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

Lawson, J.M.

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Chapter 8 Explaining and Comparing Housing ‘Solutions’ - Summary and Conclusions

8.1 Introduction

We have come a very long way in our journey of understanding and explanation, since the first lay impressions of housing and urban conditions in Australia and The Netherlands posted at the very beginning of this book. It is now time to contribute towards a more theorised explanation for divergence between the two countries.

As proposed in the problem statement in Chapter 1, the research has focused upon the contingent definition of specific social relations, which were postulated to hold emergent properties with regards to forms of housing provision. It was argued that the contingent, geo-historical definition and packaging of specific social relations, primarily concerning property rights, saving and investment and finally, labour and welfare, would play an integral role explaining divergence in forms of housing provision. In order to test the plausibility of these arguments two illustrative case studies in Australia and The Netherlands examined various shifts in their long-term housing trajectories, contrasting specific periods of adaptation, coherence and crisis. For every phase, close attention was given not only to the contingent definition of these relations but how they were synthesised in a coherent albeit crisis prone manner to promote a specific mode of provision. Contrastive questioning and counterfactual thinking at the conclusion of each case, sharpened the definition of causal mechanisms generating specific housing outcomes and inhibiting others.

This Chapter provides an opportunity to reflect upon the theoretical and analytical progress made so far and contributes towards an explanation for divergence in the two very different housing ‘solutions’. We are only able to move in this direction now, because we have reached the stage where we can compare at the level of generative causal mechanisms, as argued in Chapter 3. However, this is not the end of the story. Fulfilling the promise of the retroductive approach, it is also timely to revisit and sharpen our earlier postulate towards a stronger explanation for further testing and revision.

Towards this goal, a number of relevant theoretical conclusions are put forward in this Chapter, that respond to the initial postulated explanation outlined in Chapters 3 and 5 and subsequent findings in Chapter 6 and 7. Firstly, these conclusions concern the way we conceptualise different forms of housing provision and its importance in reaching an understanding of the core relations, both emergent and contingent, and their interdependencies underpinning specific modes of provision. Secondly, the case study findings highlight how core relations can promote fairly stable institutions, such as the protected circuit of capital and municipal land development companies that may delimit future developments and sustain others in path dependant fashion. Thirdly, these institutions may be subject to various adaptations to cope with dynamic contingent circumstances. In this sense change can be considered not only to be path dependent but also cumulatively causal. Thus, a revised postulate should stress the power of path dependency, institutional fix and cumulative causation in sustaining particular modes of provision. Fourthly, as critical explanation also asks why sustained housing institutions are later subject to challenge, I also take a closer look at the notion of contingency and risk.
Furthering the ‘critical’ role of realist research this chapter postulates the consequences of recent developments in both the Australian and Dutch housing solution, contemplating future housing scenarios, with specific attention to the shifting distribution of risk between households and space for potential state/market manoeuvre.

8.2 Conceptualising Different Forms of Provision: Core Relations and Interdependencies

Critical realism places much emphasis upon the process of conceptualisation in explanatory research, for this can determine and influence any subsequent line of enquiry. For this reason, Chapters 3, 4 and 5 carefully examine not only alternative modes of perceiving forms of housing provision and key emergent relations of provision, but also the process and causes of change. Increasingly, throughout the case study process, the causal significance of an integrated core of relations became apparent. Thus not only the process of abstraction is important, which highlights contingently defined emergent relations of provision, but also the way these relations work together to form a causal mechanism sustaining coherence. Thus, in addition to the process of abstraction, much thought needs to be given to interaction and synthesis and the notions of mutual interdependency and structural coherence, first raised in Chapter 5. Towards this end I make two concluding comments.

Firstly, synthesis can demonstrate the mutual interdependency between different aspects of the same phenomenon. We need to know how different necessary and contingent relations work together in order to generate specific outcomes. For example, how does a certain definition of property rights compliment or conflict with a certain route of savings and investment to promote certain housing outcomes? Are there some combinations that tend to work together and others against? Throughout the research a number of different interdependencies were revealed, which arose from specific definitions of property, investment and savings and labour and welfare relations and sustained specific housing institutions. They include, but are not limited to, the relationship between mortgage credit, individual land ownership and savings capacity. Further the relationship between annuity loans, object and operational costs and cost rent revenue. Of course interdependencies are vulnerable to change where contingent conditions alter the nature of one or more key dimensions. Such interdependencies and their contingent conditions were carefully abstracted from each case. Towards this end a number of important diagrams, illustrating dynamic circuits of investment and consumption during periods of coherence and crisis, were discussed at the conclusion of every phase in each case study.

