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

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Table 6.1: Home ownership/purchase in capital cities, as a percentage of all households 1911-2000

<table>
<thead>
<tr>
<th>Census</th>
<th>Sydney</th>
<th>Melbourne</th>
<th>Brisbane</th>
<th>Adelaide</th>
<th>Perth</th>
<th>Hobart</th>
</tr>
</thead>
<tbody>
<tr>
<td>1911</td>
<td>31</td>
<td>37</td>
<td>46</td>
<td>42</td>
<td>41</td>
<td>33</td>
</tr>
<tr>
<td>1921</td>
<td>40</td>
<td>45</td>
<td>59</td>
<td>52</td>
<td>55</td>
<td>43</td>
</tr>
<tr>
<td>1933</td>
<td>41</td>
<td>49</td>
<td>60</td>
<td>54</td>
<td>56</td>
<td>44</td>
</tr>
<tr>
<td>1947</td>
<td>40</td>
<td>46</td>
<td>60</td>
<td>55</td>
<td>56</td>
<td>49</td>
</tr>
<tr>
<td>1954</td>
<td>56</td>
<td>63</td>
<td>71</td>
<td>66</td>
<td>68</td>
<td>63</td>
</tr>
<tr>
<td>1966</td>
<td>70</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>73</td>
<td>71</td>
</tr>
<tr>
<td>1976</td>
<td>67</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>69</td>
<td>70</td>
</tr>
<tr>
<td>1986</td>
<td>67</td>
<td>73</td>
<td>72</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>1996</td>
<td>67</td>
<td>73</td>
<td>64</td>
<td>71</td>
<td>69</td>
<td>68</td>
</tr>
</tbody>
</table>


Whilst the rate of outright ownership appears to have reached its peak, the rate of home purchase has more recently shown signs of decline (Table 6.2). There is considerable debate over the significance and cause of this decline (Wulff and Yates, 1999, Beer, 1999, 1993 Berry, Dalton, Engles, Whitman, 1999, Winter and Stone, 1998). Postulated causes include the changing nature of work, declining real incomes amongst working class households, increased diversity in family types, volatility in housing prices and the cost of mortgage finance, and the desire for more flexible forms of investment.

Table 6.2 Tenure status of occupied private dwellings/households, Australia, 1911-2000 (%*)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>45.0</td>
<td>44.7</td>
<td>47.9</td>
<td>32.3</td>
<td>34.2</td>
<td>38.9</td>
<td>41.1</td>
<td>42.8</td>
<td>39.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchaser</td>
<td>4.4</td>
<td>7.9</td>
<td>15.1</td>
<td>35.6</td>
<td>34.0</td>
<td>31.5</td>
<td>27.7</td>
<td>26.2</td>
<td>25.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>O/P undefined</td>
<td>0.7</td>
<td>1.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government tenant</td>
<td></td>
<td></td>
<td></td>
<td>4.2</td>
<td>5.1</td>
<td>5.5</td>
<td>4.9</td>
<td>4.9</td>
<td>5.9</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Other tenant</td>
<td>45.2</td>
<td>43.4</td>
<td>29.9</td>
<td>21.4</td>
<td>21.8</td>
<td>20.3</td>
<td>20.3</td>
<td></td>
<td>20.0</td>
<td>21.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Rent to buy scheme (a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other occupancy</td>
<td>5.4</td>
<td>2.6</td>
<td>2.4</td>
<td>1.9</td>
<td>3.3</td>
<td>5.6</td>
<td>4.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not stated</td>
<td>1.4</td>
<td>0.6</td>
<td>0.8</td>
<td>2.2</td>
<td>2.5</td>
<td>2.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


The private rental market plays an important, yet overlooked, role in housing provision, accommodating just over one in every five Australian households. Landlords are primarily small investors, owning and renting out a single dwelling, often via a real estate agent. The private rental sector has been described as a small-scale 'cottage' industry (Berry, Flood and Lindfield, 1997), which lacks institutional investment and large scale housing managers. Demand for rental housing has increased in recent years amongst the 25-44 year olds (Yates and Wulff, 1999b, Wulff and Maher, 1998, Elton and Assoc., 1991).

Since 1945, the Commonwealth and State Governments have provided social rental housing, known as public housing. State Housing Authorities (SHA) at the regional level manage these dwellings. Six large public landlords, own and manage various forms of rental accommodation, housing approximately one in every twenty households. These households are primarily low-income recipients of government pensions and newly arrived migrants. Demand for public housing is high, dwellings are allocated according to a weighted list and waiting times for families in suburban areas are lengthy.
It is often remarked that the Australian state has not adequately promoted the development of alternative tenure options (Yates, 1997, Berry, 1988, Kemeny, 1983). As illustrated above, State supply of public housing is insufficient to meet demand and narrowly targeted. Community managed alternatives, such as rental co-operatives and shared equity schemes are innovative yet negligible. Private landlords tend to be more closely attuned to capital gains via price inflation, than the long-term exploitation of rental stock. Market rents and conditions are weakly regulated. Only in recent years has the Commonwealth provided low level assistance for renters reliant upon government pensions to improve affordability. Given the limited options, available housing choices mould the aspirations of new households. These choices are becoming increasingly constrained.

The ability to pay for home purchase has been a salient factor in wage negotiations since 1907. From this period until the recent mid 1980s, broadly accessible home purchase has been an explicit public policy goal. Regulated interest rates, state sponsored infrastructure, rising house prices, centralised wage fixation and rising wage levels, facilitated the wide-spread purchase of homes during periods of Post War prosperity. However since the 1970s, economic restructuring, labour market deregulation and declining real wages have narrowed this access (Winter and Stone, 1998, Wulff and Yates, 1999, Gregory and Sheehan, 1998). House prices, and later interest rates escalated towards the end of 1980s. During this decade, the purchasing power of households was greatly affected by the sudden rise than stagnation of house prices and the volatility of interest rates.

Home ownership plays an important role for older households. Indeed, the Australian system of social security is reliant upon outright home ownership at retirement age (Castles, 1997). Ideally, under traditional mortgage arrangements, reduced housing costs on the payout of the mortgage are expected to improve the purchasing power of retirees and, importantly, permit the payment of lower pension rates. The renting alternative provides a stark contrast. Almost 50 percent of elderly single renters live in poverty.

However, in recent years two incomes have become increasingly necessary to achieve home ownership (NHS, 1991:34). Thus, single income earners, including those with dependent children, are being locked out of home ownership (Yates, 1998) and ultimately, old age income security. Incomes are not the only factor: accessibility also varies according to the timing of purchase and the cost of mortgage finance. Households who purchased homes during the late 1980s were dramatically affected by higher mortgage interest rates, stagnating wages and the stalled rate of house price inflation (Bourassa, Greg, Troy, 1995). Conversely, those who purchased earlier have benefited from lower interest rates and higher, longer-term levels of house price inflation.

Nevertheless, affordability problems are now concentrated amongst single income households who rent their housing. According to the National Housing Strategy 60 per cent of income units experiencing housing stress were private renters, especially female sole parents, people on fixed incomes, those living alone and especially those aged over 65 years (NHS, 1991: 34-35).
6.3 Beyond Outcomes - Explaining the Core of the Australian Solution

The core of the Australian housing solution, aspired to and achieved by most households, is dominated by individual home ownership. For those who can afford to purchase, both private and public renting has little to offer in terms of security, quality, savings and investment potential and social status. The purchase and exchange of detached low rise dwellings for ownership has been facilitated by a coherent package of key social relations comprising freehold property rights, financed by long-term mortgage loans and sustained by continuous, adequate household income. For many, outright home ownership ensures a more comfortable and secure existence post retirement with a modest pension. The contingent conditions, both material and social, which have shaped the actual definition of the key relations and promoted home purchase include state sponsored urban expansion, a protected circuit of capital for home loans, skilled immigration and centrally regulated wage growth. Under optimal conditions, the Australian solution has generated very high rates of home purchase, especially during the 1920s, 1950s and 1960s. The later period can be considered the apex of the Australian solution. Since then the Australian model of home ownership has under gone many adaptations and revisions, leading to major reforms in the 1980s and more polarised outcomes by the turn of the century. Home ownership is no longer a feasible solution for the masses and a substantial minority of Australian households, comprising single and low-income households, have little choice but to remain in less secure, poorer quality, and lower social status housing with an uncertain post retirement future.

6.3.1 Existing Explanations for the Australian Housing Solution

Over the past thirty years there have been numerous attempts to explain the Australian ‘solution’ of low-density home ownership. This section reviews the ontological approach of this work, the explanations generated and the data presented. The ontological approach concerns the perception of how a housing system works; influencing the focus of the research, the level of analysis and type of conclusions made.

The ontological approaches of more than twenty different explanations for the Australian solution have been summarized in several tables, attached as Appendix 4. From this literature six major explanatory themes have been distilled:

- urban development and housing tenure is primarily an outcome of shifts in the mode of production;
- housing provision as a dynamic outcome of social relations in a contingent context;
- specific relations underpinning the Australian housing solution;
- arguments about the role of the state in housing promotion;
- policy analysis and normative critique; and finally,
- description reveals the process.

As can be seen from the Tables in Appendix 4, Australian housing and urban researchers have employed different ontological positions, some more complimentary than others, generating discernable fault lines in academic debate. The ‘solution’ of low-density home ownership has been analysed as a set of facts or events, as a story, or dominant set of political ideas, institutional arrangements, or social relations. It has also been examined as an outcome of process, a mode of production, or perceived as a wealth accumulating and distributing mechanism. To summarise, the key concepts that have been employed include:
- Social regulation, capital accumulation and structured coherence (Berry)
- Phase of capitalist development influencing mode of housing tenure (Mullins)
- Urban systems as interdependent, open and path dependent (Burnley)
- Housing outcomes contingently related to economic change (Bourassa, et al)
- Tenure as an outcome of class struggle over property rights (Williams)
- Key causal influences of change: shifts in financial investment (King) and technological development (Frost and Dingle)
- Dynamic, historically embedded outcome of shifting social relations (production orientated Hayward, investment orientated Dalton)
- Dominant ideology, with the state defining the form of housing consumed (Kemeny)
- Housing policy as a reaction to external crises (Pugh)
- The state as a distributor of risk amongst society (Yates)
- The city as a distributor of resources which are unevenly dispersed (Sandercock)
- Housing tenure as an expression of pluralist interests (Troy)
- Urban development can be explained by a set of patterns, facts or events (Neutze)

Stemming from these diverse ideas and concepts are different research strategies: testing, revising, and developing theories of explanation. Further, these strategies have influenced the object of analysis: economic and technological change, organisational relations and their contexts, key events, demographic change, dominant ideas, power resources of various actors, popular preferences, government policies, or administrative networks. Correspondingly, the data gathered by these studies has been assembled in different ways, structured by phases of development, highlighting shifting meaning in discourse, presented as a chronology of important events, a list of policy twists and turns or a scattergun of empirical data.

A number of important themes and approaches can be abstracted from these divergent explanatory approaches. Complimentary explanations give prominence to shifting modes of capitalist accumulation, place emphasis upon the social relations and institutions involved in the production, consumption and allocation of housing, and critically examine the role of the state in these different realms. Empiricist description, rather than explanation, is more likely to be found amongst relatively unstructured, non-theorised policy and outcomes focused research.

Over time, the research community, comprising academic researchers, policy consultants and public servants has emphasized certain issues, theories and methodologies to the neglect of others. Explanations have been subject to the influence of dominant housing ‘issues’. A normative, critical but un-theorised approach pervaded housing studies from the 1970s, highlighting the inequity of housing access and the role of the government in dispersing costs and benefits. During the 1980s, the political economists dominated the scene, restructuring historical description to highlight important economic transitions. More complex and sophisticated analyses, stemming from a variety of ontological and theoretical bases have since been employed in the 1990s (Greig, 1999, Dalton, 1999, Berry, 1998, Johnstone, 1994, Hayward, 1992).

There remain, however, significant gaps in the body of research. Exploration of the relationships between housing tenure, labour relations and the social security (Castles, 1997, Winter and Stone, 1998) is emerging as a new theme, yet only a limited connection has been
made between the home ownership and the property relations underpinning urban expansion (Hayward, 1992, Badcock, 1984, 1995).

6.4 Postulated Model of Causal Mechanisms

The proposed, postulated model draws selectively upon the spectrum of Australian urban and housing research outlined above and in Appendix 4. It is contended that more convincing explanations account for changes in home ownership in terms of the broader economic and social developments, recognize the unique institutions of the Australian state and define the social relations of housing through concrete research. These studies not only describe changes that have taken place in Australian housing history, but also explain why tenure patterns and urban forms have developed in such a unique manner.

Exemplary, recent work includes that of Dalton (1999) on home ownership policy, Berry (1998, 1994, 1983) on the development of the Australian city, and Hayward (1992) on the house building and land development industry. This work is briefly summarised in Appendix 4. Dalton provides the strongest most detailed analysis of the role of the state, as complex and differentiated, analysing the home ownership policymaking process during the 20th century. Berry (1998, 1994) examines the spatial implications of shifting modes of capital accumulation, organisation of work and class formation. Hayward (1992) provides a detailed historical analysis of the interactive social relations between housing producers and consumers, adapting Ball’s structure of housing provision approach to land development and house building in Australia.

Whilst there are important differences between the explanations of these researchers, together they offer a complementary suite of methodological and theoretical concepts. These include the notion of dynamic social relations of housing provision (Hayward, 1992, drawing upon Ball, 1988, 1986, 1983), a sensitive conception of the state as complex and differentiated (Dalton, 1999 drawing upon Berry, 1983 and Jessop, 1990, 1982), and the crises prone, contradictory process of capitalist accumulation (Berry, 1994, 1998, drawing upon Walker, 1978 and more recently Harvey, 1989 and the French Regulation school). In addition to the ontological basis of critical realism (outlined earlier and in preceding Chapters), these theoretical concepts will be utilised in the analysis of the Australian housing solution.

