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***FROM SLUMS TO SLUMS IN THREE GENERATIONS;
HOUSING POLICY AND THE POLITICAL ECONOMY OF
THE WELFARE STATE, 1945-2005***

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Abstract

Housing was the major domestic priority of all postwar UK governments. By 1970 the physical conditions of British housing had been transformed; by the 1990s seventy per cent of households in England owned their own homes. Yet in 2012 there were still parts of many cities that deserved labeling as slums. Why had massive public expenditure not managed to achieve the goal of successive governments?

Vested interests, created by each wave of intervention, limited subsequent policy choices. From about 1950 to about 1995, governments expanded owner occupation via a wide range of subsidies, but increasingly restricted the supply of land by restrictive planning laws. There was a massive (and unremarked) tenurial revolution, as privately rented houses were sold off to owner occupiers. At the same time, slum clearance created large single-tenure areas. This changed the nature of the demand for council housing (once occupied by the upper skilled working-class). In some parts of the country, gentrification removed a once-affordable source of owner-occupied housing. But rent control meant there were few homes for would-be renters. Access to good quality social housing thus became a very high-stakes game, for those on modest incomes – and a major source of ethnic tension in some inner cities.

From the mid 1980s on, means-tested help with rent payments and market liberalization provided new help to would-be private renters. By 2010 this had resulted in the provision of over 2.2 million new privately rented dwellings in under twenty years (almost as many as had vanished between 1960 and 1975). Small debt-funded capitalist landlords, and tenants with limited security of tenure, would have been familiar one hundred years earlier. But this time the government was paying the rent; guaranteeing the market for a new generation of slum landlords, while producing severe disincentives to labour-market participation by the poor. This new form of subsidy (coupled with continuing high land prices) helped to increase nominal rents much faster than average earnings. Housing benefit expenditure rose £11 billion in 2000 to £22 billion in 2010.

As, on the surface, the British housing market moved away from social democracy and towards market liberalism, its underpinnings moved in the opposite direction. Measure was piled on measure, and subsidy on subsidy, until at the end of the century the influence of government had become all-pervasive.

Social amelioration of this kind faces two major problems. The first problem is that it tends to reward the majority at the expense of the weak. The second great problem is that it depends on a continuing flow of new resources, to fix each new problem while still maintaining preserving the interests of existing clients. If liberal democracies survive by buying-off trouble from new problems, while continuing to support accrued vested interests, how will they manage if economic growth can no longer be relied upon? Based on the experience of the UK housing market, it seems likely that they will focus their resources on those in the middle. This does not bode well for the poor.

'It is possible to imagine, like Rousseau, a world in which the disposal of land is free from strife. An assurance that land is humanity's common heritage continues to inspire social philosophers and social movements in the face of contrary realities. But the arrangements which govern the allocation of land to particular people... are still amongst the most potent determinants of the character of social relations, economic activity and political power. ...Land remains a principal source of authority and inequality.'

*A. Offer, Property and Politics, 1870-1914 :
Landownership, Law, Ideology and Urban Development
in England (Cambridge, 1981).*

All markets operate within normative frameworks. These range from the rules that establish the validity of contracts, to restrictions on who can contract for what (for example, sumptuary laws about clothing). Even black-markets have rules, and the penalties for breaching them can be harsh.¹ These could all be considered as 'ethical' codes – albeit minimal ones.

Sometimes we go beyond this; we try to create a different set of outcomes, by modifying the way the market operates. Economists have developed theories that describe when it might be sensible to do this; mainly, when markets participants have unequal power (for example, monopolies); when some outcomes might have high externalities; when conventional discounted cash flow decisions lead to obviously silly decisions (such as setting no value on the environment a hundred years from now); or when people face problems of co-operation, which makes them unable to act in their own self-interest. Slash-and-burn horticulture destroys rain-forests: abandoning the used-up inner-city creates urban wastelands. Consider the dilemma facing a slum-landlord; if she improves her property, but her neighbours do not, then her effort will have been wasted. The decision to intervene under such circumstances purports to be explicable within a rational choice framework (for example, to make polluters pay for externalities; to promote area-wide schemes of urban renewal to overcome collective action problems; to use a different discount rate to deal with long-term costs and benefits). But this apparent objectivity is the hard shell around a soft centre; why not chop down the rain forest, or let the cities rot? Who cares about slum landlords? Should we really care about the interests of people who have not yet been born, and thus make *ad hoc* adjustments to take account of them? Ethics keep creeping in through the back door.

¹ D. Gambetta, *Codes of the Underworld: How Criminals Communicate* (Princeton: Princeton University Press, 2009).

Quite often, however, our actions go well beyond this, and we try to impose a completely different outcome from that which market forces would have created. During the past thirty years such anti-market interventions have been deeply suspect in academic circles - what right have we got to impose our choices on other people? (a potent mixture of rational-choice mathematical models, hippy moral-relativism, and the interests of huddled-bankers-yearning-to-be-free, has dominated the social sciences). But despite academic disapproval, the political pressures to intervene have remained. Even Mrs. Thatcher expanded the welfare state. Serious attacks on welfare make politicians unelectable. As a consequence, a very large proportion of all decision-making about spending and investment has continued to be shaped by political concerns (albeit in the context of a market economy spinning out of control). There are few signs that in the present economic crisis, pressures on government to intervene will abate. If anything, the reverse is true. Since this is so, it is of vital importance to understand more clearly what happens when governments intervene in markets, or over-ride them entirely, in order to pursue 'ethical' goals.

The notion of Government as a disinterested arbiter of the public interest has more merit than is often ascribed to it. But however well-meaning people may be, their actions face an intrinsic problem. Notions such as fairness, and social justice, are what Gallie called 'essentially contested concepts':

the proper use of which inevitably involves endless disputes about their proper uses on the part of their users....

He says:

... to use an essentially contested concept means to use it against other uses [,] and to recognize that one's own use of it has to be maintained against these other uses.²

These disagreements are more than intellectual. There are winners and losers. Changing the way we use words, changes power relationships.

Avner Offer has shown the way in which politicians in late Victorian Britain pursued a notion of small-ownership to bind the masses to support the political and economic power of ruling élites, creating outer 'ramparts' of property to protect the stately homes within; a policy that the Conservative Party has followed with success ever since. Equally, the claim of the post-war Left that it was acting in the public interest by creating prudential goods (such as council housing, hospitals and new universities) created winners and losers, not just amongst those who benefited from the new assets, but amongst those who were directing and managing the new enterprises. Depending

² W.B. Gallie, "Essentially Contested Concepts," *Proceedings of the Aristotelian Society* LVI, no. New Series (1955/6). p.169, 172. For a political exposition of Gallie's ideas see William E Connolly, *The Terms of Political Discourse* (Lexington, Mass.: D.C. Heath, 1974).

on whose notion of the public good was pursued, even within the 'left' some flourished while others faded.³ Offer comments:

The administrators, councillors, contractors and professionals who manage society's collective capital at the local and national level have appropriated many of the trappings of tenure. Rousseau, in his vision of strifeless society, did not foresee these prosperous and powerful offspring of the General Will.⁴

In thinking about how these struggles played out in the provision of housing, it is important not to take a narrow view of what constitutes an interest in property. Offer described 'tenure' thus:

[It is] any claim on land, buildings or minerals [which] may be exercised directly or indirectly as a charge *or an expectation* ... [emphasis added].. [It] is a precondition of physical and moral subsistence. It implies a degree of autonomy, however limited... the objects of tenure are marked off from other forms of property by their rigid and substantial character. The stock of land and buildings cannot be rapidly expanded or reproduced and the extent of the surface is fixed..

He commented that:

...some of the peripheral interests [were] sufficiently tenacious to merit description as property rights.⁵

This broadening the concept of property is extremely helpful, because it makes clear the range of people who had distinct (and possibly conflicting) stakes in the system: for example, leaseholders with different lengths of lease, owners of ground rents, lawyers working on conveyancing, providers of loan capital, clergymen in their rectories, and dons in their college rooms.⁶ All were 'property professionals'; all stood to gain or lose in different ways from any reform. Over the last half of the twentieth century, the number of people with complex relationships to property expanded still further, as tenurial interests (in Offer's use of the term) became increasingly circumscribed by conceptions of the public good.

³ For the exercise of bureaucratic power, see: Jon Gower Davies, *The Evangelistic Bureaucrat : A Study of a Planning Exercise in Newcastle Upon Tyne* (London: Tavistock Publications, 1972). Norman Dennis, *People and Planning : The Sociology of Housing in Sunderland, Society Today and Tomorrow* (London: Faber, 1970). Clare Ungerson, *Moving Home : A Study of the Redevelopment Process in Two London Boroughs, Occasional Papers on Social Administration, No. 44* (London: Bell, 1971).

⁴ Avner Offer, *Property and Politics, 1870-1914 : Landownership, Law, Ideology and Urban Development in England* (Cambridge: Cambridge University Press, 1981). p.406.

⁵ *Ibid.*, p5,6.

⁶ *Ibid.* p.91.

