

# Preface

## Introduction

This book aims to examine the recent remarkable revival in public housing in the Asian and other emerging urban economies, set against the continued stagnation and decline of the sector in the western countries.

In the twentieth century, public housing was a common response to urbanization and the urban housing problem in western capitalist, European and Asian socialist and developing countries. Yet by the Millennium it was widely perceived as a failure – criticized when it excluded the poorest and most vulnerable, yet condemned when it created concentrations of poverty. With the intellectual dominance of the ‘Washington consensus’, privatization became the order of the day (World Bank 1993). Mass privatization was adopted throughout almost all of the European formerly socialist states after 1990, creating a number of ‘super homeownership’ societies with homeownership rates exceeding the levels found anywhere in the capitalist west (Lowe 2003; Stephens 2005). Urban China followed, producing similarly spectacular changes in tenure structures, although within a very different economic and demographic context (Stephens 2010).

Yet the seeming convergence in world housing systems did not last. In the West and in transition Europe, the ‘financialization’ of housing was brought to a sudden halt, first as the US sub-prime crisis morphed into the credit crunch, and the credit crunch developed into what is perceived in North American and Europe as being a ‘Global’ Financial Crisis. Fiscal austerity has made a revival in public housing in the ‘old’ world unlikely, and it remains true that ‘governments will be distancing themselves from direct housing provision’ (Priemus and Dieleman 2002). Selective demolition, mixing tenure and stretching subsidies remain common themes in most western countries (Whitehead 1999).

In contrast, economic growth and urbanization in Asia have brought its own pressures on the housing system (Chen et al. 2010; Stephens 2010; Chen et al. 2011). And in Asia, governments have concluded that forms of public housing have a vital role to play in the urbanization process (Lui 2007).

More dramatically, for the last few years China's public housing program has been expanding at an astonishing speed. In the beginning of 2011, Chinese Prime Minister Wen Jiabao announced that the Chinese government is committed to building 36 million units of public housing during the '12th five-year plan period' (2011–2015) (Chen et al., 2013). In Chinese policymaker's minds, new model of public housing is introduced with main purpose to solve temporary and interim accommodation needs of migrants, new workers and house-poor households (Li, 2011). But the Chinese government also explicitly expects that the development of PRH would become a crucial policy tool to promote urbanization (Li 2011).

Clearly, the growing needs of public housing programs have been driven not only by political pressures, but also the urbanization process in these regions. However, lessons from Western Europe and America have suggested that the expansion of public housing would make a profound impact on the private housing market, general social-economic development as well as the morphology of cities.

The chapters in this book mark a systematic attempt to examine critically the role of the new public housing in the Asian and other emerging urban economies, whilst drawing on the context of the maturing public and social housing sectors in Europe and North America.

In the remainder of this introductory chapter, we provide an overview and commentary on the individual chapters within it, although conclusions are left to the final chapter by Forrest (2013).

## **Public Housing in Asia**

The full spectrum of public housing that can be found in the Asian countries is examined by Chiu (2013). She notes how its role ranges from 'absolute dominance' in Singapore, through 'significant presence' in Hong Kong whilst it plays only a 'marginal' role in Japan, South Korea and Taiwan. The term 'public housing' is also applied in different ways. At one end of the spectrum it means direct government provision of housing for the poor; at the other it means any intervention that lowers the market price of housing to promote 'affordable' housing.

Chiu examines whether the conditions exist that would allow the extensive public housing models of Hong Kong (and to an extent Singapore) to be transferred to mainland China. She argues that the Hong Kong model is not adequate to cater for the greater complexity of socio-economic and urban contexts that prevail in mainland China, and this helps to explain the wider range of housing schemes adopted by Chinese cities. Chiu identifies a number of factors that allowed public housing to flourish in Hong Kong. Intervention began in the early stages of rapid urbanization in Hong Kong, its colonial government was willing to make land available for public housing and, as a city state, the pressure of migration from rural areas was muted. Chiu also casts some doubt on the financial foundations of the Chinese public housing model. In Hong Kong, publically provided home-ownership schemes allowed funds to be recycled into the development of future

public housing. In contrast, in China the home-ownership schemes are provided by private developers. These schemes limit the government's up-front financial commitment, but also mean that the profits accrue to the developer. The participatory and consultative governance mechanisms that help to ensure the quality of public housing in Hong Kong may also be lacking in mainland.

