

SA422 HOUSING ECONOMICS AND FINANCE 2008/2009
COURSE OUTLINE AND READING LIST

The course consists of 15 lectures, 16 seminars and 3 revision seminars by Christine Whitehead, John Hills, Alastair Jackson and Giovanni Razzu. In addition, there are seven classes in the Michaelmas Term covering basic economics concepts. The course convenor is Christine Whitehead, Professor of Housing, Department of Economics, (Room S.364). John Hills is Professor in the Department of Social Policy. Alastair Jackson, now at Rutland County Council, teaches the finance element and Giovanni Razzu, now at the Equalities Review, teaches the economics classes and seminars.

Students with a good grounding in economics may, with special permission from the Course Convenor and the MSc Housing course tutor, take the Lent and Summer term sections as a half unit SA4C7.

The Objectives of the Course

The objective of the course is to give students, whether they already have a background in economics or not, the capacity to use economic and finance concepts and analysis in the context of housing. At the end of the course they should be able to address questions of how the housing market operates; how it relates to other markets; the reasons for government intervention; the forms of that intervention; the principles of financing; the financing of housing in the public and private sectors; housing policy development in England and internationally; and how policy might be evaluated.

Structure of the Course

Michaelmas Term: Principles of Economics and Finance – 13 lectures and 7 seminars; plus 7 classes for those without an economics background.

Lent Term: Topics in Housing Economics and Finance – Two introductory lectures in week 1, followed by 9 seminars covering a range of currently relevant topics in housing economics and finance.

Summer Term: Revision – 3 revision seminars on economic principles, finance principles, policy issues and how to address exam questions.

Timetable

Michaelmas Term:

Lectures and Seminars: 10:00–1:00 in Room E304

Classes (prerequisite for those with little or no economics) 9 am – 10 am weeks 2 – 8 in E304

Lent Term:

Lectures: 10 am – 1 pm week 1 in E304

Seminars: 10 am – 12:30 pm weeks 2 – 10 in E304

Summer Term:

Seminars: 10 am – 12:30 pm Weeks 1-3

The course is made up of three interlinked sections - economics, finance and topics in the economics and finance of housing which aim to integrate the first two elements. The economics and finance elements are taught through lectures and seminars. The topics section is taught mainly through seminars based on student presentations. In addition there are revision seminars.

Programme

Michaelmas Term

Week 1 9 October	Lectures 1 and 2 (CW): Introduction to housing economics; approach; basics of demand, supply and price. Why housing economics?: Special nature of housing
Week 2 16 October	Lectures 3 and 4 (CW): Determinants of housing demand in the short and long run: relationship to housing need. Determinants of housing supply in the short-run; implications for house prices
Week 3 25 October	Lectures 5 and 6 (CW): The decision to supply additional housing – determination of costs and market structure; implications for house prices in the long run. The relationship between housing and land markets; price and output determination in housing and land markets.
Week 4 30 October	Seminar 1 (GR): Housing demand and need Seminar 2 (GR): Housing supply and construction
Week 5 6 November	Lecture 7 and 8 (CW) Housing as an asset: investment in new and existing housing; principles of investment decisions; when to renovate or replace. Financing the private sector; mortgage markets, investing in private renting.
Week 6 13 November	Seminar 3 (GR) Housing and Land Markets Seminar 4 (GR) Housing as an Asset – decisions to invest; and finance
Week 7 20 November	Lectures 9 and 10 (AJ) Introduction to public sector housing finance. Public finance frameworks: constraints on public spending and on housing spending; central and local government; government as purchaser and provider. Forms of subsidy: Demand and supply subsidies; landlord accounts, rent streams, net present value, historic costs, cash and economic subsidy
Week 8 27 November	Lecture 11 (JH): Incentives in the social rented sector: principles and outcomes Seminar 5 (JH): Topics from <i>Ends and Means</i>
Week 9 6 December	Lecture 12 (AJ): Supply side subsidies, principles and practice: revenue subsidies; capital subsidies; recycling assets. Seminar 6: Public finance frameworks
Week 10 11 December	Lecture 13 (AJ) Income and price subsidies, principles and practice: tenants; owner-occupiers. Seminar 7: Subsidy structures