- There were many more freehold owner-occupiers, but their apparently market-based choices were substantially shaped by rules about planning, by tax breaks, and by a saving-and-lending regime deliberately designed to assist building societies in funding housing loans.⁷ In addition, promotion of owner occupation via the ‘Right to Buy’ in the last quarter of the century meant that many people bought their homes, at heavily discounted prices, directly from the state.
- The second most important group was local authority tenants - who were allocated houses and could make few choices about how to live in them, but in return were offered lifetime security of tenure at controlled rents. The economic value of the below-market rent in this tenure is hard to estimate; but Prof. John Hills of the L.S.E. estimated that the net present value of the subsidy in 2007 was about £32,000 per dwelling across England as a whole, and as much as £65,000 in London.⁸
- The third most important group were ‘private’ tenants - but for them, the state also intervened by imposing rent-control and security of tenure (and eventually, by expropriating their landlords, for derisory compensation, and knocking down their homes).
- The last quarter of the century was marked by the rise of new ‘social landlords’ such as Housing Associations – but they depended initially on government loans, and later on government subsidies, to build their ‘affordable’ rented housing, and in consequence had to follow government rules about what they could build, who their tenants should be, and what rents they should charge.

Independence from the state, for all these groups, was a chimera. Government action could be defended in ethical terms as creating public benefit; but many of these ‘benefits’ conflicted with one another. There were thus extensive opportunities for those who could shape the agenda to define the public good in ways that suited them best.

Britain was not unusual in the dependence of its housing markets on government decision-making. All the other major western countries were subject to extensive intervention – even the United States, where there was little direct provision of social housing, but where there was much federal support for owner-occupation (and, in some cities, tough rent control). In Europe, the pattern varied – but broadly speaking, governments intervened to support the creation of good quality rented housing for

⁷ Stephen Merrett and Fred Gray, *Owner Occupation in Britain* (London: Routledge & Kegan Paul, 1982). . See, for example, pp 303-4, which detail the extent of intervention in mortgage markets in the 1970s.

⁸ John Hills, "Ends and Means: The Future Roles of Social Housing in England," in *CASEREport* (London: ESRC Research Centre of Analysis of Social Exclusion, 2007). p.62

ordinary working people (though not the poorest) in the 1940s and 1950s (often through semi-independent voluntary housing organisations, sometimes tied to confessional groupings and sometimes to political parties); but by the end of the century most governments provided directly subsidised housing principally to the very poorest groups, so that it became a 'residual' tenure. Almost all OECD countries also experienced substantial growth in owner-occupation, aided by generous tax subsidies.⁹

So housing is a good test-bed to study the impact of ethical intervention in markets. It is also an extremely important one. Apart from the intrinsic importance of good quality housing, construction activity and housing-wealth had an important influence on much of the remainder of the economy. The distribution of overall life-chances thus came to depend substantially on the consequences of political intervention in housing markets.

Housing has become simultaneously the principal speculative good for most families in the developed Western economies, and one of the most important consumption goods. There is constant tension between these two roles.¹⁰ A house is not just a machine for living. Each form of intervention in housing markets affects both 'consumption value' (how nice a home we get to live in this year), and 'investment value' (our future expected housing consumption, our ability to barter our rights for housing in exchange for other desirable goods, and our ability to pass things on to our children). While these are related issues, they are not inseparable; Presidents of Oxford colleges live in glorious homes when they are in office, but they retire to cottages. Their Lodgings have high use value, but no exchange value.

There are six core ways in which housing markets are affected by political intervention:

- by planning;
- by demolition and slum clearance;
- by rent controls and security-of-tenure in private rented housing;

⁹ Michael Harloe, *The People's Home: Social Rented Housing in Europe and America* (Oxford: Blackwell, 1995). p.263-7 and . Kathleen Scanlon and Christine Whitehead, "International Trends in Housing Tenure and Mortgage Finance," (London: London School of Economics, 2004). p.25

¹⁰ In uncontrolled markets, the first is expressed by capital values, the second by rents. Capital values are much more volatile than rents, since rents depend 'on factors which were not as elastic as the expectations of investors. On the supply side, the stock of housing cannot be rapidly increased. On the demand side, usage and contract ruled out violent fluctuations... The stock of humanity changes rather slowly....' Offer, *Property and Politics, 1870-1914 : Landownership, Law, Ideology and Urban Development in England*. p.271.

- by ownership subsidies;
- by the direct provision of subsidised rented housing;
- by the provision of direct subsidies to individuals.

These processes feed back on one another. Attempts to shape the provision of housing needed to cope with the multiplicity of entrenched rights and expectations in each of these spheres. Though the rights were entrenched, the trench itself was made of shifting sand. Getting the steering wheel of the digger, and shaping a new trench, was a game with high-stakes consequences.

A focus on the housing of the poorest members of society offers one standpoint from which to understand how attempts at intervention have played out. Ethically, a major test of social policy is how it has affected the lives of the least well-off.

Slum dwellers have often been the rhetorical focus of housing policy. However, there is a broad consensus in the housing literature that in the pre-war era, not just in Britain but also in most other developed economies, the poorest people often suffered from the policies that were ostensibly designed to help them.¹¹ Slum-clearance knocked down their homes, but the new socially-subsidised houses that replaced them were often too expensive for poor families to rent, and came instead to be occupied by the upper, 'respectable' working-class.¹²

After the 1950s, social housing allocation no longer discriminated against the poor. The physical conditions of the housing stock were transformed for the better. The number of households without a bath or shower fell from 38% in 1951 to 22% in 1961, 9% in 1971 and 2% by 1981; those without access to a WC from 14% in 1951 to 1% by 1971 and nil by 1981.¹³ As conditions improved, definitions of poor housing were changed to reflect new aspirations: by the end of the century 'decency' standards included repair conditions, modernity of bathrooms and kitchens, and insulation standards. In 1996, 53% of all social sector homes and 43% of private sector homes failed to reach these new standards; by 2004 even those proportions had fallen to 31 per cent and 29 per cent.¹⁴

¹¹ Ben Jones, "Slum Clearance, Privatization and Residualization: The Practices and Politics of Council Housing in Mid-Twentieth-Century England," *Twentieth Century British History* 21, no. 4 (2010). pp.517-522 (and see also the comprehensive literature review at the start of that article)

¹² Harloe, *The People's Home: Social Rented Housing in Europe and America*. pp.143-4. Peter Malpass and Alan Murie, *Housing Policy and Practice, Public Policy and Politics* (London: Macmillan, 1982), 42, 61. John Burnett, *A Social History of Housing 1815-1985* (London: Methuen, 1986). p.238.

¹³ *Social Trends 30: 2000* (London:HMSO, 2000), Table 10.16 p.173

¹⁴ *Social Trends 37: 2007* (London:HMSO, 2007) pp.136-7

The poorest social groups still did least well, but the major differences related to the environment outside the home, not conditions of the building itself. The proportion of people in the poorest income-quintile living in energy-inefficient homes was only 12% (against an average of 8% of all homes), and the proportion living in homes in serious disrepair was 13% (against an average of 9%)¹⁵ (Table 1). This was not a picture of Dickensian squalor, and was a world away from the life depicted by George Orwell in *The Road to Wigan Pier* and by Robert Roberts in *The Classic Slum*.

(The poorest performers were in the private-rented sector, which was principally a tenure of transition, rather than of long-term settlement. By 2009, half of all private-renters were aged under 35, and 70% of all newly-formed households moved into private renting).¹⁶

Table 1¹⁷

Table 10.12

Dwellings that fail the decent home standard:¹ by tenure and reason for failure, 2004

England	Reason for failure				All non-decent ²
	Thermal comfort	Disrepair	Fitness	Modernisation	
Private sector					
Owner-occupied	20	7	4	1	27
Privately rented	30	14	10	4	43
All private sector	21	8	5	2	29
Social sector					
Local authority	24	8	6	5	35
Registered social landlords	21	4	4	2	26
All rented from social sector	23	6	5	4	31
All tenures	21	8	5	2	29

1 See Appendix, Part 10: Decent home standard.

2 Homes may fail standard for more than one category.

Source: English House Condition Survey, Communities and Local Government

The overall shortage of housing, which had been a major problem in 1945, was also eliminated. By 1970, the United Kingdom already had a crude housing surplus

Experience in other countries which adopted different routes to housing provision in the post-War era show that similar results could be achieved in many different ways; but the pervasive nature of subsidies suggests that without government help in all those states, progress would not have been so fast. See Harloe, *The People's Home: Social Rented Housing in Europe and America*. pp.263-7

¹⁵ *Social Trends 37: 2007* (London:HMSO, 2007), Table 10.13 p.137

¹⁶ Department of Communities and Local Government, 'English Housing Survey: Headline report 2009–10, (London, 2010) pp.11,20.

¹⁷ *Social Trends 37: 2007* (London:HMSO, 2007) p.137

(though there were local shortages).¹⁸ The bulk of the growth happened before 1971, but the number of dwellings in Great Britain increased by a further 38 per cent between then and 2007 (from 18.8 million to 25.9 million).¹⁹ Over the same period, the number of households increased from 18.6 million to 24.4 million (a 31 per cent increase), and the population grew by only 9 per cent.²⁰ The number of dwellings almost doubled from 1951 to 2005. Serious shortages still remained in some areas – especially London and the South East, and in pretty country towns and villages – but these were essentially problems of economic success, in a fast growing regional economy.²¹

Up to 1981, much of this new building took place outside the market sector, by the provision of council houses. (The impact of this building varied widely by region: by 1971, over half of all households in Scotland lived in a council home, as against just under 30% in England.²²) After 1981, social housing construction was much less important.

