

Analysis of Influencing Factors on U.S. Housing Prices and Policy Implications for the Consumer Confidence Index

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Abstract. This article explores the various contributors to the constant escalation in U.S. housing prices and assesses how they have affected, and have implications for, the Consumer Confidence Index (CCI). It reveals that price resilience is the product of a combination of demand and supply constraints — while high mortgage rates limit purchasing power, a severe inventory-shortage crisis, driven by mortgage rate lock-in, shrinks the volume of trades and impedes price adjustments, with a market 'gridlock' ensuing. At the same time, the spatial re-sorting of households brought by the arrival of telecommuting and local supply elasticities has widened regional price differences. These dynamics damage consumer confidence primarily as a result of three channels: deteriorating housing affordability; asymmetric wealth effects; and constrained residential mobility. As housing affordability worsens and mobility becomes more limited, households are less willing to expect the future and postpone big purchases, which is reflected in a weaker Consumer Confidence Index and, in particular, in its forward-looking expectations component. To manage such confidence headwinds, the paper recommends a cohesive policy mix aiming to promote liquidity on the market to lessen distributional strain. This involves improving coordination of monetary and housing policy, instituting structural supply-side reforms, designing mechanisms that will reduce mortgage lock-in, and delivering targeted support for renters and first-time buyers.

Keywords: U.S. Housing Price Resilience, Consumer Confidence Index, Mortgage Rate Lock-in, Housing Supply Elasticity, Wealth Inequality

1. Introduction

1.1. Research background

The housing market in the United States is a focal area of transmission of macroeconomic variations, as a large portion of household wealth is in housing, which is typically financed via long-term debt and is strongly linked to local labour mobility and local government finances. U.S. house prices have been highly volatile over the last 20 years (both during the boom-bust of the 2008 crisis and the sudden increase after 2020), which has transformed the affordability and tenure choice [1]. The more recent cycle showed that an increase in price continued even after an increase in interest rates because of structural limitations on supply and household adjustment friction.

According to official data, appreciation levels of prices were still high at the beginning of 2024 [2]. The Federal Housing Finance Agency (FHFA) House Price Index showed consistently high prices at the beginning of 2024. FHFA commentary indicated that, although mortgage rates were limited, for-sale inventory was limited, leading to continued price increases. Such persistence is important in the macro-econometric management because housing prices, customer perception of the value of the home they are living in, affect personal spending power, financial security, and future expectations. To such considerations, it is significant to consider the main price lever and deliberate on its impact on behaviour, which is more policy than description oriented.

Mr. Consumer Confidence Index (CCI), which is published by The Conference Board, is very common in measuring household outlook on the actual and anticipated economic statistics, including the evaluation of business-related statuses, output, and income anticipation [3]. The CCI is created based on a standard survey system and apportioned to elements that mirror the current state and anticipation that give an opportune indication of consumer attitude that may react with the housing demand and credit conduct [3]. Since housing has both an asset and a consumption, increased prices can raise perceived wealth among owners and at the same time decrease the affordability of renters and first-time buyers, causing asymmetric sentiment responses in different groups.

1.2. Literature review

There has already been a lot of research that has made certain significant associations between macroeconomic factors and U.S. housing price dynamics. One, the monetary policy can manipulate housing prices by helping to change the financing costs, credit availability, and intertemporal demand. Empirical evidence demonstrates that monetary policy can be used to help achieve a housing price boom in the U.S. through interest-rate mechanisms [4]. The evidence indicates that monetary policy shocks are also found to have a relationship with tenure choice and homeownership decisions, showing that the distributional incidence of rate changes can be a significant source of effect on aggregate housing performance [5]. There is also cross-national support in favor of the heterogeneous nature of the dissemination of monetary policy in the housing-market situation, where institutional and supply conditions are heterogeneous, and it adds to the conception of housing market structure in interpretations of their effects.

Second, the re-sorting of the population and the increasing number of people working remotely have become new factors that justify the post-pandemic shift in property demand. Alterations in commute restrictions and place niche can cause permanent growth of demand in some areas and residential forms [6]. Associated synthesis research proposes that the remote and hybrid work can redistribute real estate values and reform urban intra-suburban gradients, with consequences of both the price of residential houses and a larger economic geography in general [7].

Third, the price impacts of demand shocks may be exaggerated due to supply barriers and characteristics of the political economy. Concerning land-use reform, it is indicated that increased density can influence the cost of housing; however, the extent and timing will depend on the specifics of the implementation and some market factors [8]. At the same time, the politics of homeowner incentives studies indicate that anti-development politics tend to limit supply growth and maintain high prices to enhance structural limits [9].

