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

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Chapter 5 Postulating an Explanation for Housing Divergence

A common aspect of all critical realist research is the priority given to conceptualization and abstraction, for how we 'carve up' and define our objects of study tends to set the fate of any subsequent research. Realists seek substantial connections among phenomena rather than formal associations of regularities. In explaining associations, they seek to distinguish what must be the case from what merely can be the case. Explanation of the social world also requires an attentiveness to its stratification, to emergent powers arising from certain relationships, and to the ways in which the operation of causal mechanisms depends on the constraining and enabling effects of contexts. Realists also recognize the concept-dependency of social phenomena and the need to interpret meaningful actions, though since reasons can be causes this is not something separate from or alternative to causal explanation (Sayer, 2000:27).

5.1 Introduction

In this Chapter we 'carve up' the object of study: dynamic and different networks of housing provision and propose a particular conceptualisation of how networks change and diverge over space and time. This postulate will be employed and revised via two subsequent case studies in Australia and the Netherlands.

A number of explanatory concepts have been distilled and developed from earlier discussions. These concepts include necessary relations and their emergent powers; contingent conditions, risk, trust and agency; embeddedness and path dependency; structural coherence, crises and reformation. They are elaborated and synthesised to form a postulated causal mechanism of divergence and change.

This postulate will be empirically tested and further developed via intensive case study research in Chapters 6 and 7 and sharpened via counterfactual thinking and contrastive questioning in Chapter 8, towards the development of a empirically feasible explanation of divergence and change for continuing critique and development.

5.2 Proposed Housing Ontology and Definition of Concepts

How can we decide which processes are necessary for particular outcomes, which are contingent, and which are irrelevant? How can we create appropriate cut off points for investigation, or allocate particular causal claims to particular levels of generality? A set of tools is needed - not just theoretical interpretations but also an epistemological apparatus to help us link structure and agency, concept and measurement (Dickens et al, 1985:246)

It has been contended 4.3.3 that a particular cluster of social relations holds emergent powers and can become 'packaged' or temporarily locked together in coherent albeit inherently crises prone ways. This structural coherence tends to differentiate actual housing networks at the base. Forms of housing provision can be differentiated by the definition and packaging of key
social relations concerning property, investment and savings and labour and welfare. The following sections provide a series of arguments for the selection of these key relations.

5.2.1 Necessary Relations

There are many different types of housing indicators, which capture and interpret various dimensions of housing provision. Indeed, it is easy to drown in a sea of qualitative and quantitative detail. Yet if we are interested in the long-term development of housing solutions, we must confine our empirical search to uncover traces of the causal mechanisms generating divergence and change in open, complex networks of provision. Towards this end, rather than fishing in the sea of historical detail and official data sets for possible clues, if is far more efficient to strategically ‘zero in’ on the key causal aspects of housing provision. Following a realist theory of ontology as outlined in Chapter 2, causality can be found in the contingent definition of emergent necessary relations. Yet, to guide this search we need some sort of theory of what these emergent relations are.

As indicated in Chapter 3, housing provision is subject to contradictions and conflicts between fractions of capital, expressed via the interactions between private landowners, house builders, building workers, financial institutions, specialist professionals involved in buying, selling and hiring accommodation, and finally owner occupiers, renters and the state. Each of these actors strategically intervenes at one or more stages of housing provision. Ball states that:

\[ \text{the nature of its intervention and the responses by others to that intervention are the key determinants to the present day owner-occupation provision and its problems. (Ball, 1983:18, emphasis added).} \]

What does Ball mean by “intervention” and “key determinants”? He later goes on to make a number of causal claims concerning the structure of housing provision abstracted from empirical research in Britain. To guide our search for the causal mechanisms generating divergence in forms of housing provision in Australia and The Netherlands, it will be argued that there are key emergent relations essential to both forms of housing provision, which have been very differently defined over time and space. How these relations have been contingently defined is of causal significance. The following paragraphs concern the selection of these emergent relations.

16 Typical indicators measure tenure division, standards of quality, occupancy rates and housing costs. Whilst these indicators may alert researchers to changes in the housing system, they cannot explain the reasons for change. To do so one must to look to the underlying dynamics of housing provision and in particular to the role of risk sensitive housing actors play who are subject to contingently defined housing relations.
5.2.2 Property Rights and the Exploitation of land and buildings

How any society regards and manages property, and particularly the ownership of land, is a central defining element, which helps to distinguish the collective value system underpinning the institutions of government and policy formations. Whilst property rights and relations underpin class structure, the property system also functions as a profoundly important - though often under-rated - mechanism for the transfer of public and private wealth within society (Badcock, 1994:425).

For the purposes of this research, we define abstract property relations as the distribution of rights between agents engaged in the occupation, ownership, exploitation and exchange of land and or buildings. These rights, however defined, are considered one of the founding institutions of the urban development process, and indeed the network of housing provision. All forms of housing consume space and thus land is an inevitable, integral component of housing provision.

Land is a peculiar commodity in that: it cannot be done without as all activity must occupy a space; it is fixed geographically, and unlike other capital goods cannot be moved around; although many site attributes or improvements can be modified, the land itself, in being consumed, has a definite permanency and indestructibility (Badcock, 1984:208).

Real property rights influence the rights of access, exploitation and transfer of land. Urban laws, policies and practices clarify rights of ownership, occupation, usage, and taxation. These rights and responsibilities are important because they influence the nature of investment in the built environment. As suggested below, property rights emit signals picked up by conscious actors operating in the land market, influencing their perception of risk and consequent actions.

Property rights are at the heart of the incentive structures of market economies. They determine who bears the risk and who gains or loses from transactions. In so doing they spur worthwhile investment, encourage careful monitoring and supervision, promote work effort, and create a constituency for enforceable contracts (World bank Report, 1996: 48-49).

The actual nature and origin of these incentive structures is often overlooked, especially by supra-national organisations. World Bank housing economist Renaud promotes the development of property relations, which clarify traditional, ‘informal’ property rights and support the development of land via sound urban planning and primary infrastructure provision. Accordingly, with proper land registration, land use control and basic services in place, secure lending can occur, and in WB terms, ‘enable markets to work’ (Renaud, 1999:768).

Yet, the power resources to act upon “incentive structures” are unevenly distributed and the subject of intense normative debate. Indeed, the actual (rather than idealised) distribution of property rights, perceived risks and responsibilities may promote or impede flows of capital into land and housing development. Private property rights, characteristics of the land market
and the control of associated costs of development, influence patterns of investment: long term, speculative, short term.

Power in the property process strongly relates to one’s position in the land and housing market: a tenant in a tight rental market, an overburdened home purchaser desperately trying to sell, a individual small landholder constrained by planning law, privileged public agency or monopoly land purchaser.

There is, in real life, a world of difference between the property rights attached to my ‘quarter-acre’ block and those attached, say, to the thousands of hectares owned by a speculator, finance company, insurance company, etc. My ownership of my quarter-acre block, in practice, gives me the right to occupy it for my own use (shelter, etc.) for as long as I choose, with a fair amount of psychological security, and to pass it on to my children. It does not give me the opportunity to profit and to exploit others. But if I owned several properties, or several hundred thousand hectares, then the right attached to that ownership are precisely the rights to profit, to exploit the labour of others. (Berry, 1983:127)

Existing social structures surrounding land tenure: tribal, collective or capitalist, are of causal significance. In advanced capitalist economies, home ownership tends to be associated with land markets characterised by commodified, freehold tenure. According to Ball:

\[\text{owner occupation needs the free, rapid and unquestionable transfer of small land plots and single dwellings without which it is exceedingly difficult to borrow on the security of a property (Ball, 1983:29).}\]

Where leasehold is the norm, lease market conditions, the pattern of rent reviews and related provisions must be acceptable to the financial institutions from which credit is obtained (Cadman et al., 1991).

