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Critical realism and housing studies: An explanation for diverging housing solutions.

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Chapter 1 Introduction

Waiting for the lights to turn on a hot summer afternoon, I look across five lanes of bitumen to the shimmering car park surrounding Chadstone, the cathedral of all shopping centres in suburban Melbourne. Adjacent are a variety of single storey brick veneer homes, set back in leafy green gardens, Venetian blinds drawn, inevitably awaiting demolition with the next wave of retail expansion. Beyond their corrugated roofs, lies a carpet of 1960s suburbia extending to the hazy distant hills, some twenty kilometres away. It's green again, and I jockey for position amongst my commuting companions.

How different this seems to my other life in the Netherlands, of cycling on a cold wintry morning through the centre of Leiden, weaving amongst the cars to catch the train to Amsterdam and the metro to the University. I overtake congested cars from the comfort of the train, passing numerous, compact towns and villages, of neat uniform houses and high rise flats. Large expanses of green surround them, of fenceless farmland and strategically planted willow trees. How different indeed, but why?

1.1. What's so special about housing?

Housing is an object that embodies many cross cutting and complex social, economic and cultural relationships. These relationships underpin and are influenced by the process of producing, allocating and exchanging dwellings as well as the consumption of housing services. In all, housing is a unique and concrete expression of broader social arrangements such as property relations, institutions for saving and borrowing capital and of work and welfare in and beyond the home. Given these differences in broader social arrangements, housing demands have been answered in a variety of ways to varying degrees of adequacy. Two case studies will examine the generative links between these arrangements and housing 'solutions'.

Housing is not only complex and embedded in broader social arrangements but also differs from other goods in important ways. Firstly, there is no substitute for housing, it is essential for adequate living conditions and beyond, for the reproduction of labour power. Secondly, unlike other items that can be purchased via one off payment, housing under capitalist conditions, is an expensive good and payments must be stretched over time. The high cost of housing relative to income stems from their constituent land, labour and material costs. For this reason, regardless of tenure, long-term credit vehicles and/or taxation arrangements tend to underpin the housing purchases of owner occupants and landlords. Thirdly, time exposes both credit providers and borrowers to risks. Throughout the duration of the mortgage any number of contingencies may intervene threatening repayment capacity. Divorce, sickness, death are all individualised events that can affect capacity to repay. Freeway and airport extensions, rezoning, and other environmental factors may also reduce the value of the property and threaten the security offered by the property's value, to credit providers. Risk reducing mechanisms are often built into mortgage schemes and form part of the architecture of provision.

Despite these important common characteristics, few housing systems are alike. Resting upon the social arrangements of property, capital and labour relations, operating under diverse

contingent conditions, different countries have answered their housing question in different ways. The generation of different solutions is the focus of this study, within the broader speciality of housing studies and the disciplines of social science.

As indicated by the impressions above, both forms of provision are fundamentally and observably different. In the Dutch case, social housing has played a significant economic, political and social role for more than a century. In this country, publicly regulated private corporations provide social rental housing to low and middle-income earners in numerous compact towns and cities. Government backed loans and more recently direct capital market loans have financed this form of provision. The use and development of land has involved a high degree of municipal intervention, promoting the development of affordable social housing within reach of employment opportunities. Rents levels and increases have been centrally regulated and their payment subsidised. In contrast, social housing is a minor and residual housing option for Australian households, in a network of provision dominated by the tenure of home ownership. Property rights are highly commodified and the market is monopolised by private land and construction companies. Until recently a protected circuit of capital regulated the volume of credit available for mortgage finance, which was secured by public mortgage guarantee fund to improve access to credit amongst low to middle income purchasers. Today, most Australians live in a small number of sprawling coastal cities. Detached dwellings, with a front and back yard, predominate low-density, land use segregated and car dependent residential communities.