Fourth, there is also the aspect of affordability and distributional factors as the core of the correlation between housing sentiment and housing. It was demonstrated that the effect of a mortgage-rate-locked-in can decrease the likelihood of an eventual sale when the current rates are higher than the current mortgage rates, which leads to a decrease in the level of market mobility and

creates a restrictive market environment [10]. The empirically observed costs of housing burden on renters have been found to be chronic and frequent, such that high housing costs may directly raise economic stress, and discretionary consumption may be reduced. Lastly, the effect of housing wealth is estimated and implies that the housing wealth changes have the potential to exert a strong consumption impact, and in theory, it reveals a relationship between shifts in home prices, confidence, and consumption.

1.3. Research gap

The housing price determinants, or consumer sentiment, are usually assumed to be independent and detached in the prior research, reflecting the fact that the mechanisms of some policy actions (the mortgage lock-in, zoning constraints, and remote-work re-sorting mechanisms) are partially delimited and then superimposed, in less structured form, onto consumer confidence determinants. More specifically, there are a lot of cases when the literature interprets the change in sentiment relying on aggregate macro indicators (inflation, unemployment, interest rates), and does not specify how the housing-specific frictions and distributional effects on affordability of housing mediate the household expectations and risk-taking decisions. This creates a policy vacuum: policymakers should have better mechanisms that bridge the disconnect between a specific sequence of drivers of the housing market and the confidence-sensitive outcome of purchase intentions, discretionary spending, and stability of expectations.

1.4. Research framework

The analysis is organized based on a logic of transmission of housing to confidence. It begins by providing an overview of recent price adjustments in the U.S. housing market and also leaves the conceptual definition of the CCI as a sentiment measure. Second, it models the fundamental processes that influence U.S. housing prices, monetary policy transmission, remote work and demographic changes, and supply restrictions, directly considering market frictions, such as mortgage lock-in. Third, it analyzes the impacts of the affordability and distributional effects on the expectations founded on confidence by linking the effects of the housing cost burden and wealth to consumer perceptions. Its aim is to come up with a policy-relevant explanation of the kind of housing mechanisms that are most likely to stabilize or destabilize consumer confidence in the existing market conditions.

2. Case description

2.1. Overview of U.S. housing price trends

The U.S. house prices have been rising significantly, which is due to the reallocation of demand, traditionally low interest rates at the beginning of the pandemic, and structural restrictions on responsiveness to supply [2]. Gains in price continued a bit after monetary tightening as mortgage rates were increased, implying that listings are constrained and the inventory is low, which is able to counterbalance compressed demands. The process of the housing market adjusting has thus been less characterized by a fast price adjustment than had initially been perceived, but by a slow adjustment due to the lower volume of transactions and long-term affordability pressures, partly representing an adverse incentive towards owners with low fixed-rate mortgages to sell.

The geographical dispersion in price has remained high due to the varying exposure to migration flows, adoption of remote work, and local restrictions to supply. This form of national pattern is

compatible, in this respect, with a market where demand inflation is spatially redistributed, and supply is sluggish and generates a lasting price impact rather than a temporary market hump-and-trough.

2.2. Trends in the Consumer Confidence Index

The Consumer Confidence Index was highly volatile both throughout and following the pandemic period, and this was based on the developments in the labor market, inflation concerns, and limitations to the borrowing cost. The design of the CCI divides household evaluations on the current situation and expectations regarding the condition of business, employment and future income in the next six months, so that changes in perceived future conditions could be considered to be a combination of forward-looking sentiment indicators [3]. In a housing environment, higher mortgage rates, diminished affordability and limited inventory can plausibly cause expectations to fall even when employment outcomes seem safe since housing is a significant, salient residential investment and a major cause of perceived financial stability.

3. Analysis of the problem

3.1. Influence factor analysis

3.1.1. Monetary policy and mortgage rate volatility

The impact of monetary policy on U.S. housing prices is mainly on the interest-rate channel, which changes the cost of borrowing mortgages and influences housing affordability and leveraged demand [4]. The empirical studies in the U.S. indicate the role of the monetary policy in the housing price boom, which indicates the rate-setting that can significantly affect the rate of housing increase in the event that there are favourable credit conditions and expectations. In addition to prices, the monetary policy shock also has a housing tenure decision as well as the homeownership rate, which implies that tightening can shift the costs between rental and homeowner, and thus affect consumer welfare via the housing-based channel. More evidence relating to the transmission of monetary policies into housing markets also shows that the magnitude of the effect may depend on the market structure and institutional properties, i.e., that housing supply constraints can increase the extent to which real effects of changes in interest rates are felt by local prices [11].

