



# The Failure of Neoliberalism: The Case of Housing

Mike Berry  
Prof. emeritus, RMIT University, Melbourne/Australia

## METADATA

Urban Eidos Issue 3-2024 (ISSN: 2942-5131)  
Article-DOI: 10.62582/UE3004p  
Issue-DOI: 10.62582/UE3000

Housing is a high-order human need in all societies, at all times. Under capitalism, especially in its neoliberal era, access to housing that meets basic human needs has been denied to an increasing proportion of the population. This has and is resulting in rising levels of over-crowding and homelessness that both undermines the productivity of the economy and destroys the opportunities of increasing numbers of citizens. This paper traces the trajectory and causes of housing system failure in the most advanced Western nations. Foremost among the forces of failure are rising economic inequality and the political influence of vested interests in the property lobby. Suggestions are offered as to how policy interventions could reverse the momentum.

## Introduction

The development of a nation's housing system provides a unique view of how **neoliberalism** has defined and confined life chances in developed capitalist societies during what US historian Gary Gerstle (2022) has termed 'the neoliberal order' – that interrelated matrix of economic, political and cultural institutions constraining social, political and economic processes and outcomes, transmitted through the dominant ideological lens privileging the pervasive power of market processes.

Housing meets a universal high order human need. Along with adequate food and clean water, shelter is vital to support human life on a sustainable basis. That this is a universal human requirement is most dramatically revealed during and in the immediate aftermath of a major war, civil war or natural disaster like an earthquake, flood or tsunami. Minimising human death and misery depends on how quickly and effectively local, national and international NGOs and donors mobilise to provide food, water, sanitation and shelter to the victims and survivors.

In this paper I attempt to explain why the neoliberal turn to the market over the past 40 years systematically failed and continues to fail to deliver adequate housing outcomes for an increasing proportion of the population – especially in Anglo-democracies like the United Kingdom, United States and Australia.

## What is Housing?

The most basic point to make is that a dwelling provides a range of useful services to households. Basic protection from the elements and climatic variation meets an obvious basic need. But a house is fixed in space, and ignoring tents and mobile homes, immobile. This means that where you live partly determines your access to jobs, health, educational, recreational and other services, as well as connectivity to

neighbours and local community networks. Most importantly a fixed address confers what sociologists term 'ontological security', the feeling of permanence, a base from which to plan one's life over the longer term. This form of existential security is absence if you are 'homeless', unsure of where you will be sleeping tonight, next week, next month.

The second key point, following from the first, is that housing is *not* a homogenous thing, like a field of wheat or tins of corn beef. Houses differ over time and across communities by size, age, quality, functionality, tenure of occupation and location. In most developed capitalist societies, housing is primarily produced and allocated through the market, the collective outcome of multitudinous 'voluntary' transactions between buyer and seller. 'Leave it to markets to sought things out', is the familiar cry of orthodox economists, government officers and self-interested parties. The price system will match the demand for and supply of housing. Self-interest, after all, is what drives market outcomes to the most efficient solution. The implication is that this is the best possible outcome given a society's resources and technological inheritance, that in the long run markets will meet everyone's housing need. This claim is demonstrably false. In fact, all kinds of market failure characterise how housing is actually – as opposed to ideally – delivered under real-existing capitalism.

Firstly, there is no such thing as 'the housing market'. Multiple housing sub-markets allocate new and existing houses across a class-divided population. These sub-markets are differentiated by buyer characteristics and dwelling type, age, quality, size, functionality, tenure arrangements and location.

Second, demand for housing *is not just about need*. To be effective, to count, demand also depends on a buyer's purchasing power, their income and wealth and – critically – their access to and cost of credit. Housing provision through markets is *systematically biased* towards those able to afford the resulting rents and prices. Those who can't, miss out. Homelessness in its various forms is a necessary outcome of the way housing sub-markets operate and sort people in class-divided capitalist societies.

Third, reinforcing biased access, economic inequality has been supercharged under the neoliberal order defined by the encroachment of market logic into public policy areas previously the preserve of government agencies. Privatisation has stripped functions and human capital from providing 'merit' goods and services like education, health and housing. In the case of housing this has seen the prevalence of homelessness and marginal housing situations climb rapidly, associated with the rise in precarious employment due to the attack on trade unions and the rollback of state policies that previously provided some protection for ordinary workers.

