

BUILDING SOCIAL MOBILITY

How subsidized homeownership creates wealth, dignity,
and voice in India

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Title Building Social Mobility

Subtitle How Subsidized Homeownership Creates Wealth, Dignity, and Voice in India

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Brief Overview

This book is an in-depth exploration of how extremely widespread but understudied policies to subsidize homeownership in low- and middle-income countries shape beneficiaries' economic, social, and political behavior. I develop a multidimensional and cross-disciplinary theory that argues that these initiatives affect how citizens invest in the future, climb out of poverty, develop agency in their social relationships, and exert power in local politics. I support the theory using a multi-method study of three policies in India. The evidence includes a natural experiment, original surveys, paired qualitative interviews, and an 18-year matched panel study. *Building Social Mobility* is a book about both housing and behavior: beyond assessing the effects of an important policy, it provides deep insights about how upwardly mobile citizens make decisions and the interactions between wealth, dignity, and voice in low- and middle-income countries.

Full Description

India's cities and countryside face a severe shortage of adequate housing. As of 2012, about 29%, 19%, and 7.3% of urban households lacked water, latrine facilities, and electricity while 80% had congested living conditions (Kumar, 2015). In rural areas, just about half of households lived in houses constructed of temporary materials such as grass, thatch, or mud. As such, citizens commonly suffer from substandard living conditions due to poor quality construction, extreme overcrowding, and a lack of basic services.

In response to these problems, Indian central and state governments have launched an array of programs aiming to deliver adequate housing to low-income urban and rural citizens. A widespread yet understudied initiative is one that provides free or low-cost formal sector housing for households to own. This type of policy is common in India, Brazil, South Africa, Ethiopia, Colombia, Kenya, Indonesia, and numerous other low- and middle-income countries. *Building Social Mobility* asks: How do such initiatives change the trajectory of beneficiaries' lives?

To date, research from political science, economics, and public policy has focused on the effects of two types of government housing programs. The first is low-income public housing found in advanced industrialized nations, particularly the United States, United Kingdom, and Japan. These programs provide beneficiaries with subsidized rental housing, or a stream of housing benefits without rights to ownership. In contrast, research from cities in Latin America, sub-Saharan Africa, and South Asia has focused on the effects of policies to accommodate slums and informal settlements by transferring land titles to residents. Beneficiaries receive rights to ownership, but without an accompanying stream of housing benefits.

I focus instead on a third type of housing program extremely common across low- and middle-income countries including and beyond India itself: *subsidized homeownership*. These policies allocate beneficiaries ownership of housing for free or at a subsidized rate. They are distinct from rental programs or those accommodating informal settlements and therefore have the potential to change beneficiaries' behavior in theoretically new and substantively large ways.

I conceptualize subsidized homeownership as providing a consistent stream of support to beneficiaries. The in-kind support through housing provides basic shelter that is durable. Because beneficiaries own and therefore have property rights to this in-kind transfer, they can also rent it out or sell it for cash. By addressing a basic need and giving beneficiaries the flexibility to access its cash value, the program allows citizens to invest in the future and accumulate wealth.

Both the fact of having housing and accumulating wealth, moreover, endows citizens with a sense of dignity, which is an important outcome in hierarchical societies wherein most citizens are poor. Dignity for citizens may be normatively desirable, but it also has important effects on how citizens interact with each other.

Dignity and wealth enable citizens to approach officials and make demands for what they need. In this case, they are particularly motivated to protect their newfound wealth. This newfound wealth is tied to a location because of the vehicle through which it is transferred, which motivates political action in local communities. This political action may be aligned with the demands of other citizens in the community, but it may also crowd these demands out, particularly if local government capacity is constrained.

