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RESEARCH ARTICLE

Housebuilding, land, and structural power: the case of mortgage market support schemes in England

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Abstract
Housing is a critical part of every state's infrastructure. However, in most advanced economies the state no longer builds very much of it, leaving it instead to private housebuilders. Because of their control over the supply of land, and the barriers to entry into the housebuilding industry, private housebuilders have potentially major structural power over the state. At the same time, private housebuilders are also tied to their land, and face other barriers to exit, thus limiting their ability to relocate capital elsewhere. Drawing on a range of secondary data sources, including earnings calls transcripts, annual reports and government policy documents, this paper demonstrates how the three largest volume housebuilders in England leveraged their structural power to shape the mortgage market support schemes that were introduced in the aftermath of the Global Financial Crisis. These schemes have since underpinned their exceptional levels of profitability. We conclude, though, that far from being an absolute resource, this structural power was only enabled by the prevailing neoliberal, home-owning Anglo-liberal 'growth model' in which these housebuilders were embedded.

Keywords: housing; land; structural power; housebuilding; construction

Introduction

The years since the Global Financial Crisis (GFC) have been good ones for Britain's volume housebuilders (VHBs).[1] This is particularly true of the "big three" by volume—Taylor Wimpey, Barratt, and Persimmon—who have supplied between 17 percent and 27 percent of Great Britain's new housing each year in the period 2008–2018 (see Figure 3). These companies have regularly reported supernormal levels of profitability over the last decade, allowing them to reward investors via dividends and share buybacks and to accrue significant cash resources, which has put them in a strong position to withstand the ongoing housing market downturn. To illustrate this, Figure 1 shows the significant growth in gross profit margins for the three largest housebuilders in the years following the GFC. From 2014 onward, it shows that margins reached 32 percent and never fell below 17 percent. This was also reflected in their share prices which each increased over ten times more than the Financial Times Stock Exchange (FTSE) 100.[2]

The state has played a fundamental role in supporting the big three post-GFC and ensuring subsequent profitability, both through socializing their post-GFC losses and de-risking both the demand side and supply side of their business model. This was achieved via mortgage market support

[1]We use the term "volume housebuilders" to refer to the largest contributors to the UK's annual housing supply by volume. However, as the paper shall explore, these businesses should perhaps be more accurately referred to as "margin housebuilders."

[2]Between the beginning of January 2013 and January 2022, the FTSE 100 index increased by 22 percent while the share prices of the Barratt, Persimmon and Taylor-Wimpey increased by 324 percent, 321 percent and 236 percent, respectively. A Competitions and Market Authority (2024) report into the sector similarly concluded that there was "an extended period during the 2010s in which the profitability of the 12 largest housebuilders has been higher than we would expect in a well functioning market" (p. 40) and that the "five largest housebuilders have generally achieved higher levels of profitability than the others" (p. 39).

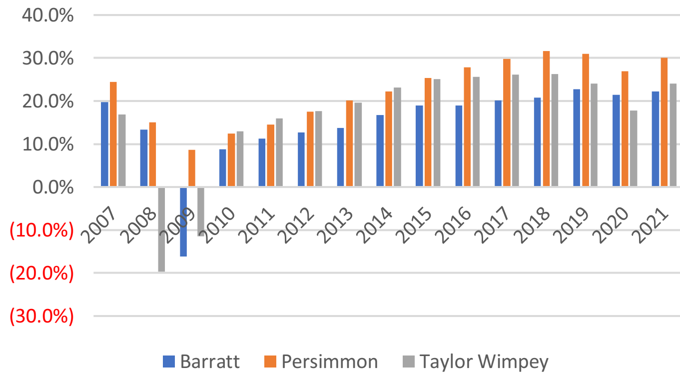

Figure 1. Gross profit margins for big three 2007–2021 (profits/revenues).
Source: Refinitiv.

schemes and adjustments to the planning system that had the effect of releasing more of the kind of larger sites that are preferred by volume housebuilders.[3] The objective was to enable these businesses to increase construction of new housing in the context of a perceived long-term shortfall in the supply of new homes against government targets.[4] Why, though, did the British government choose to support these volume housebuilders in the aftermath of the GFC, and why did this support continue for so long even when it became clear that it was not resulting in significantly increased housing output by these companies (see Figure 3)?

These are the central questions motivating this paper. To answer them, we use housebuilder earnings call transcripts and government documents to empirically examine the power of the volume housebuilders in relation to the state, with reference to the successive waves of mortgage market support schemes which the government introduced to the enormous benefit of the big three. Mostly targeted at private new-build developments, these schemes were intended to unlock the latent demand for private housing that had been constrained in the GFC period by the lending banks reducing mortgage availability. Despite their considerable size and widespread adoption across the Anglosphere, there has been very little analysis of the power dynamics driving the introduction of these mortgage market support schemes.

We argue a significant reason why mortgage market support schemes were introduced and took the form that they did was because of the power held by the housebuilding industry over the state, particularly that exercised by the largest housebuilders. As we shall explore, this power derives in part from their significant role in the production of housing *for homeownership* and, thereby, their embeddedness in the neoliberal, householder debt, property-owning Anglo-liberal "growth model"[5] which state actors struggled to maintain in the post-GFC era. However, while such macro relations are well explored in the academic literature, this paper makes a new contribution by examining them through the mid-level lens of *structural power*.[6] In doing so we seek to explain its role in some of the policy choices made in the decade following the GFC. In the context of housebuilding in England, the concept of structural power prompts mid-level critical analysis of the specific articulations of power arising from housebuilder *market composition*, the extent of housebuilder *land ownership*, as well as the influence they are able to exert over the *production of housing for homeownership*. The structural power exerted by volume housebuilders in the post-GFC period therefore stemmed from their dominance in housing production, their related control over development land combined with *barriers to entry* into the housebuilding industry that prevented other firms from replicating this productive capacity. This set of conditions meant that *if* state actors wanted to significantly increase new supply for

[3]Foye and Shepherd (2023)
[4]Foye and Shepherd (2023)
[5]Hay (2013a)
[6]Culpepper (2015)

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homeownership without themselves contributing more directly to production then, at least in the short term, they were largely dependent on these volume housebuilders.

Structural power, as we understand it, thus prompts critical engagement with the specific articulation of power arising from the interaction between material and ideological factors at different levels of theoretical abstraction. The dominant macro ideological and political-economic role of housing and homeownership, combined with the dominance of volume housebuilders over housing supply in local markets, helped to create conditions that were conducive to the recognition by state actors of the structural power of volume housebuilders. However, while these businesses' control of land can afford them structural power over the state through allowing them monopolistic control over local land and housing supply, it also means they are rooted in specific development sites in specific places, limiting their exit options to escape a more stringent regulatory and tax environment. Therefore, should the ideational and political environment shift so that state actors become more willing to recognize and exert this state-structural power over housebuilders (of which there are now signs), this can invert the structural power relationship and weaken the influence of the volume housebuilders over policy.

The paper therefore makes two key contributions. First, it operationalizes the concept of structural power in a new and important political-economic context; namely, the British housebuilding industry whose political power has, hitherto, been largely understood in instrumentalist terms. In doing so it expands the concept of structural power empirically, but also theoretically, most notably incorporating the structural power relations associated with *land*. Second, by focusing on mortgage market support schemes in terms of the power dynamics that shaped them, the paper provides a novel empirical and theoretical account of this defining feature of post-GFC English housing policy.

While our focus is on the structural features of the housebuilding industry in England, we hope that our analysis will contribute to the examination of the explanatory potential of structural power and its interaction with *other forms of power* in terms of understanding how business-supporting state policy is constructed. We are therefore keen to emphasize that structural power was not the only determinant of policy change, but rather an important dimension that intersects with other forms of power that may be expressed via the agency of policy communities that feed into the politics of policymaking.

The remainder of the paper is structured as follows. In the next section, we briefly introduce the concept of structural power, relating it to and distinguishing it from other forms of business power. We then summarize the institutional and symbolic importance of the housebuilding industry in England, and in this context, discuss how the largest housebuilders are likely to wield structural power over the state (and vice versa), particularly through their control of land whose distinctive features we discuss. After outlining the data and methodology, we then empirically detail how the largest housebuilders exerted structural power in shaping successive waves of mortgage market support schemes between 2008 and 2018. We also examine the importance of these schemes for the exceptional profitability of the largest housebuilders. Finally, we conclude by highlighting the importance of the ideational and institutional context in enabling the largest housebuilders to exert structural power, and briefly consider how this now appears to be shifting. To allow for an in-depth approach, we have focused on the top-three volume housebuilders who, for the whole of the period of study, delivered significantly higher levels of supply compared to the volume housebuilders below them. We suggest that many of the findings are also relevant for the other largest housebuilders over this period.

Structural power and other forms of business power

Different forms of business power

Following Fuchs and Lederer, we can think of three approaches to analyzing business power in relation to the state: structuralist, instrumentalist, and discursive.[7] Structuralist analyses tended to focus on the structural power of business as holders of capital in a capitalist economy, on whom the state relies to invest to fuel growth and development. As such, these businesses have power over the state which can manifest through fears of a capital strike which can in turn condition state policy. In this traditional

[7]Fuchs and Lederer (2007)

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understanding, associated with Marxists[8] and radical pluralists,[9] structural power is more of a structural feature of capitalism that shapes the conditions for decision-making than something that is struggled for by business and strategically deployed. However, as we shall explore below, more recent developments acknowledge more dynamic and strategic features of structural power.

