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Chapter Eleven

Telling Stories: Shaping Future Economic Narratives for Housing Policies

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Reshaping Narratives for Housing Policies

More than Needs and Stabilisation

This paper is concerned with the meaning and roles of economic ideas, evidence, narrative and rhetoric in making public policies. The specific area addressed is how housing providers and the ‘peak’ sector bodies that represent them might more effectively use the emerging evidence of systemic housing market pressures and their damaging consequences, not only for income and wealth inequalities but also for economic growth and productivity, to make more effective cases for housing policy support. The key concern is to consider how housing organisations and advocacy bodies can fashion policy narratives that reflect the key features of housing market experiences and then shape more informed effective national and sub-national policy-making that will reduce systemic shortages of housing and their damaging consequences. Empirical examples are drawn from housing policy developments in Australia, Britain and Canada (referred to herein as the ABC countries).¹

In two recent Australian research studies (Maclennan et al 2015, Maclennan et al 2018) and in a broader international knowledge exchange involving Australian, British and Canadian (Maclennan et al, 2019) housing practitioners, the ‘peak’ bodies that represented them and policymakers all expressed concerns that the traditional arguments that they deployed to argue for increased investment in non-profit and low-income housing, including the longstanding ‘merit good’ case for housing based on contrasting socially and physically defined ‘needs’ for housing with actual provision, seemed to no longer have its past political weight in government resourcing debates. That view is well founded in the experience of housing sectors in the UK between 2010-17, in Australia in this millennium (except for the term of the Rudd government) and in Canada until post-2016 policy changes. The stock of eligible households on official waiting lists for non-market housing has grown steadily in all three countries.

In periods of recession the housing sector has typically extended the breadth of its policy advocacy to argue the counter-cyclical/stabilisation policy benefits of housing investment arising from direct effects on employment and consequent multiplier effects. In the fears of recession in the immediate wake of the GFC there was some ‘stabilisation’ expansion of national housing programmes in the ABC countries but it also became apparent that governments increasingly looked more favourably on other infrastructure sectors to provide immediate stabilisation and multiplier effects and additional (reputed) productivity effects for the long term (Maclennan et al, 2015; Maclennan et al. 2018).

These housing sector policy framings of the key arguments for investment, ‘merit-needs and employment stabilisation’, in 2018 were still much the same as in 1948 (Needleman, 1963; Donnison and Ungerson, 1968) and reflected their origins in welfare state-oriented redistribution policies and Keynesian aggregate demand management. This emphasis has led to a disjuncture of housing lobbyist cases and contemporary policy-maker perspectives. Old-style arguments² were often being made to bureaucracies and governments that now commonly regarded meeting merit good requirements as involving much displacement of other economic activity (in transferring tax-based resources) and saw multiplier arguments as often having little validity (again for displacement reasons). After the 1980s growth and productivity had, arguably, become greater priorities than resource redistribution as macro-policy settings changed. In consequence, housing lobbies often see finance/treasury departments as the burial ground of their best ideas and most compelling cases for housing policy support whilst, at the same time, treasury policymakers regard the housing sector as representing a bottomless begging-bowl. These positions need to change if the pervasive problem of housing un-affordability is to be addressed.

The first response of Shaping Futures participants to the proposition that their policy cases were somewhat limited was to push for better estimates of housing needs, more refined multiplier estimates, more evidence on social returns on investment in housing and detailed estimates of the saved costs on other public spending programmes of reducing homelessness and, more rarely, meeting housing needs. In some ways these improvements to policy cases are the minimum necessary changes to improve the housing policy narrative, but in many regards, they are equivalent to improving the performance of a diesel truck in an era of driverless, electric cars.

In the studies cited above, and in a growing number of other papers, there is an emerging recognition that major housing policy challenges now have to be addressed, in the ABC countries, in the market sector as well as the non-market (social) affordable housing sectors and for middle as well as lower income households. The emerging language of housing policy debate is how overall housing system outcomes impact not just redistribution, and stabilisation, but have significant and direct effects on all the major goals of modern governments, including growth and competitiveness. A broad theme that had resonance across providers from all three countries was how to describe more effectively housing outcomes and their consequences in ways that could lead to more, or changed forms of, support for housing from all orders of government.

¹ In 2015, as reported in Maclennan, Ong and Wood (2015), interviews were conducted with around 90 practitioners in housing, planning and local economic development at municipal and state levels in Victoria and western Australia; the Maclennan et al (2018) research was based on 42 interviews predominantly in New South Wales with planners, housing policymakers and infrastructure and finance officials; the Shaping Futures Collaboration involved 21 housing practitioners and policymakers drawn from the ABC countries who participated in 3 seminars of 2 days duration, as reported in Maclennan, Pawson and Gibb (2019). More detailed expositions of individual views can be found in the papers cited. In this paper general impressions rather than individual quotations are reported.

² No judgement is implied here about the efficacy or desirability of such policies

The Australian and Shaping Futures studies cited above touched upon how housing system outcomes impacted social cohesion and inclusion and environmental stability but chose to focus on considering how to make better economic cases for modern housing policies. This chapter reflects that emphasis.