Figure 6.1: Useful theoretical concepts drawn from selected explanations

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The critical, social, political and economic analyses of Hayward (1992), Dalton (1999), and Berry (1998) respectively, point to a number of important phases in Australia’s housing history. Whilst there are differences in their definition and labelling of phases, all three authors agree that the foundations of the Australian housing solution were in place by the turn of the 19th century. Low-density home ownership was prevalent, aspired to by a wide cross section of Australian society and supported by conservative and Labour political parties. A subsequent period of consolidation, when key institutions supporting home ownership were established, generated rising rates of home ownership until the Great Depression in 1929. Homeownership rates rose once again, to an all time high by the mid 1960s. Public rental housing was also provided and managed by State landlords for low-income earners, whilst during the same period the private rental sector diminished. Yet, by the early 1970s, it is clear that the Australian housing solution for the ‘masses’ has entered a period of decline. Home ownership is becoming less accessible to a growing minority of low-income households and the private and public rental sector hosts an increasingly marginalized population. Most recently the Australian solution of mass home ownership, following a radical period of deregulation, appears to be entering a new phase of uncertainty.

6.4.1 Defining phases for analysis

In contrast to Hayward (1992), Berry (1998, 1994) and Dalton (1999), this study contends that shifting contingently defined emergent relations of property, savings and investment and labour and welfare relations define different phases in the development of the Australian housing solution. Based on this definition, phases of emergence (1840s-1906), acceleration (1907-1971), an intermediate period of deceleration and differentiation (1972-1985) and most recently, deregulation and reconfiguration (1983-2000) can be found. Each phase comprises a period of coherence in key relations supported by favourable contingent conditions, their contradiction leading to a crisis of provision, and adaptation facilitating a new phase of coherence. The subsequent Figure 6.2 provides an abstract illustration of the periods, key relations and the concepts of coherence, crises and adaptation.

First phase: Emergence 1840s to 1906

The first phase in the Australia home ownership trajectory begins with the establishment of private property rights via the sale of crown land and its’ distribution amongst numerous freeholders. The savings and loans mechanism to fund the purchase and construction of individual, owner occupied dwellings, was borrowed and adapted from the British model of building societies. Capacity to pay for such loans was bolstered by the privileged position of skilled labour in a rapidly growing mercantile economy. The ideal of home ownership was reinforced by the experience brought by migrants from the ‘motherland’ and the rhetoric of political, business and labour leaders. Important contingencies undermined the successful coherence of these social relations and led to the collapse of the property market, bankruptcy of the savings and loans mechanism, and unemployment. These were related to broader contingencies, including the severe down turn of commodity prices upon which mercantile

\(^{24}\)In earlier work Berry (1983) suggested that there have been four stages in Australian capitalism, influencing the development of Australian cities and housing forms. To define the time period for each phase, Berry uses the dominant form of class structure, relations between capital and labour. In contrast, this paper examines the causality of shifting property rights, savings and investment and labour and welfare. The phases defined in this paper emanate from major shifts housing outcomes, in order to expose their generative social relations and contingent conditions.
colonial cities depended, an end to the Gold Rush, collapse of the property market, and poor management of building society funds.

Second phase: Establishment and acceleration 1907-1971

Continuing crisis was only averted by the intervention of the commonwealth government in the sphere of banking, finance, wages and welfare. Specifically, intervention occurred in the regulation of wages, establishment of state owned savings banks and the refinement of rules and regulations for the allocation of mortgages, and later central regulation of state banks. This intervention did not occur in a vacuum, but was influenced by an important selection of contingent conditions. These included: the fiscal capacity of the state to sponsor infrastructure provision and promote urban expansion, at times low interest and modest inflation rates promoting buoyant economic conditions for the protected industrial and manufacturing sector and mass migration, with employment guaranteed under internal protectionism. During the latter half of this period, the zenith of the Australian housing solution was reached with ownership rates peaking at 71 percent. Nevertheless, the neat functional fit between key relations of provision and their contingent conditions was inevitably disrupted by the tumultuous monetary conditions of the early 1970s, which saw interest rates and unemployment sore, leading to a fiscal crisis of the state and the demise of state sponsored, cheaply financed and consumer driven urban expansion.

Third phase: An intermediate period of deceleration and decline 1971—1985

With the collapse of the monetary system and rise in the price of oil damaging the protected Australian manufacturing sector (Forster, 2000) and exacerbating government debt, the long boom of the 1950s and 1960s was over. The state sponsored process of expansionary urban development temporarily stalled. Interest rates and unemployment rose sharply, dampening consumer confidence and curtailing purchaser rates. Demographic factors also played a role suppressing demand; the baby boom was over, fertility rates had dropped and European migration slowed to a trickle. During this period, home ownership became less accessible to a growing minority of low-income households, whilst the underdeveloped private and minimal public rental sector hosted an increasingly marginalized low-income population. It became clear that the Australian housing solution was entering an intermediate period of deceleration and differentiation; throughout which indecision, coping and muddling through plagued housing policy and preceded more fundamental changes in the following phase.

Fourth phase: Towards dismantling and reconfiguration 1986-2000

The fourth phase, but by no means the last, gets under way in the in mid 1980s. With the deregulation of the entire Australian financial system, the protected circuit of capital for home loans threatens the survival of local banks facing foreign competition. In the context of escalating interest rates, the protected circuit is completely dismantled with little protest. Non-bank lenders enter the home loan market, creating fierce competition for traditional savings banks, eliciting a credit boom. Under more favourable economic conditions in the mid to late 1990s, consumer confidence returned and home purchase rates increased substantially amongst dual income households, pushing up housing prices in the major cities. Modest intervention to secure broader access to ownership were discredited and curtailed and there was little commitment to the development of affordable housing alternatives. Yet behind the euphoria lay a hidden crisis, as single income households were priced out of the Australian dream and young couples continued to delay their purchase plans.
Figure 6.2 Phases in the Australian housing solution: adaptation, coherence and crisis
6.4.2 Theorising the role of the state in the Australian housing solution

Throughout each phase, the state has established the rules for land markets and credit provision, channelled finance into home ownership finance, and more recently dismantled the protected circuit of mortgage capital. Changes in patterns of investment have been vulnerable to shifts in the global economy including the decline of commodity prices during the mercantile years of 1880s, the Great Depression, changing interest rates, monetary collapse, oil price shocks and deregulation of the protected financial sector. Residential investment has also shifted across different processes and tenures in housing provision moving away from the development of private rental terrace housing in the 1880s to largely detached home ownership since the 1920s. The strategic intervention of various social classes, their organisation and absence, has also influenced the system of housing provision over time in different ways. Early migrants were well resourced, skilled and well paid; able to afford what similar workers in the home country could only dream of. Skilled workers organised themselves under protective unions and were represented politically by the Australian Labour Party. Their negative experience of landlordism, led to the perception of home ownership as a route to working class emancipation. They neither acknowledged the distributive risks of commodified property relations nor appreciated the benefits of public landlordism. There was no space or demand for political parties to develop alternative tenures and no mass movement for demanding alternative modes of allocation. Absence, therefore, has a power of its own.

The treatment of the state and contingent relations, above, is insufficient and requires further expansion. Building upon the notion of housing tenure as the mediated outcome of contingently defined necessary relations, the role of state is one of mediation and regulation of property rights, capital investment, and welfare provisions. Following Jessop (1990) this form of regulation and mediation must be concretely researched to establish the unique form and role of the state.

Towards a more concrete treatment of the Australian case, Dalton (1999:60) extends the work of Berry (1983:110-111) to provide a typology of state interventions in the Australian system of housing provision. His framework of market supporting, supplementing and displacing forms of state intervention has been applied to the four proposed phases of emergence, acceleration, deceleration and decline, in Table 6.3.
<table>
<thead>
<tr>
<th>State form</th>
<th>Emergence</th>
<th>Acceleration</th>
<th>Decline</th>
<th>Reconfiguration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Supporting</strong></td>
<td>• Establish private property rights and allocate land to individuals</td>
<td>• Subsidise cost of infrastructure provision</td>
<td>• Cost of infrastructure provision transferred to land developers</td>
<td>• Deregulate centralised wage fixation processes</td>
</tr>
<tr>
<td></td>
<td>• Support system of Building societies as a means to save and invest in housing</td>
<td>• No tax on capital gains or imputed rent</td>
<td>• Improve urban amenity</td>
<td>• Privatise social security provision</td>
</tr>
<tr>
<td><strong>Supplementing</strong></td>
<td>• Subsidise suburban expansion</td>
<td>• Plan and co-ordinate urban expansion</td>
<td>• Target public housing to those who cannot afford home ownership</td>
<td>• User pays principles in infrastructure provision</td>
</tr>
<tr>
<td></td>
<td>• Expand role of State banks in home finance</td>
<td>• Develop housing estates to attract large industrial complexes</td>
<td>• Provide mortgage assistance and permit tax deduction of mortgage interest</td>
<td>• Promote consolidation and permit denser housing forms</td>
</tr>
<tr>
<td></td>
<td>• Regulate investment and establishment of credit foncier mortgages</td>
<td>• Establish home loans insurance corporation to protect banks and broaden loan access</td>
<td>• Expand system of income transfers to cope with economic restructuring and declining purchasing power</td>
<td>• Removal of interest rate controls</td>
</tr>
<tr>
<td></td>
<td>• Ration finance for certain households and forms of housing consumption</td>
<td>• Interest rate controls and restrictions channelling finance</td>
<td>• Mortgage assistance</td>
<td>• Privatisation of land commissions</td>
</tr>
<tr>
<td></td>
<td>• Target finance to those able to pay</td>
<td>• Mortgage assistance</td>
<td>• Target public housing to those who cannot afford home ownership</td>
<td>• Privatisation of loan insurance corporation</td>
</tr>
<tr>
<td><strong>Replacing</strong></td>
<td>• Regulation of wages and conditions</td>
<td>• Regulate rents and prices</td>
<td>• Attempt to establish land commissions</td>
<td>• Limit expansion of public housing</td>
</tr>
<tr>
<td></td>
<td>• Establish universal, needs based pension system collectively funded</td>
<td>• Provide public housing for those who want it</td>
<td></td>
<td>• Fiscal incentives for investment in private rental accommodation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Decline of targeted home ownership schemes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Provide minimal rent assistance, target and monitor income support</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Force wage earners to save for their own social security</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Give cash grants to first home buyers</td>
</tr>
</tbody>
</table>
There are limitations of such a state centred approach. Dalton (1999) does not abstract the contingent relations that may influence state roles, in his state-centred analysis of policymaking and home ownership. Beyond the role of the state, it is also very important to examine the key (state regulated) social relations underlying provision and their concrete definition. The state may provide an important regulatory and sometimes economic context for housing provision, yet the actual production, allocation and consumption relies upon much broader property, investment, and household relations mediated by those with the state and capital.

6.5 Analysis and Contrast of Different Phases in the Australian Housing Solution

To summarise, the main features of the proposed explanatory model are strategic historical analysis, which contrasts different phases in the development of the housing solution, and examines periods of adaptation, coherence and conflict between underlying property, financial and welfare relations, in their contingent context, towards an explanation of housing outcomes.

Moving forward with this proposed explanatory model, the following section begins to apply the approach by addressing following set of questions for each phase of the Australian housing solution:

- How were the property relations contingently defined during each phase of development in the Australian mode of housing provision? How did this definition influence the development of land for housing?

- How were the savings and investment relations contingently defined during each phase of development in the Australian mode of housing provision? How did this definition influence investment and production of dwellings?

- How were the labour and welfare relations contingently defined during each phase of development in the Australian mode of housing provision? How did this definition influence the consumption of housing?

- How did property, savings and investment, and labour and welfare relations interact with each other and endogenous factors in each phase to influence the mode of provision?

What follows is an empirical illustration of four phases in the development of the Australian housing solution.
6.5.1 Emergence and Establishment 1840-1906

Outline of key events and housing outcomes

The most significant period in Australian housing history is the earliest period of European colonial settlement: when important foundations of home ownership: private property rights, individual mortgage finance and subsidised infrastructure provision were established. These basic structures provided the framework upon which all future adaptations have been hung.

Home ownership came to dominate the Australian system of housing provision at early stage. A staggering 41 percent of the 473,000 Melbourne households owned their home by 1890 (Frost and Dingle, 1995). Nationally, ownership was widespread amongst diverse occupational classes, with 44 percent of unskilled workers and 53 percent professional and managerial elites owning or purchasing their homes by 1888/9 (Davison, 1981, Hayward, 1992). Both inside and out, homes were more spacious and better serviced than those of equivalent households residing in 'Old World' cities (Frost, 1991:126). Renting was also widespread, but increasingly unpopular.

The aspirations of settlers and mass evictions during the 1880s left a marked impression on the growing and influential labour movement. Following Federation in 1901, nationalism fuelled the desire to own a stake in one’s new country and secure freedom from the parasitic landlord. The following Table provides a brief overview of key events in early housing history.