¹⁸ Malpass and Murie, *Housing Policy and Practice*. p.52

¹⁹ *Social Trends 40: 2010* (London:HMSO, 2007) p.139

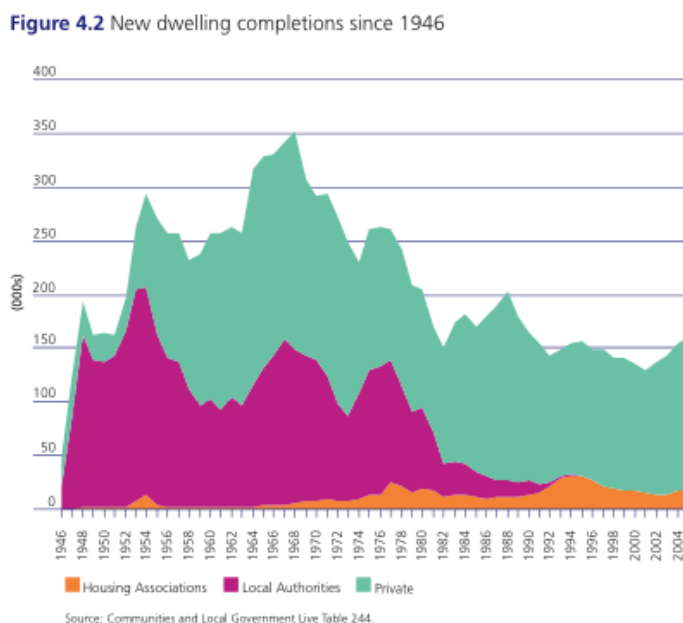
²⁰ *Social Trends 40: 2010* (London:HMSO, 2007) p.140

²¹ N. H. Buck, *Working Capital : Life and Labour in Contemporary London* (London: Routledge, 2002).

²² Table 104 from:

<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/stockincludingvacants/livetables/>

Figure 1: New Dwellings Completed, 1946-2005²³



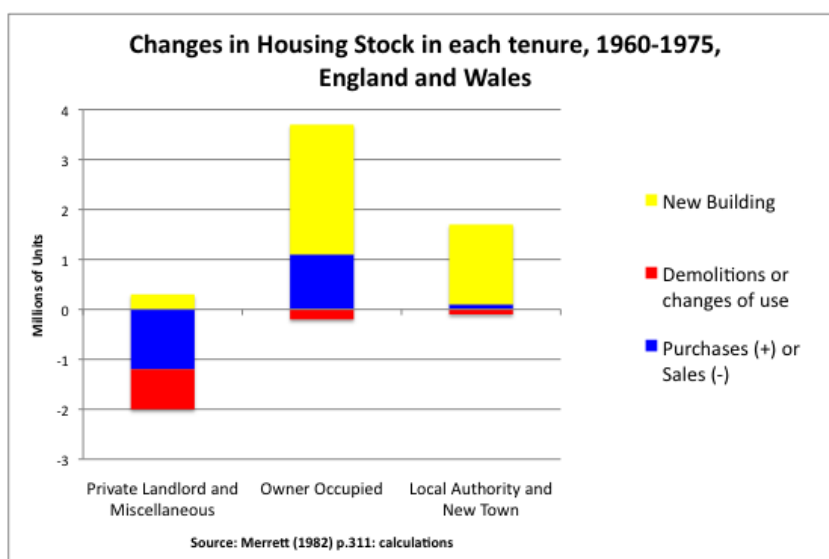
The overall impact of council housing construction on the *stock* of housing was however significantly less than these figures suggest. The very first interventions in housing markets, in the nineteenth century, had been prompted by the desire to do something about the slums.²⁴ In the middle of the twentieth century, starting in the 1930s and continuing until the mid 1970s, England saw huge slum-clearance programmes. If this ‘negative’ house building is included, the overall contribution of government agencies to growth in the housing stock between 1960 and 1975 is halved: they built 1.6 million dwellings, but demolished almost a million (Figure 2a). Especially towards the tail-end of the demolition programme, councils were demolishing houses that could, in private hands, have been successfully refurbished.²⁵ None the less, it is clear that the demolition programme removed much of the worst of the housing stock, and thus had a considerable impact on changing the quality of homes available to the poor.

²³ Reproduced from Hills, "Ends and Means." p.29

²⁴ Malpass and Murie, *Housing Policy and Practice*. p.24ff. Burnett, *A Social History of Housing*. p.146-159. Harloe, *The People's Home: Social Rented Housing in Europe and America*. p.40.

²⁵ See for example: Dennis, *People and Planning : The Sociology of Housing in Sunderland*. Neil McIntosh, *Council Housing in Southwark* (London: Southwark CDP, 1975). Ungerson, *Moving Home*. Larry Bennett, *Neighborhood Politics : Chicago and Sheffield*, (New York ; London, 1997) pp 4-5. Harold Carter, "Building the Divided City: Race, Class and Social Housing in Southwark, 1945-1995," *The London Journal* 33, no. 2 (2008).

Figure 2a: Changes in Housing Stock by Tenure, 1960-75²⁶



The other notable feature of the years before 1975 was the sale of private rented housing, mainly into owner-occupation.²⁷ Until 1960, the decline of the private rental sector also accounted for a much greater proportion of the growth of owner-occupation than did new housing construction. Together with the growth of working-class owner-occupation in the building boom of the pre-war period, it was largely responsible for the spread of owner-occupation to 42% of the UK population by 1960.²⁸ This represented a largely un-noticed tenorial revolution. To help put this into perspective, it is worth noticing that these sales of *private* rented dwellings, from 1938 to 1960, accounted for about one-and-a-half times more transfers into owner occupation than did all the sales of *public* rented dwellings under Mrs Thatcher's later 'Right to Buy' programme between 1980 and 2010, which have attracted so much more attention.²⁹ The sales (which amounted to around 3 million dwellings between

²⁶ Merrett and Gray, *Owner Occupation in Britain*. p.311: author's calculations.

²⁷ Ibid. p.134

²⁸ George Speight, *Who Bought the Inter-War Semi? : The Socio-Economic Characteristics of New-House Buyers in the 1930s* (Oxford: University of Oxford, 2000).

²⁹ Right to Buy in England transferred about 1.8 million dwellings out of the social housing sector between 1980 and 2010 a 30 year period rather than the 37-year period between 1938 and 1975, but comparable in effective time because of the impact of the war, which put most property-market transactions on hold.

Source: Chart 671 Social housing sales:

<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/socialhousingales/livatables/>

The impact of the policy in the UK as a whole was greater than that (because there had been so many council dwellings in Scotland). But Aled Davies, "'Right to Buy' : The Origins and Development of a Conservative Housing Policy" (M.Sc., Oxford University, 2010). gives the total sales under Right to buy as 2.2 million

1938 and 1975) have also attracted much less attention than the demolition programme (which amounted to 1.6 million dwellings over the same period), but had a much greater numerical impact. (Figures 2a, 2b, 3, 4).

Figure 2b: Changes in Housing Stock by Tenure, 1960-75³⁰

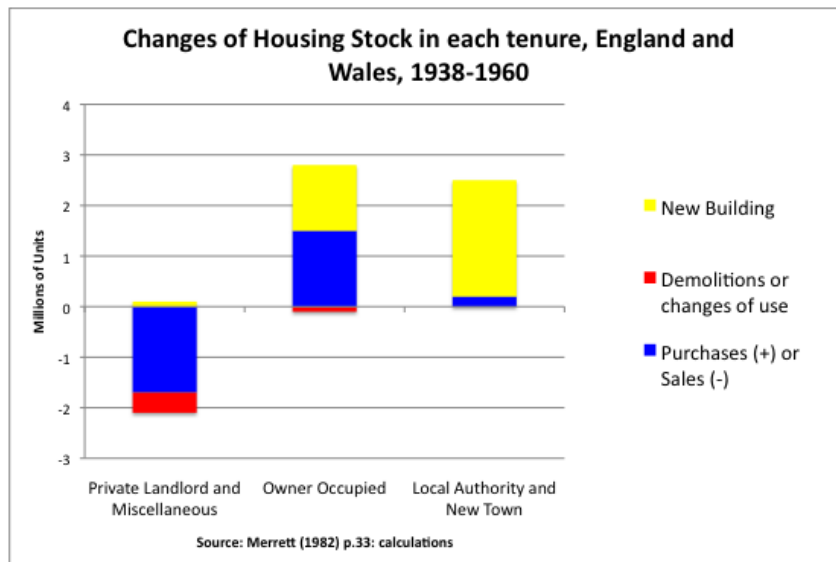
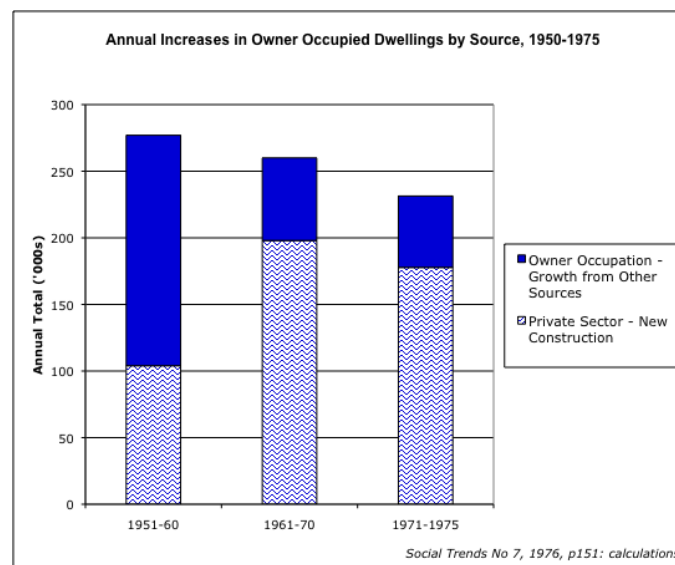


