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2022-07

Obeng-Odoom , F 2022 , ' Urban housing analysis and theories of value ' , Cities , vol. 126 , 103714 . <https://doi.org/10.1016/j.cities.2022.103714>

<http://hdl.handle.net/10138/350500>

<https://doi.org/10.1016/j.cities.2022.103714>

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Urban housing analysis and theories of value

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ARTICLE INFO

Keywords:
Housing
Urban political economy
Theories of value

ABSTRACT

Housing is a major focus in urban and regional studies, but an overemphasis on empiricism inhibits its analytical study. Previous attempts to resolve this tension have proposed the use of research themes, but this strategy makes marginalised approaches even more invisible. Using disciplines as taxonomies takes us no further because, even within disciplines, approaches differ widely. To address the problem, in this paper, I propose to ground the 'housing question' on theories of value. Doing so helps to clarify and to strengthen the analytical foundations of how we theorise housing and evaluate the problems and prospects of housing policy.

1. Introduction

Housing analysis in urban and regional studies is dominated by empirical studies. As W.A.V. Clark's (2021) recent authoritative book and its reviews (Varady, 2021) show, this empiricism has come to define housing studies. Accordingly, we have made much less progress in addressing the question about how to think about housing. Clark (2021) seeks to resolve the problem by classifying housing studies into housing themes, which are then analysed based on diverse disciplinary viewpoints or units of analysis. Clark's work is the latest, but it is not the only, challenge to the status quo. Other studies also point to the problem of analytical stasis in housing studies, even if they propose to resolve the problem differently. For instance, Anita Venter (2017) seeks to address the extreme empiricism in housing and urban research by appealing to post-structuralism, social constructionism and critical discourse analysis. Both Venter (2017) and Clark (2021) conclude that the most effective approach is to combine approaches. These are helpful interventions, but they do not resolve the problem of incommensurability, bias against certain types of housing research, which, because they are not published as much, are usually not part of existing taxonomies, and the much wider question of intra disciplinary variety, for example, in housing economics.

I propose a more fundamentally different taxonomic approach: grounding the housing question on distinctive *theories of value*. This approach expands the searchlight, bringing into the debate overlooked traditions. In addition, instead of massing up approaches, I suggest that the study of housing in urban and regional development could make their underlying theories of value more explicit. Comparing these other schools of thought – and considering how they are critically viewed from

a perspective - helps to clarify the range of possibilities and what is distinctive about the contribution of various schools of thought. Taking this analytical path could help to improve policy choices, too, because the full breadth of various pathways could be explored and their limitations clearly and more comprehensively analysed. In what follows, I spell out and explicate the various theories and taxonomies of housing based on theories of value.

2. New taxonomies

Housing analyses in urban and regional studies generally apply distinctive theories of rent and value. These theories are at the heart of the 'causes' of, and the pivot for, policies to address the 'housing question' (Engels, 1872; Edel, 1977). Based on the scope of the housing problematic, these theories can be divided into three types. First is the dominant approach of narrowly considering the 'housing question' as restricted to the 'housing market'. A second approach considers the housing market along with its underpinning institutions. A third views housing problems as reflective of specifically capitalist problems (Obeng-Odoom, 2016, pp. 161–183).

Table 1 summarises five distinctive ways in which these approaches are further developed by specific schools of thought.

3. Neoclassical economics

Neoclassical economics gets first mention in Table 1 because its approach represents the dominant way of addressing the housing question. Framed in the narrowest form, the provision and distribution of housing is limited to housing markets, which are assumed to be

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<https://doi.org/10.1016/j.cities.2022.103714>

Received 11 February 2022; Received in revised form 7 April 2022; Accepted 22 April 2022

Available online 4 May 2022

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characterised, among other features, by perfect competition, free-flowing information, unhindered entry and exit, utility maximisation, and homogenous goods (Whitehead, 2012). Because they are scarce in terms of volume, houses acquire their price through exchangeability, as understood in neoclassical theory. From this perspective, the price of housing increases, or rent rises, as housing becomes scarce, for example, because the demand has outstripped supply.

