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

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Chapter 7 Explaining divergent tenure patterns and urban form—The Dutch case of compact social housing provision

7.1 Introduction

This Chapter provides a further contribution towards explaining shifts in the Dutch trajectory of housing provision. It is the second of two cases for contrast and comparison of the generative mechanisms promoting divergence in national housing solutions. Evidence is presented for the unique definition of key social relations and their synthesis in order to provide a plausible explanation for the development of compact cities that, unlike Australian cities, became dominated by social housing in The Netherlands from the 1950s to the mid 1980s. Thus, it is not intended to provide a detailed, descriptive chronological biography or policy history. Rather, this Chapter focuses upon possible causal relations that may have generated the Dutch ‘solution’ using the ideas and concepts put forward in earlier Chapters.

The structure of this Chapter is similar to the Australian case. It begins with the observable outcomes of various phases in the continuing evolution of the Dutch housing ‘solution’ and tries to define its core features. This is followed by a critical review of existing explanations from a range of research offering very different modes of explanation in The Netherlands. A postulated explanation is put forward that selectively draws upon previous empirical and theoretical work, as well as new perspectives and concepts outlined in previous Chapters.

This postulate is tested and revised by analysis of the various phases in Dutch housing provision: the end of laissez-faire liberalism; foundations addressing the housing crisis; acceleration under favourable contingent conditions; and most recently redefinition and re-regulation of key relationships. For each metamorphosis of the housing ‘solution,’ the key events and housing outcomes are briefly summarised. Step by step, the contingently defined relations of property, savings/investment, labour/welfare and their synthesis will be examined. At the conclusion of the Chapter, an abstraction of the causal mechanisms from this description will be put forward. This will form the basis for contrast and comparison with the Australian case in Chapter 8.
7.2 Observable Outcomes of the Dutch Housing Solution

By the year 2001, 100 years after the first housing law formally established the Dutch system of social housing provision, The Netherlands has evolved to become both a nation of social renters and increasingly, home purchasers. It continues to have one of the largest social housing sectors in Europe, with 36 per cent of total stock provided by approved housing associations, municipal housing companies and non-profit institutions for low and middle income households. Just over half of these dwellings are considered low rental (56 percent between 300 and 427 Euro per month). There were 643 social housing landlords in 2001, providing just over 2.3 million of the nations 6.5 million dwellings (Aedes, 2001, VROM, 2001). Many of these landlords are of considerable size providing more than 4,000 dwellings and 59 providing more than 10,000. The number and composition of these landlords has changed significantly in recent years, with mergers and transformations leading to the rapid decline of the municipal housing sector, as indicated in Table 7.1 below:

Table 7.1: Social housing landlords 1990-2001

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing corporations</td>
<td>824</td>
<td>805</td>
<td>793</td>
<td>774</td>
<td>763</td>
<td>619*</td>
</tr>
<tr>
<td>Municipal housing</td>
<td>213</td>
<td>188</td>
<td>125</td>
<td>81</td>
<td>63</td>
<td>24*</td>
</tr>
<tr>
<td>companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total social housing stock ('000s)</td>
<td>1.854</td>
<td>1.950</td>
<td>2.167</td>
<td>2.265</td>
<td>2.295</td>
<td>2.347</td>
</tr>
</tbody>
</table>


Social housing, known as volkshuisvesting, is unevenly distributed across the country. As can be seen by the Table 7.2 below, a large proportion of housing in the four largest Dutch cities – particularly Amsterdam and Rotterdam, comprise rental dwellings, which are predominantly provided by social landlords.

Table 7.2: Tenure distribution, The Netherlands and major cities in 2000

<table>
<thead>
<tr>
<th>Area</th>
<th>Social rental</th>
<th>Private rental</th>
<th>Purchase</th>
<th>Total dwellings (100%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>36%</td>
<td>12%</td>
<td>52%</td>
<td>6,520,500</td>
</tr>
<tr>
<td>Amsterdam</td>
<td>56%</td>
<td>27%</td>
<td>17%</td>
<td>369,300</td>
</tr>
<tr>
<td>Rotterdam</td>
<td>59%</td>
<td>15%</td>
<td>26%</td>
<td>283,800</td>
</tr>
<tr>
<td>Den Haag</td>
<td>39%</td>
<td>27%</td>
<td>34%</td>
<td>212,500</td>
</tr>
<tr>
<td>Utrecht</td>
<td>45%</td>
<td>14%</td>
<td>42%</td>
<td>101,100</td>
</tr>
</tbody>
</table>

Source: Cijfers over Wonen, VROM, 2001

Rental housing is also provided by the commercial sector, comprising small private landlords and larger institutional investors being primarily pension funds. Significant numbers of tenants receive relatively generous rental assistance, which is provided on the basis of rent paid and household income. This is paid directly to tenants; via the municipality; or directly to the Association in return for reduced rent (Kemp, 1994).

Over the past five decades, home ownership has increased in The Netherlands from 28 percent in 1947 to 52 percent in 2000 (Cijfers over Wonen, 2001). In recent years the average price of dwellings, particularly in around the Randstad, has increased dramatically. Individual home purchase has been financed via individual mortgage finance, the most common being
savings and annuity, and promoted by more permissive lending criteria based on two incomes, various government schemes and significant tax incentives.

In addition to these unique tenure characteristics, a defining feature of Dutch housing provision concerns urban form. The compactness of numerous towns and larger cities, regularity of dwellings and sharp distinction between town and country are distinguishing attributes (Terhorst and Van der Ven, 1997:14). A constellation of moderately sized, compact cities in the west of The Netherlands known as the Randstad, loosely encircles an open area of agricultural and recreational space known the Groene Hart. For the past three decades housing densities have been declining. Between 1991 and 1998, lower density neighbourhoods comprising free standing, maisonette and row housing, have dominated new production, particularly in the newly announced VINEX locations of the Randstad (DGVH/RPD, 2000, Woonmilieu Database, Ottens, 1989). In contrast to urban expansions of earlier years, dwellings in these new, more spacious urban areas are intended for purchase, with construction undertaken by development companies.

7.3 Beyond Outcomes – Explaining the Core of the Dutch Housing Solution

The Dutch solution of compact cities with their large proportion of social rental dwellings alongside subsidised and unsubsidised dwellings for rental and purchase was formerly, but tenuously established in the early years of the 20th century. The Dutch housing solution is notable for its prominent inclusion of private non-profit housing associations managing social housing, which contrasts starkly with the marginal and residual role of State provided ‘public’ housing in Australia. Behind this observable phenomenon can be found a set of social relations characterised by the strong role for larger municipalities in land development, planning and housing development, favourable government loans and object subsidies for the construction dwellings by a variety of providers for different forms of consumption, and the regulation of rents sustained by modest household incomes and supplemented by rental allowance.

The output of social housing has been enabled and curtailed by a variety of state actions operating under various contingent conditions, which have influenced the definition of core emergent relations underpinning provision. The explicit motivation for government intervention has shifted from a concern for public health and slum clearance, to welfare, the housing shortage, producing low cost employment and keeping rents low and more recently to urban renewal and housing those who cannot afford market alternatives. A variety of contingent factors has shaped and been shaped by government efforts. Amongst many others, these include the market position of municipalities in negotiating development outcomes, the availability of investment for constructing dwellings, the level of interest rates and inflation, the cost and supply of labour and materials, and the incomes of households. How these important contingencies affected the development of the Dutch housing solution will be examined in section 7.5.
7.3.1 Existing Explanations for the Dutch Housing Solution

Why has social rental housing dominated Dutch cities since the 1950s, and why has The Netherlands strayed from this long established route in recent decades?

This section and the following 7.3.2 and 7.3.3 consider the contribution of three decades of Dutch housing studies\(^{58}\), which have emerged amongst and sometimes isolated from, the different currents in social science and explanatory housing research that were previously outlined in Chapters 3 and 4.

This section examines the dominant ‘project’ of housing research in The Netherlands and the traditions and institutional relations that underpin different explanatory pathways emanating from various research schools. Indeed, there is not one, but many different approaches to explaining the Dutch case, yet only a few hold the academic and policy spotlight. Housing production has been perceived as an outcome of government policy in the context of need, effective demand and demographic change, or as a string of random events to which policy has correctly responded. Alternatively, social housing provision has been considered as a civilizing and pacifying process, connected to shifting modes of economic production and the entire process of industrialisation and urbanization. The entire ‘system’ has been viewed as one devised by central governments, currently influenced by the move towards European Monetary Union and increasing integration of finance and property markets. Some researchers emphasize the importance of the individual city entrepreneurs, architects and professional movements, whilst others stress the intertwined central-local state relations embedded in shifting modes of accumulation. All these modes of explanation have something to offer, yet some are more contestable than others from a realist ontological vantage point.

The following paragraphs categorise Dutch housing explanations by their central ‘project’:

- Empirical studies and policy commentary
- Explanation, via demographic and economic modelling, for forecasting purposes
- Explanation via ideas and institutions to promote better understanding
- Explanation via international contrast, contrasting differences and similarities
- Critical explanations exploring the civilizing process and gender relations
- Explanation via state theories of pillarization and the passive welfare state
- Explanation with attention to local contingencies in a broader political-economy

Table 3 in Appendix 1 summarises these streams in Dutch housing studies.

Of these diverse explanatory schools, the first two: policy commentary and prognoses are more widely practiced and typical of Dutch housing studies. A critical evaluation of progress takes place in section 7.3.2. Possible reasons for the path taken in Dutch housing studies follows this review, in section 7.3.3.

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\(^{58}\) An interesting review and critique of Dutch ‘geography of housing’ has been undertaken by Van Weesep (1986) and Terhorst and van der Ven (1997), but housing studies is the focus here.
Explanation via normative critique

It is widely recognized that there has been a strong tradition of empiricism and muted positivism in Dutch housing studies. Empirical research places great emphasis upon careful, objective observation of housing events. The selection of these events is not explicitly guided by concepts or theories drawn from social science, but from the observable shifts and manoeuvres in politics and policymaking. Two authors have dominated this tradition, providing a valuable and detailed record of central government initiatives, particularly those pertaining to the social rental sector.

Van Beusekom (1955), housing policy activist and professor of Architecture (Delft), provides a classic notebook biography of Dutch social housing from the mid 19th to the mid 20th century. He recalls the administrative and political events contributing towards the history of housing related legislation and its implementation. His notes of vignettes, deliver a personal account of key public debates and their resolution, providing a dialogue of policy development in a tumultuous socio-economic context. He pays particular attention to the role of central government in subsidising provision and the various institutions, professional bodies, civil servants and other key players involved in 100 years of Dutch housing policy.

For more than 25 years, a major correspondent of such events continues to be Hugo Priemus, who established the OTB Research Institute for Policy Sciences and Technology in Delft. His extensive publications, many in English, concern the various twists and turns in contemporary Dutch housing policy. Priemus follows a long tradition of pragmatic-normative research, charting the policy contours of housing history (many of which he has played an influential role), with commentary and policy recommendations. Nevertheless, no observation is without certain assumptions and normative standpoints; indeed, certain theories of explanation do permeate his analysis and policy prescriptions. For example, Priemus (1990, 1992, 1996) gives analytical prominence to government intervention in market interactions and promotes state intervention to mediate external forces or abuses to achieve desired market outcomes as well as economic and political equilibrium (1995). In this manner, Priemus provides influential normative critique, and maintains an active hand in policy debate.

Explanation via demographic and economic modelling

Another important tradition in Dutch housing research has been market analysis and prognosis. Towards this end, the Dutch variants of demography and welfare economics have played an important role, defining key concepts in the subsidy of housing production and consumption, and predicting and forecasting housing trends and policy options. This mode of research is fully institutionalised in the policy process. Forecasts play an integral role in a housing system where government wishes to maintain stable levels of housing production through various subsidy schemes, thus minimizing market risks and housing shortages.

Dieleman (et al, 1985) offers a strong demographic and rational economic perspective, predicting future demand for social housing. His work considers demographic developments to be the décor against which developments in social housing respond. Their 1985 report considers how household growth, income developments, and financial prospects will influence the levels of social housing required and outlines some policy options. More recent work by Dieleman maintains a predictive perspective, focusing on the impact of rising
income, tenure preferences, and housing prices upon affordability and residential segregation (1996).

The extensive work of Van Fulpen, undertaken for the Social Cultural Planning Bureau, is also illustrative of this prominent and well-developed approach. He defines, models and predicts the consumption costs for tenants, testing alternative models of social housing finance, and different subsidy options (1985, 1984, 1983a, 1983b, 1982). His 1985 work, *Volkshuisvesting in Demografisch en Economisch Perspectief* (Social Housing in Demographic and Economic Perspective), provides a good example of predictive modelling approach applied to the Dutch housing market. He uses quantitative multi-variant analysis to examine the effects of demographic and economic factors upon the quality and quantity of housing demanded. Van Fulpen applies his model to the housing market in order to simulate possible outcomes. The explanatory power of his work depends on the models implicit assumptions, including ideal types, aggregated consumer preference and rational behaviour, and the extent to which they resemble reality. Key to Van Fulpen's analysis is the realm of consumption, which is perceived as dependent upon quantifiable demographic, macro and micro-economic factors.

Neo-classical models of equilibrium, competition and free markets permeate much housing research in the policy field. The conceptual model developed by Conijn (1995), concerning the financial and economic basis of social housing provision, assumes a market in perfect competition where demand and supply are in balance and the role of government is left out "as the study focuses on the operation of housing" (ibid, 1995:173). As with many econometric models, little or no emphasis is given to the core relations of which actual social housing production, exchange and consumption is embedded, their spatial and institutional fixity and sometimes irrational path dependence or the 'openness' and vulnerability of these to (unpredictable) exogenous shocks and other contingent influences.

A recent example of econometric modelling for predictive purposes was undertaken the Cultural Planning Bureau (Rele and Van Steen, 2001) concerning the system of subsidising housing in The Netherlands with an emphasis on the distributional effects of various measures, including a low tax on home equity (relative to other assets) in the ownership sector and housing allowances and low rent levels in the rental sector. As with many econometric studies the researchers develop a variety of equations representing various subsidy forms and calculate their aggregate effects on public finances. Whilst these equations imply statistical accuracy they do employ many assumptions including 'best guesses' of pure cases of subsidisation, their weighting and average effects and also remove certain possibilities, in an attempt to avoid 'distorting fluctuations' from their analysis. For this reason, the findings are not abstracted from complex and uneven empirical reality but derived from a conceptual model developed by the researchers, enabling relatively straightforward recommendations. Employing their model, Rele and Van Steen conclude that the benefits of subsidisation are greater for low-income renters and for mortgaged rather than equity financed purchases. Recent conditions in the housing and labour market, such as the growth in white collar employment and escalating house prices have increased the indebtedness of new owners, skewed subsidies towards them (via substantial tax deductions), and also promoted further price inflation. From their analysis, the authors suggest that a reduction or abolition of tax subsidy would reduce prices and increase access for first homebuyers, providing an apparently objective contribution to the highly charged politics surrounding this aspect of housing policy.
Explanation via ideas, professions and institutions

Econometric models, however inclusive, fundamentally differ in terms of ontology, epistemology and purpose from geo-historical studies. Van der Schaar, using a loosely defined institutional approach to understanding and explaining housing history, provides a leading example. He has updated and refined his comprehensive body of historical work for analysis of housing institutions. His seminal work, *Groei en Bloei van het Nederlandse Volkshuisvestingbeleid* (1987), remains one of the more thorough accounts of outcomes in the policy process to the mid 1980s and remains a key reference for scholars of housing history. This text places emphasis upon the instruments of policy in the context of other forces: market developments, formal political decision-making processes, and the lobbying and advice of government officers and representative organs. More recent work provides a concise historical account (1998) of the shift in policy emphasis from public health to environmental quality. Whilst events, rather than causes, are the focus, a number of explanatory themes are implicit. These include the importance of property relations in defining development players and their conditions, the small government ideology and preference for private (capitalist) rather than public entrepreneurship, and the quest to maintain production, with state playing a corrective role to address ‘abnormal’ market conditions.

In more recent work, Van der Schaar (1999) gives his analysis a more distinct institutional emphasis. Policy phases are considered to be influenced by social demands and needs, the dominant ideas of political coalitions (minimal state provision, goal of normal market relations), and professional interests; punctuated by reactions to exogenous economic crises and other circumstances. Most recently (2001) he reiterates that social housing is first and foremost a matter of policy, whilst certain economic relationships are of crucial importance, namely: the inter-play between costs of building, incomes, market conditions and government subsidies and the constant struggle for a return to ‘normal’ market relations.

The following historical explanations focus upon the ideas of key professional organisations upon the delivery and development of the Dutch housing solution. Unlike those above, the following explanations have had far less influence in policy and professional circles.

Grinburg (1977, 1982) provides a historical study of Dutch housing form, with an emphasis on the various concepts, traditions and ideologies shaping architectural practice, in relation to shifts in administrative and economic power between 1900 and 1940. Grinburg’s descriptive study emphasises the significance of the ideas and motivations of housing promoters upon different forms of housing provision, such as: paternal philanthropy and economic self interest of industrial landlords, economic liberalism of speculative jerry builders; the paternalistic-speculative character of early associations; the workers co-operative movement for self-owned dwellings; and the principles of liberal-paternalism underpinning the Housing Act. He mentions specific influences in the establishment of the Housing Act; the fear of fire and disease amongst the better housed; the power of speculators over government; and the role of social welfare groups, health commissions, building committees and city architects. Steiber (1998) offers a similar perspective, with an emphasis upon the Amsterdam school of architecture and urban design, stressing the importance of various supervisory committees, which officially regulated the built environment during the early 20th century.

The role of professions and their struggle for societal status is considered to have played an important role in defining social housing policy. Reijndorp (1992) examined different periods
of provision and the influence of medical practitioners, engineers, architects, urban planners and community workers upon the promotion of 'ideal' housing outcomes through the development of various housing institutions, programs and projects. According to his analysis of the current period, professions have played a prominent role in the institutionalisation of supply and individualisation of demand.

Organisational histories also provide a relevant body of empirical research. A good example is the work of De Ruijter (1987), on the Dutch Institute for Planning and Housing (NIROV), which gives much attention to developments in housing and planning between 1850 and 1940. He focuses on the role and ideas of professions: architects, housing reformers, pressure groups, planners and professional bodies such as NIROV. His lengthy study of the Dutch Housing Act examines the concepts and arguments of different pressure groups, individual reformers, political parties and social movements active in the field of housing reform. These include: the movement for private-public health and professional pressure for social hygiene; movements to improve the living environments of workers; the idea that better housing could achieve social reform; the sanctity of private property; the role of the labour movement in organising for better housing conditions; the autonomy of municipalities and the role of government to restore equilibrium in dysfunctional markets. De Ruijter makes use of a wide variety of qualitative historical material such as letters, journals, speeches, plans, photos, songs and posters. Other official administrative histories typically review regionally aggregated housing indicators, national program initiatives and government legislation, whilst emphasizing the role of individual civil servants and politicians (for examples, see Kooiman, 1943, CDWV, 1952, Van der Schaar et al, 1996).

Historical accounts of policy have commonly focused on the succession of rules and regulations developed by central government that have 'defined' various housing programs of the day. In recent years, Dutch policy science has applied more elaborate techniques towards an explanatory strategy grounded in rational action neo-interactionism (Kickert, 1991, Klijn, 1996, Klijn and Teisman, 1992, Koppenjan et al, 1993). Klijn (1996) applies this explanatory approach to post-war housing policy. He examines how individual action is channelled and contends that actors are connected to each other in a policy network by mutual interdependency and engaged in an ecology of games (ibid, 1996:335). His empirical research compares the housing policy networks and games employed by relevant actors in three cities: Den Haag, Rotterdam and Groningen.