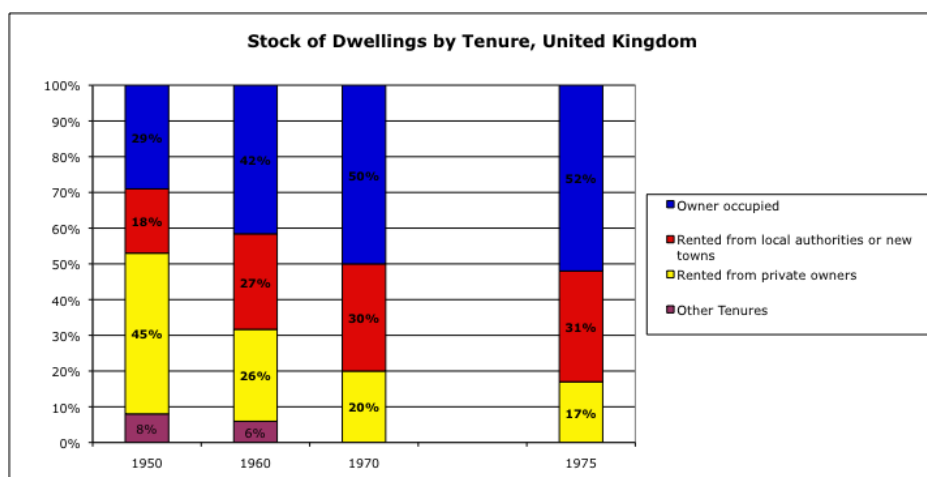
Figure 3: Annual Increases in Owner-Occupation, by Source, 1951-1975



homes from 1979 to 1996 (30 per cent of the council housing stock), and this was still substantially fewer than the total number of houses sold out of private renting into owner occupation.

³⁰ Merrett and Gray, *Owner Occupation in Britain*. p.33: author's calculations.

Figure 4: Changes in Tenure, 1950-1970, 1975.³¹



Source: *Social Trends No 6* (London, 1975) Table 3.3 p.54

Some of these sales, especially in parts of London,³² were early examples of gentrification; but most were not. Many Labour councils actively sought to promote such owner occupation, because it offered a housing solution for more prosperous working people in skilled manual jobs (their core traditional constituency), and to the new generation of what the party called ‘ordinary working people and their families’ (the product of a changing UK occupational structure – social workers, teachers, routine white collar workers). Councils helped these new buyers by offering loans to facilitate purchases of older houses, at a time when building societies (the main lending institutions) were often unwilling to lend on such properties, or to lower-income purchasers.³³ In Labour-led, impeccably working-class Sheffield, for example, the council became a major provider of mortgage finance between 1960 and 1965, making some 10,000 loans in total. By August 1965, it was reported that:

in recent months of the Town Hall has been almost the only place where would-be house owners have been able to borrow money.³⁴

These sales improved the *quality* of the housing stock available to people of modest means, as well as opening a route to owner occupation, because they unleashed a

³¹ Source: *Social Trends No 6* (London, 1975) Table 3.3 p.54

³² See C. Hamnett, "Gentrification and the Middle-Class Remaking of Inner London, 1961-2001," *Urban Studies* 40, no. 12 (2003).

³³ The issue of council loans for house purchase is discussed extensively in Merrett and Gray, *Owner Occupation in Britain*. Chapter 10 pp.99-105 .

³⁴ *Sheffield Star*, 3/8/1965

torrent of private-sector funding for housing repair, which had been bottled-up by fifty years of rent control. From the 1960s onwards, increasingly generous government grants also started to be available to supplement those private resources.³⁵

Yet despite huge improvements in the physical conditions of old housing in the post-war era, and the good physical quality of many of the new dwellings, by the end of the century there were parts of many British cities that deserved labelling as slums (albeit, slums of a new kind). The worst were dirty, dangerous and frightening places, whose inhabitants lived lives that were sharply distinct from those of most of their fellow citizens. To make matters worse, most of these new slums were in areas predominantly owned by government, or managed by voluntary bodies under government direction.³⁶

Even for those born in a 1970 birth-cohort, the chances of someone living in council housing growing up without any qualification by the age of 30 were twice those of someone who grew up in owner-occupation.³⁷ When households at the start of the new century were matched on social and other criteria, social housing tenants had startlingly worse outcomes; for example, of people with no qualifications, 70 per cent of those living in social housing, but only 43 per who did not live in social housing, were without jobs; 64 per cent of lone parents who lived in social housing were workless, but only 35 per cent of single parents who lived in other tenures had no job.³⁸ Compared to 1979,

the chance of someone in social housing having both of their nearest [working-age]... neighbours in full-time work had fallen from just under half to one in nine.³⁹

Some of these estates – especially in areas originally built with a large number of flats rather than houses – were also unpleasant and frightening places to live.

It is important not to over-state this problem- ‘In England in 2004/05, 51 per cent of homeowners reported that they were ‘very satisfied’ with their area [but] so did 38 per cent of those who were renting in the social sector.’⁴⁰ A majority of occupants in

³⁵ Malpass and Murie, *Housing Policy and Practice*. p.51

³⁶ To those with a sense of irony, it seemed curiously appropriate that at the start of the twentieth century the largest slum-landlord was said to be the Church of England, and that by the century’s end the largest slum landlords were ethically-motivated governmental institutions.

³⁷ Hills, "Ends and Means." pp.100-110. T

³⁸ Ibid. pp.100-110.

³⁹ Ibid. p.46

⁴⁰ *Social Trends 37: 2007* (London:HMSO, 2007), p.138

all sectors described themselves as satisfied, or very satisfied, in a survey in 2007-8 (Table 2).

Table 2: Satisfaction with current accommodation: by tenure, 2007/8⁴¹

Table 10.13

**Satisfaction with current accommodation:
by tenure,¹ 2007/08**

England	Percentages			
	Owner-occupied	Rented from social sector	Privately rented	All households
Very satisfied	68	49	47	62
Fairly satisfied	28	33	38	30
Neither satisfied nor dissatisfied	2	5	6	3
Slightly dissatisfied	2	7	6	3
Very dissatisfied	-	6	4	2

¹ See Appendix, Part 10: Tenure.

Source: *Survey of English Housing, Communities and Local Government*

However, ‘satisfaction’ measures are difficult to interpret; they may relate to what people think they could reasonably expect to achieve, rather than to an absolute standard. More detailed questions show that ‘more than a fifth of social tenants report the presence of drug users or dealers as a serious problem’ and ‘in the areas originally built as flatted council estates nearly a fifth of social tenants report as a serious problem the general level of crime, fear of being burgled, vandalism and litter’, and ‘18 per cent of social tenants say that they feel unsafe alone even at home or outside in daylight’.⁴² (Figure 4) These were what Labour MP Frank Field called ‘Neighbours from Hell’.⁴³ Similar problems existed in much of the ‘residualised’

⁴¹ *Social Trends 40: 2010* (London:HMSO, 2007), p.147

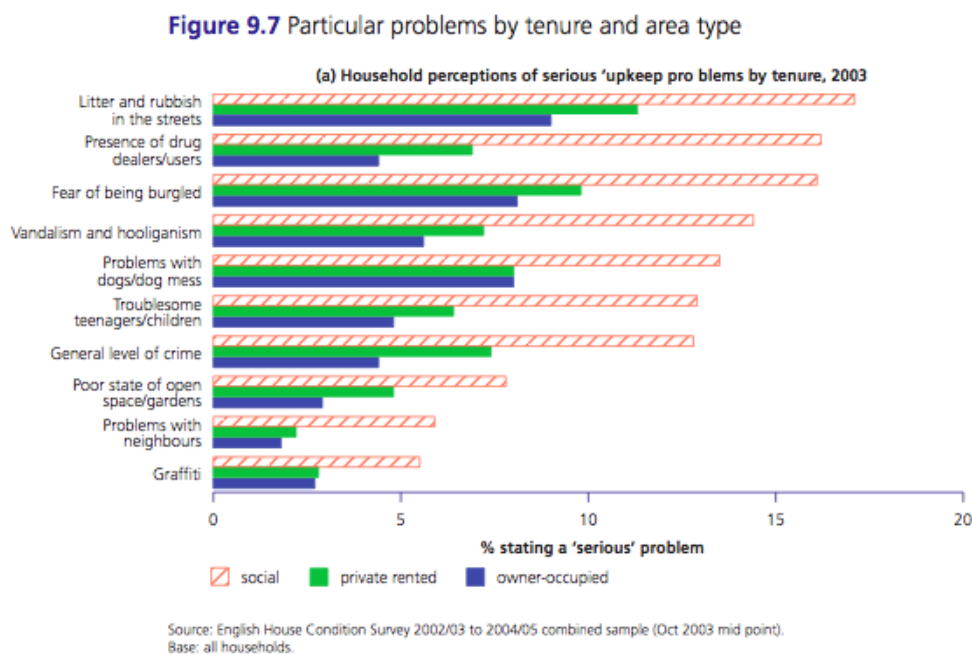
⁴² Hills, "Ends and Means." pp.4, 94ff.

