



## Towards a Political Economy of the Private Rental Sector

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***Abstract:** This article sets out a theoretical framework for the political economy of the private rental sector, with a particular focus on the question of inequality. It brings together three existing bodies of research. First, macro-accounts of social stratification and wealth inequality. Second, Marxian critiques of the antagonism between accumulation and social reproduction. Third, qualitative accounts of tenants' experiences of housing inequality. The article synthesises these three literatures to put forward a political economy approach which can capture the multi-dimensional and multi-scale nature of both 'housing' and 'home' in the private rental sector. In so doing, it contributes to recent research on 'generation rent', in particular the related class and generational inequalities, as well as wider debates on the political economy of housing.*

**Keywords:** political economy; generation rent; private rental sector; inequality.



## Introduction

Recent years have witnessed a decline in homeownership in many jurisdictions and the consequent emergence of ‘generation rent’. This transformation has in turn led to a number of major social and policy concerns as a growing number of tenants face high levels of rent inflation, poor quality conditions and other challenges, such as overcrowding and evictions. At a deeper level, it also raises questions about how the nature of our housing system may be changing, especially in larger cities, and the implications of this in terms of inequality, affordability and ‘asset-based welfare’. These developments have thus given fresh impetus to housing scholars seeking to understand questions of policy and politics in the private rental sector. In response, an exciting body of research on the private rental sector has emerged. This research has tackled a myriad of issues, including the drivers of declining homeownership (Arundel and Doling 2017; Kemp 2015; Ronald and Kadi 2017); the implications for wealth inequality and asset-based welfare (Arundel 2017); the role of the financial system (Byrne 2019a; Fields 2018); and the experiences of tenants (Morris et al. 2017; Soaita and McKee 2019).

At the same time, the last decade or so has also seen a resurgence of theoretical and empirical research on the political economy of housing. Much of this work seeks to clarify how we can theorise the specificity of housing markets in view of a series of contemporary issues, for example financialization (Aalbers 2016); high and volatile house prices (Ryan-Collins et al. 2017), the greater role played by housing in economic crises (Aalbers and Christophers 2014), and the proliferating forms of inequality and contestation related to housing and housing markets (Madden and Marcuse 2016; Gray 2018; Fields 2015, 2017). The growth of the rental sector, combined with recent work on both rental housing and the political economy of housing, invite a specific focus on theorizing the political economy of rental housing. This article seeks to contribute to that task.

The article makes two interrelated contributions to the literature. First, it offers a *synthesis* of recent work, bringing their respective insights together as a set of resources for analysing the political economy of the private rental sector. Second, it develops a framework for integrating these bodies of work and for understanding the multiple levels and meanings of rental housing. Housing traverses multiple social domains and geographical scales. Housing and indeed ‘home’ are constituted through economics processes (production, exchange and financing), political and policy processes (housing policy, fiscal policy, levels of organization among actors etc.), and also through everyday practices of ‘place-making’ which produce ‘home’ as a place of dwelling invested with everyday routines, affect and symbolic meaning (Handel 2019). At the same, drawing on Marxist theory, housing is characterized by the tension between use and exchange value or, as argued below, between accumulation and social reproduction (Madden and Marcuse 2016). The private rental sector is thus, like all forms of housing, a site that integrates diverse processes, scales and antagonisms. The approach set out in what follows seek to capture these different levels and provide a framework for further research.

The intention is not to provide a complete framework for the political economy of the private rental sector, but to synthesis insights from recent literature and contribute to working towards a more complete framework. In what follows, I focus on one particular challenge for this research agenda: the question of inequality. From the outset, debates around ‘generation rent’ have focused on issues of inequality (McKee 2012). As noted, in many jurisdictions rental housing is associated with poor quality, high rents and insecurity. As such there is a *prima facie*



case for investigating the implications of a growing rental sector for housing inequality, i.e. inequality in terms of access to housing and home. At the same, housing plays an important role in the distribution of wealth and in the formation of the middle class in advanced economies (Ronald 2008). As such, transformations of the housing system, and especially the decline of ownership, raise questions around social stratification and how housing interacts with class and economic inequality.