But why are property rights of relevance to housing finance? As mentioned above, land is an essential, unavoidable component of housing provision. Obviously, housing is spatially located and where durable materials and workmanship have been utilized, a relatively permanent object. Property rights affect the value of that land upon which the house rests and visa versa, the value of the dwelling influences land value. The method of property valuation and exchange process are crucial as they affect the transferral of assets and the security offered to investors and lenders. Value can be determined by government, the ‘open’ market, defined by the interaction of buyers and sellers; income value (also sustainable mortgage) method, based on the rent stream, operating costs and discounting factors; or reproduction value, based on the cost of ‘bricks and mortar’ reconstruction (ECE, 1998:6). Together, the

\[17\] Most recently, private, individual land ownership has been viewed as a necessary pre-requisite in ‘growing’ home ownership. International financial institutions, such as the World Bank, promote the development of freehold land tenure and title registration systems as a means to facilitate and secure investment in individualised housing forms in developing countries. Yet private ownership of land tends to promote speculation, as disastrously experienced in the ownership promoting housing programs in South Africa, ultimately undermining explicit policy intentions of affordable housing for low income squatter settlers. In contrast, a number of critical housing economists and other commentators (Achtendberg and Marcuse, 1986, Ball, 1983, Berry, 1983) argue that in order to avoid inflationary problems in areas of scarcity, a policy of publicly owned and allocated land is necessary. Indeed, many social housing programs such as in The Netherlands, incorporate a high degree of state intervention in land development and non-market allocation procedures, to avoid just such problems (Needham, Kruijt, Koenders, 1993).
definition of property rights (exclusivity, use, exploitation rights and transferability) and the structure of the land market (nature of internal and external competition) influence the exploitable value of land, house prices and thus, the extraction of surplus value under commodified housing relations.

Of relevance to this study is the explicit recognition that land value influences the relative attractiveness of housing investment and the potential for the extraction of surplus value. Thus, not only forms of land tenure, but land market conditions play a key role influencing the behaviour of a range of actors including land developers and financial institutions. Indeed, market conditions in particular areas may promote or impede levels of investment. Market conditions are not only affected by the ebb and flow of demand but are also significantly structured by the actions of the state. Consider the significance of rent freezing upon the value of rental dwellings, the importance of expropriation rights on property in the path of new freeway and conversely, the imposition of a betterment tax where basic infrastructure is provided to Greenfield sites.

Where no barriers exist, investment may flow into areas perceived to offer relatively less risk and greater return on investment. In a negative scenario, market perceptions may become institutionalised, leading to declining investments and the practice of red lining: blockading investment, accelerating levels of deterioration and causing 'urban blight' in existing residential areas. Institutional barriers may also exist in the public sector, land use plans may prohibit housing development in some areas and specify certain densities and housing standards in others. Capital gains and inheritance of property may also be taxed. As mentioned earlier, the definition of property rights, process of land registration and exchange are also influential state functions. Together, these actions influence the value of land and the perceived risks to housing investors.

Property rights influence incentive structures in another important way. Real property can offer a form of collateral, to be pledged by the borrower to ensure the fulfilment of obligations in the event of repayment difficulties and loan default. Throughout the duration of the mortgage, any number of unpredictable events may occur preventing payment of interest and principle as required by the mortgage contract. Small parcels of land, of sufficient size to accommodate a single homeowner, provide a disposable, tangible asset that can be pledged as debt security. The threat of re-possession of such an asset, so intimately entwined with the dwelling that rests upon it, re-enforces the borrowers obligations under the mortgage contract. Land also provides a convenient hedge against inflation. Thus, lenders tend to have a 'natural' interest in the value of the pledged collateral and may monitor any maintenance and alterations to the property that in turn, may influence its capital and operational value. Indeed, in the case of rental housing, the value of the dwelling partially depends on its capacity to generate rental revenue. In a competitive market, the landlord must ensure a reasonable rent to quality ratio in order to minimise vacancies and maintain a steady rental income. Other transferable assets such as stocks, bonds and insurance policies may also be pledged as security. However, mortgage providers often prefer registered land title where this is expected to increase in value; indeed, any less trust worthy product may hinder the financing process.18

18 In Australia, for example, company share apartments are difficult to finance in a market dominated by strata titled apartments. The former involves the purchase of the internal space and a share in a building company, which manages the maintenance of the building structure and communal areas. The risk of poor management arrangements to the ongoing maintenance is considered too high and a threat to the maintenance of value. For this reason few banks are willing to finance the purchase of company share apartments.
In sum, property relations are emergent social relations of great relevance to the development of housing solutions and subsequent trajectories, embodying and distributing power between different groups in society, influencing investment patterns and important for this study, modes of housing consumption.

5.2.3 Savings, Borrowings and the Circulation of Investment in Housing

At a European housing conference in 1996 (Nunspeet, The Netherlands), World Bank economist Renaud provoked his audience by claiming that cities were merely built the way they were financed. With aerial images of informal (incremental, self build), private (diversified, professional, competitive) and socially financed housing (large-scale, standardised, monotonous), he declared that 'private' finance was the answer for developing countries to promote appropriate forms of urban development. Renaud later published his bold claim in Urban Studies (1999) but did not explain why different channels of finance necessarily produced such different urban forms and tenures. Little mention was made of the property and labour relations underpinning financial transactions and influencing the capacity of households to pay for housing. His generalising claims underestimated the multi-causal nature of housing development. Nevertheless, the relationship between savers, borrowers and the role of financial institutions is crucial because:

\[ \text{[t]he major activities in housing, house buying and house building, are, due to the high price of housing in relation to other goods bought by a consumer and the structure of the construction industry, heavily dependent upon the cost and availability of finance (Hadjimatheou, 1976:1).} \]

As suggested above, the mortgage instrument plays a key central role in capitalist housing relations - regardless of tenure. Houses are expensive to produce and thus relatively costly to consume. Yet a house is generally bought from a vendor in a one off cash payment. This swift transaction requires the arrangement of credit by the purchaser, through which loan repayments can be spread over time. In most circumstances, when a landlord or owner occupant purchases a dwelling, they purchase with borrowed investment capital. Repayments are made according to a fixed schedule of payments of principle and interest, possibly subject to variation. Payment for housing services varies by tenure and is subject to either individual income in the case of private home purchase, or pooled capacity to pay in the case of rental. The following simple diagrams abstract the circuits of mortgage capital and payment for housing services in different housing tenures (Terhorst and Van de Ven, 1983). In the first diagram below, mortgage finance is used to finance the landlords' purchase of rental housing.

