# How Has Economic Globalization and Neoliberalism Impacted the Global Affordable Housing Crisis?

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*In the qualitative examination of global sustainability and housing affordability, research findings point to the relevance of globalization and the spread of Neoliberalism which prevent the attainment of affordable housing in both developed and developing countries across the world. Some of the most prominent barriers surrounding this issue are the methodological issues of public policy, housing development, and affordability measurement standards. The commonality between each of these evolving factors will be empirically studied and compared on an international scale to determine the various impact levels–and to identify possible solutions to the global housing crisis. In conducting this study, social stainability will be measured as the focus for the future of affordable housing development–considering the barriers that exist in assuring the affordability of 'public housing' and the stressors that currently limit effective land use planning, policy-outcomes, governmental expenditures, and measurement standards for affordability. Socially speaking, the citizens facing these impediments to their survival are struggling to meet the demands of the economy with skyrocketing inflation causing them to be excluded from their communities without reasonable alternatives–which has been found to directly affect political engagement and social well-being in the long-run. The demand for affordable housing and decent living standards is not only damaging to the future of the economy, but also to long-term health outcomes lower and middle-class communities.*

Since the mid 1970's, where worldwide trends towards marketization initially began, the commodification of the housing sector was taken over by finance–forever changing housing regimes and living standards for the future (Dewilder & De Decker, 2016). As a part of analyzing the housing affordability crisis of today's world, we must first consider the events of the past that have shaped market functionality and housing policies by comparing the longitudinal studies conducted by several scholars in different regions. Studies have shown that in the period between 1995 to 2007, housing regimes shifted across a wide range of nations across the world, including both developed and developing countries, leaving

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extreme gaps in inequality preceding the latest financial crisis–known as The Global Financial Crisis of 2008 (Rolnik, 2013). Although this event is not to blame for today's housing crisis, it is recognized as a crucial time period for which housing policies and mortgage rates skyrocketed at intense rates than ever observed in the past. This would be the turning point for housing regimes, when Neoliberalism became completely rooted in society not just by one global market failure at this point, but several. Going back to the 1980's Debt Crisis and the Early 1990's Recession, the financialization of homeownership was introduced and grew in the years leading up to the Global Financial Crisis of 2008–where housing accessibility became a crisis of its own after housing stock and governmental expenditures declined over several decades with transfers of political power that opposed welfarism (Rolnik, 2013). This would also be the progression of privatization where the rental sector became heavily relied upon to supply an adequate amount of housing units for low- and middle-income families amongst a broken economy that made homeownership inaccessible. With all of this in mind, social sustainability, environmental sustainability, and economic sustainability eventually declined in the wake of Neoliberalism– leaving the majority of the world behind with the rise of the extremely wealthy who continue to benefit from housing policies and the commercialization of communities through private lending and notorious rental rates. The research question for this literature is therefore focused on: "How has economic globalization and Neoliberalism impacted housing outcomes across the world?"

When referring to the Neoliberal perspective of this situation, many political scientists dissect this philosophy and write it off as "the root of all our problems" that anonymously threatens liberalism and social mobility (Monbiot, 2016). The main issue with the neoliberal ideology is that it tends to offer expanded freedoms in a world of capitalism, leaving behind the "losers" of society while the "winners" get to utilize welfarism as a tool to achieving their economic goals (Monbiot, 2016). Understanding the anonymity of Neoliberalism is crucial to getting to the bottom of market-based economy systems, for the fact that neoliberal policies are imposed internationally with the driving forces of globalization that enable investor-state settlements on multiple scales (Monbiot, 2016). Numerous studies have been conducted around the world on this topic, but few seem to internalize it as a new world governmental regime that dictates the framework for political thought. It can be noted that with every financial downfall that occurs, Neoliberal policies resurface and reshape the delivery of public goods and services more severely each time it occurs. As long as the Neoliberal regime remains unacknowledged– world politics will continue to be unraveled at the seams unless we start opening the dialogue between worldwide literature and political agendas to mitigate solutions towards a new regime– one step at a time.

## LITERATURE REVIEW

### The Driving Forces of Neoliberalism and Globalization

In studying the effects that neoliberalism has had on housing systems and affordability, we know that this is an emerging world-wide issue, reaching unknown extents, for the flooding amounts of news publications and the widespread politicization of housing affordability being covered in governmental campaigns such as the following: 'Lack of affordable housing threatens China's urban dream;' 'Toronto's affordable housing shortage sparks growth of illegal suburban rooming houses;' 'Los Angeles is the latest city with a housing crisis;' 'Paradise lost: the affordability crisis of San Francisco;' 'Housing affordability crisis has essential workers fleeing Sydney;' 'Auckland nears $1m average house price as experts warn of property bubble' etc. (Wetzstein, 2017). Interesting enough, it was reported that the world's largest 100 cities currently contain two-thirds of the worlds 'affordability gap,' proving that urban housing unaffordability is indeed "global in scope" (Wetzstein, 2017).

According to literature, the next global crisis is already in the making, otherwise referred to the "emergent global crisis of urban housing affordability and affordable housing provision" and is regarded as an issue that has gone heavily underrecognized (Wetzstein, 2017). Like many other scholars, Rolnik agrees that "the driving forces of globalization and neoliberalism [have caused] the withdrawal of states from the

housing sector and the implementation of policies designed to create stronger and larger market- based housing finance models" (2013). She argues that housing has ultimately become a commodity "taken over by finance" as a result of the economic boom and the shift towards marketization and privatization over several decades since the late 1900's (Rolnik, 2013). In studying longitudinal data, she found that the process of financialization has resulted in production of new market-based housing finance models where aspects such as the housing market, pension funds, private equity, construction, have been impacted (Rolnik, 2013). If the scope of government continues to become more limited than it already has, society will struggle to compete with the privatization of goods and services, the integration of housing markets with business and investment markets, the financialization of homeownership, and private landlordism. Scholars argue that "the global imposition of neoliberalism has been highly uneven both socially and geographically," resulting in the widening of the inequality gap as market mechanisms fail to provide adequate housing (Rolnik 2013). The question of how much longer neo-liberal policies can continue to deteriorate living standards, before political coalitions collaborate to form a new economic regime, is something only time can tell–and in the meantime, there is no evidence of this happening anytime soon (Rolnik, 2013).