Secondly, to sustain coherence and facilitate flows of capital via these two different routes unique institutions were established in each country. Focusing on home ownership in Australia, we see the establishment of freehold land title, a protected circuit of capital in the home lending sector and state sponsored infrastructure provision facilitating land purchase in expanding suburbs. Turning to The Netherlands, we see a system of government guaranteed loans, municipal land development and cost rent social housing. Section 8.5 compares the unique contingencies that initially generated very different sets of mutual interdependencies and the contingent conditions that changed them.

In sum, stemming from the ontological approach of critical realism, the research has focused upon the key dimensions being the necessary and contingent conditions pertinent to the housing phenomena to be explained, how they have worked together to generate certain outcomes and been sustained by the development of particular institutions. This approach
differs from empiricism, historical biography, as well as inappropriate generalisation and theory determinism.

8.3 Path Dependency and Cumulative Causation

More often than not the reasons for differences between social phenomena are vaguely attributed to individual actors, environmental factors, tradition and more recently, embeddedness and path dependency. Sometimes, universal laws such as market preference or 'class struggle' are called into explanatory service. Chapter 4 and 5 closely evaluated alternative conceptual approaches to change and argued that the concepts of path dependency and institutional fix offered potential but must be grounded in concrete case study research. It is now time for evaluation, in light of the case study research and the following four conclusions are made.

Firstly, the case study analysis certainly revealed a strong thread of path dependency supportive of the 'history matters' camp in explanatory social science (especially institutional economics and historical sociology). Each countries solution responded to their severe housing crises at the end of the 19th century very differently, in adaptive, path dependent fashion. They established modes of housing provision by the early 20th which responded to specific opportunities and constraints in the realm of property rights, investment and labour relations, which have not been fundamentally changed until the end of that century. Changes have certainly occurred, but they have been ameliorative and cumulative, responding to specific crises and building upon the structures of provision established by the 1920s. In the main, the problem of housing the working masses in the 20th century has been addressed by a system of social housing provision based on costs rents in The Netherlands and individual mortgaged finance home ownership in Australia.

Secondly, we need to both recognise and question the structural stickiness of these different modes of housing provision. Towards this end, it is contended that they are temporarily fixed and resistant to fundamental change for one very important reason: they are both underpinned by very long term social contracts in the form of mortgage finance. Australian home ownership is based upon the availability of deposit secured mortgage credit, for terms of up to 30 years. Likewise, Dutch social housing was financed by 50-year annuity loans that necessitated a fixed schedule of repayment based upon cost rents. These very different social contracts form the basis upon which investments are made supporting two very different housing solutions for the 'masses'. Time exposes these contracts to adverse potential risks and unforeseen influential contingencies and for this reason, various modes of intervention arise to reduce these risks.

Thirdly, the notion of institutional fix, in which practices and processes have a power of their own and may well be sustained beyond their initial stated purpose, was found to apply in both cases. It has clearly been demonstrated by the continued expansion of social rental housing from the mid 1960s to the early 1980s. The notion of institutional fix was highlighted in the answers to contrastive and counterfactual questioning which concluded each case and drawn upon below in Section 8.5.

Fourthly and finally, this brings us to the importance of cumulative causation. The above description of interdependencies, path dependency and institutional fix, falsely implies an overwhelming functional agenda played out by the actions of the state and capital. Nothing could be further from reality. The social contracts present in each case and mentioned above
were time and time again subject to conflicting circumstances beyond their control: inflated building costs demanding larger loans and higher costs rents, the differential between rents in the cost rent and market rent sectors in the Netherlands and the crises of state sponsored urban expansion and credit rationing by banks opposing the imposition of the protected circuit of capital in home loans. Attempts to create ‘closure’ in circuits of investment and consumption were repeatedly undermined. Recall the initial failure of cost rent social housing under the Housing Act, the demise of the Dynamic Cost Price Rent system in the Netherlands and the end of the protected circuit of mortgage capital in Australia. This issue brings us to address that of contingency and risk, first raised in Chapter 3 and finally in Section 8.4 below.