## *Mainland China*

Chen et al. (2013) first provide a summary of pre-reform and post-reform public housing development in mainland China and then discuss why the Chinese government has again turned to public housing as a solution after some 30 years of housing reform and privatization. The authors show that the recent push for public housing in mainland China should not be seen as a step backwards or as the restoration of the pre-reform welfare housing system. Instead, it represents the central authority's increasing recognition of the complexity of urban housing systems in a modern market economy. Interestingly, the 'productivist' housing policy hypothesis can be used to explain why the recent massive construction of public housing in China is widely regarded as an economic vehicle to counteract the shocks of the global economic downturn and as a regulatory tool to cool down the overheating residential property markets.

Meanwhile, the shift in housing policy exemplifies many of the trends in Chinese social and economic policies that have emerged since the Global Financial Crisis. Over the last few years, the Chinese government has apparently become more cautious of market failure and has increasingly regained more direct control of resource allocation in many economic and social sectors. The massive new public housing program is thus designed to help balance economic growth and provide stability in light of the increasingly short supply of low-cost housing, high levels of inflation, and a growing wealth gap. However, this chapter also shows that the Chinese public housing model is being reshaped under the overall transformation of the country's guiding ideology in recent years. According to the new ideology of 'harmonious society' proposed by the Chinese Communist Party since 2006, social policy is no longer subordinated to economic policy but an integral part of it. The provision of affordable housing thus has become a political task in China to alleviate the level of inequality and income disparity generated by market and growth-led development in the post-reform era. This chapter provides some preliminary evidence that the change of Chinese public housing policy could be seen as a strong signal of a shift of ideology from 'productivist' to 'developmental' welfare.

Yang et al. (2013) examine the recent development of post-reform public housing programs in Beijing, the capital of China. Their focus is to test whether public housing programs in Beijing are accessible and affordable for target households. Based on a study of two public housing programs in Beijing, namely Economic and Comfortable Housing and Capped Price Housing, the authors find that low- and medium-income families' incomes fall far short of the level needed to

afford subsidized housing. They argue that, to achieve the policy objective of public housing, it is critical for the local government to integrate public housing allocation into a wider coordinated context of urban planning and to ensure that public housing communities are designed with good access to public services.

Chang and Chen (2013) trace recent experience of public housing development in Shanghai, the largest city in China. This chapter uses Shanghai as case study to elaborate the multiple purposes behind the public housing programmes in China. It focuses the roles of two major public housing programmes, namely Relocation Housing and the new public rental housing (PRH) programme, in Shanghai's recent socio-spatial dynamics. It is shown that it is mainly a result of deliberate urban development policy in line with other strategies such as city marketing and gentrification. The authors suggest that the Shanghai municipal government uses the new public housing regime as a way to buttress local economic competitiveness. The analysis is augmented with data from a questionnaire survey of PRH tenants in Shanghai. It shows that PRH is a very selective program with a clear target to attract and retain the 'talented class' to enhance the city's competitiveness.

## *Hong Kong*

Yip (2013) identifies the public housing programme in Hong Kong as being the first example of 'intensive state intervention' in Asia. He explores how housing became the 'most important pillar of social policy' in a system that generally exhibits very high levels of economic liberalism. The shortage of land, its ownership by the state as well as Hong Kong's high population density all played their part. However, the sustained support for public housing was underpinned by a strong 'productivist' ethos of the British colonial administration and the provision of housing as a means to limit unrest and to gain legitimacy. Under British administration public housing was used to clear areas of slum housing for economic development and new towns were created to house the workforce required for new industries. The end of colonial rule in 1997 coincided with the Asian Financial Crisis and SARS, which prompted a withdrawal of the new administration in 2002 from assisted home-ownership programs that had been established in the late 1970s. This was intended to signal that the government would protect property values (by limiting supply). The public housing programs were initially scaled up, reaching a peak of more than 100,000 new units in 2000/2001, but have since been reduced and at less than one-quarter of the peak. Yip argues that the 'deep-rooted government-developer nexus' inhibits measures to 'suppress' the housing market, and so tackle underlying affordability problems that have been exacerbated by rising prices and growing income inequality. Receipts from land sales and stamp duty appear to be at the root of this nexus. Nonetheless, public support for public housing remains strong not only among beneficiaries but among the population as a whole.