The neoclassical urban economist typically analyses three housing scenarios - where housing supply is price elastic, where it is price inelastic, and where it is distorted (Glaeser, 2011, 2018; Glaeser et al., 2006). In the first case, neoclassicists tend to argue that rational, profit-maximising property developers respond to the existing demand by providing the needed housing such that the increases in house price will only be modest (Glaeser et al., 2006, pp. 72–73). However, where housing supply is inelastic, a housing deficit occurs, leading to more rapid increases in house prices. In that case, wages must increase, partly because workers must be compensated for the increases in housing price, potentially leading to a strong inflationary tendency throughout the economy. Yet, that problem is ameliorated where the increasing urban population drives up urbanisation economies, reflecting higher urban productivity (Glaeser et al., 2006, pp. 72–73). Not all urban population growth enhances urban productivity, of course. Indeed, sometimes the marginal productivity of some urban residents might be low or zero. In such a situation, housing supply could be regarded as distorted. In this third type of scenario, housing demand persistently outstrips supply or amenities in cities. Shanty housing might arise as a result, generating further urban problems. Neither population control nor limiting urban growth are characteristic neoclassical policies, however. So, in this third scenario, what is usually encouraged by neoclassical development economists is either rural development or the removal of policies that distort the performance of urban markets (Todaro & Smith, 2006, pp. 318, 345).

For neoclassical urban economists, however, the yet more general solution to the housing problem is to focus on the supply side in urban, rather than rural, areas by ensuring that urban markets, the most efficient way of allocating resources, are supplying the required housing (Whitehead, 2012; Glaeser, 2011, 2018; The Economist, 2020, p. 9). Because markets are deemed to be inherently efficient, while government distortionary policies inhibit the market from supplying housing, housing policy must, in essence, be market policy. From this perspective, market bottlenecks, such as government restrictions on the approval of land for residential and commercial development, need to be removed to increase housing supply, thereby keeping housing affordable. Facilitating the activities of private property developers on the supply-side policy, while, on the demand side, promoting welfare-based rental assistance schemes is a typical policy stance.

This is held to be non-discriminatory because all individuals, whether poor or rich, women or men, black or white, disabled or abled, can then freely choose their housing from the market. As richer people move out, their housing ‘filters down’ into a second-hand housing market for poorer residents. With greater urban economic growth, those left behind will also move out or, with externalities removed, new housing investment will flow into housing-depressed areas. In this way, the market itself addresses the housing question (Glaeser, 2011, chapter 3; Marx et al., 2013). Although neoclassical economists may acknowledge that markets in practice are fallible in their allocation of housing,

they typically contend that markets are better than any other mechanisms for housing provision (Whitehead, 2012). It is on the basis of such neoclassical economic reasoning that much prediction and policy development relating to housing occurs today.

Yet, this dominant housing market approach has been severely criticised. Not only are the predictions of the models refuted by the persistence of recurrent housing crises, but also housing policies based on this paradigm leave out many housing-related issues.

4. Marxist urban political economy

Marxists in particular, note the absence of the labour question, the inability to analyse housing as part of capitalist exploitation, and the failure of policy ‘solutions’ to challenge or transform class relations. As Friedrich Engels (1872, n.p.) famously noted, ‘the gradual economic adjustment of supply and demand, a solution which ever reproduces the question itself anew, is ... no solution’.

Within Marxian political economy, therefore, analyses of housing, whether focused on the quantity or quality of housing, or even homelessness, tend to be centred on the problems ultimately attributable to the exploitation of labour by capitalists and, more recently, on the place of money in housing and capital accumulation. So, there is an emphasis on the production (worker-centred), reproduction (home-centred), and circulation (financialisation-centred) characteristics of housing as part of the capital accumulation process (Aalbers & Haila, 2018; Engels, 1845, 1872; Harvey, 1978). In sharp contrast to the neoclassical view, the Marxian approaches emphasise why and how low wages prevent workers from acquiring sufficient housing. Likewise, there is recognition that low wages may also inhibit workers from maintaining their housing (Engels, 1845, 1872). Because the low wages -and, more generally, inequalities of income and wealth - also mould the distribution of housing across class, space and time, policy programmes such as mortgage finance, selling company housing to workers or providing public housing all miss the point about the roots of the housing problem: exploitation. Ultimately, the Marxist focus on the power of capital over labour as the underlying cause of the housing problem leads to the inference that the housing question can only be fully addressed when capitalism is abolished. Land is less seriously considered. Indeed, even when land is analysed, it is of *secondary*, not *primary*, consideration (Aalbers & Haila, 2018, pp. 1826–1827).