Explanation via international contrast

The comparative approach in Dutch housing studies has become more prominent in recent years, fostered by the establishment of various international agencies and research networks (European Commission, ENHR, CECODHAS). Nevertheless, theoretically structured comparative studies (Harloe, 1995, Lunqvist, 1989, Barlow and Duncan, 1994, Kemeny, 1995) have had little influence upon formal policy research. A lack of analytical and empirical depth often undermines broad comparative explanations. More descriptive, explorative studies focusing on various policy mechanisms and trends such as Oxley and Smith (1996), Kemp (1997) and McCrone and Stephens (1995), have emerged with stronger institutional support and contributed to the policy debate.

Some authors have described Dutch housing as “corresponding in many ways to that in Britain and France, but lags behind by a number of years” (Prak and Priemus, 1992). Implicit is the notion of a mono-linear pattern of development, with forerunners and laggards passing
various milestones. This approach is also found in the work of Boelhouwer and Van der Heijden (1992) who contrast the progress of seven European nations along certain phases of development.

Often quoted, but of little formal influence in Dutch studies, is the work of Harloe (1987, 1994, 1994a, 1995) who has long been interested in explaining the relationship between different periods of capital accumulation, via an analysis of housing history. Harloe examines the historically inherited legal status and institutional format of systems of housing provision in Europe. In particular he considers the constitutional, governmental and political systems and macro economic policies surrounding social housing. In a number of studies he has compared the political, social, ideological status of the social sector with the private market. Drawing upon the work of Block (1987) and Gourevitch (1986), Harloe (1995) has tended to divide developments according to a number of urban development and economic phases. For each phase he contrasts the emergence, growth and decline in social housing developments in different countries in the Europe (including The Netherlands) and the USA. He discusses a wide range of concrete political and economic factors leading to rise and decline of different forms of social housing in each country, and the recent rise of owner occupation, including: religion; social class; ideology; politics of tenure; the necessity for coalition building; major destructive events (WWII); labour markets and wage levels; the extent of urbanisation; and, the level and form of economic development.

Harloe contends, "institutional differences derive from the particular nexus of economic, political and ideological factors which surrounded the emergence of social housing in each country" (Harloe, 1987: 128-129). The form of intervention, mass or residual, depends on the degree to which housing need threatens existing social and political systems. At certain times, social housing can maintain political stability, ameliorate class conflict, stimulate the economy, dampen wage demands and generate employment. In recent work, Harloe considers that interest in mass social housing has dissipated, and will only return when housing needs hold "strategic significance for the functioning of societies" (Harloe, 1995:50).

The work of Van Weesep (1986) on condominium conversion in The Netherlands, Britain and the United States is a rare example of theoretically informed comparative explanatory research. Drawing upon the realist philosophy of Keat and Urry (1975) and Sayer (1982, 1984) he argues that despite similarities in the conversion process, differences in tenant protest and the legislative response in these countries have been generated by important variations in the structure and powers of government, the nature of real property law and landlord-tenant statutory relations (Van Weesep, 1986:43). In tandem with Pickvance (1986) Van Weesep stresses the importance of understanding the historical, cultural and political variations in comparative research (ibid, 1986:57).

Through the past decade, Boelhouwer and Van der Heijden (1992) have developed a comparative framework to contrast developmental phases in the Dutch housing policy and test the validity of convergence theory (Donnison, 1967), with six other West European countries. Their explorative work, describes the housing outcomes of different demographic, market and institutional interactions in each country. Their VROM sponsored study partly intended to generate theories of explanation and contribute towards the convergence-divergence debate in European housing studies (see Klienman, 1996:169-170, Doling, 1997:89-91). Whilst the outcomes of each housing system are concisely described, their generative processes are not fully explained (sf Boelhouwer and Van der Heijden, 1992:55). Nevertheless, whilst the
theoretical ambitions of the project were not achieved in 1992, work still continues in an explanatory direction (Van der Heijden, 2000).

*Explanation via the civilizing process (Elias, 1939)*

Moving from descriptive, explorative and contrastive historical studies of entire systems of housing provision, we now move towards those investigating particular explanatory themes in Dutch housing provision. First, studies focusing upon the consumption dimensions of housing provision.

Deben's historical study (1988) of housing consumption of the period 1850 to 1969 follows the influential German sociologist Elias, to focus on the control aspects of Dutch housing provision, particularly to *civilize, discipline and supervise the working class* according to the standards of housing reformers, landlords and management professionals. Deben's explorative and descriptive study focuses upon the groups involved in civilizing working class residents, the design standards for dwellings, the house rules, the interest of landlords in managing tenants, and the wider circle of interests in housing provision and research. Three periods are investigated, divided according to the focus of behavioural change: behaviour of the family, correct use of the dwelling and dwelling environment, and desirable interior decoration. Deben uses a wide range of historical, qualitative material indicating desirable living standards and rules, emanating from guides, congress reports, housing association rules, exhibitions, tenancy rules, and journals. More recent work (Deben, 1993) examines the rules governing tenancy between 1850 and 1980; again focusing on the civilizing intent of housing managers upon working class residents.

There are a variety of Dutch housing studies that examine *gender relations* in housing history, with a primary focus upon consumption. Van Meijel, Renou, Van Schendelen, Veneijer and Verloo brought together a collection of perspectives on women, residential life and the built environment in 1982. Their book partly examines the economic relations of Dutch women in the home, the standardisation of dwellings and living environments, and an analysis of family and neighbourhood relations.

Other historical contributions include De Regt (1984). She examines the system of early working class housing provision, with specific attention to its role in reinforcing certain gender relations and roles. Further, Van Moorsel (1992) provides a detailed analysis of the role of women, as promoted by the Stichting Goed Wonen between 1946 and 1968. She covers themes such as the separation of women in the home from men at work; provides an historical background to the system of housing provision (from 1850); and analyses the role of rational and phenomenological design concepts. In her book *Power and Gender in Social Movements* (1992) Verloo analyses the power relations and mechanisms influencing women's role in resident movements (action, reform and resistance) in Rotterdam and Nijmegen between 1965 and 1985 and makes critical comments on the usefulness of the 'civilizing' theory of Elias.
**Explanation via pillarization and the passive welfare state**

A substantial body of research, from political science, historical sociology and political economy, has tried to explain the unique form and relations of the Dutch welfare state, which is considered to be "much more a task of empirical research and associated theorising than a quest for statistical correlations" (Kersbergen and Becker, 1988:497). A number of explanatory concepts have been developed in the process: the theory of pillarization; the passivity of the Christian democratic welfare with its principles of subsidiary welfare; the corporatist model of decision-making and negotiated adjustment to change.

There is only room here to mention a few key proponents, in order to provide a taste of this rich conceptual work. A special section dealing with Dutch state theory and housing is provided in section 7.4.2. Lijphart developed a theory of Dutch pillarization (first in English) in 1968, prompting lively debate and analysis on the peculiar nature of the Dutch state (Daalder, 1989, Schuyt and Van der Veen, 1986, Stuurman, 1983) via the:

pillarisation of its society and as a consequence of this extraordinary political influence of the church and religion. This in turn favoured the predominance of paternalist Christian – in particular catholic - social doctrine of social policy. 'Caring' for the 'the weak', for the victims of unemployment or sickness, therefore has been a central political and ideological issue (Kersbergen and Becker, 1988:495).

Daalder (1989) emphasizes the importance of political and institutional coalitions, which channelled collective savings via non-state organisations for the delivery of the social goods and services.

A pattern first sent in the equal financing of public and religious schools after 1917, was thus extended to many social sectors, including social insurance, health care and many other forms of culture and recreation. Such a process has been reinforced by the Dutch bureaucracy itself...their joint activities implied a strong upward pressure for government expenditures and services. (Daalder, 1989:15-16)

From this vantage point, contemporary corporatation and passivity in the Dutch welfare state have been explored (Van Kersbergen and Verbeek, 1997, Van Kersbergen, 1991, Daalder, 1989, Therborne, 1989, Van Kerbergen and Becker, 1988). It is considered that de-pillarisation and declining economic prospects are the causal mechanisms eroding paternalism and reshaping welfare politics today (Kersbergen and Becker, 1988:496). In their empirical study of different sectors of the Dutch welfare state, Visser and Hemerijck (1997) examined dynamic forms of corporatism defining wage policy (regained), social security (unrestrained) and labour market policies (truncated) over the past 15 years. They argue that corporatist transformation within different sectors of policy can be explained in terms of their differing levels of societal support and institutional integration (Visser and Hemerijck, 1997:183). Whilst this conceptualisation is interesting it remains largely disconnected from empirical research on the housing sector.

Salet (1999, 1994, 1987) is one of few urban sociologists to examine recent shifts in housing policy, with explicit reference to the peculiar Dutch state and unique structure of housing.
provision. In brief, he characterises the Dutch welfare state as comprising interdependent government and non-government organisations, which have emerged from religious and ideological social pillars of Dutch society in the early 20th century. Salet (1999) applies an institutional approach to examine regime shifts in Dutch housing policy since the 1980s. He highlights the private nature of Dutch social housing providers, which nevertheless, function in a highly regulated environment. This relationship has sheltered housing providers from both the demands of consumers and competition from alternative providers. Of specific interest is Salet's interpretation of recent changes in the various institutions, norms and rules governing housing policy, resulting in a move away from direct intervention towards a new balance in public-private relations that places more emphasis on self-regulation and entrepreneurship. With these changes, Dutch social housing has emerged as a more resilient sector when compared with other European countries. However, social policies promoting affordability and social integration may become more difficult to sustain.

Political economy has not dominated explanations in Dutch housing history, as is the case in Australia. However, there are a number of studies and the work by Nycolaaas (1974) provides an early example. He places the history of housing and related policy within the dynamic process of capital formation, labour relations, rent politics and economic crises from the mid 19th century to the 1970s. Nycolaaas argues that governments have successively failed to withdraw support from the financial relations of production and consumption, preventing 'normal' market relations from establishing. Further the involvement of central government in housing production was significant, via various incentives, grants and contributions, to ensure a flow of investment in the housing sector. During periods of economic recovery, government support for the housing sector diminished, as part of the drive to achieve 'normal' market relations.

**Difference and change at the local and regional level**

Moving from broad theories explaining the Dutch nation state, a number of enlightening studies focus on uneven development, examining the underlying social structures that have generated difference and change at the local and regional level. The following research demonstrates that such 'small scale' research can provide theoretically rigorous and spatially sensitive explanations for different housing and urban forms.

Jurriens (1981) examines the role housing organisations played in producing a system of social control amongst mine workers in the Southern province of Limburg. Local Catholic patricians played a moderating role, establishing housing associations which reinforced solidarity between the church and industry that were able to exert effective control over the social lives and habits of mine workers. The associations united Christian principles with the achievement of adequate housing, reinforced by the authoritarian and hierarchical position of the priest and industrial power of mine management. Their housing policies and programs prevented concentrations of workers in cities from forming a large organised proletariat, by isolating them into small colonies and retaining the familiar village form.

Whilst not exclusively focusing on housing per se, Terhorst and Van de Ven (1997) postulate and provide evidence for the causal mechanisms generating divergence and change in the urban 'trajectories' of Amsterdam and Brussels. Their theory rests on the different definition and interaction of specific rules of the state: territorial, fiscal and franchise over time and space, with particular emphasis on the property rights governing the collective or private character of urban development. The authors examine consecutive regimes, from the 18th to
the 20th century, comparing, amongst other themes, the structure of housing provision in each city. Commodified and privatised housing in sprawling and fragmented Brussels is contrasted with collectively organised social housing in consolidated Amsterdam. Abstracting from extensive concrete research, Terhorst and Van de Ven argue that divergence is plausibly explained by the cumulative effect of the different packaging of rules governing property rights that regulate public access to social and material goods.

7.3.2 A Critical Evaluation of Explanatory Progress

The above review highlights the very different pathways to various explanations of Dutch housing history. It has been argued above that empiricism and muted positivism currently dominate Dutch housing studies. Further, there is little dialogue or debate between the different disciplines examining housing provision. Historical explanations have been conceptually and thematically fragmented, applying very different units of analysis, from ideological categories to social pillars, social class to demographic cohorts. Consequently, postulated explanations are diverse and include: a response of housing shortages; need to generate employment; lack of private capital; threat of social unrest; inadequacy of private philanthropy; dominance of certain professions; ideology of government coalitions; rational preference of households; demands of political constituencies; weakness of the socialist movement; performance of associations and proactive local government involvement.

Amongst these diverse factors are several over arching explanations that permeate historical-housing studies. Most common is the idea of state led, trigger-response to the prolonged shortage of housing, especially after WWII (Boelhouwer, Van der Heijden and Priemus, 1990) and, secondly the constant struggle for ‘normal’ market relations (Van der Schaar, 1998, Nycolaas, 1974) in ‘abnormal’ market conditions. Thirdly the form of provision, via non-profit housing associations, is often attributed to the strongly pillarized nature of Dutch society (Terhorst and Van de Ven, 1997, Murie and Priemus, 1994), the erosion of which is undermining the traditional power blocks engaged in welfare provision (Salet, 1999). A number of policy watersheds are regularly identified: the Great Depression, World War II, the monetary crisis and oil price shocks followed by the fiscally austere climate of the 1980s. Whilst these events may indeed be important, they are common to many western countries. Indeed, more explicit attention may pin down their actual role in defining the unique Dutch housing solution.

Yet, by far the most prominent mode of explanation in Dutch housing studies is not explanation at all, but normative description, grounded in the traditions of empiricism and pragmatism. Research that models and predicts the operation of regulatory instruments, rather than provide a critical explanation of them, sits comfortably in the main stream. Yet, a number of assumptions remain unchallenged in this ‘objective’ empirical work, particularly the equilibrium thesis that casts the central state in a normative and corrective economic role and the emphasis upon national aggregates that hide regional and local variations in housing provision.

With few exceptions international sociological debates concerning urban and housing phenomena have only been given marginal attention (sf. convergence, state theory, structure/agency, locality studies, regulation theory and post modernist critique) and the causal mechanisms underlying housing transformation are buried beneath policy debate or obscured by empiricism.
7.3.3 A Possible Explanation for Progress in Dutch Housing Studies

As outlined above, the dominant field of housing studies in The Netherlands differs markedly from its Anglo-European counterpart. The empirical, contrastive and predictive modes of explanation, have dominated Dutch housing studies for the past 25 years. Why is this so? The following points provide a partial explanation.

Firstly, housing is widely perceived as a 'technical' rather than 'scientific' field of study. From its earliest beginnings, the motivation for the Dutch housing solution of social housing provision was driven by a number of professions in the civic arena, namely medicine, engineering, architecture and social work. Within academia, alongside engineering and architecture, housing emerged as a self contained field (such as health, education and transportation), to professionalize the large housing association sector. Secondly, via key research institutions, set apart from the social sciences, Dutch housing research has taken a more pragmatic course, responding to the housing shortage and later, the demands of urban renewal and housing choice. Independent from European intellectual movements, such housing studies have given prominence to the functional concerns of the state and become firmly embedded in policy studies. Thus, analysis tends to focus upon various government subsidies and other forms of intervention, which maintain stable rates of supply and minimise risks for the private housing market. Even international research maintains a strong policy outcomes focus, perhaps neglecting the driving forces that have shaped distinctly different forms of housing provision across Europe. The generative mechanism may be the power-sharing model of corporatist governance that exists between academia, housing providers and the central state facilitating a more constructive, consensual dialogue in the policymaking process. Senior researchers double as policy advisors and the roles are often interchanged.

On the other hand the Dutch social sciences (economics, sociology, political science and geography) have to some degree, ignored housing as a field of study for a range of reasons. They have viewed housing as an object of study that belongs to the realm of policy research. From this perspective, the Dutch system of social housing was merely considered as an aberration of market forces, a product of government policy and electoral politics. Only a few researchers perceived the Dutch housing solution to be embedded in and contributing towards the emergent social relations and power structures of Dutch society.

Thus, explanation for this unique form of provision, established for more than 100 years, has not benefited from lively theoretical debate and a critical approach to housing studies has barely emerged.
7.4 Postulating a Model of Causality in Dutch Housing Provision

From a realist ontological vantage point, it is considered that more attention is required to *tease the generative processes from their actual outcomes and events*, thus abstracting the causal mechanisms from the substantial, existing body of descriptive, historical work.

Causal mechanisms are postulated to exist in the packaging of key relations of housing provision, which operate under dynamic contingent conditions. These relations concern the geo-historical definition of the property relations influencing housing development, investment and savings mechanisms, and welfare and labour relations influencing capacity to pay for housing services, as contended in Chapter 5. How these relations are contingently defined and packaged (accidentally or intentionally) is considered to be of generative significance in promoting specific housing solutions.

Yet housing provision is a long term, cumulative and path dependent process, which is embedded in the structures of society (including state and market structures) and subject to unpredictable contingent conditions. Change is rarely attributable to single causes and the relationship between cause and effect rarely straightforward, immediate or observable. Changes take time to mediate the system of provision, which comprises many different related components subject to influences outside the housing system itself.

Thus any explanatory study must look far back into history, to examine the various phases in housing development and abstract both the necessary and contingent relations. For this reason this study examines aspects of housing provision prior the development of the Dutch housing solution (from the mid 19th century) to the present day. A number of phases within this long trajectory have been defined, to enable contrastive analysis between different ‘packages’ of key relations in their contingent context. These phases are outlined in section 7.4.1 and briefly illustrated by Figure 7.1. Further, specific attention is given to the unique and dynamic nature of the Dutch state with its roots in pillarisation, corporatism and a Christian Democratic subsidiary welfare state, and a discussion of these concepts consequently takes place in Section 7.4.2.

7.4.1 Defining Periods for Analysis

Specific to the case, it is contended that a number of phases can be derived from the shifting of contingently defined relations of housing provision. Each phase comprises several periods: adaptation, coherence and crises. Coherence can be said to occur when key property, investment/savings and labour/welfare relations sustain, alongside contingent conditions, a succinct and relatively stable form of provision. Given the conflict ridden and crises prone nature of capitalism, it is easy to imagine that a neat functional fit, between a particular form of housing provision and the broader political economy, may only exist for short periods. Thus periods of coherence are followed by periods of crisis, which may in turn lead to a period of adaptation. Adaptation enables production to re-establish and is evident via the initiation of new practices, ideas and institutions. Adaptation may precede another, albeit temporary period of coherence. Based on this definition, the following division of Dutch housing history is proposed:
First phase: Laissez-faire liberalism in crisis 1848-1889

We cannot begin to understand the Dutch housing solution by merely examining founding legislation or periods of high production. Given the path dependency of any housing history, we must look to the social relations and conditions from which the solution has emerged. For this reason, an appreciation of the 19th century conditions of constrained development under laissez-faire capitalism in an industrialising economy, is essential alongside an understanding of the pre-industrial nature of Dutch urban political economy.

Thus, the first phase for examination begins in the mid 19th century. This is characterised by highly commodified capitalist relations of housing provision in urban areas, involving the exploitation of land, construction and letting of dwellings in a time of economic restructuring (from agrarian and mercantile to industrial economy). The efficacy of economic liberalism is questioned under conditions of severe land and housing market scarcity, generated by constraints on city expansion, private ownership of land and dwellings and mass urban migration, which resulted in speculation, low building standards, overcrowding and exorbitant rents.

The laws of laissez-faire liberalism and sanctity of private property rights, once upheld by religious ethics and guarded by the landed gentry, were gradually undermined by various initiatives in the civic and industrial sectors. Expanded electoral franchise and unionisation of industrial workers provided vehicles and voices for reform. New players challenged the existing monopoly capitalists, which had controlled municipal chambers, and fed a growing movement to ameliorate the worst excesses of the housing crises.