## ***Taiwan***

Chang and Yuan (2013) introduce the development of public housing policy in Taiwan. They argue that the Taiwan government has failed to take the housing problems of the socially disadvantaged individuals seriously and has not considered providing public housing for economically disadvantaged individuals as an approach to lowering their housing costs. To date, the public housing issue in Taiwan has not been significantly improved. The authors believe that the deficiency of public housing provision in Taiwan is largely due to the political system. This chapter suggests that the purposes of public housing policy should be simplified and political intervention should be minimized so as not to confuse the essence of public housing. Furthermore, new directions for public housing policy in Taiwan are proposed.

## ***South Korea***

Jang and Kim (2013) introduce some lessons from the recent experience of public housing in Seoul, the capital of South Korea. Since 1990, the Korean government has rapidly expanded public housing to approximately 5 % of households. Moreover, each of Korea's political parties is in competition to supply as many public housing units as possible. The Seoul city government's target is to supply 80,000 public housing units in 4 years (2011–2015), which will effectively increase the stock to 7 % of households. However, the Seoul city government has struggled to acquire sufficient land to build public housing. For this reason, the Seoul city government is introducing new methods to supply public housing, such as purchasing existing private houses, acquiring public housing units in redevelopment projects, and encouraging small-scale developments, among others. These experiments are beneficial to finding practical ways to increase the public housing supply in countries of high population concentration with less available land and in countries that belatedly began their public housing programs.

## ***Japan***

Hirayama (2013) examines the connection between public housing and the development of neoliberal policies in Japan. Japan's postwar housing policy has consistently favored the growth of middle-class home ownership, while the public rented housing sector has been residual, and rent subsidy systems have not existed. This deficiency has combined with neoliberal policies that have served to marginalize low-income housing even further. In Japan, not only public housing but also employee housing and some private rented housing have made up the low-rent

housing sector. Among developed countries, Japan's housing safety net system has been particularly flimsy. However, along with prolonged economic stagnation, it has become progressively difficult for those on low incomes to find adequate housing in the sphere of the market. Moreover, a decline in public housing, as well as employee housing and low-rent private housing, has caused the system of providing affordable housing to low-income groups to disintegrate. With the reduced availability of public and other low-rent housing, a new housing crisis has provoked a sharp increase in the number of people who are unable to secure dwellings. The author concludes that it is likely that the Japanese government will be pressed to undertake a substantial restructuring of housing policy beyond neoliberalism and to increase investment in low-income housing.

## *Singapore*

Deng et al. (2013) discuss how the development of public housing has enabled Singapore to transform itself from a nation of home seekers to home owners since its independence. This chapter documents key policies and strategies that have helped to shape Singapore's public housing landscape over the last 50 years. It also shows that public housing is an important channel through which transfers of wealth to middle- and lower-income Singaporean households are facilitated. The Singapore government's dual role as a housing developer and a financier in the Housing Development Board (HDB)–Central Provident Fund system has been instrumental in the creation of an efficient and effective public housing sector. The authors argue that Singapore's public housing success story is built on an efficient centralized planning system. This includes institutional structures such as a dominant ruling political party and a competent civil service, and is supplemented by strong governance and a structure that facilitates fair distribution. The authors highlight two challenges facing the public housing system in Singapore. First, it is challenging to balance the pricing dynamics between a regulated primary market and a decentralized laissez-faire secondary market. Second, the HDB is under increasing pressure to find more public funding and resources to meet the rising housing aspirations of Singaporean families.

## **Europe and North America**

Murie (2013) provides an overview – both geographical and historical – of public housing in Europe and North America, noting that strictly speaking 'public housing' is now relatively rare. Many countries never adopted state-owned housing as a model, whilst many that did have now retreated from it. In addition to the USA (where there was never a sufficient political constituency to create a large public sector), Sweden and the UK provide the clearest remaining models of rental

housing owned and managed by the state. Public housing was never anything other than marginal in southern Europe, whilst the state-owned housing in central and eastern Europe has generally been privatized. There has been a trend towards the development of a wider 'social' sector, with provision by non-state not-for-profit landlords, which sometimes act to moderate rents in the open market. Murie observes that the transition from 'public' to 'social' has tended to shift the emphasis from the mode of provision to the people who are housed. Whereas public housing was seldom intended primarily for the poor, the implication is that this is what social housing is for.