The financialization of housing has opened public discourse on economic globalization and social sustainability in many countries across the world. It was found that the neo-liberal housing regime ultimately decreased affordability with the rapid pace of economic growth– impacting the broader sense of social sustainability for households of different income and tenure groups. Economic theorists have broken down the factors of development as a result of these trends, according to Johnson's research findings, it was explained that labor market segmentation is a huge aspect of the social divisions we are seeing–with the separation of the working class from what is referred to in literature as the "capitalist class" (2010). As neoliberalism has expanded, the capitalist class has emerged and created a market system that profits from the private investment of assets and services (Johnson, 2010). Johnson reiterates that according to the neoliberal theory, "if people have complete and total freedom, the market will become a self-regulating entity and everyone working within it will have an equal chance of social mobility," however, freedom of the market has intensified and resulted in the segregation of middle- and lower- classes with elite advantage to the housing market (2010). So, in order to accurately understand the factors of economic development that are suppressing housing accessibility and social sustainability, we must understand the global financialized regime that sits at the center of economic development. One of the main factors of economic development is "the formation of one of the largest neoliberal structures:" the World Trade Organization (Johnson, 2010). Literature has pointed to this organization as a significant source of the financialization of goods and services, as it has consistently increased "trade agreements in relation to the emergence of neoliberal policies" since the 1980's which is when the housing crisis initially began (Johnson, 2010). Johnson argues that the combination of free trade and financial institutions ran by wealthy elites has caused foreign investors to plunge into the national markets of developed and developing countries, causing the consolidation of capital and the weakening of purchasing power by the working class to own assets (2010).

## Transformation of Homeownership and the Rental Sector

With the emergence of homeownership and the rapid advancement of the economy in the

20th century, the rental sector is no longer a backbone for welfarism and low-income groups (especially those aged under 30). Evidence has shown that younger groups are often excluded in housing allocation systems and social housing benefits due to the Neoliberalization of welfarism and rapidly growing economies. More specifically, recent data has demonstrated that the 18-30 group has been described as the 'lost generation' as they have become the most dependent group to rely on the private rental sector for housing alternatives–and as a result, there has been a rapid decline in overall homeownership rates across the world (McKee, 2012). This issue is otherwise referred to in Europe as the 'generational rent' crisis, for the driving demand that young people have had on the private rental sector as a result of being pushed away from public housing opportunities (McKee, 2012). Mckee compares several cohort studies (for those aged under 30) across the globe to determine homeownership rates in welfare regimes, along with researching literature on various housing policies and benefit distribution amongst younger and older populations (2012). International data trends showed that "the majority of young households are now delaying homeownership until well into their thirties," not only because of expensive housing and rental prices–but also because of restricted access to welfare benefits, increases in debt, rising unemployment and income inequality, extensions in their educational careers, etc. (McKee, 2012). What we are seeing instead is that younger groups tend to avoid such high housing costs by rooming with others, living with parents longer, or renting out rooms from private owners. With all of this said, McKee refocuses his research to understand the complexities of homeownership by studying the reconfiguration of welfarism with Neoliberalization; in doing this, he determines that governments have adopted the asset-based welfare model which is essentially "a social contract between the state and its citizens" to compensate to compensate for financial pressures with the ageing out of larger populations (2012). In this new model, states are gradually decentralizing welfare support as a trade-off with rising house prices to compensate for the ageing populations retirement income (2012). As for younger people, states are relying on family-based inheritance to aid them in purchasing homes, which is seemingly unrealistic to depend on considering the all-around affordability crisis that low- and middle-class households are dealing with at the same time here. The reality of this generational divide is that the 'baby boomer generation' has long benefited from historical housing and welfare policies, and that its time for states to reconfigure existing policies to mediate intra-generational inequalities (McKee, 2012). Mckee considers that the older generation has long benefited from these outdated policies without "paying the true cost for the resources they use nor pay the fair amount of tax for the economic gains they have made" (2012).

From a different perspective, Steffen Wetzstein continues the conversation on the global housing affordability crisis and the emergence of Neoliberalism (2017). He brings attention to the fact that it has caused a shift in economic management where governance is now performed "at a distance" while public spending cuts have decentralized the capacity for governments to intervene or regulate housing markets (2017). His research question focuses on the causes and effects of the global affordable housing crisis by applying problem-solution frameworks for mitigating the effects of fiscal austerity and private investment (Wetzstein, 2017). In similar discussions from older literature, the effects of globalization initially opened up public discourse on "Three kinds of economic interactions [that increased [affordability] substantially in past decades: merchandise trade flows, foreign direct investment, and cross-border financial investments" (Kotz, 2000). Wetzstein adds that neoliberalism has synchronized with the global market and claims that human survival has transformed to the privatization of goods and services, the commercialization of housing, and the financialization of society in general.

Moreover, he adds that strategies for affordability need to consider the relationship between political institutions and the economy as they both seek to achieve neoliberal ends (Wetzstein, 2017). In development of this literature, he claims that the policy-outcome gap reflects inefficient political strategies and the 'reimagining' of housing outcomes (Wetzstein, 2017). As a part of this approach, he suggests that academic contributions must acknowledge "gaps in international literatures," and that researchers must "come to terms with [the] profound complexities, overall constraints, unavoidable contradictions and difficult trade-offs policy makers face in their daily work" when singling out the need for policy reform (Wetzstein, 2017). Instead, researchers can work on mobilizing existing policies by addressing issues such as inclusionary zoning, private landlordism, foreign investment, delayed housing development, etc.