<table>
<thead>
<tr>
<th>Event</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Violent dispossession of indigenous Aboriginal population by European colonialists</td>
<td>1788-</td>
</tr>
<tr>
<td>Establishment of a system of private property rights by the colonial administration</td>
<td>1800</td>
</tr>
<tr>
<td>Land sales by the Crown to free settlers</td>
<td>1840s</td>
</tr>
<tr>
<td>State promoted land settlement and migration of skilled, resourced free settlers.</td>
<td>1840s</td>
</tr>
<tr>
<td>Establishment of building societies to channel savings into home ownership</td>
<td>1847-</td>
</tr>
<tr>
<td>Gold rush, excess capital channelled into property and construction</td>
<td>1850-1880</td>
</tr>
<tr>
<td>State system established for taxing land owners and registering land exchange</td>
<td>1858-</td>
</tr>
<tr>
<td>State sponsored infrastructure provision</td>
<td>1890s</td>
</tr>
<tr>
<td>Collapse of the property market and bust of private banks and building societies</td>
<td>1890s</td>
</tr>
<tr>
<td>Mass evictions and repossessions of property</td>
<td>1890s</td>
</tr>
<tr>
<td>Organisation of labour movement, formation of Labour party</td>
<td>1890s</td>
</tr>
<tr>
<td>Federation and nationalism, male adult franchise</td>
<td>1901</td>
</tr>
</tbody>
</table>

The description of housing outcomes, outlined above, requires further explanation, as Hayward makes clear:

*home ownership rates in themselves mean very little... to understand the costs of benefits and constraints that are attached to home ownership it is necessary to understand the relations between the variety of agents associated with the provision of housing for home ownership (Hayward, 1992:203).*

So why did Australians go down the *ownership* path when renting was the norm in the 'Old World', and when countries such as The Netherlands took a markedly different approach to housing their working class?
Examples of coherent relations, contingently defined during the period of emergence

Following the process of abduction outlined in Chapter 3 (section 3.3) the following paragraphs use the ideas and concepts outlined in Chapter 5 and section 6.4 to produce a new description for analysis. This section illustrates how property, finance and welfare relations were contingently defined during this early phase of emergence, to form a unique and coherent system of housing provision, which was disrupted by strategic contingent conditions.

Contingently defined property relations

Australian cities were initially founded during a wave of European industrialisation and colonisation. The administering colonial armies possessed considerable experience in establishing new towns. Their land surveyors were trained to value and implement principles of social order, civility and facilitate the administration of trade, using symmetry, balance and regularity in street patterns and lot sizes. All Australian cities are based on a colonial grid, and located to maximise their economic potential (Proudfoot, 2000:12-13).

Settlement became highly concentrated in cities and towns. Indeed, by the turn of century Australia was considered to be one of the most urbanized countries in the world.25 This concentration was reinforced by the role of cities as ports and administrative centres for the export of wool and wheat and import of goods and materials to facilitate the establishment of the colony. By 1891, 42 percent of Victoria's population resided in Melbourne, higher than Sydney with 34 percent of New South Wales' population.26

Having assumed imperial ownership by the Crown, the colonial governors quickly established a system of property relations: claiming lands in the name of the Crown, legalising squatters claims, establishing a system of land title and permitting their legal exchange and undertaking massive and rapid land auctions. These events promoted individual land ownership, increased certainty for financiers, removed barriers to small-scale private rental investment and reduced the cost of land transactions (Dalton, 1999:95).27

Critically, only a narrow elite benefited from the sale of land surrounding trading ports during the 1840s, just prior to the discovery of gold and mass immigration of prospectors. Large tracts of developable land passed into the hands of very few. In his study of early land purchasers, Hayward provides a vivid description of the land market during this period.

_The original purchasers of the land, being wealthy merchants, professionals or recent immigrants, had no interest in encouraging or engaging in residential construction activity themselves... but could afford to use their land holdings either as long term investments, or, if the situation so arose, as a means of making short-term speculative or developmental gains through sub-division and sale (Hayward, 1992:180)._
With the establishment of municipal governments in the 1840s\(^{28}\) and the introduction of a local land tax, such owners were discouraged from holding land. Subsequently, many released land onto the market the size of existing suburbs. Parcels were sold to other speculators, who further subdivided land into streets of residential lots for purchase by owner builders.

Whilst the core of many cities was indeed orderly and planned, beyond the central streets grew a jumble of "crowded, tightly built, badly serviced terrace precincts" (Proudfoot, 2000:18). These areas were developed when the organs for delivering basic infrastructure were yet to be established. By the time dedicated state agencies were launched, the image of these ‘unhealthy’ inner precincts persuaded those with additional resources to seek more spacious allotments in the outer areas, serviced by new lines of trams and trains.

Suburban development and land price speculation was further driven by the enormous flow of capital from the 1850s Gold Rush and the role of the state in providing physical infrastructure. A bold program of rail development during the 1860s and 80s, connected ports and lightly populated areas to cities, which under conditions of excess capital (winnings from the gold fields, mass migration and growing commodity trade) facilitated an extraordinary building boom. Roads, rail, water, sewerage and later electricity and communication services were financed by government borrowings and taxation revenue. This strategic public investment secured and subsidised the development of expanding suburbs. Thus began the process of publicly sponsored suburban sprawl of major cities. The demand for urban expansion heightened with the arrival of migrants from England, many seeking wealth in the nearby gold fields, and the employment in local industries (some protected by government tariffs).

The pattern of land ownership influenced the form of housing production, quality and price in different areas. Owner builders, contract builders, speculative jerry-builders or master builders, dominated different suburbs. By the 1880s, low-density speculative commuter suburbs were created around railway stations at some distance from the central city (Frost and Dingle, 1995:25). During this founding period the transition from controlled convict settlements, based on order and control, to the laissez fair sprawl of a booming mercantile metropolis was complete.

Yet, falling international commodity prices and the inevitable end of the Gold Rush, thrust colonial Australia into deep economic depression leading to the collapse of the property market and the financial ruin of a wide range of investors, including private banks and Building Societies. As investors tried to recoup their assets, rent hikes, evictions and overcrowding became the norm for half the population. A long period of unemployment, industrial unrest and under investment continued until well after Federation in 1901, leading to poor housing conditions and shortages.

\(^{28}\) Melbourne and Sydney were both incorporated as municipalities in 1842 and Adelaide in 1840. For Melburnians, incorporation was perceived as a move for independence from convict-burdened New South Wales, whilst Sydney dwellers hopeless resisted the shifting tax burden from the larger colonial government (Davison and May, 1992:6).
Contingently defined savings and investment relations

In addition to the property relations supporting home ownership defined above, the relations between savers and investors were also defined in such as way as to support individual home purchase. The financial relations of housing provision in the new colony were subject to investment constraints and opportunities offered by the imperial Governors administration, growing local markets and trading partners in the ‘Old World’. Adapted from the British model, privately owned financial intermediaries known as Building Societies provided an early vehicle for the recycling of local savings into home loans for members. These institutions were regulated by the Colonial administration (operating from Sydney) in 1847 to channel investment into residential development.

Likely members would have included new settlers, with skills in high demand, which brought reasonable levels of capital to the colony. The high cost of passage discouraged migration of the poor; thus more affluent, skilled migrants were the norm (Frost and Dingle, 1995). The restrictive lending practices of Building Societies required that borrowers first owned the land they purchased and subsequently occupied the dwelling produced, institutionalising the link between individual land ownership and access to capital. The high deposit threshold greatly restricted access to less wealthy borrowers and minimized risks for the Building Society.

Drawing upon the work of Butlin (1964), Hayward quotes:

Money would only be lent for house construction on the condition that the borrower could prove that not only the ownership of land, but also the erection of house walls. In addition the full interest costs of the loan had to be repaid irrespective of whether the loan was repaid earlier than was required. These conditions clearly favoured owner builders, and represented an important obstacle to the formation of speculative building firms (Butlin, 1964 in Hayward, 1992:189).

To repay the loan within the necessary five to seven years, owner builders often became accidental landlords, purchasing a larger parcel of land for the development of terrace housing. They constructed a row of houses, one for themselves and the others for rent, with the profits derived from renting channelled into mortgage repayments. Today, this form of housing provides a distinctive character to the inner cities of Melbourne, Sydney and Adelaide.

With the relaxation of financial requirements in 1882, individual households were encouraged to borrow for housing purchase. Again, much of the capital required for purchase was provided by Building Societies and also private banks, which provided up to two thirds of the cash required. This was directed towards workers with sufficient assets, able to pay regular mortgage payments over seven to twelve years, at a cost of about one quarter of average skilled wages (Frost, 1991:119-120). For the first time, builders did not have to own the land they built on. Builders and purchasers could form contractual arrangements for the staged payments of construction. Thus another linkage in the system of mass home ownership was set in place (albeit not firmly at this point).

Some builders tried to reap rewards by building in advance of purchase (speculative building), or by jerry building, cutting standards and adopting more efficient building techniques. Technological advances in the building process and materials, such as balloon frames and galvanised iron roofing reduced a builder’s dependence on costly skilled labour (Hayward,
1992:186). Such dwellings were often intended for the growing working class employed in one of the protected manufacturing industries. Nevertheless, labour shortages and craft associations generally sustained high labour costs and quality. Well-organised unions restricted the entry of less skilled workers and influenced standards of construction and specialisation (Dingle and Merret, 1972).

Small building companies were dependent upon landowners for work, contracting a handful of specialised skilled craftsmen to complete commissions. As mentioned above, builders were initially reliant on short-term credit under conditions of regulated labour, thus standard designs and quick production techniques were keenly adopted. Conversely, larger master builders built custom designed mansions for wealthy elite, and employed a hierarchy of skilled tradesmen.

Unlike their British counterparts, Building Societies were permitted to buy and sell mortgaged freehold and leasehold land with member reserves. During the land boom of the 1880s Building Society funds were increasingly channelled into speculative land and housing development. Farms on the fringes of the cities were purchased at inflated prices and converted into building allotments or estate companies that flooded the market and remained vacant for years to come. These actions were generated by the Building Societies blind commitment to a home for all, a false belief in the security of land as an investment and, most importantly, their corrupt administration (Cannon, 1995:18-20).

An externally and internally driven property crash inevitably led to the collapse of many Building Societies. Some were dependent upon larger financial institutions and when they raised their interest rates and called in overdrafts the situation rapidly deteriorated for the Society sector. Public mistrust was fuelled by bank closures, and led to a run on all banking institutions in the early 1890s. Repossessions of homes from defaulting purchasers forced many into the rental sector or onto the street.

Contingently defined labour and welfare relations

The capacity to pay for home ownership and lack of alternative options played a key role in defining the relationship between households and the consumption of housing services during the period of emergence of the Australian housing solution. As mentioned, for many new settlers a house and garden was a dream in the ‘Old World’ that became an economically feasible reality in Australia. Further, the high cost of emigration discouraged low-income groups from taking passage. The nature of work and low labour intensity of farming attracted a strong city based, mercantile class with a high disposable income. Workers were more likely to be engaged in commercial services for the export and manufacturing sectors than the lower paid labour intensive industrial sector (Frost 1991:114-5, Frost and Dingle, 1995:23).

There was a shortage of unskilled labour to construct new homes, and building workers in Australia could earn twice as much per week as in Britain. Comparatively, the incomes of new settlers were high, rising and relatively evenly distributed. They sustained high housing expectations and boosted demand for new, quality housing (Frost, 1991:114-115, 123, Frost and Dingle, 1995:23). 29

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29 Nevertheless, mortgage payments were usually higher than rents, and in Adelaide absorbed around 31 percent of average unskilled wages (Frost and Dingle, 1994:24 sources Adelaide Advertiser, 1881).
Lower housing purchase costs, due to labour saving construction methods, promoted affordable access and enabled escape from overcrowded poor quality housing in the city centre. Declining cost of materials and innovation in construction: balloon frame, light weight galvanised iron roofs, mechanised brick building processes, prefabricated plaster and joinery work, limited the range to straightforward ‘pattern book’ designs. Innovations in materials, despite high wages, kept the cost of building new houses within the reach of working class households (Frost, 1991). By the mid to late nineteenth century, home ownership was prevalent across the spectrum of Melbourne society, and noticeably amongst the working classes, as illustrated in Table 6.4 below:

Table 6.4: Home ownership rates by occupations, Melbourne, 1888/9

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Home ownership rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional and managerial</td>
<td>53</td>
</tr>
<tr>
<td>Shopkeepers and independent trade</td>
<td>54</td>
</tr>
<tr>
<td>Clerks and shop assistants</td>
<td>46</td>
</tr>
<tr>
<td>Artisans</td>
<td>48</td>
</tr>
<tr>
<td>Service and unskilled</td>
<td>44</td>
</tr>
<tr>
<td>Not in workforce</td>
<td>54</td>
</tr>
<tr>
<td>Miscellaneous and unknown</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Davison, 1981:184 in Hayward, 1992:207

However, with the economic depression of the 1890s followed by the WWI, housing shortages and high rents forced almost 40 per cent of new migrants to live in canvas tents and temporary sheds (Coghan, 1969:2124 in Williams, 1984). Others were evicted from rental accommodation or lost their homes through defaulting mortgages.

Synthesising key relations in their contingent context

The housing outcomes generated during this emergent phase (1850 and 1906) in the development of the Australian housing solution were notable for the inclusion of wide spread home ownership and absence of large scale investors in the private rental sector. The key relations of property, investment/savings and labour relations worked together to generate this outcome under favourable contingent conditions for a time. These included the promotion of individual land ownership underpinned by the existence of freehold property rights promoting speculative land market exchanging small parcels of land subdivided, with substantial capital gains, from larger pastoral and raw tracts. The new colonial state and entrepreneurial transport companies played an increasingly important role the provision of infrastructure, sponsoring and supporting suburban expansion. This infrastructure, incidentally subsidised the cost of urban development, reducing the real cost of land. The emergent Australian solution was financed via deposit secured mortgages, with collateral provided by land title, from Building Societies and Banks. These institutions were reliant on the savings of members and returns on investments, which were primarily in real estate. Australian Building Societies were an adaptation of the British model, and provided credit for owner builders and later purchasers of housing. Further, the capacity of households to save in a booming mercantile economy and favourable labour market was strong. The actual circuits of investment and consumption, building on the conceptual discussion in Chapter 5 (section 5.2.3) and empirical evidence presented in this section, are depicted in abstract terms in the following Figure 6.3.

