other countries. One way of advancing our understanding would be a comparative study. This is obviously another book, maybe an excellent starting-point to future studies? A comparative perspective can highlight the impact of different welfare state policies, such as labour market and regional policy, as well as investigating how different geographical circumstances play a role in labour market matching mechanisms. The pattern might look very different in the Nordic countries, where the distances are greater and labour market policies have, to some extent, tried to facilitate matching in the labour market. A comparison would also make possible a better understanding of the noteworthy gender differences found by van Ham and his colleagues. This deserves not only to be highlighted more extensively, but also to be placed in the context of gender relations in the Netherlands.

All the chapters are of a good standard and are well worth reading on their own. The relatively brief presentation of the theoretical background in the introduction and the concluding discussion in the last chapter must be viewed in the context in which they were written, as a compilation thesis. While this makes the book less well suited as a textbook, the well worked-through articles should be of interest to academics. It would especially make good reading for many labour market economists and sociologists who, in their analyses, often tend to disregard the geographical constraints of the labour market.

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Low-Income Home-ownership: Examining the Unexamined Goal
NICHOLAS P. RETSINAS and ERIC S. Belsky (Eds), 2002
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In the 1990s, America embarked on a broad-based initiative to raise the incidence of home-ownership. This initiative coupled ‘affordable lending’ (notably for low-income, risky, credit-damaged or minority consumers), innovations in the markets for housing finance (such as improved risk assessment, risk-based pricing and automated underwriting), lower home-buyer transaction costs and more home-buyer counselling. Further, the federal government was assisted in this by the active participation of institutional lenders, mortgage insurers, realtors, credit counsellors, home-builders, as well as state and local agencies. This timely and important book, written largely by economists, is a welcome state-of-the-art empirical assessment of that initiative.

The “Acknowledgments” section indicates that this book was the outcome of a day-long symposium. Principally funded by the Ford Foundation, Freddie Mac and the Research Institute for Housing America, the purpose of the book is “an objective and rigorous examination of the goal of low-income home-ownership” (p. xiii). At this early stage, the meaning of the word “unexamined” in the subtitle is not yet clear. I was further encouraged in Chapter 1 where the authors ask

With the industry geared up to lend to low-income borrowers … the government egging them on, and cultural norms drawing renters into the market … is homeownership truly good for low-income buyers, their communities, and the country? … Have times changed to devalue the notion that individuals should own their homes? (p. 3).

Strangely, this is not the perspective of the “Foreword” section that precedes the “Acknowledgments”. The “Foreword” (p. ix) takes it for granted that home-ownership builds wealth, is a stable investment, builds up communities and creates positive environments for children and families. Instead, the “Foreword” argues (p. x), the questions to be addressed in this book are the following.

(1) What impact does home-ownership have on low-income consumers?
(2) How does home-ownership affect the communities in which low-income consumers live?
(3) How do these benefits differ by neighbourhood?
(4) Do low-income consumers buying homes in low-income neighbourhoods realise the same benefits as other home-buyers?
(5) What has been the impact of low-cost lending on low-income consumers?
(6) Have low-income consumers been placed in precarious financial situations, particularly given the recent downturn in the economy?
Note in (3) and (4) above the presumption that the impacts in (1) and (2) are positive, not negative. Only in (6) is it directly suggested that the impacts of home-ownership on low-income consumers may not be positive. I sense at the heart of this book is an inevitable conflict between the behavioural perspective of the curious social scientist and the normative perspective of the policy-maker/advocate/advisor on the topic of home-ownership. I find it interesting to contrast the strength of scholarly argument in this book against the consuming will of big business (for example, homebuilding and finance) and government (including government-sponsored enterprises such as Freddie Mac and Fannie Mae) as was noted above in Chapter 1.

The book is laid out in a fashion typical for a conference proceedings. An opening chapter sets the stage and quickly sketches the principal arguments to be found in each chapter. The remaining chapters are divided into five parts:

1. Home-ownership in the 1990s.
2. Overcoming borrowing constraints.
3. Returns to home-ownership.
4. Low-income loan performance.
5. Socioeconomic impacts of home-ownership.

Parts (2)–(5) deal broadly with the set of questions cited above in the “Foreword” and each leads off with a brief “Introduction”. Part (1) is more broadly descriptive, more an amplification of the opening chapter than an answer to such questions, and presumably therefore did not need a separate introduction.

I liked the iconoclasm and historical sweep of Chapter 1 as it follows home-ownership trends and public policy from the end of World War I to the present day and raises important questions. Interestingly, Chapter 1 describes the following chapters using a five-part scheme (overcoming borrowing constraints; profitable business proposition; families’ financial capital; families’ social capital; community capital) that differs from the parts listed above into which the book chapters are divided. Perhaps the intent here was to give an alternative view, but I was left feeling that the authors of Chapter 1 may not see eye-to-eye with some of the other authors. I was also left with the feeling that the book would have been enriched by the addition of chapters that dealt with why the lending industry wanted to lend to low-income borrowers, why the government egged them on, and how they worked to convince low-income consumers to become home-owners.