(Wetzstein, 2017). In retrospect, public policy and affordability discourse should come from a 'methodological standpoint,' where qualitative and quantitative contexts are equally prioritized in comparing housing systems, structures, and systems across the globe over a given amount of time rather than just singling out the quantitative factors of policy issues (Wetzstein, 2017). By studying the similarities of various literatures on housing affordability and the effects of market strategies, Wetzstein outlines his own framework for resolving critical barriers by recommending governmental practices that center the urban context with empirical and conceptual concerns of housing affordability–in effort to correct distant governance and blind spots in the political economy (2017). The dimensions of this approach could potentially be a major step in tackling this growing crisis, as it considers key issues such as: housing tenures and systems, capital gain and return on foreign investment, residential capitalism and gentrification, political strategies for improving infrastructure and land prices, the role of political participation and lobbying, etc. (Wetzstein, 2017).

## Emergence of the Investor Scheme and Neo-liberal Policies

As the restructuring of the rental sector has progressed, loopholes in policy reforms have surfaced and created new avenues for foreign investors and elite members of society to take over housing markets. Going back to the article, Undermining housing affordability for New York's low-income households: The role of policy reform and rental sector restructuring, Kadi and

Ronald argue that "the neo-liberal restructuring of the city's rental market" is decreasing housing affordability through a series of policy reforms that is resulting in the gentrification of low- income communities (2016). As a part of the centralized national support that was once provided in New York for this case study, it was found that housing shortages were previously addressed with the use of retributive programs and rental control regulations that would require costs not to exceed 25% of a tenant's income in order to ensure a wider range of housing outcomes (Kadi & Ronald, 2016). Any attempts to correct inflation were initially made by governments to endorse the construction and private investment of hundreds of thousands of housing units on the basis that they would subject to rent control–but what we saw instead was that inflation occurred at the expense of relaxed rental laws that ultimately allowed private investors to raise rental costs in attempt to compete with the housing market. Alongside this issue with housing shortages was the introduction of regulation-based policies that occurred similarly across various countries in the world that would enable the "routine" maintenance of low-cost housing facilities in effort to improve living standards and housing quality in low-income neighborhoods (Adabre et al. 2020). In studying previous literatures, scholars debated whether the poor maintenance and abandonment of housing facilities would eventually create a domino effect, where income segregation would emerge and confine low-income earners to extremely poor neighborhoods with little resources and unfit living standards (Adabre et al. 2020). As time progressed, this was indeed true–and regulation-based policies were adopted as a remedy to improve gentrification outcomes. This issue with this, however, is that the renovation of housing became a targeted strategy for real estate agents to either buy and resell/ rent housing at higher costs or to completely remodel rental units, which once again pressured middle- and low- income households to keep up with market competition. Dewilde & De Decker's literature add to this argument in stating that "the declining affordability for low-income owners and private renters in more financialized housing regimes has furthermore not been compensated by improved housing condition" (2016). The consequences of this new 'financialized' housing regime demonstrates that low-income individuals are the most affected group enduring the impacts of the affordability crisis with the increasing demand for property ownership and investment in the rental sector.

Evidence shows that as a part of this rising demand, "Monetary policies before and after the economic crisis [are]mainly focused on keeping the economy and housing markets going," which explains the barriers we are seeing with affordability. Single and multi-family households are now being dominated by the real estate market and investors as they are being renovated and turned over to the rental sector for profit. Realistically speaking, this process is resulting in the gentrification of low-income groups with the remodeling of neighborhood and housing standards that they can no longer afford.

Diving deeper into the implications of monetary policies and the demand for homeownership, it was found that housing assets have become integral to asset-based income as a form of market investment (ABI) (following the financial crisis of 2008). Although it remains as an important support system for securing retirement incomes, the emergence of private landlordism is shifting the original intent of ownership ideologies (Prabhakar, 2019). Qualitative research has shown that the investor-subject approach has caused inflation in the private rental sector and is increasingly limiting access to ownership for first time buyers (Prahbakar, 2019). In the article, A house divided: asset-based welfare and housing asset-based welfare, Prabhakar creates dialogue with Wetzstein in suggesting that the creation of an egalitarian property-owning democracy that would potentially 'reimagine' housing systems away from Neoliberalism. In approaching this new method, Prabhakar calls for the 'reshaping' of home ownership ideologies that have historically encouraged neo-liberal motives by suggesting alternatives to issues such as housing equity stakes and the dominance of private landlordism (2019). The key issue with this approach is that housing as a form of investment has caused homeownership to shift from being a consumption good to an investment tool that can raise credit scores and produce steady income (Prabhakar, 2019). This concept poses the divide on "the ideology of owner-occupation and property ownership" since landlords have shifted their motives in utilizing property as an asset strategy to increase capital gains rather than allowing it to secure retirement for the common good (Prabhakar, 2019). Asset-based welfare (ABW) with an emphasis on the investor-subject has demonstrated that the promotion of assets collides with the purpose of these social policies to reduce poverty in this first place. Alternatives to private landlordism have been discussed in this literature with ideas such as the revision of savings schemes for tenants, cost-reduction schemes on costs of living, policy agendas that promote shared ownership, etc. (Prabhakar, 2019).

Although each of these ideas come with their own literature and concentrations on policy, they are mainly discussed as open doors for developing new avenues to ownership and enhancing financial wealth.

## Decline of Government Expenditures and Public Housing Programs

With all of this in mind, market advancements have seemingly encouraged the imbalance of the housing market creating the mass urgency for policy and rental sector reform as governmental expenditures decline. A prime real-world example of this would be the situation with New York's position on housing affordability and how their policy reforms have evolved over time with reductions in federal and state expenditure, public programs, and housing supply (Kadi

& Ronald, 2016). In the article, Undermining housing affordability for New York's low-income households: The role of policy reform and rental sector restructuring, Kadi and Roland found that "[although] public programs, rent controls and subsidy schemes have not resolved New York's historic and long-standing housing crisis, they have been important in dampening the housing problems of low-income [earners]" (2016). In surveying the impacts major policy reforms have had on community members in the rental sector, it was found that while inexpensive housing is decreasing across the city, redistributive housing programs are being heavily relied upon to accommodate low-income earners in absence of funding and the resources that state governments once aided local governments with (Kadi & Ronald, 2016). The root of this issue goes back to the idea of governments managing 'at a distance' in neo-liberal regimes, where the continuous reduction of state and federal funding is causing the decentralization of housing regulation. The significance of investigating small-scale studies such as with New York is that it gives an in-depth, qualitative understanding of how globalization and the spread of neoliberalism looks from the inside of these case studies to better contrast the factors of affordability. As a result, it was observed that local-level efforts to combat inflation have had little-to-no improvement on housing problems, demonstrating that housing outcomes are indeed a large-scale issue that must be addressed at the national and international level (Kadi & Ronald, 2016). Moreover, what scholars have learned is that "the neo-liberal restructuring of [the] rental sector" has reduced affordability over decades of policy reforms and the restructuring of the rental sector to be open to markets for commodification. One of the most urgent threats to social sustainability that has arisen from this is the gentrification of communities with the emergence of investors in housing markets of both the public and private sector (Kadi & Ronald, 2016).