Rethinking Economics Perspectives in Housing Policy-Making

There is a prevalent presumption in housing policy debate that it is the housing sector that must make better arguments and a further assumption that, if it did so, better policy choices would follow. That perspective quickly changed during the interviews of the empirical studies. It was recognised that in the realpolitik of policymaking better evidence is neither a necessary nor sufficient condition for housing policy change and that attention needed to be paid not just to a more sophisticated view of how housing outcomes impact policy interests but to how public policy frames, evidences and evaluates housing policy cases. Reflecting on these policy processes then also raised the possibility that if the housing sector needed to rethink its view of its economic impacts then there may be just as strong a case for governments, and government economists in particular, to rethink what they know about the housing sector. Do they use evidence effectively in decision-taking? Do, more fundamentally, the conventional economic policy wisdoms about housing market functioning and outcomes have any real correspondence to the stylised facts of how housing markets operate? Time and again, in the last decade, across all three countries, commentators have discussed housing markets in the stripped-down and simplistic terms of basic, mainstream micro-economic models. Arguably the housing sector needs not just new facts/empirical evidence to present to economic policymakers but to synthesise a wide range of market experiences to present new frameworks of ideas regarding how real housing systems operate. This is a more difficult task for policy advocates as it may challenge both 'conventional wisdoms' within governments as well as their key policy settings.

This chapter responds to these questions arising from housing practitioners and their peak bodies. It is about both the use of economic ideas in the housing sector and the understanding and application of housing sector evidence in the use of economics within government departments and public agencies concerned with housing, finance, planning and economic development. The next section discusses whether or how better economic cases for housing policy can be evidenced and highlights some of the difficulties in that process.

The third section discusses general barriers to, and facilitators for, the use of knowledge in policy processes. The next section considers the roles of economists within government housing policy-making and how they might constitute barriers to better applied economics thinking for housing decisions. The penultimate section considers whether and when the views of economists matter in political choice processes. The concluding section sets out some key questions to improve the housing policy conversation between housing advocates and economic policymakers at both metropolitan and national scales of government.

Finding Economic Evidence

It is argued elsewhere (Maclennan and Miao, 2019) that the cumulative effects of metropolitan-led economic and population growth in the context of post 1970s housing policy 'modernisation' (identified in Maclennan (2008)), reinforced by impacts of the GFC in the British context, have shaped system-wide housing difficulties. These include impacts of rising housing prices and increased roles of housing wealth in national asset portfolios on national economic performance and recognition of how housing outcomes may impact growth and productivity. The major elements in a new narrative for housing policies goes beyond 'needs' approaches and highlights the productivity and equity effects of housing outcomes that can be convincingly included within an 'evidence-informed' approach to policy advocacy and design.

Missing, Elusive Evidence

Making cases for housing policies cannot be limited to questions of redistribution to the poorest households (the merit good case) nor interest in using housing investment as a blunt tool of anti-cyclical economic policy (the stabilisation case). It must also include reference to the role of housing as a complex form of economic infrastructure that has the capacity to impact the productivity of human and (other) physical capital. The housing sectors in all three of the ABC countries now understand that the economic effects of housing outcomes on growth and productivity need to be in the forefront of housing policy thinking and they presently are not. At the very least an understanding of the effects of housing on the economy, as a critical form of infrastructure for both the market and social sectors, needs to be put on an equivalent standing as for other forms of infrastructure, most notably transport investment.

The missing understanding of housing effects reflects in part the difficulties in producing definitive effects of housing outcomes on the economy. However, in classic 'research chicken and policy egg' style, this research lacunae stems from the absence of data to identify and calibrate effects. The strong interaction between educational and health outcomes and the economic wellbeing of individuals is well researched with a strong evidence base. Economic outcomes of housing markets and policies are rarely widely researched and this, it is argued below, has led to both major evidence gaps in policymaking and to a, sometimes, questionable reliance on simple economic models and theories to anticipate the effects drivers of change. Maclennan, *et al.*, (2015) drew attention to the notion of housing as economic infrastructure but noted that in sharp contrast to transport infrastructure investment there was no consensus around techniques, variables and parameters for assessing public investment in housing. Instead a raft of indicators and no agreement on parameters for social housing investment meant that housing advocates have no critical mass of longstanding, converging studies, and hence no in government credibility, to support housing cases³. A recent study (Lawson, *et al.*, 2018) makes this weak evidencing of housing infrastructure, vis-à-vis other major infrastructures, clear for social housing in the Australian context. We address these issues further below.