1.2 Problem statement

This study contributes towards an explanation of two divergent housing trajectories, which have evolved since the 19th century until the end of the 20th century. Whilst the Australian city has been dominated by sprawling home ownership, the Netherlands provides a contrastive case, where social housing has played a significant role in the development of compact towns and cities. The research focuses upon the historical and spatial definition of postulated generative social relations, namely, those concerning property rights, saving and investment and finally, labour and welfare relations. It aims to test the empirical plausibility of the argument that the contingent definition of these relationships has played a key causal role in the formation, path dependency, crises and reformation of these very different housing solutions. Despite the influential and integral role of these relationships in each structure of housing provision, a combined examination of these interacting relationships has rarely been the focus of comparative housing explanations. This book argues why these relationships are causally significant and offers two tentative geo-historical case studies.

Beyond the substantive, the arguments presented throughout this thesis also concern issues of a methodological nature. The ontology of critical realism is explained and justified, an abductive and retroductive methodology is introduced and a comparative strategy laid forth. Further, previous research examining different housing systems has employed a range of ontological approaches and notions of causality and these are critically reviewed in this book. A conceptual argument is provided concerning the focus and level of comparison. Whilst some readers may consider that the first part of this book is pitched at a relatively high level of abstraction, this does not imply that the arguments contained are of no practical or social significance - on the contrary. For the way we perceive and research social phenomena, matters to every day life, as exemplified by following paragraphs.

1.2.1 'Truth', plausible explanation and utility

Firstly, the goal of realist research is *explanation* - utilising a comprehensive and defensible conception of what is real and compatible modes of reasoning, with the goal of revealing empirically feasible explanatory causal mechanisms. Unlike other scientific approaches, realism not only acknowledges the existence of socially constructed experience (multiple meanings, actors interpretations) but also actual physical and non-physical conditions, actual events and influential social relations (such as organisational hierarchy, tenancy, employee relations - regardless of actor consciousness). Further, it uses specific modes of inference to abstract the necessary and contingent relations of explanatory relevance from other accidental circumstances via intensive case study research, using contrastive questioning and counterfactual thinking.

Since the postmodernist (PM) turn in social science, some researchers¹ consider the search for truth as unfashionable, egotistical and even undesirable. Multiple interpretations are given equal merit and the supposedly objective researcher is unable to make judgements of their relative explanatory value. Critical realist researchers are disturbed by the 'modest' relativism of the PM critique. They are *critical* of both lay thought and action and, where these and resulting actions are falsely based, consider that such "beliefs and actions should be changed" (Sayer, 2000:19). Further, realists maintain strong criticisms of the apparent ethical neutrality of some PM research: its restrained contribution to real social knowledge and apparent lack of concern for *contributing towards answers* to identified social problems.

Conversely, critical realists are openly committed to and strive for *progress in explanation*. This naturally implies a commitment to seek the truth that can explain social phenomena. Nevertheless, they remain modest about reaching such truth goals and use conditional adjectives, such as partial, fallible and contestable, to describe their conclusions. In sum, critical realists endeavour to provide empirically feasible and competitive explanations for social phenomena of social relevance and concern.

In this study, the concept of truth is a very humble and fallible one. Applying an explicit ontology and using a defensible set of ideas and concepts, two cases concerning the development of housing systems in Australia and The Netherlands are re-examined via a process of abduction and retroduction. This process aims to offer tentative, contestable explanations for further research and development.

Explanations for disturbing social problems such as racial conflict, drug abuse or homelessness are not an end in them self. Rather, plausible explanations provide an important stepping-stone for sound and feasible strategies for action. If one can better understand the processes generating social problems, such as those mentioned above, it is surely appropriate to argue for more relevant strategies addressing the generative causes rather than merely tempering the symptoms. Certainly, such action transfers the researcher into an explicitly normative and political world, yet for critical realists, this is no unholy alliance with non-science. It demands conscientious commitment to a clear and justified standpoint based on normative theory. For this second reason the term *critical* is often coupled with realism.²

¹ Sayer (2000:31) refers to these as defeatist postmodernists.

² Recently, Sayer has argued for the more explicit distinction of the term 'critical' in realist studies. Just as libertarian philosophy provides an underpinning for neo-libertarian policy prescriptions, the left must also find a clear normative standpoint for its claims of 'just' policy (see Sayer, 2000, Chapters 7 and 8).