In development of these longitudinal studies, scholars have been able to compare federal, state, and local trends (in the United States) between the mid- to late- 1900's and the years preceding the Global Financial Crisis of 2008, scholars were able to determine that "federal expenditures [for public funding] declined from $31.5 billion to $6 billion" over the years up until the approximate year of 2013 (Kadi & Ronald, 2016). The qualitative research behind this evidence has therefore helped researchers to better understand the small, yet urgent impacts that the neoliberalism has had as it progressively spreads across entire countries and mass geographical areas. This reflects the 'larger issue' at play with the affordable housing crisis at the local-level, where efforts to reduce the effects of inflation, by local governments and organizations, have ultimately had little-to-no impact on the housing crisis due to the limited capacity they have to support their communities or come up with alternatives to unaffordable housing (Kadi & Ronald, 2016). In sum, it could be concluded that the buildup of policy and housing reform over this long period of time has been in a continuous downfall following each financial crisis that has occurred which has eventually enabled the neo-liberal housing regime to prosper at the failed margins of society.

## Market-Based Development and Productivity

As a result of the commodification of housing, public discourse has identified a series of methodological issues of public policy and housing development such as: lack of government intervention, land use regulations and planning systems, high development costs, rent control policies, regulation-based policies, etc.–all of which led to the overall inflation and poor development of housing systems (2020). According to international perspectives on housing development, planning systems play a huge role in the emergence of affordability (Paris, 2007). In determining the extent to which planning can increase the supply of affordable housing, Paris argues that although 'affordability' is an easy concept to explain, it can be difficult when put into practice–especially when considering the dynamics of different countries and the everchanging circumstances of individuals and households over time (Paris 2007). What he does explain, however, is the ways that states can influence housing provisions with the land-use planning and regulations. He compares and contrasts different perspectives on planning and public policy and finds that lack of government oversight or intervention in housing systems is causing higher development costs without sufficient funding or regulation of land ownership. Between land-use restrictions and the surge of private or foreign investment in property and land ownership, housing is being used as both a consumption good and investment (otherwise known as the market-dominance model) and is causing a surge in housing prices (Adabre et al., 2020). In the article, Housing productivity and the social cost of land-use restrictions, Albouy and Ehrlich study the factors of high development costs by measuring "metro-level variation in land and structural input prices to test and estimate a housing cost function with differences in local housing productivity" (2018). In doing this, they to expand their estimations to the reality of land use-restrictions and housing productivity as factors of high housing prices. The results of the cost function demonstrate that "land typically accounts for one-third of housing costs" with variation in elasticity to be below one–proving that "regulatory land-use restrictions and geographical constraints raise the cost of housing relative to input prices, meaning that they lower housing productivity" (Albouy & Ehrlich, 2018). In estimating a 'cost function' for housing using the United States as the case study, "variation in land values, construction prices, and regulatory and geographic restriction" were all considered in studying large inter-metropolitan areas to determine the effects of land-use restrictions on housing costs (Albouy & Ehrlich, 2018) The results of this study showed that land costs across the United States vary from "6 to 50% across

U.S. metro areas" with fluctuations in land regulations; which is also reflective of fluctuations in land prices for housing supply depending on the given area (Albouy & Ehrlich, 2018). Therefore, depending on the city an individual chooses to live in, housing productivity may or may not be beneficial for accessing affordability if stricter land regulations are enforced–where housing supply is the barrier to meeting the demands of society. In abstract of their estimations, they claim that the "disaggregated analysis of regulations finds [that] state-level restrictions are costlier than local ones;" and as a result of this, they determine that the social costs of land-use restrictions diminish any 'quality-of-life benefits' as a trade-off to housing costs (Albouy & Ehrlich, 2018). Altogether, this literature implies that "the typical land-use regulation in the United States reduces well-being by making housing production less efficient and housing consumption less affordable" (Albouy & Ehrlich, 2018). Any other outside factors that inhibited welfare benefits or affordable housing prices were in the context of political inefficiency on the basis that "community insiders," or existing property owners and renters, have the ability to influence policies and regulations by voting on local measures–which ultimately impacts 'outsiders' who intend on migrating to the area (Albouy & Ehrlich, 2018). Their conclusions go back to methodological issues of public policy, where they claim that policy reform still has the potential to reduce wealth inequality by revising the regulations that come with land-use and construction across metro areas (Albouy & Ehrlich, 2018).