It is pertinent to ask, given the long history of government involvement in housing markets, why adequate housing economic evidence is missing. Housing policy cases can be difficult to evidence. Housing and housing systems have some characteristics that make compelling cases for stepped-up government commitment inherently difficult to make. The systems are diverse: they involve supply and demand issues, multiple policy instruments of taxes, subsidies and regulations, provision systems that are public, private and non-profit, and drivers and consequences that are not just local but regional, national and global. Housing policy often requires substantial, long-term commitments of scarce public capital: governments fear discovering 'housing problems', especially those that call for high cost programmes. Increasingly, national/Federal governments have come to focus not on system effects but on small minorities of poor households and marginal first home buyers (both of which can also be stigmatised as slackers/subsidy junkies). Housing often has multiple modest scale impacts on different sectoral issues (such as schooling, health, transport, economic development); so different interests may pull policy advocates in different directions, making constructing policy cases demanding.

A further difficulty, well established in Maclennan, Wood and Ong (2015) is that at sub-national scales, where much housing policy is made real, the economic effects of housing outcomes disappear down the cracks between major silos of government. Those who lead local economic development strategies will, on being first asked to identify the key elements of policy measures to support local economic development, rarely mention issues about housing costs and availabilities and resolutely stick to agendas about skills, innovation and local business formation and growth. Metropolitan colleagues in housing departments will stress that they are working hard to reduce growing totals of housing needs as their budgets flatline and fall and they will have no coherent economic story of what their outputs achieve for the economy. Planning Departments rarely include estimates of the effects of economic drivers on housing demands and needs and generally do not evaluate the economic consequences of the strategic plans they produce. In short, there are rarely even in-principle, let alone, well-evidenced narratives of how housing outcomes impact the local/regional economy.

At both Federal/national and metropolitan/local scales if housing Ministries, or the Ministries now responsible for housing, will not construct economic cases for housing then the key central agencies within government are not usually well-disposed to constructing syntheses of effects for them⁴. Indeed, within Finance Ministries/Treasuries there is often an instinctively hostile view on housing policy proposals. The housing sectors need to make their own economic stories and to be ready for when governments recognise that their understanding of, as well as political commitment to, housing must change.

It is not the purpose of this paper to review the evidence that housing has complex impacts on an economy, that will differ from place to place and time to time. Potential effects on employment are well established, instability effects have been more widely explored in the last two decades (Smith and Searle, 2010) and Maclennan, *et al.*, (2015) and Maclennan, *et al.*, (2018) have established prima facie cases that housing may have growth and productivity effects. The core purpose of what follows is to consider how, having established evidence of a wide range of effects on growth and productivity, the housing sector might seek to reshape governments' understandings of housing impacts on the economy.

³ See the ongoing AHURI inquiry on social housing as infrastructure.

⁴ In the Shelter Scotland Lecture of 2015 the then Chief Secretary of the UK Treasury (the UK government Minister responsible for public expenditure, Sir Danny Alexander responded to a direct question by Duncan Maclennan that he did believe housing outcomes had positive effects on productivity but that the housing lobbies never argued that case and his officials did not see it as their job to provide the evidence for them.

From Evidence to Policy: Fast Routes and Dead Ends

The use of evidence in policy making processes can be both complex, with different producers and users of evidence involved, and variable, with differences across space and time, in how otherwise similar governments behave (Nutley, *et al.*, 2007). Indeed, there may be significant variations in how evidence is used between different departments in the same administration. The policy impact of evidence and ideas is not a linear process, progressing from bright new data or ideas to a rapid policymaker calculation of required policy changes that are then promptly and effectively delivered.

Strong evidence is neither necessary nor sufficient for governments to pursue housing policy innovation (Maclennan and More, 1999; Doherty, 2000). In some instances, inventive ideas and firm evidence are regarded by governments as not essential to policy development: some recent changes in housing benefit arrangements in the UK illustrate that point rather well (Stephens, 2016; Gibb, 2015).

The Evidence Challenge in Complex Housing Systems

When policy change involves a major system change with complex, large scale, spatially diverse and long-term effects, such as the recent major constitutional change debates in the UK about Scottish Independence and Brexit, it is difficult to conceptualise, forecast and estimate effects (see Dow, *et al.*, 2017). The pervasive and deepening nature of housing system stresses in Australia, Britain and Canada cautions us to consider the required housing policy changes not as a limited, partial system revision of a few predictable mechanisms with contained effects, but as a major policy shift more akin to complex system change. Path-dependency nonetheless presents huge challenges in contemplating such reform, and housing systems may, because of decades of neglect of understanding and support, now require quite substantial re-setting. These changes will be technically difficult to analyse and design and politically difficult to deliver. Small, contained policy changes may not match the extent of change required.

Economists, with a few notable exceptions, working in finance and government sectors have been widely criticised for not anticipating the Global Financial Crisis of 2008-9 and there have been some subsequent changes in modelling and policy thinking. In the ABC countries there is growing awareness of major difficulties in providing affordable homes for most of the population and of adverse macroeconomic and distributional consequences from these processes. These difficulties prevail in many other OECD countries and the question arises as to whether government economists and other policymakers have failed to anticipate, identify, model and understand the real difficulties apparent in OECD housing markets. Has their policy narrative been part of the problem? Do we have a global housing crisis, across the advanced economies, fashioned by weak economic governance of housing sectors? Can we really lay the blame for poor housing outcomes at the doors of housing lobbies, for weak policy case making, and metropolitan planning departments, for over-strong planning regulations? Or do economic policy narratives that mis-describe market functioning play a role too?