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However, firstly it should be noted that this Figure, as with those in the remainder of this Chapter, depicts an abstraction from complex, multi-dimensional reality. Abstraction enables key relationships in the mode of provision to be more clearly seen. More extensive connections between the mortgage banks and the capital market and tenants to the labour market are not shown, *but are assumed and discussed in the surrounding text.*

![Diagram](attachment://image.png)

*Figure 6.3 Abstraction of the flow of capital during emergent phase of the Australian housing solution (1850-1906)*

As depicted above by the star shaped explosions, this coherent form of provision was undermined by a *cumulative series of crises* in the land, finance, labour and inevitably housing markets. These crises emanated from a much wider economic depression during the 1890s caused by the collapse of international commodity trade and the end of the Gold Rush. A crisis of *investment* followed, leading to the collapse of the *over heated property market* (1), which seriously affected the *financial position of building societies*, who had speculated heavily in this market with members reserves and were largely responsible for directing their savings into mortgages for home ownership. As banks and building societies collapsed (2), many subscribers lost their entire savings during this period. *Unemployment and loss of income* prevented the continuous payment of mortgage premiums (3) and the homes of many borrowers were repossessed in a *deflating market*. As house prices plummeted, investment flowed into the less risky rental sector. Indeed, for a short period renting was more affordable than ownership. Yet as rents rose amid scarcity there were many evictions and considerable social unrest. From its earlier established base in the union movement, the Labour Party was formed and took office in government (an international first). The dream of home ownership became intertwined with the ideology of nationalism, egalitarianism and emancipation of the working class from suppressive landlord relations. This was the beginning of a new phase of adaptation in the Australian housing solution.
6.5.2 Establishment and Acceleration 1907-1970

Outline of key events and housing outcomes

To ameliorate the housing crisis, governments laid out the directions of future urban expansion, greatly assisted by the State banks. These banks not only financed home purchase but specified desirable construction costs, preferred house plans and promoted and developed model suburbs. Government authorities provided important infrastructure such as roads, electricity, communications, sewerage and water connections. By 1933, despite the Great Depression, home owner-purchase rates reached 49 percent in Melbourne, with even higher rates recorded in the rural areas and the major capital cities of Brisbane (59 percent), Adelaide (52 percent) and Perth (55 percent) (Williams, 1984:181-186, Troy, 1991:2, Frost and Dingle 1995:31). However, the states activities were severely curtailed by the Great Depression. During this period, many home purchasers were forced to leave their homes following mortgage default. A housing crisis continued throughout WWII, and only recovered under favourable political and economic conditions. To overcome housing shortages caused by a dearth of investment during the Depression and WWII, the Commonwealth (in partnership with regional State governments) embarked on a major program of public housing production in 1945. Such housing, initially built for renting, was sold at heavily discounted prices from 1953. The 1950s was a period when the vested interests in home ownership narrowed politically feasible options and undermined the sustained development of alternative housing tenures.

The following key events emerged during the adaptation of property, finance and welfare relations during the period of accelerated home ownership:

<table>
<thead>
<tr>
<th>Event</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>System for regulating wage labour introduced</td>
<td>1907</td>
</tr>
<tr>
<td>State banks take over home finance role and introduce credit foncier mortgage</td>
<td>1910</td>
</tr>
<tr>
<td>Subsidised finance for veterans of World War I</td>
<td>1918</td>
</tr>
<tr>
<td>State banks finance, design and produce model suburbs for working households</td>
<td>1920s</td>
</tr>
<tr>
<td>Severe economic depression, again mass evictions and repossessions</td>
<td>1929-1933</td>
</tr>
<tr>
<td>Pent up demand following Great Depression and WWII</td>
<td>1945</td>
</tr>
<tr>
<td>Commonwealth government implements Keynesian economic program</td>
<td>1945</td>
</tr>
<tr>
<td>Central bank regulates housing interest rate and reserve deposit ratios</td>
<td>1945</td>
</tr>
<tr>
<td>Commonwealth State Housing Agreement (CSHA) funds public rental housing</td>
<td>1945</td>
</tr>
<tr>
<td>Mass immigration of working class migrants</td>
<td>1950s</td>
</tr>
<tr>
<td>Stable secure employment growth, rising wages</td>
<td>1950s</td>
</tr>
<tr>
<td>Relocation of industry to the suburbs</td>
<td>1950s-60s</td>
</tr>
<tr>
<td>New CSHA emphasises home ownership and sells public housing at discounted prices</td>
<td>1953</td>
</tr>
<tr>
<td>State subsidised expansion of suburbs</td>
<td>1950s</td>
</tr>
<tr>
<td>CSHA funds diverted to co-operative credit societies</td>
<td>mid 1950</td>
</tr>
<tr>
<td>Establishment of Home Loans Insurance Corporation</td>
<td>1965</td>
</tr>
<tr>
<td>Deposit assistance via Home Savings Grant program</td>
<td>1965</td>
</tr>
</tbody>
</table>
The rising entry of new purchasers to the home ownership sector is clearly visible in Table 6.5 below. From 1947 to 1966, rising prosperity and cheap finance facilitated strong growth in the rate of ownership. Many new owners moved across from the private rental sector. Public renters were also encouraged to become owners via heavily discounted prices of public rental stock.

**Table 6.5: Australian housing tenure 1947-1976**

<table>
<thead>
<tr>
<th>Housing tenure</th>
<th>Units</th>
<th>1947</th>
<th>1954</th>
<th>1961</th>
<th>1966</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner without a mortgage</td>
<td>%</td>
<td>44.7</td>
<td>47.9</td>
<td>47.5</td>
<td></td>
</tr>
<tr>
<td>Owner with a mortgage</td>
<td>%</td>
<td>7.9</td>
<td>15.1</td>
<td>22.8</td>
<td></td>
</tr>
<tr>
<td>Total owner</td>
<td>%</td>
<td>52.6</td>
<td>63.0</td>
<td>69.9</td>
<td>71.4</td>
</tr>
<tr>
<td>Public Renter</td>
<td>%</td>
<td>4.2</td>
<td>4.2</td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td>Private renter</td>
<td>%</td>
<td>29.9</td>
<td>23.2</td>
<td>21.5</td>
<td></td>
</tr>
<tr>
<td>Total renter</td>
<td>%</td>
<td>43.4</td>
<td>34.1</td>
<td>27.4</td>
<td>26.7</td>
</tr>
<tr>
<td>Other</td>
<td>%</td>
<td>4.0</td>
<td>2.9</td>
<td>2.6</td>
<td>1.9</td>
</tr>
</tbody>
</table>

*Source: ABS Population and Housing census, various years in Neutze, 1981:153*

Examples of coherent relations, contingently defined during the period of acceleration

The following paragraphs illustrate how property, finance and welfare relations were contingently adapted and repackaged following a long economic crisis, to promote accelerated rates of home purchase.

**Contingently defined property relations**

The laissez faire property relations established in the 1840s were modified by actions of the Savings Banks in the 1920s and following WWII, the implementation of Keynesian economic policy and state led urban planning in the context of rapid industrialisation.

Following Federation (1901) and the return of WWI soldiers, the Labour party had spoken passionately about the individual ownership of land as a basic foundation of civil society. Thus private property rights remained untouched, despite the problems of speculation and a campaign against exploitation by slum landlords. Labour came to power in 1910, forming the first trade union based government in the world. They created a new and important role for the State Saving Banks, which were able to define the type of dwellings to be financed and even prepare and develop model suburbs such as Garden City in Melbourne. By tightly controlling both allocation of loans and the type of investment, State Savings Banks could minimise their own risks.

Following WWII, governments planned the expansion of metropolitan areas, developed extensive cottage estates on the suburban fringe and redeveloped inner city slums. The Commonwealth government enforced the development of metropolitan plans at the State level for the private development of land. Government priorities for inner areas during this period included the improvement and redevelopment of rental housing (McLoughlin, 1993:40, re 1954 Melbourne Plan). In 1961, the Victorian government actively sought sites for the

32 In 1954 the Melbourne Metropolitan Board of works developed plans for the city’s expansion, laying out future freeways and growth areas, in easily developable areas, which largely served as speculators guides for the astute land purchaser.
development of public housing, surveying inner city areas, designating slums, repossessing property and redeveloping whole neighbourhoods with high-rise public housing estates.

Despite these initiatives (model estates, urban plans), property relations remained highly commodified and ownership largely rested in the hands of non-state agencies and interests. In some areas a single speculative builder developed an entire suburb producing monotonous, standardised housing estates. In other suburbs, contract builders who were commissioned by individual land purchasers produced a more varied urban landscape. The primary efforts of the state focused upon the use of the finance system as a vehicle for intervention in the housing market and supported both these modes of construction.

*Contingently defined savings and investment relations*

During this phase, we can also see signs of adaptation towards coherence in the realm of *savings and investment*. The crisis of the 1890s forced many purchasers out of their homes and into the rental market. For a brief period, for the first time in decades, capital investment flowed into this tenure. However, this investment was curtailed by the high cost and shortage of materials with the onset of WWI, leading to widespread housing shortages, overcrowding and generally poor housing conditions. By 1900, investment in repairs and new housing was at its lowest in forty years, leading to a drastic housing shortage in 1910-11 (Williams, 1984:173).

So how were the financial relations adapted and repackaged to ameliorate the housing crisis? The state responded by improving the *security and stability of the financial system*: regulating Savings Banks to take over Building Societies role in home lending, and introducing assistance programs to facilitate ownership amongst working households.

In 1910, the Victorian parliament passed amendments to the Savings Bank Act, which enabled public banking institutions to provide finance for home purchase. Public housing, on the other hand, was to be provided by local government, but legislation to this effect failed in 1914 until 1920. From 1915 to 1923 the national Labour government, with the narrow support of the conservative opposition, established a tax on imputed rent: "on the grounds of equity between tenants and owners within the income tax system" (Williams, 1984:173). Speaking against the proposed tax, conservative parliamentarian E. Johnson, stressed the ideal of home ownership over renting:

> *Every inducement should be given to encourage men, especially working men, to get rid of the exactions of the landlords, and acquire their own homes. This sub-clause has a penalising tendency upon every person who endeavours to get a roof over his head far from the obnoxious visits of a landlord every Monday morning (Parliamentary Hansard, 1915, Vol.78: 6590 in Williams, 1984:192).*

Clearly home ownership was the tenure of preference. One of the most important pieces of legislation in the history of housing assistance is the Commonwealth War Service Homes Act, passed in 1918 (under Conservative leadership). This Act made provision for cheap loans to enable the rent-purchase of homes for returning soldiers and their dependents. The newly established State owned government Savings Banks became the primary vehicle for such loans.  

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However, measures such as the War Service Homes and state provided public housing built in the 1920s were insufficient to compete with the private sector and keep rents down (Williams, 1984:175). Housing shortages ensured pent up demand and escalating rents. During this period an Interstate Commission on the Basic Wage estimated considerable housing shortages across the major cities, including a 9,000 dwelling backlog in Melbourne. Yet state initiatives in rent control, public housing and home finance were patchy and limited. The Savings Banks continued to ration their loans for new homes at a specified cost and amortisation period to households within a narrow income range. The Commission argued for a national remedy involving the government at all levels.

During the late 1920s political pressure remained for a more expansive program to promote home ownership, particularly emanating from the conservative Nationalist party³⁴, who saw home owners as a new source of conservative votes (Williams, 1984:179). In opposition, Labour remained vocally supportive of home ownership. Parliamentarian Makin spoke of Labour’s desire to increase home ownership in order to release workers from "the grasping greed of the landlords", promote a better home life and improve citizenship standards. ³⁵ This stance was said to represent the expressed interests of the unions and workers’ self help movements.

However, the Great Depression arrived in 1928 and lasted for five gruelling years, stalling any united housing effort. Many workers, including those from the middle classes, lost paid employment, were evicted and/or had their homes repossessed. Those evicted included the returned soldiers assisted by the War Services Homes Act. ³⁶ As ownership levels fell, families shared their homes to cope with the burden of housing costs. Others organised and established the Unemployed Workers Movement to fight evictions by encircling homes to fend off the landlords’ thugs.

As a sign of financial shifts to come, a Royal Commission, held in 1936-1937, examined for the first time Australia’s monetary and banking system. In a dissenting opinion, future war time Prime Minister J B Chiffley gave an indication of his Keynesian economic policies in his dissenting opinion to the Commission.

Banking differs from any other form of business, because any action - good or bad - by a banking system affects almost every phase of national life. A banking policy should have one aim - service to the general good of the community. The making of profit is not necessary to such a policy. In my opinion the best service to the community can be given only by a banking system from which the profit motive is absent, and, this, in practice only by a system entirely under national control.³⁷

³⁴The Nationalist Party tried to court voters in an election pamphlet: "Reasons why you must vote Nationalist Home Lovers, because I am prepared to raise 20,000,000 pounds to ensure that every city and country dweller who desires to own his own house shall have the means to do so." advertisement, 1925. Also, in the Commonwealth parliament, a Nationalist Party member notes that former labour party voters in South Australia, once accommodated by a government home ownership scheme, turned their vote to the Nationalists, Commonwealth Parliamentary Debates, 1927, 116:602) in Williams, 1984:179
³⁶Bethune, 1978:274 in Williams, 1984:181
³⁷Quoted in Crough, G (1980) Money, work and social responsibility, Transnational Corporations Research Project, University of Sydney, Sydney, p3
The Commission recommended policies to curb the autonomy of banks and direct investment to improve economic management (Crough, 1980:9). However, all initiatives were set aside as international conflict in Europe and Asia dominated the attention of the Commonwealth government.

