional and capital allocation roles within the Australian economy.

Whilst recognising home-owners' joy as their asset values effortlessly rise and, indeed, the short-term comfort that some governments may take from a rising housing market, this report reviews changing patterns of housing wealth in Australia taking a longer term perspective.

Housing, Wealth and Inequality in Australia

Housing wealth has increased as a share of overall wealth in Australia and now comprises close to half of household wealth, two-fifths net assets in home ownership.

The past wide spread of homeownership across all income deciles, with Australia having markedly high ownership rates (by international standards) for poorer households meant a relatively wide dispersal of wealth in Australia but with pronounced overall wealth inequalities between renters and owners. In recent decades the gaps between owners and renters have grown and, as young adult home-ownership rates have fallen rapidly by advanced economy standards, the wealth dispersion roles of ownership have halted,

while inequalities within the ownership sector have increased. Moreover, early evidence suggests that housing market dynamics and the functioning of monetary policies through the COVID-19 pandemic are further exacerbating housing wealth inequalities within ownership, as well as between owners and renters.

Economic and social change, mortgage market deregulation and changes in monetary policy have significantly altered the functioning of Australia's home-ownership system, as well as raising entry housing costs faster than incomes. In particular, borrowing, leverage and other housing strategies have seen housing wealth increasingly accumulated by speculative rather than savings behaviours. Meanwhile, in retaining unreformed policy settings, governments have failed to restore the core savings role of home-ownership in the economy. Indeed, fiscal and other policies may reinforce and reward home-owner speculation.

Housing prices, rents and costs also shape income (after housing costs) inequalities. Overall incomes in Australia are distributed at close to the average inequality measure for OECD but residual incomes after housing costs are more unequal than the OECD average. This evidence reinforces earlier Grattan Institute findings that housing costs are a key influence on disposable household incomes. Interestingly, nuanced measures of housing costs for renters and owners are not included in official inflation indices for Australia and this may blur the policy linkage between housing affordability, income inequality and macroeconomic/monetary policy actions.

The international literature shows diverse patterns of house price inflation across countries, varying shares of home-ownership and very different fiscal and housing policy regimes. The different housing inflation and wealth patterns observed across different countries, even if rising house prices are more problematic than three decades ago, suggests that policy choices do indeed shape observed outcomes. But contrasting high-ownership/high house price inflation Australia with a more stable and rental-oriented system such as Germany does not reveal 'policy solutions'. The outcomes for Germany reflect major institutional and attitudinal differences and path dependencies that have not prevailed in Australia. But the contrast nevertheless poses questions for Australia on policy approaches to home-ownership, real house prices and housing wealth. These uncertainties may become acutely important as Australia becomes a more rental oriented system for particular groups in particular places (notably the under-40s in metropolitan cores).

Saving, Speculation and Wealth Accumulation

Since the early 1990s housing wealth has, as noted above, grown more through speculation than by mortgage based saving. Housing wealth gains, unrelated to effort and productivity, have varied by location (with metropolitan homeowners becoming wealthier faster than their counterparts in regional Australia), as well as by age (older households have accumulated the greatest unearned gains), and by income (with more affluent owners making faster gains than poorer, some precarious, owners).

As the great housing inflation has progressed, entry prices have secularly risen ahead of incomes and this has raised mortgage indebtedness, reflected in higher loan to income and loan to value ratios. Access to equity and savings for deposits, especially when interest rates have moved to record levels after 2010, has become a key factor rationing ownership entry (even where incomes would support loan repayment). Increasingly, first home-owners are relying on substantial transfers of family equity (often sourced from the past housing capital gains of parents and grandparents). This housing price-wealth driven process is a major threat to the traditional effort-based patterns of social mobility in Australia. Inter-

and intra-generational inequalities are being rapidly shaped by house price inequalities and this will have major long-term effects

In the shorter-term, housing wealth has cycle-reinforcing effects on consumption; it can facilitate investment and innovation in micro-businesses, but may also distort national investment flows into existing housing stock and raise prices rather than productivity.

The growing role of housing speculation and wealth gains has significant impacts on housing system effectiveness. Speculation, broadly defined, is where households hold housing stock that exceeds their likely consumption needs. Expectations of house price increases, more so than the prospect of stable rental returns, has driven much 'investor' activity in the Australian market (with both domestic and overseas investors) displacing potential first buyers into longer, expensive, rental careers. However, this millennium has also become the age of the 'speculative granny and grandpa' where older single survivors (most commonly women) continue to reside in, and under-use and under-maintain, their former peak housing career family home, primarily because they believe it offers the best asset return available. This results in an inefficient use of housing stock, especially in areas of greatest family housing shortage.

As real house price increases have become endemic, households have developed a range of housing asset-based strategies to resource housing, health and care support in old age. There are obvious inequalities between those who reach retirement with accumulated housing equity and those who have not (and indeed price rises mean that many elderly households increases their wealth in retirement rather than it down).

The policy materials assessed in the review suggest that there is a real need for long term clarity about the relationship between superannuation and housing assets, more imaginative ways in which to unlock and use the housing assets of elderly households to support elderly care and health costs. These could include offering them a housing investment product that they could invest in if they sell their underutilised home. Some commentators argue that as the baby-boom generations pass away, the increased flow of second-hand stock onto the national housing market will reduce shortages and improve affordability. Such outcomes will depend on other major processes, including immigration. Little modelling of these future scenarios for housing markets and housing assets in Australia is apparent in the literature. As governments tinker today with superannuation and house prices, shaping future wealth and pensions for tomorrow, they need a much firmer understanding of what might evolve to 2040

Conclusion

This review stresses how important the prevalence and distribution of housing wealth in the Australian economy has become. The drivers and consequences of change are complex and there are no magic bullets to quickly fix the system. The system does need to be fixed. The outcomes are unfair, they reduce social mobility and, as argued in related papers, impair productivity and stability in the economy.

The Commonwealth, state and territory governments of Australia really need to go back to basics in this broad policy area. How does homeownership now shape and spread wealth? What outcomes from home-ownership would best serve the economic, environmental and social interests of Australia? What is the appropriate long-term interplay between the roles of housing assets and superannuation? What will the political economy of the Australian housing system look like three elections on from now as rental majorities emerge in some localities? Is Australian politics reflective enough to reach cross-party agreements about

what and how to change in the housing system? A major independent review of housing wealth and home-ownership, with cross-party support has to be a priority for the next Commonwealth Government of Australia.

Reforming home ownership for the twenty-first century will call for reconfiguration of the difficult knot of relationships involved – including fiscal and monetary policy as well as housing and superannuation arrangements. This will call for a longer-term view of housing market outcomes, a refreshed understanding of how the contemporary system of owner occupation in Australia shapes and redistributes wealth, and a willingness to see rising real house prices as a long-term problem rather than just and efficient reward

1. Housing Wealth: Ownership, Savings and Speculation

1.1 Housing Prices and Household Wealth

It has become clear, over the last half century and across major advanced economies, that housing outcomes are major influences shaping the distributions of disposable income and wealth in modern economies (Maclennan and Tu,1998; Maclennan and Miao, 2017; Soaita, Gibb and Maclennan, 2021)[1]. Housing quality and locational characteristics may influence the formation of human capital and the lifetime incomes, savings and overall wealth of individuals (Maclennan, Long and Leishman, 2021). However, this review focusses on how house price changes impact housing wealth and the consequences for households and the economy in the longer term.

The 'stylised facts' of house price changes and housing wealth patterns have been well established (for pre-COVID times) for the OECD economies by Causa et al (2019). Emerging commentaries on the impacts of COVID-19, in Australia and elsewhere, suggest that pre-pandemic housing wealth inequalities have been reinforced (Leishman et.al., 2021) and the annualised house price inflation rate for 2020-21(August) is being reported as running at 15-20% in the major metropolitan housing markets. Causa et.al. (2019) indicate that, in 2016, housing assets comprised two-fifths of the net wealth of Australian households. The wealthiest decile of Australians held 34% of housing wealth and the poorest decile some 3.4%. Overall wealth, and housing wealth, within advanced economies has been more dispersed where home-ownership rates have been higher. The richest Australians hold less than the OECD average top decile share and the poorest Australians marginally more. These patterns are influenced by a home ownership rate, in 2016, for the poorest quintile of Australians of 61%, contrasting with 28% for Canada, 47% for the UK and 52% for New Zealand.

In Australia, as real house prices increased, wealth inequalities between owners and renters have grown. However, as long as homeownership rates were increasing across age and income groups, price increases also spread net wealth. There has been a long Australian history of home-ownership simultaneously both increasing wealth inequalities and spreading wealth holding.

A central concern of this review is that rising prices ahead of income growth have decreased home-ownership rates since the mid-1990's. The increased longevity for senior home-owners, who had initiated home-ownership careers in very different economic circumstances, has masked sharp falls in age-specific home-ownership rates for Australians under 40. In consequence, ownership 'wealth spreading' has stopped and inequality is increasing both between owners and renters and within the home-ownership sector. Governments seemed to have failed to recognise that the home-ownership market and wealth 'escalator' has changed as a reflection of labour market changes (with entry level wage rates and incomes lagging average income and house price increases), different approaches to monetary policy (with growing significance of low interest rates and quantitative easing since 2008) and the nature of economic growth that exploits agglomeration economies where housing costs and densities are already high (within major metropolitan areas).