Supported by studies of three housing policies, administrative data, household surveys, in-depth qualitative interviews, a natural experiment, and an 18-year panel study, I show that subsidized homeownership helps even the poorest households build wealth, live with dignity, and exercise their voice as citizens—in both rural and urban areas. By using this broad array of methodologies and policy types, I am able to support my argument with a mix of observational and causally identified models, quantitative and qualitative data, and cross-sectional and panel data. I find striking effects on outcomes related to citizen behavior including investment in the future, income and employment, interactions with other members of society, and demands for improvements to local services. I also find that benefitting from subsidized homeownership addresses centuries of caste- and gender-based oppression as illustrated by its effects on a new behavioral measure of dignity, namely respondent eye-contact with survey enumerators.

Ultimately, this is a book about both policy and behavior. I draw attention to and explore the effects of an important policy. In the process, I reveal novel theoretical insights about the decision-making processes of upwardly mobile citizens, a group of individuals that receives little scholarly attention yet remains crucial to understand in the context of middle-class expansion in India.

Chapter Outline

1. Building social mobility

The introductory chapter maps the theoretical and empirical motivation for the book using vignettes, a literature review, and data on the incidence of subsidized homeownership policies in low- and middle-income countries. It also introduces a theory for how these policies should affect three sets of outcomes, which I call wealth, dignity, and voice. The chapter finally turns to a description of the research design and concludes by previewing the remaining five chapters.

2. Policies to improve housing quality

Chapter 2 presents the historical and institutional context of housing policies in India. I discuss where subsidized homeownership policies fit within a broader menu of policy choices, including supporting informal housing and rental subsidies. I also consider the practical and political reasons why governments might undertake subsidized homeownership, as demonstrated through its extensive implementation. I then present the three policies studied in detail. I include a description of the research methodology used to study each program and estimate effects on housing quality. By presenting an overview of housing policy in India, why governments might implement it, and an assessment of its basic effectiveness, this chapter provides the contextual background essential to supporting the main substantive chapters of the book.

3. Wealth

Chapter 3 studies how the programs affect beneficiaries' lives beyond providing housing, particularly through their effects on economic behavior and human capital accumulation. Building upon literature in development economics, the chapter develops an argument for how housing benefits, a large asset transfer, and property rights should facilitate wealth accumulation and investment in the future. I present effects on investment in human and physical capital, employment, and income across all three programs. I find that beneficiaries invest more in the future, in the form of either human or physical capital. These investments boost their employment opportunities and their eventual income. The panel results then demonstrate the role that housing can play in long-term patterns of economic mobility. I consider potential mechanisms for these effects, particularly relocation, a greater ability to borrow, and longer time horizons. Overall, the large changes to beneficiaries' economic behavior and outcomes suggest the possibility for important psychological, social, and political effects, which I explore in subsequent chapters.

4. Dignity

Chapter 4 explores the effects of government-subsidized homeownership on dignity. I develop my two-part definition of dignity as beneficiaries' experienced agency in their own lives and in their relationships with others. This definition builds upon and engages with work in philosophy, history, political science, and international development. I further show how housing shapes individuals' perception of themselves and the future through quotes, causally

identified effects, and a measure of dignity based on eye contact. Broadly, beneficiaries seem to be much more able to pursue their own goals and interests and assert themselves in society. I provide evidence for my theoretical mechanisms, which are related to wealth, certainty about the future, and the fact that housing is an important marker of status in society. This chapter highlights the importance of studying dignity in its own right, but it also serves as an important bridge connecting the effects on income and wealth, as explored in the previous chapter, to the effects on political behavior in the next.

5. Voice

Chapter 5 examines the political effects of the three programs. I focus on citizen claim-making, or the demands individuals make of local officials for social welfare and public services such as roads, water, or sanitation. I build a theory that articulates how the gains to wealth and dignity along with changed motivations increase claim-making among beneficiaries of subsidized housing. Across the three programs, not only does subsidized homeownership increase claim-making in the short-term, but it also changes citizens' motivations for engaging with the state in the first place. As citizens begin to see themselves differently due to their gains to dignity, their strategies for influencing governance change as well. These shifts in behavior have important implications for governance and power structures in the communities in which subsidized homeownership programs are implemented. They also highlight the potential for changes in other types of political behavior, such as electoral participation.