Some of the most impactful barriers we are dealing with in housing development are the market-friendly interventions that have caused housing bubble risks–that prioritizes real estate demand over housing supply. With rising skepticism and local community debates on increasing housing supply, evidence has shown that the effects of land-use regulations are only being furthered preventing housing demands from being met (Been et al., 2019). Many homeowners are against local housing construction because they believe it will only reduce the benefits that they receive from high housing prices; in addition to renters who believe that it will raise rent prices (Been et al., 2019). The argument that this literature offers is that economically speaking, as for the construction of 'affordable housing' or low-income housing units, it was found that advocates and community members tend to defend the "traditional not-in-my-backyard concerns" which leaves an overall opposition to housing development on both sides of the conversation (Been et al., 2019). This explains the push towards building affordable housing away from metro areas to maintain the 'looks' of a city and maintain competitive markets for asset-based investors–which is argued by many scholars as an unsuccessful trade off that burden low- and middle-income earners with a series of non-housing costs that come with it. With all of this in mind, Been and others refocus the argument by bridging "the divide between the arguments made by supply skeptics and what research has shown about housing supply and its effect on affordability" from a professional standpoint that will open opportunity for new policies and better land-use regulations (2019). After studying a collection of empirical studies on land-use regulations, it was found that "less restrictive land-use regulation is associated with lower prices" (Been et al., 2019) In addition to their findings, they comparatively reported that "a large number of cross-sectional studies show that stricter (less strict) local land-use regulations are associated with less (more) new construction and higher (lower) prices" (Been et al., 2019). Using California as an example, in San Francisco, research demonstrates that the most prominent issues interfering with land-usage included "approvals needed to obtain permits [and] zoning changes" which increased land costs as an underlier to higher housing prices (Been et al., 2019). On the other hand, in England for example, it was found that demands in labor are also the result of residential construction shortages causing higher housing prices–demonstrating a different perspective for supply shortages (Been et al., 2019). Commonality (in housing shortages) between each of these metropolitan areas pointed to the normal rules of supply and demand, which are often ignored by skeptics in failing to understand the specifics of housing research for any geographical area–otherwise known as blind spots. Been and others bring this literature in full circle by acknowledging situations where land is scarce and cannot otherwise be used for new construction (2019). As a part of this, they found that "programs like mandatory affordable housing can ensure that developments using land for market-rate housing also include some affordable housing, although no inclusionary program imposes requirements as high as 50% of the units" (Been et al., 2019). The only way that increasing housing supply will be successful in regulating affordability is if "housing that is [built will be] truly affordable to low-income and working-class people" and not as luxurious homes that will only be accessible to high-income earners (Been et al., 2019).

## Theoretical Counterarguments to Housing Development

Contrasting views against increasing land supply were also taken into account and were addressed in the article, Supply Skepticism: Housing Supply and Affordability, where been and others break down the logic of supply and demand to bridge the gap between public skepticism and housing affordability (2019). They attempt to achieve this by thoroughly explaining that while an increase in housing demand occurs, an increase in housing supply must be met to ensure affordable housing outcomes and accessibility; and if the number of housing units is insufficient to accommodate a population size or its growth, demand will suffer at the cost of scarcity which explains rising inflation (Been et al., 2019). Moreover, they expand this argument in the following statement from the text:

> Some skeptics argue that even if additional supply could help make housing more affordable in the short run, it won't in the long run because the additional supply will induce more demand, especially among buyers or renters wealthier than the existing residents in the neighborhood (Redmond, 2015). The claim is analogous to the argument that building more highways will not reduce congestion because the lower cost of travel will simply cause more people to drive

> or to take that particular route (Gorham, 2009). […] Although building additional highways does appear to induce more demand (Duranton & Turner, 2011), in the case of housing, additional demand is unlikely to completely offset the new supply. Such an offset requires demand curves to be perfectly elastic […]. In this case, the argument is that by making the jurisdiction more affordable, adding housing supply will attract new demand—both from current residents who would otherwise leave, and from people living elsewhere who will now choose to move to the jurisdiction. Any additional demand induced by new housing is limited by personal and economic constraints on the ability and willingness of households to move, restrictions on immigration, and uncertainty and other factors that might inhibit renters and buyers from renting or buying in the market in which housing supply increases. […] Thus, in the long run, whereas some additional households may be drawn from outside (or from within the city) to buy or rent homes as supply increases, it is highly unlikely that prices will end up at the same level that they would have reached absent any new supply. (Been et al., 2019)

To conclude this analysis, it could be otherwise noted that any skepticism on increasing housing supply in relation to property values would be inconclusive according to a series of interpretations and calculations conducted on the cost function of housing (Been et al., 2019).

The relationship between housing supply and affordability does not explain this argument considering the logic entailed in supply-side economics–where increase in demand is complimented by an increase in supply in order to translate economic growth correctly (Been et al., 2019). In the case that housing is short of demand, house prices would seemingly inflate beyond its original value until residential construction is balanced with population size (as we've begun to see in today's housing market). Although this would not be harmful to property values for existing homeowners, it would limit returns on equity and commercial investment–that is, until demand rises above supply with continuous population growths. Unless we are specifically discussing the supply of low-income housing or welfare housing, this argument would still thrive by considering the long-term implications that increased housing accessibility would have on the economy and social sustainability–by opening up housing options that would match the growing diversities of the population in a time period where affordable options are inaccessible to first time buyers. If housing costs continue to rise unevenly, there will be an instability of national housing systems if governments are not involved in land use planning systems and regulations– especially in countries where immigration is high.

## METHODOLOGY

This paper aims to demonstrate how economic globalization and Neoliberalism have impacted housing outcomes across the world amidst the Global Affordable Housing Crisis. By combining various qualitative data from worldwide literature over longitudinal research studies, this paper has conducted a unique data analysis that considers some of the most prominent case studies that have influenced globalization and the emergence of the neo-liberal regime with the adoption of free-market strategies–especially that of industrialized countries. By way of comparing and contrasting, external case studies will be analyzed for similar trends in affordability to better support qualitative arguments for mitigating solutions to identify gaps in literature surrounding this topic. If we are to understand the dynamic context of the single issue, The Global Affordable Housing Crisis, this research design has used mixed methodology methods that relies on both empirical and theoretical data to make connections between broader observations in respect to global flows of commodities and foreign investment. As a result, qualitative issues of housing systems will be expanded by explaining the theoretical position of globalization and neoliberalism to advance the implications of different housing outcomes.

Reoccurring topics and themes that have occurred across this paper have included key issues such as social sustainability, economic sustainability, affordability measurements and standards, and financialization. The conducted data analysis will primarily focus on the United Kingdom and the United States as the two most influential nations who have been deeply rooted neo- liberal, financialized housing regimes because of mass globalization. In part this analysis, economic development will be discussed as the independent variable with housing affordability as the dependent variable. Further discussions and results of this study will attempt to explain the causes and effects of the Global Affordable Housing Crisis with neoliberal capitalism leading the way for interpretation and integrated analysis.