Classes: 9am – 10am in Room E304 (GR)

Week 2: Demand, supply and price – market equilibrium
Week 3: How prices change
Week 4: Elasticities
Week 5: Costs of production
Week 6: Determinants of supply; short and long run equilibrium
Week 7: Interest rates and Investment
Week 9: Market failure

Lent Term: SA422 Seminars and SA4C7

Lectures:

Week 1: Preliminary Lectures - Review of (i) economic and (ii) finance principles; the rationale of government intervention; public versus private provision; methods of financing and problems for government.

Seminars:

Weeks 2 – 10

Topics (TBC):

- Demand and need – principles, estimates and implications for funding
- Economics and finance of social housing
- Land use planning, housing supply and affordable housing
- Financing reinvestment in affordable housing, LSVTs, ALMOs, PFI
- Housing and regeneration
- Housing benefit and alternative approaches to demand side subsidies
- Buy to Let and the private rented sector
- Economics and finance of intermediate tenures
- The credit crunch and the mortgage market

Summer Term (TBC)

Seminars

Weeks 1-3:

Week 1: Economic principles review (GR)

Week 2: Finance review (AJ)

Week 3: Economics and finance questions (CW)

READING

Preliminary Reading

NB: It would be very helpful if those who do not have a strong economics background could read chapters 1 and 10 of LeGrand, Propper & Smith *The Economics of Social Problems* (4th edition, 2008) as soon as possible.

Basic Economics Texts

Students with little economics background will need to cover the main topics in the micro section of an introductory textbook, e.g.

R Lipsey & K Chrystal *Economics* (ed 11)

D Begg, Fischer, S & Dornbusch, R *Economics* (ed 9)

Rather more advanced general texts which concentrate on principles and practice of welfare economics include:

J Stiglitz *Economics of the Public Sector* (3rd edition)

N Barr *Economics of the Welfare State* (4th edition)

Texts on Housing Economics

There is no wholly suitable textbook currently in print. There is a wide range of relevant material. The newest is Oxley, M *Economics, Planning and Housing* – which is roughly at the right level (although it applies basic economic principles rather than starting from scratch). Handouts are provided which set out these principles. These can be found after the relevant lectures at

<http://econ.lse.ac.uk/courses/sa422/> together with class and seminar questions and reading.

Other texts include:

(eds) Gibb K & O'Sullivan A *Housing Economics and Public Policy*

R Muth & A Goodman *The Economics of Housing Markets*

G Fallis *Housing Economics*

D diPasquale & WD Wheaton *Urban Economics and Real Estate Markets*

Basic Finance Texts

Kenneth Gibb, Moira Munro & Madhu Satsangi, (1999) *Housing Finance in the UK*, Basingstoke: Macmillan (best mix of principles and actual mechanisms)

John Hills (1991) *Unravelling Housing Finance* Oxford: Clarendon (best text for principles and analytical framework, somewhat outdated in respect of specifics of English/UK finance instruments)

Peter King *Understanding Housing Finance*, Routledge (2001) has a more political perspective

David Garnett (2000) *Housing Finance* Coventry: Chartered Institute of Housing (exhaustive in description of the English system, but therefore less clear in its analysis)

Development of Policy in Britain

Stephens M, Munro M & Whitehead C	<i>Evaluation of English Housing Policy</i> , 2005 on DCLG website at http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/divisionhomepage/035353.hcsp
DCLG	<i>Homes for the Future: more affordable, more sustainable</i> , 2007
ODPM	<i>Sustainable Communities</i> , 2004
DETR	<i>Quality and Choice: A Decent Home for All</i> , 2000
DETR	<i>Housing and Regeneration</i> , 1998
Department of the Environment	<i>Our Future Homes</i> Cm2901, 1995
Joseph Rowntree Foundation	<i>Inquiry into British Housing</i> , 1991 (Second Report)
National Federation of Housing Associations	<i>Inquiry into British Housing</i> , 1985 (Report and Evidence)
Department of the Environment	<i>Housing Policy - A Consultative Document (HPR) (Report and Technical Volumes)</i> , Cmnd 6851, 1977
Cave M	<i>Every Tenant Matters: a review of social housing regulation</i> , DCLG, 2007
Hills J	<i>Ends and Means: The future roles of social housing in England</i> _CASE Report 34

