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"[G]rowing levels of wealth inequality further perpetuate housing challenges for most people."

The Pandemic Worsens Europe's Housing Problems

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Housing is a flash point in many European countries, with protests erupting and citizens voting to wrench properties from big investors. This is not just, or even primarily, about housing booms and busts, but about fundamental questions regarding how to order society. Housing-generated inequality creates a conundrum for governments that must balance the interests of competing constituencies against a complex housing market that cannot be fully controlled.

Inequality is fueling the explosive nature of the debate. Since Europe now provides less social (public) housing for the poor than it had historically, lower-income households must compete for housing in the private rental market. Middle-income households, especially those of younger generations, also find themselves locked out of homeownership and facing a difficult rental market. Increasingly, they remain in or boomerang back to their parental homes. At the same time, high-income households, or those who were fortunate enough to buy at the right time or in the right town, have used the increasing value of their homes to further consolidate their privileged economic positions. In other words, households across the income distribution face very different kinds of challenges and opportunities in today's unequal housing markets.

All of this has been unfolding in the period since the 2008 housing crash, when an opportunity to address increasingly unaffordable housing presented itself but was not seized. The consequences of inaction have become tragically apparent during the COVID-19 pandemic. Inequality is in part to blame, both because governments have failed to rein in powerful actors in finance and other industries, and because so many households have tied their livelihoods to their homes through housing equity. Inequality is, of course, not the only reason for unaffordable housing—housing markets are large and complex enough that no silver bullet exists to solve the problem. But understanding how the current housing crisis is driven by the politics of inequality will help us appreciate the rocky path ahead for current and future generations.

FEWER PLACES FOR THE POOR

The housing crisis can be felt at all income levels, but nowhere more acutely than at the bottom of the income distribution. European countries have a long history of providing social housing for those who lack the economic wherewithal to secure homes on the private market. Some countries, like the Netherlands, have extended eligibility well into the middle class. But just about everywhere, provision of social housing has declined since the mid-1970s.

At the same time, need and eligibility for social housing have increased, fueled by increasing income inequality, expensive housing markets, and a near-fanatical view that owning is superior to renting. For the poor, this prompts economic hardship, frustration, and long wait lists for diminished social housing stock. Those forced to seek housing in the private rental market face precarity without the subsidy inherent in social housing. Such precarious positions mean that even minimal financial disruptions can force poor families into subpar or temporary living arrangements, or even homelessness.

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The mismatch between eligibility and availability points to fundamentally political questions about how people threatened by housing insecurity should be housed. Were governments wrong to prioritize private rental and ownership markets over social housing? And why did they decide to do so?

The common answer in the United States is that public housing, and especially the high-rise "project"-based housing constructed in the postwar era, failed. Think of infamous examples like the Cabrini Green complex in Chicago or Pruitt-Igoe in St. Louis, both of which were demolished with spectacular implosions that punctuated their presumed failure. Yet this answer is not only incomplete, but adopts a sensationalizing narrative that perpetuates racial and class stereotyping. Newspapers in the decade leading up to the Cabrini-Green demolitions emphasized the "notorious" reputation of public housing as irredeemable breeding grounds of crime and poverty, doing a disservice to residents who were faced with a series of policy and political failures that translated to harsh living conditions on the ground. The repudiation of project-based housing corresponded with a governmental shift to more market-based approaches, such as shifting the scope of Section 8 housing vouchers exclusively to private rental units, or promoting mixed-income housing developments through the Hope VI program.

The current housing crisis is driven by the politics of inequality.

Some European states also experimented with the high-rise approach, with similarly sensationalized results, such as the towering *habitations à loyer modéré* (HLMs or moderate-rent housing) in the Paris banlieues, which sometimes cordoned off immigrants of minority religious and ethnic descent into low-income neighborhoods where they had little chance of upward mobility. In general, though, a greater emphasis on social solidarity took Europe down a different path.

Taking a longer view, social housing built in some of Europe's biggest cities in the early twentieth century effectively improved on the dense, unsanitary, and unsafe housing haphazardly constructed during the industrialization and urbanization of the nineteenth century. In this way, social housing—regularly promoted by national legislation and built by local authorities and other public-facing entities—was the solution to the poor and overcrowded housing previously built by private industrialists. One need look no further than the urban renewal initiatives undertaken by the left-leaning Social Democrats in "Red Vienna" after World War I, when overcrowded urban housing was upgraded via hundreds of publicly built housing complexes across the city.