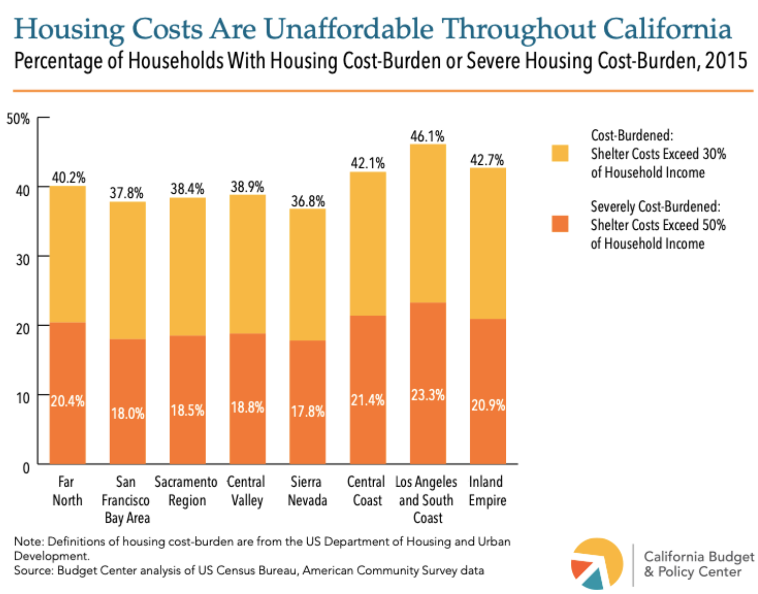
## DATA ANALYSIS

### Housing Costs and Affordability Measures (In the United States: Case Study #1)

In studying the United States for one of the Case Studies of this research paper, it was found that the inadequacy of affordable housing negatively affects social sustainability since it tends to exclude people from communities when prices are too high (2020). Without a community sense of belonging, aspects of negative culture will arise and begin to reduce active citizen participation in the social, economic, and political activities of an economy (Adabre et al. 2020). According to the research conducted by Adabre and others, the US Department of Housing and Urban development reported that “A [general] rule-of-thumb for affordable housing is that low-income households would spend no more than 30% of their income on housing,” yet it has been demonstrated that the opposite is true with the current rates in California (2020).

Based on the charts from Figure 1, households have been cost-burdened of their incomes for housing at more than 30%, and others have been severely cost-burdened exceeding 50% of their incomes. (Kimberlin 2017). This shows that economic development in the United States is causing income levels to adjust unevenly with the marketplace which serves to be either impeding of–or aligning with the economy. Padley and

### Figure 1: Housing Costs in California




*Source: Kimberlin, S. (2017). Poverty and Housing Costs in California: Data and Policy Solutions. California Budget & Policy Center* others argue that in measuring 'affordability' costs, we must consider residual income to appropriately assess the growing inequalities across the globe and improve the adequacy of income ratios (2019).

### Housing Costs and Affordability Measures (In the United Kingdom: Case Study #2)

In studying variations of literature on excessive housing costs in the England, researchers identified 'unaffordability' as the basis for whether an individual's situation is measured as temporary or transitional (Bramley, 2012). This is a significant tool for indicating whether affordability problems will persist or even increase for the fact that these alternatives may lead to homelessness, negative credit ratings, financial exclusion or debt, and material hardships such as poverty, social exclusion, and medical hardship. Through the assessment of logistic regression models on situational survey responses, residual income ratio measures, and official poverty measures, we would be able to identify the main drivers of affordability problems as a method for validating the measurement standards of affordability (Bramley, 2012). Bramley develops this approach by applying various ratio measures to the survey responses of individuals facing hardship in order to determine the accuracy and intensity of certain affordability problems that drive England's housing crisis (2012). Bramley concludes that although there is no match between the results of each measure, it was observed that affordability problems are not purely transitional and are in fact an impact on other aspects of life that does not exclusively include housing costs (2012).

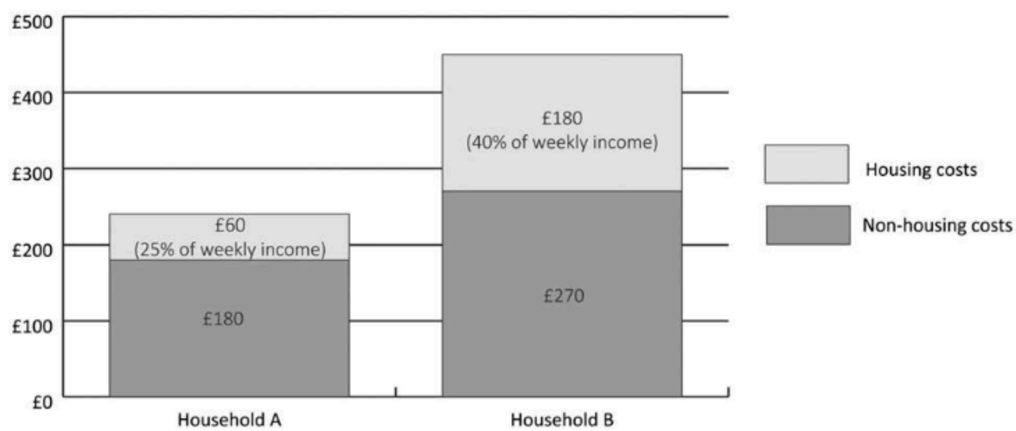
In comparing the United Kingdom's rates of inequity to other wide-scale literature, scholars determined that "there is little consistency across countries in what is included in 'housing costs,' which draws the urgent need to reassess affordability definitions and standards (Padley et al., 2019). Recent data shows that as of April of 2017, "the average price of a property was thirteen times median gross annual earnings for full-time workers in London and seven and a half times outside London" (Padley et al., 2019). When compared to the price of rental units in the private rental sector (PRS), it was found that London residents spent "an average of 54 per cent of household income (excluding housing benefit) on rent, while outside London those in the PRS were spending an average of 38 per cent" (Padley et al., 2019). According to the Cambridge Centre for Housing and Planning Research, if we are using residual income criteria to determine affordability, then it would be fair to suggest "that a property was affordable to a household if it required them to spend no more than 35 per cent of their gross income on rent and left them with a residual income above 120 per cent of the applicable Income Support level" (Padley et al., 2019). In analyzing the extent to which affordability problems in the United Kingdom have led to adverse housing need outcomes or material hardship outcomes, it was found that the most common experiences with affordability issues reflect the inability to make full or timely payments, a reduction in overall living standards, and means for financial exclusion (Bramley, 2012) Furthermore, Conclusively, survey datasets demonstrated that self-reported payment problems for affording rent or housing costs seem to be reflective of poor measurement indexes in defining the means for what household can or can't afford on the basis that they are expected to contribute 25-50% of their income on housing as the norm for this region (Bramley, 2012). The contradiction of this, however, is that the ability for households to pay even "30 per cent of a low income may be less 'affordable' than 40 per cent of a high income because 60 per cent out of a high income" is underestimated for the external housing costs that households have to pay in compensating for low quality housing and living standards (Paris, 2007) If housing costs continue to be inflexible with measurement standards, the United Kingdom may be headed towards a greater financial crisis than they originally planned for in losing sight of inaccurate measurement methods. In development of 25-50% index for this case study, contributions from academic studies have created a visual illustration of what this index looks like on two different income groups (Padley et al., 2019). In Figure 2, it was demonstrated that ratios of housing costs to income are inaccurate when comparing two households of different income groups (Padley et al., 2019) As we can see in Household A, where total income and housing costs are lower than that of Household B, typical rule-of-thumb measures would imply that Household B would deal with more housing affordability issues for the larger proportion of costs they are expected to pay with higher earnings (Padley et al., 2019). However, the latter is true, where 25% of a household's weekly income on housing costs is blown out of proportion with that of non-housing costs–leaving them no 'leftover' income at all (Padley et al., 2019).