Fourth, the 'financialisation of capitalism' (Aalbers, 2016) has reinforced the nature of housing as an investment asset. Not only has demand been biased towards affluent buyers, property investors and speculators tend to crowd out owner occupiers across the system. Housing has become a significant component of personal wealth, accounting for about a fifth of total wealth in the United States, more than half in Britain and around three-quarters in Australia. Housing wealth can be used like other assets, namely as collateral for borrowing on favourable terms to both support current lifestyles and accumulate further wealth. It can also be passed onto to family members through gifts and inheritance, solidifying the family as the basic unit of social class position.

Fifth, housing is a composite commodity requiring a prior process of acquiring and developing a site suitable for habitation. The commodity that is produced, bought and sold in various sub-markets is 'a land-house package'. Each component of land and dwelling can command a separate value or price that can change at different rates and directions over time. This is obvious when a site and its current dwelling is purchased for demolition and redevelopment. In such cases the value of the current dwelling is negative by the cost of demolition.

But housing is also a composite commodity in another sense. In addition to walls and ceiling, a dwelling is 'a machine for living', a container for fixtures and fittings provided by capitalist suppliers of taps, stoves, refrigerators, television sets, furniture and a range of other appliances.

Sixth, housing requires a very long period of production, from the conversion of broad acres to new subdivisions serviced by water, sewerage, communications and other infrastructure facilities, through the planning and construction stages, to marketing

to the point of final sale of the land-house package. A range of service inputs must be managed through this period: land surveying, architectural design, legal advice, logistics, project planning, marketing and finance. During this long gestation much can go wrong to delay or subvert the supply of new housing: bad weather, industrial strife, supply chain blockages, bankruptcies, interest rate rises, macroeconomic instability, public policy changes, and political opposition can individually or collectively derail the best-laid plans and constrain supply.

## The Deadly Simple Mechanics of Housing Inequality

Together, these forces have created under neoliberalism and are reinforcing a pattern of chronic excess demand for/undersupply of housing of a reasonable standard for a growing proportion of the population. Marginality in the housing system is mirroring and driving an increase in marginality in labour markets as governments withdraw from and wind back intervention to correct market failures in both institutional spheres.

A critical example of systematic undersupply concerns the profit-driven process by which virgin land is developed for new housing construction. Land developers ration and stage the release of developed sites to builders in order to maximise their profits *not* to meet rising housing demand in growing economies. A proportion of *developed sites* are held back to keep the price of sites high. *Undeveloped land* is also 'banked', held back so as not to 'flood the market' and depress prices. I have argued elsewhere (Berry, 2023; see Murray, 2024; Fitzgerald, 2022) that this is a form of 'class monopoly rent'. Property vested interests will claim high land prices reflect the failure of planning agencies to zone adequate undeveloped land packages for residential use. This is rarely the case but provides a useful political weapon to deflect criticism onto public agencies, thereby contributing to the general neoliberal attack on 'big, slow-moving government'.

Another familiar strategy of the property lobby is to argue that as the supply of new housing comes onto the market, this will free up some existing houses to meet high demand. Apart from the fact that this claim glosses over the systematic bias of access to housing towards the most affluent households and investor-speculators and the exclusion of the marginalised, noted above, it ignores the complex interrelations between the price dynamics of the land and dwelling elements of the commodity package in large urban centres.

A house is not like a car, even though both are long-lived assets. When new model cars come onto the market, the price of existing cars declines, due to both physical depreciation (wear and tear) and obsolescence. New cars tend to have improvements in quality and functions missing from older cars. The latter's price progressively declines over time: older models 'filter' down to buyers of limited means. In a developed economy, second hand cars eventually come within the reach of most people.

This process of downward filtering is largely absent in most housing submarkets. New housing is often provided in less accessible locations, creating a market premium for advantageously located existing house-land packages. Prices and rents for the latter filter upward not downward, as the uprise in site value outweighs in the opposite direction the declining value of the dwelling.

We can tease this metaphor out a little to get a better idea of how it casts light on the operation of observable urban housing outcomes<sup>1</sup>.

- Participating in the metropolitan housing market is like trying to get a seat inside the theatre. People line up in order on the footpath according to the amount of money they have in their pockets. People file in paying at the door until the "house full" sign goes up. Those still outside miss out.
- In rapidly growing communities the number of people queuing increases faster than the number of additional seats being added inside, so more and more people miss out. Ticket prices rise locking more people out.
- People with more money pay for bigger and more luxurious seats, so at-

---

<sup>1</sup> This passage is drawn from my book Berry (2023, p.140) and develops a metaphor produced by David Harvey (1973).

tention shifts from the downstairs stalls upstairs to expanding the lounge and dress circle.