A second upgrading occurred after World War II. Major cities across Europe expanded social rental stock as they rebuilt bombed-out cities, such as London. Housing was seen as a national priority, and governments took an active role in its provision for the following three decades.

Throughout Europe, a reversal came with the economic crises of the 1970s, the retrenchment of the welfare state in the 1980s, and the rise of neoliberalism to varying degrees in different countries. The pace at which social housing was built or replaced slowed. As a result, on balance, the stock of available units contracted, reinforcing inequality—and often defining social housing as a stigmatized form of welfare support.

In the notable case of the United Kingdom, new statutory regulations in 1980 afforded social housing tenants the choice to purchase their units on very favorable terms. Touted as "Right to Buy" and embraced as one of the first priorities of Prime Minister Margaret Thatcher's government, this policy cleverly played on the ideal of equality. Why, after all, should social housing tenants not have the opportunity to become homeowners and enjoy the benefits of private property? Yet a more equal chance of ownership then meant unequal chances of social renting for future generations. In short, the right to buy decreased the social housing stock by effectively privatizing public housing.

Because social housing stock has declined everywhere, renters now struggle to find affordable housing. Even in countries with still-generous welfare states like Denmark, Sweden, and Finland, over a third of households in the bottom fifth of earners are housing-overburdened, meaning that they spend more than 40 percent of their income on housing costs. In the UK and Luxembourg, the rate is even higher: 40 percent of the bottom fifth by income is housing-overburdened.

Subsidized rental housing aims to alleviate these burdens on the poor. In the UK, social housing tenants are only half as likely to be housing-overburdened as private market tenants. But given the mismatch between social housing stock and need, many low-income households are left to seek housing on the private market, where the gap between them and those higher up in the income distribution drives up rents.

Housing insecurity

Since most governments have prioritized homeownership over renting, low and middle earners also compete for the small share of owned housing for which they can qualify for a mortgage. This creates any number of lose-lose situations for households that extend well into the middle class.

Fierce competition for scarce housing units thus plays out within both private rental and ownership markets. Almost everywhere, the private rental market is smaller than the homeownership market. Yet over the course of a lifetime, nearly everybody rents before purchasing a home. Rental prices in the European Union rose between 2010 and 2021 in every member state but two, on the whole increasing 15 percent. House prices saw an even larger increase. After falling or remaining stable after the 2008 crisis until 2015, they ultimately surged by 31 percent across the EU.

One might think that rising housing prices automatically translate into increased unaffordability, but that is not always true. In fact, the share of disposable income spent on housing across all households declined in most of Europe after the 2008 housing crash, hovering around 20 percent. As a general rule, banks will not approve mortgages unless payments amount to less than 30 percent of income. From this perspective, it seems that the increase in housing prices has been far from catastrophic.

Aggregate numbers, however, often hide important inequalities, and this is no exception. Spending a greater share of income on housing is more challenging for those with lower incomes, and they consistently do so. Across the EU, those at risk of poverty pay more than twice as much of their income on housing as those not at risk.

Some groups are especially burdened. Single people under 65 who are at risk of poverty spend well over half of their income on housing. This is far above the borrowing threshold; banks will refuse to approve loans with such a high mortgage-to-income ratio. Spending that much on rent also precludes any meaningful strategy to save for a down payment. In other words, the relentless increase in housing costs has created an especially dire situation for those who likely do not qualify for social housing but cannot easily navigate the private rental and ownership markets.

The middle-class squeeze

What about those more squarely in the middle class—how do they fare? While housing costs are still often a burden across this group, younger households looking to buy at or after the height of the pre-2008 housing bubble have had an especially difficult time. Young people who bought homes in the years leading up to the 2008 housing crash found themselves with negative equity. Those who were thinking about buying after the crash encountered strict lending requirements, fiscal austerity, and weak labor markets. Contrast this generation's situation with that of their grandparents, who benefited from postwar rebuilding efforts, or their parents, who benefited from the long increase in home values over the 1990s and, at least from a home equity perspective, found the housing crash easier to weather.