## RESULTS

### Social Sustainability and Housing Development (In the United States: Case Study #1)

According to qualitative data on housing affordability, it was found that the most prominent barrier to housing affordability is lack of government oversight or intervention in housing systems is causing higher development costs without sufficient funding or regulation of land ownership. Between land-use restrictions and the surge of private or foreign investment in property and land ownership, housing is being used as both a consumption good and investment (otherwise known as the market-dominance model) and is causing a surge in housing prices (Adabre et al., 2020). Albouy and Ehrlich studied the factors of high development costs by measuring "metro-level variation in land and structural input prices to test and estimate a housing cost function with differences in local housing productivity" (2018). The results of the cost function demonstrate that "land typically accounts for one-third of housing costs" with variation in elasticity to be below one–proving that "regulatory land-use restrictions and geographical constraints raise the cost of housing relative to input prices, meaning that they lower housing productivity" (Albouy & Ehrlich, 2018). In estimating a 'cost function' for housing using the United States as the case study, "variation in land values, construction prices, and regulatory and geographic restriction" were all considered in studying large inter-metropolitan areas to determine the effects of land-use restrictions on housing costs (Albouy & Ehrlich, 2018)

## Figure 2: Ratios of Housing Costs to Income




Padley, Marshall, L., & Valadez-Martinez, L. (2019). Defining and measuring housing affordability using the Minimum Income Standard

*Source: Padley, Marshall, L., & Valadez-Martinez, L. (2019). Defining and measuring housing affordability using the Minimum Income Standard*

The results of this study showed that land costs across the United States vary from "6 to 50% across

U.S. metro areas" with fluctuations in land regulations; which is also reflective of fluctuations in land prices for housing supply depending on the given area (Albouy & Ehrlich, 2018). Therefore, depending on the city an individual chooses to live in, housing productivity may or may not be beneficial for accessing affordability if stricter land regulations are enforced–where housing supply is the barrier to meeting the demands of society. In abstract of their estimations, they claim that the "disaggregated analysis of regulations finds [that] state-level restrictions are costlier than local ones;" and as a result of this, they determine that the social costs of land-use restrictions diminish any 'quality-of-life benefits' as a trade-off to housing costs (Albouy & Ehrlich, 2018). Altogether, this literature implies that "the typical land-use regulation in the United States reduces well-being by making housing production less efficient and housing consumption less affordable" (Albouy & Ehrlich, 2018). Any other outside factors that inhibited welfare benefits or affordable housing prices were in the context of political inefficiency on the basis that "community insiders," or existing property owners and renters, have the ability to influence policies and regulations by voting on local measures–which ultimately impacts 'outsiders' who intend on migrating to the area (Albouy & Ehrlich, 2018).

### Social Sustainability and Housing Development (In the United Kingdom: Case #2)

As for the second case study in this research paper, it was found that literature on affordable housing development has referred to the implications of post-war policies in the United Kingdom; but for this case study, we have seen theoretical housing provisions shift 'from need to affordability' where "'the rationale for government intervention has changed' as rising incomes and public policies have shifted the emphasis of housing policy" (Paris, 2007). As the growing interest towards affordability emerges, we have seen the 'rejuvenation' of public policy in England and Ireland to favor the private rental sector and to increase homeownership rates–as these countries have recently seen a decline in homeownership rates (Paris, 2007). Literature has also acknowledged that although the United Kingdom has collaboratively worked to ensure affordability with the reconstruction of subsidy systems and the application of non-profit housing systems–statistics have not significantly changed affordability rates since this geographic area has been subject to mass migration which has caused a higher demand to increase housing supply and resource outputs (Paris, 2007).

## CONCLUSION

### Success Factors for Sustainable Housing Affordability

Whether housing is rented or purchased, households are overburdened having to reduce the standards of living they abide by on a regular basis or endure 'trade-offs' such as access to better education, health care, housing quality and size, and other social amenities (Adabre & Chan, 2019). In assessing the standards that outline affordable housing projects, literature points to sustainable development as the "main measurement of success;" which can be defined as the attainment of economic, environmental, and social goals (Adabre & Chan, 2019). If we incentivize each of these goals using CSFs, project success rates must be analyzed (in terms of cost, schedule, quality, safety and satisfaction of project participants) in order to guarantee future sustainability and the efficient use of resources (Adabre & Chan, 2019). In the early stages of the decline in affordable housing and wealth distribution, statistics have shown that the global stress of low-income earners is causing the percentage of homelessness to rise (Adabre & Chan, 2019).