There was a real (and novel) problem of social order in some inner city areas, from the 1960s onwards. For example, Norman Dennis et al., *The Failure of Britain's Police : London and New York Compared* (London: Civitas : Institute for the Study of Civil Society, 2003). has pointed out the very sharp rise in robberies and assaults in Lambeth over the course of fifty years – a rise way beyond anything that could be explained by changes in reporting, or other methodological issues.

⁴³ Frank Field, *Neighbours from Hell* (London: Politicos, 2003).

social-housing stock of other European countries, and in the (much smaller) social-housing projects in parts of the USA.⁴⁴

Figure 4: Particular Problems, by Tenure and Area Type⁴⁵



In the 1990s and 2000s, things were made worse by an unintended consequence of the sale of council homes; while houses in good neighbourhoods were popular (and retained their original families, or were often sold-on to working families of modest means), flats that were sold in inner-city council estates were often bought-up by speculators who rented them back at high rents to needy families (supported by means-tested housing benefit), but had had no interest in maintaining them in good condition, or improving the condition of the neighbourhood (and no way of doing so, even if they wanted to). Thus, a new generation of private slum-landlords emerged, alongside their public-sector counterparts.

Much could be done to improve the quality of life in these areas, by changing the way that they were managed to make them more flexible and responsive to tenant needs.⁴⁶

⁴⁴ Anne Power, *Estates on the Edge : The Social Consequences of Mass Housing in Northern Europe* (Basingstoke: Macmillan, 1997). For residualisation of social housing in Britain, Denmark, Germany, the Netherlands and the USA see Harloe, *The People's Home: Social Rented Housing in Europe and America*.

⁴⁵ Reproduced from Hills, "Ends and Means." p.95

But these were often improvements from a very low base, compared to the experience of their better-off fellow citizens (even in the most modest suburban neighbourhoods).⁴⁷

So why did the problem of providing poor people with a decent home in a safe neighbourhood, with adequate schools and well managed community facilities, prove so difficult to solve? An answer given by some on the Left was that there was no real desire to solve the problem in any case; the new slums resulted from a failure of will, or perhaps even from a deliberate attempt to split the interests of the mainstream working class from those of the poor.⁴⁸ On the Right, rational-choice explanations about the demoralising effect of ‘welfare’ competed, and sometimes combined, with explanations in terms of personal inadequacy or a lack of cognitive capability; poor areas are hell-holes because they are occupied by dysfunctional people.⁴⁹

This paper will argue that it is not fruitful see the problems of the slums in isolation. Each intervention creates rights and expectations that complicate and limit subsequent choices. In England, after 1945:

⁴⁶ Anne Power, Rebecca Tunstall, and Joseph Rowntree Foundation., *Swimming against the Tide : Polarisation or Progress on 20 Unpopular Council Estates, 1980-1995* (York: Joseph Rowntree Foundation, 1995)., Anne Power and Liz Richardson, *Housing Plus : An Agenda for Social Landlords?* (London: LSE Housing in association with The National Tenants Resource Centre, 1996)., Anne Power and Centre for Analysis of Social Exclusion., *Neighbourhood Management and the Future of Urban Areas, Casepaper, 77* (London: Centre for Analysis of Social Exclusion London School of Economics and Political Science, 2004). Nick Juravich, ‘We The Tenants: Community Politics in New York City Public Housing, 1968-78’, Columbia University USA, 2011.

⁴⁷ Paul Barker, *The Freedoms of Suburbia* (London: Francis Lincoln, 2009)..

⁴⁸ Merrett and Gray, *Owner Occupation in Britain*. p.121-2. Lynsey Hanley, *Estates: An Intimate History* (London: Granta, 2007). pp.142,168

If there was a conscious conspiracy to split the working class in the 1930s, 1950s and 1960s, when working-class home ownership really started to take off, it was well concealed. Aled Davies has demonstrated the determined resistance of those at the top of the Conservative Party (such as Harold Macmillan, Keith Joseph, and Enoch Powell) to the establishment of a mandatory ‘Right to Buy’ council homes. Conservative support for the idea grew only when it was demonstrated to be highly popular amongst tenants, by local initiatives in Birmingham in the mid-1960s. Tories supported home ownership as a means of uniting the nation; and council housing was seen as a natural (and generous) response to the needs of the weak. Tories did not generally see the world in terms of class-conflict, even when talking amongst themselves. The sale of council houses in the 1980s was another matter, and a specific attempt to attract former Labour voters. But this late arrival was only a very small part of the story. See Davies, "‘Right to Buy’ : The Origins and Development of a Conservative Housing Policy". pp.22-33

⁴⁹ An important influence here was Richard J. Herrnstein and Charles A. Murray, *The Bell Curve : Intelligence and Class Structure in American Life* (New York ; London: Free Press, 1994). But some members of the Labour Party, especially those such as David Blunkett who represented the most deprived inner-city areas, came to advocate the need for strong action on issues of law and order.

- Town and country planning restricted the ability of cities to expand. This helped to prevent hollowing-out of city centres (as has happened with 'white flight' to the suburbs in the USA). But it also stopped many middle-and-lower middle income families moving to spacious houses with gardens in the suburbs; so it lowered overall space standards, and thwarted aspirations to home ownership. Those who had bought when suburban building *was* allowed, saw the values of their homes rise sharply once planning controls stopped further expansion: NIMBYism grew. The impact of this was made more severe by different regional growth rates. As the periphery of England declined economically, and the south-east flourished, planning restrictions prevented people from moving to places where jobs were available. In the declining economic regions, the reverse sometimes happened; populations were trapped without jobs or a sense of meaning, and whole towns came to depend on government expenditure for their livelihood - unable to shrink to a viable economic size, because there was nowhere else for their people to go.⁵⁰
- Slum clearance created large single-tenure areas, slums were normally physically replaced by council housing. So the right to live in an area came to depend on the allocation rules applied by local councils. Much of the newly built housing had to be allocated to those whose homes had been destroyed. These people were often relatively poor. The demolition programme thus changed the nature of the demand for council housing, which became increasingly occupied by the desperate.
- Demolition also resulted in blight over wide swathes of the inner city. A mixture of groupthink, ambition and corruption (aided by a shift in government subsidies) led councils to move significant resources into high-rise buildings. This era culminated in an explosion and the partial collapse of a tower block (Figure 5), though high-rise construction was already becoming less popular before then. In the mid-1970s, demolitions came to an end - mainly because government ran out of money to carry it through; but partly because of a revolt by some of the three million people who had bought and renovated previously

⁵⁰ Leunig, T. and J. Swaffield, *Cities Unlimited: making urban regeneration work*. (London, Policy Exchange: 2008)

privately-rented property, and now found themselves in the bulldozers' path.

- In some parts of the country, gentrification of what were once working-class houses then drove out a younger generation of lower-income households. At the same time, it generated very large windfall capital gains for some of their parents. In this game of musical chairs, the lucky ones were those who were sitting down when the music stopped.
- These pressures would have been attenuated if there had been a flexible private-rented market to take up the slack. But rent control had been in place in the UK since 1915, and attempt to remove it produced political uproar. There were therefore no homes for would-be renters to go to.
- Governments expanded owner occupation via a wide range of cash subsidies and tax advantages. This had the effect of reducing entry barriers to a level at which it was normally affordable by the families of skilled and routine-non-manual workers, but did not make it available to those on the lowest incomes. Later, restrictions on the supply of houses because of planning increased prices, especially in high growth areas. Simultaneously, disparity of incomes increased.
- Later, the sale of council houses to sitting tenants, under the Right to Buy, extended the opportunity of home ownership slightly further down the scale; but it also lowered very considerably the quality of the remaining housing stock available for rent.
- Access to good quality social housing thus became a very high-stakes game, for those with nowhere else to go. Faced with intense shortages and fevered demand, social housing providers had to prioritise those in the greatest need. Needs-based housing allocation meant that the old practice of grading tenants on their suitability and respectability, became seen as illegitimate (and racist, given the tacit definitions that housing visitors used to classify applicants). This created deep conflicts about what fairness meant; rewarding those who were established members of the community and waited their turn? - or responding to the pain of those who were in the greatest need? There was no easy way to resolve these issues. There were extensive black-markets in social housing tenancies. In some areas of major housing stress this competition led to sharp communal or ethnic tensions

between established residents and newcomers.⁵¹ This created even more pressure on those who stood any chance of getting out, to do so.

- Attempts by governments to help poor families by providing means-tested help with rent payments, increasingly important in the UK and other European countries after 1980, initially fed-through in Britain into higher rents, rather than into an increase in supply. Even when private renting started to revive sharply after 2000, prices remained extremely high. Thus, many families found themselves facing major disincentives to work.⁵² (These disincentives were much less marked in areas outside the South East, where private rents were much lower). Social rents were still very considerably lower than private rents, so rent-subsidies did little to reduce the pressure for access to social housing, in areas of high demand.