It is no wonder that we observe generational fault lines in the housing market. People born in the 1980s experienced a once-in-a-lifetime housing market crash and financial crisis in their twenties and a once-in-a-lifetime global pandemic and financial crisis in their thirties. This resulted in lower homeownership rates for young people in particular: countries with very different mortgage markets, like Greece, Denmark, and the United Kingdom, all experienced more than a 10 percent decrease in homeownership rates for the under-35 demographic in the decade after the height of the housing bubble. It also seems that, even though this trend varies across Europe, those who did manage to buy sometimes did so by purchasing lower-quality housing, farther away from services.

What is more, whereas previous generations could become homeowners with only one breadwinner in the family, homeownership today often requires two earners and a significant share of their total income. Housing stock itself is slow to change, and much of it is not conducive to balancing the challenges that two-earner households face when trying to secure housing close to two jobs, with the amenities important for parents.

The United States is not the only place where larger, more family-friendly housing is farther from the cities and jobs. This distance makes it particularly difficult for women in younger generations, who still bear more of the child-rearing responsibilities, to reconcile work and family. But the fact that contemporary housing markets are not gender-neutral is sometimes overlooked, since the housing affordability crisis looms so large.

Those who have not managed to buy have very different living arrangements than previous generations. A nontrivial number of young people remain in their parents' homes well into adulthood, or share apartments with roommates even after they have entered the labor market. The housing crash may have amplified this trend, but it did not cause it. Housing-driven delays in important milestones like leaving the parental home, partnering, and buying a home have been lengthening for at least the past two decades.

The inter-crisis years between the housing crash and the pandemic also found younger people traversing increasingly different paths, based on their own economic resources and the resources of their parents. In many cases, these are not generational conflicts at all, but a complicated dance of cooperation within family units that spans generations. For example, the millennials who can purchase a home typically have parents or grandparents who can contribute the down payment. Poorer peers paying high rents can never muster the resources for that step into homeownership. The consequence is an increasingly fractured younger generation.

Were governments wrong to prioritize private markets over social housing?

Greater risks, less risk sharing

We might like to think that the housing market is predictably unpredictable, but given the trends since the 2008 crash, it is hardly surprising that COVID-19 magnified already existing housing challenges among low- and middle-income earners. Yet the news is not all bad, at least in Europe. A number of emergency measures, in both employment and housing markets, and at both the country and EU levels, mediated a situation that could have been much worse.

Unlike the United States, which relied on expanded unemployment aid to offset job losses at the onset of the pandemic, Europe followed the German model of paying for furloughs or short-time work through large social safety-net programs. In addition, the EU lifted fiscal-discipline enforcement mechanisms like national debt and budget deficit limits, and launched loan programs to supplement member states' emergency work schemes.

The upside of this strategy is less job churn, and thus a greater ability to pay the rent—unemployment rates in the eurozone stayed under 9 percent, compared with a peak of nearly 15 percent in the United States. These programs did not prevent all economic pain, especially for those who relied on the gig or black economies, those who worked fewer hours, or those who lost their jobs completely. A recent estimate indicates that 7 million jobs were either lost or not created in the EU between 2019 and 2022.

Because housing costs have become one of the largest parts of so many households' budgets, there is a bright-line relationship between lost wages and housing burden. In response to this burden, many governments quickly adopted country-level emergency housing measures, like eviction moratoriums, mortgage relief, and occasionally rent freezes and subsidies to landlords. Spain, for instance, combined all four. An eviction ban suspended 90 percent of planned evictions in Barcelona in the initial months of 2021. Landlords could request compensation when the ban applied to their property. Renters having difficulty paying their rent could request a 50 percent reduction or a postponement of their payment. Another policy enabled burdened homeowners to postpone their mortgage payments without accruing additional interest on their loans.

Although some emergency housing measures, like the eviction ban in Spain, continue to protect the most vulnerable, many of these measures across Europe have expired. Even while at full force, they did not spare everyone. Such measures had an especially tall order to fill due to the nature of the COVID-19 crisis. Stay-at-home orders designed to stem the tide of the pandemic worked only for those who had a home to go to that was safe and spacious enough to accommodate everyone, and for people who could do their work from home or have their lost wages replaced.

The pandemic amplified the already heightened health risks of people sleeping rough, in shelters, or at the homes of family or friends. Homelessness had reached record numbers across almost all EU member states in the pre-pandemic years, in part because of increasing evictions. In the heart of the EU, the Brussels capital region, homelessness rates had almost doubled in the decade before the crisis.