8.4 Contingency and the Notion of Risk

It was originally contended that contingencies are any conditions that influence the emergent relations of housing provision, i.e. the system of property rights, investment and savings, labour and welfare. Further, contingencies were not limited to the realm of state housing policy or programs, or the decisions of policy makers – but to the wider social relations of the economic, political and civic institutions affecting state/market relations. At first glance this may seem a very broad definition. Far beyond mere actions of policy makers, it extends to the very power relations of society and its processes of capital accumulation. However, a number of simple examples demonstrate the feasibility and appropriateness of such a definition. Take for instance labour market conditions in Australia during the colonial era inflating wages to permit savings amongst skilled workers; and later the entrance of women into paid employment increasing the borrowing limits for home purchasers. Contingency may include any new process, event or idea, such as technological developments in mass housing construction, lowering labour costs and increasing production, and establishment of a secondary mortgage market, facilitating a new flow of credit into the home mortgage market. These are all examples of contingent conditions, which have had some bearing on the nature of emergent social relations underpinning housing provision.

For this reason it is never enough to merely point to events in housing history, for events cannot explain, even significant ones such as the Great Depression, WWII, and the oil crises. For one must explain what it precisely was about these events that influenced the core property relations, investment or labour relations, and in turn how this influence, subsequently affected forms of housing provision. This link is what makes them contingent relations and part of any causal mechanism explaining change. Further, it is not possible to neatly isolate contingencies from emergent relations; they are always there together in concrete, multi dimensional reality. Thus any explanation for divergence will consist of multiple, overlapping causes, which cannot be expressed in simple statements or as equations drawn from closed conceptual models.

Embedded in this dialectic between contingency and necessity are conscious actors who perceive risks according to their socially and materially constructed vantage point in the housing system. Specifically, housing risks are perceived as being intimately entwined with key relations of property, finance and labour in a complex and open housing system. In section 8.5, the role of risk for specific players, such as investors in housing provision, will be highlighted.
8.5 Explaining Divergence: Comparing Causal Mechanisms

This section integrates and contrasts empirical case study research to examine how key relations have been defined and packaged differently to generate divergent forms of provision in Australia and The Netherlands. From the formative decades of the two housing solutions, different sets of risk perception were found to exist in the field of land development, finance, construction, exchange and the consumption of housing services. These differences guided the actions of agents in the network of housing provision, which produced and were reproduced by dynamic structures of provision. Further, periods of coherence were punctuated by periods of crisis, leading to the reformulation of new routes of accumulation in the housing sector.

It is helpful to focus upon specific contrasts between the different phases in the trajectories of the two cases in order to highlight the existence of differently defined emergent relations of provision, the interdependencies between them and their synthesis in the form of flows of investment and consumption, supported by various institutions and undermined by contingent conditions. To this end, drawing upon analysis from the case study research, an explanation is developed in response to a number of contrastive questions. This process contributes towards a dynamic, multi causal explanation for divergence and concerns the following:

- the period of crisis in the late 19th century, preceding the evolution of adaptive modes of provision,
- the channelling of investment and supportive institutions established in the early 20th century,
- the sustained development of these solutions during the 1950s and 1960s, and
- their reconfiguration in the late 1980s and 1990s.
8.5.1 Why did social housing not emerge as the solution in the late colonial period and why did home ownership not emerge as the solution in the urbanisation of Dutch cities?

First of all, the institutional structure and market conditions of the land market during the formative years of new colony were very different. In Australia, following the Crown land sales of the 1840s, urban land was largely in private hands. An efficient system of property rights and subdivision, facilitated transactions between agricultural owners, land developers, and homeowner builders. The preparation of land for development was a much simpler albeit labour intensive process, requiring tree clearing to enable simple wooden houses to be erected. Secondly, the urban workforce was largely better off especially compared to their European counterparts and largely engaged in mercantile or construction activities rather than hard labour of mass or cottage industries. In particular, the labour market position and wages of skilled workers in a mercantile economy was much stronger, wages were relatively high enabling them to save. Thirdly, savings institutions modelled on British Building Societies, required the vesting of land title as security for construction finance. Small parcels of land for this purpose were rapidly released onto the land market in the 1860 and 1870s when the colony was awash with migrants and successful gold seekers. Loans from building societies were only provided for the construction of owner occupied dwellings. In this way, thrifty (or fortunate), skilled workers were able to realise housing aspirations that were a distant dream in their over crowded impoverished country of origin. The illustration below (Figure 8.1) depicts the circuit of investment and consumption during the hey day of home ownership in the 1870s.