6. Implications for effective policy

The final chapter revisits the substantive and theoretical motivations of the study and provides a summary of the book's main findings. It identifies the contributions of the book to literatures across multiple disciplines, and discusses the implications of its findings for the design and implementation of housing programs in low- and middle-income countries. The chapter concludes with a reflection on what the community-level effects of subsidized housing might be. It also considers the implications of my findings for the political and distributive effects of the rise of the middle class in India and beyond.

Author information

Tanu Kumar is an assistant professor in the Division of Politics and Economics at Claremont Graduate University. She is a political scientist specializing in the study of political behavior, local governance, and development, with a focus on India. Her work appears in the *Journal of Politics*, the *Journal of Development Economics*, *World Development*, *Urban Affairs Review*, and has been supported by research grants from the Abdul Latif Jameel Poverty Action Lab, the Weiss Family Fund for Development Economics (University of Chicago), the APSA Centennial Center, the Program on Governance and Local Development (University of Gothenburg), the BRAC Institute of Governance and Development, and the National Science Foundation. This first book manuscript is based on her doctoral dissertation, which received an honorable mention for the 2021 Best Dissertation Award from APSA's Urban and

Local Politics Section. She has also been recognized as a Susan Clarke Scholar by APSA's Urban and Local Politics Section.

Kumar received her Ph.D. in Political Science from the University of California, Berkeley in 2020. Prior to joining Claremont Graduate University, she was a postdoctoral fellow at the William & Mary. She currently holds affiliations with the Center for Effective Global Action (University of California, Berkeley) and the Program on Governance and Local Development (University of Gothenburg).

Readership

Building Social Mobility will be of interest to political scientists, cross-disciplinary scholars, policymakers, and students. Among political scientists, the work will find an audience within several sections of the American Political Science Association: Comparative Politics; Comparative Democratization; Political Economy; Democracy and Autocracy; Political Psychology; Public Policy; Urban and Local Politics; the new section on South Asian Politics; and Qualitative and Multi-Method Research. It will also find an audience among scholars of political behavior more broadly.

Beyond political science, the book relies on and contributes to work by scholars in Economics, Public Policy, Sociology, and Urban Studies. It will be of interest to this broad community focused on international development along with the design and effects of welfare policy. The chapter on dignity in particular is an agenda-setting piece that can stand alone as a theory-building and methodological guide to the growing community of international development scholars interested in the topic.

Given the book's insights on policy design and effectiveness, it will also be of interest to policymakers and implementers. It will likely be particularly relevant to a policy audience in India, but will also provide important insights to those focused on housing policy in other parts of the globe.

Finally, the book will be a valuable addition to graduate and advanced undergraduate courses on political behavior, comparative political economy, public policy, urban studies, and international development. Moreover, the research design will make a strong contribution to courses on multi-method research.

Review of the Market and Contributions

Building Social Mobility is designed as a work of comparative political behavior and is primarily intended to contribute to that field. Yet the book also lies at the intersection of several interdisciplinary fields, including the study of housing policy and economic development policy. I therefore organize my review of the market and contributions thematically to more easily move among these distinct literatures.

Political Behavior

To date, there has been limited empirical evidence on the influence of upward mobility on political behavior in low- and middle-income countries (Wietzke and Sumner, 2014). While we know that the rich and poor typically engage in different types of political behavior in

India and other low- and middle-income countries (Chatterjee, 2004; Heller et al., 2022), less is understood about whether and why wealth actually causes these differences. I leverage shocks to wealth as generated through housing to empirically identify how wealth affects citizen decision-making and actions. Additionally, I develop a theory about how citizen capacity and motivations shape political behavior. Indeed, thinking about citizens' motivations to protect their long-term interests is a departure from most work on political behavior in this context, which focuses on the very poor and their strategies to gain access to sorely needed goods and services.