Second phase: Foundations for change in a turbulent context 1891-1933

The foundations of the Dutch housing solution emerged following a period of housing crises, civic protest and a broad based movement for reform in cities but did not produce significant numbers of social houses nor contribute greatly to production.

Nevertheless, an important building block was the redefinition of public property rights, enabling the municipalities to intervene (expropriate, designate land use and dispose) amongst dispersed private land owners operating in a highly commodified land market and dispose of suitably developed land to private entrepreneurs for the expansion and renewal of their cities. Such extensive property rights were legitimate in a climate of urban dilapidation, crisis in capital accumulation and threatening health and social conditions. Municipal land development removed the most risky phase of development from the hands of the private sector and increased the certainty of development outcomes. The establishment of municipal land companies absorbed the risks associated with land development and avoided the delays, uncertainty and non-co-operation of speculative private development.

The dearth of private investment was to be addressed by the provision of central government loans and various subsidies to approved non-profit associations and municipal housing companies. Government loans were set at market rates for a fifty-year term. Loan terms were preferable to the private sector: being secured by the government delivered a lower interest rate and the term was twenty years longer. With the standardisation and enforcement of building standards, Gerry building was outlawed and thus a further risk to long term housing investment was minimised. Building standards ensured that dwellings constructed would generate rents through out the fifty year term of the mortgage.
Approved housing associations were perceived as legitimate beneficiaries of favourable land and capital provisions, as they were willing to develop and firmly manage affordable housing for low-income workers and their families to reproduce a healthy, harmonious, wage competitive labour force. These organisations pioneered the pillarized empires of welfare provision and social control, emerging from a divided but tolerant multi-faith constituency. Calvinist opposition to subsidising private enterprise was whittled away by establishing social tasks for approved recipients (private Housing Associations), and channelling surpluses to a ‘deserving’ cause.

Only in extreme economic conditions did these measures prove insufficient to continue high levels of housing production. These conditions persisted until a global economic crisis drastically curtailed the flow of private investment into many sectors of the Dutch economy, including housing construction. With interest rates rising and governments demanding the repayment of earlier subsidies, social housing associations were fast approaching financial ruin and various measures were being called for to adapt to the new economic conditions.


This phase begins with a period of adaptation and modification. To prevent insolvency of associations, the Dutch government ensured the financial continuity of associations by providing advances to pay interest on government loans. Private investment in the housing sector continued to fall away and was only later secured by central government subsidy.

Wartime and German occupation introduced an entirely new set of political, economic and housing conditions. The construction sector is resuscitated by the re-emergence of social housing production; this time with governments commissioning the development of large social housing estates via municipal housing corporations and associations. In 1947, the central government regulates to force associations to manage their own finances more closely and establish emergency reserves to be managed by municipalities, giving the latter substantial control over new investments.

Cities such as Amsterdam and Rotterdam, with powerful municipal housing companies and a growing constituency of social renters, lobbied to increase their share of rental production. During this period, the public property rights and development capacities of municipalities were fully exploited, leading to the redevelopment of large inner city areas and creation of new suburbs. New production techniques were employed to minimise labour costs, maximise output and address overt demand. From these subsidised and increasingly regulated producer relations emerged a sizeable and moderately well off constituency that came to enjoy affordable and secure tenancy. During this period, the Dutch social housing solution has reached its zenith.

Inevitably, inflation increased building costs, which demanded higher rents, exploitation or subject subsidies. Whilst attempts to tax wealthy tenants in low rental dwellings failed, new financing mechanisms were introduced, such as the Dynamic Cost priced method to curtail government outlays and spread them out over a longer period. Yet the costs of this ‘ideal’ system radically escalated during unanticipated periods of rapidly declining inflation.

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59 Municipal housing companies provided an important vehicle for the implementation of local government housing aspirations. Legislation drastically changed their privileged position in 1965.
By the end of this phase, government budgets and continuing subsidy mechanisms came under increasing scrutiny. Fraudulent activities by some associations reduced political support for the associations. Dynamic methods of subsidy and various other schemes are presented as costly and open ended in an austere financial climate favouring deregulation. This time the reformers were not calling for a traditional solution to the growing housing crises, but rather radical adaptation to save it.

Fourth phase: Securing ‘independent’ relations for land development, finance and individualisation 1984-2000

In the fourth, most recent phase radical changes have been introduced, shifting the political and financial risks away from governments towards social housing providers, banks and tenants. Government lending for social housing has all but ceased. Object subsidies have sharply declined. Housing associations must finance their production directly via the capital market. Further, they must generate profits and consume reserves ‘internally’ to be able to build non-profit social housing.

To attract private investment into housing production, the central government announced new building locations, inviting and providing more certainty to non-government for profit players in the land market. This inadvertently led to speculation and escalating land prices, weakening municipal control in co-operative development negotiations. Further, increasing rents, favourable tax incentives, and generous access to credit enticed large numbers of moderate income households away from the ‘protective’ fold of social rental, into home ownership for the first time in Dutch housing history.

Today the housing related welfare of many Dutch households is in the hands of contribution based social insurance, individual rent subsidies and more liberalised labour, mortgage, land and housing markets. This new period of coherence is far from the protective sometimes-exploitative constraints of producer and tenancy politics. In this context, new relations of housing provision have emerged, with the housing, employment and mortgage markets playing an increasing and interdependent role in the individualisation of risk and wealth in Dutch society. Whilst need is strong, housing production has slowed considerably in both the ownership and social housing sectors. In an economy approaching recession, some housing commentators suggest we are resting on the cusp of yet another crises, this time affecting indebted homeowners dependent on two incomes.
Figure 7.1 Phases in the Dutch housing solution: adaptation, coherence and crisis
7.4.2 Theorising the role of the state in the Dutch housing solution

Scarc research has been undertaken in Dutch housing studies that specifically theorises the role of the state in housing provision (with the exception of those authors mentioned in section 7.3.1 Salet, 1999, 1994, Terhorst and Van de Ven, 1997, Jurriens, 1991, Nycolaas, 1974, which go far beyond policy research). For this reason, it is worth returning to explanations of the Dutch state in general, which have emphasised the importance of pillarisation in the development of welfare services in this country. As with many other aspects of social life, including education, health, and the media, the effect of pillarisation on the architecture of housing provision from the early 20th century has been profound.

Stuurman (1983) critically applies and revises Lijphart's (1968) theory of pillarization and its influence on the development of the Dutch welfare state from 1750-1920. He outlines the developments in historical materialist terms, from an oligarchic-mercantile-protestant and aristocratic Republic to the modern Dutch welfare state. This shift is explained as a process of transformation across existing social, economic and political structures through changing modes of capital accumulation, forced by modern industrial capitalism. Class and sexual struggle are just two of many factors influencing the development of the modern Dutch state and social structure.

Importantly 20th century conflicts were filtered through the pillars of Dutch society: Protestant, Catholic, Socialist and Liberals. Between 1900 and 1965, these pillars provided a mechanism of social control, identity and pacification and this division stymied the incursion of a unified socialist doctrine. Nevertheless, it was also an unseen and unintended consequence of different socio-political conflicts between liberals and conservatives, workers and capital, men and women, which after 1920 gave The Netherlands political and social stability and a liberal-confessional state.

Swedish policy scientist Göran Therborn (1989) is one of few international researchers to recognise the specific form of welfare provision under the pillarized Dutch state. He charts the relationship between the state, labour movement and church from 1830, and the origins of welfare pillarization through various struggles including the financing of denominational schools, divisions in the trade union movement, and development of confessional parties. According to Therborn, this institutional groundwork led to the emergence of the subsidiary welfare state and the passive role of both the labour movement and the state in direct welfare provision (ibid, 1989:106).

Whilst Lijpardt, Stuurman and Therborn have little to say about housing policy, their analysis can contribute much to our understanding of the pillarized origins of housing associations and why Catholic, Protestant and later socialist housing associations came into being with privileged access to government loans for the construction of rental housing.

Yet the grip of pillarisation has weakened since the mid 1960s and thus, we need other theories based on more recent shifts in history to progress our understanding of relations between the state and the Dutch housing solution. Recently, both empirical and theoretical research on this topic has flourished in the field of political science. With Uwe Becker (1988), Esping Anderson (1992) and Verbeek (1997) political scientist Kees Van Kersbergen has developed an approach from a substantial body of concrete research and abstraction. He argues that Christian democracy has led to the development of a passive welfare state, lacking
the explicit commitment to collective services and full employment that tends to characterize more social democratic welfare states (1992:193). Christian democracy depends on market forces to create employment and distribute income. The state merely redistributes the benefits, reinforcing traditional notions of family, social harmony, and the principle of subsidiarity in welfare participation.

Recently (1997:258) Kersbergen, with Hemerijk, has attempted to explain recent reforms in the Dutch welfare state from the perspective of contingent conditions and institutional legacies that have enabled policy makers to alter the 'rules of the game' during the 1980s and 1990s. They argue that researchers must be sensitive to change, rather than hold on persistently to notions of path dependency, lock-in, and electoral hazard (ibid: 1997:263). Accordingly, the complex dialectic between corporatist negotiated adjustment and welfare reform can best be understood:

by studying the interaction between the rules of the game of social policymaking (institutions); the characteristics of particular social programmes (policies); and the political systems (politics) (ibid, 1997:259).

Of course, many theories are coloured by the stable from which they come. The theories above emanate from the discipline of political science. Towards a more inter-disciplinary perspective, the work of economic and political geographers Terhorst and Van der Ven (1997, 1995) is of special interest and relevance. The authors emphasize the distinctiveness of the Dutch state, which exists in a very open economy dominated by trade, transport and agriculture, where the central state is highly dependent on national institutions to promote growth and distribution (pension funds, housing associations). For this reason, the fiscal relationship between central and local governments is extremely centralised, through which particular forms of housing and urban form can be promoted via various laws, policies, programs and schemes.

In 1997, Terhorst and Van de Ven proposed a more complex and integrated notion of a dynamic state structure to explain divergence and change in urban and housing outcomes between the 18th and 20th century. In abstract terms, the state consists of territorial, tax and electoral rules that vary over space and time to influence urban development outcomes. To test their claim, they examined a number of phases in Amsterdam’s history since 1830, during which the state took on a contrasting character, defined by the interrelations of the contingently defined state structures. The researchers presented an immensely detailed case study of various regimes and the crises that divided them, to illustrate the influence of the changing structure of the state upon Amsterdam’s development. A much-reduced version of their findings is provided in Table 7.3. The Table, although concise, betrays the dynamism of periods of coherence and crises they depict.

To conclude, a number of ideas and concepts developed in state theory - outside housing studies - provide fruitful insights towards an understanding of the states role in housing in The Netherlands. These include theories of pillarisation, the passive corporatist welfare state and the nature of relations between the national economy and the local and central state. These theories provide clues for the different role the Dutch state plays in housing, with regards to land development, the channelling of individual and collective savings and the relationship between wages and housing costs. Further, the important role of the larger Dutch municipalities such as Amsterdam and Rotterdam in tandem with the central state in promoting the land lease system and municipal social housing is of particular relevance.
<table>
<thead>
<tr>
<th>Regime</th>
<th>Territorial structure</th>
<th>Tax rules</th>
<th>Electoral rights</th>
<th>Urban outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Until 1865</strong></td>
<td>• Uncertain division of private and public rights. No basic road plan and limited potential for expansion.</td>
<td>• Regressive, benefiting landed gentry, uncertain benefits from costly new development</td>
<td>• Landed gentry and commercial interests</td>
<td>• Development piecemeal, concentrated within defence walls, overcrowding</td>
</tr>
<tr>
<td><strong>1866-1914</strong></td>
<td>• Territorial expansion by mergers and annexation. Municipal sale of cheap peripheral land promotes conditional expansion. Development of land lease system.</td>
<td>• Introduction of an income tax, special central government grants. Private financing of infrastructure. Establishment of housing associations.</td>
<td>• Limited franchise extended to middle class men.</td>
<td>• Growing immigrant working class, speculative building, and inadequate infrastructure. Municipal planned housing development.</td>
</tr>
<tr>
<td><strong>1918-1978</strong></td>
<td>• Initial expansion, than consolidated Amsterdam. Urban development on municipal owned land.</td>
<td>• Progressive income tax. Special grants to finance local services channelled via social pillars.</td>
<td>• Universal suffrage for men and women over certain age</td>
<td>• Construction of subsidised dwellings at below market price for the working class. Pillarised social services.</td>
</tr>
<tr>
<td><strong>1978-pause or prelude?</strong></td>
<td>• Boundaries almost static, subdivided in districts</td>
<td>• Fiscal crisis, private investment sought, districts have no tax raising powers</td>
<td>• Universal suffrage. Territory subdivided into districts with own representatives</td>
<td>• Deconcentration of population. Attack on social housing role, stimulation of owner-occupation</td>
</tr>
</tbody>
</table>

Table 7.3 Actual rules of the local state influencing Amsterdam's urban development 1830-1997 (distilled from Terhorst and Van de Ven, 1997)
Both Terhorst and Van de Ven (1997) and Australian housing researcher Dalton (1999) are concerned with the dynamic reconfiguration of the state when defining different phases in housing history; yet differ markedly in terms of their definition of the state and its causal role in housing provision (see Dalton, 1999:86 and Chapter 6, Table 6.3). This is not only due to the different nature of the state relations in The Netherlands and Australia, but also differing notions of causal relations underpinning state action. A sharp 'local' contrast can be made between Terhorst and Van de Ven's rules of the state with state centred work of planning theorists Faludi and Van der Valk (1994). The latter emphasize the role and position of planning professionals in chains of decision-making affecting policy formation, within a dominant self-preserving doctrine. In contrast, Terhorst and Van de Ven perceive the state as being embedded in the power structure of the social relations of society, and reflected in its electoral, fiscal and territorial rules. From this perspective, they place more emphasis on relevant influences shaping the very nature of the state in order to understand its role in urban and housing development.
7.5 Analysis and Contrast of Different Phases in the Dutch Housing Solution

Rather than a housing policy centred basis for periodisation, this analysis divides housing history according to shifts in the **core features of the housing solution** as identified in section 7.3 and 7.4. This division **follows the dynamics of change, from adaptation and coherence to crisis** and broadens the focus to include non-policy influences affecting production, exchange and consumption. For this reason, there will always be debate over the precise division of the chosen periods. When did adaptation actually begin? When did crisis lead to an end of coherence? I welcome this debate, but stress that the basis for definition is upon **change in key relationships** influencing housing provision, and these are not directly reflected in the ebb and flow of housing outcomes or specific events. Thus the Depression, post war recovery and golden age of Dutch housing provision have not been designated as distinct or complete phases.

The goal is to reach an empirically plausible explanation for the Dutch ‘solution’ of compact, social rented housing as a prominent but receding feature of housing provision in the 20th century. To summarise, the main features of the proposed explanatory model are strategic historical analysis, contrasting different phases in the development of the housing solution and examining the process of adaptation, coherence and crisis, with attention to the contingent definition of property, savings/investment and labour and welfare relations. Moving forward with this proposed approach, the following questions help to focus of analysis in each phase as proposed in section 7.4.1:

*How were the property relations contingently defined during each phase of development in Dutch 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 Dutch 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 Dutch 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 housing provision?*

The following sub-sections analyse four cumulative phases in Dutch housing history, illustrating the postulate above, which have cumulatively contributed towards the development of the Dutch housing solution.
7.5.1 Housing relations under conditions of economic liberalism 1848-1889

Outline of key events and housing outcomes

The last half of the 19th century provided an important pretext for the development of the Dutch housing solution. Industrialisation and economic growth offered the prospect of work to many in the depressed agricultural sector. This new mode of accumulation required a different set of urban conditions including the expansion of industrial and residential areas and the development of related infrastructure such as roads and canals.

There were a variety of housing outcomes produced during this period. Namely petty landlordism (renting of single rooms in a larger dwelling), speculative market rental housing, philanthropic rental housing, non-profit ownership and rental dwellings provided by workers associations, and a small number of paternalistic housing initiatives undertaken by industrialists.

Towards the end of a period of urban-based economic growth, a growing professional and industrial elite and an increasingly organised working class were in conflict with the established landed gentry and merchants who controlled municipal chambers. Uncoordinated private land ownership and speculative investment were incapable of providing adequate housing at a reasonable cost, threatening not only people’s health and reproductive labour conditions but also city growth, curtailing efforts to harness the new industrial economy.

Economic liberalism and entrenched land and development interests, could not ameliorate the threatening health and housing conditions of the new urban working class. In the last quarter of the 19th century the agricultural depression pushed many labourers to the cities in search of paid work and housing conditions reached a crises point.

The following Table provides a selection of key events during this period.

<table>
<thead>
<tr>
<th>Event</th>
<th>Year(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late industrialisation attracts rural workers to cities.</td>
<td>1850s</td>
</tr>
<tr>
<td>Slow city migration. Insufficient housing, overcrowding and poor health and living conditions amongst productive workforce.</td>
<td>1850s - 1860s</td>
</tr>
<tr>
<td>Few industrialists build housing for their workforce.</td>
<td>1850-</td>
</tr>
<tr>
<td>First mortgage banks promote investment in housing, time of speculation and jerry building.</td>
<td>1860s</td>
</tr>
<tr>
<td>Fiscal reforms reducing reliance on local tax base</td>
<td>1865, 1897</td>
</tr>
<tr>
<td>Debate over the development of agricultural land and the role of municipalities in infrastructure</td>
<td>1873</td>
</tr>
<tr>
<td>Law permitting development of land beyond city walls</td>
<td>1874</td>
</tr>
<tr>
<td>Agricultural depression, massive inflow of labourers to cities.</td>
<td>1878 - 1895</td>
</tr>
<tr>
<td>Free unions possible for the first time</td>
<td>1886</td>
</tr>
</tbody>
</table>
Examples of coherent relations, contingently defined during the period of emergence

Contingently defined property relations

With the threat of city invaders long gone and their function as tax barriers diluted by central government fiscal reforms, the walls and moats that surrounded newly industrialising cities became a tight girdle constraining development during the new era of industrialisation. The residents of walled cities were literally becoming hemmed in, forced to reside in cellars, back to back and other infill dwellings, and single rooms subdivided from once larger dwellings (Nycolaas, 1974:16). It became widely accepted that claustrophobic and damp living conditions exacerbated the relatively high infant mortality and short life expectancy of city dwellers in Holland, Zeeland and Utrecht (Van Beusekom, 1955:23).

In cities such as Amsterdam, the influx of job seekers only exacerbated over crowding, worsening the threat to health and indeed property values. Infill development consumed productive gardens and other available spaces. After 1865 development jumped the defence walls and moat surrounding the city. Whilst the elite hankered for more exclusive and luxurious living quarters, the prospect of higher density housing development was more lucrative for developers and landlords. Speculators turned to even higher density developments for their profits, yet their cost cutting and Gerry building techniques undermined the quality of dwellings.

In 1874 the central government enacted a law permitting the destruction of city walls. Municipal mergers and annexations were also permitted, allowing the expansion of formerly constrained and overcrowded cities. Yet local authorities were at first reluctant to engage in an active land policy and in particular, to encroach upon existing private property. Many were still controlled by the established landed gentry; electoral reforms were yet to come. Thus, by the 1890s many of the problems of poor development standards and dilapidation remained.

The cost of infrastructure provision, diffuse land ownership and the structure of the municipal tax base was a major impediment to the development of land around cities. A national campaign to permit the forced reclamation of private land and development of infrastructure by municipalities, and ensure more spacious streets, plains and parks, was fought in 1882 (Van Beusekom, 1955:28-29). The local tax burden was significantly reduced by fiscal centralisation, which allocated revenue on a per capita basis, rather than property values.

