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Housing and Asset Based Stratification in the Enrichment Economy[1]

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Abstract: *This paper explores the ways in which housing wealth is producing new forms of differentiation among households. In doing so, it will argue that 'asset based welfare' is now better conceived as 'asset based social stratification' and that social class rather than generation remains the primary social divide. However, these class divides are increasingly shaped by the differential ability to accumulate and deploy primarily housing -based assets. These new forms of social (re) stratification will vary societally, temporally and spatially and are currently most evident in what can be described as older, mature home ownership societies. But similar developments and emerging fissures can be observed in newer, ultra home -ownership societies such as China and in the broader interconnections between the mobilization of family assets and the shift from consumer to market societies.*

Keywords: home ownership; comparative housing policy; private rented markets.

[1] This paper draws on and develops arguments presented in Forrest, R. and Hirayama, Y. 2018. 'Late home ownership and social restratification,' *Economy and Society* 47 (2): 257-279). DOI: 10.1080/03085147.2018.1459368.

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Introduction

A number of different debates are converging around the evident and growing significance of assets- and most notably housing assets- in the shaping of inequalities, in the practices of everyday life and in the economic fundamentals of the capitalism of the early 21st century. In summary, the widening of inequalities across a wide range of societies is increasingly associated with assets rather than mainly incomes. Income differences matter and they have also widened but it is asset wealth which has become the novel and sharply differentiating feature of contemporary social structures. For the vast majority of households this asset wealth is in the form of residential property.

The greater centrality of housing wealth and real estate transactions in life chances reflects, and acts upon, the policy transformations of neoliberalism, the various and varied processes of financialization and far reaching changes in the nature of employment and the skill sets required for a digital, informational age. Put simply, those best placed in terms of social, economic and cultural capital are also most likely to be those with the asset wealth and incomes which must be increasingly deployed in market societies in which access to resources has been progressively marketized and commodified. Thus, Haskel and Westlake (2018) argue that those excluded or extruded from what they refer to as the new economy of intangibles (Haskel and Westlake 2018) are also those in most danger of being excluded from the property market. Temin (2018), similarly, draws a sharp distinction between the two sectors in the USA-the well-educated workers of the technological and finance economy in their well maintained, well located enclaves and the underfunded, subsidized housing estates of the low wage sector.

In this paper, it is argued that whilst we may be on the way to more starkly divided dual economy/bifurcated societies, at present it is more appropriate to conceive of a tripartite division in which the residential property-less sit alongside two other groups. One group are those in a position to deploy their housing assets creatively and constructively in the acquisition of greater residential and other wealth. The other group are vulnerable to the vagaries of less benign and more marketized economies and under pressure to use up their accumulated housing wealth to maintain their living standards, access essential services such as health or education, or just to get by. The discussion here relates mainly to current developments in what can be described as the mature, home ownership societies of the Anglophone world and Japan-referred to as ‘late home ownership’ societies (see Forrest and Hirayama 2018, for elaboration). It is suggested, however, that the trajectories and divisions outlined are also relevant to more recently emerging, ownership societies such as Mainland China.

Assets, Intangibles, the Enrichment Economy and the ‘Unneccessariat’

Developments in relation to housing asset wealth sit within the wider social and economic narrative of growing inequalities and left behind casualties of globalisation. The election of Donald Trump to the US Presidency and Brexit are seen by some as part of a more pervasive growth of populist nationalism fueled by a general anger (Mishra 2017) towards a cosmopolitan elite. It is this elite which is perceived to have benefited disproportionately from globalization and have little regard for, and little understanding of, the everyday concerns of ordinary people. Real estate represents a highly visible example of these divides. With the property sector as a magnet for capital and surplus savings which has been relentlessly inflating property values in the lead cities, the exclusionary effects of unaffordable house prices have reached further into the middle classes. Speculative real estate investment, often associated with empty or only periodically occupied properties, provides one of the clearest expressions of the different worlds experienced by those who are the beneficiaries, those who are struggling and those who are the unambiguous casualties in the neoliberal city. More broadly, there is evidence that the global impacts of globalization on living standards have been highly uneven and that it is the middle to lower income groups in the capitalist core countries which have been most negatively impacted over the last two to three decades (Lakner and Milanovic 2016).

Echoing Temin`s (2017) analysis of contemporary US society, the decades of neoliberal globalization have created abandoned and marginalized communities, neighbourhoods and cities. The explanations for these developments, however, extend beyond the pursuit of neoliberal ideologies and austerity policies at various scales and relate to broader structural changes in the nature of capitalist economies. The shifting fortunes of different people and different places and in particular, the rise in the role and value of residential property, are associated with more fundamental social and economic changes.

