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Representation in a Multi-Level System
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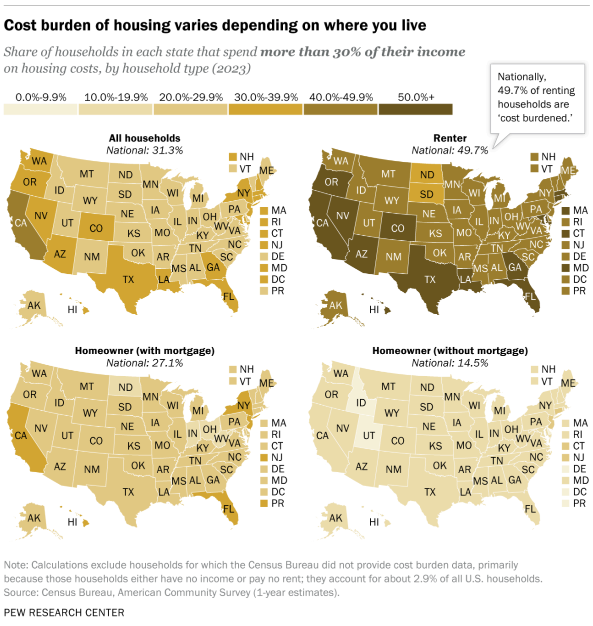
How have the interests of powerful real estate actors (x) influenced the representation of low-income and cost-burdened residents (y) in zoning and housing policy in urban areas?

Housing Affordability Crisis as a Political Issue



Housing affordability crisis refers to the growing challenge in accessing housing that is financially sustainable. Defined by the U.S. Department of Housing and Urban Development (HUD), affordable housing is considered to be when individuals spend no more than 30% of their income on housing costs. However, many low-income families are affected severely more, paying often upwards of 70%, due to rising rents and stagnant wages. The Federal Housing Finance Agency's national House Price Index, a gauge of how selling prices for single-family homes have changed over time, was 65.5% higher in January 2025 than it was in January 2019. For comparison, the Consumer Price Index (CPI), which measures price changes for a broad range of consumer goods and services, rose 26.9% overall between January 2019 and January 2025 (U.S. Bureau of Labor Statistics, 2025). As housing costs rise far faster than wages, a growing number of residents, particularly low-income renters, are facing a cost burden in housing. In addition to demographic disparities, housing cost burdens also vary geographically. The maps above show a darker concentration in states like Florida, Louisiana, and California, where more than 50% of renters are cost burdened. As these states contain large metropolitan regions, such as Miami, Los Angeles, and New Orleans, major cities and urban areas are most affected by the housing affordability crisis. While this affordability crisis is often explained by classical economic framework, it is profoundly influenced by political decisions, particularly those regarding zoning and housing policy. These policies do not simply reflect neutral technical expertise; they are the product of competing interests and power struggles. It is important to understand the housing affordability crisis as a political issue, rather than approaching the phenomenon solely from an economic perspective.

The key question, then, is: whose voices most influence housing policymaking, and whose voices are less reflected? In other words, is the government responsive to the needs of vulnerable citizens, or to the powerful firms?

A close connection between public opinion and policy is essential to democratic representation. However, a policy is not merely a reproduction of all views since representatives cannot be responsive to the needs of all groups that are affected by the policy. Moreover, representatives might wish to take into account their own moral convictions and preferences while pressured to act according to their electorate's demands. Given that not everyone can have their will reflected in policies, there is an inherent tension in this principal-agent relationship. Moreover, the representatives who fail to be responsive to the constituents are at risk of failure in the next elections. Despite these complexities in the thought process of policy-making that representatives face, democratic representation requires that all citizens have rights to make their voices heard in the political process. However, it is not guaranteed due to political inequality where socio-economic status determines the amount of influence a citizen commands in politics.

Zoning and the Politics Behind Rising Housing Costs

In order to investigate how the interests of powerful estate actors are favored over those of low-income residents, we begin by examining the political mechanism driving the housing affordability crisis. The goal is to demonstrate that this crisis is not merely economic but deeply rooted in political structures and representatives' decision-making. High-cost cities attract people with desirable amenities, such as quality public schools, favorable climate, and access to employment opportunities, leading to tight housing markets. However, what truly makes housing unaffordable is not just demand, but constraints on supply.

Two dominant frameworks explain why housing prices can rise so far above physical construction costs. The neoclassical approach argues that high prices result from expensive land, which leads to higher density as individuals economize on space. In contrast, the regulation-based approach explains that restrictive zoning and land-use regulations artificially constrain the supply of housing, keeping density low and prices high. In *The Impact of Building Restrictions on Housing Affordability*, Edward L. Glaeser and Joseph Gyourko provide evidence in favor of the regulation hypothesis. If the neoclassical model were correct, we would expect high housing prices to be closely associated with high population density. However, it turns out that many of the most expensive housing markets, such as those in coastal California or the Northeast corridor, do not exhibit particularly high densities. This weak correlation suggests that zoning and other land-use regulations play a more significant role than land scarcity in driving up costs. Furthermore, political efforts to weaken the zoning regulations contradict the interests of the current homeowners in high-cost areas.

Therefore, addressing political factors is central to the housing affordability crisis. Barriers to new construction, particularly zoning policy, often reflect the interests of affluent homeowners and real estate investors more than the needs of low-income or cost-burdened residents.