Yet emergency housing policies for this most vulnerable group tended to be the least common of all pandemic measures. Where they did exist, it was often at a subnational level. Though regions and municipalities can at times target resources more appropriately, they almost always have fewer resources than national governments.

The pandemic also added to the heightened risk of people living in overcrowded dwellings, who make up 15 percent of the total EU population. Among low-income workers under 30, that share reaches 40 percent. Overcrowded dwellings have presented particular challenges during the pandemic, because of both an increased risk of infection when some household members remain employed outside the home, and a lack of workspace for household members working from home.

The pandemic has presented home-based challenges even for those who did not experience housing insecurity and were able to keep their jobs and work from home. Common gendered divisions of labor have intensified in remote work situations, as women continue to shoulder more of the childcare burden while attempting to call in to work. On the other hand, some men report contributing to childcare more than they did before the pandemic, and men who were previously employed outside of the home full time have gained a more intimate look at the daily running of a household. It remains to be seen how these experiences will play out in the paid and unpaid labor markets in the post-pandemic world, though many predictions tend to err on the side of more gender inequality, not less.

No lives have been left untouched during the pandemic. However, because income, and especially wealth, inequality had been increasing well before the pandemic, all were not affected equally. People employed in high-income and highly educated, knowledge-intensive sectors were more likely to shelter and work from home. This group has always had more disposable income to spend on goods, services, and leisure activities. Once the crisis hit, lockdowns created a forced savings mechanism; even when restaurants and other services reopened, people working from home had fewer incentives to go out.

Excess income and different space, layout, and location needs combined to help drive a housing boom during the pandemic. In the first year, housing prices increased worldwide. Germany, France, the UK, and the Netherlands all experienced at least a 5 percent increase, as did several other European countries. Luxembourg saw an unprecedented 17 percent increase. Though the complete picture of 2021 price increases is not yet known, the data indicate a continued pandemic housing boom.

Inequality is a primary driver of such bizarre occurrences. Greater levels of inequality mean a share of households at the top of the income distribution can not only acquire housing easily, but consolidate their capital by buying larger properties or second properties, or investing in housing as a rental property. This trend extends beyond household investments, since global investors often use housing stock in big cities to park their capital. Such practices inflate the value of housing and lead to supply crunches, especially when investors, instead of renting a unit, keep it vacant while it appreciates in value. One important implication of unequal housing markets is that growing levels of wealth inequality further perpetuate housing challenges for most people, while allowing a privileged minority to further capitalize on its advantages.

Protests in the Air

Short- and long-term pressure points around employment, housing, and health reached a crescendo during the pandemic. Housing-related discontent can be seen everywhere in Europe. Grassroots movements in Spain and Berlin capture many facets of the conflict.

In Spain, social organizations and activists have been working in major cities like Madrid and Barcelona since at least the 2008 housing crash to prevent the forcible removal of people from their homes. The movement became visible in Madrid in 2012 with its efforts to prevent foreclosure-related evictions led by Spanish savings banks, which at the time held more than half the mortgage value in the country. The movement gained notice again in Barcelona in 2021 for its efforts to prevent rental-related evictions led by foreign investment firms. Such clashes highlight how the key actors have changed in the years between the 2008 housing crash and the COVID-19 affordable housing crisis.

In the 2008 housing crash and the resulting wave of evictions, many of the largest financial actors were Spain-based entities, though some had international ties. In the post-crisis years, Spanish savings banks were consolidated, bailed out, or nationalized by the Bank of Spain or the Fund for

Orderly Bank Restructuring, the public entity created to stabilize the banking sector. Intervening on the side of residents, the Spanish government, in agreement with the Spanish Banking Association, suspended eviction cases for two years for those households considered extremely vulnerable.

In contrast, in 2021 some of the primary financial actors were international, and focused more on rental than on homeownership markets. Foreign investment firms had capitalized on the post-crash period by purchasing large numbers of units across Spain, notably in cities like Barcelona, where the protests are particularly visible. The anti-eviction movement thus runs up against a globalized rental market and well-funded investment firms. Residents falling behind on their rent or being evicted often face a landlord outside the country. Moreover, tenants evicted for rental nonpayment during the pandemic have had a much shorter window than owners in the 2008 housing crash who held a greater claim to their homes during foreclosure proceedings. Put simply, eviction due to rental nonpayment is a quicker legal process than eviction due to mortgage nonpayment.