\[ \text{Figure 5.1: Abstraction of capital flows in rental housing (adapted from Terhorst and Van de Ven, 1983:23)} \]
As revenue relates to a series of multiple renters, it is not tied to the capacity of any one household. Rents may be based on a variety of models including **cost rent, rent pooling and market rents**. Exploitation of dwellings based on the principle of cost rent requires the payment of rents equal to the cost of building, owning, maintaining and managing the dwellings. Strictly applied, where accommodation is rented according to cost price, the demanded sum may decline every year as the remaining loan principle reduces. Thus, the rent for old buildings would be much lower than for new ones. Yet this scenario, based on **historic cost price**, will not cover the **replacement cost** of the dwelling – which under inflationary conditions will always be higher than historic costs. For this reason, cost rent must be dynamic, increasing every year with the inflating cost of replacement. However, in certain market conditions, tenants may be free to move to similar quality older buildings, leaving newer more costly ones vacant. In such a system, governments may intervene to provide **subsidies to permit the payment of project specific cost rents**, especially in the early phase of the mortgage via a number of instruments on both the supply and demand side. Subsidies on the supply side may reduce the amount of credit required, and limit cost rents to those affordable for tenants. These include securitisation of loans to lower the interest demanded, paying the difference between market and below market interest rates, providing grants reducing the cost of land development and construction or topping up the exploitation account when shortfalls occur. On the demand side, renters may be assisted to pay cost rents via allowances for rents in specific housing projects (thus tied to their cost rent profile).

A variation of cost renting is **cost-rent pooling**. For larger landlords, rents may be pooled across a range of buildings to enable harmonisation between old and new buildings and or subject to government allowances or regulation. In such a cases, the problem of differential cost rent is hidden from the renter, but the risk may remain for the landlord depending on their position in the rental market (Kemeny, 1981:19).

However, in many cases we find that rents do not relate to the cost of financing building, owning, maintaining and operating dwellings. In an open rental market, where tenants can choose between dwellings of different type, quality and location, market rent in the norm. This scenario is radically different, as there is a no immediate relationship between the costs incurred by the landlord and the exploitation revenue.

Instead, **market rents** are defined by institutional constraints, market structure and the ebb and flow of effective demand and supply. The landlord anticipates that market rents are sufficient to cover the cost of finance, operation and maintenance and generate sufficient surplus revenue. In this scenario, new rental buildings may be risky loss makers in the early phase of the mortgage but may potentially generate surpluses in the mature phase of the mortgage, making ‘mature’ rental properties more profitable. To reduce the risk of loss, larger landlords try to include a range of mortgage maturities in their investment portfolio. Landlords may also demand state assistance in the early years of the mortgage to cover any exploitation deficit, or even lobby for a system of housing allowances to permit full cost payment of rental revenue.

Homeowners finance their purchase with home loan mortgage capital. In the second diagram (Figure 5.2), ownership and the consumption of housing services have been teased from each other. In this way, we can see that homeowners are both investors and consumers. This is often a surprise to many owners unconscious of this division. Nevertheless, rental ‘income’ is the subject of much debate amongst housing economists. Is housing a capital good or
consumption good, and thus, how should it be taxed? Fictitious income from the rent of the dwelling, as distinct from outgoings associated with mortgage payments and maintenance, may be treated as income and thus liable for taxation. As these 'imputed rents' are fictitious, the taxes they attract are often unpopular and tend to be set at a low level. For this reason, home ownership is often found to be more affordable than renting in the long term.

As mentioned, purchase of the home occurs in one swift transaction, most commonly funded by home mortgage finance. Yet few purchasers have the ready cash for such a large transaction and therefore must enter a mortgage contract with a lending institution, to repay borrowed funds over a maximum period of 20 to 30 years. Long-term loans are necessary as the amount of the loan is often several times the annual income of the borrower. In this way payments of principle and interest can be spread over time (Boleat, 1986). Unlike rental investment, the term of the loan for individual ownership must be limited to the life and income expectations of the owner occupant.¹⁹

Following initial purchase, there is no relationship between the amount of credit borrowed and the fluctuating value of the property. If the value of the house increases payments remain the same. Payments can be fixed according to the schedule agreed with the lender for a period up to 30 years. This schedule provides certainty to the owner occupant regarding their long term, often declining housing costs – especially where interest rates are fixed for longer periods. By the end of the loan term, housing costs are minimal. In contrast, a tenant does not have this certainty as their housing costs may fluctuate according to the rent demanded (be it cost rent or market rent) and rarely reduce over time.

As with rental housing, a range of subsidies may be provided affecting both the supply and demand of owner occupied dwellings. On the supply side, various subsidies and regulations may affect production costs by influencing the cost of land, materials, building methods, and

¹⁹ Kemeny (1981:20, 1983) has much to say about the desirability of individualistic home purchase, which concentrates costs in the early phases of the family cycle yet relieves mature households capable of paying higher costs.
quality standards. Further, intervention may also occur in the financing of dwellings via regulation of mortgages, interest rates, interest rate subsidies, and the securitisation of loans. **Purchase** may be assisted via the supporting wage levels and conditions, favourable income tax rules permitting deduction of interest paid and minimal imputed rent taxes, and simple ‘starters’ grants.

The previous Figures 5.1 and 5.2 represent high-level abstractions of actual forms of housing finance and do not situate flows of housing capital within the wider context of saving and investments or the capital markets. Indeed, the housing sub-circuit is one of many that exist in the capital markets. This circuit provides an important link in the chain of housing provision. It is also implanted in the broader financial, fiscal and legal infrastructure of specific banking laws, contracts, regulations, subsidy and accounting systems. In turn these are also linked to conditions in the world economy, and the nations exchange rate, interest rate and credit policy.

Moving ‘down’ from this level of abstraction of tenure related capital circuits, we can consider the interplay between institutions involved in financing housing provision. The following paragraphs and Figure 5.3 and 5.4 deal with the different routes and sources of investment in mortgages, the different forms of mortgage instruments, interest policies and the importance of real property as collateral securing mortgage obligations.

Most importantly, the housing finance system is influenced by the capacity of people to save, to deposit these savings and express effective demand. This process of linking savers to borrowers is called ‘intermediation’. Figure 5.3 addresses this link and portrays the housing finance system as an intermediary between a wide variety of savers and specific borrowers of housing finance (Boleat, 1985, Lindfield and Baharoglu, 2000). Ideal typically, savers place their money in bank accounts or mutual funds (unit trusts) and those institutions either provide long term loans to house buyers directly (e.g. building societies) or lend to, buy bonds of, or buy shares in specialist mortgage providers that in turn provide mortgages. Finance for housing production may be issued in a variety of forms: as a grant, subordinated loan, mortgage or equity share holding. For loans, the level of principal and interest may be fixed or vary for a defined term (Haffner, Turner and Whitehead, 1997). The conditions of credit may require a down payment or collateral for security, payment for insurance against defaults and a reliable guarantor (Boelhouwer, 1993). The investor may demand particular forms of marketable development, building processes and standards, or the minimum the rent level and even specify the desired profile of eligible tenants.
Figure 5.3 is merely one conceptualisation demonstrating the link between savings, investors, property rights and housing purchase. In everyday reality, intermediation occurs via many different institutional routes, linking different types of savers to different types of purchasers. Savings, for housing purposes, may be channelled through various types of financial institutions (in the organizational sense) that concentrate on different fields and interests. These institutions include investors, commercial and savings banks, pension funds and insurance companies, building societies, mortgage banks and government agencies (Boelhouwer, 1997, Lomax, 1991, Boléat, 1985).