Regular Publications

Academic Journals

Housing Studies

Urban Studies

European Journal of Housing Policy

Statistics and Commentary

Wilcox, S (ed)

UK Housing Review (annual) – JRF/CML

DCLG

Housing and Construction Statistics (quarterly and annual)

DCLG

Housing in England (Survey of English Housing)

Office of National Statistics

Social Trends (annual)

RICS

Review of European Housing Markets (annual)

Policy Publications

Roof (bi-monthly)

Inside Housing (weekly)

GENERAL READING FOR TOPICS SECTION

Texts:

Students might wish to read:

D Mullins and A Murie, *Housing Policy in the UK*

G. Bramley, M. Munro & H. Pawson, *Key Lessons in Housing*

John Hills (1998) *Housing in Glennester & Hills* (Eds) *The State of Welfare* Oxford: OUP (updates his 1989 text) to get an overall background to particular topic areas.

R. Green & S. Malpezzi (2003) *US Housing Markets and Public Policy*, Urban Institute provides a US perspective.

Relevant international overviews include:

C Whitehead & K Scanlon (eds) *Social Housing in Europe*, LSE London and K Scanlon & C Whitehead (eds) *Social Housing in Europe II*, LSE London

J Hegedus & R Struyk (eds) *Housing Finance: New and Old Models in Central Europe, Russia and Kazakhstan*

M Lujanen (2004) (ed) *Housing and Housing Policy in the Nordic Countries*, Norden

M Lux (2003) (ed) *Housing Policy: an End or a New Beginning?* (Transition economies), Open Society Institution

M Kleinman, W Matznetter & M Stephens (1998) (eds) *European Integration and Housing Policy*, Routledge

Specific reading will be provided topic by topic mainly in relation to the Lent Term seminars.

Websites:

English public housing finance policy materials and research/analysis are available at:

www.housing.odpm.gov.uk and at www.planning.odpm.gov.uk.

There is some relevant material at: www.hm-treasury.gov.uk/

Demand-side subsidies (housing benefit) policy and research is at www.dwp.gov.uk. The Housing Corporation's site is www.housingcorp.gov.uk. Two sites that are useful for analysis of the effectiveness of policy are the Audit Commission (local government programmes) at www.audit-commission.gov.uk and National Audit Office (central government) at www.nao.gov.uk

Somewhat more critical/analytical material is available on the Houses of Parliament website www.parliament.uk. Look in particular for Housing of Commons Library documents and reports of the Committee on the Office of the Deputy Prime Minister.

The most comprehensive range of independent research and analysis in the UK is at www.jrf.org.uk. There is some relevant material, less systematic in its basis on the following websites:

Chartered Institute of Housing www.cih.org.uk

National Housing Federation www.housing.org.uk

Shelter www.shelter.org.uk

ASSESSMENT

During the year students are expected to prepare exercises and other material before each seminar and to write both short answers and longer essays based on past examination papers.

The course is assessed through a three-hour unseen examination in May/June 2007. The examination will be in three parts. Section 1 will include short questions on economics and section 2 short questions on finance. Section 3 will include longer essays covering the range of topics in the course. The structure is similar to the 2006 and earlier examinations. Past examination papers are found on the Intranet.

Contact Details

Christine Whitehead, Room S364, Department of Economics, extension 7527

Office hour (provisional): Mondays 9.30 – 10.45

Secretary: Gill Wedlake, Room S379, extension 6889

Housing students may also make appointments, especially on Thursdays around the lectures/seminars.

John Hills, Room R512, Department of Social Policy/STICERD, extension 7419

Alastair Jackson, Housing Course Office, email: rachelandalastair@breathemail.net

Giovanni Razzu, Housing Course Office