Nevertheless, Keynesian economic policy gathered momentum during and immediately after the WWII. Chifley took over Labour leadership in 1941 and committed the government to a massive program reforming the banking sector and establishing a major program of public works. These included the production of public housing to address the considerable post Depression and WWII backlog, financed under a Commonwealth State Housing Agreement (CSHA). The 1945 CSHA contributed 27 percent of new housing in the immediate post war period; primarily low-density dwellings in new suburbs close to growing industrial estates and higher density inner city apartments replacing designated slums.

A broad based, union initiated campaign to secure the right to housing (ACTU and AU, 1944) was transformed into a campaign for cheap housing finance dominated by the house building industry (Hayward, 1992, Dalton, 1999). Under Labour, home finance was regulated by the Reserve Bank, interest rates were fixed at 1 percent below the bond rate and minimum reserve deposit ratios were set. Savings banks were compelled to lend at favourable rates but, in return, were permitted to pay out lower rates of interest on savings accounts. Later, in 1964, mortgage insurance enabled banks to lend to a wider range of borrowers at a deeper loan to value ratio (90%) (Berry, Dalton, Engles, Whiting, 1999:8).

These actions created what became known as a ‘protected circuit of capital’, promoting and securing high levels of investment in home purchase. Following Labour’s Chifley and Evert governments, conservative coalition governments dominated federal politics for almost two decades. In a polarised political climate, they distanced themselves from Labour’s socialist housing program and diverted funds from public rental housing to establish co-operative housing societies. These co-operatives were linked to professional organisations and unions, which in turn nurtured a growing, middle class of home purchasers.

*Contingently defined labour and welfare relations*

The role of *wage levels in the capacity of households to purchase* their homes was a subject of debate in the early period of adaptation of this second phase. Workers campaigning for better living standards had become far more organised, unionised and struck in key industries: shipping, mining and farming.

Pacification came in the form of assistance for war veterans and later working households to purchase homes, as mentioned above. Importantly, a centralised system of wage arbitration was established during the late 1800s and the establishment of a universal, collectively financed and needs based system of social security from 1909. A contributing wage case, known as the Harvest Judgement (1907), developed principles that *acknowledged the cost of home purchase in setting male wage levels*. This centralised system became an important institution for determining the level of the male wage, affecting the ability of working households to afford home ownership. Yet without work, as during the Great Depression, neither rents nor mortgages could be paid and once again, many lost their homes.

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38 During the 1920s Commonwealth Royal Commission in the Basic Wages specifically blamed poor housing conditions for this industrial unrest. It concluded that wage rises were simply being absorbed by rising rents in
During the 1950s the capacity of households to purchase housing services on a single male income increased. It was a time of strong economic growth, rapid industrialisation and once again immigration from the ‘Old World’. The Commonwealth government’s protectionist economic policies required imports to be replaced by locally produced products. International companies settled ‘behind the tariff walls’ in the middle and outer suburbs of large Australian cities. This decentralisation of job opportunities reinforced continuing suburban expansion.

Immigration, near full employment, and rising wages also boosted demand for new homes. Farms on the edge of the city were converted into new suburbs, by state housing agencies, speculative developers and home purchasers. These suburbs, laid out by regional planning authorities, were accessible by car, closer to new work opportunities and serviced by state and locally provided infrastructure. Secure jobs and rising incomes spurred demand for new housing production and accelerated domestic consumption. New households filled their homes with consumer items produced locally in the protected manufacturing industries. By the end of the boom, a significant and politically powerful 70 to 73 percent of households in capital cities were purchasing, rather than renting, their own homes (Troy, 1991:2). During this period, no political party could afford to ignore the wishes of the homeowner.

**Synthesising key relations in their contingent context**

Once again, drawing upon the empirical evidence above and concepts outlined in Chapter 5, the following Figure 6.4 attempts to abstract and synthesize the key property, investment/savings and labour/welfare relations underpinning the consolidation and acceleration of the Australian solution of home ownership (1907-1971).

During this period the Commonwealth government intervened to address the shortage of housing investment and established a key presence and role in housing finance via national and State agencies (1). State banks under Commonwealth direction replaced the home lending role once played by Building Societies. They issued targeted, capped and conditional loans for approved housing plans and engaged in land development of entire suburbs, thereby minimising their own risks and managing housing market outcomes. Following pent up demand, home purchase rates increased rapidly during the 1920s and subsequently many suburbs were developed on land dormant since the 1890 property crash via speculative building activity, until the Great Depression. After WWII, the volume and cost of home finance became regulated by the Reserve Bank. Interest rates were fixed at 1 percent below the bond rate and minimum reserve deposit ratios were set. Savings banks were compelled to lend at favourable rates but in return were permitted to pay out lower rates of interest on savings accounts. This agreement became known as the protected circuit of capital in the housing market. Further, The Home Loans Insurance Corporation was established to improve and widen access amongst low to middle income households to housing credit (3).

For a brief period, a new sector of publicly commissioned and managed rental housing was sponsored by Commonwealth and State governments, to renew dilapidated areas and provide

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the exploitative rental sector. At the time, the Labour Daily argued that a healthy, able and happy workforce could not be reproduced under such poor housing conditions. The labour movement raised the concept of a national housing scheme for all workers to secure their own home. 38

39 New suburbs established in areas that had remained ‘dormant’ since the 1890s land bust.
cheap workers housing. Yet, with economic stability and growth restored after the Depression and WWII, home ownership quickly resumed its dominance in the 1950s.

In 1956 private banks entered the home loans market and supported a long boom generated by industrial protectionism, migration and growth in household wealth. State and municipal governments continued to provide physical and social infrastructure to support urban expansion. Regional planning agencies took over the strategic planning role from individual municipalities and metropolitan planning provided guidelines for developers active on the urban fringe, further promoting expansion and speculation in the land market. During the long boom, coupled with the protected circuit and state sponsored infrastructure, strong stable employment and conditions supported rising purchase rates and sprawling expansion of cities until the early 1970s.

![Protected circuit](image)

*Figure 6.4 Abstraction of the flow of capital during acceleration of the Australian housing solution (1907-1971)*

Yet coherence was not sustained under conditions of rising unemployment and the increasing cost of building, which undermined capacity to pay and delayed new purchases (4). Further monetary conditions and welfare demands affecting state finances diminished the capacity of the State and local government to continue sponsoring urban expansion via the provision of infrastructure (5).
6.5.3 An Intermediate Period of Deceleration and Differentiation 1971-1985

Outline of key events and housing outcomes

This phase illustrates the significance of ‘counter-productive’ contingent relations in the actualisation of the Australian housing solution. Whilst the cornerstones of the Australian housing solution remained in place during this period, important contingencies such as high unemployment and stagnating wages eroded disposable incomes. High interest and increasing demands on the welfare state also undermined public investment in urban areas.

Key, defining events include:

- End of the long boom, economic decline and restructuring 1970s-
- Fiscal crisis of the regional and local state, inability to service urban expansion 1970s
- Increasing interest rates for home loans, declining affordability of purchase 1970s
- Govt. attempts to capture land betterment, impeded establishment of Land Commissions 1974-
- Rising levels of unemployment 4-11%, especially amongst blue collar workers and young job seekers 1972-1983
- Expansion of income support 1972-
- Reserve Bank advises removal of controls on home lending 1975
- Intermittent mortgage assistance and tax deductibility programs 1972-1983
- Uneven rise in house prices, favouring inner urban areas Late 70s, 80s
- Campbell inquiry recommends deregulation financial system 1981
- Union campaign for superannuation early 1980s
- Shortage of capital in project circuit early 1980s
- Economic recession and unemployment 1982-1983

A snapshot of housing outcomes, in terms of tenure distribution, can be derived from Table 6.6 below. One can see that the rate of new purchasers is beginning to fall, a trend that later continued in the 1980s. Public rental continues to provide only a small, now declining contribution to overall housing options.

Table 6.6: Housing tenure - 1971-1981

<table>
<thead>
<tr>
<th>Housing tenure</th>
<th>Units</th>
<th>1971</th>
<th>1976</th>
<th>1981*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner without a mortgage</td>
<td>%</td>
<td></td>
<td>31.5</td>
<td>33.2</td>
</tr>
<tr>
<td>Owner with a mortgage</td>
<td>%</td>
<td></td>
<td>35.1</td>
<td>33.0</td>
</tr>
<tr>
<td>Total owner</td>
<td>%</td>
<td>68.6</td>
<td>67.6</td>
<td>63.2</td>
</tr>
<tr>
<td>Public Renter</td>
<td>%</td>
<td>5.8</td>
<td>5.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Private renter</td>
<td>%</td>
<td>22.1</td>
<td>25.9</td>
<td>20.3</td>
</tr>
<tr>
<td>Total renter</td>
<td>%</td>
<td>27.9</td>
<td>30.9</td>
<td>25.2</td>
</tr>
<tr>
<td>Other</td>
<td>%</td>
<td>3.4</td>
<td>2.5</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Examples of coherent relations, contingently defined during the period of deceleration and differentiation

The following paragraphs illustrate how property, finance and welfare relations were contingently adapted and repackaged during the period of decelerating rates of home purchase and marginalisation of alternative tenures.

Contingently defined property relations

Important changes occurred in the role of the state in supporting private property development. To counter the expansionary and road dominated urban planning of the 1960s, urban consolidation emerged as a new theme in the 1970s. Various interests including Commonwealth and State planning agencies managing urban policy promoted consolidation above the dreaded image of a sprawling and hollow city. Denser cities, better utilising public infrastructure, especially transport, appealed to very different interests – environmental movements campaigning against the intrusion of freeways and urban sprawl into the green hinterland, cash strapped governments with high interest debts, and companies with investments in the central city, such as the large insurance giant Australian Mutual Provident (AMP). Nevertheless, the new policy, first promoted by the Commonwealth’s department of Urban and Regional Development, was met by institutional hostility amongst diverse instrumentalities at the State and local government level (Housing Commission, Road Construction Authority and various local councils) and corrupted by speculative property interests. The costs associated with government intervention and subsequent scandals undermined further interventionist planning efforts.

With insufficient resources, high rates of interest on borrowed debts, local and State governments were unable to keep pace with the provision of roads and drainage for subdivided land. This so-called crisis in collective consumption (Jakubowicz, 1984:150) pushed former public responsibilities into the lap of developers. Not only did this have the effect of increasing the price of land but shifted costs to landowners, buyers of sites and ultimately home purchasers. To make matters worse, many land developers left the market, further restricting supply and inflating house and land prices. The Commonwealth government attempted to establish public Land Commissions and Development Corporations to process raw land and moderate the price of new housing lots. It was frustrated in this task by existing landowners on the urban fringe with strong links to State politicians, upon which the Commonwealth was dependent to implement the new land policy. Further, corruption in the ranks of the executive played a role in discrediting State government activity in the land market. Appendix 5 provides a more detailed illustration of the relations sustaining the Australian system of property rights and the power of institutions opposing change.

In evaluating the effectiveness of the land commissions, Neutze (1978:83) argues that their limited funds to purchase in an already inflated land market had a limited impact on prices. The Land Commissions were unable to dominate the market and failed to even recover the cost of providing infrastructure.40

40 This fiscal crisis of the regional and local state continued to plague the urban development process well into the 1980s and 1990s, leading to radical calls for more denser cities, privatised infrastructure and new principles for raising regional taxes (DPUG, 1990, Briggs, 1992).
Contingently defined savings and investment relations

Contributing factors influencing the affordability of home purchase not only include purchase price and household income but also employment and mortgage conditions. Interest rates can stimulate or stifle affordability and home purchase rates. Job security promotes consumer confidence and purchasing propensity.

For most of the post war period, interest rates had been relatively low, around 4 percent, with stable low rates of inflation and almost full employment fuelling consumer confidence. Yet the long boom of the 1950s and 1960s was soon over with the collapse of the international monetary system in the early 1970s causing the end of low interest government loans and the rationing of capped home loans by stage savings banks. Soon after followed the first rise in the price of oil, seriously damaging the protected Australian manufacturing sector (Forster, 2000) leading to massive job cuts and subsequent social security demands, further exacerbating escalating government debt.

By the mid to late 1970s and well into the 1980s home loan interest rates and unemployment had risen dramatically. During the 1970s there were also attempts to change the financial relations of home ownership. Resistance was not in the form of popular movements or political parties, but emerged from major financial institutions. As early as 1975, the Reserve Bank was recommending an end to the regulation of home finance. The government took no action, avoiding possible electoral backlash. However, by 1978, senior government economists came to view the protected circuit as the cause, rather than the prevention, of declining home purchase affordability. Banks were constraining the volume of home mortgage finance released in the protected circuit. The Commonwealth intervened, lending 150 million dollars of its own funds to Savings Banks. Bank deposit ratios were also altered to free more finance. On the demand side, mortgage assistance and tax deductibility of interest was offered to first homebuyers until the early 1980s.

Stalled investment in the Australian economy and the actions of the banking sector, prompted the establishment of the industry dominated Campbell Inquiry (1981). The Inquiry argued the need for the wholesale deregulation of the financial system and more competition between financial institutions. Specifically, it recommended the removal of mortgage restrictions on Savings Banks. In the context of rising interest rates, Savings Banks began to shrink their home mortgage portfolio, tightly rationing the allocation of home loans during the early 1980s. Unemployment (13 percent) and high home loan interest rates (12.5 percent) peaked in 1983 and both were a major election issue.