1 The broad timing of the beginning of the shift in the roles and impacts of housing in the economy coincides with the ending of what Thomas Piketty calls the 'short twentieth century'.

1.2 Misunderstanding Markets, Muddling Policies

Currently in Australia, and other OECD countries there is a growing, oversimplistic notion that 'planning' is the dominant cause of the high house price problem (it may well be a problem in some contexts but other key policy settings matter too) and that first-owner grants are the solution (though much evidence suggests that they are largely capitalised into higher housing prices and steeper affordability hurdles for the next wave of first time buyers). Rising real house prices and growing wealth inequality are the long term consequences of these core housing and economic policy choices.

This paper argues that house price effects on the economy and wealth outcomes need to be addressed as the housing market is a key sector in capital allocation and the distribution of wealth in the Australian economy. The housing market shapes the distributional, fairness and social justice outcomes of economic policies. Some housing policies exist to make housing systems function more effectively, such as renewal incentives to overcome market failures in individual decision taking, or adequate social housing provision to remove low and unstable income households from the market. Other housing policies, including social housing provision and owner occupier tax reliefs, have key aims to reduce inequalities in residual incomes after housing costs. Yet, market outcomes may simply be overwhelming these distributional measures. Governments adherence to an outdated view of how home-ownership markets function and the housing and economic outcomes they produce may lie at the heart of misplaced policy actions.

Homeownership has long been regarded, by governments and households, as an effective means by which to rebalance savings and consumption across life cycles of household incomes and to spread wealth over different cohorts and generations. Such policy, and societal, beliefs have long been important in Australia (since the early 1900's)[2], the USA since the 1930's and the UK and Canada since 1945. The merit of the strategy is evident when access to homeownership and accumulation of housing equity heavily rely on effort and savings to make regular repayments of mortgage principle (at least as long as house prices do not secularly decline). Home-ownership, even with low or zero house price inflation, is a savings strategy.

Across the OECD economies, real house prices were relatively stable until the mid-1970's (Causa et al., 2019; OECD, 2021). Since then, in many countries and over multiple time periods, housing price appreciation has exceeded general measures of inflation. This review argues that the empirical evidence for Australia suggests that, more than for almost all other OECD economies, housing asset accumulation no longer reflects effort and steady saving but housing speculation behaviours. Speculation, with owners often initially merely passively accepting house price gains but in more recent decades actively managing and leveraging housing assets, has come to replace savings as the principal contributor to housing asset building. Battlers have become betters. Governments have, arguably, failed to reform the institutional arrangements and fiscal settings, especially the taxation of housing, inherited from the earlier 'savings' era of home-ownership policies.

Within a country, the growth and distribution of housing wealth has different impacts on different socio-economic groups and increasingly play roles in households' asset-based welfare strategies (Soaita et al., 2021). Times have changed, and so have the behaviours of consumers, voters and politicians. With a majority of Australian households as home-owners, politics has often placed short-term voter interests in house price appreciation ahead of longer, wider economic wellbeing.

2 Gavin Wood's presentation to the More Different Futures network in July 2020 (available online at Policy Scotland, University of Glasgow) is an incisive summary of the development of Australian home-ownership policies since 1900 and Pawson et al (2020) set out and excellent exploration of challenges in the sector.

Put more bluntly, speculative rentier behaviour appears to have been fostered, incentivised and rewarded ahead of effort and ingenuity.

Now, two decades into this millennium, there is a concern that rising house prices are not only holding back wealth creation but also, with spreading housing un-affordability, overwhelming the intended redistributive effects of housing policies. With homeownership rates for every age cohort except the over-75's falling, and particularly for under-40's, (Hall and Thomas, 2019), and the shares of households over-60 still paying mortgages on their own home and 'precarious' owners who fall out of ownership into renting rising (Ong et. al, 2017), Australian housing and economic policy debate has been slow to recognise that persistent high house prices may change the political economy of housing for the nation. Related papers from this research project reflect on the impacts of housing outcomes on productivity (Maclennan, Long and Leishman, 2021) and economic and financial stability (Maclennan, Leishman, Goel and Long, 2021). This paper focusses on housing impacts on wealth and incomes and their recursive connections to the economy.

1.3 Focussing on Home-Owners and Housing Wealth.

Rising inequalities in incomes and wealth can occur within exclusively rental housing systems, and indeed rental housing shortages in metropolitan economies have generally boosted the assets and incomes of landlords vis-à-vis tenants. Even large scale social housing systems can create inequalities between tenants. Whilst not forgetting these rental system problems this paper focusses primarily on how home-ownership systems and policies bolster inequalities between owners and tenants and between different groups of owners. It also considers how households have evolved household welfare strategies based on housing asset holdings. It draws on and expands previous reviews of housing wealth, particularly Soaita, Gibb and Maclennan (2021), and integrates some of the Australian literature on the topic[3].

The next section of the paper, 2, briefly sets out evidence of the impact of rising housing costs on the distribution of residual incomes. Attention then turns to considering past patterns of housing wealth accumulation and its economic roles, exploring cross-national differences and evidence in part 3. Part 4 then reviews evidence on the more recent growth of housing wealth (broadly in this millennium) and outlines the Australian changes and contrasts it with other countries. Some of the major, different distributional outcomes for different socio-economic groups are discussed in part 5. Part 6 examines impacts for younger households and part 7 emphasises implications for the longer term, retirement and asset-based welfare strategies. Section 8 draws out some high-level conclusions.

3 Soaita et al. (2021) have noted that 'International comparisons always need to be carefully done…. research results or policy ideas garnered in one nation cannot be applied in unqualified fashion in another…….data and definitions for phenomena such as tenure or house prices may differ across countries…….comparable housing wealth data is still hard to produce (Fuller et al. 2019)……much 'path dependency' is involved''. Comparisons need to be made with caution.

2. Income Inequalities and Housing Costs

Ignoring any feedback loop from investment returns or tax breaks enjoyed by small scale investors, rising mortgage costs and rents directly impact household incomes available for consumption and savings. They reduce incomes after housing costs (residual incomes). Relatively recent reports from OECD (Sila and Dugain, 2019), the Reserve Bank of Australia (RBA), (Dollman et al., 2015) and the Productivity Commission (2019) indicate that Australia's income inequalities are marginally above the OECD average. Income inequality measures for Australia are lower than for Canada, the UK and the USA and they have reduced since the GFC. However, with the top 20% of earners in 2017 having incomes on average five times greater than the least affluent quintile, and the highest earning 1 pc earning the average annual income of the poorest 1% in just two weeks, there is obviously no room for policy complacency regarding these patterns.

Until the 1970's, as in most other advanced economies, Australian housing costs, in terms of rents and prices, moved broadly in line with incomes and the cost of living (Knoll et al., 2014). Over the last four decades more rapidly rising rents and prices, increasing faster than incomes, have been the dominant pattern. Grossmann et al. (2018) note that the inherently inelastic demands for basic housing characteristics mean that typically rents for lower income groups have often risen fastest. In consequence rent to income ratios for poorer renters have risen most, and their housing expenditures have risen as a share of income and reduced residual incomes for below average income households. Grossmann et al. observe that, in metropolitan areas, growth has induced rent rises as a 'particular poison for the poor'. These findings are supported by Albouy et al. (2016) and Ganong and Shoag (2017) in the US and Hearne (2017) in Ireland. Hearne (2017) notes that significant differences in housing affordability rates have emerged over income, age, and tenure. Albouy et al. (2016) demonstrate that, in the US since 1970, the poor have been disproportionately impacted by rising relative rents, in consequence amplifying increases in real income inequality by 25%. Ganong and Shoag (2017) point out that disproportionately rising housing costs for lower income earners have meant that although returns to migration have remained constant for high-skill workers they have fallen (in the USA) only for low-skill/ low pay workers. In Glaeser and Gyourko's (2018) recent work, they examine the extent to which housing supply influences the growth of population and housing costs in metropolitan areas and highlight that wage increases in metropolitan areas with inelastic housing supply are accompanied by slow growth of population and relatively rapid growth of housing costs. Although their results mainly apply to the analysis of migrants, the rising housing costs would de facto disproportionately affect existing residents in these metropolitan areas. Similar effects for the UK are reported by the Resolution Foundation (Tomlinson, 2019). International evidence suggests that the core processes of contemporary economic growth patterns, with metropolitan expansion, inelastic housing supply and low-income stagnation are relentlessly immiserising for poorer urban renters.

For Australia, Saunders (2017) explores the role of housing costs on patterns of poverty and income inequality and concludes that deducting housing costs from incomes lowers the income shares of those at the bottom of the income distribution and increases income shares for those at the top (in with incomes before-housing costs). Maclennan et al. (2018) confirm such patterns for 2016. There is further evidence (Coates and Chivers, 2019), that Australian residual incomes after housing costs are significantly more unequally distributed, and increasingly so, than incomes

before housing costs. They report that between 2003-16, the lowest income quintile of Australians increased their incomes by 27%, but only by 16% after deducting housing costs; for the richest quintile, incomes rose by 36%, and by 33% after deducting housing costs. More recently, Wiesel et al. (2021), using data from the Australian Bureau of Statistics' Household Expenditure Surveys conducted in 1993-4 and 2017-8, find that rising housing costs disproportionally curtailed real gains from income growth for lower-income households, exacerbating inequality and this trend was further shaped by socioeconomic, generational, tenure and geographical factors. Recent work focused on agglomeration, productivity and housing costs suggests that while productivity gains from agglomeration may increase earned incomes for those higher in the distribution, housing costs rise for all. If housing costs across the system are endogenous to productivity and the wage rate in higher income deciles then a consequence of economic growth in cities will be the enhanced income and wealth inequalities.