This was a dynamic process, marked by frequent struggles to redefine the nature of the public interest. Politicians had to juggle the priority of helping outsiders to overcome their exclusion, against that of serving insiders who felt they had legitimate moral claims under existing arrangements. But it was not a struggle of the masses against the classes: there were formidable vested interests amongst the relatively poor. Choices were constrained by interactions between the powerful forces that successive governments had unleashed, and by contradictions within the ethical goals they sought to pursue. At each stage, governments were constrained by the multiplicity of 'tenurial interests' (in Offer's sense of the term) created by their own and their predecessors' attempts to alter market outcomes in pursuit of the public good. Outcomes were path dependent, and that is why in order to understand the choices governments were able to make, we have to understand the history of a century's attempts to reform the provision of housing.

⁵¹ John Rex, Robert Samuel Moore, and Institute of Race Relations., *Race, Community and Conflict: A Study of Sparkbrook* (London, New York,: published for the Institute of Race Relations by Oxford U.P., 1967). Great Britain. Commission for Racial Equality., *Hackney Housing Investigated a Summary of the Commission for Racial Equality's Formal Investigation into the Allocation of Public Housing in the London Borough of Hackney* (London: The Commission, 1984). J. W. Henderson and Valerie A. Karn, *Race, Class and State Housing : Inequality and the Allocation of Public Housing in Britain, Studies in Urban and Regional Policy ; 4* (Aldershot: Gower, 1987). Great Britain. Commission for Racial Equality., *Housing Allocations in Oldham : Report of a Formal Investigation* (London: Commission for Racial Equality, 1993). Carter, "Building the Divided City: Race, Class and Social Housing in Southwark, 1945-1995."

⁵² Hills, "Ends and Means." p.5

Figure 5: Ronan Point



Before 1936, council housing had mostly been occupied by better-off working class families, who could afford the higher rents that were charged for it. This process started to change in some places even before the war;⁵³ and because of national subsidy structures slum clearance was increasingly important after 1936. But it was still on a small scale compared to the total housing stock.⁵⁴ The Atlee government revived what was effectively a pre-1936 policy, by building high quality houses for working people, at relatively high rents; but the availability of private rented housing was much more limited than before the war, so the pressure on allocation was much more important. The building programme (almost entirely in the public sector; private construction was limited) was restrained by other calls on public expenditure. The Conservatives, in power in the 1950s, had to deal with these shortages; they set ambitious house-building targets, shifted subsidies strongly towards slum clearance, and tried to focus council housing on those in the greatest need. They released the controls on private building while also building large numbers of council homes. But as slum clearance got under way, council homes had to be allocated first to those whose houses had been demolished. This fundamentally altered the relationship between council housing and the children of the old, ‘respectable’ working class, since they no longer stood a realistic chance of getting a council house within a

⁵³ Jones, "Slum Clearance, Privatization and Residualization: The Practices and Politics of Council Housing in Mid-Twentieth-Century England."

⁵⁴ Malpass and Murie, *Housing Policy and Practice*. p.67

reasonable time. This started to have significant consequences in undermining their attachment to the Labour Party.⁵⁵

By the early 1970s, the newer estates were occupied mainly by people displaced from the slums, or by people allocated homes on the basis of 'housing need'; they also faced great problems of maintenance and repair. By contrast, the occupants of the first great wave of social housing had been selected from amongst the most prosperous working-class families. This set the scene for sharp clashes between the interests of these two groups. Because the new dwellings were more expensive to build and maintain than the old ones, but their inhabitants were typically much poorer, there was pressure to cross-subsidize the rents of the new homes.⁵⁶ Policies varied widely between cities.⁵⁷ But the trend was clear. By 1965, 40 per cent of all local authorities offered some form of rent rebate for poorer tenants.⁵⁸ These proposals provoked great anger, and sometimes rent-strikes, amongst better-off tenants and those in the older and better homes. In effect, families who had been given substantial tenurial rights by one form of ethically-driven form of housing supply, now saw those rights suppressed as new values came to the fore; it was little wonder that they often felt bitterly betrayed.

Council tenancies had other disadvantages. They were often were hedged around with rules. For example, one local authority (Bermondsey) had so extensive a list of conditions that the author of the council's official pamphlet commented:

After reading the conditions of tenancy, a tenant may wonder what there is left to do with the premises occupied by him, other than to sleep and eat in them.

and went on to explain that:

The Housing Committee.. will continue to exercise strict control ... and the presence of any person or persons, other than the tenant's own family who are entitled to live on the premises, will not be permitted.⁵⁹

⁵⁵ Barry Hindess, *The Decline of Working-Class Politics* (London,: MacGibbon & Kee, 1971). Harold Carter et al., "The Life and Death of Old Labour : Collective Action and Social Cohesion in Sheffield and Southwark, 1945-1997" (Thesis (D Phil), University of Oxford, 2005., 2005).

⁵⁶ This could take place either by rent equalisation (which was possible in the UK because funds in the housing revenue account were pooled, which was not the case in most continental European countries), or by offering poorer tenants rent-rebates, or both.

⁵⁷ *Sheffield Telegraph* , 4th August 1960: *Western Morning News*, 26th August 1952.

⁵⁸ Malpass and Murie, *Housing Policy and Practice*. p.62

⁵⁹ Bermondsey Borough Council *A report on the work of the Council in connection with the Improvement of Housing in Bermondsey* (London,1949)

Camberwell stressed the need to rent its council homes to tenants who ‘could be expected to look after their property in a proper manner and meet their weekly commitments regularly’, while Southwark seems to have promoted good tenants to better estates, and transferred problem tenants to bad ones.⁶⁰ Southwark housing visitors’ forms had boxes to tick in which they were invited to grade the ‘quality’ of the family to be re-housed, the tidiness of its house, and the condition of its furniture.⁶¹

By the late 1960s, council house building had greatly improved the housing conditions of about 30 per cent of the population. But it had not made up for the collapse in the overall supply of rented housing, down from 63 per cent of the housing stock to 53 per cent in 1960, and 50 per cent in 1970. Ordinary working people had to have somewhere to live.⁶² Rules granting rent control and security of tenure to new occupants made it very unattractive for new private landlords to make new houses available.

By contrast, owning a house gave freedom to decorate, to change the building, to do what one liked in the garden; it allowed one to choose where to live (within the constraints of price) rather than to be allocated a home where officials thought appropriate. It allowed families to move home when they needed to in pursuit of a job (which was almost impossible in the council sector), and to get a bigger or smaller home as family circumstances changed. It was also felt (sometimes wrongly, according to economists) to be financially sensible because it could avoid the ‘waste’ of paying rent.⁶³ Owner occupation offered more freedom; it was increasingly affordable as wages rose; and above all (unlike council housing) it was available without a ten-year wait. By the late-1960s it had become the only game in town for

⁶⁰ Metropolitan Borough of Camberwell, *Housing Committee minutes*, cited by Sue Goss, *Local Labour and Local Government: A Study of Changing Interests, Politics and Policy in Southwark from 1919 to 1982* (Edinburgh: Edinburgh University Press, 1988), 57.

⁶¹ Ungerson, *Moving Home*, 15.

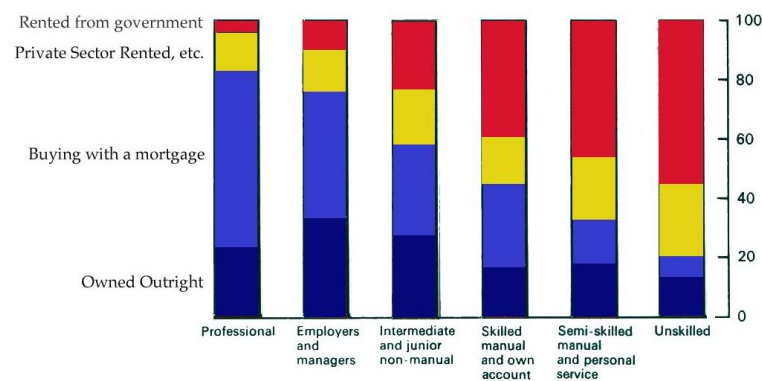
⁶² Until the late 1970s, Britain’s European neighbours did increase their supply of socially-aided and collectively-provided housing so as to accommodate young couples of the kind increasingly excluded from social housing in the UK. But countries such as France, Germany and the Netherlands did this having what were in effect two different sectors of subsidised rented housing – one provided mainly by voluntary associations which offered good-quality housing at higher but subsidised rents, and the other provided mainly by municipalities, offering worse housing under more demanding conditions, and principally used by the poor. These were feasible alternatives, but would have done little to improve the conditions of the poorest, whose segregation from mainstream families increased in those countries also, over the following thirty years. Harloe, *The People’s Home: Social Rented Housing in Europe and America*. pp.260-267

⁶³ See the model developed by Merrett, S. and F. Gray (1982). *Owner Occupation in Britain*. (London, 1982), Chapter 5 pp.65-71.

young skilled and non-manual workers who wanted to get a home and start a family.⁶⁴ By 1972, almost half of all skilled workers in Great Britain already owned their own homes.

