

**Housing allowance: subsidy to the landlords**

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This paper deals with incidence of housing subsidies. This property is analyzed using Finnish panel data from biggest Finnish cities. The main data set includes 50 000 households that have received housing allowances for the period 2000-2008. Preliminary results suggest that a part of subsidies will indeed go rents. A conservative estimate of the size of shift is 15 per cent but it is well possible that the number is even 25 per cent. On the other hand, the subsidy seems to have increased housing demand more than the subsidy-induced income effect would have implied which is in accordance with the goals of the subsidy program. Our results seem to be consistent with other research results that have also ended up with relative high rent effects. If this is indeed the case, it is well founded to reconsider the need for reforming the system of housing subsidies at least with respect to the share of costs that remains on households' own account.

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