

**Michael Ball**

**HOUSING POLICY  
AND  
ECONOMIC POWER**

**The Political Economy of  
Owner Occupation**

**Michael Ball**

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of owner occupation**

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## Preface

Owner occupation increasingly dominates housing provision and housing policy in most advanced capitalist countries. Although this book is specifically about owner occupation in Britain, the original impetus to start the research came from an interest in explaining such tenure shifts and their consequences in general terms. Traditional housing research places emphasis on the situation of housing consumers in different tenures and on state policy towards them. For a number of years I have felt such a narrow focus to be insufficient to explain the enormous changes in housing provision that have taken place over the past thirty years. Its inadequacies are indicated by the slow drying up of housing research and the increasing fragmentation and specialization of what remains during years when housing problems are growing in many countries.

Other researchers have recognized the unnecessary confines of the traditional approach. Two main alternatives have been tried. The first is a comparative one where the situation in different countries is examined over time. This approach has the advantage of demolishing certain accepted wisdoms by highlighting empirical situations in other countries where they do not hold. Yet ultimately, unless they question the consumer-orientation of traditional perspectives, cross-country comparisons just reproduce the early difficulties on a global scale. The problems are even compounded by having more data and questions to answer with no theoretically adequate means of dealing with them.

The second and, I think, more adequate approach is to recognize that housing provision involves more than a relation between the state and consumer households. This has led to studies of financial institutions associated with housing or of the construction industry and landownership. Again, however, there are problems, as it is tempting to focus on one agency alone without integrating it into an overall analysis of developments in housing provision. In this way, each aspect of housing provision ends up in its own isolated box. Analysis becomes a series of distinct chapters, each of which does not depend on the others in a meaningful way. Alternatively, the primacy of one aspect may be asserted, like production, with little or no attempt to justify the assumed primacy.

When looking at owner occupation in Britain I have tried to avoid these pitfalls by concentrating on the dynamic processes of change in housing provision and trying to see the role of different types of social agent in them. Particular relations of economic power in housing provision are argued to be key, but neglected, elements in the understanding of housing issues. A brief outline of the approach is given in chapter 1. Because I wanted to get across an interpretation of a whole series of empirical events associated with owner occupation, this initial theoretical exposition is kept to a minimum. Practical demonstration of its usefulness seemed more important. Instead theoretical issues, of which there are many, are confronted in the text when the need arises.

No attempt is made to deal comprehensively with all issues associated with owner occupation. It is impossible to cover every empirical issue associated with a housing tenure; some selection of topics must be done. Here specific questions are asked related to issues of economic and political change as they are felt to be central to the analysis of changes in housing policy. Similarly emphasis has been put on the more neglected aspects of housing provision to avoid repeating material that already is well known. The most neglected aspects I feel are housebuilding, land development and land-use planning. In doing so the book goes beyond the normal confines of housing studies. I hope people who are interested from a non-housing perspective in those topics will also find the relevant chapters useful and interesting.

Like all written material dealing with social issues, this book is a product of its time. The data and arguments presented in it are influenced by the information available when the final manuscript was written in the second half of 1982. Anyone might reasonably ask what the relevance is for later time periods. A number of points need to be made in reply.

The most obvious point is that the re-election in 1983 of the Thatcher Conservative administration for another five years has reinforced the relevance of the critique of current housing policies. No analysis of housing provision can ignore the disastrous effects of the Thatcher government in the housing sphere and in the related areas of infrastructure expenditure and land-use planning. The immediate effects of that government's policies on housing are discussed in chapter 1 and the consequences for planning and the built environment in chapter 8. Yet, sad to say, the policies of the Thatcher government in these spheres have not been unique. They principally continued and exacerbated trends that had developed throughout the 1970s, as that government's ministers delighted in reminding the Labour opposition in Parliament, most of whose senior members had been ministers in the previous 1974-9 Labour administration.

On the political horizon there is little indication, at present, of potential future alternative governments, such as Labour or the SDP/Liberal Alliance, having radically different policies. All that is likely to change is a reversal of the cuts in state housebuilding and public works programmes when a government finally decides that a little reflation via public investment is desirable. Less likely, there might also be a reform of housing finance, including fiscal changes for owner occupiers such as the abolition of mortgage interest tax relief. Yet one of the key conclusions of this book is that reform of housing finance alone will not solve any of the fundamental problems of owner occupation in Britain. The description given of housing policy towards owner occupation as being essentially passive and aimed, at least nominally, at maintaining the status quo is likely to remain relevant for a number of years to come.

The continuity of trends in housing policy in the midst of differences in detail and party political rhetoric is not accidental. It is the product of a lack of interest by successive governments in altering the social relations of housing provision. Contradictions arising from those social relations as a result have continued to exert paramount influence on the housing policy of the state and have severely constrained the options open to any government. Often those contradictions will appear empirically in the guise of difficulties over, say, housing finance or levels of output. Lack of adequate analysis has led to a misconception of the causes of housing problems, because attention is concentrated solely on those forms in which immediate difficulties appear. The pattern of housing policy, therefore, is not simply the product of the ineffectiveness of political reformism but also of inadequate theoretical analysis of the nature of housing provision, as later chapters will show.