Some institutions seek long-term, risk free, low return investments, whilst others pursue flexible, short-term, high return opportunities. This is because the financial institution’s own source of investment may cause it to be vulnerable to a range of non-housing concerns. Their immediate environment may also influence investment behaviour. This environment may comprise competing investors or pricing cartels (sf. Bengs and Rönnä, 1994); stimulate or impede product innovation (Haffner, Turner and Whitehead, 1998); and or promote trust in contractual arrangements (Buckely, 1994, Ando, Guiso, Visco, 1994). Alternatively, institutions may be very exposed to housing issues such as housing shortages and quality.

Specifically, housing investors may rely on a financial return via the developments in rental revenue, improved land value, or the sale of related mortgages. Alternatively, non-economic, societal objectives may play a role. For these reasons, the observable behaviour and interests of the investor must be critically analysed to explain their contribution difference and change in various systems of housing provision.
According to Ball the type of institutional arrangements, which exist for channelling savings for home purchase and rental are also crucial to the development of housing provision (Ball, 1983:25). The following Figure 5.4 illustrates the various routes for channelling savings into mortgages. Savings may be channelled directly via personal or business relations (a), contractually via special purpose savings banks (b), via commercial banks from retail deposits (c) or mortgage banks funded by funded bond issues purchased by institutional investors (d) (Boleat, 1985).

Figure 5.4 Routes for channelling savings into home finance (Boleat, 1985)

Mortgages not only flow via different institutions to housing purchasers who in turn make repayments. They are also subject to very different types of contracts for these repayments. In The Netherlands, for example, the development of new mortgage products has been rapid; each imposes different obligations on both borrower and lender and offers different types of subjective and objective risks for both parties. They require the same long-term schedule of payments spread over the loan term for the borrower, but the use of borrowed funds and instalments differs considerably. Traditionally, annuity mortgages were repaid on a defined schedule of declining instalments of principle and interest over the term of the loan. Today, a wide range of different mortgages exist offering fixed or variable interest rates, invest instalments in stocks and shares, involve interest only payments that are tax deductible with separate arrangements for saving for the principle, or double as life insurance policies.

Governments may influence the housing finance system for a range of reasons: to increase access to housing for low income households, reduce housing cost related wage demands or enhance economic growth by facilitating housing construction and related consumption. In particular, the state may play an important role by influencing the security and profitability of investment in certain forms housing provision, specifying standards for lending such as loan to value ratios, subsidising market interest rates, providing certain tax provisions and prudential norms, thereby encouraging or discouraging flows of investment via specific channels into different parts of the housing market. Via financial policy, national banking

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20 Kemeny (1981) criticizes this type of mortgage contract for its mismatch with the family life cycle, housing needs and spending power.
institutions and publicly owned banks, the state may regulate the volume of credit entering the mortgage market, specify ‘safe’ loan to income and value ratios, cap interest rates and set a low threshold for savings interest. In an effort to promote affordability, the state may establish special purpose vehicles to allocate loans or provide a mortgage guarantee to eligible borrowers and specify allocation criteria for mortgage applicants. To encourage particular forms of housing, it may intervene in the realm of production, in the form of grants to reduce the capital and maintenance costs, tax breaks on certain materials, schemes to mechanise and save time in construction processes.

Nevertheless, many aspects of housing provision such as finance, construction, management, exchange and consumption, are beyond the total control or influence of the state and rest in the hands of various private bodies. Indeed, mortgages, being the long term financing method for both tenures, are not only subject to the regulatory structures and actions of the state but also other contingent circumstances, which can arise affecting the financial relations between the lender and borrower. These include rising interest rates, inflation, and the fluctuating capacity to pay for housing services.

In sum, financial relations are causally significant in tandem with both property relations and the capacity of households to save and purchase housing services. Financial instruments are unavoidable, under capitalist housing conditions, due to the high cost of housing relative to household income and payments must be spread over time. Lending conditions (term, interest rate) vary according to the mode of consumption or tenure, and are subject to the institutional and market constraints affecting the entire finance system.

5.2.4 Labour, Welfare and Housing Consumption

What role do households play in directly promoting forms of housing provision? This section provides an outline of their emergent role, as influenced by welfare and labour conditions. Welfare and labour conditions are important because they influence the manner in which housing is consumed and the relationship within households and the workplace. Yet well-developed conceptual models of this complex realm, and its influence on forms of housing provision, have yet to be developed. An outline of differing perspectives is provided below, followed by a more definitive statement.

Hamnett and Allen (1991) examine the spatial aspects of labour and housing markets with particular reference to commuting patterns and urban form; spatial differentiation of labour and housing opportunities; and the relative fixity of housing, relative to the mobility of employment opportunities (ibid, 1991: 3-15). They contend that the relations between housing and labour markets, home and work are varied and complex, rather than static or universal, and therefore must be understood historically and geographically.

Randolf (1991:16-51) stresses the contingent nature of the link between housing and labour markets, often operating within different spatial scales. He emphasises to the following types of contingencies:

- determination of the number of jobs by employers;
- the relative importance of bargaining between labour and capital;
- discrimination and entrapment in labour sub-markets; particularly by gender and racial characteristics;
- spatial unevenness and mismatch in job opportunities;
- dynamic power balance of particular segments of labour markets;
- uneven flexibility of labour markets to cope with change;
- fragmentation and fluidity between segments of the labour force
- social, historical and spatial contingency of labour markets.

Also important is the structure and function of the household and the role intergenerational wealth transfers and capital gains play in determining ability to pay for housing services. Randolf goes on to stress, as for labour markets, the social, historical and spatial contingencies of housing market processes. Together these labour market and housing market contingencies, including the role of domestic labour, affect the relative bargaining power of workers in competing for housing services.

By understanding housing demand in terms of the position of workers in the labour market a more sensitive analysis can result. Further, Watson (1991:136-154) stresses the importance of the changing nature of home and work and the nature of work undertaken in the domestic sphere. She argues for a feminist approach to labour and work relations that is sufficiently sensitised to explain the complex interplay of culture, gender and class.

Capacity to pay is of significance to rental as well as ownership housing. Landlords must have paying tenants. Yet rental housing does not require substantial savings to enter (other than a bond), unlike mortgage-financed purchase, which may require a substantial deposit.

Capacity to pay for home purchase is inevitably linked to one’s capacity to save. As discussed earlier, the network of housing provision and particularly the sub sector of mortgage finance is especially sensitive to the capacity and willingness of households to save. Incentives to save include an attractive level of real interest rates for deposits, reliability of banks, security of bank deposits from government intervention, and their liability to taxes on savings and available subsidies, if any, influencing purchase (Lindfield and Baharoglu, 2000).

Capacity to pay affects not only the volume of housing investment, but the mortgage contract conditions which evolve over time, forming the dynamic institutional structures of housing investment. Mortgage arrangements are implicitly coupled with the savings capacity of households, which in turn relate to their work and welfare arrangements. 21

For the home purchaser, the 'bottom line' remains that the "mortgagor does not invest his capital in the house as such but in the capacity of the mortgagee to repay"(Berry, 1983:99). Indeed, proven capacity to make regular, adequate payments is of crucial significance to home ownership, and in addition to property rights and financial relations, forms the third dimension of the emergent relations underlying forms of housing provision.

