

***Public Subsidy/Private Accumulation: The Political Economy of Singapore's Housing.* By Chua Beng Huat. Singapore: NUS Press, 2024. Softcover: 150pp.**

Singapore's public housing programme, administered by the Housing Development Board (HDB), has been widely acclaimed for providing homes to around 85 per cent of the city-state's population. Chua Beng Huat, a sociologist at the National University of Singapore who has researched the topic for more than 30 years, offers us the best—and most definitive—work on the subject. It demonstrates how deeply embedded public housing is in Singapore's political economy yet suggests that the factors responsible for its success may be unsustainable in the future.

After Singapore gained its independence in 1965, Lee Kuan Yew, the first prime minister, believed homeownership would foster nation-building by giving citizens a stake in the country, although this was framed as a “privilege” rather than a “right” of citizenship. Additionally, Lee recognized that homeownership would garner electoral support for his ruling People's Action Party (PAP). The HDB was established in 1960, and since 1968 citizens have been able to purchase 99-year leases on apartments designed, built, managed and regulated by the HDB, a state body, using mortgages funded by the Central Provident Fund, a social security savings scheme funded by contributions from employers and employees.

Furthermore, the state gives cash grants to applicants whose income is below a certain threshold to assist with the initial down payment on a new HDB flat. Homeowners can sell their apartments after ten years, with any capital gains from the resale considered private profit. Some can then receive a second cash grant for a newer, typically larger HDB flat to accommodate a growing family. Proceeds from subsequent resales are used to fund the homeowner's retirement.

Chua describes this as an “asset-based welfare system” (p. 3). However, he identifies a conundrum: it feeds an inflationary housing price spiral. Prices cannot fall without compromising the wealth of individual citizens—for most of whom an HDB apartment is their primary asset—and retirees' incomes. This situation negatively affects the young, who require ever-larger state subsidies to purchase a first home. Additionally, the eventual expiration of the 99-year leases presents a challenge, necessitating complicated options for retirees to downsize before their lifetime investment becomes worthless.

The HDB system may have been suitable in the latter half of the twentieth century when Singapore was a middle-income country with a young population and rapid economic growth. At that time, steadily rising incomes and expanding demand led to organic increases in apartment prices. Today, however, Singapore is a high-income country facing slower economic growth and an imminent “super-aged” status, when 20 per cent of the population will be over 65 years old.

According to Chua, because 90 per cent of the population is “totally dependent on the HDB, Singaporeans are at the mercy of the PAP government’s will to control not only their accommodations but other non-housing aspects of their life” (p. 118). Public housing residents depend on the state to manage the housing market, in which most people’s primary investments are tied up, making them inclined to support the PAP electorally. However, Chua uses the examples of the last two general elections to argue that “votes can be ‘weaponized’ by the electorate to put pressure on the government to ensure that public housing is available and affordable to all who have yet to own a home or are at risk of being homeless” (p. 118). Indeed, around 5 per cent of the poorest citizens who live in HDB rental units, including single-mother families and the (mostly elderly) unemployed, do not have the right to purchase an HDB flat because they do not meet the criteria of being a defined family unit with a fully employed adult member.

Chua notes that current HDB policies contribute to Singapore’s high and widening economic inequality. Because higher-income citizens can afford larger units, they qualify for larger state subsidies at the point of purchase and can generate higher resale prices, resulting in bigger profits for the seller. About a third of HDB homeowners are “upgraders” either within the HDB system or into the private housing market, in which the top 15–20 per cent of the population by income own property. This widens the wealth gap. For instance, a high-income family can purchase an HDB apartment and quickly “flip” it, using the profit to buy higher-value private housing. The wealthy can also sell their private housing and “downgrade” to an HDB apartment, pushing up prices and crowding lower-income families out of the public housing market. In making this convincing argument, Chua walks the reader through the history, politics, economics, bureaucratic and administrative minutiae and contemporary controversies of the complex HDB system in a manner that will interest scholars and policymakers alike.

However, there are other opportunity costs and negative externalities to the HDB system that Chua does not fully discuss. For instance, rising housing costs mean Singapore is a high-cost environment for business, adversely affecting economic competitiveness. Because young couples often have to wait and save for many years to secure a new apartment, many choose to delay marriage, one reason for Singapore's extremely low birth rates—the total fertility rate was just 0.97 in 2023. Moreover, there is an “over-investment” of savings into housing, reducing investment in more productive areas that might help Singapore's economy escape its low-productivity growth trap.

Because the HDB system is synonymous with the PAP, the government periodically enacts “financial cooling measures” to tamp down housing prices. However, given the underlying forces that Chua details, these measures can only pause, not halt, the inexorable rise in prices and their attendant consequences. Beyond highlighting the conundrum this poses, he does not speculate on the likely future trajectory of the HDB system and, thus, of Singapore's political economy.

LINDA Y.C. LIM is Professor Emerita of Corporate Strategy and International Business, Stephen M. Ross School of Business, the University of Michigan. Postal address: 325 Barton North Drive, Ann Arbor, Michigan 48105, US; email: lylim@umich.edu.