Structuralist approaches can be contrasted with instrumentalist approaches. These focus on the role of instrumental power and are, therefore, more preoccupied with the agency side of the structure/agency equation. Such approaches have therefore tended to focus on the power of businesses to strategically influence the decisions of politicians and policymakers through mechanisms like political lobbying, donations, or bribes. When it comes to the real estate development industry, power has mainly been conceptualized in these instrumental terms.[10]

Finally, discursive approaches analyze power as "a function of norms, ideas and institutions."[11] Such analyses tend to focus on how discourse shapes the ideational environment for political contests—whether through persuading others to accept ideas, or through the resistance to certain ideas' inclusion on the policy agenda, or else via contributing to a more abstract ideational hegemony that constrains what is thinkable.[12] Conceptions of discursive power can therefore have both structure and agency features, in that ideas expressed via discourse can be deployed to consolidate social structures while also having the power to transform them.

Structural power and the interactions with other forms of business power

These various forms of power are therefore not mutually exclusive. Instrumental, structural, and discursive power can each play their part and, indeed, may reinforce each other. For example, the structural power enjoyed by a firm today may have been fought for via the exertion of instrumental power in the past, through which persuasive ideas were powerfully deployed.[13]

Indeed, since the GFC, there has been a resurgence of interest in structural power and a recalibration of how it relates to instrumental and discursive power. Culpepper argues that the two key reasons for this are the framing of banks as "too big to fail" during the GFC and the strength of the American state in its relations with and regulation of financial institutions.[14] The fact that the banks were seen as too big to fail was a feature of their structural role in the economy. Further, the strength and autonomy of the American state in response to regulating its financial institutions suggested that structural power was not a one-way street—the state can have structural power over businesses as well.

Culpepper and Reinke have therefore argued that accounts of the structural power relations between businesses and states should "highlight the way in which features of the reciprocal structural relationship influence the action of both states and businesses."[15] They argue that part of this will involve seeing instrumental and structural power not as being an either/or, but as working together, albeit over different timeframes. Importantly, this implies incorporating a more dynamic and temporal understanding of structural power and connecting it to the ebbs and flows of the capacity of businesses to actively seek to influence policy and political conditions in their favor. In the words of Hacker and Pierson: "the structural power of business is a variable not a constant" and it is a "signaling device; by itself it does not dictate policy choices."[16] Signals, moreover, are open to interpretation, and this prompts consideration of the ideational and discursive conditions through which signals are sent and policy choices are constructed. A key contribution in this area has been that of Bell and Hindmoor in

[8]Block (1977)
[9]Lindblom (1977)
[10]This is discussed further below.
[11]Fuchs and Lederer (2007), p. 8
[12]Carstensen and Schmidt (2016)
[13]Bell and Hindmoor (2017)
[14]Culpepper (2015)
[15]Culpepper and Reinke (2014), p. 399
[16]Hacker and Pierson (2002), p. 282

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which they draw attention to the importance of the beliefs of state actors in policymaking and argue that business power is not automatically generated, but is "constructed and contested."[17]

A complete analysis of the power of the volume housebuilders with regard to policy choices taken by state actors would entail a thorough account of the form and interaction of structural, instrumental, and discursive power and how this is shared or contested between the state (at national and local levels) and the housebuilders in question. Furthermore, such a holistic analysis would also require consideration of the instrumental power and agency of *other* actors whose interests intersect with those of the volume housebuilders. In particular, this includes banks and institutional investors who are heavily invested in real estate assets (debt or equity) and thus have a strong interest in policies that shape these markets (albeit with a greater focus on London[18] than the volume housebuilders whose developments are more regional). Also important to consider in a holistic analysis is the ideological preference and political calculus of particular political parties at different scales of governance, as well as the distribution of political influence of existing and aspirant homeowners.[19]

Needless to say, within the bounds of a single article, it is not possible to provide such a complete account. Instead, we focus, theoretically and empirically, on the *structural* power enjoyed by these housebuilders and how this was recognized by state actors in the construction of various rounds of mortgage support policies during and after the GFC. We have chosen to focus on structural power here because it is this form of power (and its interpretation by state actors within a discursive policy environment conditioned by neoliberal ideas) that best explains how it was that the largest housebuilders were able to secure such considerable state support for their business and profit-making activities in the aftermath of the GFC.

Further, as mentioned above, previous studies that have sought to conceptualize the power of housebuilders and real estate developers have tended to rely on an instrumental framework that to varying degrees acknowledges discursive power and ideational context but without fully theorizing the structural dimension. Such approaches have therefore tended to focus on the power of businesses to influence the decisions of politicians and policymakers through means of political lobbying, donations, or bribes.[20] Therefore, by focusing here specifically on the structural power of volume housebuilders, we offer a valuable and theoretically grounded contrast to existing studies.

Nevertheless, while our primary focus is structural power, where salient, we also note how this relates to the deployment of instrumental power. Furthermore, throughout the paper, we are careful to emphasize that the structural power wielded by volume housebuilders was conditional on the material and ideational legacies of prior policy decisions by the UK government combined with the structural characteristics of the contemporary housebuilding industry. It is to these broader material and ideational legacies that we now turn.

Structural power of volume housebuilders in England[21]

In this section, we briefly examine the structural features of the British housebuilding industry, as well as the policy decisions which influenced them. Also of relevance is the role of political discourse in framing policy problems and their solutions in terms of housebuilding, homeownership, and housing supply. In line with the literature reviewed above, we understand both factors—material and ideational—as simultaneously influencing the structural power of large housebuilders vis a vis the state.

[17]Bell and Hindmoor (2014). See also Marsh et al. (2014).

[18]Hofman and Aalbers (2019)

[19]See, for example, Shepherd (2023).

[20]Tandel et al. (2023); Lévêque (2020); Solé-Ollé and Viladecans-Marsal (2012); Brill and Robin (2020); Brill (2020); Leffers (2018); Moreno Zacarés (2020)

[21]This paper draws on and expands upon empirical analysis published in a report by Foye and Shepherd (2023).

The structural features of the British housebuilding industry

Post the Second World War, the state played a major role in the direct delivery of housing supply in Britain, mainly via local authority housebuilding. Housing policy, however, was transformed with the rise of neoliberalism in the 1980s.[22] Instead of providing for low-income households via supply-side subsidies (capital grants for direct-state delivery of municipal social housing), the state instead switched to a policy of demand-side subsidies in the form of housing benefit payments. This led to a significant decline in the number of new homes delivered each year because the private sector did not fill the gap left by the resultant reduction of public sector housebuilding.[23]

These policy and ideological developments meant that, since the late 1970s, responsibility for housebuilding has been largely with private housebuilders and the landowners from whom they secure development sites. Private housebuilding interests are well represented by lobby groups including the Home Builders Federation (HBF) and the Federation of Master Builders who exert instrumental power to shape how housing development and its constraints are reflected in policy decisions.[24] This has contributed to the current sectoral distribution of housing delivery, which is heavily skewed to the private sector (which delivers between 80 percent and 90 percent of new homes annually) and, particularly a small subset of volume housebuilders.[25] Consequently, the state now relies overwhelmingly on private housebuilders—and, in particular, a handful of volume housebuilders—to deliver new housing supply. This reliance has been heightened by the economic and political significance that policymakers have attached to the production of new housing supply, placing it at the confluence of two main policy discourses, both of which have become particularly dominant post-GFC. It is to these that we now turn.

The political economy and ideologies of homeownership

The structural power of the volume housebuilders in England derives in part from the ideological and political-economic significance of homeownership in Britain. Without taking this into account, it is not possible to understand *why* volume housebuilder market composition, their land ownership and dominance over housing production combine to produce conditions for structural power *that are recognized as such by state actors*. For the purposes of this paper, there are two interrelated dimensions that are of particular importance. First, homeownership is significant for state actors because of the embeddedness of house prices and consumer debt in the credit-driven and consumption-led Anglo-liberal growth model in the post-Keynesian neoliberal era.[26] Furthermore, new housing supply has been framed as a major driver of economic growth, tax revenues, and jobs, particularly in economic downturns.[27] Whether this is interpreted as privatized Keynesianism,[28] house price Keynesianism,[29] or merely a continuation and acceleration of a previous post-war trend of household debt-driven de-proletarianization,[30] it remains the case that there is significant political reliance on both maintaining house price inflation and expanding homeownership to create more household investor subjects.[31] This has been interpreted by Berry, for example, as a key reason that state interventions in the housing market have expanded since the GFC via what he calls "indentured interventionism" whereby "neoliberal elites are effectively indentured to the housing market."[32] However, in the context of house price growth that outstrips wage growth (as has been the case in Britain over the last 30 years or so), there is an essential contradiction, which is that the resultant "deteriorating access to housing" threatens

[22]Robertson (2017)
[23]For example, Bramley (2007).
[24]Munro (2018)
[25]Archer and Cole (2016)
[26]Reisenbichler and Wiedemann (2022)
[27]Kohl and Spielau (2022)
[28]Crouch (2009)
[29]Watson (2010)
[30]Sparkes and Wood (2021)
[31]Langley (2007); Watson (2010)
[32]Berry (2022), p. 250