Figure 6: Tenure by Social Class of Head of Household, 1971-2⁶⁵

Tenure by Social Class of Household Head, 1971-2



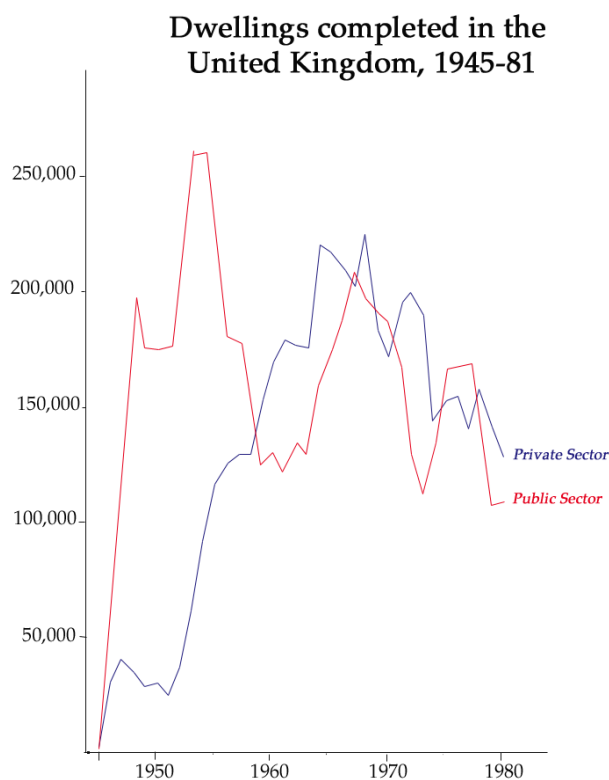
Source: General Household Survey.
 Classification: GHS socio-economic groupings of head of household.
 Adapted from Social Trends 6 (London, 1975) Figure 3.1 p17

The market responded to these pressures. As has been shown already, there had been a boom in owner occupation prior to 1960, mainly accounted for by tenure-conversion. But after 1960, building for owner-occupation took off, and between 1960 and 1975 2.6 million private-sector dwellings were constructed (Figure 7).

⁶⁴ Peter Malpass, *Reshaping Housing Policy : Subsidies, Rents and Residualisation* (London: Routledge, 1990). pp.22-3.

⁶⁵ Adapted from *Social Trends 6* (London, 1975) Figure 3.1 p.17

Figure 7: Dwellings completed in the United Kingdom, 1945-81⁶⁶



Source: Peter Malpass & Alan Murie, *Housing Policy and Practice*, (London, 1982) Figure 3.1 p50

But the market was not acting in isolation from normatively-driven government intervention, even at this exuberant peak of speculative building activity. Quantitative housing construction targets became a matter of government policy. The Conservatives and the Labour Party competed to promise ever-greater numbers of housing completions; 300,000 a year forced on Churchill by the Conservative Party Conference, 500,000 a year promised (though never quite achieved) by Harold Wilson. Government intervention (which was to take owner occupation to a peak of over 70% in 2001) posed the question of whose interests it should serve. For Labour councils (which controlled most of the big cities) the promotion of working-class owner occupation enabled the party to continue to satisfy the needs of the aspirant, respectable working people who constituted its backbone of activists and voters, while still building council homes. The Conservatives continued to pursue their vision of a property-owning democracy, rather than one divided by class. But for both parties, this focus came at the cost of some other core aspirations – for Labour, the belief in housing as a social service rather than a market commodity; for the Conservatives, the desire to restrain government expenditure and therefore to focus

⁶⁶ Malpass and Murie, *Housing Policy and Practice*. p.50 (colour added)

state subsidy on the least well off. The sharp rise in nominal interest rates throughout the second half of the century turned mortgage interest tax relief into a considerable drain on the public finances; not just a subsidy to owner occupation, but one worth much more to the rich.⁶⁷ From 1967-8 to 1976-7, its value rose by nearly 146 per cent in real terms (while subsidies to public-sector housing rose by only 107 per cent).⁶⁸ Once again, a formidable new tenurial interest had been created.

While marginal tax rates and interest rates both remained high, and the proportion of the population claiming it increased, tax relief was politically impossible to reform. So governments added to it, piling Pelion on Ossa with additional help aimed at owner occupiers with lower incomes. In 1968 the Labour government introduced (as an alternative to tax relief) a subsidy to the interest rate charged to buyers by building societies (which could be coupled with guarantees allowing lenders to increase the amount they could lend to low-income families).⁶⁹ Building societies had always been given favourable tax treatment on their deposits, enabling them to make loans at below-market rates. As interest rates soared in the 1970s, grants and a special £500 million loan were added to this help; and after 1974, Government developed joint lending policies with the Building Societies, including quantitative targets.⁷⁰ Local councils also stepped into the breach by providing loan finance to marginal borrowers, on older properties.⁷¹

⁶⁷ To the value of these reliefs has to be added the exemption of owner-occupied housing from capital gains tax, and the fact that (after 1962) now income-tax was charged on the imputed rent from occupation of housing, which income from other forms of investment was charged at a rate 15% above the rate of tax on 'earned' income. Together, these forces created a considerable tax-bias in favour of owner occupation. It was politically impossible to cut back on these reliefs in the 1970s, but successive governments chipped away at their value to individual householders, and at their regressive nature. Initially, relief was given on the full value of any loan; this was capped at £25,000 in 1974. As house prices started to rise sharply, this cap restricted the proportion of the value of more expensive houses on which it was possible to claim relief. In 1988, it was restricted to one loan per property, rather than one loan per borrower (previously, unmarried couples could each borrow – and claim relief – on the full allowance). In 1990, it was restricted to the basic rate of tax only; in 1994-5 it was cut back to 20 per cent; from 1995 to 1998, 15 per cent; in 1999-2000, 10 per cent; and in 2000 it was finally abolished. Source: HM Revenue and Customs-<http://www.hmrc.gov.uk/stats/mir/intro.pdf>

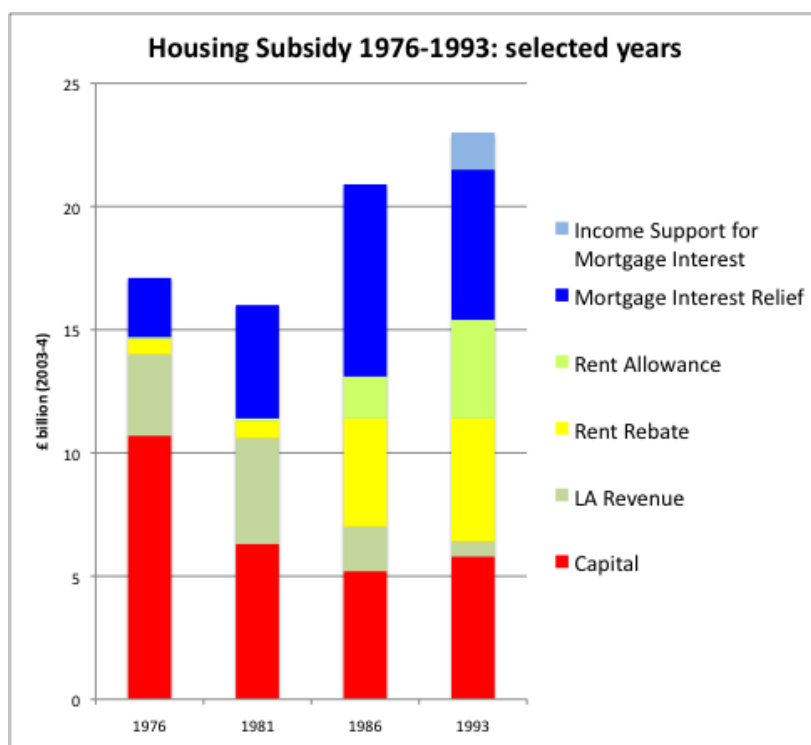
⁶⁸ Malpass and Murie, *Housing Policy and Practice*. p.53.

⁶⁹ This 'option mortgage' scheme was taken up by 180,000 existing borrowers in the first year, and about 25,000 new borrowers per year after that Merrett and Gray, *Owner Occupation in Britain*. p.37.

⁷⁰ Ibid. pp.81-84, 298, 303-4.