In the growing literature that assesses critical success factors (CSFs) for sustainable affordable housing, policy makers are beginning to employ "various sets of success factors (interventions) in their housing policies" across the world (Adabre & Chan, 2019). Success factors were individually studied and assessed to determine the effectiveness and efficiency of affordable housing projects and policies (Adabre & Chan, 2019). As a result of this study, they created a list of success factors for sustainable affordable housing, as seen in Figure 3, which outlines the top 30 critical success factors (CSFs) that proved to be efficient and ready for policy makers to implement in the near future (Adabre & Chan, 2019).

### Multiple Critirea Decision Making Model (MCDM)

The large majority of affordability literature argues that current measurement standards are outdated and need to be updated, claiming that the classic 'rule of thumb' that compares a portion of income to housing costs is outdated and sourced from the 19th century (Mulliner et al., 2013). Instead, they suggest that housing quality must also be assessed to accurately account for other housing costs outside of mortgages and rent to accommodate such standards. As a result of public discourse, the introduction of new measurement method, the "multiple criteria decision making" (MCDM), which has emerged in academic research (Mulliner et al., 2013). Not only was this method

## Figure 3: Success Factors

**Table 1**
**List of success factors (SFs) for sustainable affordable housing market.**

| Code | Success Factors | References |
|---|---|---|
| SF01 | Access to low interest housing loan to developers | [41,53] |
| SF02 | Mixed land development | [54] |
| SF03 | Linking commercial development approval to funding for affordable housing | [48,55] |
| SF04 | Stable macro-economic system | [41] |
| SF05 | Effective private sector participation | [41,56] |
| SF06 | Incentives for developers to include affordable housing/ sustainable designs | [57–59] |
| SF07 | Governments providing guarantees to developers | [41] |
| SF08 | Improved supply of low cost developed land by government | [14,60] |
| SF09 | Political will and commitment to affordable housing | [29,42] |
| SF10 | Stable political system | [41,61] |
| SF11 | Formulation of sound housing policies | [56] |
| SF12 | Governments' provision of housing subsidies to households | [46,56] |
| SF13 | Good location for housing projects | [42] |
| SF14 | Adequate accessibility to social amenities | [29,54] |
| SF15 | Mandatory inclusion of affordable unit policy in developer's projects | [57] |
| SF16 | Adaptable housing design and construction | [62] |
| SF17 | Transparency in housing allocation | [42] |
| SF18 | Adequate maintenance of existing houses | [54] |
| SF19 | Monitoring conditions/performance of completed houses | [63] |
| SF20 | High density affordable housing development | [54,64] |
| SF21 | Increase tax rate to discourage long holding period of vacant land | [11] |
| SF22 | Adequate infrastructure supply by government | [29] |
| SF23 | Compliance with quality targets | [29] |
| SF24 | Adherence to project schedule | [42] |
| SF25 | Compliance with project budget | [42] |
| SF26 | Good coordination among project participants | [33] |
| SF27 | Sufficient staffing of public housing agencies | [42,48] |
| SF28 | Speculative measures on property sales through taxes | [65] |
| SF29 | Taxation on property or capital gains for housing supply | [11,48] |
| SF30 | Time limited planning approval/bonuses on land development | [31] |

*Source: Adabre, & Chan, A. P. . (2019). Critical success factors (CSFs) for sustainable affordable housing* developed by academic scholars who study wide-scale international housing outcomes, but it was also applied as an empirical experiment that tested all variables of input and output in order to guarantee consistency and accuracy (Mulliner et al.,2 013). An example of case study that was used to test the accuracy of MCDM methods was the assessment of affordability in Liverpool, England that used several different criteria that considered each of the following: income ratios, distance to employment opportunities, average income percentage spent on rent in the region, employment deprivation, and crime statistics. In sum, each of these calculations were best applicable using the COPRAS method that allowed for a single assessment of positive and negative criteria, qualitative and quantitative factors, and a list of reasonable alternatives. By breaking down qualitative aspects, individual housing units were appropriately examined and assessed–instead of relying on the comparison between income ratios and housing costs. In considering the fact that globalization has increasingly pressured states to mitigate their own alternatives to housing costs without the appropriate resources to do so–the MCDM method would offer realistic standards and therefore solutions to issues such as to housing costs, business investments, government incentives, first time home buyers, etc. The main argument for adopting a newer method is that literature has demonstrated the need for interpretations of what affordability looks like "in order to increase quality of life and community sustainability, the environmental and social sustainability" (Mulliner et al., 2019).

## Summary of Findings

In the qualitative examination of global sustainability and housing affordability, this research paper has aimed to identify the effects of globalization and the spread of Neoliberalism on an international scale. The most prevalent arguments surrounding the Global Housing Crisis pointed to the combination of methodological issues with public policy, housing development and productivity, transformation of the rental sector, investor schemes etc.– especially with affordability measurement standards. Each of these evolving factors were empirically studied using qualitative research methods that combined worldwide academic literature in effort to understand the dynamic context of unaffordability. As a result of this data, social stainability was used as the driving factor for defining affordability and considered various aspects of financial hardship in order to produce critical success factors and new measurement methodologies. By using the theoretical position of Neoliberalism and economic globalization, the implications of stressful housing outcomes were able to be expanded to affordability literature in the empirical context. In answering the thesis question of this paper, "How has economic globalization and Neoliberalism impacted the Global Affordable Housing Crisis," it could be concluded that they have most predominantly caused the 'transformation of homeownership and the rental sector,' 'emergence of the investor scheme and neo-liberal policies,' 'decline of government expenditures and public housing programs,' and 'market-based development and productivity,' and the decline in social sustainability altogether.

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