The ethical or normative standpoint of this book is rather straightforward and comes to the fore in the final Chapter. It embraces a concern for social equity³ (as distinct notions of freedom or choice) and a desire for more just city (Fainstein, 2000) as revealed by the distribution of housing related risks (inappropriate, insecure, unaffordable housing) across a spectrum of household types and incomes. These risks emanate from dynamic relations underpinning shifting modes of housing provision, as illustrated by the case study research. Following historical analysis, Chapter 8 highlights how certain tendencies are influencing the allocation of these risks. Real risks are concentrated amongst those households with fewer and less secure monetary resources, and have emerged from important changes affecting property, savings and investment and labour and welfare relations. For this reason, policy makers concerned about the distribution of risks amongst society's households must address the cumulative influence of any changes to these key relations. Once again, it is neither sufficient nor effective to be concerned about the symptoms of housing problems without appreciating the generative causes.

1.2.2 Generalisation and abstraction

In addition to the positions taken above concerning the notion of reality, fallible truth and normative stance, is another important dimension with implications for social relevance. This stance concerns universality and generalisation. Until the 1980s, notions of objectivity were highly valued amongst social sciences such as economics, political science and sociology, facilitating grand theories, validated by findings of similar patterns promoting universal conclusions. Studies emphasising the subjective, unique, or dissimilar were of little importance. The tide has since partially turned, drawn back by a range of arguments emanating from academic movements such as post modernism, critical realism and institutional economics. It is no longer adequate to merely recite Marx's laws of capitalism, any more than the mantra of neo-classical economics to explain real social issues.

Realists have been amongst this vanguard, criticising traditional research benchmarks such as breadth, sample size and representation. For them, generalisation is not about empirical regularities. Given their commitment to search for generative causes amongst structured, complex and open social phenomena, realists promote the use of intensive case study methods rather than extensive searches for statistical correlations amongst multiple cases. For any explanation to be reached, the historical evolution of both necessary and contingent relations and their packaging must be plausibly conceptualised, empirically tested and revised.

A vital implication of this study, which compares divergent forms of housing provision, could promote a more sensitive appreciation of the locally defined, but universally relevant, generative relations of property, savings and investment and welfare and labour in producing different housing options. Every system of housing provision, from tribal settlements to company condominiums involves some form of these relations. The key is to appreciate how they have been defined and packaged in locally coherent, albeit unstable, ways.

Too often supra-international organisations fail to appreciate the generative significance of these locally defined necessary and contingent relations. The development and implementation of housing programs by agencies such as the World Bank and UNCHS

³ This standpoint could also form the subject of an entire book, but is not the focus here. Susan Fainstein (2000) provides a critical and concise review of recent progress and new developments in normative thinking applied to the field of urban planning.

(Habitat) could be more effective where they incorporate a local appreciation of matters⁴ such as the role of the tribal chief in managing multi-generational land transfers, the methods used by villagers to store collective savings and the cultural and economic norms binding households together. Further, were contingent conditions taken into account such as the stability of settlements in conflict areas, local experience with money lenders, and security of labour conditions, even more relevant and sustainable housing strategies could be developed. For example, unsuccessful home loan programs in isolated South African settlements overlooked the causal significance of the existing property market and lack of income generating opportunities. An appreciation of these factors could have avoided the speculative sale of new housing allotments by first recipients, and their migration to squatter settlements on the edge of existing cities in search of an income.

This book contends that geo-historical research, inspired by a critical realist approach and mode of reasoning, can promote a more comprehensive appreciation of housing problems. Yet beyond this ontological and epistemological foundation, equal significance must go to an adequate conceptualisation of the phenomenon itself, as endeavoured in Chapters 4 to 8.

1.3 Key debates and sources of inspiration

Important issues that had to be addressed in this study included: what was the nature of housing provision in each case, what were its' essential features, dynamics and dependencies, and how has change in provision been brought about?

Big questions and given the complex nature of housing provision as an object of study, no one discipline can provide all the conceptual apparatus required to investigate and explain them. With this in mind, preparatory research has purposefully crossed academic boundaries and inter-disciplinarianism has been embraced. To some degree the book is sympathetic to the call for post-disciplinary research whose primary focus is defined by the object of study itself. Thus, whilst formerly a student of planning and policy studies, I have searched for inspiration amongst the works of sociologists, geographers, political scientists and economists. To this end the arguments of Sayer (2000) and Danermark (2002) have been persuasive.