The interplay of elevated mortgage rates and low supply rates under the circumstances has created the effect of a volume freeze, as opposed to a steep price reduction, as the cost of borrowing has diminished demand and, at the same time, disheartened current owners of houses from changing. Such a dynamic may increase the uncertainty and destroy confidence by reinforcing the view that affordability problems are structural, not just cyclical in nature.

3.1.2. Demographic shifts and housing supply constraints

Remote work has changed the residential location preferences for residential sites by reducing commuting constraints and increasing the value of space attributes and housing characteristics at non-conventional residential locations outside job centers [6]. Housing demand research in terms of housing under remote work shows that these transitions may cause enduring, persistent demand changes and may modulate both the levels of housing prices and spatial patterns of housing prices [6]. At a wider view of the remote work revolution, the evidence is that this is more than a short

period of pandemic-induced emergency response and is rather a structural reorganization, which has implications for migration, local public finance, and real estate valuation.

For consumer sentiment, remote-work re-sorting creates disparity in affordability experiences across regions: in-migration areas may have faster prices and further cost pressures, while out-migration areas may see softer market environments and weaker perceived household wealth [7]. Such divergence can complicate aggregate confidence signals because regional housing experiences can lead to divergent expectations across demographic and income groups [12].

From the comparative data in Table 1, MSAs with higher exposure to remote work-enabled jobs faced markedly different trajectories for price and affordability than MSAs in traditional in-person sectors.

Table 1. Regional heterogeneity in price growth, affordability, and remote work exposure (select MSAs, 2020-2023)

Metropolitan Statistical Area (MSA)	Cumulative Price Growth (%) (2020-2023)	Price-to-Income Ratio (PIR) (2023)	PIR Change (2020-2023)	Remote Work Employment Share (%) (2023)	Months of Supply (2023 Q4)
San Francisco, CA	15.2%	9.8	+1.2	38.5%	2.1
Austin, TX	42.7%	5.9	+1.8	32.1%	3.4
Phoenix, AZ	38.3%	5.2	+1.5	28.7%	3.8
Tampa, FL	33.5%	4.7	+1.3	26.3%	4.2
Detroit, MI	8.9%	3.1	+0.4	18.2%	5.6
National Average	28.1%	5.4	+1.2	24.8%	3.8

3.1.3. Income inequality and affordability crisis

Supply of U.S. housing tends to be limited as a result of local land-use laws, delays in permitting, labor shortages, and political opposition to development. There has been evidence that higher density can influence housing costs, but the results depend on the scope, enforcement, and complementary infrastructure, implying that partial reforms may not immediately eliminate price pressure [8]. The political economy evidence also suggests that homeowner incentives can encourage opposition to nearby development, which restricts supply and supports higher prices by limiting competitive entry in local housing markets [9]. These constraints increase the likelihood that demand shocks translate into price changes rather than quantity adjustments, which raises price sensitivity to macroeconomic conditions and can increase perceived instability. In confidence terms, persistent supply inelasticity can anchor expectations of long-run unaffordability, weakening the Expectations component of the CCI and reducing willingness to undertake large discretionary purchases [3].

3.1.4. Mortgage lock-in, reduced mobility, and market tightness

Mortgage-rate lock-in is another urgent post-tightening friction, which makes property owners with low fixed rates on their houses lose incentives to sell and refinance to higher rates in the market. According to FHFA research results, the likelihood of sale when market mortgage rates are significantly higher than origination rates decreases significantly, meaning that the level of increases in rates can decrease listings and transactions by behavioral mechanisms, but not by repricing

demand [10]. In reality, lock-in may be a constraint in inventory, and prices may be maintained through deteriorated affordability, i.e., buyers will find it difficult to be funded and list multiple choices.

This has significance in regard to confidence since it suggests that households do not possess many arrangements to rise in housing consumption (i.e., upgrading, moving), and hence this can build frustrations and economic panic. Lock-in also leads to low labor mobility, which indirectly affects household confidence in that job relocation is reduced, and perceived constraints on the economy are enhanced.

3.1.5. Income distribution and affordability deterioration

The affordability of housing has also been growing more skewed, whereby households whose income levels are higher are able to continue with demand, and those whose income levels are lower and middle classes are facing increased cost-burden of ownership and delayed transition to homeownership [12]. The statistics indicate that the dynamics of homeownership and inequality can cause polarization, whereby appreciation of prices can over time widen the gaps in wealth between those who live in homes and those who lack homes. On the part of renters, the housing cost burden has long been known to be profound and enduring, with a large proportion of renter households putting a significant portion of their incomes into housing, which negatively impacts their discretionary spending power and puts them under financial strain, in effect [13].