"the crucial reproductive functions of the household," thereby undermining the logic and structural integrity of the dominant growth model.[33]

This connects to the second dimension of homeownership significant for the structural power of volume housebuilders, which is its ideological framing as a tenure (preferable to a stigmatized renting) to which all should aspire due to the wealth and status benefits it can bring, and the resultant politicization of housing supply.[34] This contributes to the internalization by individuals of discourses that normalize aspirational homeownership[35] and the resultant entanglement of rates of homeownership with the political legitimacy of governments. This tenure bias has been epitomized by the "right to buy" scheme which has allowed tenants of council-owned public housing to purchase their homes at a significant discount, thus simultaneously reducing the amount of such housing and creating new owner-occupiers. In part because homeownership is viewed as shifting voting preferences in a more conservative direction[36] the Conservative Party came to the view that "freeing the council tenantry would make them more likely to vote Conservative."[37]

However, it is not only the Conservative Party that has framed homeownership as something to aspire to. The Labour Party has variously promoted homeownership since the 1950s[38] with the New Labour government promoting homeownership as part of a "wider attempt to create an asset-owning society composed of responsible yet risk-taking, financially independent yet economically ambitious individuals."[39] The current Labour Party leadership is once again positioning the party as one of homeownership[40] as it seeks to capitalize on the failure of the Conservative Party to significantly expand homeownership since it came to power in 2010.[41] This is an example of the bipartisanship regarding housing policy that tends to be a feature of countries with neoliberal credit and consumption-driven growth models with key electoral constituencies that consist of current and aspiring homeowners,[42] a key feature of contemporary "homeowner societies."[43] However, as we shall explore in this paper, the failure by the Conservative Party to increase rates of owner-occupation (particularly among first-time buyers) via boosting housing supply was not for want of policy initiatives.

These two interrelated dimensions of the political economy and ideologies of homeownership form essential context for our analysis of the structural power of volume housebuilders. In a political-economic environment in which homeownership, mortgage debt, and rising house prices are judged essential components of the preferred growth model, expanding the supply of new homes for first-time buyers without compromising asset values becomes a key political-economic objective. Further, in a political environment in which homeownership is ideologically framed as a means by which wealth and security can be obtained in a context in which renting offers little opportunities for either, being seen to try and increase housing supply and make homeownership more accessible is politically important. As we shall see, in the context of the majority of new homes being delivered by a small number of large housebuilders—and a state that was unwilling to contribute directly to the production of housing supply—these economic, political, and ideological qualities of housing and homeownership combine with the structural characteristics of the housebuilding sector to create conditions for the exertion of structural power.

Structural power of the volume housebuilders and the distinctive features of land

This reliance of the state on larger housebuilders for supplying homes that are considered by politicians and policymakers to be politically, economically, and ideologically important has furnished these

[33]Moreno Zacarés (2024), p. 19
[34]White and Madden (2024)
[35]Gurney (1999)
[36]Schwartz (2008)
[37]Jones and Murie (2006), p. 7
[38]Ginsburg (1983)
[39]Finlayson (2009)
[40]See Keir Starmer: "I want Labour to be the party of home ownership" in Guardian, 20 April 2023.
[41]Home ownership in England and Wales declined to 62.5 percent in 2021 from 64.3 percent in 2011 (ONS, 2023).
[42]Reisenbichler and Wiedemann (2022), p. 221
[43]Arundel and Ronald (2021)

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businesses with structural power over the state. This was, in part, a function of political ideological preference and resultant past policy choices by political and policy actors. However, these features alone do not necessarily equate to the existence of structural power. To understand how structural power is enjoyed *by housebuilders*, we need to understand their business model and balance sheets. In particular, we need to appreciate the distinctive features of land (their main asset) and ways in which this both constrains and enhances their structural power.

Housebuilders and their land banks

Unlike in many other countries, where housebuilders essentially act as construction firms, volume housebuilders in Britain have, for decades, been vertically integrated. Although they do acquire "short-term" development sites with planning permission that are ripe for development, their land banks mainly consist of longer-term "strategic" land (acquired outright or, more usually, via option agreement[44]), which they promote via the planning system. They then build out the land and sell it as housing—in doing so they seek to capture as much of the land value uplift as possible.[45]

Given the sheer amount of land they hold, volume housebuilders[46] are frequently criticized for "land banking," that is, speculatively buying land with little intention of building it out, at least in the short to medium term.[47] In our view, however, volume housebuilders have limited incentive to systematically engage in land acquisition purely to speculate on rising land prices because holding land as inventory ties up capital that, in most cases, could be more profitably deployed elsewhere. Rather, the main reason why volume housebuilders acquire land banks is to de-risk their development pipelines: by holding a sufficient supply of sites at different stages of the planning and development process (from long-term strategic to short-term land), housebuilders can mitigate the future risk of not being able to purchase land or to acquire planning permission.[48] This gives them a competitive advantage over smaller housebuilders who tend to operate with a much more limited supply of land and are therefore much more exposed to idiosyncratic planning and development risk. In the UK context, the incentives for volume housebuilders to acquire land banks—and hence the tendency toward a more concentrated housebuilding industry[49]—have been arguably strengthened by land-supply restrictions and the discretionary (rather than rule-based) nature of the planning system which has frequently been argued (in neoclassical economics terms) to contribute to higher land and house prices.[50]

While the volume housebuilders (in Britain) are unlikely to hold land for purely speculative purposes, it is certainly true that they frequently build out their land more slowly than they otherwise could (i.e., "drip feed") in order to maximize their sales price.[51] Furthermore, it is also true that their profits are derived as much from bringing land through the planning system as they are from building houses, thus reducing the need to compete on housing quality or innovative design features.[52] In the words of the then Chief Executive of one of the big three: "We said that we weren't just a house builder, we were a land portfolio company, that our main driving goal, our main way of adding value

[44]The terms of option agreements can vary significantly, depending on the site, the landowner, development potential and the economic cycle. However, the key features are that the housebuilder promotes the site through the planning system and, once planning permission is crystallized, the housebuilder buys the site from the original landowner. The purchase price can be negotiated based on an independent valuation and there is typically some form of discount applied.

[45]For example, Ball (2003)

[46]For example, in 2021 Persimmon controlled enough land (short-term and strategic) to potentially yield over 150,000 units, about ten times their total completions that year (Foye and Shepherd, 2023). Research commissioned by Barratt argued that larger housebuilders require land banks equating to 5.7–9.6 years, depending on housebuilder and market conditions (Chamberlain Walker and Barratt, 2017).

[47]Spratt and Parsley (2023)

[48]HBF (2012); Payne et al. (2019); Competition and Markets Authority (2024)

[49]Ball (2007); Home Builders Federation (2015); Competition and Markets Authority (2024)

[50]For neoclassical economics-based critiques of the impact of planning restrictions on land supply and house prices, see, for example, Cheshire and Sheppard (1989), Evans (1991, 2004), and Monk and Whitehead (1996).

[51]Murray (2020); see also Letwin (2018).

[52]Barker (2004); Barlow and King (1992); Barlow (1993)

was adding value to the landbank, taking it through the planning process. We still believe that today" (Pete Redfern, Chief Executive,[53] Taylor Wimpey, 17 May 2016).[54]

Structural power and the distinctive features of land

To understand the structural power conferred by large-scale land ownership, we need to first reflect on two key features which distinguish land from the other factors of production (capital and labor). First, because land is spatially fixed and cannot be readily created, ownership of land confers a monopoly over a given location: if the landowner does not wish to develop a specific site, then nobody else can. Consequently, under current conditions, if the state is to maintain the supply of market housing, to secure developer contributions associated with said development (e.g., affordable housing contributions), or at a minimum to guarantee a site is built out and not mothballed (leading to negative externalities), then they are reliant on a handful of large housebuilders and their landholdings to achieve that.

The second feature of land is that it does not depreciate in value over time.[55] This means that the opportunity cost of a land strike is significantly lower than for other forms of capital strike. This can be empirically observed in the post-war history of UK development taxation policy, whereby landowners frustrated the (Labour) government's introduction of more onerous taxation regimes by withholding land from the development market, correctly anticipating that such demands would be reversed under the next (Conservative) government.[56] Landowners could do so because of their monopoly power over land and the fact that they were largely under no immediate financial pressure to develop their land assets, the condition of which would not depreciate over time.

However, if the state can hold its nerve, such that landowners realize that a new and less favorable regulatory environment is going to be in place *indefinitely*, then the structural power relation is flipped on its head. This is because, unlike other forms of capital, land cannot be relocated, thus depriving landowners of an exit option, and making them vulnerable to increased taxation and regulation, as advocates of a land value tax have consistently pointed out.[57] Similarly, if the state is prepared to compulsorily purchase land,[58] or nationalize it wholesale,[59] then because of its spatial fixity, there is not much that landowners can do to prevent it—they cannot relocate the land to outside of the relevant regulatory jurisdiction. Thus, structural power can cut either way depending on the sustained willingness of the state to intervene in the land market: if state actors perceive they are dependent on a private market to bring forward land for development, then the structural power will be with landowners as they possess a monopoly over a non-depreciating asset. If, on the other hand, state actors are committed to sustained intervention in the land market then, due to the spatial fixity of land, they have the structural power to tax, nationalize, or compulsorily purchase land.