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60 In 1865 the local ‘octrois’ was abolished and later fiscal centralisation made municipal governments less dependent upon various indirect taxes (see Terhorst and Van de Ven, 1997 for an extensive discussion on the process of fiscal change shifting local dependence upon regressive tax bases).

61 It was argued in municipal chambers that more housing for lower income groups would permit upward mobility and allow vacated unsanitary dwellings to be disposed of.

62 Known as the Vestingswet, implementation of this law remained subject to influence of important local contingencies, including the power of local military circles that argued the continued necessity of walls and moats for defence purposes. Few walled cities remain, notably Naarden, where such lobbies successfully posed forceful argumentation (M. Wagenaar, 2003)
Contingently defined savings and investment relations

By the mid 19th century, Dutch savings and institutional investments favoured land, mortgage, and foreign bond investments. These were channelled by financial practices arising from years of Napoleonic rule in the previous century. As capital shifted from the depressed agricultural sector during the mid 19th century, it flowed into mortgages to support the speculative housing market in various cities.

Catering to these investors, a number of mortgage banks established in the 1860s and readily issued 30-year mortgages at market interest rates, promoting lucrative speculation and attracting investors from a range of non-housing backgrounds. As credit flowed into a tight land and housing market, urban land prices soared and exorbitant rents were demanded from tenants in the poorest quality dwellings (Searing, 1993). In the major cities, investors maximised profits from expensive land by commissioning the construction of high density, low quality buildings known as revolutiebouw (Nycolaas, 1974:23-4). These buildings were substantial, filling entire parcels of land and up to six storeys high. Apartments were let at exorbitant market rents in a tight housing market (Grinburg, 1982:21-22).

As an alternative to these exploitative relations of private tenancy, some workers established building co-operatives during the 1860s and 1870s, to generate savings and channel them into loans for home purchase. Yet as the cost of ownership relative to savings became prohibitive, the goal was switched to the development of rental co-operatives for members (Nycolaas, 1974:23).

After 1870, investment in housing declined as more secure and profitable investments could be made elsewhere. This led to a serious shortage of capital in the rental housing sector, which further exacerbated overcrowding and dilapidation. Escalating housing demand, with the influx of former agricultural workers, was almost totally unanswered, leading to extreme overcrowding and poor housing conditions.

Whilst economic liberalism was under question, a socialist alternative did not emerge. Typical initiatives to address the housing issue embraced capitalist relations of ownership, production and consumption. Following the example of English housing activist and social reformer Octavia Hill, a small number of wealthy citizens invested capital for a modest return, to finance rental housing for workers. Such projects must be economically viable, with tenants paying sufficient rent to permit a modest return on investment. Such relations of consumption were considered to be in the best interests of the tenants, who would learn the discipline of work and respect the value of good housing. Consequently the very poor and job seekers could not benefit from such schemes. Indeed, workers were to be civilised, improved and managed and the unemployed were perceived as damaging elements (Nycolaas, 1974: 20-24, Deben, 1993).

The results of philanthropy were limited and on a small scale. Further, a small number of industrialists experimented with ideal workers communities. Again this investment was totally inadequate to meet the broad demand for workers housing.
Contingently defined labour and welfare relations

Prior to mass industrialisation during the 1850s, for many the home was a place of work – for the whole family. Without modern industrial techniques, hundreds of families worked for a distant overseer at the kitchen table or on home looms. With their small incomes, they bought their daily provisions from the overseer’s supplies. In addition to childcare and labour intensive domestic duties, it was also common for women to undertake additional paid work in the home: processing prawns, peas, beans, coffee, cigars and needle work. Women were in demand as their wages were lower than for men (Van Schendelen, 1982). These precarious and exploitative labour and tenure conditions left little or no capacity for saving, nor any means to improve material conditions.

The quality of the workplace, often still the home, and its effect on productivity was an issue of primarily economic and health concern. Medical practitioners expressed this concern, as well as architects and engineers who called for improved urban design. In 1851 municipalities gained the right to make laws in the interest of public health and order (Gemeentewet). In 1853 the Royal Institute for Engineers (of which King Willem III was amongst the board members) promoted the adoption of standards for dwellings, specifying certain densities, street widths, physical infrastructure, standards for construction techniques, which could promote better light and air circulation. Yet without defining the means of implementation, these standards were of no immediate significance. Further, design standards of new dwellings were of little relevance to those in existing hovels unable to afford better housing.

Late industrialisation brought not only economic restructuring, but enabled the growth of the workers movement, which subsequently fuelled efforts to improve housing and tenure conditions. As mentioned earlier, during the 1870s a small number of industrialists constructed paternalistic communities, based on the ideal that a healthy and peaceful living environment would promote a more productive, managed workforce (Van Schendelen, 1982).

Many families rented single rooms, let from owners of larger dwellings and landlords in the rapidly constructed, low quality, speculative sector. Extreme scarcity of housing and agricultural decline ensured a supply of desperate tenants, with little choice but to pay a large proportion of their new wages in rent or double up in small apartments, rooms and cellars. Constrained urban expansion compounded exploitative tenure relations and played a significant role in the appalling housing conditions of the new urban worker. During this period, housing the poor, sick and unemployed lay precariously in the hands of small petty landlords reliant on rents for their own household income and old age security63, and larger landlords dependent on mortgage capital. Beyond housing, there were a small number of paternalistic philanthropic institutions providing very basic shelter and care for the sick.

Finally, overcrowding in compact cities fostered diseases transmitted via air and water, to which no social class was immune. It became common knowledge that health conditions in The Netherlands were worse than elsewhere in Europe (Van Beusekom, 1955:23). The threat of sickness was real and widespread. Elites demanded public intervention for protection. Lobbying for change were numerous public interest and professional associations such as medical practitioners, engineers and architects, arguing for a greater role of governments in

63 Middle class families purchased a dwelling and rented single rooms to generate savings and provide a form of old age income security.
securin gg  bette r  livin g  conditions. Thi s  messag e  wa s  strengthene d  b y  strike s  an d  socia l unres t durin gg  th e  year s  1889-1890.

**Synthesising key relations in their contingent context**

Towards abstraction of the key causal mechanisms underlying change in forms of housing provision, Figure 7.2 outlines the mode of capital accumulation under conditions of economic liberalism, pinpointing areas of crises. This mode of provision produced high density, low quality market rental housing generating profits for land developers, building constructors and rental income for petty and larger landlords. It synthesizes particular, contingently defined social relations concerning property rights, investment and savings, and labour and welfare. Contingent conditions sustaining this mode of capital accumulation included *freehold property rights* providing collateral for *mortgage loans*, availability of 30 year fixed rate loans, scarcity of housing supply and a strong demand from immigrant families. Under conditions of market scarcity, rents escalated. Tenants must wither pay or face eviction, and with strong migration from agricultural areas an evicted tenant was easily replaced.

![Diagram](image-url)

**Figure 7.2** Abstraction of the flow of capital during economic liberalism (1848-1889) and relations subject to crises

A number of crises affecting key social relations sustaining this circuit of investment and consumption undermined the coherence of this mode of accumulation. Firstly, the *labour relations* affecting the consumption of housing (1) were disrupted by the *limited capacity of tenants to pay high rents*. Low skilled, low paid workers in over supply were not in a labour market position to demand higher wages and thus pay higher rents. Secondly, the extraction of profits under a low rent regime was only possible via the delivery of low quality housing services. Yet quality was so low that *poor housing conditions* contributed towards major health problems, affecting a range of social classes (2). Thirdly, constraints upon urban

---

64 Mercier report, 1887. Parliamentary Commission 1886 considers housing and family allowance
65 Once again, 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. For this reason wider connections, which exist between mortgage, banks and the capital market and tenants to the labour market, are not shown but are assumed. These inter connections are revealed by the crises this open system is subject to and are discussed in the surrounding text.
expansion led to a scarcity of available land under commodified conditions, and thus very high prices. This influenced the nature of housing developed: high yield, high-density rental housing. As prices rose and sites diminished, profits from the exploitation of rental housing became far less certain (3). Finally, there was no steady flow of capital under these changing economic conditions; investment shifts away from mortgage investment in rental property, towards other more lucrative and less risky ventures (4).

During this phase, the local state, dominated by an oligarchy of landed gentry, merchants and industrial elite was unable to address the new demands of industrialisation for urban expansion and cheap workers housing. Whilst some speculators made enormous profits from the exploitation of land and buildings, immigration and declining housing investment led to a much broader housing crisis, and its consequences touched a range of social classes living 'cheek by jowl'.

7.5.2. The First Unsteady Foundations of the Dutch Solution: 1890-1933

Outline of events and housing outcomes

In this subsequent phase, 1890-1933, professional bodies and private developers increasingly looked towards the central state for support to promote investment in housing production, which had been greatly eroded by adverse economic circumstances by the end of 19th century. These conditions were exacerbated by the economic crisis of 1907, which further undermined investor confidence in the building sector. Following a brief recovery, the First World War diminished Dutch trade and transport, isolating the country and increasing the cost of scarce building materials (Van Beusekom, 1955:67). The subsequent but short-lived economic boom of the 1920s generated a rise in living conditions (wages and social welfare) and a range of housing outcomes including non-profit social rental dwellings. From the early years of the century, housing associations dominated social housing production, with municipal housing companies playing a complementary role. Social housing provided more than half of all dwellings built between 1916 and 1920. After 1920, their role in production diminished66 as private house construction increased dramatically until the onset of the Great Depression.

66 However, in larger cities such as Amsterdam the social housing continued to play a more significant role. They continued to expand social housing production throughout the 1920s despite the goals of central government and actively replaced slum dwellings (Feddes, 1995, Terhorst and Van de Ven, 1990, Van der Schaar, 1987).
The following Table provides a selection of key events of the period.

<table>
<thead>
<tr>
<th>Event</th>
<th>Year Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dutch welfare state emerges: compulsory education, health care and</td>
<td>1900-1925</td>
</tr>
<tr>
<td>limited workers insurance, union organised contributory unemployment</td>
<td></td>
</tr>
<tr>
<td>insurance</td>
<td></td>
</tr>
<tr>
<td>Government legisates to support private organizations with 50 year</td>
<td>1901</td>
</tr>
<tr>
<td>loans (Woningwet), New Building Code and beginning of planned</td>
<td></td>
</tr>
<tr>
<td>extension of cities</td>
<td></td>
</tr>
<tr>
<td>Advances distributed to housing associations and municipal housing</td>
<td>1910-1915</td>
</tr>
<tr>
<td>companies for slum abolition and re-housing low income residents</td>
<td></td>
</tr>
<tr>
<td>First World War</td>
<td>1914-1918</td>
</tr>
<tr>
<td>Government assists borrower to pay interest on housing loans</td>
<td>1915</td>
</tr>
<tr>
<td>Government assists builder to pay for high cost materials</td>
<td>1916</td>
</tr>
<tr>
<td>Universal suffrage and proportional representation for men and</td>
<td>1917-1919</td>
</tr>
<tr>
<td>women 25 years and over</td>
<td></td>
</tr>
<tr>
<td>Massive increase in government loans lifting social housing output</td>
<td>1918-1920</td>
</tr>
<tr>
<td>Government subsidizes private construction and sale of social</td>
<td>1920</td>
</tr>
<tr>
<td>dwellings</td>
<td></td>
</tr>
<tr>
<td>Government loans used to ensure private housing production</td>
<td>1923</td>
</tr>
<tr>
<td>Private construction becomes dominant norm and social housing lending</td>
<td>1925-1926</td>
</tr>
<tr>
<td>forbidden</td>
<td></td>
</tr>
<tr>
<td>Price limit on land for social housing development</td>
<td>1926</td>
</tr>
<tr>
<td>Housing associations burdened by cost rents and affordability problems</td>
<td>1927</td>
</tr>
<tr>
<td>amongst tenants</td>
<td></td>
</tr>
<tr>
<td>Depression limits financial outlays of government for housing</td>
<td>1929</td>
</tr>
<tr>
<td>development</td>
<td></td>
</tr>
</tbody>
</table>

Examples of key housing relations, contingently defined during this period of foundation

Contingently defined property relations

It was not until 1892, with souring land prices and the undersupply of developable land, that the National Commission of Inquiry for the Workingman argued for municipalities to provide land to housing societies for the provision of housing. Further, it recommended that infrastructure should ensure that such land was ripe for building, and be provided by the municipality for a modest charge.

Initially stymied by the dominance of liberalism in the national government during the 1890s, socialist politicians continued to lobby for legislative interventions in private property rights via the right to inspect and condemn uninhabitable dwellings and stipulate planning conditions for new developments. With broadening eligibility to vote, the Radical Liberals
and socialists increased their numbers in the municipal chambers, and with a new step toward fiscal centralisation, they demanded that more funds be directed to address local welfare.

In 1896, a major change in municipal land policy was passed by the influential city of Amsterdam. Municipal land would be leased, rather than sold. The Amsterdam councillors responsible for this and other Radical Liberal initiatives would later enter national parliament and influence the content of the first Dutch housing legislation. Indeed, their influence can be found in the Housing Act of 1901, which stipulates that municipalities, rather than organised private interests, should be made responsible for the supply of developable land around cities. As noted earlier, speculative activities and multiple private interests had stymied co-ordinated land development. Land development was a risky business often requiring the expensive, labour intensive construction and co-ordination of many different owners, in order to proceed (Badcock, 1994:427, Groetelaars, 2000:3). The law permitted the expropriation of property from slum landlords in the public interest, to be compensated at market value (Terhorst and Van de Ven, 1997:258).

Yet, the implementation of the law was slow and difficult. According to Nycolaaas (1974), the housing law did not fit neatly into the demands of industrial capitalism and there was vocal opposition from parliamentarians, building and landowners concerned about any intrusion upon their private property rights.

The Housing Act, known in Dutch as the Woningwet, required local government to plan and provide for growth. Again this was met by resistance at the local level. Later, such planning was made compulsory in 1921, with local governments defining land uses and laying down streets to open up land for urban expansion and prevent undesirable housing conditions. The exploitation potential of land became partly defined by permissible land uses and developable plot sizes. By providing public areas, parks, streets and underground services, municipalities assumed responsibility for less profitable tasks, minimising the risk for the developers, whilst defining how an area should be developed. Land companies were a powerful force leading to the revision of the act in 1921, when detailed and long term land use plans became compulsory, and in 1931 requiring co-ordination between municipalities on planning matters (see Nycolaaas, 1974:35, Kooiman, 1943:120-121 and Terhorst and Van de Ven, 1997:218 for details). Private land holdings could still be expropriated, but must be purchased at market value and carefully protect the dispossessed.

As mentioned earlier, a number of cities, such as Amsterdam and Rotterdam, played an influential role in defining national housing (and land) policy. Rotterdam established a municipal land company to process land for housing development. Many municipalities attempted to maximise local revenue and thus minimise the burden of servicing expanding suburbs by selling landholdings to the highest bidder, yet this often priced out the

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67 "[Land lease] was considered to be the adequate instrument for a better model of urban development; only municipal land lease could eradicate land speculation... all land that was owned by the municipality was to be leased for the yearly payment of a rent. At the end of the 75th year, the lease would expire and full ownership would return to the municipality, including all built premises without right of compensation. By means of laws and covenants attached to land-lease contracts, the city could gain influence on the type and the use of buildings" (Terhorst and van de Ven, 1997:256).

68 Reporting on the parliamentary debate over the Woningwet some argued that the law was "een aanslag op den particulieren eigendom" [an attack on private ownership], De Ingenieur, 1901, Vol. 17 (4): 53.

development of affordable workers housing. In 1926 a law was passed limiting the price of land (Grondprijslimiet) to be developed for social rental housing.

Amsterdam chose a particular land policy to promote the development of well planned affordable housing: long term leasing, with land rents initially based on cost rent rather than market prices, only sufficient to cover the costs of acquisition, preparation and loss of idle capital. Cost pooling was also practiced, cross-subsidising expensive sites for social housing via less expensive ones. The financial practices of Amsterdam land department were internally integrated and thus, less subject to scrutiny than more self contained land corporations that were administratively and financially at arms length (Terhorst and Van de Ven, 1997:287-291). This municipality became a monopoly purchaser and farmers simply waited for their land to be purchased at the highest market price.

*Contingently defined savings and investment relations*

Importantly, the Housing Act legitimised the provision of interest bearing loans and contributions to approved private housing associations. The government’s financial role was formally legislated following a series of inadequate philanthropic efforts towards the end of century. The *Woningwet* permitted government advances of credit to private housing associations for the provision of social rental housing of a reasonable quality to improve hygiene and services for workers.

Financial resources for Housing Act loans were gathered from the capital market under the government’s umbrella, achieving lower market interest rates with the government’s security, for the new housing sector. Loan payments for social housing could be spread over fifty years (Van der Schaar, 1987:80), rather than thirty. Spreading payments over a longer period could enable cost rents to be low enough for low-income workers, in a low inflation environment. Such housing was built in new and redeveloped areas processed by municipal land companies. Further, the quality of housing was greatly enhanced by the new building code and its enforcement.

Yet conditions in the building and capital market were unfavourable. Materials were scarce and prices exorbitant, interest rates were also climbing. Combined, these factors limited investment in private housing production. To stimulate construction in 1914, under ‘abnormal’ market conditions of World War I, the Government provided assistance to associations to pay interest on housing loans. Assistance was also extended to the builder in 1916 to subsidise the increasing cost of materials (Feddes, 1995:346). Between 1918-1920 government loans were greatly increased, lifting social housing output and keeping ‘idle hands’ busy.

Thus it took almost two decades for Housing Act loans to be widely distributed to housing associations and municipal housing companies for slum abolition and re-housing low-income residents. Periods of sustained production of social housing were limited to the few years between 1916 and 1922, and were stimulated by the crises contributions.

As exorbitant building costs gradually returned to 1915 levels and interest rates declining, interest in private housing construction returned (Feddes, 1995, Figure 8.1 and p.346). With the financial markets briefly restored in the mid 1920s the central government curtailed its own lending program. To make matters even worse for housing associations during the
Depression, the central government insisted that all former subsidies received since 1901, be repaid (Van der Schaar et al, 1996:127).

Subsequently, a different set of conditions in the capital market undermined the newly established Dutch housing solution of social housing. In comparison with the more recent developments employing cheaper materials and finance during the 1920s, social housing already built earlier was far more expensive and reliant upon secured annuity loans established during a time of higher interest rates. The comparison for renters was stark, with cost rents far higher than those for newer dwellings, set a market rates. For those with adequate and secure incomes, it became favourable to purchase homes (Feddes, 1995:347). Social housing rents were set to repay a (much higher) cost price of building and financing dwellings, and especially at this time of looming unemployment and stagnating wages they were much higher than the market rents of the private sector. By 1929 the Great Depression limited financial outlays of government for housing development and the entire rental-housing sector was in crisis. With mass unemployment, indebted housing associations struggled to meet their obligations on government secured loans.

Contingently defined labour and welfare relations

I now turn to the welfare and labour relations underpinning the wobbly foundations of the Dutch housing solution.

Nycolaas (1974) refers to the 1890s as a period of enlightenment and public openness. The broadening political elite, freedom to form unions, the existence of multiple political parties and a free press challenged the old power base, which had used co-option and protection to remain powerful. Concern amongst the populace was fuelled by a series of reports by health committees and medical practitioners, detailing the poor living conditions in many towns and villages across the Netherlands (Van Beusekom, 1955). Armed with new evidence, public interest groups called for local action to clean up slum dwellings.

Following on from the health concerns of the elite, the Health Act was closely linked to the Housing Act and passed in the same year. A hierarchy of health committees and health inspectors was of growing influence, highlighting poor housing conditions and steering developments in housing policy. Rather than resisting the influx of poor, as a burden on the municipal tax base, centralisation and re-distribution of tax revenue gave municipalities more financial freedom to address welfare issues.