Contingently defined labour and welfare relations

The relations of housing consumption were also changing during the 1970s. Throughout the period, there remained a strong preference for home ownership across occupational and income groupings. However, economic restructuring in the labour market created a considerable rise in unemployment amongst blue-collar workers.

Changes in household dynamics and expectations also influenced the capacity of households to consume services. The feminist movement facilitated the acceptance of female participation in the paid workforce. Birth control gave women the choice of smaller families and delayed marriage. Whilst housing prices rose faster than average earnings, two incomes kept ownership within reach. On the other hand, the rise in two income households priced
single income households out of the market (Wulff, 1992 and Yates, 1997 in Winter and Stone, 1998:8). Thus, during the 1970s, lower and single income earners had declining access to purchase. Conversely, those households who purchased in the 1950 and 1960s, stood to gain from rising property values, especially in desirable areas. High interest rates were every homeowner’s enemy, and they blamed governments – not the banks - for their sustained rise.

In the social rental sector, constrained public housing budgets, and continuing sales of the most desirable stock led to the targeting and marginalisation of public housing. Far from being homes for returning war heroes, public housing came to represent homes for the “idle ne’er-do-well, no-hopers, or the dregs of an achieving society” (McLoughlin, 1993:97).
Synthesising key relations in their contingent context

Once again, we can abstract and synthesize these contingently defined key relations of property, investment/savings and labour/welfare during this phase of deceleration in the Australian housing solution. Home ownership ceases to grow and we see sporadic rates of production, we also see a number of initial adaptations and looming threats. These adaptations address particular crises affecting the Australian solution and are depicted in abstract terms by Figure 6.5. Firstly, the Commonwealth government attempts to intervene in the highly commodified, freehold property market to moderate land price speculation by establishing public land corporations, but is stymied by entrenched property interests and corruption (1).

Land developers, in concert with subsidiary construction companies, continue to control supply of land and pace of new housing construction, greatly influencing both house prices and outcomes. After a long period of deflation, a crisis in collective consumption and stifled developments, land developers are forced to pay for the cost of infrastructure. However, this is largely passed on to new purchasers on the urban fringe via increased housing prices, generating affordability problems (2). The government attempts to boost production and improve affordability by further interventions in the protected circuit affecting home loans. To address the shortage of housing investment, the Commonwealth lends AU$150 million to state banks to issue home loans (3). These efforts are complimented by a brief period of mortgage interest deductibility (4).

Figure 6.5 Abstraction of the flow of capital during deceleration of the Australian housing solution (1971-1985)

Yet the protected circuit, the financial cornerstone of Australian home ownership is weakening. The regulation of mortgage interest comes under increasing scrutiny by advisors in the Reserve Bank and Treasury Department. An industry-dominated inquiry recommends abolition (5). Only electoral politics stalls removal of the protected circuit. Further wage growth stagnates and only the entrance of women onto the job market sustains home

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purchasing power. However, the housing choice of single income households begins to narrow (6).

6.5.4 Dismantling and Reconfiguration 1986-2000

Outline of key events and housing outcomes

This phase illustrates the significance of shifting the founding relations of housing provision. During this phase the neat functional fit, that promoted broadly accessible home ownership, during times of evenly distributed economic prosperity, was dismantled. During this most recent phase, a number of fundamental changes have occurred in the relations that have mediated the Australian housing solution for almost 50 years. The interest rate on mortgages fluctuated considerably, creating affordability problems for many new purchasers during this phase. The protected circuit of capital in home finance has been dismantled and the institutions protecting wages and conditions marginalized. Further, the role of some public land agencies continues to be under threat.

The Australian solution of low-density home ownership was changing and new patterns and forms of housing consumption tentatively emerged. The housing outcomes of this most recent period in housing history have proven to be disturbingly uneven. Ownership is no longer a wide spread option, available to working class households.\(^{41}\) As can be seen from the Table below, whilst the number of outright owners has reached a peak, a falling proportion of households are entering the market. The proportion of mortgage defaults has increased significantly (Berry, et al 1999) and delayed purchase has led to a rise in long term renting.

Table 6.7: Household trends in tenure type 1980-1994

<table>
<thead>
<tr>
<th>Tenure type</th>
<th>1980</th>
<th>1990</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outright owner</td>
<td>38.3</td>
<td>42.4</td>
<td>41.8</td>
</tr>
<tr>
<td>Purchaser</td>
<td>33.6</td>
<td>29.2</td>
<td>28.3</td>
</tr>
<tr>
<td>Public renter</td>
<td>4.8</td>
<td>5.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Other renter</td>
<td>20.2</td>
<td>19.8</td>
<td>21.4</td>
</tr>
<tr>
<td>Other</td>
<td>3.1</td>
<td>2.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey of Housing Occupancy and Costs (8724.0); Survey of Income & Housing Costs and Amenities (unpublished data); Australian Housing Survey: Selected Findings (4181.0).

In their analysis of housing careers, Winter and Stone suggest that during this period, the social connotations associated with home ownership have also altered. Ownership has become less strongly linked to major life events such as family formation or childbirth, yet the authors are unable to detect a new, emerging social meaning (ibid, 1998:51-52). Affordability problems continue to concentrate in the private rental sector and public housing is increasingly targeted to those in greatest need (and high support needs), who are unable to be housed in the private sector.

The prospect of remedial state action was further limited as the goal of wide spread home ownership no longer represented a political priority for the Commonwealth government. The electorate no longer supported public intervention in the regulation of home loans. The Government's gaze shifted towards levels of investment, the balance of trade, inflation and

\(^{41}\) This situation contrasts with the widespread ownership of 100 years before illustrated in Table 6.4.
interest rates. Domestic housing policy was merely a secondary issue holding a low profile and position in the Commonwealth's executive hierarchy. The following Table summarises key events during this phase.

<table>
<thead>
<tr>
<th>Event</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deregulation of the Australian financial system</td>
<td>mid 1980s to 1990s</td>
</tr>
<tr>
<td>Opening the Australian economy by reducing tariff barriers</td>
<td>1980s to 1990s</td>
</tr>
<tr>
<td>Introduction of nine year Wage accord during recession</td>
<td>1983</td>
</tr>
<tr>
<td>Removal of interest rate ceiling</td>
<td>1986</td>
</tr>
<tr>
<td>Introduction and demise of Commonwealth then State initiated mortgage assistance</td>
<td>early 1980s to 1997</td>
</tr>
<tr>
<td>Introduction and massive rise of rent assistance</td>
<td>1985-</td>
</tr>
<tr>
<td>Focus on inner city revitalisation and international competition</td>
<td>1980-90s</td>
</tr>
<tr>
<td>Promotion of flexible, performance based planning regulation</td>
<td>mid 1980s</td>
</tr>
<tr>
<td>Stock market crash, shift to property investment</td>
<td>1987</td>
</tr>
<tr>
<td>Commercial property boom and bust</td>
<td>1980s - 1989</td>
</tr>
<tr>
<td>Demise of state bank, privatisations</td>
<td>late 1992</td>
</tr>
<tr>
<td>Promotion of alternative forms of personal investment</td>
<td>1990s</td>
</tr>
<tr>
<td>Compulsory superannuation and privatisation of public super funds</td>
<td>1990s</td>
</tr>
<tr>
<td>Concept of super for housing dropped</td>
<td>1995</td>
</tr>
<tr>
<td>Workplace Relations Act marginalized unions during period of high unemployment</td>
<td>1996</td>
</tr>
<tr>
<td>Corporatisation of Victoria public land agencies in preparation for full privatisation</td>
<td>1998</td>
</tr>
<tr>
<td>Increasing targeting of welfare payments (Work for the Dole and Active Welfare policies)</td>
<td>1998-</td>
</tr>
</tbody>
</table>

**Examples of coherent relations, contingently defined during the period of dismantling and reconfiguration**

The following paragraphs illustrate how property, finance and welfare relations were adapted and contingently redefined during this period of dismantling and reconfiguration.

**Contingently defined property relations**

The *property relations* of housing provision became increasingly commodified over the last two decades of the 20th century. The process of largely private land development on the urban fringe, where most new houses were being built, continued at a slower pace, during the 1980s. Public land commissions, which were promoted by the short lived Commonweal Labour government during the 1972-1975, remained in place but altered in ambition and purpose. Public land developers, such as the Victorian Urban Land Corporation, exhibited diminished social charter by the end of the 1990s and were forced to compete, as any commercial entity, delivering shareholder dividends alongside other large national development companies such as Delfin, Australand, Mirvac and Lendlease and larger house and land developers such as Jennings, Wimpy and Pioneer.

After many years on the back burner, urban consolidation returned in the mid 1980s and early 1990s as a theme for residential development at the Commonwealth level. Yet whilst big on vision, little was sustained except an array of demonstration projects promoting joint ventures between the impoverished public rental sector and private investors. The basic mechanism influencing urban form remained untouched: highly commodified property relations,

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42 No longer a ministry on its own, responsibility for housing was submerged in the nebulous Department of Family and Community Services.
43 In 1998, the Director of Planning for the Housing Industry Association stated, “Government development agencies are enjoying unfair development advantages in competition with the private sector.” Building News, 1998, September/October, p. 14
44 Earlier in 1989, Hayward identified five groups of land developers operating in Melbourne: Urban Land Authority, small unlisted private development companies, subsidiaries of trading banks, credit companies and life offices, subsidiaries of publicly listed property development companies, and land developers connected with private house builders.
individual home purchase, development boosterism and the continuing dominance of the private vehicle over mass public transport.

By the mid 1980s, consolidation also took on a new meaning, shaped by the lessons of the 1970s and hardened by the economic liberalism of Canberra's political elite. Denser, more affordable, appropriate and equitable development was the aim, which could utilise public infrastructure more efficiently. Actual initiatives involved infill development, redevelopment of public housing estates and the conversion of non-residential buildings for housing, permitting the doubling of houses on traditional allotments and subdividing smaller blocks in new areas. Publicly sponsored private development was also a tool of urban consolidation, redeveloping under utilised public lands in the city centre. In the late 1990s, private freeways, universities and casinos were opening, sponsored by entrepreneurial State planning agencies and development corporations, via generous land deals, profit (and loss) sharing arrangements and planning compromises. Fringe development could also occur under the new consolidation, just on smaller blocks with more dwellings per hectare. Yet higher density housing and inner city apartment living certainly didn’t prove to be more affordable, equitable or desirable amongst new purchasers, and was criticised by numerous commentators and researchers (Forester, 1999, Troy, 1999, McLoughlin, 1991, Bunker, 1986).

Metropolitan planning agencies placed far greater emphasis on urban consolidation (rather than continuing investment in expansion), inner city rejuvenation and the development of major (inner city) projects, in order to compete with other Pacific Rim cities and attract international investment. Central city governments were transformed into market agencies for 'Living Cities'. Second order central city office buildings, left vacant since the 1987 office boom and bust, were converted (primarily by their liquidators) into new lifestyle apartments. The inner city municipality of Melbourne experienced a profound increase in multi-unit dwellings, contributing 28 percent to the City’s dwelling stock since 1992 (Watling, 1999).

During this period of intense inter-city competition, local planning processes were subordinated, third party rights curtailed and a special task forces established to speed up projects in the State’s best interest – despite local opposition (Ogilvy, 1998, Lewis, 1999). In one State, all elected local Councils were abolished for a period of two years, amalgamated and temporarily managed by appointed commissioners who oversaw an extensive program of pro-growth development facilitation and privatisation of public enterprises (Shaw, 1998, Mowbray, 1996).

Planning research agencies, such as the Metropolitan Services Co-ordination System, simply forecasted housing demand and monitored land supply, rather than lead or control urban expansion, providing regular maps of underdeveloped and suitably zoned land. At the local government level, municipalities were no longer the initiator or regulator of land development. Rather they became more passive facilitators of infrastructure partnerships. Land development companies such as Delfin, continued to have an important role mediating between different agents in housing provision system. This prominent development company assembles large parcels of land, obtains planning permission, subdivides and markets building lots in conjunction with preferred building companies. Past performance in joint venture

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45 The Commonwealth Standing Committee for Long Term Strategies (1992) considered the trend towards consolidation and the need to link urban planning more closely with economic policy.

46 The Council of Australian Governments (COAG, 1995) developed a set of principles based around the notion of competition and recommended the review of all urban planning legislation, which may impede it.
projects enabled Delfin to establish a positive and fruitful rapport with key government partners. See Appendix 6 for an example of Delfin’s new urban development practices.

**Contingently defined savings and investment relations**

Internationally orientated economic policy not only affected the property relations of housing development but reshaped their financial relations. By the end of the 1980s, commentators remarked on the ‘sweeping changes’ that had transformed the Australian financial system to prepare for a more open, export-orientated economy. 

Perkins attributes the speed of deregulation to the acceptance of the industry to change. Freedom from government regulation would enable them to better compete with not only local credit unions, unit trusts, cash management trusts and building societies, but also the international financial institutions which were now entering the country and operating on the foreign exchange market (Perkins, 1989:1-7).

These more global changes to the Australian financial system were to have a profound effect on the financial relations of housing provision, unleashing a volume of credit for home purchase. From 1986, banks and building societies were no longer bound to the Reserve Bank constraints that had created the ‘protected circuit’. Instead, they could invest with more freedom and diversity (Perkins, 1989:44-5). Larger banks did well out of the new arrangements via mergers and takeovers. Yet they too faced strong competition from innovative new players such as Aussie Home Loans.