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21 In Southern European countries for example, the direct route dominates. Parents transfer their savings to their offspring to assist the process of home purchase. In doing so they maintain their influence over the choice and location of their children's home to ensure the provision of familial care as they reach old age. In Spain for example, the cadastral system and registration of land titles is less developed and land ownership can come into dispute. Procedures for repossession are costly and lengthy. Together these features erode the financial security for mortgage providers and more secure investments are made elsewhere. Partly, for this reason, the contract savings, deposit finance and mortgage bank routes for housing finance are relatively undeveloped in this country.
On the consumption side, the capacity to pay for housing services may be influenced by state action in the realm of labour market policy and wage regulation, progressive taxation schedules, and targeted housing allowances (Lundqvist, 1992, see Appendix 2).

Finally, labour and welfare conditions not only concern capacity to pay on the demand side, they directly contribute to the cost of construction affecting the supply of housing. Wages in the construction sector (alongside the cost of land, development finance and building materials) must not reach a level that increase building costs to such an extent that the cost prices becomes too high to extract a surplus from sale or rent of the dwelling. In such cases, production may slow down and even cease for a period.

In sum, labour and welfare relations, as with property and investment, play a key emergent role generating savings and influencing not only the capacity to pay for housing but the very supply of housing services. Once again important contingencies define these relations, none the least the position of households in the paid labour force and the role of the state in regulating wages, making transfer payments and setting rent levels and conditions.

5.3 Emergent properties of necessary relations

Moving from this concrete discussion of housing provision above, Section 5.3 returns to more abstract issues concerning the emergent properties of the property, savings and investment and labour and welfare relations outlined above.

Drawing upon the taxonomic work of Lundqvist (1992) and Ambrose (1991) it is feasible to view the relations of housing provision outlined above, as generating different distributive outcomes, along commodified- individualised, de-commodified- collectivised continuums.

Table 5.1: Commodification and decommodification of social relations underlying housing provision

<table>
<thead>
<tr>
<th>Social relation</th>
<th>Commodified-individualised</th>
<th>Decommodified-collectivised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property rights</td>
<td>Private right to exploit</td>
<td>Public right to exploit</td>
</tr>
<tr>
<td></td>
<td>Savings and investments channelled to maximise</td>
<td>Savings and investments channelled to maximise</td>
</tr>
<tr>
<td></td>
<td>private capital accumulation</td>
<td>public benefit</td>
</tr>
<tr>
<td>System of investment/savings</td>
<td>Individualised-Subsidiarity</td>
<td>Co-operative-Universality</td>
</tr>
</tbody>
</table>

Yet, this approach remains static, fragmented and taxonomic rather than explanatory. It obscures the connections between the different relations (Sayer, 2000:6) and does not suggest how or why certain social relations hold causal, emergent powers. Nor does it highlight the role of contingency in the actual definition of social relations, which of course changes over time.
Section 5.2 contended that the ‘internal’ relations of property, savings-investment and welfare-labour, have emergent properties. The following Table 5.4 summarises these properties:

Table 5.2: Emergent properties of social relations underlying housing provision

<table>
<thead>
<tr>
<th>Key relation</th>
<th>Emergent properties expressed via forms of housing provision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property relations</strong></td>
<td>Influence the nature of use, exchange, exploitation of land, and subsequently, patterns of investment in land development over space and time.</td>
</tr>
<tr>
<td><strong>Savings/investment relations</strong></td>
<td>Influence the distribution of credit, entitlement and other resources amongst different societal groups over their lifetime. Ultimately, the definition of this relation influences investment in housing over space and time.</td>
</tr>
<tr>
<td><strong>Welfare/labour relations</strong></td>
<td>Influence the cost of housing construction, the capacity to consume housing resources, the labour conditions required to maintain housing costs and domestic services to reproduce ‘productive’ labour.</td>
</tr>
</tbody>
</table>

Emergent properties are not essential or static, but change when combined with other relations and under different contingent conditions. To use a metaphor from natural science, just as hydrogen and oxygen can combine to form water, particular social relations can combine to generate specific forms of housing provision. The power of oxygen to form water, for example, is dependant upon its’ relationship with hydrogen.

And so it is with certain combinations of social relations, which may tend to generate specific forms of housing provision (Castles, 1997). For example, freehold tenure, individualised savings, regulated wages and low levels of welfare provision tend to generate and sustain more privatised forms of housing provision than those generated by a combination of communal land rights, contributory and extensive welfare arrangements.

The institutional architecture, which supports investment in housing provision, is of fundamental importance in distinguishing between dominant housing ‘solutions’. Yet this basic architecture of housing provision: the property rights, circuit of savings and investment and labour and welfare relations that influence housing consumption, is dynamic and contingently defined. There are no law like combinations of social relations that consistently determine forms of provision. This is because contingent conditions are always present and often causally important. I now turn to the important role contingent conditions play in the definition of these relations and the generation of divergent forms of provision.
5.4 Contingency in Housing Provision

Just as hydrogen and oxygen, under certain contingent conditions, can also form ice and steam, different contingent conditions have a significant influence on forms of housing provision.

Contingency is a very important notion in housing provision. With its many multi-dimensional relationships, the production, exchange and consumption of housing is highly vulnerable to changes in specific contingent conditions. Many different, often unanticipated actions, events and relations may influence internal dynamics of provision, and indeed have a cumulative effect on the entire housing network. For example, the level of housing production is sensitive to the availability of mortgage credit, which at any given time may be diverted to more lucrative forms of investment. It is also sensitive to increased labour and material costs, and of course changes in planning rules and development standards.

So far the emergent relations of housing provision and their contingent definition, have been depicted as separate and isolated realms for ease of explanation. In reality this separation is clearly not the case. Necessary relations only ever exist in the context of contingent conditions. The following series of illustrative figures attempt to bring the concept of necessity, contingency, practice and outcomes closer to everyday reality. Figures 5.5 to 5.7 outline the type of contingencies, which influence the definition of key emergent relation in housing provision.
To begin, Figure 5.5 below illustrates how property relations can be defined, under the influence of contingent conditions and the relevant risk reducing practices.

**Actual property rights influencing land development for housing**

- Freehold or leasehold land.
- Location of land, accessibility to end users, existence of related infrastructure.
- Certainty and flexibility of land use or zoning rights: relative value of existing and potential uses.
- Cost of developing land, availability of materials, suitability for development.
- Costs associated with land holding: taxes, levies, maintenance or transferring property rights.
- Exclusivity of land title: undisputed ownership or threat of repossession.
- Land value: inflating, stable or deflating.
- Competition, collaboration, or monopoly position of landowners or purchasers.
- A secure, long-term method of financing purchases.
- Capacity to repay the loan, the prospects of return.

**Property Users**

- Clear system of land survey, legally enforceable system of ownership, undisputed occupation rights.
- Right of compulsory purchase or repossession to meet 'public interest' goals.
- Laws permitting the collection of betterment tax for unearned increment in property values.
- Efficient and cost-effective system for transferring ownership.
- Price regulation, compensation based on former usage.
- State-subsidised infrastructure provision.
- Land use planning clearly defined, long-term, and protective of property values.
- Monopoly buying or selling strategies.
- Maximising formal and informal influence upon land use defining agents.
- Cross subsidisation.