Chapter 1 presents the most historically specific information as it outlines the growing housing crisis in Britain in the early 1980s. This is done to counteract the complacency which pervades so much mainstream discussion of housing issues. Housing problems frequently are treated as isolated residual difficulties faced by an unfortunate minority. Yet the housing crisis affects everyone because it is a consequence of the way in which all housing gets provided. Data on the rates of new housebuilding, delapidation and improvement are used in chapter 1 as barometers indicating the extent of the housing crisis in the 1980s. In many respects, however, they are only weak indicators of housing trends as they are prone to fluctuate with short-term variations in the economy, thereby obscuring the more fundamental nature of the crisis. Private housing output at the end of 1982 and in early 1983, for example, picked up sharply from the record 30-year low it had reached previously. The upturn, however, does not look as impressive in absolute terms as it does proportionately and was petering out again by April 1983. Output is still well below the levels of the late 1960s and early 1970s and of any realistic assessment of housing need. Also, justification for the rundown of council housing has been based partially on a supposed switch of new output from council housing to private building for owner occupation. To reverse the growing housing shortage and to justify policies towards owner occupation, private housing output has to be *higher* than the post-war peak levels it reached in the 1960s. There seems little prospect of that happening.

Some people have argued that the slump conditions of the early 1980s have made a new owner-occupied housing boom possible, similar in nature to the one which helped to lift the economy in the 1930s out of the depths of the inter-war depression (see chapter 2). Such a position is contrary to the argument presented here. Some similarities to the inter-war period do exist in the 1980s. There are regional and class differences in the severity of the slump. They help to create both a market amongst the more affluent for new housing and a cheap and docile workforce to build it from out of the ranks of the underemployed and unemployed. There is also a partial return to the passive planning system of the 1930s. In addition the house price average earnings ratio has dropped to a historically low level, whilst interest rates have begun to fall (although nowhere near to the level of the 2 per cent cheap money era of post-1931). The scenario of such a future owner-occupied housing boom, however, not only ignores the likely escalation of building costs if there is a substantial increase in activity, but also forgets to consider the tenure in which the better-off households live. In the inter-war period owner

occupation as a housing tenure expanded rapidly from a low level. Many richer households became homeowners for the first time. Now most of them are already owner occupiers. To buy a new house they have to sell their existing one. The market for owner occupation as a whole can expand only by drawing in lower income households from the working class. Failure to do this brought the 1930s' boom to a halt. As the early 1980s' slump has hit those social groups the worst, it hardly seems likely to happen now.

The general point being made in this book is that the problems of housing provision and owner occupation in Britain are structural. They arise from the contradictory effects of the relations between social agents involved in owner-occupied housing provision. So even though there might be a whole series of changes in the contemporary state of the market or possibly even in the characteristics of some of the agencies involved (for example, I increasingly suspect that some building societies and clearing banks would merge if legislation made it possible), the basic structure of owner-occupied housing provision will remain the same. If no attempt is made to deal with the structural problems of owner occupation, along the lines suggested in the final chapter, any future for housing provision in Britain will involve enormous economic and social costs.

One final point to make is that an attempt was made to provide data on the most important aspects of the housing market until the end of 1982. Publication dates of the data did not always make this possible, although information was added until the proof stage of the text. Obviously some of this latest data is not commented on in the text.

Much of the material on present-day speculative housebuilding in this book was collected during 1979 and 1980 as part of a wider project on the economics of housebuilding undertaken at Birkbeck College. I should like to acknowledge with thanks the financial support for that project of the Social Science Research Council under grant HR5181. Andrew Cullen worked with me on the project during those years. My ideas were greatly improved by discussions with him, and without his efforts this book could not have been written. Originally we had hoped to write it together but the temporary employment conditions faced by university research staff made this a practical impossibility for him. I should like to acknowledge with thanks the importance of his contributions to the production of this book. Other friends and colleagues also commented on drafts, offered much needed advice and support, and helped with its final production. In particular, I should like to thank



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## List of abbreviations

BSA	Building Societies Association
CIPFA	Chartered Institute of Public Finance and Accountancy
CLNNTC	Coventry, Liverpool, Newcastle and North Tyneside Trades Council
CNC	Cost of New Construction (Index)
CPRE	Council for the Protection of Rural England
CSO	Central Statistical Office
DLT	Development Land Tax
DoE	Department of the Environment
EIU	Economist Intelligence Unit
GMC	Greater Manchester Council
HBF	Housebuilders Federation
HCS	Housing and Construction Statistics
HCEC	House of Commons Environment Committee
HPR	<i>Housing Policy Review, 1977</i>
HPCD	<i>Housing Policy - a consultative document</i>
HPTV	
I-III	Technical volumes I to III of HPCD
JURUE	Joint Unit for Research on the Urban Environment
LBC	London Brick Company
LOSC	Labour only subcontracting

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MHLG	Ministry of Housing and Local Government
MLR	Minimum Lending Rate
NHBC	National Housebuilders Council
NFBTE	National Federation of Building Trades Employers
NSB	Non-speculative builder
OPI	Output Price Index
PEHW	Political Economy of Housing Workshop (Conference of Socialist Economists)
RPI	Retail Prices Index
SHAC	Scottish Housing Advisory Committee
TRG	Training Research Group
WNHC	Workmen's National Housing Council

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