Price on income, concepts have been important in the diagnosis of market strain in terms of affordability measurement. The county price-to-income ratio (PIR) indicators indicate that there is a considerable diversity of affordability in certain areas and even over national aggregates, indicating affordability to be relatively stable; however, extreme affordability dispersion remains. Major drops in affordability over the long term can therefore erode the confidence of consumers by diminishing the sense of their resilience and encouraging negative perception towards the future economic situation and condition, especially the younger and lower-income generations.

3.2. Problem identified analysis

3.2.1. Confidence fragility from "high prices + high rates + low inventory"

Higher prices, high mortgage rates, and low inventory may lead to an enduring affordability shock as opposed to a temporary cyclical restriction. This environment can also be used to lower expectations as the households could learn to view housing constraints as structural, and it becomes challenging for them to make such large purchases to kill forward-looking sentiment (in its forward-looking sentiment scale, which is the CCI Expectations Index). This is made worse by the mortgage lock-in, limiting the supply response to low turnover, which results in long-lasting supply tightness in the market.

3.2.2. Distributional stress and reduced discretionary capacity

Such an ongoing renter cost burden means that numerous households have limited budgets, and this has direct impacts on the consumption and economic security [13]. Under conditions where housing consumes a large share of income, houses may exhibit less confidence when such conditions are maintained despite ongoing stability in the aggregate policies of the labor market, since housing cost pressure is both visible and distressing. In the long run, owner-renter polarization can exacerbate

inequality in perceptions of opportunity and wealth polarization among groups in terms of confidence reactions.

3.2.3. Amplified macro sensitivity through wealth and expectations channels

House price developments have been seen to influence household spending and household sentiment by changing perceived net worth and financial security, and can also feed back into economic activity in general. Homeowners also expect to have improved expectations and better results, such as increased expectations and reduced expectations, when prices go up and down, respectively. This imbalance suggests that the stabilization of the housing price expectations and housing affordability is perhaps supremely critical to stabilizing consumer confidence, and brokerage mechanisms between pessimism, demand drop, and overall economic contraction are circumvented.

4. Suggestions

4.1. Enhance macro-housing policy cohesion to mitigate rate-induced confidence volatility

Low inventory and mortgage-rate lock-in are likely to be increased inadvertently by the process of monetary tightening, which is aimed at restoring price stability at the expense of the housing market being closely coordinated in ensuring that expectations are not raised and brought down within a short period of time. One of them is forward guidance, which must be clear and unambiguous to spell out the policy objective (inflation control) and the expected transmission in the housing markets (pass-through of mortgage rates and the implications on affordability). The ability to communicate in a consistent way is useful in constraining the policy surprise and can help households to learn more about the increases in the rates as a planned change and not as a sign of the structural economic collapse. More aggressively, authorities also may apply the instruments of macroprudential efforts with more vigor to concentrate on overheating without necessarily placing an expansive ceiling on lending to the general population. This study gives an example of regionally sensitive underwriting overlays, high-risk mortgage product countercyclical buffers, and stress-testing assumptions, which consider the local price volatility and tightness of supply. However, these actions can keep the performance of the hypothetical demand at bay without damaging options to the first-time buyers who qualify in possession of the property right at the onset, thus turning down the chances that the price plus interest combination would translate to a stretch of low confidence [3-5].

4.2. Accelerate housing supply via structural reforms and capacity building

The long-term supply inelasticity may transform the demand shocks into enduring pressure on the prices and, hence, the supply-side interventions should be regarded as a firm macro-stabilization tool and not as a narrowly regional planning problem. The objective of reforms should be predictability and speed in the development approval procedure, which lessens the time tax on new construction. Such priority measures as zoning, land-use reform allowing an increased number of jobs around job centers, transportation corridors, faster permitting and inspection, and consistent by-right approvals of projects that fit within an established affordability and design thresholds are among priority measures. These reforms must be matched with enhanced capability (an augmentation and growth of skilled labor pipelines in construction, construction of bottlenecks in supply chains of materials, and the opening up of developable lands by the use of public infrastructure investment). In concentrated urban areas. In cities with high demand, where demand is high, the idea of public/private

collaboration can develop and increase mixed-income constructions by integrating foreseeable regulatory directions with focused subsidies on the units priced below the market rates [8,9]. The spotlight is to make more of the units which can be financed, permitted, and constructed at the right time and place- the so-called deliverable units- so inventory growth can be more responsive as demand surges.