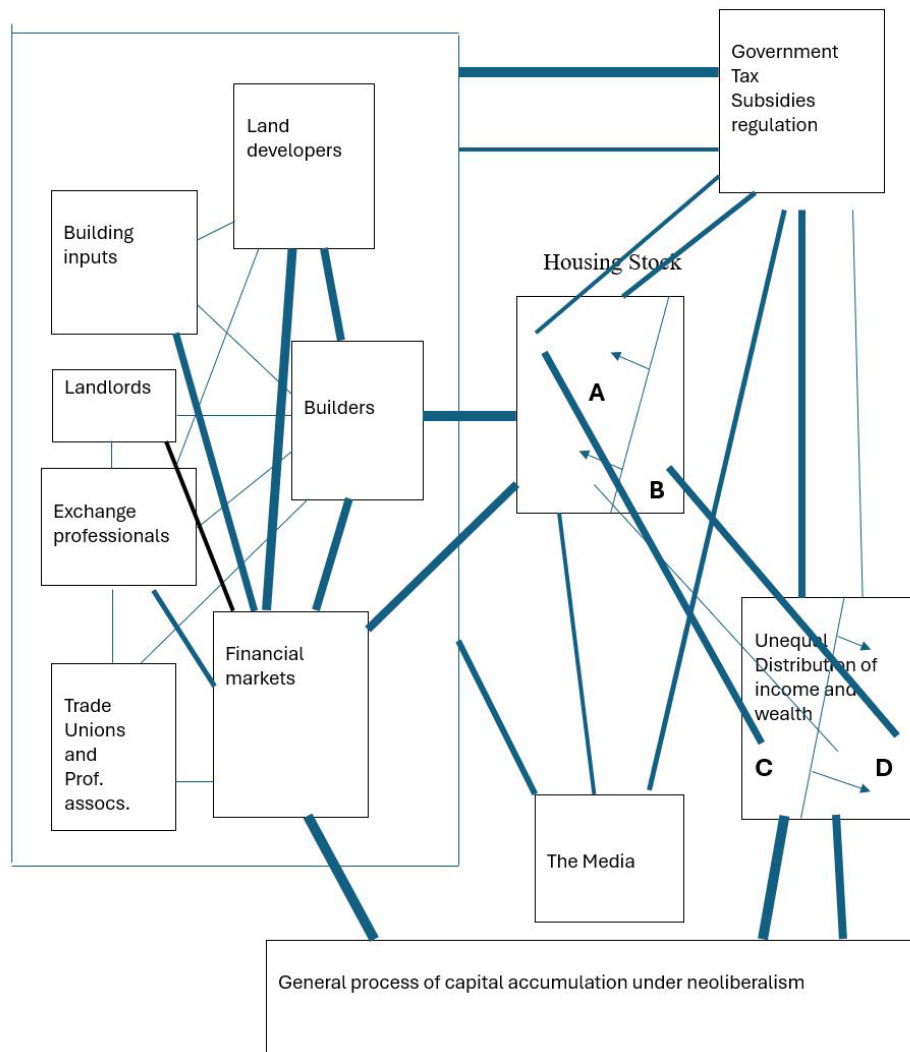
- Rich people buy seats for their children.
- In communities becoming more and more unequal, the queue outside lengthens as cheap seats in the stalls are ripped out and replaced with more luxurious upholstery. New arrivals in town with money push into the queue halfway up, while poor immigrants are politely told: “the queue starts at the back”.
- Those at the back of the queue are too far from the entry door to know how far from the door they are.
- Some near the back of the queue sneak in the back door of the theatre and stand up at the back out of sight. Others club together to buy a ticket and share by sitting on one another’s lap. Many give up any hope of getting into the show.
- An attempt is made to extend the market by offering more viewing sessions. But the wealthy choose to see more films.
- More cinemas are built further out in poorer areas, but the wealthy have cars, the poor still can’t afford the ticket prices while owners of suitable sites keep them back until their price rises sufficiently to warrant development. And so on...