The article is structured around three bodies of literature, each of which provide insights into the relationship between political economy and inequality in the private rental sector. The first is what I will call macro-accounts of social stratification. This has been one of the most productive areas of research in recent years and focuses on the inter-generational and class based stratification and inequality that emerge from the decline of homeownership and the emergence of what Ronald and Kadi (2017) call the ‘post-homeownership society’. The second body of literature is Marxian, and focuses on the process of accumulation, material antagonisms between landlord and tenant, as well as on tenants as active agents. The third body of work is qualitative research examining the experiences of tenants in the private rental sector. Each of these approaches, I argue below, offers crucial insights for a political economy of the rental sector.

## **Macro-level accounts of economic inequality social stratification**

Accounts of macro-level economic inequality and social stratification focus on the relationship between housing as a form of wealth, on the one hand, and class and generational inequalities, on the other. This work takes as its point of departure the erosion of the ‘homeownership society’ (Ronald 2008), conceptualized as a component of the post-war Keynesian class compromise that existed between the 1950s and the 1970s (Forrest and Hirayama 2018b). It involved labour market conditions favourable to homeownership, as well as a very significant expansion of state involvement in construction and specifically in subsidizing access to homeownership, for example in English-speaking and Southern European countries (Forrest and Hirayama 2015; Norris 2016). The homeownership society was remarkable to the extent that housing served as a mechanism for the redistribution of wealth as well as the political integration of the working class into post-war capitalism (Ronald 2008). Arundel and Dowling (2017) summarize succinctly the factors leading to the decline of the homeownership society as: (a) labour market polarization; (b) high and volatile house prices; (c) the withdrawal of state supports. The process of financialization has also played an important role by driving up house prices and facilitating investment in the rental sector (Beswick et al. 2016; Byrne 2019a; Fields and Uffer 2016).

The transition towards a ‘post-homeownership’ society involves a concentration of ownership of the housing stock (Ronald and Kadi 2017). This has an immediate impact on wealth inequality. It also has an impact on what is known as asset-based welfare, as homeownership has played a role in retirement and pension planning and in the financing of care for the elderly in some countries (Ronald and Kadi 2017). For example, Arundel (2017: 187) notes ‘a clear growth in concentration [of housing equity] among both the top 40% and the top 20% of households’. In addition, ‘[t]he ratio of average equity among the top decile compared to the full bottom half of households reveal multiples increasing from 30.75 in 2006/8 to over 35 times in 2010/12’.



The implications for inequality have been analysed both in generational and in class terms. Media debates often frame the narrative in terms of ‘millennials versus boomers’. Researchers have, in contrast, highlighted the class dynamics at stake. For example, Ronald and Kadi (2017) note that landlordism is associated with higher income households. Meanwhile, McKee (2019) notes that there is a ‘stark divide’ among young households as those whose parents do not possess any housing wealth are much less likely to become homeowners (see also Forrest and Hirayama 2015, 2018a, 2018b). From this perspective it can be argued that ‘generation rent’ is a misnomer and that instead we should focus on the interaction of housing and class inequality. This emphasis on class is welcome, particularly as simplistic focus on generational dynamics may obscure structural inequalities. Christophers (2017: 102) points that ‘intergenerational inequalities emerge largely through structural, and especially class-based, inequalities, and are therefore best understood as a kind of epiphenomenal manifestation thereof’. After all, company CEOs tend to be much older than entry level employees, but we would not characterise their relationship in generational terms as this does little to conceptualise the social and economic significance of that relationship.