Advancing reform cases built upon evidence for these ‘complex systems changes’ can be difficult in some countries. Policy change is political economy. Weakly-evidenced policy may arise in the domain of politics. As richly demonstrated by Australian experience, short electoral terms and an adversarial political culture (even within parties) are also inimical to reform thinking. For academics and housing sector advocates with a long view the challenge is to hold to the pursuit of knowledge with the optimism that, with persistence, it will, one day, foster progress.⁵ Housing providers may seek to ‘make housing policy great again’ as a policy interest but evidence and insight rather than spin and sophistry must be the hallmarks of academic work with practitioners. For academics there needs to be as clear a divide as possible between academics working as ‘teachers’ and those performing as ‘preachers’.

Even where governments are open-minded about potential policy innovations strong evidence of system failure, widely accepted by the housing sector and produced and peer-reviewed by independent researchers, may be insufficient to induce policy change. Canada has, since the mid-1990s lacked any substantial housing policy debate/research presence outside of government. It has, however, had a well-informed and professionally competent agency (CMHC) that from the mid-1990s until 2016 had rarely been used to drive housing policy change whilst, at the same time, provinces and territories dismantled their analytical and modelling capabilities as their assigned housing policy roles have grown.

⁵ Ken Gibb rightly observes that some countries adopt longer term policy perspective, such as the Nordic countries where cross-party commissions often build multi-term policy agendas around shared platforms.

In Australia, AHURI has produced an ever-growing stream of well-researched policy ideas whilst state and federal governments have also allowed their housing analytical capacities to atrophy (Milligan & Tiernan 2012; Milligan, *et al.* 2017). In the UK, the Joseph Rowntree Foundation and now the Resolution Foundation, have produced and organised evidence for housing and inequality policy change. Their work had demonstrably impacted UK housing policies until well into this millennium. However, a fair proportion of their excellent reports have made little impact. At the start of this millennium the (then) Director of the Rowntree Foundation, Lord Best, famously opined that many of their reports progressed to 'findings' with impact but others remained unused in 'sidings'. A future in 'findings' or 'sidings' was not always a reflection of the quality of the research involved⁶.

The salami-slicing of analytical capacities and services within governments pares away the organisational memory capable of supporting current policymakers and this is worrying because the persistence of the policy research community is hampered if there is nobody with whom to persist.⁷ Persistence is, arguably, as important as intelligence to policy interested researchers. Arguably, think-tanks, refreshing old ideas when they become relevant to active policy debates, often do this better than academics who face incentives to always move onto new issues and perspectives.

Persistence in knowledge mobilisation can pay. Evidence and ideas can sometimes form the basis for a policy narrative or story that can be convincing (in the sense that it leads to policy change). Policy narratives that are evidentially weak run the risk that they will be quickly undermined by those fair-minded bureaucrats and policy advisers who are required to scrutinise them, by opposition analysts or hostile bureaucrats who seek to undermine them, and by quality journalists who seek to inform wider publics.

The next Section now considers how narratives developed within the housing sector need to be heard, adopted, held and defended within governments and their agencies by bureaucrats with power and influence.

Truth, Rhetoric and Economists Perspectives on Housing Policy Narratives

This section explores and challenges the ways in which government economists in the ABC countries appear to understand, discuss, model, evaluate, reject or accept and influence the design policies for the housing sector. This places the notion of policy-rhetoric and narrative, rather than evidence alone, at the centre of understanding how policies emerge.

Economists Need to Know the Economic Consequences of Housing

The key question now for housing sectors, and for government, is what rebalancing of state, market and non-profit roles will achieve better housing outcomes for democratic nations? In many countries housing policies now appear to exacerbate rather than diminish inequalities of incomes (after housing costs) and wealth. The marked growth of housing wealth in household portfolios (mostly accumulated through untaxed price uplifts rather than household mortgage payments) and the shift of household savings to paying for residential property rather than other assets both reflect the growth of a rentier economy. This has driven the accrual of fortunes from shortages of land and housing rather than from effort and innovation.

The major economic policy-settings in some major OECD economies have driven rentier economies rather than creative, entrepreneurial economies (Maclennan and Miao, 2017). And therein lies the great weakness and contradiction of economic ministers and advisers within governments across the OECD. The key role for housing economic researchers in the OECD economies is not to make vague calls to end the neoliberal order (that is for others to argue) but to explore how housing markets and systems be made to work more effectively to achieve government goals. The housing sector needs to push economic ministries to set out their understanding, with evidence, of how housing outcomes impact the regional and national economies they are part of.

⁶ Duncan Maclennan Chaired the Rowntree Foundation's Area Regeneration Research Programme and Affordable Housing Supply Group between 1996-2003.