5. Anarchist school

As shown in Table 1, a different approach to housing derives from the anarchist ideas of Pierre-Joseph Proudhon. Famously saying that ‘property is theft’ (Proudhon, 2011), he contended that everything produced by workers but not returned to them is not ‘profit’, rather it is property. Proudhon examined theft in relation to labour, land, and finance, but it is in this third aspect that he found the most profound contradiction, around which the others seem to revolve. In his words, ‘[t]he primary cause of commercial and industrial stagnations is, then, interest on capital, - that interest which the ancients with one accord branded with the name of usury, wherever it was paid for the use of money but which they did not dare to condemn in the forms of house-rent, farm-rent, or profit: as if the nature of the thing lent could ever warrant a charge for the lending; that is, theft’ (Proudhon, 1840/2011,

Table 1
The housing question: schools of thought.

School of thought	Marxian	Neoclassical	Proudhonist	Austrian	Georgist
Causes of the housing problem	Labour exploitation	Scarcity	Financialisation	Collectivism	Land speculation and labour oppression
Theories of value	Labour	Exchangeability	Finance	Psychology	Social interaction
Notable policies	Abolishing capitalism	Marketisation	Public banks	Private property rights	Socialising land rent and liberating labour from the payment of taxes

p. 126).

Accordingly, a key remedy is to create a 'Bank of the People' (Proudhon, 1840/2011, pp.383–393). The proposed bank would 'organise credit democratically: By procuring for everyone the use of land, of buildings, machines, instruments of labour, capital, products and services of every kind, at the lowest price, and under the best possible conditions'. The bank should also address the property problem by 'facilitating for all the disposal of their products and the employment of their labour, under the most advantageous conditions' (Proudhon, 1840/2011, p. 384). At the heart of the bank's focus would be improving the conditions of workers, although the bank should reflect the wider question of democracy.

Beyond this role for a proposed 'people's bank', another Proudhonist strategy is the extension of common ownership and control (Mckay & AK, 2011, pp. 40–44). Co-operative housing and squatter settlements that are often praised for their collective, liberating power are examples. As Colin Ward shows in *Housing: an Anarchist Approach*, the emphasis in Proudhonist alternatives is 'an anarchist principle, that of *dweller control*' (Ward, 1983, p. 8, italics in original). This democratic control relates not only to management, but also to housing design and construction. Housing forms such as building co-operatives, tenants' co-operatives, and occupying empty houses are all extolled (Ward, 1983, p. 9). John Turner's *Housing by People* (Turner, 1976), extols the virtues of self-build housing. Turner (1976) advocates individual freedom to determine housing need and housing type, where and how housing is to be provided, arguing that the only role for the state is the provision of a broad framework for housing.

The anti-state inclination in this reasoning has similarities with right-wing libertarianism (Mckay & AK, 2011, pp. 1–2, fn.2). However, there is a marked difference in that Proudhon saw property as the root problem. 'Property', in Proudhonist analysis, means 'capitalism'. But, while Marxists see communism as the antithesis of capitalism, Proudhon viewed anarchy as needed if the tendency to despotism in communism is also to be overcome. Anarchy, from this perspective, is not disorder, but the 'absence of a master, of a sovereign' (Proudhon, 1840/2011, p. 134).

Some political economists who emphasise 'financialisation' in their analyses of the housing question stress the activities of banks or other financial institutions that use the tools of finance to commodify housing and turn it into an accessory of financial markets (Edel, 1977). The manipulation of interest rates to maximise profit from housing, the making of housing derivatives, the creation of mortgage markets, and the use of housing as financial vehicles to maximise profit are some of these concerns. From this perspective, rent is high and the housing question in general persists precisely because of such 'financialisation'. Therein lie other problems. Seeking a society of greater equality by abolishing a sovereign or the dominant financial institutions does not eliminate the forces that create land value and render housing unaffordable for so many people. Significantly, Proudhon did not analyse the effect of bank credit offered by the 'People's Bank' on land rent, either directly (Edel, 1977) or through its funding of public infrastructure, although it is well known that such credit facilities substantially matter for landed property and housing (Jefferis & Stilwell, 2006).

The Proudhonist commoning proposal is also problematic. Much like many other theorising on the commons in Western thought, it treats land similarly to labour and capital and, hence, fails to recognise the processes in which land value arises and persists. Analysing banks and financialisation without investigating specific landed relationships is partial at best. Empirical research (Obeng-Odoom, 2020) shows that banks create land value in cahoots with valuation associations, developer groups, property education providers, and the institutes of property valuers. All are obstacles to addressing the housing question.