**Contingent Conditions**

**Property Owners**

**Risk reducing practices**

Figure 5.5: Relations between agents involved in property development, in their contingent, risk-reducing context.
Many different contingent conditions and risk reducing institutions influence the definition of savings-investment relations of housing provision over time and space. Once again, concrete case study research is required to define the relations integral to forms of housing provision. Figure 5.6 abstracts the relations between agents involved in housing investment, in their contingent and institutionalised context:

### Actual financial investment in housing

<table>
<thead>
<tr>
<th>Lenders</th>
<th>Borrowers</th>
<th>Risk reducing practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Existence of lenders offering favourable terms and conditions.</td>
<td>• Techniques for assessing risk and risk-avoiding conventions (red-lining)</td>
<td></td>
</tr>
<tr>
<td>• Competition, collaboration or monopolisation of credit providers for particular segments of the housing market.</td>
<td>• Promotion of certain financial management norms, values, processes and standards.</td>
<td></td>
</tr>
<tr>
<td>• Lending criteria, portfolio policies, services offered and territory of operation.</td>
<td>• Promotion of practices supportive of maximising property values and rents.</td>
<td></td>
</tr>
<tr>
<td>• Risk-return ratio of housing investment relative to other forms of investment, influencing the volume of credit available.</td>
<td>• Right of repossession over the property or other assets of the borrower.</td>
<td></td>
</tr>
<tr>
<td>• Desired liquidity and mobility of investment.</td>
<td>• Demand an equity share in the development or defined share of the profits.</td>
<td></td>
</tr>
<tr>
<td>• Perceived credit worthiness of borrower, existence of desired security.</td>
<td>• Security funds to protect investors from defaulting borrowers.</td>
<td></td>
</tr>
<tr>
<td>• Existence of a range of financial products providing borrowers with a competitive choice.</td>
<td>• Government policy regulating system of credit provision.</td>
<td></td>
</tr>
<tr>
<td>• Degree of integration of lenders with other components of the housing network such as mortgage lending, land banking, infrastructure investment, residential construction, retail development, etc.</td>
<td>• Cross-national treaties defining the global borrowing limits of governments.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Subsidies to channel investment into particular sectors.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mutually reinforcing lending strategies, land banking, or company directorships.</td>
</tr>
</tbody>
</table>

*Figure 5.6: Relations between agents involved in housing investment, in their contingent, risk-reducing context*
Finally, Figure 5.7 illustrates the interaction between housing consumers and providers in their contingent contexts.

**Nature of housing consumption**

- Economic value of skills possessed by members of a household as determined by the labour market or prescribed by the state.
- Gender relations within a household allocating participation in paid work.
- Economic relations within the household and wider community networks.
- Existing labour market norms, including discrimination against older men, migrants or married women in times of job scarcity.
- Informal or formal support services, such as affordable or free child-care.
- Economic policies of government regulating job growth, wage levels; such trade-offs and conditions influence the ability of households to consume certain housing services.
- Role of labour organisations in promoting certain forms of housing production and services.
- System of social security, which may or may not cover ongoing housing expenses post retirement.
- Role of welfare organisations in diverting collective resources to or away from housing-related support or forms of provision.

**Housing consumers**

- Wage indexation and accords to regulate income levels and working conditions.
- Income transfers to maintain a certain level of purchasing power amongst households.
- Housing allowances to assist payment of housing costs.
- Rent regulations to reduce or sustain a certain level of housing costs.
- Loan insurance to reduce risk to lender and permit low-income households to borrow with limited deposit.
- Fiscal system of income, sales and property taxation.
- Available support services, such as affordable or free child-care.

**Contingent Conditions**

**Housing providers**

**Risk reducing practices**

Figure 5.7: Relations between agents involved in housing consumption, in their contingent, risk-reducing context.
Further, some emergent relations have more influence upon certain phases of housing provision than others and can be perceived as primary emergent relations, linked to other more secondary emergent relations. Specifically, it is argued that property relations hold primary emergent powers over the process of land development and redevelopment, and secondarily over phases of residential investment and dwelling construction. Further, financial relations hold primary emergent powers over patterns of investment in housing production, and a secondary role in allocation and consumption. Finally, it is contended that welfare and labour relations hold primary emergent powers over the process of allocation and consumption and secondly influence savings and investment.

The following diagram should be viewed as synthesis of Figures 5.5-5.7 and illustrates how these primary and secondary emergent powers of necessary relations, defined by contingency and agency, influence particular stages in the housing provision process:

![Figure 5.8: Emergent relations and stages in housing provision - Promotion, investment, construction, allocation, consumption, maintenance, and redevelopment.](image)

Of course, using these ideas and concepts as prompts, historical case study research is required in order to abstract explanatory causal mechanisms at work.

But can everything be put down to the contingent context? Sayer asks “how far, or at what depth, are social structures and processes context-dependent?”(2000: 133) and argues for a respectful exchange between narrative and analysis, cautioning against strong social constructionism, non-causal description, and structural reductionism. The following section brings actors into the causal explanation, reflecting the weak social constructionist position outlined in Chapter 4.
5.5 Agency and the Concept of Risk

Of course, it is the actions of agents that operationalize emergent and contingent relations. Thus agency is something we need to understand by developing appropriate ideas and concepts. To appreciate the rationale for the action of particular agents operating in the network of housing provision, the concept of risk can be helpful. Risk is the indirect, experiential outcome of social relations that may influence relationships between agents in the housing network. It can be differentially perceived between different interests, professions, groups, classes and cultures – there is no fixed or concrete definition of risk. Decisions to save, build, buy, rent or invest are all made (or not made) in a context of dynamic incentive structures, which are both materially and socially constructed.

Yet, agents operating in housing networks are only partly guided by risk avoiding behaviour. In this regard the work of Nooteboom (1995), which concerns the dynamics of social relations, which shift over time under different contingent conditions is relevant and interesting:

"we are interested in the dynamics of relations. Such dynamics include at least the following two types of phenomena:

- Shifts of perception, knowledge and understanding (including mutual understanding between transaction partners), competence, goals, motives, trust and opportunism, as a relation develops.
- Events and changing conditions outside the relations: technological development shifts in supply and demand due to entry and exit of firms, etc.

Transactions are to be seen as embedded in relations that develop in time under changing conditions (Nooteboom, 1995:3-4).

Nooteboom (1995) is critical of rational choice theory, where knowledge and competence are merely perceived as objective and given, rather than learnt and path dependent. He argues that transactions between firms are embedded in relations that are developed over time.

It is argued that the perspective and actions of agents is indeed selective and uneven (Sayer, 2000:43). Importantly, agency is also influenced by a system of ideas or ideology that defines what is ‘common sense’ and guides everyday decision-making. According to Gramsci (1971), major institutions in society, such as the financial institutions, the media, religious organisations and government agencies can drive ideological hegemony reinforcing certain forms of housing provision. Such ideologies may concern the role of women in domestic labour, the importance of regular work and freedom of markets, responsibilities of government, individual duties and collective welfare."
Kemeny (1983, 1986, 1995) has examined the role of ideology in reinforcing home ownership in Australia and rental systems in Europe. He remarks:

*Each system is informed by a specific ideology and view of how markets operate and is the product of different kinds of power structures. (Kemeny, 1995:5)*

Accordingly, it is important to appreciate the shifting ideologies influencing housing agents over time that influences actors perceptions of risk (for a concrete case study, see Allen and Thrift, 2001).