However, there are good reasons not to throw the generational baby out with the proverbial bathwater. Ronald and Kadi (2017) and Forrest and Hirayama (2018b) note the importance of situating present dynamics in terms of long term, historical patterns which have a generational dimension. The post-war housing regimes discussed at the outset of this section favoured homeownership. The historical specificity of this regime meant that those who came of age in the post-war era enjoyed an ability to acquire property which did not exist in the early part of the twentieth century and which is increasingly rare in the current context. Moreover, the formation of housing wealth occurs over long time periods, as mortgage loans mature and (in most cases) long term capital appreciation occurs. From this perspective, the transition towards declining levels of homeownership can be conceptualised in terms of a generational dimension. Macro-level accounts of stratification and economic inequality thus capture both society-wide relations between landlords, tenants and homeowners, as well as historic processes and dynamics at the level of housing regimes. Put simply, they help us tackle the ‘big picture’ of who owns housing and why.

## Marxian accounts of accumulation and antagonism

A second recent body of literature examines the growth of the private rental sector in Marxian terms. Moving beyond the more generic terms of ‘use value’ and ‘exchange value’, this literature highlights material antagonisms in the relationship between rental property as a form of *accumulation*, on the one hand, and the tenant’s home as a site of *social reproduction*, on the other (Byrne 2019b).

To begin with the former, the form of accumulation associated with rental property is that of ‘economic rent’. This concept originates with the early political economists of the 19<sup>th</sup> century and was also central to debates about the role of land rent in urban development in the 1970s and 1980s (see Aalbers and Ward 2016 for a discussion). The concept of economic rent, as opposed to the everyday use of the term ‘rent’ in relation to rental housing, starts out from the observation that real estate markets are not competitive in the neo-classical sense of the term (Ryan-Collins et al. 2017). This is because real estate is monopolistic and generates returns based on the enjoyment of exclusive ownership of a commodity or asset which is relatively unique, non-reproducible and inherently supply-constrained. Income derived in the form of rent



is unearned in that it arises not from any investment or labour, but solely from ownership of a scarce asset (Haila 1990)<sup>1</sup>.

As noted, accumulation is but one side of the political economy of rental housing, the other being social reproduction. Home, as a kind of 'place', does not appear spontaneously nor is it guaranteed merely by a physical dwelling, but rather is the outcome of the practical activity, everyday activity through which routines of domesticity and care work are established in and through the dwelling (Madden and Marcuse 2016). Home is a resource which bundles together that which we generate in our efforts to feel secure and take care of ourselves and others, and it gives stability to this resource over time. As argued in literature from critical and feminist geography, it is central to social reproduction and care work (Blunt and Dowling 2006). There is thus a tension between home as a resource central to social reproduction and created, in part, through tenants' everyday activity, and a house as an investment asset owned and controlled by the landlord (Byrne 2019b).

The Marxian literature also emphasises that tenants should not be understood as passive victims but as active agents who are capable of political organisation and of politicizing the antagonism between tenant and landlord (see the recent volume edited by Gray 2018). Indeed, the 'generation rent' phenomenon has been accompanied by the marked growth of a new generation of tenant organisations in those countries most effected, including England, Scotland, Spain and Ireland (Byrne 2017).

## Qualitative accounts of housing inequality

The third and final body of literature addressed here is qualitative accounts of what I will term 'housing inequality' (Desmond 2016; Hoolachan et al. 2017; Morris et al. 2017; Soaita and McKee 2019). This refers to inequality with regard to the consumption or experience of housing, especially in terms of affordability, security and quality. In many jurisdictions, especially those with weakly regulated systems, tenants' experience of home is significantly more precarious and often more of an economic burden than found in the social housing and homeownership tenures. Housing inequality, as experienced by tenants, is multidimensional. Research has focused on evictions, insecurity and precarity (Bone 2014; Byrne 2018; Desmond 2016; Morris et al. 2017; Wilde 2020); discriminatory letting practices (Rosen 2014; Threshold and Society of Saint Vincent de Paul 2019; Verstraete and Moris 2018); the impact of invasive behaviour by landlords and lack of control over one's home (McKee et al. 2019; Power 2017; Soaita and McKee 2019); and retaliatory evictions and other penalising behaviour on the part of landlords (Chisholm et al. 2020; Crew 2007; Lister 2004, 2005; Shelter Cymru 2013).