In this context, three recent conceptualizations of societal change are especially relevant. First, Haskel and Westlake (2018) have explored the long-term shift from a capitalism in which tangible commodities dominated to one in which intangible assets have grown in importance. In this new economy, which they describe as 'capitalism without capital' the big investment is in things which you can neither see nor touch-branding, design, reputation, image, software and so on. Of course, a house is extremely tangible and immovable-although that immobility and tangibility takes on a different dimension and meaning when it is an investment rather than a home. But the particular relevance of the Haskel and Westlake analysis is their suggested link between the new economy of intangibles, growing inequalities and uneven house price inflation. They argue *inter alia* that "As for wealth inequality, the spillovers from intangibles make living in cities even more attractive, forcing up housing prices for those fortunate enough to own" (p.118). Furthermore, these forces drive deeper divides between the leading and lagging cities (Economist 2016 a,b). For example, whilst house price inflation was around 140% between Q1 1980 and Q2, 2015 in San Francisco, it was less than 10% in Pittsburg and negative in Detroit (Haskell and Westlake 2018: 137). Essentially, the argument is that competition for housing has been disproportionately high in the intangible- intensive cities which are also often the cities where new building is most constrained. Thus, those who work for the intangible economy have benefitted most from rising housing asset values. Haskell and Westlake (2018) correctly identify the growth in the significance of housing wealth in household portfolios and in the shaping of new inequalities-however, they refer to the 'richest' people in this context which is misleading. For the richest, residential property is generally not their key asset. It is the stratum below, the skilled workers and managers in Temin`s 'technological economy', for whom housing assets are of primary importance (Temin 2017).

A second relevant area of theoretical discussion concern the recent work of Boltanski and Esquerre (2017) who have conceived of forms of valorization which transcend the previous type of capitalist economy in which what they call the *standard* form dominated. They describe

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a new *enrichment economy* in former industrial countries “where the wealthy remain more numerous than anywhere else, exploiting to the uppermost the possibilities that the commerce of objects offers for generating the profits on which capitalism feeds” (p.73). They argue that analyses of the transformations of capitalism have tended to emphasise processes of financialization and the growth of debt but have neglected what they refer to as changes in the “cosmos of the commodity and the commerce of objects.” In the old model, transactions involved the buying and selling of standard commodities-things that depreciate in value and are then discarded and superseded. However, in the post industrial world, in the economy of enrichment, the *collection* form of the commodity is developed and sustained by a story (heritage, vintage cars, luxury brands), the *trend* form is associated with fashion and celebrity and the *asset* form involves transactions where “the exchange is motivated primarily by the possibility of re-selling the object for a profit at some point in the (more or less distant) future” (Boltanski and Esquerre 2017: 70). The fact that residential property is the most significant asset form for the majority of households with any personal wealth gives it pivotal importance in what they describe as a general transformation from a consumer to a market society. In a consumer society, we are confronted with an ever-growing range of goods and services which we can consume according to our monetary resources. In a market society, however, the housing-asset rich in particular are able and encouraged to become financialized, investor-subjects (Watson 2010; Davis and Walsh 2017), habituated into the norms of self-regulation and individual responsibility of neoliberal governmentality (Dardot and Laval 2014). They become sellers as well as buyers, landlords as well as owner occupiers. It is the capitalization of property assets which is also the key means by which some, but not others, are enabled to afford and access the privileged routes and resources of privatized, monetized and more comprehensively commodified economies. There are also other ways in which residential assets fit into this enrichment economy narrative such as more intensive and ubiquitious processes of gentrification (increasingly fuelled and garnished by references to heritage and fashion), the growth in multiple ownership and the greater ‘positional’ impact (Hirsch 1977) on property values in relation to exclusive and privileged locations.

Thirdly, and perhaps more straightforwardly, the distance between social advantage and disadvantage is widening through the impact of new technologies on employment. Temin refers to this as the ‘vanishing middle’ in which the routine jobs of the middle class are particularly vulnerable to automation and AI. The ranks of those in the low wage sector of non-routine but poorly rewarded jobs are joined by an ‘unnecessariat’ (Amnesia 2016) -a group surplus to requirements in terms of both production and consumption in economies increasingly propelled by the commodity forms of enrichment. In this rather bleak scenario, the drawbridge to home ownership has been pulled up, the home ownership sector will gradually contract to represent more uniformly advantaged minorities with those on the outside dependent on the expanding landlordism of the privileged or subsidized sectors of declining quality and size. This begs a further question of how (and why) an ‘unnecessariat’ will be housed and by what institutions-beyond the penal sector of the state (Wacquant 2009; Economist 2018). Where is the political or economic pressure to reproduce non-labour power? This is the other side of the enrichment economy-the wastage and devalorisation of people and places through a combination of de-industrialization and technological change (Boltanski and Esquerre 2017).