Of course, the research issues pertaining to the object of study, relate to much larger debates, which are also addressed in this book. These debates concern the relative powers of structure and agency, the post modernist challenge to structuralism and its counter critique, the problems of comparative method in multi country research, the basis of comparison: testing divergence and convergence or searching for differences and similarities, and last but by no means least, the nature of causality in social phenomena.

In the early days of this research, a polarised debate between post-modernists, post-structuralists and positivists and structuralists continued to simmer but had failed to reach satisfactory conclusion. For some researchers, this meant the end of scientific progress and enduring relativism, whilst for others it was a silent cold war between the quantitative and qualitative minded. Polarisation was not only divisive but also destructive. An alternative, justified stance had to be taken, for a resolution to be found.

⁴ In responding to such claims, the World Bank recently introduced the Poverty Reduction Strategy Process (PRSP) paper inviting local participation in developing national social and economic plans for recipient countries. Yet implementation remains top down and ad-hoc with basic principles for policy prescriptions unchanged.

For this reason, a purposeful choice was made amongst numerous – more dominant, alternatives in the philosophy of science. This approach has since inspired and steered the course of this research. The choice for a critical realist (CR) theory of ontology – or way of viewing the social (and natural) realm, has provided clear guidelines for this research concerning the nature of structure and agency, causality and change, and aided the process of conceptualisation.

Over this time, CR has been a catalyst for theoretical developments amongst a number of disciplines, including economics, sociology, international relations, legal studies, generating more than 20 books, a new journal of CR, conferences and countless articles, in the past three years. It is arguable, but of course disputed, that CR, goes some way towards resolving the debate between social constructivists and structuralists, whilst respecting the positive contribution of both. It offers profound critique of both positivism and post modernism and new look at the nature of causality, emphasizing the importance of concrete case study research and the, albeit 'fallible', struggle for truth.

Such ontology has driven the search for causal mechanisms of change in two historical case studies and focused the definition of necessary and contingent relations of provision. Beyond philosophy, this has taken the research into the too often divided realms of history, sociology, economics, political science and geography. Concepts concerning the nature and influence of property rights and how they influence the development of space have been drawn from political and economic geography. An appreciation of the generative role of financial relations has been gained from literature on banking and housing economics. Comparative welfare studies have inspired the attention to the modes of welfare provision and its relations with housing consumption. The notion of coherence in forms of provision has emerged from regulation theory and political economy. A plethora of debates within and related to housing studies, concerning risk, convergence, divergence and comparative methodology have also played a stimulating role.

These sources of inspiration have provided a conceptual sounding board for developing a theory of housing provision and dynamics. In addition, a wealth of historical biography provided a rich source for retroductive analysis and reinterpretation.

Last but by no means least, an important source of feedback on written work and motivation to continue has been my colleagues at AME, and a network of interested researchers in Sweden, Australia and the UK. Their insights and challenges have had a direct impact on my own thinking. Versions of all Chapters were presented at various European Network for Housing Research (ENHR), Young Housing Researchers (YHR) and International Association of Critical Realism (IACR) conferences and workshops. Where more feedback was required, colleagues from the AME organised several international workshops in Amsterdam (Comparative Methodology, 1999, Critical Realism 2000, Explanatory History, 2001). All presented papers have subsequently been revised for this publication. A version of Chapters 3 has been published (Lawson, 2000) and components of Chapter 2 and 6 have inspired published commentary (with Metaal, 2001, on Brandsen, 2001, and on Sommerville and Bengtsson, 2002).

1.4 Structure of this book

In this book, readers will find three distinct but related parts addressing relevant ontological and methodological issues; providing empirical evidence via historical case study research; and finally contributing to explanation in comparative housing studies and policy research.