Murie observes that it is difficult to predict the level of decommodification in a housing system by that implied by Esping-Andersen's welfare regimes. Some countries whose social security systems offer only low levels of decommodification possess highly decommodifying housing systems, although he suggests that the relationship might be partly causal. He posits that more complicated policy and practice – including that implemented at the local level – might help to explain why a housing system might diverge from a welfare regime. He identifies a wide range of contextual factors, including demography, economic environment and political pressures that influence outcomes and are driving transitions in the housing system.

The hoped-for self-financing model of social housing seems to be rather more elusive than some authors have hoped for (though see Boelhouwer's account of the Netherlands). Whilst maturing social rented sectors in principle offer lower rents, in practice rents have risen towards market levels. In some countries, social or public sectors have shrunk dramatically due to privatization. This has taken the form of discounted sales to tenants in Central and Eastern Europe and in the UK. Privatization has helped to generate 'residualization' in the public or social housing, a phenomenon that is apparent even in those countries that have not adopted mass privatization.

Murie emphasizes the diversity of experience, arguing that the nature of public or social housing varies both within and between countries. Given the difficulty that the market has, if left unaided, in housing large sections of the population, he considers it at least possible that political support for the remnants of public sector might regain political support and enjoy a new phase of growth in the future.

## *United States of America*

Deng and Zhu (2013) examine the role of public housing in the USA, a country with a very different political culture compared with much of Europe. A belief in the superiority of the market, a distrust of government and an attachment to individualism combined to ensure that public housing has never been in the mainstream of housing policy. This reflects the country's generally underdeveloped welfare state which, save for the New Deal and Great Society initiatives of Presidents Roosevelt and Johnson in the 1930s and 1960s, has not flourished. The failed attempt by the Clinton administration to extend the coverage of health insurance in the 1990s and

the fierce battle over President Obama's more recent and successful initiative, reflect the fierce partisanship in American politics, which when combined with the constitutional separation of powers between legislature and executive, as well as the federal structure, mitigates against a significant role for the state.

As with many other countries, a crisis prompted the state to intervene in the housing market. In the case of the USA, it was the Great Depression of the 1930s when, Deng and Zhu (2013) inform us, half of residential mortgages were technically in default and the construction industry had collapsed. But the response was not to turn to public housing. Instead, the government established the Federal Housing Administration, which introduced mortgage insurance, and, together with reforms to the banking sector, formed the basis for the expansion of homeownership during the years of post-war prosperity.

Although legislation was passed to facilitate public housing in the 1930s, the plans to expand the sector following the landmark 1949 Housing Act were impeded by the competing expenditure burdens arising from the war in Korea. The formation of a federal agency for housing (Housing and Urban Development) in the 1960s was accompanied by a significant – though by international standards still proportionately small – public housing program. However, it was not long before the backlash set in and the program wound down. The sector still exists, but is widely perceived – not entirely fairly – as having been a failure. Deng and Zhu argue that this illustrates the impossibility of sustaining a public housing program that does not command widespread public support.

Consequently, the 'trick' of American housing policy since the 1970s has been to devise policy instruments that are capable of providing affordable rental housing to the poor, that also command public support. This requirement meant that the key shift in housing policy in the USA was slightly different from that which occurred in Europe. The key shift was not from supply to demand-side subsidies (although this was also to occur), but from subsidized provision by the state to subsidized provision by the market. Hence the project-based 'Section 8' assistance introduced in under the 1974 Housing Act and the subsequent Low Income Housing Tax Credit (LIHTCs introduced after 1986) focused on subsidized private provision for people on low and moderate incomes. Within this framework, the demand-side voucher program helps to provide more targeted assistance on the lowest income households, and indeed can serve to make housing that has been subsidized by LIHTCs accessible to people on very low incomes. However, in contrast to European housing allowance schemes, it should be noted that vouchers are not an 'entitlement' program, so many of those who are eligible do not actually receive them due to rationing.