Thus, housing rents and prices influence residual income distribution, disproportionately rising housing costs for the disadvantaged households. With housing costs persistently increasing ahead of incomes in Australia, housing outcomes reinforce income inequalities, and the effect is increasing over time. Clearly housing policies are not achieving their redistribution aims and they are failing further as time passes.

3. Growing Housing Wealth: Earlier Experiences

The inflationary experiences of housing markets in many of the major advanced economies have been so long-lasting and significant in scale that it is often forgotten that the origins of some of the intellectual perspectives policy understandings and fiscal instruments still used to shape national housing policies relate to pre-1970 experiences. A number of key points are important.

3.1 Ownership, Life-Cycle Savings and Inflation

Housing ownership, especially for home-owners with a mortgage, allows households to make recurrent (quasi-forced) savings that with regular repayments in mortgage principle build housing assets. The recognition that such behaviours within the home-ownership sector allowed households to both build assets across their life cycle, and particularly through their working career, and face retirement with an asset and no required rental or mortgage costs drove early policy commitments to home-ownership in Australia (from before WW1), the USA (in the 1935 Housing Act) and the post WW2 housing strategies of UK governments. That is, housing assets accumulated by households were assumed to reflect their work efforts and savings habits and not the speculative gains from holding housing assets. More recently both Causa et al. (2020) and Vestman (2019) note that home-ownership, because it involves individuals in acts of saving for deposits and committing to regular quasi-forced savings, 'selects' particular kinds of households with appetites for asset accumulation and so tenure outcomes may reflect these selection effects.

That accumulation of household wealth by savings, not speculation, then led to well defined patterns of net housing asset ownership. Paying down mortgages moved earlier life-cycle household income, via savings and mortgage repayments, to later life cycle stage holdings of housing assets. This process was accelerated by high rates of general price inflation which persisted until the late 1980s, which effectively wrote down the real value of mortgage debt quickly relative to post-1990's experiences. This created an incentive for households to maximise their borrowing at the point of housing purchase.

With similar effects for many other assets, typically overall household wealth patterns saw rising net assets from 25-30 years onwards until 60-65 and retirement ages. In contrast to the present, typically after age 65, overall wealth fell and was consumed as households aged further. After 1950 home ownership formed an important element in life-cycle savings and wealth accumulation systems (Fuller et al., 2019). They also note, as did Causa et al. (2020) in their overview from the 1990's to the present across OECD countries, that equality measures for overall wealth across economies were positively correlated with higher shares of home ownership: that is, in cross national comparisons at a point in time, home ownership tended to spread wealth within economies and societies. In Australia, for instance, the growth of home-ownership from the Menzies era until the mid-1990's was widely regarded as a spreading of wealth and reducing overall wealth inequality, The UK experience from Thatcherism through to the Blair-Brown administrations was regarded in similar terms. Mortgage lending and insurance arrangements essentially allow a wide range of households to borrow to directly purchase 'housing' capital in ways that are less available for other assets. In part 5 and 6 below it is explained that house price inflation, even where ownership is reducing overall wealth inequalities may increase inequalities within and across generations at the same time.

3.2 Contrasting Systems

Relative house price stability into the 1970s also meant that households faced quite

different choices about their asset portfolios (housing was not always the best investment) and housing tenure choices. Rental choices remained a broader and longer choice option for households. Such choices were of course much influenced by household asset choices available (including tax incentivised pension arrangements) and tenure options (and their tax treatments). Soaita et al. (2019) illustrate this contrast with respect to Germany and the UK. Drawing on Lersch and Dewilde's (2018) longitudinal socio-economic study, the work of Muellbauer (2018), earlier macroeconomic research by Geiger et al. (2016) and range of other materials, they highlight the complexities involved in credible cross-national contrasts in exploring differences between the UK and Germany. The UK has a record of high real house price appreciation, and for long periods has had house price and tenure tends very similar to Australia. Germany has experienced long-term, stable real house prices. Taking these studies together, the following factors appeared to contribute to these very different housing market performances:

- Germany had a more regulated mortgage market requiring a significant equity deposit for new-entrants and this required higher savings rates by younger households in Germany than in the UK.

- The relative stability of house prices in Germany encouraged households to remain as savers and renters longer as house price increases do not run ahead of deposit accumulation.

- Younger Germans could 'queue' to become owners without major penalty (from rising ownership entry prices) in the rental sector as tax incentives favoured the construction of a large-scale private renting sector in which 'dynamic' controls limited rent increases.

- Geiger et al. (2016) concluded that Germany, over the period 1980-2012, differed significantly from the UK as rising housing wealth (and prices) did not translate into increased consumer spending.

Germany and the UK represent well the extremes of two different approaches to housing as a means of capital accumulation, namely by steady saving through making a deposit and paying a mortgage (Germany) or combining that approach with a more speculative search for price uplift/capital gains (the UK). Germany, in many respects has adopted this 'savings' approach to home-ownership longer than most OECD economies. In contrast, in the UK, since the early 1970s, wealth accumulation in housing has been primarily driven by rising prices and facilitated through the process of 'trading up' – a strategy that allows buyers to leverage off capital gains by moving rapidly and frequently in order to secure ownership of a much higher value asset. Maclennan (2012) estimates that households over 65 in the UK (who held some 70% of housing wealth) had, on average, acquired around 80% of their housing wealth through price gains rather than savings. Patterns similar to the UK are apparent in deregulated housing-finance systems across the OECD economies (Maclennan et al., 2019b) and particularly so in Australia.

Through most of the post-War period, housing inheritance amounts were substantially smaller (in real terms) than now and tended to be received earlier in the life cycle. In most OECD countries, with marked rising longevity, since the 1950s recipients of housing-based inheritances now tend to already be at their peak housing consumption levels.

4. Outcomes in Inflationary Regimes

4.1 Australian Change

The focus of this discussion is on wealth, and housing wealth inequalities in Australia[4]. Household net wealth in Australia has grown faster than household incomes over the last three decades. Although household debt, and especially mortgage debt has risen faster than incomes (so that household debt to GDP ratios are now at record high levels) the growth rates in household assets have been even higher (Diego et al., 2019). The value of household assets has grown from around six times household disposable income in the early 1990s to around 11 times in 2019 (Diego et al., 2019). Household assets have grown faster than debts and both have increased faster than incomes. Housing has been an important element of both the growth in assets and liabilities. However, whilst for the OECD as a whole net asset holdings are twice as concentrated as incomes, household wealth in Australia is significantly more unequally distributed and markedly more unequal than incomes.

OECD statistics suggest that Australia is in the global top 5 for net household wealth, with the ranking shifting with definitions and dates deployed in analysis. ACOSS (Davidson et al., 2020) report that in 2017 the average wealth of Australian's was $1,026,000. They also confirm other studies that report that wealth distribution has become substantially more unequal in this millennium. Between 2004-2017, for instance, the wealth of the top quintile of the wealth distribution grew twice as fast as for the middle quintile (68% versus 38%) whereas the lowest quintile with a growth of 6% were left further behind. This distributional/inequality poses some fundamental challenges to how the Australian economy, society and polity function. Moreover, housing wealth shifts, as explained below, have played important roles in shifting overall patterns inequitably.

Within these expanding and increasingly unequal wealth totals (with the Gini coefficient rising from 0.57 in 2003 to 0.61 by 2015) net housing wealth has not only been rising but increasing as a share of total household wealth. By 2016 ACOSS (2019) noted that ownership of the household's main home comprised 40% of all wealth and a further 12% of wealth held in real estate comprised a significant total of investor/landlord wealth in housing. The inequalities in housing wealth in Australia, explored further below, are sufficiently marked and growing that Coates and Chivers (2019), cited above, argue that the key inequality issue in Australia is not income disparity (neither particularly high nor increasing) but housing cost and wealth inequality (both high and rising).

4.2 Contrasting Experiences

By the start of this millennium different patterns had evolved (and indeed some major cross-country differences were eroded as most countries embraced goals to increase home-ownership). Hills and Glennerster (2013) established that in the UK house price gains had become significantly more important in shaping overall wealth patterns, that historical life-cycles of wealth were altering as older households increasingly held onto larger homes with high uplift rates and younger households were deterred from purchasing for an additional 5 or 10 years into their life-cycle. They note that overall wealth inequality fell considerably between the 1920s and 1970s, remained stable until the mid-1990s then rose until the onset of the economic crisis in 2007-08. Through the long boom from the early 1990s

4 In this paper the definition of housing wealth adopted by the RBA, and most other economic groupings reporting housing wealth issues is utilised. Household wealth is measured as the household sector's assets minus its liabilities. **Household assets** comprise **financial assets,** which include bank deposits, direct equity holdings and superannuation balances, and **non-financial assets, which include housing** and durable items, such as motor vehicles. The **household sector's liabilities** are largely made up of **residential mortgages**, but also include items such as credit card debt and personal loans.

to the Global Financial Crisis (GFC), housing wealth grew faster than financial wealth and increased overall inequality. They also note in that period the emergence of large wealth inequalities within age groups and growing signs of cross-generational transfers of housing wealth in estates and gifts. Housing wealth had come to reinforce wealth inequalities within and between generations.