This metaphor refers to a number of phenomena like housing market segmentation, housing supply shortages and lags, socio-spatial inequality, inter-generational inequality, gentrification, overcrowding, peripheral marginalization, homelessness (hidden and overt), information asymmetries and other forms of market failure. It is a useful narrative for focusing on why the poorest groups miss out and are most likely to have their situation worsen through time. “In a sequential allocation of a fixed housing stock in order of competitive bidding, the poorest group, because it enters the housing market last, has to face producers of housing who are in a quasi-monopolistic position... Lack of choice makes the poor more prone to being squeezed by quasi-monopolistic policies (a process not confined to the housing market, but which extends to job and retail opportunities, and so on)” (Harvey, 1973, p. 170). And as the points above make clear, the power of those quasi-monopolistic forces is reinforced by the tendency of urban population growth and the increasing relative purchasing power of the richest groups to jump ahead in the queue, pushing less affluent patrons back towards a disappearing end, while also bending the architecture of the built form and the content of the program to suit the demands of the affluent existing and newcomer households. The slow catch up of new supply constrains but does not resolve the inflationary dynamic of the urban housing system or its exclusionary impacts, nor does it relax the grip of hysteresis<sup>2</sup> on prices and rents.

---

<sup>2</sup> Hysteresis refers to the tendency for price rises to persist even after the initial forces causing the rises moderate.

## A Schematic Summary of the argument



**Figure 1:** *the Housing System Under Neoliberalism*

The schema in Figure 1 sets out the key nodes and linkages in the capitalist housing system.

1. The large rectangle to the left encompasses the key agents that together deliver housing to the population, expanding the housing stock over time. This is 'the property lobby'. It includes land developers, builders, building suppliers, building workers, financiers, landlord-investors and exchange professionals (engineers, architects, surveyors, real estate agents,). These agents have partly opposing interests but all share a common interest in keeping the overall system of housing provision unchanged.
2. The housing stock is segmented, broadly divided into:
  - A:** Those households that are adequately housed, ranging from barely adequate to luxuriously housed (roughly two-thirds in Australia). The closer to the north-west corner, the better housed. The closer to the dividing line, the more at risk of marginalisation.
  - B:** Those households inadequately housed, ranging from moderately inade-

- quately housed to poorly housed and homeless (roughly one-third in Australia). The closer to the south-east corner, the worst housed.
3. The distribution of income and wealth allocates households between states C (affluent, roughly the one-third owning 70 per cent of total wealth) and D (non-affluent two-thirds owning 30 per cent).
  4. Government agencies regulate, tax and subsidise the key agencies that provide and manage the housing stock.
  5. The property lobby exerts influence over government policies. And 'non-policies', that is they control the housing policy agenda, ruling certain policies in and others out. Note the ubiquitous presence of financial institutions in the prevailing system of housing provision.
  6. Governments are also influenced strongly by the material interests of the most affluent and well housed (A and C, with strong Venn diagram overlap). Conversely, governments ignore the interests of respect to B and D (which also overlap closely), other than minimal 'welfare' support which is progressively eroded under the impacts of creeping inflation and government policies of fiscal austerity. A minority in D gain access to stock in A, keeping alive wider aspirations.
  7. The system dynamics are represented by: (a) the positive feedback loop between those who own significant housing wealth (the north-west segment of A) and the increasing market value of their housing over time (b) the tendency under neoliberalism for the line separating A from B to move towards the north-west (represented by the arrows in the Housing Stock box) as more and more households become marginally (tenuously) housed (B) and (c) positive feedback loops between the affluent and well-housed (A) and favourable government policy and policy silences and between the property lobby and favourable government policy and policy silences and (d) the growing income and wealth share of the top third and especially top 1 per cent of the population represented by the arrows in the inequality box moving south-east, strengthening the links between growing C and shrinking A and between shrinking D and growing B.
  8. The media promote an individualistic focus on accumulating housing wealth, benefitting from advertising funding from the property agents, whose interest they promote to government.
  9. Economic inequality increases by the internal dynamics of market-driven capitalist development. That is, the housing system is nested within the institutional totality defining and constraining capitalism in the neoliberal order. Under this regime, financial institutions have assumed a central coordinating role – represented by the many strong links within the property lobby and with the financing of additions to and transfer of houses within the changing stock.
  10. This last point means that increasing housing wealth polarisation is contributing to the further concentration of wealth and political influence in the wealthiest minority who pose an existential threat to democracy by fuelling the rise of populism throughout European, American and Australasian societies.