1.4.1 Part 1- Ontology, Methodology and Conceptual Issues

A specific ontological position, the foundation of all subsequent perception, is presented in *Chapter 2*. Following critique of dominant positivist and interpretivist ontological alternatives, this Chapter argues for the application of an emerging perspective in social science and housing studies, that of critical realism. This perspective is the cumulative outcome of presentations and lively discussions which have arisen during meetings of the Institutional Theme Group of AME, methodology workshops of AME and NETHUR, the 1999 YHR meeting and the Housing and Social Theory and Housing Processes Working Groups of the ENHR. The work of Norman Blaikie (1993), Andrew Sayer (1982, 2000), Tony Lawson (1997) and Roy Bhaskar (1975, 1979) has also been of formative influence.

Building upon critical realist ontology, *Chapter 3* argues for and outlines a specific epistemological and comparative methodology. It proposes a process of theory postulation and testing of causal clusters of key, contingently defined relations that may account for divergent patterns of tenure and urban forms in The Netherlands and Australia. These clusters are examined during periods of coherence and crisis, generating change in forms of housing provision. This Chapter was presented as a paper at an International Workshop on Comparative Methodology organised by PhD students of AME with NETHUR (1999) and later published in *Housing and the Built Environment* (Lawson, 2001).

In *Chapters 4 and 5* we 'carve up' the object of study: dynamic and different networks of housing provision and propose a particular conceptualisation of how networks change over space and time. Again, the explanatory approach builds on the ontology of critical realism (Sayer, 2000, 1992 Outhwaite, 1998, Bhaskar, 1979) with comparison conducted at the level of postulated causal mechanisms (Harré, 1976) generating divergence and change in forms of housing provision (Lawson, 2001). Further, different ways of perceiving and explaining forms of provision and change are provided and the preferred concepts are distilled. These selected explanatory concepts include emergent necessary relations; contingency and agency; networks of housing provision; risk and trust; and structural coherence, crises and reformation. Importantly, a series of arguments are made for the focus upon property, investment and savings and labour and welfare relations underpinning forms of housing provision. This is elaborated and synthesised to form a postulated causal mechanism of divergence and change. A version of this Chapter was presented to the international workshop 'Approaches to Explaining Urban Development Pathways –theoretical frontiers in Geography and Social Science', organised by PhD students of AME, with NETHUR (2001).

1.4.2 Part 2 - Divergent Housing Solutions - The case study evidence

The ideas and concepts outlined in previous Chapters are applied via abductive historical analysis of two long-term trajectories of housing provision. This process involves the re-interpretation and re-contextualisation of existing housing histories, focusing upon the definition and packaging of key relations in the property, investment and savings, labour and welfare sphere and their contingent economic, political and social context.

The first of the two cases examines the development of home ownership in Australia since the mid 19th century to end of the 20th and is presented in *Chapter 6*. This Chapter provides an analysis of this dynamic coherence under different conditions, during periods of emergence, acceleration, deceleration and decline of the Australian housing 'solution' (Berry, 1998). For each phase an attempt is made to explain the housing and urban development outcomes mediated by the key relations of provision and existing the housing outcomes that sustain them. This Chapter is based on analysis of existing empirical data and additional fieldwork conducted early 2000 and was presented to the Young Housing Researchers workshop in Gävle, June 2000.

The second case study, presented in *Chapter 7*, concerns the Dutch solution of social housing provision and examines evidence for the unique 'packaging' of property, investment and savings, labour and welfare relations, which has underpinned this form of provision in The Netherlands. A further outcome of this Chapter has been a series of articles and research papers discussed with the Institutional Theme Group of the AME, in Rooilijn (in the Dutch language with Stefan Metaal, March, 2001) and presented to the Housing Imaginations Conference, Housing Studies Association, Cardiff, September 2001.

1.4.3 Part 3 - Analysis, Insights and Implications

The final section, comprising the concluding *Chapter 8*, is dedicated to contrasting and comparing the underlying causal mechanisms, which have generated two divergent housing solutions in Australia and The Netherlands. It also brings forth a number of theoretical and substantive conclusions. These include the abstraction of core interdependencies of housing provision and the importance of path dependency and cumulative causation in meeting new challenges and contingencies. The final section is dedicated to postulating future housing scenarios with a focus on the shifting distribution of risk between households, government and industry.