Fuller et al. (2019) note similarly, over different countries, that the acceleration of house prices and rents ahead of incomes after the 1970s has disrupted traditional wealth/savings patterns, with the speculative ownership of assets acquiring a growing role and often displacing the steady savings of mortgage repayment as the key connection between housing choices and housing wealth. Acceleration in housing prices and wealth occurred in different contexts, and within different drivers. The 1970s were a period marked by high general inflation and high interest rates. Mortgages were expensive to service, but the real value of outstanding debt fell rapidly in the high inflation environment. After the 1990s, the environment was one of low real interest rates and low rates of general inflation. Mortgages became relatively cheap to repay, but the real value of outstanding debt began to decline more quickly. House price increases have been so substantial that, after 2000, housing appeared as a significant component in the wealth portfolios of even the very rich, ranging from around 70% in the Slovak Republic to around 25% in Germany (Causa et al., 2020).

In China, private wealth was relatively small in 1978, accounting for about 100% of national income. By 2015 it amounted to 4.5 times national income. Saving flows explained 50 to 60% of the rise in the wealth-income ratio between 1978 and 2015, while the increases in relative asset prices of houses, stock, and bonds accounted for the remaining 40 to 50% rise in the wealth-income ratio (Piketty et al., 2019). Further research has shown that the ratio of housing assets to total household wealth was 35.4% in 1995, 57.9% in 2002 (Li and Zhao, 2007) and reached 75% in 2012 (Xie and Jin, 2015) and Li and Wan (2015) also found that rising housing prices explained 38% of increased wealth inequality during the period 2002-2010. These patterns of growth in housing wealth in China are the critical background to how outflows of Chinese capital played such a major role in Australian, and Canadian, metropolitan housing markets between 2012 and 2017.

Despite these major price increases Kindermann and Kohls (2018) provide strong European evidence that larger shares of home ownership within a nation or a region still result, as reported for earlier eras, in smaller overall wealth inequalities. The stylised facts in OECD economies provided by Causa et al. (2020) support this conclusion for post 1990's outcomes. They also observe, in a policy summary of the prior OECD review of housing wealth and home-ownership, that across the OECD 'housing had become the asset of the middle classes' (as poorer households were generally unable to own and richer households had significant housing assets but also greater stocks of other assets)'. Higher ownership may not necessarily mean a more efficient housing system, and it may exacerbate young-old and renter-owner inequalities (see below), but in aggregate it may still induce less unequal wealth distributions. Rising house prices and rising home-ownership rates have had the effect of spreading middle-class wealth so that the effects of wider asset ownership, in aggregate, usually outweigh the rising wealth gaps between owners and renters (Kuhn et al, 2020). Correspondingly, Colciago et al. (2019) emphasise increases in housing wealth could have equalising effects if homeownership is evenly distributed across the population or reinforce wealth inequality if homeownership is concentrated at the top of the wealth distribution.

The wider OECD patterns appear to be supported by estimates for the U.S., where Bivens (2015) found that rising house prices reduced inequality because home equity represented such a large share of middle-class wealth. As a result, housing price increases enhance the wealth of the bottom 90% of

home-owners. O'Farrell and Rawdanowicz (2017) highlight that capital gains from housing are concentrated among the middle and upper middle parts of the wealth distribution (thus, increases in housing prices decrease wealth inequality) in the Euro area, the United States, the United Kingdom and Canada. Using microdata from the household surveys of France, Germany, Italy, Spain, the United Kingdom, and the United States, Domanski et al. (2016) suggest that wealth inequality (defined as the ratio of the net wealth of richer to poorer households) has risen since the global financial crisis. However, a recovery in house prices reduced wealth inequality, partly reversing the rise in inequality caused by the bust of housing markets during the GFC.

In Australia, however, some researchers believe that housing wealth is quite concentrated at the top of the income and wealth distribution, and benefits homeowners, older age cohorts and larger capital cities. Increasingly unaffordable property has preventing younger and lower income households from acquiring housing equity in the large capital cities (Maclennan and Long, 2020). It is these cities which have had a higher potential of experiencing higher housing price appreciation, thus increasing the wealth of those who already own, and raising inequalities between those owning property and those who do not (MacKillop, 2013; Richards, 2008; Rahman, 2010). In the Australian context, the role of rental investors is also important, and is seen as a further driver of inequality. Tax breaks include the ability of investors to negatively gear rental investments, essentially generating a discount on taxation of earned income, and a partial waiver of capital gains tax on rental investments. Australia had more than 1 million empty dwellings on census night 2016, further emphasising that the middle to high zone of the income distribution is marked by ownership of multiple housing assets, including holiday / second homes and rental investments.

National experiences in housing wealth accumulation display both contrasts and commonalities. In most countries, there has been, since the 1970s a growing share of housing wealth accumulation through house price appreciation over time (Killewald and Bryan, 2016) rather than savings payments associated with paying down outstanding mortgage principal (Aarland and Reid, 2019; Herbert et al., 2014; Ruel and Hauser, 2013). This is emphasised in Australia by the widespread popularity of interest only mortgages (usually for the first three years of ownership) which are often associated with loans for rental investment purposes. A further important consideration in both western countries with significant stocks of public housing and land, notably the UK, and the socialist and post-socialist societies of the former Soviet Union and Eastern Europe (Lux, 2003; Stephens et al., 2015) and some eastern Asian countries, has been the transfer of public assets at discounted prices to private owners. By 2010, in the UK, half the growth in home ownership after 1980 had been attributable to sales of municipal housing at deep price discounts to tenants (Maclennan and O'Sullivan, 2011) thus markedly increasing private housing wealth. In China, according to National Statistical Bureau, in 2010, among urban households the homeownership rate reached 89.3%, among which 40.1% own privatised public housing (Wu, 2015). Privatisation of public housing works as a windfall for those households.

Allen (2006) has also argued that in countries of south-eastern Europe (the Mediterranean countries) homeowners have been able to accumulate housing wealth through self-build housing. Housing wealth may also rise when households utilise other resources received to purchase housing assets. One of these resources is intergenerational transfers. Intergenerational transfers in the forms of inter vivos gifts play an increasingly important role in facilitating access to homeownership as house prices have risen and mortgage lending regulations have tightened with new macroprudential polices (especially after 2008). In the UK some 80% of first-time buyer purchases now involve a tranche of equity gifted from parents or grandparents. Such tranches typically range between 10 and 30% of purchase prices. In Australia too access

to home ownership is now more strongly predicated on parental property wealth and the increasing importance of intergenerational transfer between generations at times of house purchase (Cigdem and Whelan, 2017; Spilerman and Wolff, 2012). Housing market outcomes make the aspirations struggles of Australia's battlers more and more difficult to achieve. It is probable that these trends are accelerated through demographic processes. In particular, younger aspiring homeowners either belong to a social stratum in which gifts, transfers and prospects of inheritance are a strong prospect, or a stratum in which there are limited or no such opportunities. Another resource stems from subsidies received from governments, such as in Sweden and the Netherlands (Heylen and Haffner, 2012; Fahey et al., 2004).

We note in passing, that in most advanced economies, housing wealth accumulation (and growing inequalities in that accumulation) is likely to be increased by the design of the three principal homeownership tax benefits - the home mortgage interest deduction (not used in all countries, for instance the UK and Canada), the exclusion of capital gains on the sale of a principal residence, and the exemption from property taxes, rental income taxes and imputed rent taxes (Goodman and Mayer, 2018; Herbert et al., 2014; Somerville et al., 2007). This is emphasised in Australia by the widespread popularity of interest only mortgages (usually for the first three years of ownership) which are often associated with loans for rental investment purpose.

4.3 Increasingly Unequal

House price growth then acts as a mechanism of increasing inequality and this role has strengthened in this millennium (Fuller et al., 2019). They reinforce the evidence that domestic institutions shape wealth inequality and house price growth and studies show that housing wealth inequality outcomes are different, with lower levels of overall wealth inequalities, where family land and resources are involved in self-building (southern Europe), the privatisation of state housing is significant (the UK and former socialist economies) and where subsidised ownership remains important (Denmark, Sweden and the Netherlands) question. Similar results are also confirmed in Wind et al. (2017).

Patterns of housing wealth and changes in them are now better described and understood than a decade ago. Clearly institutional arrangements and fiscal settings matter in driving overall gains and shaping their more detailed patterns. However, patterns of economic and population growth drive such gains.

House price rises occur as population and income growth drive housing demands that impact 'sticky' housing supply systems. Economic growth, since the 1970s, has largely taken place within existing metropolitan areas (Knoll et al., 2014), and this is likely to continue. Knoll et al. also argue that until the 1970s improvements in transport technologies allowed housing supply without undue inflation. Supply side constraints, including land use regulations, infrastructure shortages and construction market failures, have attracted attention as other potential causes. The metropolitan orientation of modern patterns of economic growth, with inherently the stickiest supply systems, invariably involves rising real housing costs and wealth redistribution. This is a fundamental issue for modern economic policy as the optimal productivity growth path will drive rising housing costs and inequalities. It leads economic analysis to a Piketty perspective on housing prices and wealth that seems more problem relevant than Glaeser's GSE approaches (Maclennan et al., 2021).