Chapter 2 gives a novel descriptive empirical summary that details the who, what and where of changes in low-income home-ownership during 1993–99. Chapter 3 discusses the emergence of affordable mortgage lending over the same period. As defined in this chapter, affordable lending includes mortgages to low-income consumers plus mortgages to modest-income consumers as well as lending in underserved areas. The sub-prime and government-back markets are also discussed, as is the growing secondary market for mortgages. While I enjoyed these chapters, I wish that they had started around 1983 so that they could have followed two housing booms and the intervening recession. As written, the chapters make it difficult to know how much of the gains in home-ownership in the 1990s were something new, versus a recovery from the preceding recession. Chapter 2 speculates about consumer behaviour but, in the absence of model testing, can do no more. Chapter 3 does include a regression analysis of affordable lending shares during 1993–99 that I take to be descriptive, rather than hypothesis-testing, because it is not accompanied by any theoretical model of supplier (lending institution) behaviour.

Chapters 4, 5, 14 and 15 examine the behaviour of home-buyers. Chapter 4 uses data from the 1998 Survey of Consumer Finances to estimate a model of consumer demand which suggests that home-ownership rates could be up to 4 percentage points higher in the absence of borrowing constraints. Chapter 5 provides empirical evidence, based on survey—not experimental—data from 1993–98, that pre-purchase home-ownership counselling (with the notable exception of telephone-based counselling) significantly reduces the 90-day delinquency rate among mortgagors. Chapter 14 emphasises the role of wealth accumulation and parental home-ownership. Chapter 15 examines the impact of home-ownership on child outcomes. I liked these chapters, but am uneasy about the absence of an underlying theoretical model of consumer behaviour. For example, the empirical model presented in Chapter 15 does not directly show us much about the kinds of trade-offs made by low-income households in providing education and other benefits for their children. Further, when Chapter 4 argues (p. 142) that “efforts to expand home-ownership will be more fruitful if they include broad-based initiatives designed to enhance the social and financial stability of families”, I felt uneasy as to whether the focus was on the industry (promoting home-ownership) or the well-being of consumers.
Chapter 6 explores how the availability of affordable dwellings (taken here to include less-expensive homes, smaller homes, mobile homes, condos and homes with more problems) affects the incidence of home-ownership from one metropolitan area to the next during the period 1995–98. The chapter concludes by stating that policy-makers need to recognise the failure of filtering as a mechanism to expand the supply of affordable homes. New programs and policies that encourage conversion of vacant and rental units into affordable homes available for purchase, as well the production of new units, may deserve consideration. Further research may also be useful into the role of regulation in constraining production of units affordable to low-income first-time buyers (pp. 197–198).

For me, this is the heart of a fascinating question. We know that countries like Mexico achieve home-ownership rates substantially higher than America largely because they permit construction of (self-built) housing at standards that are thought to be unacceptably low in America. Why is it that we are prepared to see low-income Americans living in rental housing, homeless or otherwise ill-housed, but not prepared to bend the minimum standards to which new owner-occupied housing is built?

For me, Chapters 7–10 are among the most interesting chapters, in part because these include data from the 1980s as well as the 1990s, and in part because they—like me—are sceptical about increased low-income lending. Chapters 7 and 8 argue that, while there have been periods of substantial gain for home-owners, there is a substantial price risk in home-ownership, that these risks are leveraged for high loan-to-value purchasers, that increased affordable lending means that more low-income home-owners will be subject to these leveraged risks in the future and that it will become important to help low-income owners to weather downturns in the real estate market. Chapter 9 adds a stern warning:

Housing provides a hedge against … inflation … Nevertheless, it is dangerous for home-owners to devote too much of their wealth to an asset that has low historical return and a serious risk of loss over multiple-year horizons … Overinvestment in housing by families with modest savings means underinvestment in financial assets that will … provide income for retirement. In fact, encouraging home-ownership among low-income families will only increase the wealth gap in the United States (p. 272).

Chapter 10 reports that low-income home-owners are typically income- and collateral-constrained in a way that prevents them from refinancing their mortgages when interest rates drop. Taken together, these four chapters point to risks in low-income home-ownership that are easily overlooked in grandiose statements about the role of home-ownership in the American Dream.

I was less fond of Chapters 11, 12, 13 and 16. In Chapters 11 and 12, the perspective is mainly that of the lender or government-sponsored enterprise, as opposed to the borrower. While I agree that such considerations have merit, for me, these lacked the immediacy of chapters written from the perspective of the borrower. Chapter 13 surveys empirical evidence on the impacts of increased home-ownership. Chapter 16 presents an empirical analysis of two low-income home-ownership construction programmes on house prices in nearby areas. I feel uneasy here about the purported impacts presented in the absence of an underlying theory of how low-income consumers cope with their meagre budgets.

As a final note, I think that there are two important topics missing from this book. The first is dwelling maintenance. Weather, use and fashion each may cause a dwelling to depreciate quickly unless the owner spends substantially to repair, maintain and upgrade it. To me, discussions about the probability of being a home-owner are made interesting by questions about maintenance strategy and the factors that drive consumers (especially those of low income). Add to this the element of risk (the home-owner does not know exactly when a major repair expenditure will arise) and the housing strategies of low-income consumers become even more complicated. The second topic missing from this book is any discussion of labour market restructuring and its impacts on home-ownership. It is often argued that households act as a kind of insurance against job loss for household members. The downsizing and industrial restructuring that began at the end of the 1980s and continues to the present day has undoubtedly affected employment stability and earnings prospects. How does that change in stability in the labour market affect home-ownership strategies? Does it make home-ownership more attractive, or less attractive? I wish that the
authors had spent more time on this question. My purpose here is not to denigrate a fine book, but simply to point out some remaining issues that I think are important in this field.

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