Volume housebuilders and the Janus-faced power of landownership

Thinking of contemporary volume housebuilders as landowners (rather than just developers) sharpens our analytical focus onto how their control over land confers structural power over local land markets and housing supply. Like the landowners that supply them, volume housebuilder control over land cuts both ways when it comes to structural power. While housebuilders do rely on building out sites to secure cashflow and profitability (unlike many of the landowners who supply them), contemporary volume housebuilders are *potentially* able to adopt a similarly sanguine approach to a land strike by

[53]Note that where direct quotations note the job role of the speaker, this refers to the role they occupied at the time of the relevant event. Where a transcript has been cited, the full reference is provided in the bibliography.

[54]Taylor Wimpey (2016)

[55]For sure, the *location or development value* of land can decrease (and increase), but land itself is not considered a depreciable asset because it does not wear out or become obsolete unlike other forms of capital.

[56]Cox (1984), pp. 94–95

[57]For example, see Martin Wolf "The Case For a Land Value Tax is Overwhelming" in Financial Times, 5 February 2013.

[58]Cox (1984)

[59]Haila (2016)

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virtue of their large land banks and access to finance. At the same time, volume housebuilders in England are also spatially fixed by their control over land. While they may threaten to relocate development activity from one municipality to another, thus exerting structural power over the *local state,* a defining feature of the British volume housebuilding industry is that it is nationally bounded, with very little presence outside of the British mainland (not even Northern Ireland). Some have tried to diversify into other housing markets (Taylor Wimpey, e.g., bought up operations in the United States and Spain), but these have generally failed and the gravitational pull of their businesses remains in Britain.

If land is one-half of the volume of housebuilders' structural power (and half their balance sheets[60]), then the other half lies in their *productive capacity* and, crucially, the *barriers to entry* that prevent new (existing) firms from replicating this productive capacity and entering (expanding into) their local markets. Bringing a strategic land site all the way from purchase through to completion requires a significant amount of capital besides land: local land-buying teams and the same for planning, marketing, and sales, as well as capital invested in the building of homes and accompanying infrastructure. Further, most of these costs are *sunk costs*—"investment costs that produce a stream of benefits over a long horizon but can never be recouped[61]—the most significant example being build costs associated with an uncompleted development ("works in progress").

On the one hand, like land, these sunk costs act as barriers to *exit* for larger housebuilders because they cannot (fully) recoup these costs should they decide to relocate their activities. On the other hand, however, sunk costs (like land) also represent barriers to *entry* for smaller and less well capitalized and networked firms, who must finance and incur them if they are to enter or expand into the local land and development markets dominated by the existing volume housebuilders.[62] It is these sunk costs which make real estate development so risky for new entrants, and which makes it so difficult for them to access finance, which partly explain why the industry has become more concentrated over time.[63] What this means from the perspective of state actors is that, unless they are willing to contemplate a more active role in the direct supply of housing themselves, then they are not only reliant on these volume housebuilders for their land, but also for their productive capacity (at least in the short run). Or to put it another way, if one of these volume housebuilders went bankrupt, then it would take a long time for their productive capacity to be replaced by the private sector alone.

Potentially, therefore, vertically integrated housebuilders can wield structural power as a result of (i) their *landholdings* and (ii) their *productive capacity* combined with the *barriers to entry* that prevent others from replicating this productive capacity. The largest housebuilders are likely to benefit from structural power to a greater degree than their smaller counterparts for three key reasons. The first is simple: because they possess a greater amount of land, greater productive capacity, and employ a greater amount of labor, they will also have a larger resource of structural power, meaning policymakers are more likely to perceive them as "too big to fail." Second, the largest housebuilders are also in a *disproportionately* stronger position to halt or "drip-feed" new supply, compared with their smaller competitors because:

i. They hold relatively larger sites and will face less competition, allowing them greater control over prices and build-out rates.[64]
ii. They build out sites across multiple geographies, meaning that, unlike smaller housebuilders, they are not forced to build out fast in a particular market in order to provide immediate cashflow.
iii. They have better access to capital which makes them less reliant on selling houses for immediate cashflow.
iv. They outsource most of the construction of housing, allowing them to rapidly shrink their labor costs if need be.

[60]In 2020, land holdings made up roughly half of Persimmon's total net assets—Persimmon Annual Report (2020).
[61]Tirole (1989), p. 308.
[62]Caves and Porter (1975)
[63]Barton et al. (2023)
[64]Letwin (2018); Yu et al. (2021)

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In the remainder of the paper, we explore how perceptions of the structural power of the big three helped to bring into existence the mortgage market support schemes that have been so important to their profitability. We also highlight instances where *instrumental power* (e.g., lobbying, involvement in committees) is likely to have played a role within a broader ideational environment that was conducive to these strategies being successful. Importantly, we also identify key junctures where the state could have wielded its structural power over the spatially tied housebuilders, but chose not to. This serves as a reminder that the features of the British housebuilding industry discussed above do not, by themselves, automatically equate to structural power over the state, but are instead, conditioned by the ideas, perceptions, and discourses through which state actors construct policy.

Data and methodology

Given this close relationship between the material conditions of housing production in England and the role of ideas and discourse in shaping the terms by which acceptable policy problems and solutions are identified, if we want to infer the role of structural power, we need to examine the relationship between the state and volume housebuilders both in material and discursive terms. We need to know not only what resources volume housebuilders possessed at a given time vis a vis the state (land, cash, planning permissions, etc.), but also what threats or commitments they were (likely) making to the state, implicit or explicit, and how the state was interpreting these, and through which ideational lens.

Returning to the discussion of forms of power, we therefore conceive structural and instrumental power as being in dialectic relation. The structural power enjoyed by volume housebuilders over the state may have been implicitly recognized as such by state actors, but it still needed to be signaled, at times, through direct instrumental engagement within a broader ideational environment that was discursively influenced by the land and development lobby to serve their interests. This connects with the ideational dimension in terms of the degree to which the political ideational context in which policymakers and politicians were working meant that they were receptive to recognizing the power of the volume housebuilders as structural and heeding the arguments that were being made via the exertion of instrumental power.

In order to trace the possession and signaling of structural power of the big three volume housebuilders in these terms, we have focused on analyzing their material resources and how housebuilders represented themselves and their activities to their investors. This is because they have an economic rationale to be truthful to their investors/analysts, as being caught lying will undermine their credibility, and ultimately their share price. We have therefore analyzed annual reports of the big three housebuilders as well as other more general quantitative data (e.g., ownership, profit margins) accessed via Refinitiv (a financial market data portal). We focused on the decade from 2007 to 2018, starting with the initial onset of the GFC (i.e. in 2007), and ending with the renewal of the then-extant Help to Buy scheme (2018).

Our most valuable data source, though, were the (publicly available) transcripts from their earnings calls with shareholders. Publicly listed companies typically hold these calls on a quarterly basis to present their financial results and explain their strategies to investors and analysts. We accessed these transcripts via Fair Disclosure Wire, the respective company's webpage, or in a handful of cases, transcribed the recordings ourselves. Where available, we also analyzed presentations and discussions from these companies' Investor Day/Analyst Day events, which are used to provide investors with a more in-depth and strategic insight into their business.

Together, we analyzed ninety transcripts in total. The analysis was conducted by both researchers using Nvivo Release 1.0. The researchers initially familiarized themselves with the data before developing a draft coding structure. The transcripts were then divided between the researchers for analysis. The coding structure was adapted as the analysis was conducted to allow for the identification of important concepts and themes. This ultimately resulted in the identification of ninety-six themes arranged under six headline categories. The key categories for the purposes of this paper were: "Power dynamics between volume housebuilders and the state" (i.e., largely relating to instances where the state exhibited power over housebuilders via the planning system and where the volume housebuilders

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exerted power via managing their supply of new homes), "State support for volume housebuilders" (e.g., various mortgage market support schemes as well as liberalizing the planning system), and "Volume housebuilder strategy" (i.e., strategies in the land market, pricing, product mix, usage of equity share schemes, and build-out rates). As the coding was conducted, the researchers audited each other's work to ensure consistency of interpretation of the codes and the data. The results provide a uniquely in-depth insight into how the big three represented to their investors contemporary market and political conditions and their business strategy and activity in local land markets.

To gauge the material resources and actions of the *state*, as well as their perceptions, we examined government committee transcripts, and government-produced policy prospectuses, policy impact assessments, and policy evaluations. These documents provide the best publicly available data on the ideas and discourse used to justify mortgage market support policies. We also conducted more ad hoc analysis of relevant "gray" literature, and media reports (most notably from the Financial Times newspaper). Across these sources, we have been able to generate useful data regarding how housebuilding businesses, their investors, state actors, auditors, and expert commentators viewed the power of the largest housebuilders over the study period.

Finally, to identify examples of the big three wielding instrumental power, we also examined the official record of political party donations and meetings with government ministers.[65] While the property industry in general has been a major donor to the Conservative Party,[66] we found no evidence of any major donations by the big three,[67] although they frequently met government ministers (see Figure 4).

