

## **From dismantling national housing policies to the crisis of neo-liberalism**

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In the field of social housing, “neo-liberalism” refers to a political ideology that has, since the 1970s, responded to the crisis in the Fordist regime of accumulation with a strategy of deregulation and privatisation of market interventions that had previously been conducted by states. Neo-liberalism is able to carry out its agenda by the increasingly transnational character of political and economic power.

The different states of Western Europe have successively witnessed the imposition of neo-liberal hegemony on housing issues by means of a contradictory and conflictual process. In the space of 30 years, social housing policies have been dismantled and brought into line with the laws of the market. Public assets have been squandered away over just a few generations. The globalisation of competition for housing has damaged and sometimes emptied whole regions, while housing costs in big economically successful cities have sky-rocketed. The hegemony of private property on a global scale—alongside the practice of salary dumping and the reduction of state expenditure on social benefits—has exacerbated the social divide in cities and thrown millions of people into a precarious state. The European Union has put an end to the sovereignty of nation-states over housing policy, without developing a coherent housing policy itself. In just one and a half years we have seen the complete collapse of the house of cards, which the American economy had built on mortgage speculation. Hundreds of billions of euros have gone up in smoke, and European banks—particularly public institutions—have been caught up in the turmoil while the global economy is threatened by a new structural crisis.

For housing rights movements, the current crisis in neo-liberalism—which is simultaneously a social, economic, political, ecological and ideological crisis—raises the following questions: what might a post-Fordist and post-neo-liberal system of regulation look like? And on what social foundations would it rest? In order that emancipatory alternatives better suited to the situation might be brought to bear, what objectives, measures and strategic conditions must be discussed by those responsible for European housing policy in order to deepen and take advantage of neo-liberalism’s crisis of legitimacy?

A look back at the past might help us. Under what conditions, and in the context of what power struggles, did states develop their housing policy during the twentieth century? What were their determining objectives and instruments during the period of Fordism? What factors led to their collapse? Could we, should we, return to the past?

## **From Bourgeois Housing Demands to National Emergency**

Shaped by the recent abolition of the feudal and absolutist regimes of land-ownership, the juridical and administrative systems developed by nation-states in the nineteenth century accorded a central place to the legal protection of private property. The industrialisation and urbanisation of these nation-states produced an enormous demand for housing on the part of the working class. In response, industrialists, local government officials and a section of the bourgeoisie—some acting as philanthropists or concerned individuals—placed social hygiene at the centre of debate. They also introduced new housing concepts tinged with paternalism, which were almost always designed to serve the bourgeoisie’s ideological hegemony by maintaining its control over the proletariat. Without the abolition of the privileges of private property, neither large-scale intervention in the housing market, nor initiatives at the level of civil society or individual nations were ever going to

have any real effect in the face of rampant urbanisation. Indeed, it was not until the first outbreak of a crisis at a national level that nation-states took action against the interests of property owners.

### **The Germany Example**

Under the dictatorship of the Supreme Army Command at the time of the Social Democrats' "truce" during World War I, Germany suddenly decided to recognize the housing emergency and introduced a national policy of rent control on old buildings. There was so much interest in this policy from all sides—including major industrialists, workers and even a section of the petite bourgeoisie—that not only did it continue after the German Revolution, it also survived Nazism, was the subject of legislation during the 1960s, and was retained in part in West Germany right up until the 1980s. Of course the origins of this initiative did not lie with any social movement (the "Marxist" Social Democrats having long failed to take the housing question seriously), but with the state's desire to ensure the defensive military strength of the "Fatherland"—that is to say efficient wartime production. It is in thanks to this tradition that tenant rights today retain their paternalistic character.

It was not until later, in the years following the German Revolution of 1918-19, that the radicalized workers' movement adapted this policy while formulating its directives on the "socialization of housing". Like all the other initiatives along the same lines, the directives were a failure. In response to this fiasco, and in parallel with the introduction of the first property-development subsidies, a movement for housing reform got underway, which sought the industrialization of construction techniques and the development of new forms of autonomous organization (mostly housing co-operatives). Once again, this new—and this time progressive—move on the part of "civil society" fell well short of what could have been achieved by a coherent housing policy.

The Nazis crushed any emancipatory potential in the existing directives by integrating them into the dictatorial laws of the *Volksgemeinschaft* (national community) under the guise of the standardization of construction. The Nazis also developed "housing associations" as a means to consolidate the totalitarian state within the context of a non profit-oriented housing market. It was not until 1989 that Helmut Kohl took steps to end the special status of such housing associations.