Unlike their British counterparts, the reserves of building societies were able to be invested in the land market. When this over heated market collapsed, many Building Societies lost their reserves and thus the circuit of members savings that could be recycled into rationed home loans. An inevitable housing crisis followed, with repossessions and widespread homelessness. The response to this crisis is discussed in Section 8.5.2.
In contrast the property relations and land market conditions were radically different in Dutch cities during the last half of the 19th century. Land ownership was fragmented and difficult to co-ordinate necessary reclamation, site preparation was costly and municipal revenues for basic infrastructure provision were insufficient. The landed gentry that dominated municipal chambers under conditions of limited electoral franchise blocked any intrusion into their property rights. An outmoded and static urban form and a regressive fiscal and political structure stifled the development of adequate housing for workers in new industries, impeding industrialisation. Further, Dutch wages were low and precarious in the mid 19th century. A high proportion of household income was spent on rental housing costs. Savings were insignificant and secure and vehicles for converting small deposits into mortgage finance for home purchase were undeveloped. In the sphere of production, the construction of high-density rental dwellings was the norm to maximise yield on scarce expensive land often within tightly constrained city boundaries. For a time investment capital flowed from other declining areas of the economy into the speculative land and housing markets. Figure 8.2 below illustrates a simple abstraction of the flow of investment and consumption into housing around 1870.

Migration, over crowding, poor housing conditions and severe health problems led to a much broader crisis in housing provision, touching upon a range of social classes. In the context of broadening electoral franchise and a more centralised fiscal revenue, municipalities were increasingly in a position to respond to the constraints of speculative land relations, poor quality construction and exorbitant rents. They could not, however, address the problem of vacillating levels of investment in the housing sector. Shaped by the crises of the former mode of provision, municipalities broke the impasse in the land market with expropriation rights and market compensation, tightened control over the quality of construction, and designated slum areas for urban renewal. Central government secured finance of housing for workers, to be managed by non-profit private landlords. The reasons why this new ‘solution’ was able to be established are discussed in Section 8.5.2.
8.5.2 Why was mortgage finance channelled via state savings banks and households in Australia and central government and associations in the Netherlands?

The primary financial institutions channelling capital into housing production in each of the two 'solutions' are very different, and so too are the borrowers and their risk profiles. In the second phase of the Australian solution, we see that State Savings Banks have taken over the role of financier of housing services from Building Societies. Following the spectacular rise and fall of the property market, many Societies collapsed or became ensconced in corruption scandals; in the process members lost their homes and were forced into less desirable rental housing and temporary shelters. The governments of Victoria, New South Wales and other States, responded by improving the security and stability of the financial system and certainty in development processes. In this climate, State owned banks emerged as the only legitimate and viable vehicle to channel investment into property. No longer beholden to the narrow interests and savings capacities of Society members and (corrupt) board members, State Banks could pursue broader 'public' objectives under Commonwealth legislation. With many young soldiers returning from the WWI, these banks were used as a vehicle to distribute Commonwealth housing loans. They developed systems to minimise the risks of default to the banking sector at large, and established the mechanism of credit fonciere mortgages. They also became involved in the land development process directly, setting maximum standards for dwellings and rationing the allocation of home loans to 'safe' borrowers. Figure 8.3 depicts this new situation.

![Diagram](diagram.png)

*Figure 8.3 The foundations of the Australian solution circa 1925*
The Netherlands provides a useful contrast highlighting the role uneven and socially structured risk plays in constraining and enabling policy alternatives. At the turn of the century, the concept of home purchase for working households was far from the political agenda. The potential of building societies was not widespread or well known. Workers were not considered capable of maintaining a housing loan, given their weak labour market position. Landlordism was certainly despised by some, but the few experiments in social housing suggested that renting, by definition, did not have to be excessively exploitative. Politically, it was considered a question of balancing the goals of good housing with sound financial management and tenant discipline. Avoiding the self-interest and speculative problems of the previous phase was paramount. Given the dearth of private investment for quality housing, government loans were channelled via registered associations committed to these goals.

8.4 The foundations of the cost rent social housing solution under the Housing Act 1901

Yet social housing never became public housing, financed, owned and managed by the state. Private associations, often originating from one of the denominational pillars of society, must register their commitment to the delivery of cost rental housing, repaying a fixed schedule of loan principle and interest via cost rent revenue. Philanthropic and religious organisations mobilised to keep the socialists from controlling state resources. Indeed, private non-profit housing associations were an important institutional stepping stone towards the development of the vertically structured corporatist welfare state in The Netherlands.
8.5.3 Why did Australian households express their wealth and status via home purchase in the 1950s and 1960s, whilst Dutch households did not?