5. Different Gains, Different Prospects, Different Growth

The detailed OECD study of 2019 (reporting effects mainly up until 2017) highlights that Australians are wealthy and they have shares of housing assets in their wealth structures at just above the OECD mean for above average wealth groups. However, it should also be noted that within any national housing sector increasing equality in overall wealth distribution consequent to rising home-ownership rates is also consistent with increasing inequalities in relation to particular groups, most obviously between tenants and owners, between life-cycle groups and localities too.

5.1 Gains as Transfer Effects?

Some economists with a macroeconomic perspective that pays little attention to distributional issues see the economy as a well-functioning system. For example, Buiter (2016) takes the view that rising housing wealth will have little effect on the economy through consumption and savings effects. One person's house price increase that raises their housing wealth and consumption is balanced off by the loss to the potential purchaser (that is, the 'transfer' effects net out). The next purchaser will have to save more and or borrow more to buy the original owner's home. A number of studies also highlight that capital gains or rent increases for landlords are similarly neutral, because tenants expect or incur rental costs to increase (Berger et al., 2017; Sinai and Souleles, 2005).

Buiter's approach implies that house price rises will have relatively neutral effects on the macroeconomy (we leave aside here effects on exchange rates, mobility of labour and a raft of other influences) and their distributional consequences are of little macroeconomic consequence. In this paper a different view is adopted. Keynes, in the 1930s, pointed out that shifting the distribution of income between low and high income groups influences the proportion of savings and consumption in an economy, because rich and poor have different propensities to consume or save from income. This is called the 'widow's cruse-like' theorem.

Maclennan and Miao (2017), argue that the 'neutrality' assertion flies in the face of the evidence that patterns of wealth, not least between generations, may have important effects on the dynamics of housing markets, incomes and wealth. Housing wealth changes matter because they have an uneven distribution over different income, age, tenure and location groups, for instance, that are of significance not only in any discussion of the social outcomes of the housing system but in shaping economic behaviours too. Distribution, productivity and growth are invariably strongly related. It is not just a subset of (influential) macroeconomists working close to Treasuries and central banks that have persisted with the housing capital gains 'neutrality' myth but economic geographers exploring metropolitan growth mechanisms simply fail to explore housing outcome recursive links to labour markets, business formation and innovation processes (see for example, Kemeny and Storper, 2020).

The distributional effects of capital gains lie at the heart both of the measured economic case for change to housing policy in Australia and the difficult politics of effecting such a change when two-thirds of the population are home-owners. More detailed work on the distribution of housing gains in Australia, and other countries, is urgently needed. But the existing literature highlights key patterns and questions.

5.2 Social Stratification and Socio-Economic Effects

Wind et al. (2017) research the distribution of net housing wealth across occupational classes in 16 European countries. They conclude that housing wealth has become a shaper of social stratification and this significance is confirmed

by further cross-national studies of housing wealth (Fuller et al., 2019; Lersch and Dewilde, 2018; Wind and Hedman, 2018; Wind et al., 2017; Resolution Foundation, 2019). These studies, and the Australian patterns we report below, provide an evidence and experience base supporting Australian Economists/ Experts Views (Maclennan et al., 2021) that the housing system in Australia, and the policies that partly drive it, are now likely to exacerbate inequalities of wealth and incomes and other aspects such as health and well-being among different groups.

Numerous research and government studies have highlighted that house prices and capital gains impact specific socio-economic outcomes. In England, DCLG (2010) reports that a range of social and economic research, since 2000, suggested rising housing wealth inequalities appeared to have had negative impacts on access to better schools for poorer children (and Henseke et al., 2021 reported more recently that a 10% rise in home values raised private school participation by 0.9%), racial segregation, the spatial concentration of poverty and declining social mobility.

Although studies of the relationships between health and wellbeing and housing equity have been quite widely undertaken, this research area confronts serious problems of disentangling causalities. Soaita et al. (2019) report that in a large-scale Australian household panel survey (2001-15) Atalay (2017) found that an increase in local house prices tended to increase the physical health of owners but was associated with a decrease in physical and mental health outcomes for renters. However, the effect of variations in housing wealth on health and wellbeing outcomes may be correlated with local amenities which also explain variation in house prices. Two studies by Hamoudi and Dowd (2013; 2014) contribute to this literature in similar vein. The first found that respondents in areas with higher increases in house prices scored better on multiple health outcome variables. The second, focusing on cognitive and psychological outcomes, found that rising housing wealth was associated with lower anxiety (for women) and a general improvement in some, though not all, cognitive tasks. There were also significant, large differences between owning and renting tenures which was interpreted as 'a wealth effect on mental health outcomes'.

Further, in the UK, Fischera and Gathergood (2016) use panel data methods to identify locally varying house prices and consequent housing wealth effects and conclude that housing wealth affects the decision to work (or work as much) and reductions in time at work has beneficial health impacts. Ratcliffe (2015), starting from the same premise, states that local variations in house prices can generate a pure wealth effect on health and well-being (in this case, subjective measures of mental well-being). Using UK panel data from 1991 to 2007, the author found positive well-being effects for both owners and renters. This conclusion stood after controlling for income and employment status. Ratcliffe, however, concludes a clearly defined pure wealth effect could not be inferred from the data and that complex causal effects were involved. Soaita et al. (2019) conclude that despite the statistical difficulties involved 'there is a wide range of evidence presented that suggest positive housing wealth effects on health and wellbeing outcomes' but that it 'should be treated with caution'. More work is further discussed in Maclennan, Long and Leishman (2021).

5.3 Location

There have been some systematic geographic patterns of house price rises and equity gain in a range of countries. In general, and with some interestingly different patterns merging in the first year of the COVID-19 pandemic, urban house prices have risen ahead of those in rural markets (aside from attractive coastal/ retirement localities). Interregional divergences tend to have a cyclical pattern (Chowdhury and Maclennan, 2015) but some price relativities do not reconverge completely and even if they do the absolute price gaps have risen significantly, and faster than incomes. Within urban settings there is growing attention to price and wealth

formation within 'superstar' cities (Gyourko, 2016; Glaeser and Gyourko, 2019; Metcalf, 2018) and the IMF have produced research on the extent to which the major 'world cities' have been converging with each other in price change patterns and unlinking from the rest of their national urban systems (IMF, 2020). These 'global' convergence effects may now abate as flows of finance, ideas and human capital are disrupted by COVID-19 and less integrative global politics. Within each city or region differential price gains for different areas have also been typical, for instance with gentrifying core neighbourhoods witnessing fastest growth rates (the multiple local drivers of change in local housing markets are not addressed further here).

However, and Australian experience illustrates this well, housing wealth gains prior to the pandemic have been highest in the major metropolitan areas (where wealth and incomes are already higher), and urban areas have experienced variable growth rates in housing capital but generally outstripped rural areas, displaying strong spatial disparities. There has been much speculation about shifting patterns of demand as a consequence of the pandemic, with numerous commentators describing enormous increases in demand in regional areas. There are reports of shifts within cities, such that city centres and outer suburbs are becoming more popular, at the expense of inner suburbs. In part, this reflects changing work practices, increases in the incidence of home working and reduced commuting. It also reflects the ageing of asset rich households and individuals who have a desire to downsize and live in high amenity city centres.

Like so many housing policy issues, housing wealth patterns and their effects have to be seen in the context of local markets rather than national averages. Spatial polarisation means booming and struggling property markets may coexist within a city, metropolitan area and country (Arundel and Hochstenbach, 2018). Some neighbourhoods, global cities and regions experience rapid housing price appreciation, whilst other housing market areas stagnate. Differential levels and rates of house price changes in different areas creates spatial inequalities. The spatial disparities are intertwined with inequalities generated by socio-economic characteristics. Higher-income households are able to buy into the most profitable niches, while peripheral localities are more likely to be occupied by low-and middle-income households.

5.4 Tenure

If some of the socio-economic effects of housing equity are complex and subtle to identify, at first sight we would expect much simpler and more obvious effects by housing tenure. When housing values rise, owners benefit and, generally, renters lose. However, there are significant subtleties and nuances involved in effects when diversities within tenures and life-cycle effects are considered.

Rising house prices make an obvious distinction between property owners and others and spreading ownership within a population lies at the core of the idea that more home-owner intensive systems have lower inequality. However, and the issue is explored further below, house prices have now risen so far in relation to incomes, primarily for young people but for other later-life first time home-owners too, that aggregate homeownership rates have fallen significantly. Over the 25 years to 2020, Australia's aggregate home-ownership rate has fallen, from 71 to 64% (1995-2016), leading similar falls in New Zealand (also declining since the mid-1990s), and with the UK (72 to 65) and the USA (70 to 60) both falling sharply from 2000 to 2019. In contrast the ownership rate has risen steadily in Germany from 36 to 51% from 1995-2016. These are significant reductions, and they are indicative of sustained stresses in the housing market and they are likely to have reduced the spread of wealth as ownership shares declined. Rising house prices have ultimately reduced, significantly, the share of the population that can share in equity gains.