Building back balance sheets: mortgage market support schemes 2008–2018

Credit crunch and the bailing out of the volume housebuilders by the Labour government (2007–2008)

Response of the big three housebuilders: margin over volume

The most immediate effect of the credit crunch that spread in 2008 was a tightening of mortgage credit availability which reduced housing demand, particularly among first-time buyers who relied on mortgage credit, and who were a major customer of the big three VHBs. Having previously leveraged up to accumulate large land banks on the assumption that house prices would continue to rise, the big three saw the value of their land bank and market capitalization fall dramatically, with two of the big three forced to renegotiate the terms of their loans.[68] Despite having successfully refinanced as the effects of the GFC started to bite (an option that was not available to most smaller housebuilders) there were then only bad options available to the VHBs: they could build out their overvalued land bank and incur significant losses; they could sell some of their land off, undermining their future capacity to build; or they could hold the land back in the hope that house prices would pick up soon.

Ultimately, all of the big three took the latter approach, disposing of minimal amounts of land,[69] thus retaining control of large swathes of development land, and explicitly shifting their strategy from volume to margins, that is, from maximizing the number of units built to maximizing the profitability of those units.[70] The authors coded 40 references to adopting a "margin over volume" strategy across 25

[65]We searched for the three companies using https://openaccess.transparency.org.uk/ which records all meetings with government ministers, though from 2012 onward only.

[66]See "How developers bought the Tory party" on 15 January 2019 by Brett Christophers in Unherd.

[67]We downloaded data on all individual and corporate donations from 2008 onwards via https://www.electoralcommission.org.uk/political-registration-and-regulation/financial-reporting/political-finance-online. This yielded 38,738 observations. We then searched for donations by each company (Persimmon = £4K; Barratt = £0; Taylor Wimpey = £0), and major individual shareholders (Duncan Henry Davidson = £0, Sir John White = £3K).

[68]Foye and Shepherd (2023)

[69]Taylor Wimpey was the worst affected by the GFC and their total land bank (short-term and strategic land) decreased by about a quarter, from 194K plots in 2007 to its nadir at 141K plots in 2010. However, they completed over 30K units in this period, implying they sold off little land.

[70]See Foye and Shepherd (2023) for more details on why margins and volumes are in tension with each other in the volume housebuilders' business models.

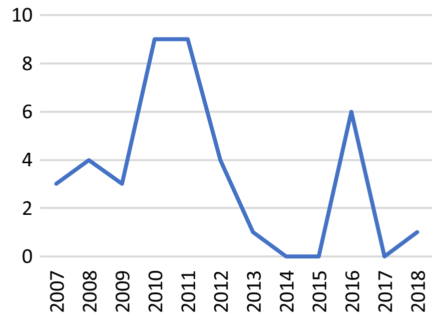

Figure 2. Frequency of mentions of a "margins over volume" strategy in the earnings calls transcripts of the "big three" housebuilders, $n = 40$.

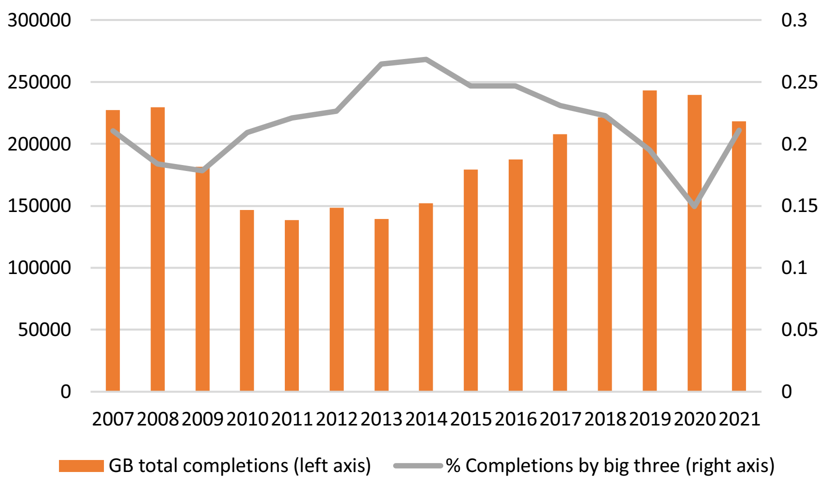

Figure 3. Total completions for GB vs. % completions by big three from 2007 to 2021.
Note: Total new completions counted via the Department for Levelling Up, Homes and Communities (2023), StatsWales (2023), and Scottish Government (2023). National Audit Office Completions by "big three" counted using annual reports.

earnings calls transcripts for all of the big three housebuilders. These were predominantly clustered in transcripts for calls between 2007 and 2013 as shown in Figure 2, which is indicative of the need for the housebuilders in this period to signal to investors that they were moving to protect and strengthen profit margins. The following emblematic quote illustrates the logic of adopting this strategy:

> The challenge of putting more volume out is—on so few outlets is that you do start compromising the prices you charge. And our strategy is very clear. We must get the proper price for the product and what we don't want to do is compromise it by driving too much volume through. (Mark Clare, Group Chief Executive, Barratt Developments PLC, 23 September 2009)[71]

Figure 3 shows the total annual new housing completions for the big three in the period 2007–2021, showing a decline in output in the years immediately following the GFC. At the national scale, this pivot involved cutting their annual output targets and reducing their number of sales outlets, while at the local scale, it involved drip-feeding supply while renegotiating planning permissions. For this strategy to pay off, however, the VHBs needed house prices to recover back to their GFC levels, and for that to happen during a global economic recession, there needed to be a liberalization of mortgage lending.

[71]Barratt Developments (2009)

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Acquisition of distressed land: a missed opportunity for the state?

With land values having plummeted, and the cost of borrowing relatively low, now was an opportune moment for the state to take a proactive role in expanding housebuilding. This would also have provided further fiscal stimulus to the economy which was a priority of the Labour government at the time, albeit one that was limited by the cost of bailing out the banks.[72] As several left-leaning think tanks proposed at the time,[73] one way for the state to more directly expand supply would have been to set up a "land clearing house" that bought up unviable land, and then sold it onto housing associations or smaller housebuilders who would build out rapidly.[74] Polling evidence suggests that this would have been just as politically popular as mortgage market support schemes.[75] Seen through this lens, the state had the potential to wield structural (and market) power over the VHBs: it had cheaper access to finance, and control over institutions, while volume housebuilders were trapped with unviable developments. Indeed, perhaps conscious of this vulnerability, the HBF—a volume housebuilder body—warned against the state taking on a more active role in housing supply.[76]

The government, however, did not see things through this lens. While they did take steps to increase social housing supply, most significantly through bringing forward spending on social housing, these moves were relatively minor. The state made no attempt buy up private land on a large scale or to directly fund the supply of private housing for homeownership. Consequently, the state continued to be reliant upon the VHBs to deliver, who in turn, were committed to slowing supply to protect margins. It was partly due to this reliance, we argue, that successive governments introduced the new-build focused mortgage market support policies discussed below.

Political economy of mortgage market support schemes

Broadly speaking, there are two types of mortgage market support schemes, both of which seek to expand the amount of private mortgage credit advanced. The first are mortgage guarantee schemes whereby government insures or guarantees private mortgage lending, thus absorbing the bank's credit risk. The second type is equity loan schemes, which involve the government itself providing homebuyers with a loan (at a subsidized interest rate) which they can then use to meet the deposit requirement of the bank, thus allowing the buyer to access mortgage financing that would not otherwise be available. It was mainly this second type of scheme that was favored in the UK, post-GFC.[77]

In the limited political economy literature on the topic, the introduction of mortgage market support schemes has generally been rationalized as an attempt to prop up the house price inflation foundational to the Anglo-liberal growth model. As Berry noted of the Help to Buy scheme (discussed below), despite its stated intention of making homeownership more accessible, "the macroeconomic impact of inflating house prices is a more plausible verdict on the scheme's rationale."[78] For sure, this argument is persuasive when it comes to government schemes which support mortgage lending to homebuyers *in general* (of which there were a few, such as the Help to Buy mortgage guarantee scheme discussed later), but it is much less so with regards to what transpired to be by far the most substantive form of mortgage market support in England: specifically, schemes limited to people buying *new-build properties only*. Since new-build properties in England make up a very small proportion of total supply (approximately 1 percent annually), schemes aimed at new build are only ever likely to have a negligible impact on *overall* house prices. However, by shifting demand away from the existing stock toward the new stock, they have the potential to help inflate the "new-build premium" (the difference in value between new

[72] Riley and Chote (2014)
[73] Griffith (2011); Lloyd (2009)
[74] Lloyd (2009)
[75] See polling conducted by Opinium between 28 and 31 January 2014. Available at https://www.opinium.com/wpcontent/uploads/2016/08/vi_28_01_2014.pdf.
[76] HBF (2009)
[77] Whitehead and Williams (2020)
[78] Berry (2022), p. 249

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Table 1. New-build-focused mortgage market support schemes (2008–2018)

Policy	Government	Timescale	Design
HomeBuy Direct	Labour	2008–2011	First-time buyers only (unless purchasing after a relationship breakdown), household income of less than £60k per annum. 30% equity loan, risk shared 50/50 between housebuilder and the state
FirstBuy	Conservative/liberal democrat coalition	2011–2013	First-time buyers only (unless purchasing after a relationship breakdown), household income of less than £60k per annum, 20% equity loan, risk shared 50/50 between housebuilder and the state
NewBuy	Conservative/liberal democrat coalition	2012–2014	All buyers, purchase price £500,000 or less, developer and government both guarantee lender 3.5% and 5.5% of purchase price, respectively
Help to Buy	Conservative/liberal democrat coalition and conservative (post 2015)	2013–2022	Initially open to all buyers, first-time buyers only from 2021. Variable price thresholds, 20% equity loan (40% in London), state takes 100% of the equity loan risk

build and secondhand homes) or, at least, help maintain demand for new-build homes to support the housebuilders' desired build-out rates.