By the turn of the century, unrest amongst workers threatened social and economic order and culminated in demands for improved labour conditions and social welfare. Revolutions in Russia, Central Europe, and Germany fuelled the organisation of Dutch workers into (now permitted) labour unions and motivated their struggles. Concessions were made, such as voting rights for women, better public services, unemployment and pensions for older workers, and the governments active interest in working class housing (Nycolaas, 1974:34-46).

It became increasingly legitimate to establish some basis for modest welfare provisions for the poor worker. From an extremely narrow base, suffrage was expanding to middle class Protestants, Catholics and Socialists who formed numerous political parties comprising

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70 The proportion of home ownership actually rose between 1921-1938, possibly due to low purchase prices and relatively low user costs (Feddes, 1995:347)
conservative, liberal and progressive factions. Each had their own answers for dealing with the 'social question'. For Catholics a clear message was delivered by Pope Leo XIII, who argued that rapidly changing times required closer co-operation between different social classes. He appealed for the better distribution of property and argued for social policies supporting the development of social welfare. With the new flow of centrally dispersed general funds and special grants, and an army of health inspectors, municipalities were well informed and better resourced to take action and provide some poor relief and improve housing conditions in the interest of public health and safety.

Yet the solution was not municipal socialism, as in the United Kingdom. Whilst social goods would become increasingly financed by the central and local state, their delivery would be privately managed and administered. Philanthropic and religious institutions mobilised to keep the socialists from controlling new welfare services. Beginning with the provision of housing and later education, they form what would later become the organisational architecture of the Dutch welfare state and greatly influence social policy development.

Partly due to the weakness of the socialist movement, welfare relations underpinning the Dutch housing solution were strongly defined by the entrepreneurial role of religious organisations. Representation was divided along class and religious lines according to variants of Calvinist nationalism, Catholic isolationism, liberalism and socialism. During the closing years of the 19th and early 20th century, religious groups joined other civic and professional groups arguing for a housing solution and the dispersal of collective resources via their local networks of provision.

For some in government and industry, social housing policy was a tool for moderating wage demands and managing the working class. Rental, rather than co-operative or individual ownership was their preferred tenure for reproducing a flexible, contained labour force. Social landlords considered that workers should be managed and their domestic behaviour 'improved' via the rental of quality dwellings from housing associations. Further such households did not have the means to finance home purchase nor maintain their dwellings, which housing reformers feared would inevitably fall into the hands of exploitative landlords. Further, it was argued that workers would become too attached to their own homes and this would reduce their flexibility in seeking employment.

Yet in times of high unemployment and continuing fixed loan repayments, social housing associations were forced to seek assistance from central government. Many evicted non-paying tenants, whilst others faced financial ruin.

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71 According to Kersbergen and Becker “The Dutch case shows that Christian democratic hegemony can also be a pivotal power resource of labour” (ibid,1988:497).

72 Tenants were to be passive and their initiative limited to the payment of rent and minor maintenance of the dwelling. Indeed, tenants were carefully monitored by the boards of associations and educated by residential schools for adults, teaching desirable standards of behaviour and domestic management in and around the home (Deben, 1993). Women inspectors kept a watchful, helpful eye on household practices and reinforced notions of good tenancy throughout the 1930s (Turpijn, 1987). Families unable to adjust to the desired norms and standards of the housing association were placed in special residential schools for domestic education. Single women were separated in a special residential home, to be protected from falling into disrepute (Van Schendelen, 1982). Building related professionals reinforced the family and village ideal, designing and building dwellings with separate bedrooms, internal access to water and toilet facilities (Grinberg, 1977).
Synthesising key relations in their contingent context

Figure 7.3 below abstracts the ‘ideal’ relations of provision as promoted by the conditions of the 1901 Housing Act. This new mode of provision is radically different from the previous one, but shaped by and emergent from specific crises in the land, finance and housing markets. This consequent mode of provision introduced a number of new players to finance and provide housing, under very different land and housing market conditions. This new system was based on the financing of rental housing via a ‘closed’ system of government secured loans and cost rents.

Firstly, to address the lack of private investment and accelerate renewal of slum areas, the central government replaces and adapts the role played by mortgage banks in the provision of credit. Favourable market interest rates are achieved by the presence of a government guarantee securing the repayment of interest bearing, fixed market rate, 50-year loans. Secondly, housing associations have replaced private landlords as legitimate managers of rental housing. Importantly, they are committed to the cost rental of their dwellings, that is rents are fixed on the basis of the cost of the loan, maintaining and managing rental dwellings. This marks a radical change from the rental regime of the previous model, where market rents were the norm and subject to fluctuations in the tenancy market. Finally, the private monopoly conditions stifling urban expansion, housing quality and renewal have been overcome by the powerful role of municipalities in the expropriation of land, enforcement of building standards, and targeted release (or lease) of ready sites onto the construction market.

However, given the open, contingently defined nature of the housing system, particularly vulnerable to change in the land, finance, rental and labour markets, ideal cost rent conditions were never sustained (see Figure 7.4). Firstly, the cost of producing housing escalated as imported building materials became increasingly costly during and soon after WW1. Trade relations were hampered (indeed the port was blocked) causing major shortages and price rises in building materials that could not be made locally. This required additional financing, which impacted upon the level of the cost rent (1). Secondly, during a brief boom

Figure 7.3 Abstraction of the flow of capital via the housing market, as envisaged by the 1901 Housing Act
period in the 1920s **land prices soured**, further contributing to high object costs and influencing the level of cost rents (2). Thirdly, social housing **cost rents** based on higher costs during 1916-1922, were **noticeably higher than those in the market** rental sector during the 1930s (3). Finally, as wages stagnated and mass unemployment threatened tenants were simply **unable to pay relatively high rents** in the social housing sector leading to many evictions and the financial ruin of the social housing sector (4).

**Figure 7.4 The 1901 Housing Act model subject to contingencies and crises**

A further abstraction below (Figure 7.5) illustrates the adaptation of the ‘ideal’ solution under periods of crisis, which path dependently builds upon the Housing Act model outlined in Figure 7.3. Reference has been made to a number of adaptations that concern the production of cost rent social housing by private housing associations.
The first adaptation delivered contributions for slum clearance and housing for the socially disadvantaged in 1904, where the rental income that could be derived was too low to meet cost rent payments (1). Much later, following almost stagnation of the housing sector interest rate contributions were introduced in 1915 to compensate borrowers and enable them to keep rents low. This subsidy was split between central and municipal governments (2). Soon after in 1916, contributions were made towards the inflated cost of materials and again split between central and local government (3). Yet following a period of rent freezes and regulated increases in the market sector from 1916 to 1921, cost rents in the social housing sector were relatively high, making it far more vulnerable to capacity to pay issues. In 1919 crisis contributions were paid to housing associations where the state paid 75% of the difference between cost rent and market rent (4). To reduce the cost of social housing, and thereby the level of the cost rent, a maximum price limit for land intended for social housing development was established in 1926 (5). The last adaptation in this phase was a ‘hidden subsidy’ from 1934, which subsidised the cost of market interest on government secured loans in order to once again, reduce cost rents.

One serious crisis remained which eventually undermined the mode of provision outlined above. It concerns the consumption of housing under conditions of mass unemployment (6). No housing system reliant upon rental income is immune to labour and welfare developments affecting its tenants. Thus during the Great Depression many households had no paid work and thus no income to spare on any level of housing costs. Mass evictions and the collapse of many housing associations was the result. This issue is addressed by the following adaptation of the housing solution examined in the following sub section.
7.5.3 Recovery and Acceleration of the Dutch Solution 1934-1983

Outline of key events and housing outcomes

The long economic crisis, beginning with the Great Depression and continuing well after the Second World War, eroded confidence in 'normal market relations' and 'viable' housing production and consumption without sustained government support. The housing sector had completely collapsed during wartime and a new mode of accumulation had to be re-established. In the previous phase a number of initiatives were introduced as mere crisis measures: sporadic lending for social housing, advances for paying high market interest on government loans, subsidies for inflated material costs and short term rent freezes. Importantly, many of these crisis measures became institutionalised in the Dutch housing solution. Further, WWII inflicted much damage and destruction to the larger cities such as Rotterdam and The Hague and a substantial number of dwellings were lost, compounding the problems associated with a long period of declining investment in housing production and maintenance.

For a decade after WWII, housing policy was heavily influenced by macro-economic policy, which pursued a low wage strategy to increase the international competitiveness of exports. The overarching principle of full employment was tightly coupled to a policy of wage containment. This strategy was to be achieved by reducing living costs and specifically, keeping housing rents as low as possible. Long after WWII, rents were frozen at 1934 levels. During this period planning and redevelopment policy became highly centralised. The national government was chiefly concerned with re-developing areas destroyed by the war and addressing the housing shortage.

Table 7.5. Total number of dwellings built 1934-1949

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of built dwellings</th>
<th>Built by housing associations and municipalities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Association</td>
</tr>
<tr>
<td>1934</td>
<td>52591</td>
<td>4875</td>
</tr>
<tr>
<td>1936</td>
<td>30285</td>
<td>2579</td>
</tr>
<tr>
<td>1938</td>
<td>38375</td>
<td>2862</td>
</tr>
<tr>
<td>1940</td>
<td>17661</td>
<td>2638</td>
</tr>
<tr>
<td>1942</td>
<td>8355</td>
<td>2570</td>
</tr>
<tr>
<td>1944</td>
<td>675</td>
<td>179</td>
</tr>
<tr>
<td>1946</td>
<td>1593</td>
<td>369</td>
</tr>
<tr>
<td>1948</td>
<td>36391</td>
<td>29423</td>
</tr>
</tbody>
</table>

Source: Department of Reconstruction and Housing (1950) Housing Associations in The Netherlands, Government Information Office, The Hague

The period from the 1950s to the mid 1960s can be considered one of temporary coherence in the Dutch solution, with key relations operating under favourable conditions of regulated land supply, loans at below market rates of interest (2% relative to 4% in the 1960s), sustained by institutional integration between the state and social partners and facilitated by electoral concerns. Correspondingly, production of social housing reached a high point during this period and with rising welfare, home ownership rates gradually began to rise.

Yet this neat institutional fit soon began to show signs of fracture. In the mid 1960s, the strangle hold on wages and rents, the economic backbone of the central governments strategy, was weakened. By this stage, housing associations had become dependent on generous and
costly object subsidies. Increasing tenant incomes and growth of home ownership undermined the legitimacy of this costly system. A new financial system, Dynamic Cost Price (DKP) was introduced based on steady rent and wage increases. Yet the prognoses upon which this system was based were false. The international monetary collapse and oil crises of the 1970s ended a regime of high employment, wage growth and low inflation, altering the financial dimensions upon which increasing repayments could be based. When the new (amended) system was finally introduced in 1975, it later proved exorbitantly expensive and loans ballooned exponentially by the end of the decade. Yet a broader crisis threatened despite these looming budgetary constraints. With the near collapse of the home ownership sector by the end of the 1970s to the early 1980s, despite looming budget deficits the government once again steered investment into the social housing sector, as demonstrated by Table 7.6 below.

**Table 7.6 Housing production in the subsidized rental and owner occupied sector 1979-1982**

<table>
<thead>
<tr>
<th>Year</th>
<th>Subsidised rental</th>
<th>Owner occupied subsidised</th>
<th>Owner occupied un subsidised</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>31,700</td>
<td>27,800</td>
<td>30,000</td>
<td>89,500</td>
</tr>
<tr>
<td>1980</td>
<td>50,000</td>
<td>36,000</td>
<td>27,700</td>
<td>113,700</td>
</tr>
<tr>
<td>1981</td>
<td>70,800</td>
<td>30,100</td>
<td>16,800</td>
<td>117,700</td>
</tr>
<tr>
<td>1982</td>
<td>89,200</td>
<td>26,000</td>
<td>8,100</td>
<td>123,300</td>
</tr>
</tbody>
</table>

Source: CBS, Monthly figures building industry, in Terhorst, P and Van de Ven, J (1995) Table 1:348

The following Table summarises many of the important events that took place during this phase in Dutch housing history.

<table>
<thead>
<tr>
<th>Event</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government reduces interest on advances ‘hidden subsidy’</td>
<td>1934</td>
</tr>
<tr>
<td>War time - no exploitation of housing, increased property tax</td>
<td>1940-45</td>
</tr>
<tr>
<td>Strict rent control based on May 1940 levels</td>
<td>1940-1958</td>
</tr>
<tr>
<td>Legal basis for private housing companies to be subsidized</td>
<td>1950</td>
</tr>
<tr>
<td>Exploitation shortage subsidy introduced</td>
<td>1950</td>
</tr>
<tr>
<td>Expansion of subsidized housing program</td>
<td>1952-1965</td>
</tr>
<tr>
<td>Various initiatives to promote home ownership</td>
<td>1957</td>
</tr>
<tr>
<td>Rent control eased</td>
<td>1958</td>
</tr>
<tr>
<td>Below market interest loans replaced by object subsidy</td>
<td>1960s</td>
</tr>
<tr>
<td>Housing associations gain priority for developing housing over municipalities</td>
<td>1965</td>
</tr>
<tr>
<td>Drive to equalize subsidies across tenures</td>
<td>1966</td>
</tr>
<tr>
<td>Preference for privately subsidized rental housing</td>
<td>1966</td>
</tr>
<tr>
<td>Land costs for social housing set to cover costs of developing infrastructure</td>
<td>1968</td>
</tr>
<tr>
<td>Associations preferred over municipal companies in municipal land allocation</td>
<td>1969</td>
</tr>
<tr>
<td>Interest on social housing loans increased to market level</td>
<td>1969</td>
</tr>
<tr>
<td>Increased allocation of subsidies during politics of need, production, rents and profits</td>
<td>1969</td>
</tr>
<tr>
<td>Government experiments with individual rent assistance system</td>
<td>1970</td>
</tr>
<tr>
<td>Introduction of dynamic cost rent system</td>
<td>1972-73</td>
</tr>
<tr>
<td>Subsidy policy maintained but adapted to relate to incomes rather than cost price</td>
<td>1974</td>
</tr>
<tr>
<td>Rent controls to keep rents down</td>
<td>1975-1978</td>
</tr>
<tr>
<td>Subsidies for new build housing introduced, yet not taken up by private builders.</td>
<td>1975</td>
</tr>
<tr>
<td>Increased subsidies for production in rent and ownership sector</td>
<td>1978</td>
</tr>
<tr>
<td>Social housing loans partly turned over in guarantees and partly privatized</td>
<td>1978</td>
</tr>
<tr>
<td>Government sustains investment levels in the ownership and rent sectors</td>
<td>1978</td>
</tr>
<tr>
<td>Budget austerity, central government contemplates major reforms</td>
<td>1981</td>
</tr>
<tr>
<td>Policy emphasises home ownership via sale of social housing</td>
<td>1983</td>
</tr>
</tbody>
</table>
Examples of key housing relations, contingently defined during this period of acceleration

Contingently defined property relations

A major change in property relations occurred during WWII, when occupying German forces dictated a strongly centralised land use, construction and housing policy. These actions had important implications, which consequently influenced the level and type of private housing investment. Repossession laws were extended and land use planning became more centralised. Diverse local planning rulebooks were homogenised and powers usurped by the new national planning service. All new development and extensions required not only local permission, but central approval as well. Later during the occupation, all new building works were forbidden, and materials and labour resources were redirected for defensive works along the Dutch coast (Van der Schaar, 1987:93).

Under these highly regulated conditions, it was also forbidden to profit from the exploitation of tenancy and a tax on the value of property was introduced. Rents were fixed at 1934 levels since 1940 and remained in place until 1951, than adapted by nation wide rounds of increases. These measures, amongst others, gave a persistently negative signal to potential investors, stymieing their role in housing provision. Later in the 1960s, a number of national plans defined the terrain within which local development could occur. These plans affected property rights by designating acceptable areas for growth, specific land uses and the development of supporting infrastructure, such as major roads and public transport services. Each plan held a different spatial emphasis and influenced the creation of quite different urban environments.

Yet despite these national plans, actual land preparation, involving the drainage of land, plot division, supplying infrastructure and ensuring space for defined forms of urban development, continued to be carried out by the municipalities. Building ripe land was then disposed to building developers for the construction of approved dwellings. This process ensured that development took place in accordance with local plans and housing objectives, within national parameters, with sale proceeds, central government subsidies and/or other higher value sales, cross-subsidising the costs of site preparation. In some cases, municipalities acted commercially, sometimes making enormous capital gains.

Until the mid 1960s municipal housing companies, closely associated with municipal land companies, shared information and technical expertise, thereby minimising project management costs. Together they dominated the important social housing sector of major cities. Yet, Christian politicians considered that such companies held an unfair advantage over private housing associations, which in some areas were becoming marginalized and professionally under-developed. The role of associations was strengthened and their realm of development activity broadened beyond the low-income renter (Van der Schaar et al, 1996:126-136). In 1965, municipal housing companies were only allowed to implement

73 During this period up to eighty percent of all land for urban development was made available via the municipality, through its land company (grondbedrijf). Municipalities owned most of the vacant land on their periphery, over which they had land use control (Badcock, 1994 from Lefcoe, 1978 and Needham, 1992).
74 Interview with Ir Jan van der Schaar 1983, Harloe archive, Salford University, Manchester.
75 In 1954 a commission, emanating from Catholic political circles and chaired by Van Helvoort, was established to examine the relationship between the social housing providers and central and municipal governments, recommended the primacy of associations in delivery, and the role of central government in finance. Later the divided De Roos commission eventually argued in a majority report for the greater financial independence of associations to build and exploit dwellings not just for low-income households but also for sale and higher income renters (Van der Schaar, et al, 1996:126-136).
development plans when the local housing association was unwilling or unable to do so. The diminution of municipal control was intended to separate land development priorities from the construction of viable social housing projects and thereby reduce the risk of 'non-commercial practices' favouring municipal housing companies. Further, the central government issued directives in the so-called 'Brown Booklet' that fixed land costs for social rental dwellings in zoned areas. Land price covering subsidies were only provided for urban areas of importance to national housing policy (RIGO, 1991:3-4).

A brief mention should also be made concerning property rights pertaining to individual tenants, which were substantially strengthened during this phase. Protection for tenants against eviction was strengthened. Further, to prevent excessive rents and the development of a black market, allocation was formalised and waiting lists established. In 1978, the level of rent was regulated according to a point system based on the quality and quantity of the living space.

Contingently defined savings and investment relations

In 1934, to prevent the collapse of the housing association sector and widespread default on government secured loans, the government reduced interest demanded on its loans to housing associations, on the condition that rents would be kept low (Van der Schaar, 1987:92-93). This 'hidden subsidy' remained in place until the early 1960s, and was then replaced by more visible object subsidies.

The occupying forces and post-war governments radically extended many of the crises measures applied or discussed before the war. As mentioned above, rents were frozen for a considerable period and it was forbidden to profit from the exploitation of dwellings. Government legislation forbade increases in mortgage interest. Without this flexibility and numerous other disincentives, private investors simply turned away from the housing sector (Van der Schaar, 2001:4). Without investment, the private rental sector completely stagnated and very few new homes were built. 76

It became increasingly necessary for governments to invest in order to address the massive housing shortage and build at high density and tempo. In path dependent fashion, the non-profit institutions and financial mechanisms, which had addressed the housing crises of the early 20th century, were called back into action. And once again, during the 1950s to 60s, social housing production returned to centre stage. The production of new dwellings was regulated by the Reconstruction Law, which outlined approval processes, desired building standards, and financial provisions for housing construction. The subsidy program underpinning high housing output was greatly expanded. To reduce labour costs, time saving technologies were developed such as modular production, producing standardised often-monotonous residential areas. Long-term contracts were offered to companies who applied these building techniques and could realise large-scale projects.