From Asset Based Welfare to Asset Based Stratification

Consistent with the arguments of Piketty (2014) and Boltanski and Esquerre`s (2017), asset-based stratification, and specifically residential real estate, is increasingly dominant in the shaping of social structures. There is also a close and unsurprising relationship between income and residential wealth. Essentially, higher income households are those most likely to be higher, homeownership wealth accumulators. There are obviously households in quite contrary circumstances-high housing wealth and low incomes- and some, but probably fewer in the opposite situation. It is also indisputable that the spread of home ownership down income structures has given personal wealth assets to sections of populations which had little or no wealth previously- particularly when privatisation of state housing has been a key element in achieving higher levels of owner occupation. But the overall pattern is clear. Stratification by income has been reinforced, not significantly modified, by the accumulation of housing wealth. For example, data from the UK Wealth and Assets Survey (2015) show that home ownership rates and net property wealth rise consistently across household income. Similarly, data from the Japanese National Survey of Family Income and Expenditure show the same relationship- the level of home ownership increases by income decile as do the value of residential property assets. In relation to the USA, Mian and Sufi (2014) examined the period 1998-2010 using data from the Survey of Consumer Finances (SCF). This revealed a widening gap between the top 20 per cent of wealth holders and the middle 20 per cent. When they look more specifically at home equity there is the same pattern. In 2010 the ratio of richest 20 per cent to middle 20 per cent was 9. In 1998, it was around 5. More households became home owners but the wealth disparity in relation to non-home equity and home equity widened.

However, the widening gap between the high income/ high housing wealth accumulators and the lower income/lower housing wealth accumulators is, as has been suggested, not just about differential levels of accumulation but about the process of dissipation of that wealth. Asset stratification is far from a simple polarisation between those with and those without housing wealth. While ‘perpetual renters’ (Forrest and Hirayama 2018) have little or no personal wealth and are more likely to have problematic debt, many with small to moderate levels of housing equity will find themselves using it up. There are, for example, growing numbers of ageing home owners approaching retirement, or in retirement, but with outstanding mortgage and other debts (Burke et al. 2014) and there are more products enabling the release of housing equity. Pension pay outs have proved less than expected for many older households meaning that the anticipated elimination of mortgage debt may not have been possible or that they have to draw on their housing equity and any other savings to boost their retirement income (Girling 2013). Providing some financial help for their children to help them get on the housing ladder may also have depleted their stock of equity. The bank of Mum and Dad is now a significant financial player in the housing market (Legal and General 2018; Hughes 2018) but the depositors have highly varied sums to draw upon.

Moreover, if there is wealth left to inherit, this pattern of dissipation will continue as estates pass across the generations. Inheritance can involve debts as well as assets. Drawing again on evidence from the UK, the size of debt relative to the value of an estate fall sharply as estate value rises (HM Revenue and Customs 2016). Those inheriting large sums may also inherit large debts but those inheriting smaller sums are more likely to have proportionately much higher reductions once debts are paid off.

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These observations fit with the wider picture painted by Piketty (2014) in which the post war 1950s to 1970s marked an exceptional period of wealth and income redistribution in the core capitalist countries and the rise of a patrimonial middle class. To some degree, that process is clearly in reverse and the housing wealth acquired in the exceptional period is increasingly expected to play a role as 'private social security'. This is associated with the notion of 'asset-based welfare' in social policy (Groves et al. 2007; Malpass 2008). However, the link between 'assets' and 'welfare' was formulated initially with a heavy emphasis on strategies to enable poorer households to build an asset base-with home ownership as the most likely platform. It is also strongly associated with assumptions about an expansion of home ownership. In a western context, 'asset-based welfare' is a concept of its time, now overtaken by a different set of prospects. Those with substantial housing equity are likely to acquire more, those with limited equity are likely to use it up and those with none will not be acquiring any. It should also be recognised that this period of post war exceptionalism in terms of wealth redistribution via home ownership involved systematic exclusions. Notably, the race divide in relation to housing wealth has been an enduring theme in the USA (Oliver and Shapiro 1995; 2006). Past racial disparities in relation to access to home ownership (including the quality of home ownership accessed) because of discriminatory policies and broader economic and social factors now emerge down the line as deepening housing wealth divides perpetuating disadvantage across generations.

Concluding Comments

Asset-based stratification rather than asset-based welfare is thus a more appropriate conception of the role and position of housing wealth in contemporary social structures. The accumulation of housing wealth certainly produces well-being, but divisively rather than cohesively. In this conception of a tripartite division of housing asset situations, social class rather than generation remains the primary social divide-or at least, the initial point of analytical departure. This is not to deny that there are important inter-cohort differences but to suggest that intra-cohort divisions in relation to income, education and other socio-economic assets are at least as important and that financialisation and commodification are closely tied to familisation-the mobilization of assets across generations (Forrest and Hirayama 2015). That is a very different argument from emphasizing generational contrasts-indeed, it assumes a quite contrary process. The danger of adopting a perspective of generational conflict is that it 'familises' the analysis and risks neglecting underlying structural shifts in capitalist societies. In other words, the focus is placed on the privileges of one generation compared to another rather than exploring the shifting social, economic and political conditions, the changing structural relationships between capital and labour, which produced those differences.

Asset-based stratification also transforms the nature of the housing question. Concerns over housing inequalities now extend well beyond housing quality and space standards, ghettoization, homelessness, affordability or tenure differences. A right to decent housing is an essential response to the gross injustices in housing access and housing conditions. But particularly in these late home ownership societies referred to, providing decent and affordable housing to lower income households will do little to address the growing social distance between the housing-asset rich and housing-asset poor.

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