The mechanisms supporting the expansion of home ownership were well developed by the 1950s. Urban planning of metropolitan areas promoted urban expansion and provided maps for speculative purchasers. State agencies continued to 'roll out the services' connecting potential urban areas with basic services, making land in these areas accessible, developable and valuable. Building upon existing financial institutions, the flow of investment into home mortgages was bolstered by the Commonwealth government, which instructed the Reserve Bank to negotiate a protected circuit of capital for home loans delivered by State Banks and established the Home Loans Insurance Corporation. The protected circuit lowered interest rates below the bond rate and the guarantee enabled a wider range of households to lend with smaller initial deposits. The financial risks to State Banks were further minimised by a buoyant inflating housing market, urban expansion underpinned by state sponsored infrastructure provision and strong labour market conditions. This scenario is depicted in Figure 8.5 below.

Figure 8.5 The Australian solution under a protected circuit of capital

Australian politicians on both sides of the political spectrum supported the expansion of home ownership during the 1950s and 1960s. This was bolstered by the collective memory of mass evictions during the Great Depression. Indeed, the party with the strongest support for the ideology of home ownership remained in office for almost twenty years after WWII. Ideology also played an important role minimising the development of the public housing program, established in the period immediately following WWII. In the subsequent cold war era of anti-communist patriotism, conservative politicians promoted homeownership as goal of every worthy citizen, whilst demonising public housing as dangerous socialism. This government
also enjoyed an era of strong and protected economic growth and widespread post war prosperity. During this time, the strong labour market position of skilled workers was bolstered by employment in the new industries ‘jumping the tariff walls’ and this meant that home purchase, in a low interest scenario, was indeed within the reach of a wide social spectrum.

If we turn to The Netherlands during this period, we see a contrasting set of perceptions, contingent conditions and emergent structures, crystallising to promote very different housing choices. First and foremost, The Netherlands was emerging from a period of post war recovery that institutionalised a number of special measures affecting housing investment, wages and rent levels. Again labour market conditions and strategies were a decisive constraint in defining the housing solution. A centralised low wage strategy necessitated low housing costs. In the context of post war destruction and massive housing shortages, a market solution could not deliver efficiently or effectively. The low wage scenario necessary to promote Dutch exports could only be sustained via the expansion of the existing social rental sector, with land development monopolised by municipalities opening sites for housing associations, rents frozen and kept below cost rent and exploitation shortfalls compensated by central government subsidies. This scenario is illustrated below in Figure 8.6a.

Figure 8.6(a) The Dutch solution under conditions of wage constraint

In a tightly constrained housing market, Dutch households queued for long periods for their housing. They had little choice. In this context, home ownership remained the domain of the wealthy urbanite or country dweller until prosperity returned in the 1960s.
Individual Rental Subsidy was first introduced as a pre-condition of urban renewal, as cost rents for improved dwellings, constructed under more costly conditions, were substantially higher. Later rental allowance was provided to all tenants, regardless of the dwelling type.

![Diagram of Dutch housing solution]

**Figure 8.6(b) The Dutch solution under conditions of welfare**

### 3.4 Why did state support for home purchase decline in Australia and increase in the Netherlands during the 1990s?

Given the scenario outlined above, what could possibly have generated the reverse stance taken by the Australian and Dutch governments towards their favoured housing solutions during the 1990s? The changing definition and perception of risks can help us to understand this shift in both cases, but to explain them we need to dig deeper to appreciate the underlying shifts taking place in urban political economy. In the Australian case, intervention in home finance is challenged by the much large finance sector, in the context of dwindling domestic investment and chronic long-term unemployment. Regional governments and fringe municipalities face a crisis in financing urban infrastructure and the burden of provision shifts to land developers who pass on these costs to new home purchasers. Housing investment becomes more risky, house prices on the urban fringe decline for a period, and this materialises in the form of negative equity with acute individualised consequences. With interest rates climbing, purchasers in the ‘mortgage belt’ lobby for a new policy response. During this period, deregulation of the financial sector is in full swing, opening access to foreign banks. Labour leaders and the union movement support this change, as a means to gain investment and produce employment. Yet it requires the constraints of the protected circuit of home finance be lifted from Savings Banks, to enable them to compete for customers in the context of a far more open market, offering alternative saving and investment opportunities. With new mortgage retailers competing for customers and interest rates peaking at 18 percent, voters saw deregulation as the only way out. During this time the government’s national mortgage guarantee (HLIC) was privatised and with it the last vestiges of Australian home ownership policy seemed to disappear without immediate electoral consequences. Increased competition did, however, increase the volume of credit available; apparently
generating lower interest rates several years later and promoting innovation in mortgage products. The abundance of credit also raised prices in the housing market beyond the affordability of traditional single income households, formerly the intended beneficiaries of the Australian dream of home ownership. Risks are now concentrated amongst over indebted households, reliant on two incomes in a flexible casualising labour market and more 'open' interest rate scenarios. Figure 8.7 below depicts the new scenario.