Analysis undertaken in 1989 found that following deregulation, the interest rate immediately rose by 2 percent and remained above the 1986 level for three years. Latent demand for finance led to a dramatic increase in lending, greatly inflating house prices. In the context of rapidly inflating purchase prices and later very high interest rates, only two income households were able to borrow sufficient mortgage credit. Interest rates have since subsided, but remain high in relation to real interest rates. Thus, the benefits of an inflated market were distributed unevenly, not only by income but also by region, concentrating the wealth amongst owners of (inner city) houses in areas of rapid price rises (Fincher, 1991:130).

**Table 6.8: Home loan interest rates 1991-2001**

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</thead>
<tbody>
<tr>
<td></td>
<td>15.1</td>
<td>11.9</td>
<td>9.9</td>
<td>8.9</td>
<td>10.0</td>
<td>10.3</td>
<td>8.3</td>
<td>6.7</td>
<td>6.6</td>
<td>7.0</td>
<td>7.6</td>
</tr>
</tbody>
</table>

*Source: Australian Bureau of Statistics, Cat. No. 4102, Australian Social Trends Companion Data*

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47 Perkins, J States in his introduction that the removal of controls has meant that the Australian financial system has been transformed from "one of the most controlled banking systems in the world to one of the least controlled" in (1989) The deregulation on the Australian financial system: the experience of the 1980s, Melbourne University Press, Melbourne, p1

48 The argument for an economic restructuring was forcefully put by the Crawford Committee

49 Perkins, J "one consequence appeared to be a substantial increase in the relative strength, and probably the profitability, of banks, especially the major banks" in (1989) The deregulation on the Australian financial system: the experience of the 1980s, Melbourne University Press, Melbourne, p 47

50 Wood, G and Bushe - Jones, S (1990) Financial deregulation and access to home ownership in Australia, in Urban Studies, 7

51 Savings Banks had been rationing home loans in the previous phase.
Interviews undertaken for this research in 2000 with staff from the Commonwealth Bank\textsuperscript{52}, reveal the organisational impact of deregulation, privatisation, declining interest rates and increased competition upon mortgage lenders. Under pressure to compete, the Commonwealth instituted radical moves to curb costly branch services (closing branches, introducing supermarket banking, and increasing over the counter fees) and increase the quality of their customer base (taking over more ‘elite’ banks such as Colonial, targeting more lucrative customers via internet). During deregulation, lenders became more selective and risk averse - targeting ‘quality’ customers and rejecting less lucrative traditional clientele.

Given the increasing diversity of loan products on the market, lucrative customers were more difficult for the large, increasingly unpopular Commonwealth Bank to retain or capture. New products were introduced and more customer-oriented practices established, in what was considered to be a ‘cut throat’ market. Despite these efforts, other commercial banks and mortgage retailers were quickly outmoding the Commonwealth’s efforts. A new sector of mortgage brokers emerged to ‘assist’ borrowers with complex choices. Unable to secure a commission, mortgage brokers did not include Commonwealth Bank’s products amongst their panel of preferred mortgages. Mortgage originators, such as Aussie Home Loans, with limited branches and thus minimal overheads, captured the lion’s share of new borrowers during 1999-2000.

In addition to deregulation, privatisation of insurance has also occurred. The insurance of mortgages has moved from being a public monopoly to a private one. The Home Loans Insurance Corporation, established in 1964 to broaden access to home ownership, was privatised in 1997 and purchased by the financial giant GE Capital. Recent research on the sector found a 50 percent increase in mortgage arrears and defaults during the early 1990s (Berry, et al 1999:14-15). State initiatives in mortgage security schemes for low-income purchasers (FANMAC and NMC) have been phased out following high interest rates, defaults and major losses in 1997.

By the end of the 1990s the apparent benefits of home loan deregulation and competition finally appeared, with the new Conservative coalition government basking in popularity under declining interest rates (both home loan and official) and strong economic growth. During this time, home loan rates dropped to 6.7 percent in 1998/99.\textsuperscript{53} In an apparent policy reversal in July 2000, the Commonwealth government announced the introduction of a non-means tested, $7,000 and later $14,000 grant to assist first home purchasers. This was the first form of direct, universal home ownership assistance in fifteen years. Whilst the new grant could be seen as a reversal in housing policy trends, its primary goal was to avoid the potential, post Goods and Services Tax (GST) downturn, predicted to strike the housing construction sector.

An ‘artificial’ housing boom followed. The home ownership rate in 1997-1998 amongst working couples with dependent children reached 78.8 percent. Yet, strong demand resulted in massive price inflation, around 20 percent in Sydney and Melbourne - leaving single income earners and new purchasers in these areas increasingly out of the market.

\textsuperscript{52} Commonwealth bank was once a public bank and is one of the largest traditional providers home finance. It was privatised during the 1990s.

\textsuperscript{53} In a well-prepared doorstep interview with journalists Commonwealth Treasurer Costello promotes a recent decline interest rates “An interest rate which has got a 6 in front of it … is an interest rate that we haven’t seen in Australia since the 1970’s. These are historically low interest rates now, and I would say to young home buyers, you now have the opportunity to get a $14,000 grant for the construction of a new home and an interest rate of 6.8 per cent and this is a very good time to go out and to buy your first home.” Senate Alcove Courtyard, Parliament House, 4 April 2001.
Access declined partly due to uneven changes affecting the welfare relations of different households, which in turn, have influenced their position in the housing market.

Contingently defined labour and welfare relations

As mentioned above, the ability to purchase housing services, both ownership and rental, diminished during the late 1980s with rapidly rising interest rates and stagnant wage growth. House price inflation, which rose considerably between 1986 and 1988, was the most important factor reducing access of low-income first homebuyers to finance, especially in Melbourne and Sydney. Further, real incomes, constrained by a national wage accord that lasted nine years (Stilwell, 1986) were further eroded by the imposition of compulsory superannuation payments. Formerly, most workers relied upon the receipt of the government's old age pension. First the government's pension became means tested and then private pension arrangement became compulsory (to avoid post retirement poverty despite owning a home outright). Yet wage rises did not compensate for this new imposition nor exceed house price inflation, stifling the ability of new buyers to save for a home deposit. Fearing a down turn in purchase rates, the real estate lobby unsuccessfully campaigned for the release of accumulated pension contributions for home deposits.

Pertinent is the research by Yates (1994), which reveals a widening group of middle income and young households delaying their decision to purchase or simply remaining in private rental accommodation. In her review of the evidence on income distribution, employment and purchase, Yates (1994) explains that increasing inequality between incomes is reducing the expected proportion of new home purchasers entering the market (see evidence in Table 6.9 below). McClelland (1993) echoes this claim, raising the possibility of increased social division and reduced cohesion, exacerbated by poor growth and individualised welfare obligations.

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54 Figures for each quarter following deregulation in April 1986 to December 1998 for Melbourne reveal percentage increases from 3% in the first quarter of 1986 to a high of 29 percent in the first quarter of 1988, in Wood, G and Bushe-Jones, S (1990) Financial deregulation and access to home ownership in Australia, in Urban Studies, 7.

55 Following their study of interest rate deregulation and access to home ownership Wood and Bushe-Jones (1990) conclude "With credit foncier mortgage instruments remaining the predominant loans instrument (Yates, 1988), growth in household incomes must exceed house price inflation if increases in the deposit gap are to be avoided." Wood, G and Bushe-Jones, S (1990) Financial deregulation and access to home ownership in Australia, in Urban Studies, 7.

56 Yates (1994) analyses income, age and tenure unit record files from the 1991 Housing and Location Choice Survey.

Table 6.9: Households spending > 30 percent of their gross weekly incomes on housing, 1994

<table>
<thead>
<tr>
<th>Tenure type</th>
<th>Lowest quintile</th>
<th>2nd quintile</th>
<th>3rd quintile</th>
<th>4th quintile</th>
<th>Highest quintile</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>14.3</td>
<td>3.7</td>
<td>1.0</td>
<td>0.2</td>
<td>0.3</td>
<td>4.9</td>
</tr>
<tr>
<td>Purchaser</td>
<td>66.3</td>
<td>56.1</td>
<td>38.9</td>
<td>17.5</td>
<td>7.5</td>
<td>26.1</td>
</tr>
<tr>
<td>Renter</td>
<td>50.7</td>
<td>42.5</td>
<td>11.0</td>
<td>4.3</td>
<td>0.9</td>
<td>26.2</td>
</tr>
<tr>
<td>Total</td>
<td>30.2</td>
<td>25.2</td>
<td>16.0</td>
<td>8.3</td>
<td>3.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Recent first home buyer</td>
<td>57.7</td>
<td>53.2</td>
<td>42.6</td>
<td>18.8</td>
<td>7.6</td>
<td>29.2</td>
</tr>
<tr>
<td>Recent changeover buyer</td>
<td>27.1</td>
<td>26.5</td>
<td>31.5</td>
<td>19.0</td>
<td>11.4</td>
<td>21.3</td>
</tr>
</tbody>
</table>

Source: Australian Housing Survey (unpublished data)

In a combined analysis of Australian Bureau of Statistics Household Expenditure and Income Surveys, Yates (1998) continues to provide further evidence that home ownership has reached its peak and indeed, may have begun to decline. She stresses the significance of a range of uncertainties facing new purchasers, in addition to socio-demographic and lifestyle changes:

increasing inequality in earned incomes have also contributed to increasing uncertainty and insecurity in relation to labour market income. The liberalisation of the financial sector, which brought with it the deregulation of interest rates, has contributed increasing uncertainty about the future of interest rates. The increased availability of mortgage finance has contributed to increased uncertainty about the stability of dwelling prices. The changing demographic structure of the population and the increased uncertainty about future immigration policies have led to increased uncertainty about future trends in dwelling prices. Yates (ibid, 1998:42)

Recent relief, in the form of rising rates of employment and lower interest rates, has tempered housing stress for the time being and for some households. Nevertheless, there remains widespread concern amongst housing analysts, for low and single income households.

Synthesising key relations in their contingent context

In sum, the housing outcomes during this period were tumultuous and there are some signs of decline in the rate of home purchase. The three corner stones of the Australian solution of mass home ownership have been fundamentally altered. In the hay day, these were state sponsored infrastructure provision, protected circuit of capital and steady wage growth. The crises in collective consumption, which arose in the 1970s and impeded public sponsorship of infrastructure has been ameliorated by urban consolidation, lower standards of land development on the urban fringe and greater influence of private land development companies in planning estates and economies in development and construction: higher density (smaller plots) and construction quality (standardised plans favouring larger builders).
Major changes have taken place in the home finance sector: the **protected circuit has been abolished** (1), new financial institutions have entered the market to compete with traditional savings banks (2) and the public HLIC has been privatised (3). In the 1980s interest rates were very high, but dropped in the late 1990s amidst intense competition and product innovation between new and traditional mortgage lenders. Access to home ownership amongst single income and low-income households has been substantially narrowed by rapid but uneven house price inflation and rising interest rates during the late 1980s and once again a **dramatic increase in (inner) urban house prices** during the late 1990s (4). Increasing house price inflation has been facilitated by strong white-collar employment growth and low interest rates relative to house price inflation. To assist first homeowners in an inflated market, government provides **one off grants to assist purchase** (5). Changes continue to occur in the land market, with public land agencies being privatised and forced to deliver substantial dividends, as with other commercial developers amidst intense land trading on the urban fringe (6). There have been some developments in the relationship between state government agencies, land developers and building firms with regards to infrastructure provision, with **land developers assuming a key role in planning and standard setting**, government agencies as more passive partners (7) and building firms as ‘pattern book’ contractors (8). Finally, the promotion of existing supplementary tenures, such as social housing has also been weak.

![Diagram](image_url)
6.6 Abstracting the causal mechanisms

The emergent relations of property, investment/savings and labour/welfare were differently defined and packaged during each phase of the Australian housing solution. During each phase, the state played a dynamic role under different political circumstances and shifting economic modes of production. In sum the emergence of the Australian housing solution of low-density home ownership took place during the years of colonisation and federation. During this period, the cornerstones of the Australian housing system were set in place: a system of private property rights, state sponsored infrastructure provision, channelled mortgage finance and moderate, regulated wage growth. Successive phases in Australia's housing history have path dependently built upon and modified these key features. In the most recent phase, introduced in 1986, two key relations: channelled mortgage finance and regulated wage labour were removed and a third, state sponsored infrastructure provision substantially altered. Since 2000 a grant for first homeowners has been introduced.

Today home ownership is no longer an option for the 'masses'. Rather, housing outcomes are increasingly polarised by household type and income level and the location and timing of purchase. Declining access to home ownership for a growing minority of households may lead to the development of alternative housing solutions for Australian households. Yet this will take time, and is not likely to occur whilst governments are committed to ameliorative one off non-structural actions, such as the first homeowners' grant that merely supports further house price inflation. Perhaps a crisis of 'strategic significance' (Harloe, 1995:50) will generate a new housing solution. This is most likely to emanate from the inherent conflict between deregulated contract work, long-term variable mortgage contracts and post-retirement security for men and women, singles and larger households.