⁷ It is fair to note that, in the UK, there is a What Works network across Whitehall that had fostered evidence-based innovation in health, education and social care, for example and, more universally (Susstein, 2018) cost-benefit analysis has wide roles in policymaking. But neither 'what works' nor cost-benefit analysis typify housing policy making at national or local levels in the ABC economies

In all three ABC countries there is no macro-metropolitan modelling of economic change. Within provinces, states and devolved administrations there is no systematic modelling of housing markets in economic policy formulation. In both Melbourne and Sydney there has been no policy modelling of the processes and consequences of sustained house price appreciations, nor do the Provinces of British Columbia or Ontario, nor indeed CMHC, have metropolitan housing market models to explore policy options for core housing systems in, respectively, Vancouver and Toronto. What new narratives are they developing and evidencing to get to grips with the adverse outcomes of this millennium?

The housing sector, as a matter of routine, should press the economic advisers to governments to articulate how housing outcomes in their jurisdiction:

- ▶ shift the distribution of wealth and income
- ▶ impact social mobility
- ▶ impact productivity
- ▶ raise or lower the environmental footprint of the economy

Remaking an evidence-informed economic story for housing may then not only move towards ending the growth of the 'rentier' economy and mentality in the ABC nations but also avoid the need to regrind the 1970s and 80s debates about crudely applied public housing and rental sector policies. Housing sectors have been slow to find their voice, or at least a voice and a story that policymakers will listen to and a set of questions that they need to, routinely, answer.

Conventional Economic Wisdom in Governing Housing Policies: 'Science' or Rhetoric?

How can we ensure that better narratives from the housing sector will be accepted as a credible basis for a new conversation about policy change by officials and Ministers? What is the key and distinctive role of economic arguments, and economists and economic policymakers in this process? What, and how, do economists working in governments think about housing systems? Economists within government often appear to dampen expectations about roles for housing policies by espousing the notion, apparently on a priori rather than evidential grounds, that 'housing markets are well functioning systems'. This is the conventional wisdom held by Treasury/Finance ministries in all three countries, and in major provincial/state governments in Australia and Canada. They are also often seen to reject policy and spending arguments made by housing advocates claiming cases are simply 'policy rhetoric' and are self-interested, based upon inadequate evidence, and purely redistributive in nature.

In contrast, Finance Ministries/Treasuries often regard their own arguments as 'scientific', or at least conceptually/empirically justified, and focussed on productivity/growth and wider concerns rather than just redistributive policies. It is important, therefore, to remind government economists that economics is 'not yet a science' (Eichner, 1983) and that economic assessment within government may also be best seen as form of rhetoric rather than a 'hard' 'scientific' commentary.

Mainstream economics, from Adam Smith onwards to Friedman's 'Positive Economics' has held to a strong binary separation of argument as 'rhetoric' or 'science' (didactic). The Classical approach to political economy was somewhat more nuanced than later expositions and saw the economy functioning with both an exchange of goods but also with an exchange of rhetoric or opinions and moral sentiments that involved processes of persuasion. The severe dichotomy of the two types of argument, didactic (truth seeking) and rhetoric (unscientific from the get go) emerged with Smith and the idea that exchange in rhetoric involved 'higgling and bargaining' and the rhetorician 'moves away from truth, to hoodwinking and deceiving his audience' (Walraevens, 2016). In contrast, a 'modern science' view, according to Booth (2013) is that 'we only know what we cannot doubt, and we do not really know what we simply assent to'. This echoes Kelvin's dictat that unless you can express it in numbers then knowledge 'is of a meagre and unsatisfactory kind'.

These arguments are now typically used to divide what we know into scientific versus non-scientific and positive versus normative approaches in social sciences. In housing policy debates there can be a presumption that the 'rhetoric' of the housing lobby runs into the hard economic 'science' of the 'treasury'. But this misunderstands the real nature of economics and more realistically policy debate may be better seen as the clash of two different policy rhetorics. McCloskey (1983) notes that most economists (at least those not otherwise labelled as heterodox) have an official rhetoric that sees economics as a 'modern science'. That is, the formal rhetoric of economics is concerned with system control and prediction and theories are only regarded as acceptable if their predictions are consistent with empirical observations. Since the 1950s (Friedman, 1955) economists have adopted a methodological approach which eschews worry about the realism of assumptions by stressing that what matters is that observations are consistent with theoretical predictions. This involves strict applications of Hume's 'fork' (1779): if an argument is not derived from a coherent framework or does not have empirical support then it is simply sophistry and should 'be consigned to the flames'. This attitude appears to be deployed in assessing housing cases.

McCloskey argues (1983) that the Chicago School (Friedman) methodological dominance and adherence to its 'modern science view' has prevented economics from modernising its methodology and recognising new philosophical positions (post-modern). Falsification is often very difficult in economics as focussing on a single causal mechanism within a complex system means researchers must control for so much. Complexity often means that different hypotheses can often explain the same outcomes, for instance sluggish housing supply reactions to house price increases may reflect supply restrictions, absence of infrastructure regulation failures or even market failures.