More broadly, it should be noted that the fact that in many advanced capitalist nations, a majority of people are or become owner occupiers during their lives, or at least continue to harbour such aspirations (even in the face of declining likelihood of ever realising those dreams) makes it extremely difficult for elected governments to introduce policies that would reduce housing inequity and marginalisation. No elected politician wants to tell house owners that their house values will decline or even level off. This is the essence of the 'wicked' nature of housing policy today



## Putting a spoke in the machine

How, then, might policy interventions disrupt the smooth operation of neoliberal housing outcomes? How can we upset the apple cart? Because of the capture of the narrative by property owners and the property lobby, current policy interventions tend to be small scale, ineffective, piecemeal and of marginal effect, other than to divert attention from interventions that would have real impact. The latter could include:

1. A frontal attack on the problem would involve mounting a counter-hegemonic strategy that undermines the ideological grip of free markets in order to free the working and middle classes from a total reliance on paid employment. For example, institute a **generous** guaranteed minimum income scheme (increasing D at the expense of C) funded by imposing a wealth tax on the top 20 per cent, and especially the top 1 per cent. This would reduce the bias of housing provision to the most affluent and provide lower income households with a greater opportunity to compete for a greater range of the available stock.
2. Government can directly increase the supply of housing by public agencies and non-profit providers like housing associations, targeted at the most vulnerable households, that is, those in the lowest 20 per cent of income with little or no wealth, like women escaping domestic violence, the physically and intellectually disabled, those who age without adequate savings, especially divorced women and workers from low paid jobs. These agencies can expand the supply of affordable dwellings by purchasing newly constructed stock and by purchasing from the existing stock. In the former sense they can specify specific features suitable for their target households: this is very important to meet the real needs of people with disabilities, the aged and those with complex needs. In the latter case, these features can be retrofitted. The critical point is to tie rents to ability to pay rather than ruling market rents in the private sector, while also guaranteeing tenant rights to secure tenure and well-maintained dwellings, as part of a robust charter of tenant rights.
3. A government land development agency can compete with private developers to hasten a smooth flow of developed building sites to match the capacity of the building industry to construct new homes. By undercutting the ability of developers to extract monopoly rent, the public agency can moderate the price of building sites that will flow through to lower land-house package prices. Government can use publicly owned land to build new housing, while also deploying the power of eminent domain to amalgamate sites fit for large scale residential development.
4. Placing time limits – use it or lose it – on planning approvals would undercut the ability of private developers to hold back developed sites.
5. Governments can incentivise productivity improvements in the residential construction industry through investing in technical training, subsidising new building systems like manufactured homes and matching the provision of public infrastructure with housing development.
6. Governments could and should mandate ethical codes of conduct on financiers and exchange professionals engaged in the housing system tied to keeping their professional and social licenses to practice.

At *base*, all these interventions are aimed at removing the deeply held belief in housing as an investment, rather than as a secure base for living.

For further analysis and suggestions see Berry (2023).

## Conclusion

The solid grip of neoliberalism on housing outcomes and policy in developed capitalist nations has been baked in over four decades and is not easily loosened. The political task is daunting. It involves taking on and beating the power of globally organised financial capital, the domestic power of the property lobby and the material and ideological commitment of the property-owning majority of voters. But history seems to be moving in the direction of reform. The escalating cost of housing is a

major contributor to what is being dubbed 'the cost of living crisis' in the US, UK and Australasia. Similar concerns are dominating political discourse in other advanced democracies, often associated with right-wing conspiracies about immigrants. There is a dawning realisation that younger generations, as well as the traditional victims, are being denied the basic right to a decent life. On the motto 'never let a good crisis go to waste', now is the time to mobilise to force real reform.

## References

- Aalbers**, M. (2016) *The Financialisation of Capitalism: A Political Economy Approach*, Routledge.
- Berry**, M. (2023) *A Theory of Housing Provision Under Capitalism*, Switzerland AG: Palgrave Macmillan, Springer Nature.
- Fitzgerald**, K. (2022) *Staged Releases: Peering Behind the Land Supply Curtain*, Melbourne: Prosper Australia. <https://www.prosper.org.au/wp-content/uploads/2022/07/Staged-Releases-Prosper-Australia-web22.pdf>
- Gerstle**, G. (2022) *The Rise and Fall of the Neoliberal Order*, New York: Oxford University Press.
- Harvey**, D. (1973) *Social Justice and the City*, Oxford: Basil Blackwell Ltd.
- Murray**, C. (2024) *The Great Housing Hijack*, Sydney: Allen and Unwin.