The Labour government's HomeBuy Direct: catering to the logics and structural power of volume housebuilders

In the midst of the GFC, the center-left Labour Party government only introduced one scheme that was targeted specifically at new-build homes. HomeBuy Direct ran from 2008 to 2011 (see Table 1) and involved the state and participating developer each providing first-time buyers with a 15 percent equity loan (totaling 30 percent).[79] However, the scheme ended up being relatively small scale.[80] This stemmed both from the restrictiveness of the scheme—it was limited to first-time buyers with annual incomes lower than £60K[81]—and from the requirements made of participating developers to share credit risk with the state.

To understand the logic of the scheme, and the influence of the VHBs' perceived structural power in shaping it, we can refer to the government's impact assessment published alongside the scheme. It identified two primary objectives: "to (a) Assist first time buyers by providing an affordable LCHO [low cost home ownership] option; and (b) Ensure the Government is well-placed to meet the country's housing supply needs in the longer term—by stimulating housing market activity and helping to retain capacity in the housebuilding industry."[82] Further, the impact assessment also contended that by releasing latent demand for new-build properties, and potentially increasing the new-build premium, the scheme would increase the rate at which developers would build out their sites: "HomeBuy Direct would provide a much needed transactions boost to participating developers through additional sales at *potentially higher values*. It would also enable them to build out some sites on which they have currently stopped or slowed development."[83] In sum, the scheme sought to increase the demand for new-build housing—inflating the new-build premium if need be—so that developments would be built out, thus "slowing the rate of capacity loss by stimulating some additional construction activity," both in the short and long run.

Embedded within this impact assessment was the understanding that, so long as the existing housebuilders controlled development land (and any works in progress), the state was reliant on these

[79]Griffith (2011)
[80]Only £213M of state funds were lent to about 9K households (Griffith, 2011).
[81]CLG Committee (2009)
[82]DCLG (2008), p. 23
[83]DCLG (2008), p. 31—emphasis added

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firms to build out private housing supply for homeownership. And, where possible, these housebuilders would sit on their land until new-build prices were raised to a level that would render development sufficiently profitable. Consequently, without the scheme, policymakers judged that "The most likely outcome therefore is for builders to continue at the current slow pace to sell unsold stock at a market-clearing price. The overhang of stock may not totally clear until market conditions improve."[84] The state could have let these housebuilders fail, so that the land could be sold on at its new, lower market value and built out, but here they would have come up against the second aspect of the housebuilders' structural power: because of the barriers to entry in the housebuilding industry, it would have taken years for the market to clear and for the productive capacity of housebuilders to be replaced. In the medium to long term, one concern repeated throughout the impact assessment, was that this productive capacity would not be fully replaced, thus compromising the future ability of the housebuilding industry to respond to increases in housing demand.[85]

Besides the assumption of housebuilders' structural power, what is particularly notable about the scheme was that it was the needs of the *largest* housebuilders that were specifically being catered for. For example, of the total state lending advanced under the scheme, 64 percent went to first-time buyers purchasing homes from the four largest housebuilders—significantly more than the corresponding market share of these businesses.[86] Why was the scheme particularly targeted at larger housebuilders? If we take the government's word for it, they considered slowing completion rates to be a particular problem for larger housebuilders because with "significant debt leverage" and "Without sufficient cash reserves and little/no revenue stream," they would be "unable to repay loans and satisfy shareholders."[87] Smaller builders, on the other hand, it was felt, "may be" able to let their properties out, providing greater incentive and capacity to build out.[88] In reality, however, there is scant evidence that the larger housebuilders needed financial support any more than their smaller counterparts. If anything, the opposite is more likely to have been true as evidenced by the fact that smaller housebuilders were much less likely to have survived the GFC than larger housebuilders.[89]

Another reason for the policy seemingly being designed to cater to the needs of larger housebuilders undoubtedly lies in the *instrumental* power that these businesses possessed. As a senior civil servant put it in 2009, "part of the reason why we went for the HomeBuy Direct model was in response to what the industry was saying to us and they in fact had been *running their own schemes* because they found it worked in terms of getting potential purchasers."[90] Given it was only the larger housebuilders that ran their "own schemes" (see quote above) it seems likely that they were paid particular attention in the design of the scheme. Our contention, however, is that this instrumental power was rooted in the superior structural power of the volume housebuilders, and particularly the fact that if they went bust, then due to the barriers to entry, it would take many years for another private company to replace their productive capacity. They were, in short, "too big to fail."

Continuity under the conservative-led coalition (2010–2012)

The coalition government's FirstBuy and NewBuy policies: different government, same priorities

By May 2010, there had been a change of government as the Conservatives entered into a coalition with the centrist (minority) Liberal Democrats. The new government wasted no time in introducing significant changes to the English planning system as part of a wider agenda of enabling a housebuilding

[84]DCLG (2008), p. 31

[85]DCLG (2008)

[86]Foye and Shepherd (2023) provide more detail on the outcomes of all these new build mortgage market support schemes. In this paper, we focus mainly on the logic behind the design and introduction of these schemes.

[87]DCLG (2008), p. 31

[88]DCLG (2008), p. 31

[89]Lyons (2014)

[90]CLG Committee (2009)—emphasis added

and construction fueled economic recovery.[91] This was met with opposition from some Conservative Party supporters concerned about the impact of under-regulated development in the countryside.[92] This speaks to the perennial tension in Conservative Party ideology and political strategy between the drive for housebuilding and the creation of new homeowners and the interests of existing homeowners in traditionally Conservative-supporting areas in England.[93] However, despite this tension, the post-2010 housing development policy agenda was marked by a continued emphasis on increasing homeownership rates via private housing supply, and a continued reliance on smaller-scale mortgage market support schemes to help achieve this.

Thus in 2011, the coalition government replaced HomeBuy Direct with FirstBuy (2011–2013), in which government and developers each contributed 10 percent of purchase price as equity loan.[94] This was followed by NewBuy (2012–2014), a mortgage guarantee scheme open to all buyers of new-build properties (excluding investors). Again, the risk was shared via the developer and government each guaranteeing 3.5 percent and 5.5 percent of the property purchase price, respectively, in the case of default (reportedly inspired by a similar scheme in the United States).[95] Both schemes continued to favor the VHBs who secured a disproportionately large share of lending.[96]

These schemes were published without an impact assessment, but from other policy documentation, we can infer that the coalition government's logic was similar to Labour. The ministerial foreword to the government's 2011 "Get Britain Building" program prospectus stated: "Building more houses means more jobs. More houses for people who dream of owning their own home. More economic growth."[97] In order to build these homes, all the evidence suggests that the government continued to perceive itself as reliant on (the largest) private housebuilders, thus continuing to afford these firms structural power over the state.

"Turbo-charged" mortgage market support under Help to Buy (2012–2018)

Help to Buy prelude: listening to the volume housebuilders

This perceived reliance on the private sector was further heightened by the government's commitment to austerity. This commitment had its roots in the "crisis of public debt" discourse successfully promoted by Conservatives in their 2010 electoral campaign[98]: it was an overly expansionary state under New Labour that had caused the recession, they claimed, and therefore any solution to the crisis would have to involve fiscal tightening of the state (contra the Keynesian consensus among macro-economists[99]).

The flipside of fiscal tightening was monetary loosening, as the Bank of England responded to declining aggregate demand through quantitative easing and interest rate reductions. However, the extent to which loosened monetary policies fed through into liberalized mortgage lending was frustrated both by banks post-GFC wariness and by macro-prudential policies (e.g., loan-to-value [LTV] ratio constraints) introduced by the Bank of England.[100] Over the course of 2012, David Cameron (then Prime Minister) and George Osborne (then Chancellor of the Exchequer) reportedly concluded that "the constraint on credit was one of the things holding back housing supply."[101] As the government prepared to dramatically expand mortgage market supply, there was close engagement between government and the VHBs, as evidenced across the earnings calls transcripts (and the 11

[91]HM Treasury and BIS (2011), p. 18
[92]Shepherd (2021)
[93]Shepherd et al. (2023)
[94]Griffith (2011)
[95]"Treat Clegg's Infrastructure Promises With a Pinch of Salt," Financial Times, 4 June 2014.
[96]Foye and Shepherd (2023)
[97]DCLG and HCA (2011), p. 2
[98]Hay (2013b)
[99]For example, the NIESR—a mainstream macro-economic think-tank—strongly opposed austerity. See "The UK should have waited to enforce austerity" by Portes and van Reenen. LSE Blogpost. 8 August 2012.
[100]Meen and Whitehead (2020)
[101]See "UK Treasury Was Not Help to Buy's Only Parent" in Financial Times, 7 May 2014.