6. Austrian school

The Austrian school of economics is no better at addressing the 'housing question'. While sharing with neoclassical economics a

commitment to methodological individualism (Shand, 1990), it is substantially different in terms of its approach to addressing the housing question. Focused largely on privatising land, Austrian economists see collectivism as the main obstacle to addressing the housing question. For Austrians, this housing problem, in essence, arises from the lack of people's own control over their individual freedom, a solution to the housing question, therefore, has to be seen in terms of 'having one's own castle'. The emphasis on a necessary feeling of control is rooted in the psychological theory of value championed by the Austrians. Value, from this perspective, is subjective. This extreme individualism is what links Austrian economics to libertarianism and to the libertarian case for private property in land.

On Austrian economic reasoning, lack of private property creates rent-seeking problems in addition to the inefficiency issues that neoclassical economists typically discuss. The development of land markets stalls because of such absence of the necessary full property rights. Investment in land, housing, and property development are all curtailed because of the lack of property in land. Accordingly, the solution to the housing problem is to privatise land, treating it as any other commodity to be bought and sold. While neoclassical economists have much in agreement with this position, Austrian economists emphasise the privatisation of land in and of itself as the source of success to which the many consequence of such privatisation can be added (Jonsson, 1997; Murtazashvili & Murtazashvili, 2019; Shand, 1990). It is the psychological joys of security in one's own place that is central to the question of value in Austrian economics. In this respect, neoliberalism is, perhaps, to neoclassical economics while libertarianism is to Austrian economics. It is the Austrians who have most vigorously advanced the libertarian case to address the housing question.

Interestingly, some Austrian economists find a common ground with Georgist political economy (Johannsen, 2001). Apart from both being critical of mainstream neoclassical economics, Austrians evidently have affinities with George's advocacy for free trade, competition, and theories of choice. A vibrant field of Geo-libertarianism seeks to combine Georgist political economy (GPE) with Austrian economics on the basis that, in general, the two share many core principles (see, for a detailed critical discussion, Giles, 2020).

Yet, Henry George himself was very critical of the Austrian school of economics at an earlier stage of its development, calling it a 'pseudoscience' (George, 1898/1992, p. 208). George offered withering criticism of their subjective theory of value, writing that:

"Vaguely feeling that there was something wrong in the accepted theory of value, they have taken the truth that value is not a quality of things but an affection of the human mind towards things, and attempted at the risk of the fatal consequences to the ancient landmarks of English speech to account for, classify and measure value through what is and ever must remain the subjective – that is to say, pertaining to the individual Ego (George, 1898/1992, p. 252)."

7. Georgist school

George himself preferred an approach to value assessment akin to 'effective demand', which he defined as 'the desire to possess, accompanied by the ability and willingness to give it in return' (George, 1898/1992, p. 253). For George, the source of value was not the individual cost of production or the individual or singular desire or perception but, rather, interactions. George used land value to explain this further. As he argued, land was neither created, nor is it subject to cost of production, but it does have a value. Although it can reflect individual desire, land value is not reducible to subjective valuation (George, 1898/1992, pp. 254–255). The most fundamental challenge of Austrian economics from a Georgist perspective, however, is the former's claim that the commodification of land is the solution to the housing question.

Advocates of Georgist political economy (GPE) have a distinctive

approach to land. As described in the final column of Table 1, GPE's contention that land value is neither the product of labour (Marxian political economy), exchangeability (neoclassical economics), nor subjective and psychological choices of individuals (Austrian economics) is a case in point. The GPE alternative offers a distinctive theory of value. It arises from social interactions at different scales and by a multiplicity of people at particular time periods (George, 1898/1992, pp. 124, 208–209, 218, 237, 253). Where land has been privatised, the resulting social value is privately appropriated. As more of the value is captured, the power of land increases further. Labour suffers, as more and more wages go into the payment of rent and taxes. Housing problems become starker.

8. Conclusion

Grounding housing questions on theories of value is important. Not only does it facilitate a more critical advance on empiricism, it also helps to more accurately classify research in urban and regional development. Critically, important approaches such as Georgist school usually neglected could also be analysed.

Many of these theoretical positions are incommensurable. So, instead of simply providing an approach made up of knitting together whatever one finds around, I have argued that housing studies in urban and regional research could make their underlying theories of value more explicit.

CRedit authorship contribution statement

Author reports no known conflict of interest.

Author acknowledges the helpful feedback of reviewers and editors of Cities. Thanks also to Frank Stilwell for excellent suggestions.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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