There are two levels or dimensions of inequality at stake here. First, the inequality experienced by private tenants in relation to other tenures. Homeowners and social housing tenants typically have higher levels of security and, at least in the current context, greater stability and affordability with regard to housing cost. Consider for example the impact of frequent eviction or poor-quality accommodation, issues which are powerfully documented in Desmond's (2016) ethnographic work. Second, there is also an unequal relationship between landlord and tenant.

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<sup>1</sup> Of course, in the case of landlords some component of the rent paid may derive from investment in the property and/or housing services provided by the landlord. 'Economic rent' thus refers to the portion of rental income which derives simply from ownership of the asset.



Landlordism involves ownership and control of a house which is, at the same time, the tenant's home and therefore crucial to their social reproduction and ontological security (Byrne 2019b). There is thus an inherent inequality and power asymmetry within the tenancy relationship, and this impacts fundamentally on tenants experience of housing and home (Chisholm et al. 2020; Lister 2004; Madden and Marcuse 2016).

This second aspect of inequality draws our attention to the fact that the relationship between landlords and tenants does not simply play out at the level of social stratification or abstract theorisation, it is also a material and social relationship. The everyday social relationship between landlord and tenants plays a crucial role in constituting the reality of the rental sector. As Lister (2004) notes, 'there is a need to explore the routine, day-to-day operation of relationships with landlords'. Qualitative research, by focusing on tenants' experiences, allows us to link the macro-level and theoretical insights of the two other bodies of literature discussed above with empirical analysis of social relationships and practices.

## Conclusion

The aim of this article has been to synthesis recent work on the private rental sector, with a particular focus on the question of inequality, in order to contribute to the development of a political economy framework for the private rental sector. The framework draws on macro-level accounts of how the decline of homeownership impacts social stratification and wealth inequality, Marxian accounts of inequality as conflict or antagonism inherent to the process of accumulation via economic rent, and qualitative accounts of the everyday social relations and subjective experiences through which home and housing inequality is experienced. I have not attempted to provide an exhaustive account of their findings and insights. Instead, I have sought to extract key aspects of their underlying approaches which I argue are necessary for the development of a political economy of the private rental sector. Brought together, these three different lenses provide a sound basis for empirical investigation.

Attention to social stratification and wealth inequality highlights both how the interaction of economic processes (e.g. housing, labour and financial markets) shape the distribution of housing, and the economic impact of that distribution on wealth inequality. It also makes possible a comparative and historical perspective on different housing regimes. However, this perspective focuses primarily on the provision and distribution of housing as an asset and, consequently, the experience of housing as 'home' is to an extent 'black boxed'. Moreover, it does not pay sufficient attention to the ways in which the growth of the private rental sector is characterised not just by patterns of distribution of ownership of residential property, but also by economic relations which are central to the process of accumulation associated with landlordism.

The emphasis on relations is important here as it also helps us to hone in on the question of antagonism or conflict within the economic relations that constitute the private rental sector. Marxian accounts play an important role in highlighting the nature of the form of accumulation at stake here (economic rent). They also draw out the antagonism between that form of accumulation, which reduced residential property to an asset, and social reproduction. Qualitative accounts, finally, compliment both macro accounts of social stratification and distribution and Marxian accounts of structural economic relations, by adding understanding of the experiential and subjective dimension of housing inequality and how 'home', as a site of



social reproduction and ontological security, emerges out of the everyday relations and practices that constitute the landlord-tenant relation, a relation which is in itself highly asymmetrical and unequal.

Taken together, the approaches discussed here thus allow us to integrate a number of different aspects of housing as well as different scales. Housing is both an asset which is produced and distributed, and a 'home' which is experienced at a material and subjective level (Handel 2019). It takes shape both through systemic relations and patterns, themselves shaped by market and policy dynamics, and through everyday practices and social relations. Inequalities traverse these various dimensions and scales. A political economy approach to the rental sector must capture the forms of structural economic inequality generated by the housing system, the experiences and social relations of home, as well as the antagonisms between the processes of accumulation and social reproduction which cut across both of these scales.



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