I further consider the implications of these changes for the broader political arena. In the theory and evidence, I highlight how subsidized homeownership increases demand-making at the local level. In so doing, I demonstrate a positive and under-examined externality of self-interested behavior on the behalf of homeowners, namely the improvement of local communities. Homeowners in the US also participate in local politics to protect their property values (e.g. Portney 1991; Dear 1992; Fischel 2001; Einstein *et al.* 2019). Yet this behavior is usually associated with negative externalities, particularly vetoes of land use such as the construction of landfills, housing, or hospitals that might benefit the broader community but impose high costs on individual homeowners. These negative externalities are certainly plausible and visible in my own study. But by considering this type of behavior in a lower-income context, I open the possibility for positive externalities as well. Where the delivery of public services like water, electricity and sanitation is poor, the self-interested behavior of homeowners can generate demands for better services enjoyed by the broader community.

Additionally, I develop a working definition of dignity as an important precursor of political behavior in highly unequal societies. There is a growing interest in dignity among political scientists (e.g. Fukuyama, 2018; Malik, 2022) who have used the concept to explain identity-based mobilization. I further illustrate, using in-depth qualitative interviews and a measure based on eye-contact, how citizens' material circumstances can affect how they feel about themselves and their place in the world, which in turn changes their ability to approach officials and realize their political goals.

Housing Policy

The book draws attention to and situates within the broader housing literature an understudied policy initiative, namely subsidized homeownership. The presence of both a government subsidy and property rights distinguish subsidized homeownership from other types of affordable housing policies more commonly studied in countries at all income levels, namely subsidized rent (e.g. Bloom, 2014; Currie and Yelowitz, 2000; Popkin et al., 2005; and see Ansell, 2019 for a review) or land titling (De Janvry et al., 2014; Di Tella et al., 2007; Field, 2005, 2007; Galiani and Schargrodsy, 2010). Because subsidized homeownership entails 1) a large in-kind transfer and 2) property rights, it is theoretically distinct from other types of affordable housing programs. By property rights, I mean the legal ability to use, rent, and sell housing. The transfer combined with property rights should have effects on other outcomes beyond just beneficiaries' locations and housing. Unlike programs that provide property rights only, such as land titling, these programs entail income or wealth transfers from government. Unlike programs that entail transfers without property rights, such as rental subsidies, these transfers guarantee in-kind benefits in perpetuity, with certainty,

whether or not the beneficiary chooses to live there. I argue that unique features of this type of intervention affect household behavior in important ways that may shape social mobility.

Economic Development Policy

The empirical results on the economic effects of subsidized housing provide an important contribution to the literature on economic development. I show how a transfer made through housing can yield long-term intergenerational wealth accumulation. While existing work on interventions to generate long-term economic mobility focuses on rural interventions, particularly those involving livestock (Banerjee et al., 2021), I highlight the potential of a policy that does not require labor inputs and reaches urban and rural citizens alike.

Furthermore, I show how access to durable housing with basic amenities that can play an important role in decision-making. While current research argues that tenure security can play a role in labor supply decisions (Field, 2007), investment in the future (Field, 2005), and political choice (Bobonis et al., 2023), the physical construction of housing itself can affect exposure to economic shocks along with gains to neighborhood property values. House quality and homeownership are also salient markers of status, which can further affect how citizens interact with others.

Finally, the broad set of dependent variables and interconnected theories illustrate the multidimensional nature of behavior and economic development. I focus not only on income or voting behavior, but how individuals view themselves, others, and how these perceptions affect decision-making in all aspects of their lives. This decision-making, further, is complex and interrelated. For example, it is not just wealth that shapes dignity by generating a more secure future, but it is also possible that dignity, particularly a greater sense of economic and social agency, facilitates wealth accumulation by decreasing one's sense of uncertainty and encouraging investment. This study demonstrates the ability of development policy to change beneficiaries' lives in a number of meaningful ways, and it also highlights the deep connections between economic, social, and political behavior.

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