Lersh and Dewilde (2018) reinforce the point that homeowners are doubly advantaged

as they independently accumulate financial and housing wealth. Conversely, tenants are doubly disadvantaged as they (in the main, and with high-end renter exceptions) lack both financial and housing wealth. There is therefore, for most tenants, no 'trade-off' between savings through financial products or saving thorough homeownership (particularly in the UK which is one of the few countries where rents are often higher than mortgage payments). Further, Soaita and Searle (2018), in a qualitative study of marginal homeowners and tenants, noted that those who had fallen out of home ownership had significant losses of wellbeing by being sucked into ownership by rising gains and then struggling or falling out of homeownership because they could not sustain mortgage payments. Soaita et al. (2021) notes 'compared to 'successful' homeowners, they were more likely to be self-/temporary-employed, to have experienced unlucky life events, such as illness, domestic violence, relationship breakdown *prior* to the accumulation of any net equity. Government policies promoting home-ownership again extrapolate pre 1990's experiences and assume that the switch into ownership is uni-directional whereas there is a growing proportion of home-owners who will move in and out of the sector as their circumstances change.

The margin between renting or owning, which is masked in the overall housing wealth figures, is for many a terrain of loss and misery rather than relentless capital gain. A further UK longitudinal quantitative study by Koppe (2017) suggests that marginal homeowners in the UK comprise 10% of the total; 2% struggled to pay their mortgages; 4% dropped out from homeownership without re-entry and a further 4% succeeded to re-enter homeownership. Marginal owners were more likely to be female, younger, experience a relationship breakdown, have high mortgage debt to income ratio and an additional second child in the households. Koppe concludes that '*for this housing precariat, homeownership is not a safety-net; it becomes a liability that exposes mortgagors to new social risks*' (p 177).

Research on a similar question, but using different methods, by Smith and Wood (2017) suggests a similar marginal group exists in Australia. If this house-price induced precariat and those now rationed out of ownership (1995 ownership share contrasted with 2016) a broad proxy for dysfunctional wealth effects from house price change (leaving aside other consequences of higher house prices) would involve 10-15% of the population or (at worst) as many as one in seven Australians. Firm research in this area is required but existing evidence highlights this is not now an invisible issue to policymakers. Further, rising volumes of first owner grants that raise house prices may be a palliative policy for a subset of current market entrants, but they simply make the dangerous margin of ownership wider for future first-buyers.

These outcomes reflect different impacts by housing tenure but they clearly interact with age and life-cycle effects, as incomes, assets and household relationships all have well-defined and inter-related life cycle patterns. Tenants are, by definition, excluded from homeownership-based welfare but so are financially-stressed/marginal' homeowners (Koppe, 2017). By looking at private insurance take-up in the UK, Soaita and Searle (2018) find that affluent homeowners were insured against every major risk such as death, unemployment, illness, building and contents and lacked the only insurance relatively popular among tenants (for funeral expenses). Tenants' individual support networks centred on the family (e.g., child and old age care) but this cannot be taken for granted by policy as many are estranged from or had no close family.

6. Age, and Life-Cycle

The ability of younger Australians to enter home-ownership, and begin to access rising housing wealth, has been reducing, not since the GFC in 2008 but since the early 1980's (Yates, 2011). For the 30-34 age group, the home-ownership rate was 64% in 1964 and fell to 50% in 2016. In fact, although ownership rate falls have been most pronounced for that group, they have been falling for every age group since the early 1990's. Overall home -ownership has increased simply because of the higher ownership rates of older households with sustained increases in longevity. This suggests an increasing concentration of housing wealth in the hands of the over 60s with greater losses of share for successively younger age groups. These patterns have been forecast forward by the Grattan Institute (Daley et al., 2018) and sustained reductions in the home ownership share are predicted to 2050. Similar trends are apparent in other countries (Maclennan, 2016).

With other, non-housing, adverse effects for assets held and incomes earned by younger households (for instance, the lag of entry level pay behind rising averages), Bell and D'Arcy (2018) found that in Scotland no cohorts born since the mid-1960s have generated, by the age of 35, more wealth on average per adult than their predecessor cohorts. Younger people appear unable to make the same wealth gains as their predecessors: tellingly, in 2004, 48% of 25-34 year olds in Scotland owned their homes in Scotland and that share has fallen sharply to 32% by 2017.

Rising house prices also often spill over into rising rents that, in turn, are also likely to reduce the savings and non-housing wealth of renters. Previous papers in this research programme (Maclennan and Long, 2020; Maclennan et al., 2019a) have stressed an emerging research concern regarding the 'excess rents' faced by younger households who face growing challenges in accumulating the savings required to access ownership and make entry deposits. These have potentially significant effects on the savings behaviours of rental households, the life cycle point at which they acquire housing assets and commit to regular 'mortgage' savings. These effects may shift the life-cycle structure of household savings and wealth not just at ownership entry points but later in the life-cycle when households reach retirement. Compound interest has a key influence on household fortunes and a delay of 10 years in entering ownership will reduce housing equity by, at worst, a fifth and overall equity, at best, by 10%. The sustained shock of high rents and deferred entry to home-ownership will have a significant effect on overall wealth, and not just housing wealth in later years. The papers of Grossmann et al. (2018), Lennartz et al. (2015) and especially Kindermann and Kohls (2016) all emphasise the need to refocus on this topic area.

6.1 Small Investors and Buy-to-Let

Rising house prices, whilst disabling the efforts of many younger households to buy homes, may lead other groups to sustain or augment their housing wealth. Once house prices start to rise, they may trigger recursive effects where rising prices increase rather than weaken demands for housing. That is, speculative demands for housing may raise prices and the wealth of existing owners. This is particularly relevant to triggering moves of dwelling (trading up) of existing home-owners, and speculative demand arising from rental investors. Realised and perceived or expected equity gains can therefore trigger additional demand pressures. Recent experience suggests that markets manifesting persistent price increases have raised buy-to-let demands from already housing 'wealthy' (often older) households (Maclennan and Miao, 2017; Lennart et al., 2017; Grossmann et al., 2018; Kindermann and Kohls, 2018; Lersch and Dewilde, 2019; Fuller et al., 2019).

Investor demands for housing have grown sharply since 2000, though policy changes led to a sharp reduction in investment after 2017. Domestic investor demands were augmented by a sharp rise in overseas (mainly Chinese) interest that also peaked in 2017. After further reductions with the onset of COVID-19, the post quarter 3 of 2020 acceleration of house prices in Australian cities has seen a quickly renewed Australian investor interest, comprising almost a third of new mortgages in mid-2021, although overseas investor interest has not yet begun to recover. This growth in 'small' investor ownership of the housing stock has substantially raised their share of housing wealth and their housing equity. With these changes, equity gains in housing switch away from younger households with income levels and deposit capacities that can no longer compete for properties with older, equity-rich investors. These already more affluent households can take advantage (now) of record low interest rates purchase homes that can not only be let to the rationed-out young and but also enjoy the increased housing equity that is accruing as house prices rise. Maclennan, Leishman, Goyal and Long (2021) explore the ways in which unconventional monetary policies may favour equity rich investors in housing and drive housing market effects differently from traditional, interest-rate focused monetary policies.

This process, even if income-driven rent levels have been relatively flat, stopped for a few months at the start of the pandemic but has recommenced, driven by purchaser equity and low borrowing rates. Australia, the UK and Canada have all registered significant national average house price increases, of around 10% between June 2020 and June 2021, amidst one of the deepest recessions in economic history. Fiscal safety-nets and stimulus for housing is an important part of that story. It is also important to note that small-scale private rental investors ('Mum and Dad' landlords) are principally driven by the prospect of capital gains. Indeed, in Australia the popularity of investing in residential property has suppressed rental costs well below the cost of servicing a mortgage, pushing down income returns which, in turn, has created a barrier to long-term institutional investment in purpose built rental housing.

6.2 Investment Exceeding Consumption Demands: The Age of the Speculative Granny

Investors are not the only group whose holdings of housing assets exceeds that required to meet their housing consumption demands. As older households progress through their life course many downsize their homes. But many do not because although their homes, and gardens, may be too big for them they offer asset returns well above those of alternative, widely available investments. In London recent estimates suggest that 1 in 8 homes are significantly under-occupied (Maclennan, 2017), with 2 or more excess bedrooms, and are primarily occupied by seniors (and for single person households, significantly more women than men). Housing held in that way, either to support later years via equity withdrawal or transfer into bequests, poses two significant policy problems. First, under-occupation drives increases in prices of family housing within cities and young family suburbanisation. Second, such homes are often poorly maintained and the depreciation rate of the national housing stock is augmented.

The wealth effects discussed above have been almost entirely inter-generational, and we discuss implications of these housing wealth changes below. But before moving on to that topic, it should also be noted that social and economic change, particularly with higher household dissolution and divorce rates, have seen a rise in the share of households over the age of 50 who are paying mortgages on 'post-break-up' homes purchased later in life. Similar patterns are emerging in OECD markets with similar housing systems. The relationship of post-retirement housing equity to other assets and pensions is briefly explored below but at this juncture it is noted that an increasing proportion of households in Australia are already using their superannuation payouts to pay

off their mortgages rather than supplement a housing-cost free retirement. There are current proposals to permit first homeowners to draw on superannuation funds to help finance home loan deposits – a move which would further fuel housing price appreciation and undermine the retirement savings of younger Australians.