6.6.1 Abstraction using relevant concepts and ideas

A number of abstractions have been made from the analysis provided. These abstractions can be found in Table 6.10 and are further developed in section 6.6.2 and the comparative conclusions presented in Chapter 8.
<table>
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<tbody>
<tr>
<td><strong>Property</strong></td>
<td>Private property rights allocated to individuals, investment supported by state infrastructure investment</td>
<td>Private property rights protected by land use segregation, urban plans lay out future suburbs, governments lead urban expansion, developing estates and redeveloping slums</td>
<td>Public infrastructure fails to keep pace with expansion, land commissions make little impact on market and housing costs, land owners retain raw land rather than develop</td>
<td>Land commissions privatised, continuing constraints limit government infrastructure provision. Partnerships dominant mode of development, with developer leading planning processes</td>
</tr>
<tr>
<td><strong>Financial</strong></td>
<td>Building societies established yet crash during property collapse, State banks permitted to provide home finance, development of new loan instruments, measures to reduce risk instituted</td>
<td>State banks regulated by reserve bank to channel funds into home finance, public mortgage insurance corporation protects banks and broadens borrower access</td>
<td>Protected circuit of capital constrains financial institutions; State banks ration loans, shortage of mortgage credit</td>
<td>Deregulation of financial system, removal of mortgage regulation, decline of State banks and introduction of new players</td>
</tr>
<tr>
<td><strong>Welfare</strong></td>
<td>High and relatively evenly distributed incomes, well organised labour movement, wage earners welfare state established</td>
<td>Centrally fixed wages, labour shortages moderated by immigration, high rising wages, low unemployment</td>
<td>Economic restructuring, high unemployment amongst low skill occupations, increasing dependence on income transfers</td>
<td>From corporate agreement to relative deregulation of wages, push for self reliance through private superannuation</td>
</tr>
<tr>
<td><strong>Contingencies</strong></td>
<td>Flow of investment from Britain, gold rush, property boom, lack of regulation</td>
<td>Shortage of materials and high cost of labour</td>
<td>Oil crisis and global economic downturn leads to a decline in manufacturing industry, transfer of infrastructure responsibilities to land developers</td>
<td>Opening of the Australian economy, economic restructuring, globalisation of investment, competitive positioning of Australian cities</td>
</tr>
<tr>
<td><strong>Housing outcomes</strong></td>
<td>Few tenure alternatives. Relatively broad access to home ownership, yet poor housing conditions, evictions and repossessions during economic crises</td>
<td>Strong shift from rental to home ownership, rapid rise in home ownership, some provision of public rental housing</td>
<td>Home ownership rates remains stable, but less affordable for new entrants, other tenures show signs of social marginalisation</td>
<td>Signs of decline in rate of home ownership, marginal assistance to renters, weak promotion of tenure alternatives</td>
</tr>
</tbody>
</table>
However, Table 6.10 does not communicate the dynamic interaction and cumulative causation between contingent conditions and key relations generating the process of coherence, crises and adaptation across the Australian home ownership trajectory. However, it does provide a neat abstraction of relevant contingencies. The challenge of providing a new and dynamic interpretation, using the abstractions above, is undertaken in the following section.

6.6.2 Retractive analysis of the Australian housing solution

In this section a number of poignant contrastive and counterfactual questions focus the reductive analysis, employing the ideas and concepts developed in earlier Chapters and summarised in Figure 6.2 and illustrated by the empirical evidence and Figures 6.3 – 6.6 presented in Section 6.5.

Why begin a new colony with ownership?

A formative causal mechanism, from which home ownership later emerged, was the establishment of exchangeable freehold title via the rapid sale of land claimed by the Crown (despite resistance from indigenous people) to raise cash for the new colony. New private landowners, holding vast tracts extending from the city grid, had no intention of developing their holdings for residential use. Speculation was the goal, which at times stymied urban expansion. The initial land auctions greatly undermined the position of the state in land ownership and urban planning in all areas beyond the essential ports. Further, electoral franchise was rooted in property ownership, and the landed gentry were placed in a powerful position to diminish any legislative threats. Nevertheless the needs of an expanding state prevailed and sitting land speculators were eventually forced, by the threat of taxation, to develop or sell their holdings. Indeed, taxation was necessary to establish instrumentalities that could implement state sponsored urban expansion. Speculators released their holdings onto the market in smaller, albeit suburban size packages to land developers. Yet once again, the prospect of capital accumulation via speculative investment dominated progress.

The extraction of profit occurred primarily at the early stages of raw land conversion and subdivision and not in the development and construction phase. During this period, areas were made accessible by an expanding network of road, rail and trams, greatly assisted by the new state instrumentalities. Smaller lots were subdivided along narrow streets and lanes maximising potential yields and were sold to owner builders. Construction involved small scale often father and son firms. Finance for home purchase required eventual owner-occupation, allocated to members of savings clubs or Building Societies.

The land speculators boom and the supply of home ownership were bolstered on the demand side by a growing local economy (import replacing industry, rising commodity prices and flow of capital from the Gold Rush). Consumer aspirations were indeed path dependent, shaped by the culturally and materially constructed preference for home ownership amongst new migrants from Ireland, England and Scotland who were both skilled and well resourced. There was no significant industrial sector employing a large and lowly paid workforce that would be satisfied with cheap and basic housing. Rather, it was port and commodity related trade and commerce that were the main sources of employment, leading to the establishment
of well-paid mercantile class able to accumulate savings and secure loans for the purchase of new homes.

**But why not begin with renting?**

It is unlikely that the new colony could have begun with rental housing. First of all, investment capital was not attracted to the long term and unknown benefits of landlordism in a rapidly growing mercantile economy. There was no reliable and experienced vehicle for the secure management of such housing assets or their tenants. Far less risky investments could be made elsewhere, and in the formative years of rapid urban expansion, it was thought (mistakenly) that no safer investment existed than real estate.

The structure of the building industry also played a causal role impeding the establishment of a rental sector. The industry was and still remains, dominated by small owner builder firms constructing dwellings using simple and standardised designs, with limited capacity or experience to build multi-unit dwellings. Master builders, with their hierarchy of skilled labourers, were sufficiently occupied, building mansions for the growing social elite (largely comprising sheep and cattle farmers wealthy from favourable land deals).

Further, there was no demand for mass rental housing amongst both employees and employers. The cities were expanding as bases for mercantile activities rather than industry and work was relatively well paid, generating enviable wages and potential household savings. These were captured by banks and Building Societies, which provided conditional loans for owner purchase.

Finally, as mentioned above, the social status of new migrants and their emerging national identity placed much value on home ownership. This was bolstered by memories of the homeland and the rhetoric of all political parties and importantly the strong and growing labour movement. Conversely, there existed a socially and materially constructed opposition to landlordism.

For these reasons, rental housing did not emerge to displace home ownership at the core of the Australian solution. This was due to a multiple and cumulative series of causal mechanisms: the nature of the property market, the under development of the landlord sector, the absence of a large and low paid workforce and the aspirations of new, relatively wealthy migrants and the mechanism for channelling savings in individual home loans. Thus there was and remains a poorly organised, unprofessional private rental sector, comprising petty and accidental landlords.

Whilst the Australian solution dominated by home ownership maintained a period of coherence for several decades after the 1850s, its' open housing system inevitably fell prey to negative contingencies and crises. These included a massive fall in commodity prices upon which mercantile cities were dependent, the end of the Gold Rush which had brought so many migrants and fuelled consumption, collapse of the inflated and overheated land market and finally, the subsequent crash and closure of many building societies and banks.
Why not radical change in strategy after the crises? Why a financing solution rather than a property one?

The most visible face of the crisis mentioned above, was represented by the repossession actions of banks and their eventual closure. Popular politics directed blame towards the banks and building societies, even though often-legal speculative investment in the highly commodified land market played a large role in their downfall. So began the Australian tradition of ‘bank bashing’ and loyal preference for government owned State savings banks.

Whilst speculation was an important cause of the housing crisis it could have been curtailed or outlawed but was not. Despite public scandals and disgrace amongst certain key banking, property and political elite, the power of speculative land interests remained in the upper echelons of governing chambers of parliament at the state level. No legislation could be passed which threatened their interests. Further, ideological concepts associating ownership with patriotism were promoted and protected the sanctity of private property from public intrusion. Indeed, such problems persist. In the 1950s, Sydney’s precious Green Belt policy was scrapped and its main proponent, the Cumberland City Council abolished by vested property development interests in state parliament. In the Victorian parliament twenty years later, the establishment of public land agencies and more recently tenancy reforms were severely frustrated by corruption and vested property interests.

Yet, in the early years of the 19th century, land ownership was strongly associated with emancipation of the workingman. Despite the continuous threat of repossession of homes by the banks, the labour movement perceived private rental landlords as mere parasites of workers wages. Indeed, the wage debates of 1907 highlighted the futility of wage rises in the context of market rents. But rent regulation was not the favoured solution. Rather a mechanism to facilitate ownership, such as State bank loans for modest homes, was supported by both capital and labour.

A public housing program was established after the war, why did this not develop as an important solution?

Public housing was established to address serious and immediate housing shortages amongst returning soldiers and redevelop areas dominated by slum dwellings. This Commonwealth government initiative followed a long period of decline in housing investment and production that began with the Great Depression and mass unemployment. This had all but extinguished expressed demand and curtailed the role of the state in housing finance and urban expansion. Beyond this, public housing was an important mechanism to stimulate economic development in a climate of industrial restructuring. Many housing related industries were assisted as a direct result of the public housing programs. Further, substantial contracts specified the use of particular materials, labour saving devices and skills, ensuring efficient use of scarce post-war resources. The concrete industry was particularly favoured.

Allocation via waiting list ensured the ‘appropriate’ distribution of low-rise public rental houses and flats to skilled workers, close to areas of mass employment in the newly industrialising cities. A different strategy was employed in the inner suburbs, where dilapidated terrace houses were completely demolished and their inhabitants selectively re-housed in these areas. Plans for modern high-rise buildings were borrowed from Britain and their concrete towers broke the low-rise skyline of the inner city terraces.
However, the public housing program did not flourish, and the most desirable dwellings were sold at discounted prices to their inhabitants. There was no organised constituency to support the expansion of public housing. The labour movement still considered home ownership a source of worker emancipation. Conservative politicians utilised nationalist cold-war rhetoric to promote the dream of ownership and dismantle the ‘anti-Australian’ socialist housing programs. Later inner city environmental groups, appalled by the destruction of both buildings and communities and the high-rise buildings that replaced them, joined the anti-Commission campaign. The budget of the Housing Commissions was and remains subject to a politically vulnerable and complex fund sharing agreement, providing ample room for disruption and curtailment.

Further, much was to be gained from developing housing privately in the rapidly expanding post war suburbs. State sponsored urban expansion, coupled with the mobility of the private car, promoted an ever-outwards migration from the city centres fuelled by new household formation and immigration programs. Many land developers had combined forces with building companies, and wanted a slice of the action. With low interest rates and household wealth secure and stable in the 1950s and 1960s, private home ownership in new suburban locations came within reach of a wide array of single income households.

**If the Australian solution centres on state sponsored infrastructure, cheap finance and adequate wages, why were these conditions altered in the 1980s?**

For many decades, urban expansion was sponsored by state provided infrastructure provision. There was no betterment or capital gains tax to claw back these subsidies from landholders and home purchasers. The reduced cost price of serviced building sites was partly transferred to purchasers of new homes but largely flowed into the hands of land developers. The cost to the state was spread over generations of city dwellers via collective taxation. This neat functional fit was eroded by economic crises (unemployment, high interest rates) generating heavy demands on state spending and constraining funds for necessary infrastructure. New financing mechanisms for infrastructure provision have been developed, which emphasise user pays principles and private sector partnerships. The cost of developing land has risen, standards have dropped and densities risen on the urban fringe.

Housing remains dependent upon cheap finance. Yet the home loans sector forms only one small, albeit nationally important part of a much larger and increasingly global capital market. Time and time again, we see how negative monetary conditions can erode favourable housing credit and labour conditions and how the rate of new purchase subsequently drops. By the mid 1970s additional and very powerful non-housing actors came into play, emanating from the private banking sector and public servants form the Reserve Bank and Treasury Departments of the Commonwealth. Their message was consistent: open up of the protected Australian economy, deregulate the relatively closed Australian financial system and introduce new players to increase competition and the flow of investment. The monetarist doctrine of Reganism and Thatcherism promoted the deregulation of financial markets across the globe, as a monetarist tool to fight inflation. In Australia, this was portrayed as the only course of action for a national economy starved of foreign investment in the 1980s. Further, a national wage according which lasted for most of the 1980s ensured that wage growth was minimal to improve the international position of Australian industry. Simply put, the investment demands of industry were considered more important than the immediate housing aspirations of new purchasers, and perhaps the proposed solution would serve both in the long run.
Further, the private and State banking sector, the Reserve Bank and those within Treasury (including the future Labour prime minister) advanced arguments undermining the logic behind interest rate regulation in the home loans sector. The protected circuit came to be seen and promoted as part of the problem in a time of home loan scarcity (rationing by Savings Banks) and rapidly escalating interest rates (capped versus non-capped interest rates). Both were an anathema to those calling for open competition. Following deregulation, home loan interest rates actually rose by 2 percentage points and remained high for three years. Those contemplating home ownership delayed their purchase. Those with variable loans either weathered the storm by compensating with additional work, or lost their homes through mortgage default and repossession.

Indeed, home ownership as a ‘mass solution’, remains in the last instance dependent upon adequate household income, and the ability to pay for housing is strongly related to one’s position on the labour market. Inflating house prices surpassed declining real wages, stifled by Labour Accords in the 1980s and deregulation in the 1990s. The growth in part-time work compensated for the suppression of wage levels. Centralised wage fixation processes were increasingly replaced by work place agreements favouring those with the most effective union, with scarce skills in demand or in a growing and profitable new sector. Thus, two decades of economic restructuring and deregulation has affected employees at opposite ends of the spectrum quite differentially. Today, lower skilled workers in the blue-collar industries, even households with two such incomes, are far less likely to purchase a home. The housing crisis has arrived for these households and for others it is merely delayed. The growing minority of longer-term renters, with no housing asset to compensate for modest post retirement pensions, face a very bleak future indeed.