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Lisa Adkins, Melinda Cooper and Martijn Konings, *The Asset Economy*, Cambridge: Polity, 2020. ISBN: 978-1-509-54345-8 (cloth); ISBN: 978-1-509-54346-5 (paper); ISBN: 978-1-509-54347-2 (ebook)

In May 2021, the average price for a single-family home in the United States soared to $350,000 – a mind-boggling and pocket-draining 23.6% higher than the year before. Prices across global housing markets climbed to similarly astonishing heights (Financial Times 2021). Glenn Kelman, CEO of real estate brokerage firm Redfin, tweeted: "It has been hard to convey, through anecdote or data, how bizarre the US housing market has become. For example, a Bethesda, Maryland homebuyer working with @Redfin included in her written offer a pledge to name her first-born child after the seller. She lost."[1] As reports proliferate that potential homeowners routinely waive pre-purchase inspections and show up with all-cash offers that exceed the already ballooned asking price by upwards of $100,000, everyone wants to know what is driving the high cost of housing?

Urban and "mainstream" economists like to beat the consummate dead horses to explain the high cost of housing: zoning, NIMBYs, and local government (Thompson 2021). Others blame low inventory (The New York Times 2021a).

While pundits and analysts stumble over themselves to explain the seemingly inexplicable, sociologists Lisa Adkins, Melinda Cooper and Martijn Konings offer a straightforward answer. In their 2020 book, *The Asset Economy*, Adkins et al. argue that high housing prices are hallmarks of a new economy – one where inequality is no longer determined by labour relations, but instead is structured by one's ability to buy assets that appreciate faster than inflation. This small but mighty intervention probes the gulf between the 1% and 99% opened by Thomas Piketty's exhaustive work, *Capital in the 21st Century* (2014). Where Piketty focuses on the mechanisms that concentrate wealth at the top, Adkins et al. offer a lens to

1 See https://twitter.com/glennkelman/status/1397189637207121929?s=20

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examine the vast in-between space occupied by the middle-class. Detailing the key structures and logics that govern inequality today, they examine an economy far-removed from productive activity, where monetary and fiscal policies drive the bloated prices of homes that we see today.

According to Adkins et al., housing was born a modern financial asset in a period of high inflation. Dating back to the 1970s when wage and consumer prices increased and asset prices stalled, they argue that inflation ate away at the profit margins of the small number of households whose wealth derived from people and property. Inflation of this sort poses tricky political problems because it hurts the rich. Tasked with returning wealth to the wealthy, politicians developed policies rooted in supply-side economics that increased personal wealth at the top and supposedly trickled-down to broader national economic growth.

Regressive tax reforms like the US Revenue Act of 1978 and Tax Reform Act of 1986 rumbled throughout American, British, and Australian societies, chopping tax rates on investment income (i.e. capital gains and dividends) and income tax rates for the top bracket.[2] These tax code changes recast housing, both private residences and rental properties, as low-tax sources of investment income (Tapp 2020). Buttressed by what Adkins et al. call "the new monetary orthodoxy" of central banks (p.41), places like the Federal Reserve, the Bank of England, and the Reserve Bank of Australia curtailed price inflation and wage growth while they turned a blind eye to asset appreciation. Circulating through housing markets, fiscal and monetary policies put society on a crash course, careening towards new, heightened levels of inequality.

Contemporary society orbits around its relationship to housing, and some members are closer than others to the source. It is this access or lack of access to housing that Adkins and her co-authors use to slice society into five main classes: investors, outright homeowners, homeowners, renters, and the homeless. While the empirical basis of their scheme is based on the Australian context, it holds broader relevance for a number of capitalist societies similarly

2 See https://taxfoundation.org/historical-income-tax-rates-brackets/

embedded in homeownership models (i.e. the US and UK). Moving beyond previous typologies of a bifurcated society – haves and have-nots – allows readers to see that even people who didn't set out to become rentiers have benefited from the shift to the asset economy.