4.3. Unlock market liquidity by addressing mortgage rate lock-in

Mortgage-rate lock-in is also associated with lower turnover, and the level of listings in the market, as well as the so-called freeze of volume phenomenon, when the prices remain sticky despite the deterioration of affordability. Mobility will need to be restored by the policy, which will minimize the effective cost of switching to households who are compelled to relocate their households in the context of life-cycle or job reasons. One is to maximize or increase the possible opportunities of portability or assumability so as to permit qualified borrowers to give up an existing mortgage under transparent, standardized principles. An analogous variant is targeted refinancing/ buy-down made available to households that have no option but to relocate (job-based moves, e.g.) and are given tough eligibility tests to ensure that there is no moral hazard. At the same time, underwriting should be made to ensure that housing finance agencies can further enhance liquidity in the market by pushing products that enhance mitigation of payment volatility - e.g., longer-rate lock products or a greater level of transparency on offerings of adjustable-rate structures. Should there be any lock-in relief where the supply is ample, it would be desirable to be accompanied by the expansion of supply so as not to merely stimulate demand in an already inventory-constrained world [2,10]. Such measures will reduce the sense that housing choices are congested, which is an immediate motivator of irritation and economic worry, which may destroy consumer confidence.

4.4. Alleviate distributional stress with targeted support for vulnerable groups

Confidence impacts are asymmetric: homeowners may benefit from perceived equity gains, while renters and aspiring buyers face rising cost burdens and delayed entry. To reduce the distributional drag on confidence, policies should focus on stabilizing housing outlays for cost-burdened households while expanding credible paths to ownership. For renters, this can include targeted rental assistance during periods of rapid rent growth, incentives for longer lease terms with predictable rent increases, and the expansion of affordable rental units through tax credits and inclusionary zoning mechanisms. For first-time buyers, down-payment assistance and shared-equity models can lower entry barriers without requiring excessive leverage. These supports should be designed to be countercyclical—scaling up when affordability deteriorates—and paired with financial counseling to reduce default risk. The objective is to protect discretionary capacity and reduce the sense that household finances are trapped by housing costs, which is especially important for stabilizing expectations in the consumer confidence framework.

4.5. Anchor market expectations through enhanced transparency and granular monitoring

It is vital that policymakers and market participants invest in more accurate and timely indicators for inventory, price dispersion, and affordability stress. Tracking listings, months of supply, payment-to-income measures, and rent burden at subregional levels, public dashboards can empower households to form more realistic expectations and mitigate rumor-driven pessimism. For regulators, early-warning systems that integrate local price acceleration with leverage conditions and permitting

activity can help locate where specific targeted interventions (credit tightening, supply acceleration, or rental support) would be most warranted. More transparent, granular information also helps inform communications with the public about which housing pressures are cyclical versus structural. By anchoring expectations with credible data, authorities can reduce the likelihood that housing-market uncertainty translates into broad-based declines in consumer confidence and spending intentions.

5. Conclusion

This paper has defined the determinants of housing prices in the case of the U.S. housing market and justifies why housing conditions could play a critical role in consumer confidence. The analysis indicates recent price strength is not a demand-side advertisement, but a supply-constrained equilibrium, where the impact of high mortgage rates on effective demand curbs the market, but a lack of inventory in for-sale status, due to the lock-in effect of mortgage rates, leaves the market in a gridlock and produces sticky prices. Meanwhile, the mobility of remote work is also interconnected with the local heterogeneous supply elasticities, increasing the regional differences. These mechanisms should be of interest in confidence since housing is a sizable expenditure source for the household and a visible sign of financial security. In case affordability declines and mobility is restricted, households will become more prone to expectations that are downgraded and major purchases that are delayed.

Based on such insights, this paper makes a policy mix in order to address housing as a macro-relevant sector. Thus, to stabilize that confidence, a paradigm shift to housing policy is necessary as the recovery driver of macroeconomic concern. It is a non-siloed coherent package that involves: (1) enhancing inter-agency communication to manage rate expectations; (2) undertaking structural reforms to enhance supply elasticity; (3) creating new financial instruments to counteract lock-in effects, and (4) creating specific supports to counteract distributional strains.

The relevance of this work to the practitioners in particular is that the housing-market frictions will be converted into actionable streams into which to put the household feeling straight, providing the policymakers with an outline to tune-match the policies stimulating the affordability and strengthening the perceived economic resilience. There are limitations on the use of the study. Since it is achieved principally through secondary indications and synthesis, as opposed to primary household-level survey or administrative microdata, the relative magnitude of the channels cannot be measured. Moreover, scholars also hope that such research can access the high-frequency consumer sentiment information with more granular housing metrics and disaggregated household balance-sheet information in order to measure the heterogeneous effects empirically, and to evaluate the effectiveness of suggested policy mixes.

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