Yet frozen rents inevitably sank far below the cost price of building and managing rental housing. Consequently rental income was totally insufficient without rent rises of a substantial exploitation subsidy. Landlords and their representative associations lobbied central government leaders for a quick and considerable increase in rents (25%). Unions argued that

76 During this period, only the damaged and empty dwellings were demolished, a 1 percent rent subsidy for slum replacing new dwellings was introduced, but this was completely insufficient to promote investment and a massive housing shortage threatened (Van der Schaar, 1987:96).
incomes must also rise to compensate. Yet low rents were important for low wages intended to promote a more competitive export economy. To overcome this conflict, a pact between unions, landlords and the central government established a scenario of low rents and wage moderation in return for sustained social welfare provisions. Terhorst and Van de Ven explain:

 labour unions were only willing to participate in a tripartite reconstruction pact as long as prices of basic consumer goods remained under control and the embryonic welfare-state system was extended in order to protect families with dependent children that mostly relied on one wage-earner only, from the risks of old age, unemployment, sickness and accidents at work.... Within this framework, rent control played a crucial role in the post-war reconstruction period (Terhorst and Van de Ven, 1997:293).

Nevertheless, there was much debate over rent policy between the central government, landlords, unions, the Socio Economic Research Council and other housing organisations, during the 1950s and 1960s. The quality of new dwellings was heavily constrained by the freezing of rents. Various ideas and proposals were exchanged including rent increases for subsidised and unsubsidised dwellings, tying rent increases to financing conditions, and taxing rents to finance new dwellings, in order to attain the ideal of cost price rent whilst preventing excessive wage demands. The stalemate was broken in 1955, but rents were merely increased by 10 percent above the level of 1940 and no rent tax was introduced (Van der Schaar, 1987:101-109).

During the early 1960s, landlords once again demanded considerable rent increases and this time the government was more receptive. Wages began to increase; alongside employee contributions to welfare (Terhorst and Van de Ven, 1997:294-309). It was economically feasible that tenants could pay more.

Turning briefly to developments in alternative sectors, by the 1950s individual home purchase was narrowly distributed amongst the middle and upper classes in urban areas, whilst being more wide spread in the countryside. The substantial down payment required (30 percent) to secure a home loan was simply too high for modest income earners. Efforts were made to improve access amongst low and middle class city dwellers by way of mortgage guarantee (established in 1957), mortgage interest deduction and object and subject subsidies (Mersmann, 2002). The conditions for obtaining a guarantee were devised by individual municipalities, leading to a variety of schemes. Payments of interest and premiums, in the case of default, were secured by the central government. These efforts reduced the risk of lending, enlarged the volume of available credit and lowered the interest rates, thereby assisting a number of households to enter home purchase.

After a long period of mass social housing construction, the new centre-right government attempted to accelerate the promotion of home ownership in order to ‘balance the market’, and importantly reduce the costs of government object subsidies to the social housing sector. Renters were disorganised and unable to mobilise effective opposition. After more than a decade of high production, subsidies for social housing came under increasing scrutiny in the mid 1960s. Secular inflation set in from 1965. A new discussion emerged, arguing for the targeted allocation of social housing to low-income households and the taxing of wealthy renters in subsidised accommodation. Under these residualising conditions, home ownership was clearly promoted as the tenure of preference.
Yet the problem of escalating central government object subsidies continued to plague both government and housing associations. The push for improved dwelling standards and urban renewal increased the cost of dwelling construction and thus costs rents, demanding further object subsidies. A new method of financing social housing, known as dynamic cost price (DKP) was developed which built upon the principle of cost rent and promised to ease the burden of this growing subsidy for both landlords and governments - providing wages and rents continued to grow and was implemented in 1975.

Yet the prognoses upon which the DKP method was based were not fulfilled. The oil crises disturbed stable patterns of international economic growth, wages stagnated and unemployment rose leading to a growing dependence on social security. Broad access to individual rent subsidy compensated financially disadvantaged tenants. Capital shifted towards more secure investments, contributing to a major decline in residential construction.

Despite the central government’s promotion of home ownership in late seventies, the second oil shock and subsequent economic recession eventually led to the collapse of the housing market in 1979. During this period inflation was hovering around 13%. In this context, the government decided to expand the social housing program and once again, the share of social housing rose considerably (Boelhouwer et al, 1990:95).

Contingently defined labour and welfare relations

Momentarily, before the 1937 election, the socialist movement attempted to break stagnation of depression by promoting the establishment of a federation of building firms, employers, employees, the government and relevant professions, to divide up the housing quota and tackle unemployment. Without the necessary support of larger political parties, the plan was barely discussed before its rejection. The housing shortage and the lack of investment remained a major issue and WWII only worsened the housing crisis.

Unemployment and wage levels remained the key to unlocking the crisis in the housing sector after 1945. After a long and difficult crises, compounding poor living conditions, the government promoted a policy of full employment, contributory social security and public health, as well as broadly accessible social housing (Vlek, 1998:9). As mentioned above, labour unions accepted low wage growth in exchange for work and welfare safeguards.

In the 1950s, wages were generally linked to cost of living (Van Zanden, 1996:80), kept low by the freezing of prices, regulation of rents and strict dwelling allocation. Wage levels were of great social, economic and political significance. It was a time of the single breadwinner; where women remained at home attending to unpaid domestic duties, and men worked to provide sufficient income to cover all household expenses.

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77 Wages and rising interest rates further increased the cost of construction. For a brief period during the early 1970s, the new, left dominated government proposed that housing be considered a ‘merit good’, with rents pegged at 10 percent of taxable income. This was displaced by a mechanism proposing gradual, systematic and regular rent increases (Van der Schaar, 1987:112-113).

78 Social housing production rose from 28 percent in 1978 to 54 percent of total production in 1982, as construction for ownership fell sharply (Boelhouwer et al, 1990:95).

79 Women’s organisations and advice committees portrayed the ideal housewife as efficient domestic manager of a clean living environment, reinforcing the division between paid and unpaid labour and their dependence upon the male income.
Under this domestic regime, income security could not easily be bolstered by a second income. Thus social security became an important safeguard against income loss and enabled the maintenance of household order. The Dutch welfare state rapidly expanded under a highly corporatist regime of employers, unions and government, based on a system of employee benefits. The dominant principles of the day: orthodox confessionalism and anti-communalism, worked against more collective, taxation funded arrangements. The social partners (unions and employers) played a key developmental and administrative role, alongside state representatives – facilitating corporate managed schemes and preventing the development of purely state alternatives.

An acceptable path was found via the development of self-governing insurance associations, based on principles of subsidiarity and corporatism. Schemes were non-profit but cost-led, with the Minister for Social Security having the final word on premium levels to cover yearly expenditures (Therborn, 1989:212-213). These institutions provided the so-called ‘exit strategies’ for the unemployed. They came to play an increasingly powerful role, not only in labour market policy and negotiations, but also as a large, long-term investor in the private rental market.

Beyond exit strategies, other measures were required to protect modest household income. As rents were progressively increased above the rate of inflation and wage rises, they consumed an increasing proportion of the household budget. Rents, from a very low base, were rising faster than housing costs in other tenures.

Indeed, during the mid 1960s rents for new dwellings in urban renewal areas were no longer affordable for low-income households. Yet there were other renters who paid a very small proportion of household income on rent. In 1966, centre-right politicians called for a tax on wealthy renters in subsidised dwellings. They argued that social housing should only be allocated to lower income households. This added further fuel to the hot debate over rent levels, dwelling quality and object subsidies.

During the 1970s, housing and planning policy focused upon perceived social, physical and economic problems in older inner city neighbourhoods. Renewal converted affordable lower quality dwellings to more expensive higher quality ones. The gap between new cost rents and old cost rents was beyond the capacity of tenants to absorb. Some projects even remained vacant, unable to attract paying tenants.

Eventually, the 1974 Rent and Subsidy Policy promoted a system of object subsidies for quality and urban renewal to ensure that new social rental dwellings were accessible for those on a low income and project targeted demand subsidies. Later the 1975 Individual Rent Subsidy (IRS) was introduced which was not tied to costly new housing projects but available to any tenant of any type of dwelling paying under 5,000 guilders rent per year and meeting declining income to rent ratios (Boelhouwer, 1992:63). With the IRS there was no longer a direct link between cost rent, allowances and object subsidies.

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80 Between 1974 and 1982 expenditure on rental allowances increased from 112 million to almost 1 billion guilders, with nine times as many recipients (De Jong and Schoonhoven, 1992).
Synthesising key relations in their contingent context

An important adaptation during this phase was the comprehensive tackling of the relationship between wages, rents levels and the cost of housing production. Object subsidies played an important role in managing the level of cost rents in the social housing sector. As part of national economic strategy, which aimed to improve The Netherlands' international export position, wages were kept deliberately low. As housing costs often consume the largest proportion of the household budget, control over rents paid and many other aspects of domestic expenditure were closely regulated. For this reason the low wage policy appears prominently in Figure 7.6 below. Privately provided social housing, via approved associations and municipal housing companies, was considered the best vehicle to keep rents low and control wage demands. For this reason, social housing was central to post war recovery, low labour costs economic strategy and addressing the housing shortage. From this basis, subsequent generations of baby boomers facing continuing and severe housing shortages, merely 'stepped into the shoes' of a well-established post war housing and employment solution, sustaining the system of social housing provision well beyond its initial short term purpose.

Figure 7.6 Abstraction of the flow of capital via social housing sector, with further adaptations of the amended housing solution (1934-1978)

The Figure above incorporates a number of measures, which emerged since the Great Depression to the mid 1970s. Firstly, from 1934 the government provides a 'hidden subsidy' in the form of subsidising the interest rate on government secured loans until the early 1960s. This subsidy is replaced by explicit object subsidies. Also since 1934, building quality and techniques were rationalised to reduce the costs of construction, later producing modest mass-produced high-density dwellings (1). To secure greater certainty in development outcomes, municipalities became active in land development and in large cities housing development, under strong central planning from 1945 (2). Loan programs
for social housing production via housing associations and municipal housing companies were greatly expanded from 1950 (3). In the context of frozen rents and suppressed wage growth during the 1950s, object subsidies were extended to housing associations to cover exploitation shortages, aided by stringent cost calculation (4).

One of the major debates by the mid 1950s concerned the balance between object and subject subsidies, rent levels and the capacity of tenants to pay. Rises in interest rates during the 1950s, inflation in the cost of construction and increased housing quality demanded either reduced new construction (despite persistent shortages), higher object subsidies or substantial rent increases. All three alternatives were politically unpalatable to the government and social partners. As economic prosperity improved in the late 1950s, the strangle hold on wages and rent increases was broken. Increased rents only marginally helped to recover the rising standards and cost of housing improvement in 1959 (5). During the late 1960s and 1970s the Dutch welfare state expanded considerably, extending into unemployment insurance, income support and importantly rental allowance (6). This loosened the link between cost rent social housing and low wage labour relations and tightened the link between labour relations and developments in welfare provisions. In the 1970s, the cost of meeting construction costs shifted to a greater degree from object subsidies to housing associations to tenants, who were more secure under new welfare provisions (7). The cost of Individual Rent Subsidy was generously funded by royalties from a resources boom\(^8\), which helped to reduce the impact of a number of economic shocks (monetary collapse, oil crises, wage stagnation and unemployment) during the 1970s until the early 1980s.

Further attempts to claw back the object subsidies were made via the introduction of the Dynamic Cost Price rent system in 1975 to capture association gains that were possible towards the end of the mortgage term. Yet further developments in rent policy moved central government subsidy policy further away from the notion of object costs and subsidising the payment of cost rents. No longer were subject subsidies only directed towards tenants in costly individual projects but broadly available and set according to income levels and a point system for housing quality (8). In this sense they are more a policy of welfare than one of covering exploitation deficiencies.

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\(^8\) Drawing upon royalties from gas deposits in the North Sea, the Dutch welfare state provided a cushioning effect, delaying the imperative to restructure the Dutch economy and invest in technological developments. This cushioning effect is also referred to as the Dutch disease of providing short term 'exit strategies' in the form of welfare provisions rather than long term structural solutions to address inherent economic problems (Therborn, 1989)
7.5.4 Securing ‘independent’ relations for land development, finance and individualisation 1984-2000.

Outline of key events and housing outcomes

In the context of a stagnating economy, inflation, unemployment and rising public sector debt, fiscal austerity concerns dominated the development of the Dutch housing solution in the early 1980s. This was the era of monetarist economic policy: inflation was enemy number one. A prominent feature of this phase were the attempts by central government to diminish their role in social housing provision, shifting financial responsibilities towards housing associations, banks and tenants and the opening up of the land market. The inner areas of major cities continued to have very large social housing sectors of smaller rental dwellings accommodating an increasingly marginalized population. In contrast the composition of outer suburbs and new locations were quite different: single family dwellings for middle class households, more often for purchase than social rental. Notable is the growth in home purchase and house price inflation during the 1990s amidst a favourable fiscal, monetary and labour market climate.

Liberalisation occurred in both the financing of social housing construction and setting of rents by associations. The sector has been encouraged to become more financially self-sufficient, accessing finance directly from the capital market, merging with other associations, undertaking more commercially orientated projects and selling housing stock. Rents have been able to increase above the rate of inflation. Assistance has been targeted to lower income households via the individual rental subsidy, whilst home purchasers have been lured by inflating house prices, low interest rates on mortgages and advantageous fiscal benefits (tax deductibility of mortgage interest, low imputed rent tax).

In the second half of the 1990s, the economy began to recover. Strong employment growth enticed more women into the job market. Lenders responded to these trends by offering credit calculated on the basis of two incomes. In tandem with generous tax advantages and market scarcity, house prices boomed in sought after locations.

The following table provides a selection of key events of the period.

| **WSW institution established to secure capital market loans for housing improvement** | 1983 |
| **Several large municipal housing companies in financial difficulty** | 1986 |
| **Parliamentary inquiry into building subsidies** | 1986 |
| **Strengthening transparency of governments financial management role** | 1987 |
| **Parliamentary commission pushes for equity in financial treatment between social and private housing.** | 1988 |
| **Central government forces cities to build for the market (VINEX)** | 1988 |
| **Central Fund for Social Housing (CFV) established to improve financial position of housing associations** | 1988 |
| **Housing in the 1990s promotes financial self-sufficiency amongst social landlords, sales of social housing** | 1989 |
| **WSW expanded to cover loans for newly built social housing** | 1989 |
| **Additional government funds allocated to WSW in order to strengthen security** | 1993 |
| **Battering agreement cancels outstanding government loans repayments in exchange for future subsidies** | 1994 |
Examples of key housing relations, contingently defined during this period of restructuring

Contingently defined property relations

For most of the 20th century, municipalities have played a relatively safe and predictable monopoly role in the planning, purchase, development and targeted release of land for new housing development. However, an important shift in the municipality’s role in the land development process occurred in the mid 1980s, opening up the bidding process and specifically promoting development around major cities in the Randstad region.

In the context of economic stagnation, unstable land prices and unemployment, the land development companies of smaller towns suffered major losses (Needham, 1988:73). The Fourth Report for Spatial Planning ended the growth and new town policies that had created cities such as Almere and Zoetermeer. The new policy concentrated development in an around a select number of major cities and promoted the construction of housing for purchase. Of course, such a policy influenced the land market and investments in these and less favoured areas.

Importantly, an addition was made to the Fourth Report in 1994, known as VINEX. This supplementary policy argued that environmental problems justified the need to minimise car transport. This could be achieved via the expansion of existing urban areas with transport infrastructure. Numerous locations were openly specified, each sufficient for approximately 5,000 dwellings - before municipalities had the chance to secure land ownership. To enable these municipalities to realise their housing plans, central government negotiated targeted packages with regions and provinces, to subsidise land costs and contribute to the development of public transport and green spaces. According to Terhorst and Van de Ven, environmentalists, the agricultural sector, pension funds and the planning profession were a powerful coalition behind this policy (1997:319).

In a more open land market, the land companies of Randstad municipalities were no longer sole players able to pay market prices for the purchase and processing of former agricultural land for housing development. By publicly announcing their intentions early on, the central government awakened dormant players to enter the land market, promoting land speculation and increasing land prices - sometimes above municipal capacity to purchase.  

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82 Reporting on Dutch land practices in 1988 Needham exclaimed that:
[i]the high quality of the housing and of the built environment in The Netherlands is undoubtedly attributable to a very large extent to the fact that the municipalities are the suppliers of most of the building land, and that they use this position most positively and creatively; the land cost in housing is not high; housing is built when and where it is desired, not when and where the land market makes it possible; some 'social mix' is achieved within neighbourhoods by not disposing of land for huge one-class housing estates (Needham, 1988:73).

83 According to these authors, environmentalists advocated compact urbanisation connected by public transport, the agricultural sector favoured urban containment, pensions funds favoured scarcity created by physical planning and planners orientated to balanced development favoured control over sprawl (Terhorst and Van der Ven, 1997:319)

84 Indeed, the municipality of Leidsendam experienced a three-fold increase in land prices, from 15 to 45 guilders per square meter in their Leisveen VINEX location. (Groetelaers, 2000, Needham, 1997, Meijer, 1996). In other cases, private developers simply bought the best plots from farmers just outside VINEX locations, where development gain could be the greatest, and waited.

85 Residential development, once the domain of municipalities and housing associations, now involves multiple often-conflicting partners necessitating lengthy negotiations. This is confirmed by Groetelaers’ study of 181 municipal land development companies:
There are not only more players in the market, but they possess different resources and thus different powers of negotiation. According to research by Korthals Altes and Groetelaers (2000) municipalities remain important players in the land market, but their task has become more complex and risky with less say over the content of future housing developments. Municipalities, once accused of profiting from their monopoly position, must now operate more transparently and encourage more opportunities for private-for-profit dwelling construction of homes for purchase, in order to promote ‘choice’ (Remkes, 2001). Yet the choice is not for everyone. The proportion of social housing in new areas has declined, leading some to argue that new urban areas will only be accessible to a narrow range of household incomes (Terhorst and Vande Ven, 1997:327) and the poor will continue to remain in less wealthy city centres.

In addition, the State Secretary (Remkes) demanded the sale of social dwellings, especially in larger cities, in the interests of ‘consumer choice’ despite resistance from ‘independent’ housing associations. Yet entrepreneurial housing associations implementing this policy have also come under scrutiny. The State Secretary has ordered the closure of sales offices run by associations, which mediated between tenants and associations, and demanded that existing real estate agents, operating in the private-for-profit sphere, exclusively handle the sales of social houses.

A new law, giving preference to expanding municipalities, aims to partially restore their diminished market position in new residential developments. These municipalities can use this law to fulfil provincial or central government plans in an around their cities, such as the establishment of parks, new houses, industrial areas and infrastructure. They can also demand conditions for the right to exploit land, without having to expropriate it. Only when planning conditions are not met, can the municipality compulsorily purchase in the public interest. However, municipalities must not use the law as a means to become a project developer, which continues to be discouraged by central government.

To further restore the weakened position of municipalities, a new national land policy was launched in 2000 and later passed by parliament in 2001. It requires land exploitation permits to be obtained by landowners and a contribution made to a fund for public infrastructure. When infrastructure is unable to be provided by the developer in a timely manner, municipalities can choose to expropriate required land in order to implement plans, paying inflated market rates and cash compensation.

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Groetelaers writes: “the risks [for non-municipal players in the land market] decreased because of a flourishing housing market, a good economy and a changing context (policy). The smaller risks in combination with the publishing of VINEX, in which future urban extension areas where marked out on a map, where an ‘open invitation’ to private developers and building companies to acquire land and to get involved in the urban land development process” (Groetelaers, 2000:3).