The notion of a 'well-functioning housing market' is widely used in treasury/finance discussions at federal and sub-national levels in both Australia and Canada and has prevailed, again, in the UK post-2010. Economists using the notion assume that the market has relatively few inherent failures or imperfections and that the equilibration of the housing market balances supply and demand. This raises a very important question, potentially 'falsifying' the neoclassical argument on its own terms. Markets work in that excess demand drives up prices. But does sustained real price rises over 5 to 10-year periods (the common experience of the major metropolitan areas in Australia and Canada since 2000) suggest that the market is equilibrating by adjusting supply? The evidence of sticky housing supply systems suggests otherwise, and this may mean that housing markets may be out of equilibrium for decades. Within that set of disequilibrium processes, especially when we admit the possibility of complex system evolution, then it appears that an equilibrium-oriented framework is not going to help explain market processes, and outcomes, over quite long periods of time. Maclennan (2012) and Maclennan et al (2018) draw out stylised facts from housing economics research that challenges the empirical relevance, for policy-making purposes, of the well-functioning housing market. That is, for strategic planning and political strategy purposes the assumption of an equilibrating system, anytime soon, is misleading.

What can Economics Do?

Applied housing economics needs to start from a set of assumptions based on the stylised facts of how housing markets operate and cannot assume 'a priori' that decisions are being taken about a well-functioning housing system that will successfully balance consumer and producer interests in policy planning periods. This also raises the possibility that the presumption of a well-functioning system when the real system is slow and sticky in adjustment may have 'performative' features, that is the theoretical/ideological assumption about processes may alter real system outcomes.

There are several respects in which the 'modern science' approach may not fit well with some post-1980s developments in economics. If economies are seen not as general equilibrium systems but complex, evolutionary systems then prediction is not a test of the adequacy of an evolutionary system. Clearly specific prediction is limited, though general observation and learning about change processes from experience matters. In addition, OECD (Love and Stockdale-Otarola, 2017) argues that economics must develop narratives about understanding complex systems (as opposed to physics-like general equilibrium models). They note 'Where you start a complex narrative determines what you describe and, to some extent, how you describe it'. 'All the stories may be true (or have elements of truth) but they will be different'. In housing policy research if you start at abstract, friction-free equilibrium models of housing markets then there is danger of throwing policy babies out with the bathwater of simplifying assumptions.

It is now decades since McCloskey (1983) delivered a methodological coup-de-grace to economics as 'science' practice. He noted, 'Modernism promises knowledge free from doubt, metaphysics, morals and personal convictions; what it delivers merely renames as scientific method the scientists', and especially the economic scientists', metaphysics, morals and personal convictions'. That is, government economists, if they resort to in principle arguments, may be offering decision advice not based in science but on morals and metaphysics.

Economics commentary on policy is sometimes not well-written, and frequently technically unclear. Much of the wisdom required to give good policy advice and make policy decisions is tacit rather than formalised in models. Economics education pays little attention to the structure and functioning of economies and their key sectors and most undergraduates can leave with a degree in economics and know substantively nothing about an economy. It is relatively rare to find a finance ministry official who has specialised for most of their career in the housing sector and understanding how it might really work. Officials move quickly to other sectors of work. The economics discipline is, in return, widely misunderstood and often disliked by others (Forbade, 2018). Precisely where we need a conversation to explore differences and evolve a better narrative we get abrupt dismissal and interests defended rather than improved.

One constructive route out of this dilemma is to see economics develop tailored, specialised understandings for key system sectors, such as housing economics that can embed more realistic assumptions and reduce conceptual reductionism (see Maclennan, 1982, Maclennan, 2012). Another is to move away from the stark binary of 'rhetoric' versus 'science'. Wayne Booth (2012) has recently observed that 'Rhetoric is the art of probing what men believe they ought to believe rather than proving what is true according to abstract methods' and continues that 'Rhetoric is the art of discovering more-or-less good reasons to arrive at more-or-less probable or plausible conclusions.... and is the art of discovering warrantable beliefs and improving these beliefs in shared discourse'.

Booth's observation concurs with the observation in the Shaping Futures project that policy cases are made and rejected, by lobbies and policy bureaucrats respectively, with arguments that are usually theoretically incomplete, or differently specified, and empirically limited. There is much to share rather than mutually dismiss and resort to explore via mutual persuasion and exchange of knowledge between sectors rather than unilateral resolution via power politics. Housing advocates and economic policymakers, perhaps more than ever before, do need a protracted conversation to improve understanding of how housing systems now function and shape problems. McCloskey (1983) also observes that 'Everywhere in the literature of economics one is met with premises that are unargued, tricks of style masquerading as reason...forms of evidence that ignore the concerns of the audience and other symptoms of a lack of 'self-consciousness in rhetoric'. If the housing sector drops its long hostility to economic questions, then the economic policy sector needs to raise the housing economics substance of the answers it provides.

A recurrent conversation between housing and economic policy sectors may also induce truth-telling in policy narratives as recurrent discussion gives opportunities to penalise those who mislead (and this applies to all involved). How do people trust what they hear in policy processes and update their choices (in a Bayesian fashion) if they cannot trust messengers? This will not make argument impartial, for modern economics in the hands of Treasuries, nor indeed policy lobbies, is not impartial, but it will make policy debate more informed and less misleading. Adam Smith, in his letters on Rhetoric, recognised the need for individuals to be trusted, and recognised as honest (and in the policy process this could involve trusting their economic wisdom and their political judgement as well as the facts).

