

The Demand for Government Housing: Evidence from Lotteries for 200,000
Homes in Ethiopia
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Abstract

Can the state improve the lives of slum dwellers by building formal housing otherwise not provided by the market? Or will state-built housing inevitably be beyond the willingness to pay of poor households or built in the wrong location? To answer these questions, I study a lottery for large-scale government housing in Ethiopia. Winners of the lottery have access to formal housing that they own, but they pay a high implicit cost of forgone rental income if they move in. I find that nearly half of lottery winners trade slum housing in the city centre for improved housing on the outskirts of cities. They choose to consume housing quality beyond the basic level provided by the state by investing in amenities that they did not enjoy in slum housing. I argue that this reveals unmet demand for improved housing and suggests that informal housing is a sub-optimal outcome for a large proportion of households in this setting. Moving to sites far from the city centre does not negatively affect labour supply or earnings. Although social lives are less vibrant in the new housing estates, lottery winners report significant reductions in conflict with neighbours and increased willingness to contribute to public goods.