According to Groetelaers: “All actors [in the] real estate market have acquired land by negotiating. In the process municipalities often have less financial space than private developers, which results in a weak position during negotiation” (Groetelaers, 2000:7).

Further, the VINEX policy stipulates a maximum percentage of social housing to be developed, 30 percent in new areas and 50 percent in inner cities. ‘Fair’ allocation has been perceived as the construction of as many non-subsidised home ownership units as possible (Terhorst and Van de Ven, 1997:320).

By September 2001, the level of housing produced was half that anticipated by the State Secretary for Housing and crisis meetings were being held with industry representatives. These groups blamed local and provincial government urban planning requirements and processes for the slow down (Volkskrant, 8 September, 2001). Other experts blame the developments of the 1980s, which weakened position of the state in land release:

"the most important cause of the stagnation is the market parties, including housing associations and sometimes municipal land companies. They and not the government now define the rhythm of building production, and have much interest in scarcity (Muøoz Gielen, 2002)."

Contingently defined savings and investment relations

Not only has the monopoly position of the municipality been challenged, but also the role of the central government. Its former role in channelling finance into the housing sector has been curtailed and privatised. By the mid 1980s, in a climate of financial austerity, the role of the central government in financing housing associations came under question. In 1986, allegations of fraudulent activity by investors manipulating subsidy systems in the building sector began to emerge. It was argued that subsidies should shift from the dwelling to the tenant, rents should rise and a proportion of social rental dwellings be sold (Murie and Priemus, 1994:113).

Until 1988, government secured loans had financed housing associations and municipal housing companies, set at market rates. Institutional investors as well as social housing providers received object subsidies to ensure high levels of building activity, rents increases were moderate and controlled to ensure affordability and wage restraint. Further, generous demand side subsidies, rental-housing allowances, were also provided to eligible tenants.

By the end of the 1980s under pressure from the Ministry of Finance, the central government proposed to withdraw completely from arranging finance for social housing production. Much emphasis was placed upon private and transparent nature of social housing provision, separate and independent from government. In this context housing associations were forced to become more financially independent and autonomous.

In 1993 the government initiated the process of cancelling all outstanding government secured loans to housing associations and Municipalities, in advance of forthcoming subsidies for renovation and construction. The so-called Brutering or grossing up process, made it feasible for Associations with good reserves to obtain funds independently from the capital market (for further details see Appendix 2) during a favourable interest rate climate. Central government temporarily secured the rent revenue stream, by permitting increases above the

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89 Speaking in an interview in 1983, one substantial and influential constructor of dwellings, considered that the social housing budget was cut due the heavy drain it placed on government finances, via loans, object and subject subsidies. Harloe Archive, Salford University Manchester.

90 A Parliamentary Inquiry was held in 1987-1988 to investigate accusations of fraud and the role of central government administering various subsidy rules and regulations affecting municipalities and the building industry (Murie and Priemus, 1994:113).

91 Whilst between 1934 and the early 1960s market rates were reduced by hidden government subsidies to suppress cost rents.

rate of inflation for several years.\textsuperscript{93} Whilst rents continue to increase, the incline has been moderated.

\textbf{Table 7.7 Rent price developments 1990-2000}

<table>
<thead>
<tr>
<th>Year</th>
<th>% Inflation</th>
<th>% Rent increase*</th>
<th>% Real rent increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>2.5</td>
<td>3.3</td>
<td>0</td>
</tr>
<tr>
<td>1991</td>
<td>3.1</td>
<td>5.9</td>
<td>2.8</td>
</tr>
<tr>
<td>1992</td>
<td>3.2</td>
<td>5.6</td>
<td>2.4</td>
</tr>
<tr>
<td>1993</td>
<td>2.6</td>
<td>5.4</td>
<td>2.8</td>
</tr>
<tr>
<td>1994</td>
<td>2.7</td>
<td>5.2</td>
<td>2.5</td>
</tr>
<tr>
<td>1995</td>
<td>2</td>
<td>4.7</td>
<td>2.7</td>
</tr>
<tr>
<td>1996</td>
<td>2</td>
<td>4.1</td>
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<td>1997</td>
<td>2.2</td>
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<td>1998</td>
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<td>1999</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>2000</td>
<td>2.2\textsuperscript{**}</td>
<td>2.5\textsuperscript{***}</td>
<td>0.3</td>
</tr>
</tbody>
</table>


Associations had to support improvements and stock expansion through their own reserves (enhanced via favourable market conditions, the Brutering process and rent increases above inflation), private loans, financial restructuring and economically driven development strategies. Initially, the capital market was unfamiliar with the character and quality of social housing as an investment. Further, the financial health of Associations varied considerably, making the market cautious and interest rates potentially crippling. Towards this aim, the National Housing Council (Nationale Woningraad) and Ministry of Housing, Physical Planning and the Environment (VROM) proposed the establishment of the guarantee structure for reducing the risk and thereby the cost of capital loans. Two financial institutions have since been established to secure loans at more favourable interest rates for all Associations (WSW) and improve the financial structure of poorer ones (CFV). For more details on these institutions see Appendix 3.

Housing associations are now operating in a dynamic financial environment where minor changes in the rate of inflation, interest or rent can have major implications for financial reserves, solvency, and ultimately rents charged.

The primary investor in social housing in The Netherlands is the publicly owned Bank of Dutch Municipalities (Bank Nederlandse Gemeenten, BNG)\textsuperscript{94}, with commercial banks and pension funds playing a lesser role. Its dominant position in social housing finance has concerned AEDES, the combined umbrella group for association sector. They have initiated the establishment of another specialist mortgage provider, with stronger ties to one of larger commercial banks (ABN/AMRO).\textsuperscript{95}

\textsuperscript{93} Yet this also had the consequence of pushing better off tenants into home ownership.
\textsuperscript{94} In 1996 the BNG provided 18 billion USD in loans to housing associations. It is owned by and provides a dividend to central and municipal governments, each holding a 50 per cent share holding. The bank has a supervisory board of Ministers, Mayors, housing associations, and economic experts. Efficient payment services, secure electronic banking mechanisms and small overheads (one central office), reduce costs and therefore interest charged. The Banks also has a triple A rating and provides some of the cheapest loans to associations, allowing for a very low return.
\textsuperscript{95} Interview with Hans Polman, Director Public Housing, BNG, 1999, Lawson interview archive
The Dutch government now plays a diminished but essential role in financing social housing yet faces little direct risk. The current role of the government in housing is one of guiding the operation of 'independent' associations, determining rent policy and permissible increases, providing housing allowances to tenants, collecting imputed rent tax and permitting substantial tax relief for home purchasers.

During this phase in the history of the Dutch housing solution, home ownership has assumed far wider ideological prominence than any other. The proportion of social rented dwellings has declined with the promotion of owner occupation through central government taxation incentives, flow of funds into home mortgages and a flow of investment into free sector land and housing development. The proportion of home purchasers and outright owners increased from 42 percent in 1981 to 52 percent in 2001 (VROM, 2001). On average, Dutch households became much wealthier in the second half of the 1990s, not only via their income but also via the appreciation of housing assets amongst homeowners (DNB, 2000:32). Indeed, wealth appreciation was largely derived from dramatic rises in house prices, especially between 1995 and 1999 and is considered by industry groups to have played large but unacknowledged role in national economic growth (NVM in RICS, 2002).

During the 1990s, capital flowed from less profitable sectors of the stock exchange and bonds market into the property sector. Financial institutions, such as ING and various pension funds, invested heavily in the residential property market. Construction firms such as Hollandsche Beton Group (HBG), Volker Steven and the BAM Group were major recipients.\(^9\)

Investment in mortgages at the lower end of the market was promoted by the re-launch of the mortgage guarantee.\(^9\) A fund based on borrowers premiums enabled the creation of the National Mortgage Guarantee in 1995. This triple A rated guarantee facilitated a lower interest rate for modest borrowers. In case of default, payment of interest and mortgage premiums were secured by the Foundation Guarantee Fund, which was backed by government guarantee in the context of an inflating housing market. With standardised, nationwide conditions and promotion via mortgage retailers, 80 percent of mortgages received a guarantee in 1995. However, with house prices in major employment centres rising rapidly, fewer purchasers could borrow within the loan to income ratios required and the NHG's share of the market has plummeted to 50 percent (Mersmann, 2002).

The market for mortgages grew exponentially in the second half of the 1990s. As competition amongst lenders intensified new institutions such as the secondary mortgage market, new mortgage products and marketing devices were developed, which fully exploited the government's policy enabling the deduction of mortgage interest.\(^9\) The development of the secondary mortgage market is just one cause behind the large volume of credit that has flowed into the home loans sector. Coupled with developments in the supply of mortgages are those

\(^9\) Cobouw, 1994, Vol. 138 (3) 'ING Groep ijzersterk verankerd in de bouw' [ING group strongly anchored in construction]
\(^9\) Initially established in 1957, this mechanism had been locally administrated, with differing conditions and was relatively ineffective nationally.
\(^9\) Since 1996 the process of securitisation of home mortgages began to develop and a secondary mortgage market is now firmly established. This market permits the originator of mortgages to hand over legal responsibility to a special purpose vehicle (SPV). A SPV can issue mortgage-backed securities that can be openly traded. This process improves the balance sheet and cash flow of the mortgage originators and allows them to issue more loans (DNB, 2000a, Mersmann, 2002).
at the consumer interface. Rising rents (due to the removal of object subsidies and new financial relations in the social housing sector) pushed higher income tenants into the home ownership market. Yet this was a market based on two and not one income. Dual income households were encouraged to borrow under a much more permissive lending regime, a growing job market and generous tax incentives.

Purchase prices in sought after housing markets skyrocketed, partly based on ‘double income’ capacity to pay and a flush of available credit. Far from the ideals of emancipation movement promoting greater participation of women in the paid workforce, today many households have become locked into mortgages requiring high monthly premiums and thus, two full time incomes in a more precarious labour market. According to a European survey by the Royal Institute of Chartered Surveyors, Dutch households have taken on more debt than any other in Europe.

Undoubtedly, the biggest problem facing the housing market is that the boom was sustained by a huge increase in mortgage lending that has made the country’s home owners some of the most indebted in Europe (RICS, 2001).

Undoubtedly, the biggest problem facing the housing market is that the boom was sustained by a huge increase in mortgage lending that has made the country’s home owners some of the most indebted in Europe (RICS, 2001).

The European and National reserve banks are concerned about the implications of over indebtedness for national financial security. The Dutch National Bank has cautioned that their borrowers are vulnerable to the inevitable decline in house prices, when the boom finally busts or taxation policy changes and indeed marginal changes in interest rates.

Contingently defined labour and welfare relations

In the previous phases, the Dutch welfare state had emerged from the negotiated consensus between the social partners rooted in dominant Christian ideology, rather than the division between labour and capital (Van der Reijden, 1989) and supported by resource royalties in the 1970s. Yet over the past decade, the general directions of government policies in the socio-economic field have been strongly influenced by monetary and fiscal policies in an intragovernmental European context. Thus national corporate interdependency has taken place within a internationally orientated economy, which has given little room for manoeuvre and government ambition (Geelhoed, 1989).

For the first time since 1945, economic growth during the early to mid 1980s did not bring additional employment. Labour intensive industries were moving their plants to low wage countries in Asia, Eastern Europe and Africa. A second-generation birth wave brought a massive influx of young school leavers into the job market, whilst technological change meant that the skills of their parents were increasingly obsolete (Vlek, 1998). New migrants were also competing for low skilled work, and as job opportunities for the low skilled diminished, long-term unemployment amongst older members of the labour market became entrenched.

99 The policy mortgage of interest relief is not set in stone. During the 2003 election campaign, the Labour Party floated the reduction of mortgage interest relief for high-income earners and the broadening of relief for lower incomes to promote access to the housing market. Conservative political parties: the Christian Democrats and Liberals were opposed, and in preference promoted the scrapping of the property tax (of most benefit to those with high value properties).

100 Home loan interest rates are currently declining to the benefit of those with variable rate loans. Yet, many Dutch purchasers prefer the certainty of a fixed rate for up to 10 years. Yet in April 2002, the EU announced that lenders would not be able to issue fixed interest loans after 2005.
By the beginning of the 1980s, a gap emerged between the skills offered and those demanded in the labour market. Structural unemployment was and remains concentrated in the major cities such as Rotterdam and Amsterdam.

Since the 1980s there has been ongoing discussion between unions, employers and the central government about lowering labour costs to a minimum wage level to increase labour demand. During these negotiations the concept of the single male breadwinner, bringing home sufficient pay to cater for all the families needs has diminished. At this time, an increasing proportion of women were joining the paid, predominantly part time workforce in the service sector, complimenting the declining real wages of traditional male breadwinners.

The Wassenaar Labour Agreement of 1982 specified moderate wage demands in exchange for reduced in working hours and preservation of the system of social welfare (Terhorst and Van de Ven, 1997:313). Collective work agreements contained wage demands, particularly amongst labour intensive industries, and have been internationally praised as the mechanism for subsequent job growth in the late 1980s and mid to late 1990s. Further, major transport infrastructure projects have been fostered to promote private investment and generate employment in the distribution and service economy.

Yet during the 1980s and 1990s, Dutch welfare provisions came into regular and increasing conflict with monetarist fiscal policy driven by the entry requirements for European Monetary Union (Vlek, 1998). Under this paradigm, governments are considered best if they are small, their public services privatised and driven by market principles. In this context the social security buffer has come under scrutiny, driving the call for more targeted, reduced benefits and to discipline beneficiaries to look for work.

As mentioned earlier, the social welfare system is largely a contributory one, paid for by the policy premiums and taxes of low to middle income earners. Between 1976 and 1998 cuts in social spending raised 40 million guiders annually in savings on all social benefits, workers insurances, social provisions and pensions (Vlek, 1998:7). In recent years individual social contributions by employees have been criticised by employers. According to some employers, wages diverted to pensions presents a break consumer spending, harms international competitiveness and fuels wage demands. Yet premiums are desperately needed to feed a system obliged to an aging membership, yet relying on declining number of policyholders and investment dividends. The sector has lobbied hard for an increase in premium, which are regulated by the central government.\(^{101}\)

Individual Rental Subsidy falls outside the individual insurance circuit. It is funded from general taxation revenue and is universally available to all tenants within certain rent and income limits. As mentioned in the previous phase, it is no longer a direct, project specific demand subsidy relating to the cost rent system, but more a general welfare policy available to eligible tenants. Expenditure on rental allowances rose considerably during the 1980s despite efforts to contain it.\(^{102}\) After years of circling debate and increasing cost to the state, the State Secretary (Heerma) recommended a number of measures to secure budget savings and reduce

\(^{101}\) In the 2003 election the Christian Democrats promoted a doubling of social security premiums and wholesale revision of the system, the Labour party was against the increase and the pace of reforms.

\(^{102}\) These efforts included disassociating changes in minimum income from the changes in the level of subsidy, passing on rent increases to both non and subsidy receivers, calculation of all incomes in subsidised dwellings, lowering of the maximum subsidised dwelling and implementation of special rules for single person households (De Jong and Schoonhoven, 1992:61).
the financial burden: limiting subsidies to young people, sharpening the quality discount and limiting the rent that could be subsidised to 700 guilders. These provisions were to deliver 45 million guilders savings every year beginning in 1988. Yet the cost to the central government has continued to grow. 103

Today rental subsidy is the central governments only vehicle for influencing housing related welfare. It can adjust the eligibility criteria (income, rent levels, etc) and the level of payment provided. Whilst some commentators have argued that rent subsidies have been too broad and deep, other aspects of rent policy have clearly not favoured tenants in recent years. During the mid to late 1990s, the government permitted rent increases above the rate of inflation (see Table 7.7 above), kept the eligible upper rent limit for subsidies low, encouraged more targeted allocation of housing and promoted the sale of social housing to financially able tenants. 104 105 These actions were motivated by the central governments strategy to protect the primary revenue source of the social landlords and secure their financial continuity, thereby stabilise the association sector in the new financial context (outlined in this sub section above).

This financial and political context has played an implicit role defining the implementation of the social task of housing associations (to target low income households and those in housing need). In practice, associations have undertaken entrepreneurial activities, built for profit, sold stock, liberalised and raised rents and merged with other associations. The market orientated activities of some associations, in the context of greater freedom to set rents, has reduced affordability for some low-income families. Increasing homelessness has also been noted (Priemus, 1996). According to Van Kempen et al (2000):

"the operating risks of the housing associations were redefined to closely resemble those of large-scale private land lords. It is likely that this will entice them to adapt their operating rules and management strategies, resulting in severe erosion of the position of low-income households in the housing market (Van Kempen et al, 2000:512)."

Home ownership, once the preserve of wealthier Dutch households, is now being heavily promoted as a mainstream option by central government. 106 The governments explicit goal is to encourage the housing consumer's self-sufficiency (Vermaat 1996). To this end, social landlords have been encouraged to sell existing stock to suitable sitting tenants. VINEX housing is primarily built by private firms for sale and not social rental. Further, households are enticed by generous (but regressive) taxation concessions, which enable the deduction of

103 Despite targeting almost half of renters remained eligible for the subsidy (De Jong and Schoonhaven, 1992:80-86). Further, targeting would not control contingent developments affecting demand for the subsidy, such as divorce, structural unemployment, low wage growth in certain sectors and the individualisation of households.

104 Since the late 1980s the government has expressed its commitment to the sale of some (15-20,000) social houses with the proceeds returning to the association to fund new or improvements to dwellings (Murie and Priemus, 1994:120). In recent years, the central governments drive to sell stock has accelerated, with the demand to sell of 500,000 rental dwellings to tenants via heavy discounting (DGVH, 2002).

105 However, the number of rental dwellings sold to (future) renters by social landlords increased only very slowly, from 5,687 dwellings (2.5 per 1000) in 1993 to 8,158 (3.5 per 1000) in 1995 (various years, CBS, Maandstatistiek Bouwnijverheid: Table 5).

106 The current state secretary for housing (DGVH, 2002) employs the libertarian language of public choice and anti paternalism to increase sales of social housing and bring more houses onto the private market in cities such as Amsterdam. He has embedded home ownership into a notion of citizenship, and in the context of very low production, this ideal can only be achieved by the sale of many more social rental dwellings. 106
the cost of home finance. By 1995 almost one in every two households owned or was purchasing their home (NRW, 1997:13).

**Synthesising key relations in their contingent context**

The following Figure 7.6 depicts the **fundamental changes** that have occurred during the 1980s and 1990s redefining the very core of the Dutch solution. **First** and foremost, we see that the central government is no longer in control of the volume of the loan program for social rental housing. Housing associations must now access the capital market directly. They have improved their access to this market by obtaining a guarantee (WSW), which in the last resort is secured by the central and local government and financial re-organisation (CFV). Secondly, the monopoly position held by municipalities in the land market has been diminished. New players include project developers capable of implementing development plans.

**Figure 7.6 Abstraction of the flow of capital via social housing sector, following the withdrawal of the state from issuing loans (1979-2000)**

The government is no longer in a position to use the social sector as a counter cyclical tool during times of low production and high housing need. It has lost considerable control of the nature and level of housing outcomes produced. Production levels are alarmingly low, and scarcity is keeping prices high. Further, a number of current and potential crises could lead to the demise of the social housing sector itself. Problems include speculative activity in the land market, rising prices above those feasible for social rental exploitation; the slow "eating away" of housing association reserves during less favourable interest rates; increasing residualisation of the tenant base as more wealthy tenants are both pushed and pulled out of the sector and finally almost total reliance on subject subsidies to achieve housing welfare, whilst other costs are unchecked. Further, increasing entrepreneurial activities may erode the legitimacy of the sector undermining any future government assistance. Finally, there are already emerging signs that young dual income couples cannot afford to enter the home ownership market.