In the aftermath of wartime devastation, the West German government developed its housing policy on the basis of three fundamental building blocks:

- **Protection of tenants.** Landlords had of course waged constant opposition to rent control in old buildings ever since its introduction. After a bitter struggle, the rent control policy was replaced in the 1960s by a tenancy law, which set rents according to local averages.
- **Development of housing construction** (i.e. development of social housing) By means of cheap loans for construction. This produced housing for rent at levels that were generally below market value. Access to this type of housing was restricted to households on relatively limited incomes, who in fact made up a large proportion of the population during the 1980s. All landowners were able to benefit from public aid for housing construction in the form of favourable loans. Many of them took advantage of this aid, especially for reconstruction work in bombed-out cities after the war. This amounted to private property development on a massive scale since housing built in this way returned to the private market as soon as the construction loans had been repaid. With the backup of this type of aid, industrialists were able once again to start playing a leading role in the construction of social housing from the second half of the 1950s onwards. At the same time, in response to

public and trade union pressure, businesses were making significant investments in the construction of housing estates.

- **The role of these institutions, whose purpose was to facilitate housing access rather than generate profit**, constituted the third building block of housing in Germany. The regulation of the social housing-economy offered them tax advantages while limiting their profit margin.

These three building blocks were at the heart of housing policy throughout the period of Fordist growth, and were later enhanced in order to regulate the credit and mortgage markets with a view to urban intervention and indirect fiscal development. They were later to influence the process by which neo-liberalism dismantled housing policy.

Neo-liberalism in Germany unfolded in four main phases. First of all, property development was supported by, and then subordinated to, the financial markets. Indirect forms of support were introduced to enhance property development, such as when landowners received financial aid at the expense of reduced levels of housing-benefit for tenants. Then, in 1989 Helmut Kohl's neo-liberal government axed the housing association system that had hitherto been the flagship of Germany's non-profit-oriented property market. The former East Germany's socialised housing system was immediately integrated into a liberalized system, with disastrous consequences. In the third phase, property companies took advantage of market deregulation to market their products. The most financially deprived local authorities: publicly owned businesses (e.g. railways and postal services) and property companies with links to industry, sought to increase the value of their assets through property sales, a greater concentration of construction and attempts at relocation. These were met with fierce resistance. Lastly, at the beginning of the current decade, speculation on the deregulated financial markets brought with it an unprecedented wave of property sales on a massive scale. Even if we take into account only the most significant sales, more than two million rental properties have been sold since 1999 by industrial or public landowners to international financial investors or regional intermediaries. The assets of the federal state, the *Länder* and heavy industry are today almost entirely privatized. Many local authorities have also sold their housing stock, in whole or in part. Formerly a "public good", housing has become merely an "asset" in the portfolios of globalisation's strategists.

### **Power Struggles Set in Motion by Western Europe's Fordist Housing Policies**

Western European countries that have developed a welfare state share three common characteristics, albeit configured in different ways: a housing sector which includes social or public housing agencies; a system of financial aid provided by the state; and measures to limit the costs of rent and to enforce contractual obligations across the market.

During the Fordist phase of industrial growth, social housing was a subject of general mutual agreement among all concerned. Industrialists regarded the provision of accommodation for the workforce as a way to improve discipline and avoid raising salaries; for finance capital it was about raising productivity; for the political parties of the petite bourgeoisie, which was profiting from state aid to the construction industry, it was also a way of projecting their own lifestyle onto new types of housing; lastly, for the manufacturers of consumer goods, the need to furnish and equip these car-oriented homes opened up important new markets. With this hegemonic coalition in place, a social partnership based on class compromise was forged between the trade unions and the political parties, leading to the construction of housing estates as disciplinary machines.

In light of its disastrous consequences, a return to this model is undesirable—and indeed impossible, given the advances made by globalized capitalism in the meantime. In any case, there can no longer be any consensus at national levels between the different classes.