The durability of LIHTCs as a policy instrument – they have now been in existence for a quarter of a century – and, following a blip during the financial crisis, appear to be robust are points in their favor. Supporters of the US system also point to the way in which these policy instruments can help to avoid the concentration of subsidized housing in the same neighborhoods, something that has been so damaging for public housing. Ironically, part of the success attributed to LIHTCs may arise from their lack of transparency, which suggests that in the US context, the government has learned to intervene by stealth.



## *United Kingdom*

The United Kingdom (UK) has a history of public housing subsidized by central government, dating back to 1919. Providing an historical overview of the sector, Stephens (2013) highlights the dilemmas faced by any public housing program: between the depth of subsidy and the scale of the program; between rent levels and the quality and location of the housing; and between targeting housing on the poor and creating poverty neighborhoods.

As in other countries, the early public rental housing was not aimed at the poorest households – indeed they could not afford even the subsidized rents. The Government's aspiration after the Second World War that public rental housing should house a wide range of social classes soon gave way to a prioritization of rehousing people who would otherwise be rendered homeless by the demolition of slum housing (almost all of which was owned by private landlords). Public rental housing was made affordable to them by lowering space standards, locating housing on peripheral locations or by increasing density (high rise). In addition, the differential rent schemes operated by local authorities since the 1930s were transformed into a national housing allowance scheme in the 1970s. Today more than 60 % of social renters in the UK receive this benefit.

At its peak around 1980, around one-third of households lived in public rental housing. Since then two important shifts have occurred: first, the discounted sale of properties to tenants under the 'right to buy'; second, local authorities now account for only half the total stock of social rental housing. The second of these phenomena arose because it became common in the 1990s and 2000s for local authorities to transfer their housing to independent not-for-profit organizations called housing associations. Moreover, almost all new social rented housing built since 1988 has been developed by housing associations.

These changes reflect, in part, the maturity of the sector: asset value growth in relation to outstanding debt. This allowed the discounted sales to tenants without a balance sheet loss to the government, and also many of the stock transfers that could be made without subsidy; indeed they allowed the stock to be refinanced to pay for its modernization. Other stock of lower value required subsidy to facilitate transfer, but behind all of this lies a second motivation for transfers: debt acquired by housing associations does not appear on the government's books.

The British social rented sector is frequently characterized as being 'residualized': incomes and employment levels are much lower amongst social tenants than their counterparts in other tenures. Stephens argues that one reason for this is that the UK economy generates relatively high levels of relative poverty and an important function of the social rented sector is to provide a safety net for them. However, he notes that a new financial model for financing new 'affordable' housing is predicated on higher rents, reduced security of tenure, at the same time as housing allowances are being restricted.

## ***France***

French social rented housing embodies much of the country's distinctive political and cultural outlook. Le Corbusier's modernism is expressed in the architecture of France's social housing, and in her chapter, Lévy-Vroelant (2013) argues that '[i]n France maybe more strongly than in other countries, social housing history has paralleled the country's industrial and economic development.' Whilst by no means immune from international trends, French political discourse has probably resisted the fashion for neo-liberal economic thought more strongly than in any other western European country.

The complexities of social housing in France are highlighted by the apparently contradictory public opinions towards the sector. Some 80 % of the population regard social housing to be a necessity; simultaneously, 74 % believe it to have a bad image. As Lévy-Vroelant observes, 'social housing is good, but for the others.' And being 'good for others' provides a sufficient support base to ensure that – almost uniquely in Europe – the social rented sector is growing in size, both absolutely and relatively.

Certainly, French social rented housing belongs to the family of 'generalist' systems whereby it is not reserved only for the poor. Indeed, whilst other systems may be stratified informally (as in the Scandinavian countries), in France three distinct types of social housing have been produced since the 1960s: 'standard', 'upper-income' and, 'very social' for the poor. So the image of large peripheral estates built in the 1960s and 1970s, now housing poor and immigrant households, sits aside that of high quality city center housing with the whiff of clientelism hanging over it. The generalist model does not avoid the concentrations of poverty, and poverty neighborhoods became the focus of urban policy in the 1990s. However, the availability of social housing for a wider section of society than would be the case in the USA seems to assist the retention of broad public support for the sector.