Risk is also a concept that can be applied to institutions affecting a cross section of society. There is often talk of the *distribution of risk*, over time, between vulnerable and less vulnerable groups in society. The state may choose to prevent poverty amongst non-working (elderly, disabled) households by *enforcing a system of savings or redistributing collective taxation to a system of benefits*. With regard to housing provision, the state may support the saving for deposits for home purchase, regulate home finance or rent levels, or intervene in the development of land and construction of housing. One rationale for such actions is to influence individual housing expenditure and thereby minimise risks to other elements of economy or society (high wage demands, long job commutes, eviction, overcrowding and substandard housing).

Yet the reasons how and why such actions are undertaken are far more complex than mere risk perception. **Individual agency in the housing system is embedded in a socially and materially constructed reality.** This reality encompasses different ideologies affecting the provision and consumption of housing that may emerge over time, more durable social relations affecting property rights, savings and investment mechanisms and labour and welfare provision which may underpin a housing system, **dynamic material contingencies**, and finally the institutionalised everyday ‘common sense’ practices of actors in the housing network.

### 5.6 Trust and Embeddedness

Embeddness is a much-abused term in sociology. What does it actually mean and how does it relate to causality in divergent forms of housing provision? One straightforward approach is to consider embeddedness as simply ‘the way things are done in a particular time and place’. But we need to go beyond the observable to understand social conventions. When anticipated patterns of behaviour are followed they build more certainty in future social exchange. Indeed, there is reassurance in repeated actions. Successful, predictable exchange builds trust, which generates more lasting interactions (Nootenboom, 1995:5). In recent times, trust has been applied beyond individual exchanges and organisational culture to explain different levels of regional economic performance (Fukuyama, 1995):

*Virtually all economic activity in the contemporary world is carried out not by individuals but by organizations that require a high degree of social cooperation. Property rights, contracts, and commercial law are all indispensable institutions for creating market-orientated economic systems, but it is possible to economise substantially on transaction costs if such institutions are supplemented by social capital and trust. Trust, in turn is the product of pre-existing communities of shared moral codes or values. These communities, at*
least as they are lived and experiences by their most recent members, are not the product of rational choice.... (Fukyama, in Wolf, 1995:95).

But is it enough to say that trust and the institutions of social exchange are historically embedded, without a critical explanation of how or why? Sayer argues that social exchange theory, and the lubricant of trust, idealises market interactions and

underestimates the material aspects of economic life and [presents] an overly benign view which underestimates the instrumentality of economic relations (Sayer, draft, 2000).

In reference to McDowell (1997), he goes on to suggest that codes of trust and embedded institutions may indeed be orientated towards hierarchical domination and 'the bottom line': oppressive, inequitable and far from 'mutually beneficial' as the term trust suggests. Indeed, systems of housing provision often incorporate uneven power resources, monopolistic coalitions, and opportunistic and exploitative players. Building upon this critical understanding of the institutionalisation of trust and embeddedness, the following section concerns the relevant concepts of structural coherence, path dependency and institutional ‘fix’.

5.7 The Role of the State, Structural Coherence, Path Dependency and Institutional ‘fix’

As stated throughout this paper, there are no universal definitions for emergent relations underlying housing provision because they are contingently defined in an open network of housing provision. Further, there is no master blue print or single agent, such as government, which has the power to map out such a network. Certainly, forms of provision may be promoted to guide economic and social outcomes and likewise, certain social and economic outcomes may guide forms of provision. Organs of the state, such as central and local government, major welfare providers, religious movements and labour unions, may consider some forms of provision as being instrumental in reaching certain social (adequate shelter for all) or economic goals (wage moderation). They may support or discourage investment in the residential environment as a priority or direct investment into other productive sectors (agriculture, industry).

Explanations for housing provision are often strongly state-centred, focusing on policy histories and program structures, with little reference to broader, influential, structures of housing provision influencing the promotion, investment, construction, allocation and consumption of housing. In agreement with Ball et al (1988), the state itself is considered to play only a partial role in defining emergent relations and networks of housing provision. Accordingly:

There is particularly a need to downgrade the autonomy and power of the state, which is assumed to exist in the housing sphere (Ball, Harloe and Marteens, 1988:32).

22 On this point, the work of Bengs and Rökkä (1994) concerning competition and monopoly in Finnish housing provision provides an appropriate illustration.
From this perspective, the state is considered to play a mediating, sometimes conflicting role in establishing structurally coherent networks of housing provision. Beyond the state, one may imagine a temporary coherence or flow between different phases and stratum of housing provision.

Following Ambrose (1991) and Ball (1998), housing systems are perceived as a chain and a structure of provision, comprising numerous economic interdependencies and organisational interactions. These relationships may be enforced or undermined via the shifting ideological hegemony (Kemeny, 1995, 1983) and uneven power relations of various agents both internal and external to housing provision (Lundqvist, 1992). Further, various contingent conditions, external to the chain of provision, may lead to a crisis of accumulation and social regulation undermining the neat functional-institutional fit of the status quo.

In Regulation Theory, Jessop uses the term structural coherence to describe the interaction between modes of capital accumulation and social regulation, which form relatively stable regimes. Structural coherence is defined as:

> historically contingent ensembles of complementary economic and extra-economic mechanisms and practices which enable relatively stable accumulation to occur over relatively long periods (Jessop, 1997b, 503 in Goodwin, 2001).

Such a term is also useful when explaining the long-term development of divergent forms of housing provision. One may imagine a temporary coherence in the emergent relations of housing provision: the property relations (rights, market structure and value), the system for channelling savings into housing investment, and labour/welfare relations influencing capacity to pay for housing services. When these emergent relations mutually reinforce one another, a coherent structure of provision may prevail. This coherent cluster of emergent relations generates and is generated by numerous economic interdependencies, long term obligations, and reinforced by organisational practices and ideological hegemony (Kemeny, 1995, 1983). Yet coherence is neither given nor static. Rather, it is subject to a wide variety of contingent circumstances and the uneven power relations of various agents both internal and external to housing provision (Lundqvist, 1992). Nevertheless, during periods of coherence it can be said that a neat structural, institutional and agency fit maintains the status quo.

Building on this perspective, coherence based upon the interdependencies of emergent relations, day-to-day practices and dominant ideologies, ensures that housing solutions are neither random nor ‘natural’. They result from cumulatively causal and multiple layers (structure, institutions and agency) of structured open reality. Given the relative durability of housing and urban forms, today’s housing choices are ‘sticky’. That is, they are heavily path dependent and embedded in the solution, structures, institutions and practices of the past.

Is there a law that defines structural coherence? Most recently Jessop has argued that coherence is something that is inherently spatio-temporal. For this reason, concrete research is required to:

> examine how specific structures and structural configurations selectively reinforce specific forms of action and discourage others. Combining these concerns leads one to examine the continuing interaction between the reflexive reorganization of strategic selectivities and the recursive selection and retention (or evolutionary stabilization) of specific strategies and tactics oriented to those selectivities. In some circumstances this interaction can result in a relatively
durable degree of "structured coherence" (or stability) in a given institutional complex (Jessop, draft, 2000).