![Diagram](Figure 8.7 The Australian solution under deregulation)

In The Netherlands housing policy mediated the problems of fiscal austerity, unemployment and under investment in the domestic economy in a very different manner, yet building upon the institutions of the past. Fiscal austerity translated into a drive to reduce the very visible state contribution of object subsidies for social housing provision (climbing exponentially as balloononing loans under the failed DKP arrangement). A way out of central government obligations became apparent when the capital markets began to appreciate the strong asset and revenue position of associations, and viewed them as safe, secure forms of investment. Institutions were established to facilitate the shift from central to capital market loans, including the exchange of future subsidies for payout of government secured loans (Brutering), expansion of an existing guarantee fund and establishment of a solidarity fund to assist weaker associations. Risks could be passed onto the tenant via rent increases and minimised and spread more evenly across the housing association sector by their improved asset and reserves. Loans remain guaranteed, yet in the very last resort, by central and local governments.
Home ownership is fast becoming the dominant form of housing consumption in a package of housing options in The Netherlands. Support for home ownership is more difficult to explain, as it is not necessarily a rational choice for many households with generous welfare provisions and future pensions and affordable and secure rental housing options. It can be said that home ownership was an extension of the government's ideological commitment to minimise dependence upon social housing subsidies and was willingly promoted by the central governments. Yet in trying to reduce one form of revenue 'dependence' another far more regressive one has taken hold. Generous, untargeted tax provisions have encouraged borrowers to lend more extensively, bolstering house prices and catapulting many new purchasers into the category of Europe's 'most indebted' households. Indeed, today's house prices place many outside the eligibility requirements of the National Mortgage Guarantee and its share of market coverage is declining sharply. These issues will be discussed in the following and concluding Section 8.6.
8.6 Future Housing Scenarios and the Distribution of Risks Across the Housing System

It is not the intention nor focus of this book to predict future housing scenarios, but some mention must be made of the issues raised by the empirical conclusions of each case study and outlined in Section 8.5. These conclusions suggest that risks are concentrating amongst single income households and their opportunities for participating in the favoured tenure of home ownership are limited. Further, in The Netherlands, whilst the position of housing associations may currently be strong, favourable conditions are unlikely to prevail. Towards the end, a brief contribution is made for the consideration of those in a position to alter the future course of housing history.

The Australian dream for whom?

The Australian case drew attention to a number of contemporary threats to the culturally embedded aspiration of Australian home ownership. These include the deregulation of home finance, diminution of centralised wage fixation processes, polarisation of household incomes, and increasing privatisation of social security provision. It is contended that slowly and unevenly, signs of a new housing solution are emerging. These signs include an overall decline in rates of home purchase, the promotion of new forms of housing consumption and mass production, and privatised process of urban expansion in some cities.

After more than two hundred years of housing provision centred on low-density homeownership, what will this new deregulated solution offer the next three generations of Australian households? Current initiatives in housing provision suggest that uncertainty and tenure polarisation are likely to prevail. Housing policy supporting wide spread home ownership is minimal, since the dismantling of mechanisms to influence the cost and distribution of home loans and influence the cost of urban land development. Further, the current simplistic allocation of grants for uncapped first home purchase only serves to inflate housing prices at the bottom end. Indeed, Beer (1999) paints a gloomy picture of housing in the year 2030:

the pattern of home ownership and housing wealth in Australia had changed markedly: it no longer constituted the same percentage of national assets as 20 or even 30 years previously and its distribution had become much more uneven.