Questions of access have featured prominently in the development of French housing policy. In the late 1970s, a center-right government did embark on the shift in housing subsidy away from the supply side and towards the demand side. Often presented as a means of saving money, it should be remembered that housing allowances can open up social housing to the poorest households who could not otherwise afford the (nonetheless subsidized) rents. The trend has been towards a much greater representation of people from the lowest quartile of the income distribution in social rented housing, whilst the distribution of those in the top half of the income distribution has been diminishing. More recently, France has joined the UK in the introduction of a legally enforceable 'right' to housing.

There have been important changes to the financing of French social rented housing. The state has been retreating and has been instead increasingly playing the role of 'facilitator' encouraging public-private partnerships. As elsewhere assets are being sweated, but the future of social rented housing as a mainstream instrument of housing policy seems to be more secure in France than in many other European countries.

## *The Netherlands*

The Netherlands is notable for the size of its social rented sector. It still represents almost one-third of the stock, although it has diminished from a peak of 41 % in the early 1990s. As Boelhouwer (2013) notes in his chapter, the sector started to grow later than in many other European countries, but grew rapidly in part reflecting very strong demographic pressures, so escaped the retrenchment seen elsewhere in the 1970s or 1980s. Boelhouwer argues that the Netherlands social rented sector is a product of the country's wider welfare system and reflects a kind of labour-led corporatism. Certainly the size of the social rented sector is such that it is part of the mainstream housing market, impacting certainly on the private rented sector, and probably home-ownership too.

The Netherlands social rented sector provides a good example of maturation – the phenomenon whereby the asset value of the sector outweighs its debts. In the 1980s, the state began to disentangle itself from the sector and in 1995 the 'grossing and balancing' exercise left housing associations in effect without debt, but also without the prospect of future subsidy. With a supporting guarantee fund, which allows the associations to borrow cheaply on the markets, and another fund to assist financially distressed associations to restructure, the new arrangements have been characterized as a kind of 'revolving fund'. Under this principle the surpluses generated by a maturing sector are recycled and subsidize future investment.

The housing associations prospered under the new system, an outcome greatly facilitated by its co-incidence with a long period of economic growth and rising property values. Inevitably, particularly as the desire of the government to cut its budget deficit in the aftermath of the economic crisis, the social rented sector has been seen as a potential source of revenue for the government. The image of the housing associations – as rich and unaccountable corporations – has not strengthened their position in this respect.

The sector is therefore at a junction. An intervention by the European Commission led to protracted negotiations under the state-aid rules, which interpreted the sector as providing unfair competition with private landlords. Consequently, an income limit has been placed on eligibility, although some 40 % of households remain eligible, and 10 % of allocations can be made outside the limit. Although the principle of universal access may have ended, in practice the impact is likely to be relatively small, and the sector will remain far less residualized than in countries such as the UK.

More controversial has been government attempts to extract surpluses from the sector. Some rent rises for the highest income groups have been introduced, but more controversially a property tax seeks to extract surpluses to pay for housing allowances. However this runs up against the status of housing associations as private bodies, and such a measure would be a form of expropriation. In the event the difficulty in forming governments removed the immediate threat to the housing associations.

Nonetheless there is a feeling that the sector cannot continue to exist without reform. Boelhouwer highlights the various options, which include splitting the functions between profit- and non-profit making activities, or even introducing

private equity into the sector. However, he concludes that a continuation of the existing system with the government playing a stronger supervisory role would be most consistent with the form of modern corporatist welfare state that prevails in the country.

## *Sweden*

Sweden has long since been held up of the exemplar of a 'unitary' housing system located within a 'social democratic' welfare regime. Certainly the model of public housing that was developed in Sweden was distinctive, and for a long time the label of 'social' was rejected as bringing with it misleading connotations of US-style segregation. In his chapter, Andersson (2013) reminds us of the way in which public housing (which takes the form of housing owned by municipal housing companies) was developed in Sweden. The so-called 'construction phase' was especially intense during the period of the 'million homes program' between 1965 and 1974. Although the quantity of housing built was remarkable in its own right, it was the manner of its governance that was distinctive. Rents in the municipal sector were set using 'utility' standards, which were based on cost recovery and physical standards with less emphasis on location. Rent rises were agreed using corporatist structures which took the form of annual negotiations between landlords and tenants. Crucially, the rent set for the municipal sector formed the basis of rents in the private sector. By 'leading' the market in this way, a 'unitary' rental sector was created, in which the impact of the municipal sector was far greater than its size.