Shaping better housing futures requires the development of national and local policy conversations that continues between housing interests, housing experts, bureaucrats and Ministers that engenders trust to shape a conversation. That is, there need to be limits to dishonest exchange (as there are in exchanges in markets for goods). If these issues are disregarded, Smith says 'the rhetorician pleads a cause. Ready to persuade, he doesn't look for truth and fairness anymore' (Smith, A, quoted in Jermolowicz, 2004). Furman notes that in evidence-oriented (informed) rhetoric for public policy there are usually lots of missing data (Furman, 2007). Different data, like different theoretical starting points, tell different stories and housing, planning and economic policy sectors now need a more collective conversation on housing outcomes and their impacts on local economies.

The notion that a new narrative and conversation might shift policy rhetoric is encouraged by the actual behaviours of applied economists. McCloskey notes that 'their genuine, workaday rhetoric, the way they argue inside their heads or their seminar rooms, diverges from the 'official rhetoric'. What is more, their scientific work is touched by claims of morality, the aptness of metaphors, relevance of historical precedents and by a selective approach to what is subjected to evidence collection and modelling'.

Economic competences in housing arguments and a continuing conversation betwixt housing and economic policy sectors may improve the 'workaday rhetoric' of housing economics. But the process also needs champions. Ronald Coase (1952) argued that, in practice, an economic idea only gains sway in policy if it already has academic champions to develop theories and empirical models. Does housing have any champions within governments? The answer would be relatively few compared to economists interested in, say, health and education issues. Arguably, the general tendency towards the hollowing out of government seen since the 1980s (Jessop 2004) has seen housing policy and economics capacity degraded at least as much as in any other realm (Pawson et al 2018). Academia may contribute to this absence of champions for housing within the economics research and policy communities. The economics profession has devoted little resource and prestige to understanding the economics of housing systems and their consequences for the economy. The Annual Survey of the US Labour Market for New Ph.Ds (Walton, 2018) indicates that of 122 new economics Ph. D hires in 2016-17 the total in urban and regional economics was 1 out of 122 (none in the top 30 institutions, where labour economics had 11).

This observation is highly relevant to the policy process behaviour of the housing sector. Rather than avoiding economic arguments and issues they should, to induce a new constructive conversation, demand to see the ‘emperor’s clothes’: they need to interrogate officials and Ministers to reveal the positions taken within governments, press officials and Ministers for an articulation of the logic chains being deployed and use their own applied economics insights to question government views.

This reliance on rhetoric is most obvious for the many bureaucracies that know very little about the housing systems for which they proffer policy advice. Such economic rhetoric is often very reductionist and ignores key facets of housing systems and their outcomes. Better housing policies requires not only a new housing economics story within the housing sector but new capacities of government economists to understand and model housing systems. The limitations of the present policy narratives of economists in government comes not from lack of system concern but the nature of economic rhetoric in policy and practice. But if economic understanding of housing issues improve within governments will it lead to better housing policies? Do government economists matter in modern policy processes?

Does it Matter What Economists Think in Government?

Politics Matters More

Even if a mutually agreed narrative evolves between economists within government and housing providers it may have little impact if economists have no influence in positive policy development by politicians (as opposed to negative vetting of projects in budgetary allocation processes). The housing lobby has to consider which economists matter in policy making processes and when.

The discussion above assumes that professional bureaucrats, economists and others alike, speak ‘truth’ (or at least the best-informed narrative) to power and that the advice they supply relates to the identification of emerging policy challenges, the feasibility of delivering political commitments and the most efficient ways to attain the key outcomes sought by a government. The assessment of public attitudes and the provision and presentation of government news, or policy announcements, and views is also critical. Designing strategy/vision shaping, policy delivery and communication are all major bureaucratic tasks that may involve economists. The weight of these different tasks may differ from administration to administration (and may have a pattern within a government as it senses the relentless progress of the electoral cycle).

Following the work of Black (1977) it is widely recognised that policy choices are not just driven by ‘class conflict mediators’ drawn from elected representatives and bureaucrats. Other kinds of state-related elites have key roles in policy formation. Within the ABC countries it is widely recognised that over the last two decades the number and status of ‘special’ or ‘political advisers’, usually with governing party allegiances, has greatly increased (e.g. on Australia see Tingle 2017). This has, in many instances, reduced the role of bureaucrats in shaping policy visions, designing specific instruments and shaping the communication processes involved in programme delivery. It may also encourage career-oriented bureaucrats to abandon ‘frank and fearless advice’ and ‘get with the programme’ to favour decisions and messages that Ministers find more palatable. Failure to do so may leave senior officials just simply ‘gift-wrapping’ the spending choices otherwise made.