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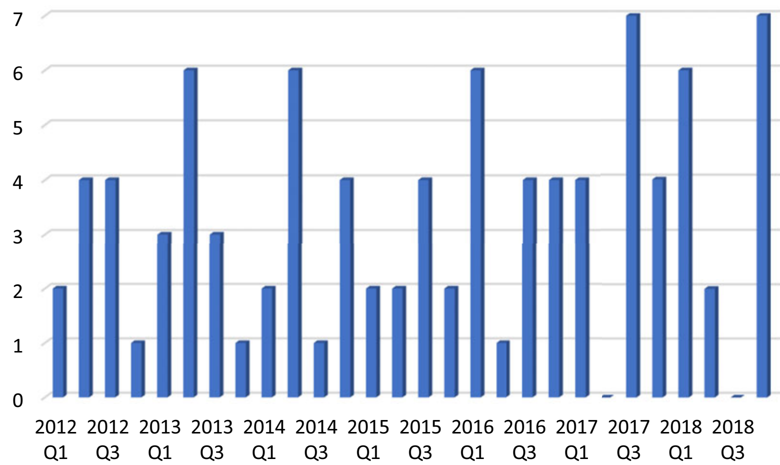

Figure 4. Number of government minister meetings with big three or HBF, by quarter (2012–2018).
Source: Shows all recorded meetings between government ministers and any of the big three or HBF. Data accessed via https://openaccess.transparency.org.uk/.

recorded meetings between the big three/HBF and government ministers over 2012—see Figure 4). The following emblematic quote speaks to the exertion of instrumental power by the volume housebuilders: "We have had the fullest period of engagement with government over the last few weeks that we've ever had. There is definitely an appetite to try and boost new-build volumes and use it as one of the levers government use for growth . . . . . . We do feel we've been listened to" (Pete Redfern, Group Chief Executive, Taylor Wimpey, 4 July 2012).[102]

Help to Buy rollout: targeting the volume housebuilders

Even *before* the Help to Buy had been introduced, it was widely recognized that the housebuilders had been the beneficiaries of major government support. As Professor Peter Williams (Director of Cambridge Centre for Housing and Planning Research) put it to a government committee in November 2011[103]:

> This Government has delivered a huge amount of support for the house-building sector. Reasonably, therefore, our expectations of what that sector should do, now and into the future, are massively increased. We look forward to seeing a new level of performance, competition and output from the house-building industry. If that is not achieved, the British public could rightly be angry.

But what had passed was small-fry compared to the state support that arrived in March 2013, when then Conservative Chancellor of the Exchequer George Osborne introduced the "Help to Buy Scheme." The scheme consisted of two key components, both (according to the government) aimed at raising rates of homeownership via increased mortgage lending and increasing the supply of housing. The first component, and the largest initially, was the mortgage guarantee scheme (Help to Buy 2) which involved the state insuring banks to lend at higher LTV ratios on both new-build *and* existing homes.[104] However, after provoking a chorus of criticism from a range of orthodox economic institutions arguing that it would inflate overall house prices,[105] this first component of the scheme ended up being much smaller than anticipated.[106]

[102] Taylor Wimpey (2012a)
[103] CLG Committee (2012), Ev 11
[104] "UK Treasury Was Not Help to Buy's Only Parent," Financial Times, 7 May 2014.
[105] See "Housebuilders Urged to Build More Homes to Prevent Price Bubble" Financial Times, 23 July 2013.
[106] It advanced £2.3 billion of mortgage guarantee by the time of closure (December 2016), much less than the £12 billion that had been made available HM Treasury (2017).

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The second component of the Help to Buy scheme, and ultimately the largest, has been the equity loan scheme. Similar to HomeBuy Direct and FirstBuy schemes, the Help to Buy Equity Loan (hereafter "Help to Buy") was aimed at new-build properties. However, in terms of size, it has been significantly larger, with government having lent a total of £22.5 billion at the time of writing.[107] As Mark Clare, Group Chief Executive of Barratt, said of the scheme on 25 February 2015, "The biggest change was when the Conservatives came and basically took everything out, and then about 12 months later, basically put everything back again and then turbo charged it."[108] The reason why it was so much larger was twofold. First, it was initially open to all new-build buyers and thus much less targeted.[109] Second, unlike the previous schemes, Help to Buy required no risk-sharing on the part of the developer: the state would provide the entirety of the equity loan, and would bear all the credit risk in the case of default. The scheme was explicitly designed to be more accessible to smaller housebuilders, an implicit admission therefore that previous schemes has been biased toward larger housebuilders.[110]

Help to Buy: catering to the logics and structural power of volume housebuilders

To understand why Help to Buy was introduced, and the significance of the VHBs' structural power therein, we need to reconsider the resources and strategy of the VHBs at this juncture. By 2013/2014, the profitability of the big three had recovered (Figure 1), so the threat of being "too big to fail" had largely receded. However, they continued to have control over much development land and there continued to be significant barriers to entry (e.g., bank financing), as reflected in the market concentration of the housebuilding industry. As shown in Figure 3, 2013–2014 was the peak of the big three's collective market share, as they produced 27 percent of all new Great Britain (GB) supply. Therefore, so long as the government remained averse to intervening more directly and proactively itself in the production of housing, the VHB's continued to exert a significant degree of influence over the aggregate level of housing supply. It was this influence that the government sought to leverage through the Help to Buy.

There was no impact assessment published with the Help to Buy, a shortcoming that drew criticism from the National Audit Office (2019). However, the "Business Case" for the policy (March 2013) set out a range of priorities similar to those of previous equity loan schemes. These included increasing housing supply and improving homeownership affordability through the facilitation of mortgage lending on new-build homes at higher LTV ratios. Help to Buy benefitted housebuilders in two main ways. First, it released pent-up demand for their product, and allowed them to draw to a close their own shared equity schemes—which in the case of Barratt (see Figure 5) was roughly the same size as the government's schemes pre-Help to Buy. "The help to buy benefit, obviously, was the opportunity to reduce our own shared-equity under-write"[111] noted Mike Killoran, the Finance Director of Persimmon (8 January 2014), who relied upon Help to Buy for almost half (44 percent) of all sales between 2014 and 2017. The other mechanism through which Help to Buy benefitted housebuilders was through inflating the prices of new-build properties, mainly by expanding demand (via mortgage credit) for housing, the supply of which was not elastic. Subsequent analyses have generally confirmed these effects, showing that Help to Buy helped to inflate new-build house prices in areas with inelastic supply,[112] and likely helped to increase the new-build premium more generally.[113]

To what extent, then, was this inflation in the new-build premium *expected* by those policymakers designing Help to Buy? In contrast to HomeBuy Direct (2008–2011), the risks register for the Help to Buy business case did not explicitly reference the potential inflation of the new-build premium.[114] That

[107]DLUHC (2022)
[108]Barratt Developments (2015)
[109]NAO (2019). From 2021, eligibility was limited to first time buyers.
[110]Kerslake (2014)
[111]Persimmon (2014)
[112]For regression analysis, see Carozzi et al. (2020), though see NAO (2019) for contrasting and, in our view, weaker evidence.
[113]Hudson (2021)
[114]DCLG (2013)

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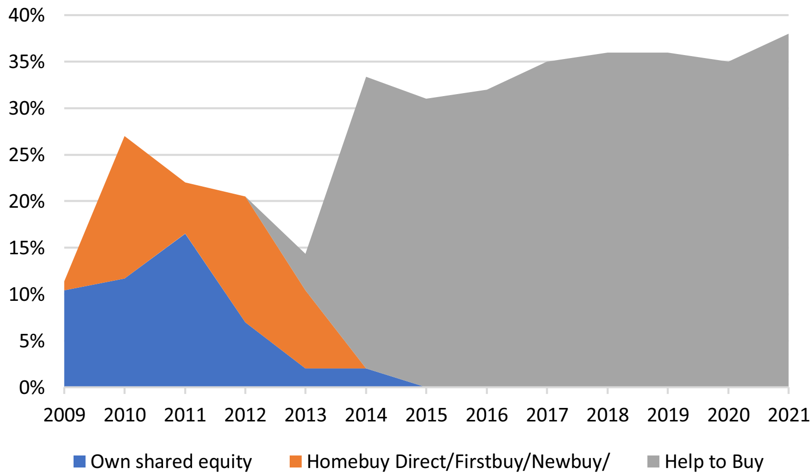

Figure 5. Proportion of total completions bought using shared equity schemes—Barratt Developments.
Source: Annual reports.

said, inflating the new-build premium was clearly consistent with the scheme's objectives. According to the government's cost-benefit analysis, the scheme would break even if only one additional unit was constructed for every five mortgages facilitated through the scheme.[115] In other words, even if 80 percent of the equity loans advanced via Help to Buy failed to result in an additional unit being built, and were instead used to bid up the price of existing new builds, then the scheme would still have been deemed a success. Unless the team writing the proposal were naïve of basic economics, they must have known that the scheme would inflate the new-build premium, and accepted this as a necessary, perhaps even desirable, side effect of increasing supply.