However, the key foundations of the Swedish system have been undermined since the budget crisis of the early 1990s. Interest subsidies have been removed, and very little new building in the sector has occurred since then. A form of privatization was also introduced in the 1990s and reinforced in 2007 after a period when it had been made more restrictive. This has resulted in sales of municipal housing to tenants (in the form of co-operatives), notably in the capital, Stockholm. In other municipalities, some transfers to private landlords have occurred. The rent-leading role of the municipal housing companies was abolished in 2010, and they are now expected to run themselves according to 'business-like' principles.

There has been a gradual decline in the relative scale of public housing in Sweden. This is attributable to the lack of new build, demolitions in low-demand areas and privatization. Whilst the proportion of the housing stock, that is public rental, has declined from a quarter to perhaps one-fifth of the stock since the mid-1980s, only about 14 % of the population lived in it in 2008. The model of public housing developed in Sweden reflected the remarkable electoral dominance of the Social Democratic Party, which held office continuously for four decades from 1936 to 1976. However, the party's electoral hegemony is now ended. Moreover, Sweden's system of economic management is no longer so distinctive: it has been a member of the European Union (although outside the European single currency) since 1995.

Andersson advances the important arguments that as the central state withdraws from housing, the local state – in the form of Sweden’s 300-odd municipalities – will become more important in determining the future of public housing. It is notable that there have been wide variations in changes in the proportion of the population housed in public housing. The reduction has been especially striking in Stockholm where the proportion of the population living in public housing fell from one-third to one-fifth between 1990 and 2010. In contrast, the proportion was stable in Malmö. Andersson (2013) demonstrates that the political control of municipalities helps to explain the level of municipal housing in 1990 and changes in its share by 2008. He concludes that although politics explains only part of the level and change in level of municipal housing, ‘politics matters.’

## *Hungary*

What happens when a country divests itself of almost all of its public housing? In common with other European transition countries, Hegedüs (2013) records that Hungary privatized almost all of its public housing after 1990. In 1990 around 23 % of the housing stock was publically owned, but this has been reduced to around 3 %. Hungary, like many other transition countries, has become a ‘super-home ownership’ state. This has had the effect of making the remaining stock of public housing very residualized – both in terms of the people living there who are generally very poor and its physical quality and location. Whilst there have been programs to improve its quality – notably to repair and improve the energy efficiency of panel housing – the sector is far from the mainstream of housing policy.

In the formative years of transition from communism, the Hungarian government acceded to the pressures from the banking and construction industries to introduce tax subsidies for mortgages and house-building. With a relatively strong economy from the latter part of the 1990s, the mortgage market began to develop, but with a distinctive characteristic: a high proportion of loans were denominated in foreign currencies. So, when, as a result of the financial crisis, house prices fell by a quarter and the Hungarian currency devalued, the impact on the mortgaged ownership sector was far-reaching.

These difficulties in the housing market coincided with Hungary’s general economic malaise and the country required the support of a loan from the International Monetary Fund. With greater public borrowing being blocked off as a possibility, the populist government decided to assist people with mortgages by shifting the cost of currency devaluation from borrowers on the banking sector. This is part of an ‘unorthodox’ economic policy whereby public expenditure is boosted to the benefit of the better off by ‘taxing’ the banks and other corporations. As with other interventions of the transformation era, the ‘unorthodox’ housing policy appears to have benefitted the better off the most. Another measure by which delinquent loans would be nationalized in order to save the tenants from foreclosure involves housing being rented back to its former owners. As Hegedüs notes, the

scheme could mark the biggest expansion of the social rented sector since 1989 – an ironic outcome of the push to develop owner-occupation. However, questions remain about its viability and sustainability, given that rents do not cover maintenance. Hegedüs reaches the pessimistic conclusion that unless new models of social housing are developed, housing will become an important source of social conflict.

Shanghai, People's Republic of China  
Cambridge, USA  
Edinburgh, Scotland, UK

Jie Chen  
Yanyun Man  
Mark Stephens

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