While the rise of international actors exacerbated housing inequality, similar dynamics within countries also contributed to the same problem. Even states with strong protections for tenants struggled with this issue. Germany is known for its large rental sector; in Berlin more than four out of five households rent. As a large majority of the population, tenants have proved a more formidable constituency, both before and during the pandemic. Though Berlin has historically been an affordable capital city, rents and housing prices have been ticking upward for the last decade, with a housing shortage and a price boom occurring before and during the pandemic. In this context, a recent movement against investors and real estate companies gained striking momentum.

The Berlin state government has not been deaf to the concerns of tenants. In 2020, it instituted a 5-year rent freeze and a forced reduction in rents that were in excess of a standardized rate. The Federal Constitutional Court overturned the law in early 2021, ruling that Berlin did not have the jurisdiction to pass and implement a rent cap. That ruling gave landlords the right to collect back payment for units whose rent had been lowered, deepening households' pandemic-related financial difficulties.

Enter the "Expropriate Deutsche Wohnen & Co." movement. Named after one of the largest property companies in Germany, this movement ultimately mobilized a majority of voters in September 2021 to approve a referendum proposal to require large real estate companies (those with more than 3,000 properties) to sell all their holdings to the city at less than market value. Though the referendum was nonbinding, it points to a deep frustration: residents are willing to nationalize over 10 percent of the city's private rental units.

The referendum also hearkens back to a time before reunification, when even in West Berlin the social housing sector was larger than either the private rental or ownership sectors. (East Berlin followed a near-full social housing model.) In the decades after reunification, as the movement organizers point out, many units falling under the expropriation proposal were privatized and sold to the same large real estate companies under public scrutiny today. The protests in Spain and Berlin offer just two examples of a wave of housing-related protests across Europe, protests that underscore the political nature of inequality.

Concerns about housing affordability now extend well into the middle class.

POWER AND HOUSING REFORM

Long-term trends and governmental decisions in prior decades are culminating in the housing affordability crisis we see today. In previous eras, the term "affordable housing" was typically associated with antipoverty housing programs or social housing. That time is no more, since concerns about housing affordability now extend well into the middle class. The housing crisis is driven by many factors, including financialization and deregulation of housing markets, a shift in ideology toward devaluing social housing and promoting homeownership, and the added buying power of households in the two decades preceding the 2008 housing crash. But arguably, inequality and choices made by governments are at the root of all these trends.

Inequality, especially extreme wealth inequality, lures investors into global housing markets. It often leads developers to design and deliver luxury units rather than affordable housing units, since high-income earners and other investors demand such offerings. This trend affects one tail of the income and wealth distribution. The other tail, consisting of those in more precarious housing situations, feels these effects through an inability to compete with better-resourced households.

Long-term structural changes are necessary. Such change is difficult for governments faced with competing interests, especially when those who benefit from the status quo are better organized and better funded. Underlying the protests and tenants' rights movements is a hard political truth: low-income and other vulnerable groups will always have a difficult time pursuing their collective interests, especially in times of extreme inequality. Even when they can and do mobilize, the path from mobilization to policy change is not clearly marked.

Rich households and global investors may seem like proper targets of reforms seeking solutions to unaffordable housing, a core aim of the Berlin referendum. But we should realize that it is ultimately governments that have responsibility for regulating housing markets, for ensuring that the poorest are housed, and for delivering some level of equal housing access to all parts of the income distribution. Though housing traditionally has been studied through the lenses of economics, sociology, and housing studies, the fundamental issue of inequality is about power—the stock and trade of political science.

The path forward must include recognition of the many complexities of these power dynamics. Housing inequalities extend beyond income, with some generations experiencing enabling housing policies and others experiencing disabling ones. Even within households, men and women experience housing structures and housing markets differently. The world did not need COVID-19 to uncover such dynamics. They have been laid bare since at least the 2008 financial crisis. The pandemic does, however, provide another opportunity for governments to recalibrate their approaches. To do so, they will need to completely rethink how housing markets should be conceived, structured, and regulated. ■