These observations are not made to deter the housing sector from engaging with how bureaucracies understand, model and respond to housing issues. They are merely a reminder that policy narratives also have to be aimed at a range of different ‘state-related elites’. They also highlight that there are certain times and contexts when economic advice both from within and outside the bureaucracy may be more likely to have impact.

Where and When Economists Matter More

Where policymakers are confronted with the symptoms of, often poorly recognised, complex and wicked issues then bureaucrats, and external commentators, may be more likely to be consulted and listened to than in other settings. Bureaucrats may have relevant experience and knowledge and peripatetic Ministers and Special Advisers may realise that departments have, sometimes, sophisticated organisational memories. In all the ABC countries, and at all levels, these analytical and memory capacities have been much reduced in this millennium. But when complex, multi-sector, multi-level problems are in play bureaucrats, including economists, will play more pronounced roles in policy. The housing system problems we are discussing are precisely of this partly understood, system wide nature.

Economists within government (and possibly outside) are viewed by other social scientists as influential. However, and recognising McCloskey's views on how economics embodies professional value judgements and metaphysics, others argue that economic arguments are too important to be simply left to economists! Eyal and Bucholz (2016) make a good case in calling for a 'sociology of interventions'. However, Hirschman and Berman (2014) note that economists views do matter in some contexts and that their influence is mediated by local circumstances and meso structures. Local traditions in economics modify professional globalisation of a single idea of what constitutes economics, and this view is shared by Campbell and Peterson (2017) but disputed by Fourcade (2006). Housing advocates would do well to note that emphasis in 'economics' differs across and within administrations.

Fourcade (2006) also usefully asks what is meant by 'economist'. Is the term being used to describe individuals, ideologically unified networks, epistemic communities or whole professions? In this discussion, about changing housing market understandings within governments, the central concern is with the epistemic communities centred on government finance departments. Fourcade, further, stresses the need to consider three main sources of power (or 'sites' of influence) of economists. The first of these is professional authority and that burgeoned after 1945 with the growth in Keynesian economic management and welfare states/ public spending. That power has demonstrably waned since the 1980s and the GFC and it is arguable that with a focus on needs/ merit goods understanding economics was never important within housing spending departments. This chapter is emphasising the importance of the housing sector challenging the much-reduced epistemic community of economists in government engaged with financial stability decisions (with no sense of multiple national housing markets) and sectoral/public spending microeconomists imbued with housing as a well-functioning system.

The second source of power rests on the location of economists within institutions and governments, such as in research sections, providing wider economic services, and in running non-finance departments as well as finance and treasury departments. In the role of economists outside of Treasury/Finance, Fourcade (2006) suggest that the 'distinction between economists and policymakers collapses and economist may be making policy decisions directly as well as giving advice to others'. Their third key role is then in what Fourcade calls the cognitive infrastructure of a government system. This involves the diffusion, and integration, of economic reasoning styles within and across government departments, the development of technical devices for decision taking such as Cost-Benefit Analysis and wider advice on how to do conduct project evaluations.

In the sociology literature these methods are seen as socio-technological tools, as social assemblages, and the adoption of techniques is not a neutral process. For instance, within governments in ABC transport departments commonly use cost-benefit analysis of projects and programmes whereas the approach is rarely applied to housing. And this may be because transport investment gains from applying the technique whereas, in present approaches, housing does not.

In these contexts, the housing sector must aim at both economists as individuals within government, challenging the match of their professional understandings with what is experienced in housing markets but focus most of the sector energy on engaging, and changing the epistemological community. In doing so, there always must be the recognition that often the insights of economists and bureaucrats will still be secondary to politics.

Franken et al. (2016) note that knowledge and results from detailed health spending evaluations, with variations in policy institutions and decision processes across 4 European countries, have little impact on restricting access to high cost drugs. He concludes 'health economics evaluations should be viewed largely as rhetoric'. Economics can expand the policy discourse, but it does not often drive decisions. As Hirschman notes 'the social consequences of economics are not the same as the social consequences of economists' (Hirschman, 2014, p288).

Brief Conclusions on New Economic Narratives for Housing

This chapter addresses how to shape new policy narratives for the housing sector in the context of economic policy thinking. The housing sector must refresh and expand its understanding of the economic consequences of housing outcomes to develop a policy narrative with greater potency when productivity has become a key policy concern. Economic experts and epistemic communities within federal and sub-national governments must, simultaneously, develop an understanding of, and potentially a capacity to model, real metropolitan housing markets to replace an undue reliance on the assumption of well-functioning housing markets. The evidence from growing metropolitan areas in the last two decades is that assumption is both likely to be false and to prevent the development of housing market policies and strategies that might alleviate housing affordability difficulties.

Present approaches to understanding policy requirements need to change. A better evidenced housing sector need to be in conversation with policy economists at local and federal levels. Policy economists need to replace rhetoric with more thorough analysis and modelling of policy alternatives. The present standards of policy evidence and debate that operate in housing discussions would, frankly, not be tolerated in health or transport policy, for instance.

Clearly framed narratives and well informed and well understood policy proposals aimed at major government outcomes must be at the core of economic stories for housing in the decades ahead.

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