6.3 Intergenerational Inequalities and Social Mobility

Housing has been a key part of the debate on intergenerational inequalities between 'baby-boomers' and 'generation y'/'millennials'(Kotlikoff, 1992; Thomson, 1996; Willetts, 2010) and homeownership and housing wealth play an important role in shaping these inequalities between older and younger birth cohorts (Arundel, 2017; Koppe, 2018; Lux et al., 2018; Nethercote, 2018; Whitehead, 2016). However, it is increasingly clear there is not just a growing gap between older and younger households but that this interplays with a shift of overall housing equity shares from housing-poor to housing rich households. In relation to housing wealth, Arundel's (2017) analysis reveals a concentration at the top of the wealth distribution is paralleled with a decrease in housing equity for the lower 60% of equity holders. Soaita notes that some authors (Christophers (2018) and others (Allon, 2010; Crawford and McKee, 2018; Kalman-Lamb, 2017) 'reject the idea that 'generational difference is a crucial axis of inequality today' because generational inequalities are manifestations of more fundamental structural inequalities', particularly those emerging in labour markets (Arundel, 2017). This research has found the intergenerational perspective useful in understanding the housing dimensions of these complex difficulties.

In the inter-generational perspective, gifts and inheritances at times of housing market entry and movement have received increased attention. Australian evidence suggests that the concentration of wealth in the hands of higher-income households, and older individuals, especially in economically powerful regions, means that they are able to transfer significant wealth through inheritances and/or gifts, often helping their young offspring (Cigdem et al., 2018; Cigdem and Whelan, 2017; Stebbing and Spies-Butcher, 2016) and reinforcing (housing) wealth inequalities.

Parental gifts are offered towards a variety of aims (e.g. to support access to education, rental costs, clear debt) but higher value transfers are given in particular to assist entry into homeownership, and even landlordism (Searle, 2018). The evidence of parents (and grandparents) helping earlier access to housing ownership by relaxing the deposit or down payment constraint for first-time home buyers has been found in the U.S. (Lee et al., 2020), the United Kingdom (Karagiannaki, 2015), the Netherlands (Helderman and Mulder, 2007), and France (Spilerman and Wolff, 2012), as well as China (Or, 2018; Yu, 2020).

These transfers are not equal, with wealthier recipients receiving higher gifts than their poorer counterparts, thereby allowing for an even earlier entry in the housing market for the former (Barrett et al. 2015). In this sense, under the condition of rising housing prices, a small amount transfer from parents or grandparents would be little of importance in supporting access to homeownership. Minimum transfers are required to make a difference. As exemplified by Lee et al. (2020)'s study, a transfer of more than $5000 in any purposes would increase the possibility of transition into homeownership by about 15% for Americans. Support from parents can also be a determinant for structuring what housing is purchased (Spilerman and Wolff, 2012) and where to buy (Coulter, 2017; Hochstenbach and Boterman, 2017; Van Ham et al. 2014). They also appear to act as a trigger to 'wealth-effects' over the life-course (Hills et al., 2013); wealth received early in life self-accumulates, e.g. via house price growth or more generally higher returns on capital than labour (Piketty 2014). However, the number of people receiving gifts and inheritances in any year is small, and in Australia O'Dwyer (2001) notes that only about 1% of all households receive bequests on an annual basis. Moreover, in the

case of the UK, Koppe (2018) finds very small effects of inheritance transfers on the likelihood of children acquiring their first home (not least as inheritances are usually received late in the beneficiary's life cycle).

Intra-family transfers and inheritances draws attention to the broader questions of social mobility, principally in terms of the intergenerational transmission of socioeconomic status. Dewilde et al. (2018) observe that 'much of the stratifying impact of family background probably flows through persistent generational continuities in human capital, income, and occupation'. Rowlingson et al. (2017) note that gift giving and receiving is more prominent among the middle-classes than working classes and that it represents a declining minority practice between 2004 and 2014, indicating that parents' assistance was affected by the Global Financial Crisis. They concluded:

'….. we find considerable evidence of a high level of family solidarity in terms of a growing need for families to support each other given recent changes to socio-economic structures. There is, however, a fair degree of ambivalence about supporting family members given strong socio-cultural norms about (economic) 'independence'. But economic independence for younger family members increasingly requires family support in order to be secured by individuals. Such economic independence also enables families to secure the next generation in a similar social class position. Thus, as family support increases in some families, with the withdrawal of state welfare, existing inequalities between families are widened and social mobility in society is reduced'.

Young adults' housing outcomes and social class position are stratified by parental/ grandparental transfers and transmission of socioeconomic status. Patterns of inequality are thereby imprinted from one generation to the next generation. Although both housing advantages among high-income households and the middle-classes and housing disadvantages among low-income households and the working classes can be passed to their children, by comparison, the indirect effects of intergenerational transmission of socioeconomic status are limited albeit with its greater significance, at least at the early stage of young adults' housing career.

In all of these studies, we must always remember the silent group who for whatever reason have no transfer, gift or inheritance to receive because of ill-luck, too many siblings, low equity parental housing careers, or the absence of a family background that makes such financial support possible when it is actually required. For those who do not receive intergenerational transfers, remaining in the private rental market permanently (with recent suggestions for the UK and Australia that by 2050 half of young people today may never own a home in the future) or substantially delaying entry into homeownership become dominant options (Sissons and Houston, 2019; Wood et al., 2010). These groups may increasingly become restricted to low-income areas marked by poor access to public amenities and limited to inadequate employment opportunities that reduce lifetime incomes (Maclennan et al., 2019a). These processes will add to existing pressures that contribute to income, wealth and spatial inequalities (Yates, 2012). Consequently, those young adults lose the opportunity to augment as much wealth through homeownership as their counterparts. In this case, inequality is reproduced and reinforced over generations through housing wealth.

7. Asset-based Welfare Evidence

7.1 Homeownership-based welfare

The life-cycle savings and wealth aspects of housing ownership, by owner occupiers and landlords, has long drawn policy attention to how stocks of housing assets held by households can act as own sourced 'welfare' in periods of reduced incomes, not least in retirement from work. Homeownership has been historically supported by states through various subsidies (e.g. most notably mortgage interest relief, tax exemptions on investment returns, mortgage guarantees and discounted sales of public housing such as UK Right to Buy discounts) to promote 'homeownership-based welfare' (HBW). The subsidised provision of a long-term own asset safety net through early life-cycle entry to homeownership was assumed to alleviate the need for governments financial support from state welfare provision in later life.

As noted above these policy intentions for home ownership assumed housing wealth formation through savings rather than house price appreciation and they have been longstanding policy commitments in countries such as Australia, the UK, Canada, New Zealand and the UK. In these countries they were in place before any post-1980's shift towards models of privatised asset-based welfare system (Arundel and Doling, 2017; Arundel and Ronald, 2020; Doling and Ronald, 2010).

The literature identifies '*passive*' (simply enjoying the benefits of having paid off a mortgage), '*active*' (active strategies for accumulating and using housing wealth in housing movement processes etc), '*pro-active*' (using new financial techniques to extract or add to housing equity without moving) HBW strategies. In Australia, as in the UK, Canada and New Zealand key policy structures (not least taxation) were put in place when low house price inflation meant that 'passive' strategies dominated and they may be not be best designed to deal with 'active' and 'pro-active' households and times. Capital gains tax arrangements for housing are a particular example.

Soaita et al. (2021) conclude that 'overall, there are mixed results regarding the effectiveness of HBW individualised strategies in providing for family welfare needs and mitigating social risks'. These strategies were assessed in relation to how they perform in relation to three specific areas: pensions and aging; divorce and dissolution; and HBW and inequality. The first two topics are discussed below.

7.1 Pensions and Aging

Broadly speaking, state subsidised access of mortgaged home-ownership has enabled lower state expenditures on pensions (Castles 1998) as households can traverse retirement with smaller pensions because they benefit from rent-free living (the passive approach). Some also make additional housing investment (in their own home) (the active approach) or may have the potential to downsize and extract equity through reverse mortgages should they require or choose to do so (the proactive approach).

The long-term role of early accumulated equity has become more complex as some homeowners transfer their housing wealth rather than use it for their own consumption. Studies in the UK suggest this includes delaying spending on old-age care (Fox O'mahony and Overton, 2015; Soaita and Searle, 2018; Wood et al., 2013) or transferring housing wealth to avoid age-care support schemes that include housing wealth in own payment obligation assessments. Wood et al. (2020) report that in Australia, the UK and the Netherlands assessment criteria for self-pay obligations favour owners versus tenants and non-housing forms of wealth by exempting all or part of home equity from assessments. Conversely, housing wealth is increasingly used prior to retirement to address sudden welfare needs such as long-

term sickness, unemployment and partnership dissolution (André et al., 2019; Hubers et al., 2018; Soaita and Searle, 2018).

Across 22 different countries Delfani et al. (2014) found that the institutional context of housing and pensions makes the use of housing assets highly specific across countries and social groups (though data problems occur). In some countries, households are not required to trade off homeownership equity versus pension entitlements and welfare outcomes for the elderly are often least unequal. Only in countries where both housing equity and a significant proportion of pension savings are market-based contributions, such as the UK, is there a clear trade-off in the housing and pension wealth portfolio of the elderly. Housing wealth and pension wealth inequalities reinforce each other in these countries.

The Australian tradition, since before WW1, as noted above, was to encourage households to accumulate housing assets to provide old age security. Trade unions developed individual sector schemes until wider pressures developed to ensure superannuation funds for all and in 1983 compulsory superannuation contributions (3% of incomes from employees and employers) were introduced. Contribution rates have increased over time and employers' contributions now run at a minimum of 9.5% of incomes (the 'Super Guarantee'). Further increases are scheduled over the next 5 years, ensuring that the guarantee reaches 12% in 2025. Recognising the likely demographic 'ageing' transitions lying ahead the Keating government saw superannuation payments by firms and workers and old age pension entitlements as part of a package to provide older age incomes. Housing assets always played a complementary role that governments supported.