Structural Barriers to Representation in Urban Housing Politics

Socio-economic status significantly influences the degree of political voice that an individual can exert within a political sphere. In addressing the necessity of political dimensions of the housing affordability issue, it is essential to examine why low-income residents often struggle to be heard in the policy-making process. This section explores how structural barriers limit their political participation and how government incentives often align more closely with the interests of firms and property owners than with cost-burdened renters and low-income residents.

According to *Democracy in Poverty: A View from Below* by Daniel Weeks, low-income American households are less than half as likely to vote in presidential elections and only a third as likely in midterm elections compared to wealthier citizens. The structural barriers beyond the low turnout include voter ID laws, long lines, and limited early voting access among low-income, minority, and young voters. Meanwhile, those with wealth exert greater influence through campaign finance, lobbying and other forms of political expression. The finding shows that only a tiny portion of the richest Americans contribute more political funding than 99.9% of the population combined. These underlying disparities create “institutional corruption,” where elected officials become dependent on elite interests rather than representative constituencies. As a consequence, the government tends to respond more to organized, well-funded real estate actors than to cost-burdened renters, resulting in policies like exclusionary zoning or luxury development incentives, instead of reforming barriers to new constructions or promoting affordable housing.

At the same time, government incentives often favor powerful real estate actors over cost-burdened residents. Real estate developers, landlords, and financial institutions—the "horses" in John Kenneth Galbraith's analogy of *horse-and-sparrow economics*—benefit from tax breaks, mortgage guarantees, and favorable regulations, under the assumption that feeding the industry will eventually benefit ordinary American households by encouraging their home buying. But in practice, only a fraction of these benefits "trickle down" to the "sparrows": cost-burdened renters and first-time homebuyers, only to fatten the "horses": powerful industries involved in building, selling, and financing homes. As Galbraith noted, this political strategy persists because the horses are powerful, organized, and well represented by lobbyists and PACs—unlike the dispersed and politically marginalized sparrows.

In addition, policies like tax breaks and hidden loan subsidies result in speculation in home values. Wealthy buyers and investors put most money into homes, driving up home prices in the zoning-constrained high-price market. They benefit from luxury development targeted at wealthy buyers in more sprawling, less-expensive markets like in suburban or rural areas. For example, U.S. housing policy inflates the value of high-end historic homes in cities like San Francisco, while encouraging the rapid expansion of large suburban houses—often referred to as McMansions—in more affordable markets like Houston. This dynamic also exacerbates existing disparities. Tax breaks in the housing sector disproportionately benefit households in higher income brackets, as the value of these incentives increases with taxable income. As a result, these policies skew the housing market toward wealthier buyers and investors, making it more difficult for first-time and entry-level buyers—who are often in lower tax brackets—to enter the market.

How Policy Preferences Reinforce Unequal Representation

It is commonly assumed that more public attention to housing affordability issues leads to more support for their policy solutions aimed at easing up regulatory barriers to new housing. However, this assumption overlooks how public misperceptions regarding the crisis can actually reinforce the structure of unequal political representation.

In *What State Housing Policies Do Voters Want? Evidence from a Platform-Choice Experiment, Elmendorf*, Nall, and Oklobdzija studies how the public perceives the efficacy of potential state policies for helping people get affordable housing. Their findings reveal the mismatch between expert consensus and public beliefs. While economists agree that restrictive zoning and land-use regulations are primary drivers of high housing costs, only 30 to 40% of voters believe that increasing housing supply will lower prices. Instead, the majority of voters support policies such as rent control, demand subsidies, and restrictions on "Wall Street" buyers, although economists suggest such measures that may offer short-term relief but often fail to address the structural roots of the crisis. As such, they have false perceptions on which group is responsible for the housing affordability crisis they are facing, blaming developers and landlords; not the more structurally influential actors like homeowners, local government, and anti-development.

It is notable that low-income renters and cost-burdened households share similar policy preferences with more affluent homeowners. Both groups favor protections and subsidies over supply-side solutions, indicating that even those who are most vulnerable in the crisis do not advocate policies most likely to alleviate it. Behind the persistent political opposition to new housing, there is a strong, stable "folk economics," where the public holds a false sense of the causes and solutions of the crisis. The widespread misconception allows low-income households to blame developers and landlords for high housing costs, not the more structurally influential actors like homeowners, local governments, and anti-development activists. This misperception frames housing unaffordability as the product of profit-seeking behavior rather than systemic political structures. As a result, the public end up having political preferences misaligned with their needs for affordable housing.

Conclusion

The housing affordability crisis must be understood not only as an economic challenge but as a political issue at its root. The persistent pattern of political inequality systemically limits the political influence of low-income and cost-burdened residents in shaping housing policy. This unequal representation is reproduced through structural barriers—where governmental institutions tend to favor the interests of wealthier actors or firms based on socio-economic status. Moreover, even when politically engaged, low-income residents often support short-term relief measures shaped by misinformation, which overlook the structural causes of the housing crisis. This combination of unequal access and misrepresentation allows the interests of the powerful to dominate urban housing agendas, reproducing a system where affordability remains out of reach for those most in need. Meanwhile, the interests of powerful real estate actors have profoundly shaped the representation of low-income and cost-burdened residents in urban housing policy. Through their financial resources, lobbying power, and institutional access, developers, landlords, and financial firms have influenced zoning laws and housing regulations in ways that prioritize profit over affordability. Government policies such as tax breaks, mortgage subsidies, and restrictive zoning have historically favored these elite actors.

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