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7.6 Abstracting the causal mechanisms

Section 7.5 above has re-described and abstracted key relations underlying various shifts in housing provision in The Netherlands, with particular emphasis upon how contingencies have influenced the definition of core property, finance and welfare and labour relations during periods of coherence, crises and adaptation.

As outlined section 7.3, the Dutch solution of compact cities with its large proportion of social rental dwellings alongside subsidised and unsubsidised dwellings for purchase was formerly, but tenuously established in the early years of the 20th century. It is notable for its prominent inclusion of private associations managing social housing, which contrasts starkly with the marginal and residual role of State provided ‘public’ housing in Australia. Behind this observable phenomenon can be found a set of social relations characterised by the strong role for larger municipalities in land development, planning and housing development, favourable government secured loans and object subsidies for the construction of dwellings by a variety of providers for different forms of consumption, and the regulation of rents sustained by modest household incomes and supplemented by rental subsidy. Contingent conditions have played an integral role in the development and dynamics of these core relations of provision, influencing the level and type of dwellings produced and their spatial patterning.

For the purposes of analysis, relevant contingencies can be considered to be those that influence the key relations of provision: property, saving/investment and labour and welfare and labour relations. Take for example the initial period of economic liberalism between 1848 and 1889, which generated a serious housing crisis. During this time the property market was operating under conditions of scarcity, monopolised by private speculative interests and constrained by municipal government, politically and fiscally out of step with the demands of the new industrialising economy. Development was constrained not only by obsolete defence walls but also by the strength of private property rights, which precluded government co-ordination and fiscal constraints of municipalities which undermined their capacity to pay for costly infrastructure works. Of course, these contingencies affecting property rights must also be synthesised with those affecting institutions of investment in the built environment at the time and the labour and welfare conditions of city residents and new migrants. To facilitate this process, section 7.6.1 abstracts the contingent conditions of relevance to key relations underpinning changes in the Dutch housing solution.

7.6.1 Abstraction using relevant concepts and ideas

To enable a more straightforward contrast between each phase, Table 7.7 abstracts from section 7.5, shifting definitions of key relations, under periods of coherence and crisis, in the development of the Dutch housing solution. It also abstracts the contingent conditions of influence and the relevant housing outcomes.
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Land rights/Development</td>
<td>Dominance of private speculation, costly land development requires voluntary co-operation of private parties, electoral franchise limited to landed gentry, fiscal base reliant on rising property values</td>
<td>Increasing role of municipality in land banking, leasing, development control and repossession, broadening electoral franchise, revenue base expands with fiscal decentralisation</td>
<td>Municipalities monopolise land markets surrounding cities, social housing given primacy, strong central government role in planning urban renewal and new urban expansion</td>
<td>Municipal role challenged and numerous commercial players enter the land market surrounding cities, central government designates areas for expansion, speculation returns to the market and impedes productivity</td>
</tr>
<tr>
<td>Savings/Investment</td>
<td>Non-house investment flows into city, mortgage banks support speculative development of high density rental housing, industrial expansion stifled by limited sites and lack of workers housing</td>
<td>Central government plays a pivotal role allocating housing finance to specific providers, subsidises increasing interest payments, rising material costs, yet later capital social housing rents and demands subsidy repayments</td>
<td>Central government expands its role, with particular emphasis upon social housing development, rent levels fixed, exploitation subsidies provided to guarantee home loans, legitimacy of role questioned and new financing model introduced, proves costly</td>
<td>Central government withdraws form direct financing role in social housing, replaced by government backed guarantee and solidarity fund, growth and innovation in home mortgage and secondary mortgage market maximising advantageous fiscal conditions</td>
</tr>
<tr>
<td>Welfare/Labour</td>
<td>Poor labour and working conditions, piece work, expensive housing, no capacity to generate savings, excess labour supply, extremely limited and paternalistic welfare provisions</td>
<td>Strikes and social unrest, strengthening role of the labour movement yet without formal political representation, pacification of the labour force and pillarisation of publicly sponsored private welfare state</td>
<td>Wages suppressed but rents regulated and later rental allowances greatly expanded, unions and government focus on jobs rather than wage growth, later wage growth slowed by economic decline and unemployment</td>
<td>Structural unemployment amongst low skilled, accord for wage moderation, growth in high skilled employment and related wages, welfare cut backs, asset wealth amongst owner occupiers substantial</td>
</tr>
<tr>
<td>Contingencies</td>
<td>Local state constrained by fiscal and electoral base, tight land market promotes speculation and high yield development, industrialisation, agricultural depression, mass migration, over supply of labour</td>
<td>Fiscal constraints of the local state overcome, but in a turbulent economic climate, costly materials and scarce private investment, strong role of religious organisations garnering public resources for welfare provision</td>
<td>Lack of interest in housing market by capital market, later market conditions stabilise but eroded by monetary collapse, oil price rises, unemployment and low wage growth, investors campaign to protect investment in central cities</td>
<td>Substantial interest by mortgage market, capitalising on increasing value of existing homes, double incomes and rising incomes amongst certain workers, city gentrification but areas of social disadvantage receive attention.</td>
</tr>
<tr>
<td>Housing outcomes</td>
<td>High density, rental apartment dwellings, over crowding, serious and widespread health epidemics. Some attempts at housing alternatives: co-operatives, philanthropic rental housing and industrial colonies.</td>
<td>Cost rent social housing provided by and municipal housing companies, assisted private rental construction, limited dwellings for ownership, crisis follows mass unemployment.</td>
<td>Substantial expansion of below market rent mass social housing provided by social landlords, decline in private rental housing, gradual increase in home ownership, collapse of housing market, last spam of social housing production</td>
<td>Rapid increase in home ownership, more spacious new dwellings outside city centres, over all production rates decline, sale of social housing strongly promoted, rising household indebtedness</td>
</tr>
</tbody>
</table>

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7.6.2 Retroductive analysis of the Dutch housing solution

Beyond the simple contrast provided by Table 7.7 above, retroductive reasoning is required to progress explanatory analysis. Whilst the table is useful for highlighting contrasts, it merely categorises relations and does not tell us much about the integrated dynamics between key them and how they generated particular housing outcomes – and indeed, non-outcomes. Rather, this process of abduction must be complimented by contrastive and counterfactual questioning to expose the causal mechanisms operating to influence the development of the Dutch housing solution. The following series of questions and possible answers, drawing upon the evidence provided in 7.5 and abstractions in Figure 7.2-7.6, are dedicated to this goal.

*Why was home ownership for workers not an alternative in the formation of the Dutch housing solution?*

The Dutch housing ‘solution’ has emerged from very different roots than those established during a similar time period in Australia. First and foremost it emerged from existing pre-industrial cities, with a medieval mercantile past. The contours of these earlier cities can be seen in the circling defence walls, tight inner cities and narrow irregular street patterns. These contours and the power structures that maintained them constrained and influenced the development of industrial cities and their housing solutions. Yet, beyond this brief preliminary explanation can be found a specific coherence of property, investment and labour relations, which underpinned a specific type of housing provision during the late 19th century.

From the outset, conditions present in the Dutch property market of pre-industrial medieval cities bore no resemblance to those in colonial Australia, renting housing was the norm and circuits for individual housing credit for ownership were quite undeveloped. The land market was monopolised by a landed gentry, merchants and industrial elite who constrained supply and gained their wealth from speculation. Small exchangeable and affordable parcels of land, suitable for modest housing developments, were completely absent from the market. Larger parcels were scarce and thus land prices high. Such conditions necessitated high yield developments and multiple tenancy apartment buildings were the norm.

Another causal mechanism can be found in the definition of labour relations and market position of urban workers. Labour conditions in new industries and the home were often poor but workers fleeing the economically depressed countryside were isolated and unorganised. Unlike their Australian counterparts, Dutch skilled and semi-skilled workers were ‘disposable’, easily replaced by the thousands of work seekers leaving the depressed agricultural sector. Working conditions were extremely poor and wages minimal. In some cases, workers merely received tokens, which could only be exchanged for provisions from the employer’s store.

These contingently defined labour conditions and housing costs, suppressed the capacity of households to save, not only for hard times, but also for better housing. Additional resources may have improved their capacity to change their housing situation and attempts were made in the formation of home ownership co-operatives. However, the price of ownership outstripped savings capacity and the co-operatives goal of home ownership was switched to renting.
For every system of savings is a corresponding one of investment. As mentioned, for many workers the capacity to save was minimal. The required down payment for a mortgage loan was prohibitive. Further, mortgage banks had far safer investments to make than small-scale 30-year mortgages for low and insecurely paid home purchasers. Conversely, capital did flow into the private rental sector, where more certain profits could be made from building at high density and low quality. Rental investment was a safe investment, providing the building survived the 30-year mortgage! Thus, via the circuit of mortgage credit and housing development, the rental sector flourished for a time. Landlords were in a strong market position to exploit the abundant supply of tenants. Rents were set at market rates and eviction for non-payment was the norm. This exploitative, mode of provision pervaded until unsafe buildings and poor living and health conditions threatened a range of social classes and stifled orderly expansion of the newly industrialising cities. The local state was fiscally and politically incapable of resolving the crisis. Constrained by limited revenue and controlled by a propertied elite, few reforms were possible until electoral and fiscal conditions were adapted. Indeed, this period was of “strategic significance” in the formation of the Dutch housing solution (Harloe, 1995:50).

Emerging from a period of social unrest, expanding electoral franchise and calls for reform, the Housing Act of 1901 outlined the central governments intention to provide 50-year annuity loans with fixed payments, rather than the norm of 30, for registered associations of renters for the construction of social rental housing and contributions towards operational costs to keep rents as low as possible. The terms of the loan required rental associations to commit to regular fixed repayments over a very long period, rather than purchase for individual home ownership. Life expectancy then, and now, certainly did not permit individual mortgages of a 50-year maturity. Yet such terms were possible with rental associations; they were conceived as relatively permanent institutions. Further, the new building code ensured that buildings produced remaine d standing and exploitable beyond the maturity of mortgage finance, matching the financial commitment made by central governments. These important, linked provisions shifted the risk of investment towards the state, which in turn, managed the land development process via municipalities, setting building standards and non-profit management standards for approved registered associations. Registration enabled the government to ensure that loans were being issued to responsible landlords, who would manage their stock efficiently, yet not profit excessively from their advantageous position. Eventual surpluses (after loan maturity of 50 years) had to be spent on furthering housing provision. In turn these associations selected tenants most able to sustain rental payments and enforced strict standards of tenant behaviour.

Indeed, the Housing Act emerged form a period of strategic crisis and provided the basic framework for the Dutch housing solution. The framework comprised municipal land development; 50-year government secured loans at the lowest market rate possible and cost rents. Yet exposed to the contingencies of an open economic system, this framework was not enough. When the cost of building materials and urban renewal rose, object subsidies were provided; when interest rates rose, the government paid the difference between market and below market rates to keep cost rents low, when frozen or stagnating wages were insufficient to cover cost rents, further object subsidies were provided which later shifted to subject subsidies. Despite the ebb and flow of contingent conditions, and the sporadic outputs of social housing, the basic structure of the Dutch housing solution remained in place until the mid 1980s.
**Why were social landlords private and not public?**

A peculiar aspect of the Dutch housing solution is the reliance upon private rather than public landlordism for the management of social housing funded by government loans. Such private landlords are not of commercial origin, but rather a non-profit private vehicle to resolve the question of accommodating working households, including those on a moderate income. An explanation for this phenomenon can be found in the historical and spatial coherence of key social relations affecting the development of housing policy following a period of urban crisis. This crisis was partly generated by economic liberalism and dysfunctional housing market dominated by speculative interests, and was responded to in the context of an emerging Christian corporatist welfare state.

Unlike municipal landlords in the UK or State Housing Commissions in Australia, Dutch housing associations emerged as the most legitimate vehicle at a time when the crisis of economic liberalism undermined faith and trust in commercial landlordism, yet public ownership and control was tainted with revolutionary communist idealism. Social unrest had erupted in numerous towns and cities, often over housing conditions, but no strong advocate existed for the de-commodification of housing relations. In contrast to the labour movement, the network of Christian based interest groups was deeply rooted in the daily lives of Dutch households. Almost everyone belonged to a church, social group or society of religious origin, which in turn influenced social networks, work ethics and domestic life. Most labour unions belonged to one or another camp, being protestant or catholic and later non-aligned.

The capitalist ethic was intertwined with religious doctrine. Even profits had to be generated from philanthropic housing initiatives and market rents charged; more collective or subsidised alternatives would simply dilute the hard working ethic of deserving tenants. Private non-commercial organisations, and not the state, were considered the most suitable mode of social regulation in a time of social upheaval across Europe. They were in a central position to reform anti-social behaviour amongst tenants and protect them from the dangers of socialism. Further, housing associations were a natural forerunner of the pillarised welfare state. Typically collective facilities such as schools, recreation clubs and health funds later became rooted in the pillars of the Christian corporatist welfare state.

**Why social rather than private rental housing in the 1950s?**

Social housing formed an integral part of the central governments low wage strategy following a long economic crisis and the material destruction brought by WWII. It was the only vehicle that could be steered by the government to generate sufficient levels of production and war damage, the housing shortage and charge low rents. Social landlords were committed to a long term social task via cost rent housing, rather than market rents for private profit. They were established in this task before the War and were called upon once again, to address the new housing crisis. Yet housing associations and their tenants became a force of their own and were subject to competitive electoral politics between the Catholic and Labour parties. The housing shortage continued in the 1950s and the baby boom generation and new colonial migrant needed to be housed. Expansion of the existing framework of housing provision, via housing associations was a path dependent and politically acceptable strategy.

From its dominance in the late 19th century to near extinction in the 1950s, the private for profit rental sector has been subject to numerous contingent conditions eroding investor confidence and reducing the number of active players in the market to large institutional
investors. Throughout the war, it was forbidden to profit from the exploitation of dwellings. Rents were frozen at 1934 levels. The low wages of tenants and shortages of materials also curtailed profitable exploitation. Later various additional housing policy measures promoted declining investment. These included strong tenancy legislation; centrally regulated rents; and indeed competition from both the regulated affordable social housing sector and the subsidised and fiscally attractive home ownership sector.

Together, these measures undermined the flexibility and security of rental investment and broke basic conditions for commodified tenancy relations (security of tenure, rent regulation) of interest to small-scale investors and petty landlords. Today, the largest investors in the small private rental market remain Dutch pension funds. These investors seek low risk, long-term investments in order to pay their obligations to long-term policyholders, and use rental property as a hedge against inflation. A number of pension funds are now capitalising on their debt free, inflated assets and selling rental stock, sometimes to sitting tenants.

Why discontinue the system of government guaranteed loans and curtail municipal led land development in the 1990s?

Despite continuing housing shortages, the seeds of stagnation were planted in the Dutch housing 'solution' by the late 1960s. Following protracted struggle between housing associations, central government, unions and the Social Economic Research Council, the strangle hold on wages and rents was broken in the 1960s. The central governments hidden interest subsidy, which had created below market interest rates for housing associations, was exposed by explicit object subsidies. To reduce the burden, a new system of Dynamic Cost Rent (DKP) was introduced in 1975 to claw back object subsidies in the latter years of the mortgage. By the mid 1970s, the finance of social housing associations became tied to calculations of the DKP system and low-income tenants became eligible for rent subsidy. Yet, as always the new financial system was subject to unfavourable contingent conditions. In the context of stagnant wage growth, unemployment and deflation, rents did not increase sufficiently in a deflated market, and the DKP system proved exorbitantly expensive for the central government by the late 1970s.

Yet alongside these troubles in the social sector, the private housing market was in crisis and the building industry in deep recession. Despite looming budgetary constraints, economic malaise and the near collapse of the home ownership sector, the government steered investment into the social housing sector once again, using the trusted neo-Keynesian strategies of the past. Yet such a strategy ran counter to the growing ideological hegemony of small government, financial deregulation and privatisation promoted by the conditions for Economic Monetary Union. This ideology was bolstered by the yearly reminder of the housing debt presented in the government budget, demonstrating the ballooning nature of housing loans committed under the DKP system and allegations of building fraud eroding confidence in housing associations and municipalities.

A number of important changes were legitimised in this climate of fiscal austerity and greatly influenced the dependent relations between central government, housing associations and municipalities. With these changes, municipalities would no longer hold a monopoly position in the land markets surrounding their town centres and thus would be less able to direct the pace and composition of housing construction. To some degree this initiative was unintentional and stemmed from the announcement of potential development areas by central government, which of course attracted speculative purchasers. Municipalities were not
permitted by law to expropriate land from owners with a capacity to implement development projects (unlike farmers). Later, municipalities were strongly discouraged from becoming too active in the land market. Instead the central government gave preference to private companies in building homes for purchase rather than associations providing social housing. In this context, the task of municipalities in fulfilling planning objectives became more complex, involving multiple players and housing outcomes became less certain.

Importantly, the financial relations of social housing provision were also altered with the shift away from directly secured loans (which were ballooning exponentially) towards those accessed directly by associations from the capital market. The balance sheets of housing associations were greatly enhanced by the Brutering calculation, which cancelled existing loans in exchange for future object subsidies. Dutch housing associations now obtain a financial guarantee (WSW) and contribute to a mutual fund (CFV) to strengthen their market position and obtain all loans on the capital market. To date access to this market has been relatively easy given the strong asset position, improved rental income and management experience of social landlords. The sector has been encouraged to become more financially self-sufficient, merging with other associations, undertaking more commercially orientated projects and selling housing stock. Sandwiched between the openness of the capital market and margins of rent policy, associations have also had become more attuned to their economic potential, pursuing more ‘active’ rent policy (which in turn pushed out those who could afford home purchase) and development strategies, which include the construction of dwellings for sale and profit.

In tandem with these developments in the social sector, home purchase has been encouraged by the discounted sale of social housing stock, the re-launch and promotion of the National Mortgage Guarantee, and generous tax advantages. Purchase prices in employment centres have escalated. Within the finance sector, a number of developments have fostered the growth of home purchase: a more permissive lending regime based on two incomes, establishment of a secondary mortgage market, and the establishment of the brokering sector generating markets for new mortgage products.

Also related are developments in the Dutch labour market. Following recession, wage constraint and labour market restructuring, there has been substantial employment growth in the mid to late 1990s particularly amongst the financial services, technology and construction sectors. In this context, the social task of the housing associations appeared to be less pressing (apart from the demands of structurally unemployed and ‘silent’ asylum seekers) in the face of apparent labour market prosperity. Further, following the welfare ‘excesses’ of the 1970s and 1980s, the central government has promoted a libertarian ideology of self-reliance, by targeting welfare benefits and individual rent subsidies more closely. Home ownership, once the preserve of wealthy and non-city dwellers, is now promoted as the mainstream housing ‘solution’ for all ‘able’ Dutch households. In contrast, the social housing sector is considered by some in the central government to be a receptacle for households unable to compete in the private for profit sector.

Indeed, the coherence of the long established social housing solution has been broken and a new one is emerging dominated by those with an interest in home ownership. Some of these interests are contrary to national policities of choice, affordability and quality, as the politicians demand the sale of social housing and market parties accidentally or implicitly promote production scarcity further inflating house prices.
To sum up, this Chapter has outlined observable characteristics of the Dutch mode of housing provision, identified its core features, and provided an overview of explanatory approaches in Dutch housing studies. It has also provided a rationale for a new approach and applied this to different phases in housing history. These have been contrasted and analysed for their underlying causal mechanisms via contrastive and counterfactual questioning.

The following and final Chapter (8) will now contrast and compare the underlying causal mechanisms of the two divergent case studies, Australia and The Netherlands and discuss a number of theoretical and substantive issues.