### **Factors in the Crisis of Fordism**

The crisis in Fordist housing policy began in the 1970s, simultaneously with a number of ruptures in the general consensus:

- With the unemployment crisis, industry's interest in the construction of housing estates diminished and then disappeared. It was only later that property was rediscovered as an investment sector capable of yielding substantial profits.
- Thanks in part to growing individualism and the saturation of consumption, the application of the functionalist Fordist model to both housing and urbanism became increasingly unpopular. As its inhumanity and normative functions became obvious, urban social movements condemned the Fordist race for growth, as well as its consequences for the environment and quality of life. Indeed, in many Western European countries, functional urbanism was no longer able to face down its opponents.
- There was a growing housing demand among the more affluent classes, which meant in turn a new set of expectations about quality. The state-regulated property market responded by offering differential housing provision. The poorest classes, especially immigrants, had to make do with cheap accommodation on the housing estates. This social housing became increasingly stigmatized, as did the whole policy of social housing as such.
- The collapse of the *Bretton Woods Agreement*, and the resulting rise in interest rates, weakened states' financial capacity and led to an increase in the cost of construction. Lastly, the financial sector increasingly abandoned its leading role in the mass production of housing and began to convert its few remaining assets, land holdings and housing stock into objects of investment on the international market.

These are the arguments which the shock troops of neo-liberalism have used since the 1970s in order to impose their vision of the world. This was already evident under the government of Margaret Thatcher: a private landlords club, absolved of any social or community ties, protected by pension funds and profits from speculation. The majority of these landlords were members of the petite bourgeoisie who were no longer willing to shoulder the costs of the social safety net, and who thus paved the way for the arrival of “the financial industry”.

The failure of this hegemonic alliance raises the question today of a change in the system—just at the moment when the financial industry (i.e. the loans-based landlords club) has in turn gone bankrupt.

### **Counter-Currents in the Dismantling of Europe's Housing Policies**

From 1958 onwards, the European Common Market had a stabilizing effect on the economy of member states and therefore on their respective housing policies. While full employment was disappearing along with the other anchors of Fordism, strategies for dealing with the crisis were launched by the various states in an uncoordinated manner. The end of Bretton Woods and the onslaught of neo-liberalism, which did not itself reach all members states at the same time,

amplified the discrepancies. Nation-states witnessed the appearance of different forms of resistance, each producing their own specific forms of compromise and solution.

In the wake of deregulation and globalisation, housing started to play an important role in the global economy, and began to be dependent on salary levels and general economic conditions. The increasingly unequal division of wealth, the rising price of housing, and the increasing exclusion of certain populations from access to housing underline the European dimension of the neo-liberal agenda on the housing market. Since the *Maastricht Treaty* and the advent of monetary union, the consequences of European economic integration on housing policy have been all too obvious.

The fall in national budgets, at least during the recession at the beginning of the 1990s, reduced the funds available for housing (Germany was a temporary exception, thanks to reunification). Housing became dependent upon financial policy. The housing policies of the respective nation-states became more disparate, leaving only piecemeal policies in their place. Community organizing and some specific forms of housing aid became the new weapons in the struggle against poverty. The goal of housing “the largest sections of the population” was subordinated to the laws of the free market.

### **How will Europe Respond?**

Up until the present, European statements and agendas have responded to the housing crisis without calling into question the link between housing policy and the politics of individual states. With the decline of more interventionist approaches, action on housing has become fragmented: on one side, community organizing and work with the homeless; on another side, neighbourhood management and development programmes; and on yet another side, the liberalisation of the financial markets and the privatization of welfare.

At the same time, the current situation is rendered untenable by the mismatch between the consequences of “negative integration” for the housing situation and the absence of jurisdiction at the European level to remedy those consequences. The refusal to pursue a single European housing policy certainly makes sense from a neo-liberal point of view. However, given the levels of investment required by the new EU states, not to mention the discontent in the big cities affected by the housing crisis, it cannot be sustained while national systems of jurisdiction over housing are in conflict. The taboo against EU-level jurisdiction over housing issues must inevitably be broken, whether it's by lobbyists for social housing demanding that Brussels put an end to the rule of cut-throat competition, the launch by the European Parliament of a charter of principles for housing policy, or the release of structural funds to regenerate the housing estates of Eastern Europe. This raises a simple question: in the context of its current constitution, how might the European Union be able to develop its own housing policy?

The problems and setbacks are certainly going to get worse in three decisive areas: social exclusion resulting from the liberalisation of the housing market; fluctuations in the increasingly liberalised financial markets; and the needs of the environment. At the Lisbon Summit the European Union chose to respond to these grave forecasts by providing further support to the powerful and transferring key responsibilities to precarious and localized “civil society”. This strategy is set to continue the fragmentation and privatization of public policy, space and society.

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