... The lack of adequate investment in roads, schools, urban rail systems and other infrastructure helped reinforce the apparent monotony of the great swathe of further metropolitan regions. People and their houses were therefore differentiated by location but also be their own characteristics – their jobs and employment experiences, their migration patterns and demography. The decline of the nuclear family and once ‘conventional’ modes of life generated winners and losers – the cashed-up ‘never had children’, the families struggling to keep their tenuous toehold in the middle class and those who families broke up, with many banished forever from home ownership and access to housing wealth (Beer, 1999: 87).

Other researchers (Berry, et al 1999, Berry, 1998) predict that the declining rate of new purchasers entering home ownership, poses a number of implications not only for households but for the housing industry. These include a possible downturn in fringe and outer suburban...
development and increased selectivity and premiums for higher risk home loans resulting in the social-spatial patterning (red-lining) of home finance. Berry et al (1999) also raise concerns over the effectiveness of the private rental market and current levels of rent assistance to meet the needs of those "expelled from home ownership" or of those who retire as renters, without their own homes as a form of social security.

At present, the most likely solution appears to be the expansion of minimal Commonwealth assistance to entice households into home ownership, new forms of lease ownership financing arrangements and undoubtedly, increased polarisation between single and dual income households. Without fundamental change, a long-term scenario could leave an increasing minority of households in post retirement poverty in unregulated and insecure rental accommodation.

*Will the Dutch housing miracle turn sour?*

We have seen by the end of the Dutch case study the withdrawal of central government from any direct role in the finance of social housing provision, whilst subsidies to the individual renter continue. Apparently this has had no effect upon the social housing sector, which has taken these changes in its stride and enjoying the freedom. But what are the long-term consequences? What will the current solution offer households in the 21st century?

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 the land market appears stymied by complex negotiations, projects are delayed and with continuing scarcity housing prices are extremely high in major cities. Further, a number of current and potential crises could lead to the diminution of the social housing sector itself.

Firstly, contingent conditions in the land market are greatly affecting the position of housing associations in new urban areas. These include new market players, with far greater resources, operating in the land markets surrounding cities and speculating on rising land prices. Housing associations are not merely passive operators in this game. Yet, more risky for profit orientated developments and inflated land prices could easily 'eat away' housing association reserves during less favourable times.

Secondly, in the shift from government secured loans to more open capital market arrangements, associations may become more vulnerable to unfavourable market circumstances (interest rate rises) without the capacity to renegotiate government secured loans or top up repayment shortfalls with additional government contributions. For the moment they remain subject to central government rent policy, protecting tenants and setting rent increases. In this sense their room for manoeuvre is limited, but the current level of rental assistance is neither guaranteed nor set in stone.

Thirdly, to date housing associations have been favoured in the politics of rent setting and tenants have absorbed rent increases above the rate of inflation in the 1990s. Whilst rental assistance has continued to be targeted to lower income households via the individual rental subsidy, lower real thresholds have pushed higher income tenants out, especially those lured by low interest rates on mortgages and advantageous fiscal benefits into home purchase. Associations may become heavily reliant upon a more residual tenant profile, and thus more reliant upon rental allowances to keep the revenue flowing, as in the UK, and these cannot be
guaranteed in a dynamic and open economy where other sectors may capture the government's priorities (consider the changes in the Australian financial sector affecting the protected circuit).

Fourthly, increasing entrepreneurial activities may erode the legitimacy of the sector undermining any future government assistance or favourable regulatory changes.

Turning to the rapidly emerging home purchase sector, ownership has been encouraged by inflating housing prices, the discounted sale of social housing stock (albeit not in the numbers demanded by central government), 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 a brokering sector generating markets for new mortgage products.

Related to these developments are those in the Dutch labour market. Following recession, wage constraint and labour market restructuring, there has been substantial employment and wage growth from the mid to late 1990s, especially amongst the financial services, technology and construction sectors. In this much-publicised context, the social task of the housing associations has been less pressing (apart from the demands of 'silent' asylum seekers and long term unemployed). Further, after the 'excesses' of the 1970s and 1980s, the central government promoted a culture of self-reliance, targeting welfare benefits and individual rent subsidies more closely. Home ownership, once the preserve of wealthy and non-city dwellers, is now promoted at the mainstream housing 'solution' for all 'able' Dutch households. Yet there are already emerging signs this scenario will not continue. Young dual income couples increasingly have difficulty entering the home ownership market. If the predicted recession arrives, many recent purchasers reliant upon strong dual income employment may be exposed to mortgage default, as in Germany, the United Kingdom and Australia.