In designing Help to Buy, the government therefore concluded that if they wanted housebuilders, and particularly the volume housebuilders, to increase housing supply for homeownership then they needed to make it worth their while, both by increasing demand for new-build homes (thus, in all probability, inflating the new-build premium), and through absorbing the risk of any equity loan schemes onto the balance sheet of the state. The quid pro quo of this arrangement was that, in return, the volume housebuilders would ramp up their volumes. But did they?

Help to Buy: response of the volume housebuilders

On at least two publicly documented occasions, the government called in the VHBs to ask them to commit to increasing volumes. The first was a meeting between banks, volume housebuilders and the Treasury in the lead up to the announcement of the Help to Buy mortgage guarantee scheme. As one Treasury Official told the Financial Times: "Housebuilders were there this morning because we wanted them to see that the interest from lenders was there . . . .At the moment, they are sitting on huge land banks because they are not convinced that, if they start building, they can get a decent return."[116] The second meeting was on 1 September 2013, on which the Financial Times reported that "Britain's biggest housebuilders have been called in by Mark Prisk, the housing minister, to

[115]DCLG (2013)

[116]See "Housebuilders urged to build more homes to prevent price bubble" in Financial Times 23 July 2013. According to Treasury records, the following organizations were present at this meeting: Persimmon, Virgin Money, Council of Mortgage Lenders, Building Societies Association, Lloyds, Nationwide, Barclays, HSBC, Santander, Newcastle Building Society, RBS, HBS, Yorkshire Building Society and Coventry Building Society.

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discuss the urgent need to raise construction."[117] In 2013, there were thirteen recorded meetings between government ministers and the big three or HBF (see Figure 4).

However, having signaled their structural power to help bring about these policies, the volume housebuilders refused to commit to a target. As one volume housebuilder present at the first meeting noted: "The Treasury pushed us as hard as we can to give us a figure—but there's a lot of determinants on that figure so we are reluctant to commit."[118] To their investors, the volume housebuilders expressed a similar reluctance to increase supply. Thus, on 1 August 2012, Pete Redfern, Chief Executive of Taylor Wimpey, stated that "we still see maximum volume of about 14,000 completions,"[119] and on 4 July 2013, after Help to Buy was introduced, Redfern still targeted fourteen thousand completions, stating "nothing that has happened fundamentally changes our strategy at all."[120]

It would be remiss to suggest that the big three did not increase their supply *at all*. Between 2012 and 2017, they increased collective completions by about 40 percent from 33,646 to 47,979, but this was in line with their slow, upward trend in completions that predated Help to Buy. The area where Help to Buy really brought about a structural change was in the *proportion* of new-build homes backed by a government-shared equity product which trebled from 15 percent to 42 percent between 2012 and 2017, meaning that by 2017, four out of every ten homes sold by the big three was backed by the Help to Buy scheme. Far from dramatically ramping up volumes, the big three largely used the scheme to increase their prices (including via reduced incentives such as white goods) and to transfer credit risk off their own balance sheet onto the state. Both of these strategies helped to boost their profit margins dramatically (see Figure 1).

While the empirical focus of this study has been on post-GFC mortgage market support schemes leading up to and including the first wave of Help to Buy, it is also worth noting that Help to Buy was extended several times. On each occasion, the housebuilding industry cited its dependency on the scheme to argue that, without the mortgage market support, supply would collapse. For example, in October 2017, soon before the first extension of Help to Buy, the HBF argued that: "The uncertain future of the Help to Buy scheme means there is uncertainty as to what extent the industry will be able to maintain its current investment and housing delivery should the scheme end in 2021."[121] In March 2023, after the scheme had been finally phased out in England, the HBF wrote to the Treasury calling for a "new, targeted home ownership scheme for first-time buyers."[122]

Final remarks: rediscovering the structural power of the state

The preceding discussion has summarized the main features of the successive rounds of mortgage market support schemes introduced in England post-GFC, with a particular focus on the largest schemes that were targeted at new-build and, therefore, the housebuilding industry. We have seen how, initially, the volume housebuilders were targeted for support because of the perception that they were "too big to fail." Due to their control of land, their ability to build it out at rates that suited them, and the barriers to entry in the industry, the government perceived itself reliant on these businesses to provide a large proportion of the housing needed to meet government objectives. Therefore, we infer that the early support schemes were based partly on a recognition by state actors of the structural power enjoyed by the volume housebuilders. However, rather than significantly ramp up volumes, these businesses adopted a policy of margins over volumes, in which they used their control of land to "sweat" their assets rather than significantly increase supply.

[117]See "Housing Minister and Builders Discuss Boosting Volume of New Homes" in Financial Times, 6 September 2013. According to government records, Persimmon, Barratt, and the HBF were present at this meeting as well as thirteen other housebuilders.

[118]See "Housebuilders urged to build more homes to prevent price bubble" in Financial Times, 23 July 2013.

[119]Taylor Wimpey (2012b)

[120]Taylor Wimpey (2013)

[121]HBF (2017)

[122]See "UK Housebuilders' Profitability No Less Remarkable Than BP's Returns" in Financial Times, 9 February.

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These conditions largely continued through the Coalition government period and onward. The state continued to offer mortgage market support, most notably via the Help to Buy Equity Loan scheme under which the state assumed all of the risk. This was despite it being apparent that the volume housebuilders were prioritizing profit margins over volumes. While their production volumes did increase after 2014, the rate of growth was slower than the housebuilding industry as a whole, as is evident in declining market share of the big three in this period (Figure 3). These housebuilders continued to behave like land investment businesses, predictably prioritizing their profit margins over the government's priority of increasing housing supply.

However, the story presented here depends in large part upon there being a receptive ideational environment among state actors. Particularly in the initial post-GFC years, the state had the opportunity to deploy its own latent structural power over the housebuilders by acquiring unviable land and using it to fuel a state-supported market or social housebuilding program, policies that were politically popular. That it instead relied upon mortgage market support schemes to indirectly promote new supply is testament to the state's ideological reluctance to engage more directly and proactively itself in the production of new supply, as well as the perceived importance of homeownership and house price inflation to the Anglo-liberal growth model. Finally, although not our focus, the *institutional* context also facilitated the structural power of the private housebuilders: three decades of minimal state housebuilding, and selling off of public land[123] has significantly eroded development expertise and capacity in local municipalities. This means it is difficult to suddenly restore state housebuilding or land-buying activity, even if the will is there. These institutional legacies of the shift to private-sector led housebuilding in the neoliberal era of British politics have therefore contributed the structural power of the volume housebuilders.

The ideational context, however, has now started to change. A succession of scandals has hit the reputation of the housebuilding industry, and with housing affordability continuing to bite, there are signs of state actors starting to realize their own structural power and exert it.[124] For example, in response to the Grenfell Tower tragedy in which seventy-two people died in a fire exacerbated by flammable cladding, the government has introduced a tax on developers with an annual turnover of more than £25 million "to bring an end to unsafe cladding, provide reassurance to homeowners and support confidence in the housing market."[125] The government also requested that the competitiveness of the housebuilding industry be reviewed by the Competition and Markets Authority[126] and has introduced legislation intended to discipline housebuilders into improving build-out rates.[127]

Here is not the place to examine all of the reasons for these adjustments. The key point is that they illustrate how the political and ideational environment in which housebuilding, housing supply, and the activities of housebuilders are thought about and discussed by state actors clearly influences the degree to which volume housebuilders are able to enjoy and exert structural power. The same assets that potentially afford volume housebuilders structural power over the state, also make them vulnerable to the state: control over land gives them a spatial monopoly but it also ties them geographically; and the significant sunk costs involved in housebuilding act as a barrier to entry, but they also act as a barrier to exit. Structural power, here, is not a perennial feature of capitalism that is enjoyed by these businesses without exerting any effort. Rather, recognition of its existence and its power to influence policy is, in part, dependent on the exertion of instrumental power by these businesses and a receptive ideational environment within the state policymaking sphere. However, political and ideational conditions change and this can result in an adjustment in the balance of structural power between these businesses and the state.

Although the analysis presented in this paper is empirically grounded in the English policy and housebuilding business context, its argument and conclusions should be of interest to scholars working

[123]Christophers (2018)
[124]For example, just 2 percent of people interviewed trusted developers (Grosvenor, n.d.).
[125]HM Treasury (2021)
[126]Competition and Markets Authority (2023)
[127]DLUHC and Gove (2023)

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in different political-economic contexts. For example, for those seeking to analyze the dynamics of housing supply (and, perhaps, housing crises), the paper offers an approach to the analysis of the role of different forms of power (and structural power in particular) in housing production. Although the focus here has been on the role of volume housebuilders, there are other entities that play a significant role in housing supply, such as landowners, banks, third sector actors, investors, and, not least, the state. Paying attention to the role of different forms of power and how it is distributed between these entities is important in understanding the ebbs and flows of housing supply, what kinds of tenures dominate, and how and why housing and development policy is designed and to what end.

For those scholars seeking to apply structural power to different business sectors, the paper encourages attention to be focused on the power that arises from the symbolic, economic, and political importance of the product or service those businesses provide, as well as the structural legacies of past political choices. Structural power held by businesses is not necessarily a fixed feature of capitalism, but is something that partly arises from the interaction of these elements. Variance in these will relate to variance on the form and dynamics of structural power in particular empirical examples.

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