Most of the appreciating housing wealth has been captured globally by the boomer generation (born 1946-1964) who bought homes for cheap decades ago. In the United States, boomers hold 44% of the wealth but are only 28% of the adult population (Gonzalez 2021). Because they're choosing to age in place rather than downsize and sell (The New York Times 2021b), some millennials (born 1981-1996) are blaming them for the housing shortage and cascading high prices in both the housing and rental markets.

Friction abounds between these groups, but the generational divide is by no means a clean, straight line. In *The Asset Economy*, we learn that "inheritance becomes a series of strategic decisions regarding how to position one's children in the asset economy" (p.77). Boomers with financial means regularly shift their excess wealth to children and grandchildren by providing the cash needed to secure first homes. Analysts in the United States estimate that if the "Bank of Mom and Dad" was a financial institution, it would be the seventh largest mortgage lender in the county (Legal & General 2019). This appears to be a widespread phenomenon where in the United Kingdom 60% of homebuyers get a financial boost from their parents (The Economist 2020). The real divide seems to fall within the millennial generation: boomers are an easy target for those without wealthy parents, but the children of inherited assets aren't likely to look a gift horse in the mouth.

Take, for example, my own research in California as evidence of the complicated intergenerational relationship around housing (Tapp 2021). In Los Angeles, a city built on the promise and the allure of homeownership, rising housing costs have zapped that aspiration away from a generation of renters. Struggles to control the development process and planning decisions are sharply playing out between some of the city's NIMBY homeowners (not-in-my-back-yard) and YIMBY renters (yes-in-my-back-yard), where the latter blame the former for decades of policies that drove the high cost of housing.

It is no secret that homeowners in California, including those in Los Angeles, have gone to great lengths to preserve their property values with a variety of citizen-led municipal and state ballot initiatives; none of which have been as successful or as well-known as Proposition 13. Passed in 1978, Prop 13, California's "tax revolt", came at the end of a decade when home prices, and their corresponding property tax levies, jumped up 200%. This "generational warfare" aimed at "protection of the assets of older white Californians" by capping property taxes to 1% of a property's assessed value and limiting assessed value increases by 2% annually, unless the house is sold (Schneider 2020). Even as home prices continued to climb in the Golden State, property taxes stayed low. Wealth was effectively redistributed back to wealthy.

Prop 13 not only facilitated the generational rift between wealthy homeowners and aspirational renters, but its zombied afterlives became the primary mechanisms for intergenerational wealth transfers. In 1986, the low-tax benefits of housing assets were extended to homeowners' children with the ratification of Prop 58. The measure, drafted in the legislature and approved by 75% of California voters, allows parents to transfer their primary residence to their children without it being assessed at current market value. A parent, for example, could have purchased a house for $80,000 in 1978, and passed it – and their 1% tax rate – on to their child in 2021, in spite of the asset's rampant appreciation. Prop 193, passed in 1996, enrolled a third generation in this tax-avoiding scheme by allowing grandparents to pass primary residences on to their grandchildren without tax-assessment increases. The Los Angeles Times estimated in 2018 that 10% of all properties – some 60,000-80,000 buildings – in California are transferred every year under these propositions. That is, 1 in 10 properties is legally undervalued and handed-off duty-free (or significantly reduced) between family members at a time when 3 of 4 extremely low-income renters are spending upwards of 30% of their income on rent each month.[3]

3 See https://nlihc.org/housing-needs-by-state/california

Ironically, the supply-side policies that redistributed wealth upwards are being trotted out as the antidote to high housing costs. Deregulating land use controls, pre-empting local zoning measures, and jettisoning environmental reviews are but three ways advocates look to flood the market with new supply to lower prices. What these policies fail to consider is the same fiscal and monetary structures that produced housing as a financial asset, the ones so clearly outlined by Adkins, Cooper and Konings – low income tax rates for the wealthy, even lower capital gains tax on assets, and lowest yet, interest rates – haven't gone away. The real challenge in overcoming social inequality is political. Without political reform, there is "no necessary *economic* end to the logic of asset price appreciation" (p.90). At least though, Adkins, Cooper and Konings provide us with a roadmap of how we got here. Whether we move past it, is, of course, up to us.

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