5.8 Defining Crisis

What is it that 'undoes' structural coherence, which may have sustained a particular form of housing provision in the past, and lays the foundations for the establishment of new forms (Terhorst and Van de Ven, 1997:80)? Firstly, it is important to recognise that the process of capital accumulation is an open one, contingently defined and dynamic. Rather than being merely a closed market exchange between supply and demand, markets are inherently imperfect, subject to monopolies, misinformation, opportunism, resource constraints, unpredictable contingencies, ideological shifts and the inevitable rise and fall of profits. Markets are not only vulnerable to local conditions, but increasingly to those beyond the periphery of regions in the global arena. Capitalism easily catches a cold from many different sources and there is no reliable or permanent cure. Housing provision is part of such a world, and often comprises highly commodified relationships, subject to imperfect market relations and the chaotic, conflicting struggle for capital accumulation. Even 'public' housing is not immune: built by private contractors, financed by loan capital, with (subsidised) rent levels to cover these costs (Ball, 1983).

Given the conflict ridden and crises prone nature of capitalism, it is easy to imagine that a neat functional fit, between a particular form of housing provision and the broader political economy, may only exist for short periods of time. In an effort to moderate the 'worst excesses', institutions may constantly evolve new policies, practices and ideas. Government policies and programs also have unforeseen and sometimes, hidden consequences. As modes of capital accumulation and social regulation are inherently spatio-temporal, the process of coherence, crises and adaptation, must be concretely researched and defined (Jessop, draft, 2000).

So what is a crisis and what role does it play in providing a causal explanation for housing solutions? The following examples aim to clarify two points. Firstly, as discussed in section 5.4, the emergent relations of housing provision are contingently defined.

Contingent relations influence the definition of necessary relations underlying housing networks. They are circumstantial relations that intersect with necessary relations to divert their 'necessary outcome'. Contingent relations may impede, mute, stifle and even extinguish the necessary relationships of a network. They are always present in open, interactive systems.

Secondly, emergent relations are abstractions from complex multi-dimensional forms of provision. They are not atoms but mutually dependent; thus any shift in the definition of say property relations may affect financial relations under certain contingent conditions. As above, given that housing systems are always open, their emergent relations are always contingently defined. It is therefore possible that one or more components of the emergent cluster evolves in such a way to destabilise other mutually reinforcing economic interdependencies, long term obligations, organisational practices and ideological hegemony.

A simple example concerns housing investment during periods of war. Housing investment does not tend to take place in disputed areas, along borders or in regions of conflict. This is because land prices and their potential to rise, are too uncertain and thus provide inadequate
security to enable mortgage lenders to invest. During such times, building materials may also be scarce and expensive. For these reasons, unstable areas often suffer from declining investments and dilapidation – compounding their economic, political and social problems.

Take the more complex example of co-operative housing, which is dependent upon communal forms of property rights, cost-rent finance and rent pooling. This coherence could be undermined by any number of contingencies including the sale of older houses which had previously enabled cross subsidisation; deregulation of interest rates making financial costs higher than affordable rent revenue, and or long term unemployment amongst tenants leading to high levels of rent arrears eroding provisions for expansion and improvement of the co-operative. Further, coherence in the co-operative sector can also be undermined by countervailing ideology; by promoting more individual, private housing solutions such as home ownership, enticing wealthy cooperative tenants seeking higher quality homes from the tenure.

The above examples illustrate the importance of strategic contingencies that may erode or stifle mutually supportive emergent relations. It is worth noting that in both scenarios, coherence was disrupted by crises, creating a different risk profile for agents in the housing sector.

In periods of crises, the perception of risk, however real or imperfect, influences the actions of actors who may establish new norms, practices and institutions, leading to the development of new or adapted solutions for housing provision. Depending on the contingent conditions, risk perception and uneven power resources of key agents, a whole range of social practices and institutions may cumulatively arise to moderate (or exacerbate) the excesses of crises prone housing provision. These may include improving the transfer of market knowledge, asserting codes of banking practice, ensuring the steady release of land for development, and regulating wages and rental conditions. Amongst many other possibilities, is the regulation of housing costs, protecting vulnerable constituents and maintaining social harmony, whilst minimising the threat of wage demands to pay excessive housing costs. These actions also have their cumulative, unintended and ongoing affects.

5.9 Defining Periods for Analysis

This section concerns the creation of appropriate cut off points for investigating and contrasting periods of coherence and crisis in housing history. It is contended that contrasting periods of coherence and crisis defined at the level of emergent relations can help to reveal the causal mechanisms at work in the two divergent case studies of Australia and the Netherlands.

In this way, the basis for defining periods for contrast goes beyond mere indicators of aggregated housing outcomes. Thus, the division of periods or phases will not be based upon the rise and fall of certain tenure forms. Such indicators will not reveal the causes of change and divergence. Arguments against a direct cause-effect view of causation, as distinct from a contingent one, have already been put forward in Chapter 4. Rather, division should be made at a deeper ontological level of adaptation, coherence and crisis amongst key emergent relations in their contingent context underpinning housing provision. Such a definition may mean that the boundaries appear fuzzy, as they cannot be statistically ‘proven’. They are of course a researchers construction and thus contestable. Nevertheless, precise ‘switches’ in forms of housing provision do not exist in real life. Modes of provision are
sticky and not change over night; rather they are subject to multiple causal mechanisms, which must be revealed by a process of abstraction and plausible notion of causality.

By contrasting appropriately defined periods of adaptation coherence and crisis, based on contingently defined clusters of emergent relations abstracted from empirical case study research, the causal mechanisms driving divergence and change are more likely to be revealed. Such an approach is based on a clear ontological argument, a theory of emergent relations and a contingent view of causality.

5.10 Concluding Statement

Housing is neither an isolated nor a static object, but surrounded and sustained by an environment of path dependent and dynamic institutions. The manner in which housing is consumed is subject to a strategic package of emergent relations. For this reason, to understand and explain different forms of housing consumption, research must focus on the changing definition of interdependent emergent relations in their contingent context.

It is contended that systems of housing provision can be understood as the mutually reinforcing outcome of a dynamic package of coherent emergent relations of housing provision. These relations form clusters that partially generate the institutions, processes and dominant ideas of housing production, allocation and consumption. In turn, existing patterns of housing consumption also influence the development of future housing options. The system of property rights, organisation of finance and mode of housing consumption not only generate but also are mediated by the existing process of housing provision. These key or necessary relations can be contingently defined and packaged in a variety of coherent ways, over time and space.

This Chapter has postulated that changes in forms of housing provision are generated when the architecture of housing provision, the emergent relations, are fundamentally redefined and the socially and materially contingent conditions permit new forms of action or inaction. Fundamental change may include the alteration of property relations shifting opportunities and risk in favour of public or private land developers; deregulation and privatisation of state based housing loans; a shift from market allocation to queuing for housing distribution. Yet, strategic events in housing history, such as a new property law or financial instrument, may not directly lead to change. Only under the right contingent conditions, will emergent powers become operational. For this reason, strategic events when linked to the definition of emergent relations and contingent conditions are of explanatory importance.

For each case study in subsequent Chapter 6 and 7, an attempt will be made to pin point and illustrate, contrasting periods of adaptation, coherence and crisis. This will be done by critically re-reading and reinterpreting housing history in the search for the strategic events and contingent conditions that have reinforced or undermined mutual interdependencies, practices and ideologies.