

# The Best View over Others' Misery? Positional Housing in Italian Municipalities

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Positional goods are economic goods whose consumption depends largely on comparison of one's own consumption with that of others (Hirsch 1976, McAdams 1992, Pagano 1999, Vatiere 2009, Fiorito and Vatiere 2013). Positional concerns refer to the fact that individuals consider their rank, relative standing or position when they evaluate their situation and act upon this evaluation. Veblen (1899) maintained that people consume because others consume, and theoretical, empirical, and experimental research has argued that people constantly compare themselves to their environments and care greatly about their relative positions.

Theoretical and empirical literature shows that luxury homes can be studied as positional goods, and that the size (e.g., number of rooms) of one's home is also positional (Solnick and Hemenway 2005, Carlsson et al. 2007, Frank 2008). However, the choices characterized by positional concerns may reduce the consumption of alternative goods belonging to other domains, namely non-positional goods (Frank 2008), such as health and safety (Solnick and Hemenway 2005, Carlsson et al. 2007, Frank 2008). More specifically, spending for larger house property (than neighbours' houses) and for luxury houses, may reduce the consumption of individuals and families in other domains such as expenses and support for health, public goods and leisure time, with important implications for a society's well-being. In this sense, positional consumption of real-estate may have negative externalities on aggregate welfare if domains with implicit long-term collective gains experience under-investment, leading to suboptimal equilibria (see also Frank 2008).

We study whether the presence and incidence of positional goods among the municipal, private housing stock are associated to different patterns in public spending and in the quality of public goods. Given that any individual could substitute a non-positional good with a positional good, we expect a higher share of positional goods (luxury homes) on total stock of properties to crowd out the consumption of non-positional private (e.g. bikes, leisure) and public goods (e.g. safety, health).

We use Italian municipal administrative data of the real-estate registry (Catasto) to estimate the presence of positional goods. We propose a taxonomy of real-estate positional goods and investigate their role and embedding in a complex system of institutional and economic interdependencies (von Jacobi, 2018; 2022). To disentangle the systemic role of real-estate property, indeed it is necessary to

acknowledge that many factors of different nature interact: while the complementarity among institutional, economic and cultural factors has been acknowledged, systemic views on such interdependencies—and their empirical estimations—are rare (von Jacobi, 2018; 2022; Kuran, 2009; Pryor, 2008).

The paper therefore combines an innovative and exploratory methodology building upon correlation network analysis with theory development on positional goods.

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