Since 2019 there has been a changing government view on housing-superannuation relationships that seem to have a short-term view and aim, to re-boost first home ownership growth despite the housing affordability challenges of younger Australians. There is growing pressure 'to unlock' superannuation funds so that, without penalty, households can cash in their 'super' entitlements and to support the purchase of housing . The first home super saver scheme (FHSS) was introduced in 2017 as a means to allow aspiring home-owners to save for a deposit within their superannuation fund, i.e. deriving the same benefits as other super contributions – principally income tax relief. The Commonwealth Government permitted individuals to access up to $10,000 from their super funds during the early stages of the COVID-19 pandemic in 2020. More recently, there is a proposal to allow first home-owners to access additional funds from super accounts for the purpose of contributing to home loan deposits.

This seems a somewhat reckless strategy, essentially encouraging households to use their accrued assets for the long term to support short run speculative investments. Most first year economics students understand the importance of asset diversification in long term portfolios and superannuation funds offer lower risk, long term options to households (and also ensure a supply of investible funds into sectors with higher productivity than speculative real estate). Quick win risky investment is an odd strategy for governments to offer younger households at the start, often, of stable relationships and family commitments. It is also self-evident that, through compounding, early withdrawal of super funds has a disproportionate negative impact on diversified financial wealth in the future.

One of the asset classes that pension funds around the advanced economies find attractive, as they have to match long term liabilities and assets, is low risk, steady income streams. Since the 1990's pension funds have been significant investors in well-managed, non-profit rental housing and there are now well established and well-functioning markets for such funds. Some of the most effective investment funds in the OECD have a strong appetite for such assets. It takes a narrow focus, and a short-term focus, to argue that super funds need to be unlocked to allow contributors to extract their funds and make a bet, now without reserves, in the housing market, rather than take the less risky housing

income flows that will build their long-term assets. The Australian government is leaning towards 'pension advice' that has the potential for disaster unless the government is to ensure no market future without house price increases.

A growing range of high-quality studies add detail and nuance to how the housing assets/pension trade-off is changing and how older households use, or add to, their accumulated housing wealth. These include (Blundell et al. 2016) who note, in examining US and UK systems, that in the UK the 33% richest retirees spend faster allegedly to maintain their preferred life-style whereas the poorest 33% of retirees just save enough to pay for their funeral is telling of the extent of wealth inequality in later life. The reluctance of older people to withdraw/use housing wealth to maintain their intended bequest scale is explored in Fox, O'Mahony and Overton (2015), Rowlingson et al. (2017), and Soaita and Searle (2018). French's (2018) robust quantitative longitudinal study, for England, also observed that while between 40% (London) to 77% (North East) of pre-retirees expected to downsize and 14% expected withdrew equity, less than 2% had done so eight years later.

Saving for old age via housing (and other assets) has been a key element in Australian retirement plans since the early 1900s and is the basis of current asset-based welfare arguments. It remains so, and homeownership and the acquisition of investment properties has become even more important in this millennium (with equity rich 'investors' purchasing properties for retirement incomes, to be paid mainly by younger households rationed out of owning). However, the resulting falling rates of homeownership among younger cohorts are likely to decrease the ability of those households to use housing equity to support consumption and care as they age. Recent policy measures during COVID have tried to rebalance asset ownership towards first home buyers but investor interest has reemerged in the first half of 2021.

7.3 Divorce and Dissolution

We draw on the recent account of Soaita et al. (2019) in this section. The withdrawal of housing wealth to address financial shocks stemming from 'uninsurable' events such as relationship breakdown is well established (Costa-Font et al., 2010; French et al., 2018; Wood et al., 2013) but subsequently only lightly researched. However, taken together, the existing research suggests that positive net housing wealth may provide a safety-net in the short-term in case of divorce/dissolution and that the event of divorce/dissolution may have long lasting effects on the housing wealth held by divorcees as well as on that of their children. In particular:

- Divorced homeowners have a higher likelihood of not being in homeownership in later life (Dewilde and Stier, 2014) and/or having significantly lower housing wealth (Wind and Dewilde, 2018)

- There is a pronounced gender effect in that divorced males are more likely to re-enter homeownership (Dewilde and Stier, 2014; Hubers et al., 2018) and less likely to suffer prolonged financial hardship in the long-term than females (André et al., 2019).

- There is a positive association between parents' homeownership and the likelihood and timing of their children's entry in first-time homeownership, with this association being counter-intuitively stronger for divorced mothers. While having fewer resources, divorced mothers seem more willing to offer direct assistance (Hubers et al., 2018).

Overall, the negative housing/wealth consequences of divorce seem to persist in the long run – significantly more for people of lower income/education levels and for women. The potential for homeownership as a safety-net is therefore limited and cannot replace more traditional forms of welfare.

A growing number of studies highlight how housing wealth can help households cushion adverse events, secure better housing outcomes for children and grandchildren and be associated with potentially better levels of mental and physical health into older age. Having housing wealth is beneficial to households but most of it arises from ‘passive’ speculation. However, earned, housing wealth is increasingly unequally distributed in Australia and the well-intentioned role for building homeownership assets in spreading wealth has been overtaken by patterns of economic development and housing policy failure to become a key speculative asset and reinforcer of wealth inequality. And in doing so, it also contributes to reduced productivity.

8. Conclusions

Since the 1970s, housing market processes have moved away from a savings and repayment approach to the accumulation of housing assets via housing price appreciation. There is a growing reliance on capital appreciation, with feedback loops through second home ownership, private rental investment, cheap credit and realised, or expectations of, inter-generational transfers. Income inequality in Australia may be only marginally above the OECD average, but wealth inequality is significantly worse, and is accelerating. Demographic processes, including the ageing of increasingly polarised older generations, are accelerating the growth of inequalities. Inequalities are, in effect, handed down to younger generations through differential prospects of being helped into home ownership (and subsequent rental investment ownership) through financial assistance from family members. Notably, Australia is one of the few OECD countries to have no inheritance tax arrangements whatsoever.

Housing is an unusual good in the sense that rising prices are often interpreted as a healthy sign by many consumers and investors, and can lead to the creation of additional demand, rather than a suppression of demand through the price mechanism. Existing home-owners take capital gains and leverage off them to expand their purchasing power and trade up to larger and/or more expensive dwellings. Investors may take advantage of interest only loans in rising market conditions to purchase additional assets. First, and aspiring, home-owners are carried on a momentum effect. In countries like the UK and Australia, periods of house price growth can therefore often trigger further speculation and raised levels of demand (referred to as 'housing market frenzy' by Muellbauer and Murphy (1997)). Muellbauer and Murphy point out the role of transaction costs in this effect. Existing home-owners with aspirations to move or trade up prefer to wait until price appreciation more than offsets the transaction costs involved in moving. In Australia income tax receipts are controlled by Commonwealth Government, but State Government is seen to be the more dominant level of government in terms of the importance of its everyday functions. The result is an excessive reliance on stamp duty / land tax, raising transaction costs and increasing the amplitude of periods of housing market frenzy.

Successive Australian governments have turned to demand-side subsidies as a solution to the housing affordability crisis. Yet, the home ownership rate continues to decline, especially among young generations and low-income households. The discussion in this paper emphasises that a declining home ownership rate is associated with worsening income and wealth inequalities. There is a worrying trend in policy thinking that repeatedly returns to the early access of individuals' superannuation funds as a solution for younger, aspiring home-owners. The proposals simultaneously involve encouraging individuals to chase a fast-moving, escalating level of housing prices, while undermining the financial health and stability of those individuals in later life and retirement. Meanwhile, substantial income and capital gains tax concessions are in place for wealthier home-owners and investors, and there are no arrangements for the redistribution of wealth through inheritance tax. Australia's housing and unreformed taxation systems are well designed to create and accelerate inequalities. It can hardly be argued that these are unintended consequence because they are now well known and recurrently chosen by successive Commonwealth governments. Somehow a housing market that raised home-ownership rates with savings-based accumulation and a progressive spread of housing wealth that served Australia well for half a century has become the terrain for uncertain ownership, speculation, lower productivity

growth and increased inequality. Is this really what Australians really want for their children?

Australian governments will not begin to solve the difficulties of growing inequality and sluggish productivity growth if house price increases (unrelated to real quality improvements) are not better managed and moderated in the decades ahead. This will need both a new economics understanding within governments and a new political economy wherein households recognise the individual and collective future damage, especially for their children and grandchildren, arising from their speculation today. Sustainable housing strategies, like sustainable environmental actions, require a longer lens, more complex understandings and urgent actions that governments currently devote to these critical issues. Lazily kicking the 'unaffordable housing' can down the road, with sloppy thinking, failing to recognise how the system actually works and 'wedge' politics favouring owner versus rental interests will not resolve key issues for Australia's 'battlers'. Critics and commentators will argue that these things are too difficult change in the animosity and short-termism on 21st century politics. But they are wrong. If politics does not change Australian housing outcomes, housing outcomes will change Australian politics. With growing numbers of left behind people, rising shares of frustrated renters and more precarious owners a new politics of housing will prevail seeking different system outcomes. Within another two decades this 'uncomfortable' Australia may be the majority.

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