⁷¹ See earlier in this paper for a discussion of this issue

Figure 8 – Value of Mortgage Interest Relief⁷²



The impact of all of these measures was dwarfed by that of inflation, so government constantly had to scramble to try to keep up with its effects. Inflation had complex effects on owner occupation. Because debts were fixed in nominal value at the time of purchasing a house, if house prices inflated then home-owners made windfall gains as the real value of their obligations fell. On the other hand, in the early years of a loan high interest rates caused by inflation made repayments hard to afford. There was thus a tendency for substantial swings in the affordability of housing, and owners' experiences could vary widely depending on when they entered the market. First time buyers declined from 60 per cent of all purchases in 1970-72, to 48 per cent in 1973-80.⁷³ Total building starts for the private market fell steadily, from a peak of around 200,000 dwellings in 1972 to only some 100,000 in 1980.⁷⁴ Meanwhile, nominal house prices rocketed (Figure 9).⁷⁵

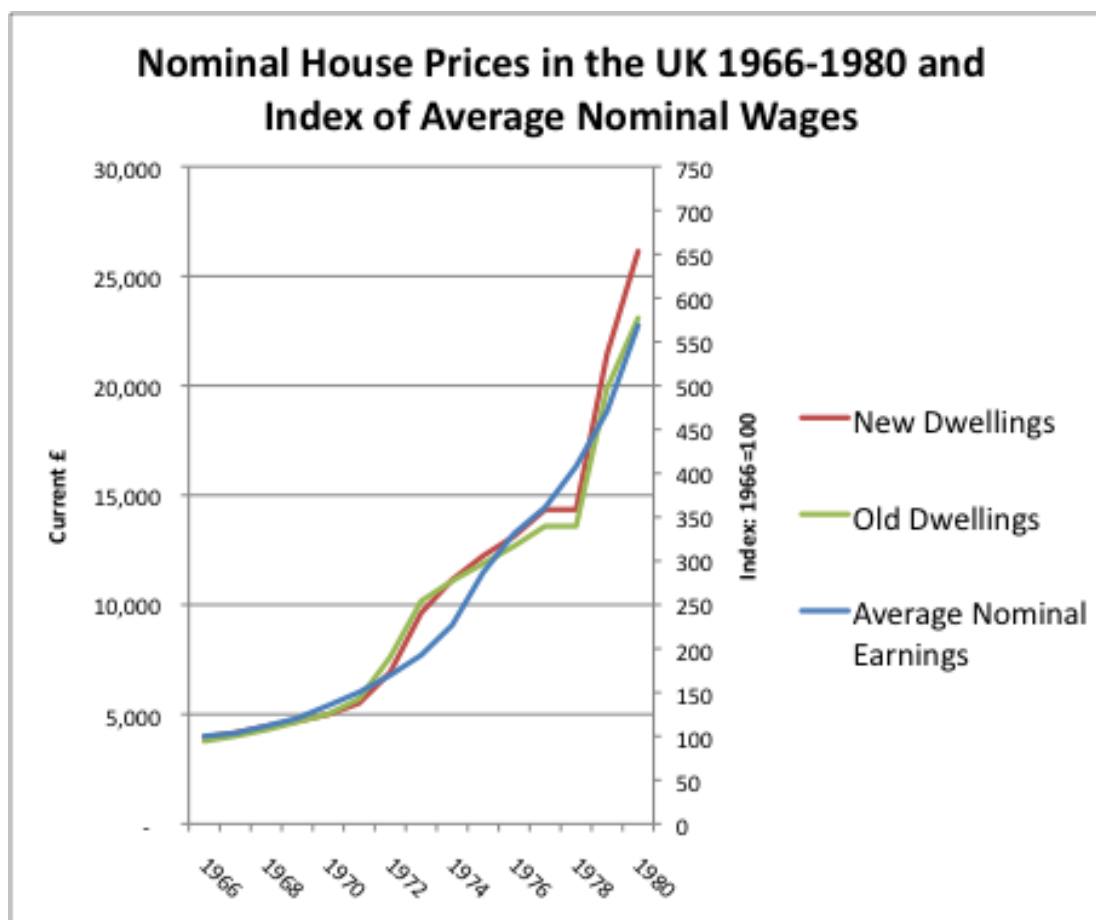
⁷² {Hills, 2007 #1384}, Table 6.1, p56 : author's calculations. The value of mortgage interest relief was then reduced sharply, and by 1997 its value was negligible.

⁷³ Merrett and Gray, *Owner Occupation in Britain*. p.301

⁷⁴ Ibid. p.305

⁷⁵ Ibid. p.300

Figure 9: The average price for dwellings for owner occupation purchased with completed building society mortgages in the UK 1966-80, and Index of Average Nominal Wages⁷⁶



By the late 1970s, governments were being pushed in multiple directions. Spiralling house prices and interest charges led to rapidly mounting bills for mortgage interest tax relief (now being claimed by a large proportion of the population). House building started to decline very sharply in the public sector (Figure 10), as the Labour government faced a public expenditure crisis. Council house allocation was increasingly oriented towards those in the greatest need. Existing council tenants faced the prospect of rising rents because of pressure on councils to increase prices. At the same time, traditional skilled workers (the historic core of local Labour parties) had little chance of seeing their children able to get access to a council home. There were no private rented houses for people to go to, and there seemed to be no way to expand private renting. The interests of owner-occupiers were also divided; a family which had borrowed money to buy a house in 1966 had seen the value of its obligations fall to almost nothing; but new entrants to owner occupation faced sharply

⁷⁶ Calculated from Table 11.7 Ibid. p.182 and Lawrence H. Officer, "What Were the UK Earnings and Prices Then?" MeasuringWorth, 2011. URL: <http://www.measuringworth.com/ukearnpci/>

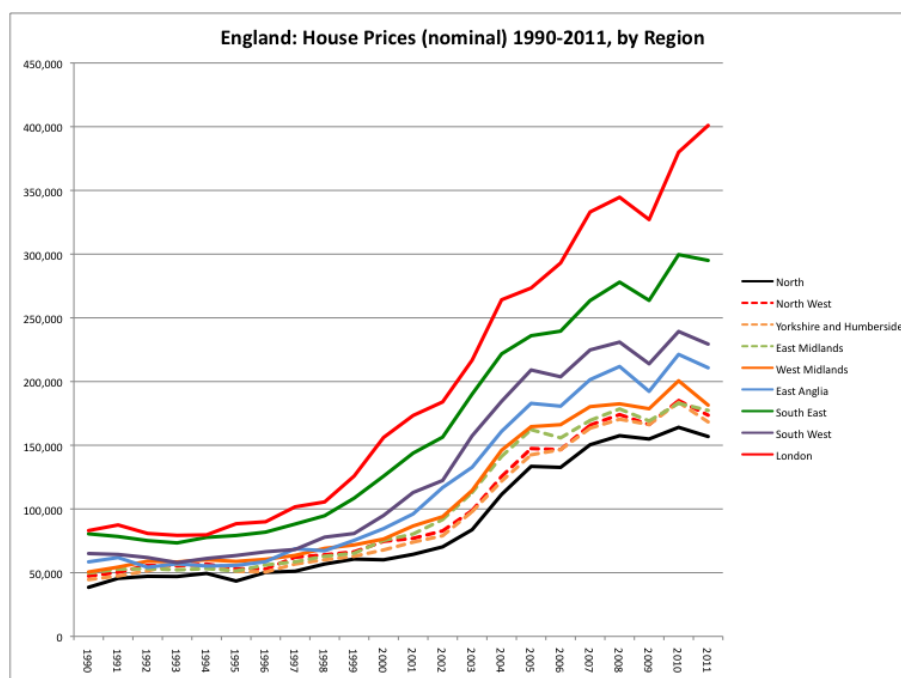
increased costs. Those who had bought homes early increasingly pressured local government to deny planning permission to a new wave of would-be homeowners. Government subsidies and rules were omnipresent, but each attempt to alter market outcomes for one group created distortions elsewhere.

The picture by the end of the 1970s was one of confusion and multiple conflicts of interest, but not of failure. Over 50 per cent of the British housing stock had been built in the previous thirty-five years.⁷⁷ The physical conditions of housing had improved beyond recognition. Growing owner-occupation (59% of dwellings in England and 36% in Scotland by 1981) reflected a widespread desire for house purchase, shown in many opinion surveys at the time, not simply the absence of opportunities to rent. But continued success in meeting voters' aspirations after then faced three inter-related threats;

- The drying-up of the cheapest and easiest route into owner-occupation for people on modest incomes, since most of the private-rented stock had now been sold or demolished;
- A major change in the structure of the British economy as it became overwhelmingly based on service employment rather than on manufacturing. (This hit hard the skilled workers who had steadily been buying their own homes, since the 1930s).
- An increasing divergence between incomes in the top and bottom quartiles of the economy, partly as a product of the shift of the economy away from manufacturing. This also had regional implications for the affordability of housing, which were reflected in a growing financial (though not proportionate) difference between house prices in different regions of England (Figure 10).

⁷⁷ Peter Hall and Stephen Kennett, "The Inner City in Spatial Context," in *The Inner City in Context*, ed. Peter Hall (London: Heinemann, 1981). pp.25-66. Hall points out that there were marked regional variations within England; new housebuilding in the years up to 1981 had reinforced existing patterns of tenure – with much building for owner occupation in the South of England outside London, and building by councils in London and the North.

Figure 10: Regional Divergence in House Prices, 1990-2011⁷⁸



Part of the reason that house prices had risen so sharply on London was that the city – which had experienced population declines in the 1960s and 1970s – had not been allowed to grow physically when in the 1980s and 1990s it metamorphosed from a decaying imperial hub and industrial city, into one of the fastest growing and most prosperous regions of Europe.⁷⁹ Not only London, but also the towns that surrounded it and formed a clear part of its economic area, were surrounded by Green Belt land. For much of the 1970s and 1980s, development of brownfield land within its boundaries was also prevented by the planning policies of local councils, often Labour-controlled, which wished to preserve the land for industrial use, to provide employment for their working-class populations.⁸⁰ In both places, once development *was* allowed, the pressure of demand was so intense that it tended to create homes for the rich (though construction of some ‘affordable’ housing was often a condition of

⁷⁸ Table 506 Housing market: simple average house prices, by new/other dwellings, type of buyer and standard statistical region, from 1990 (quarterly) : author’s calculations. From <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/livetable>.

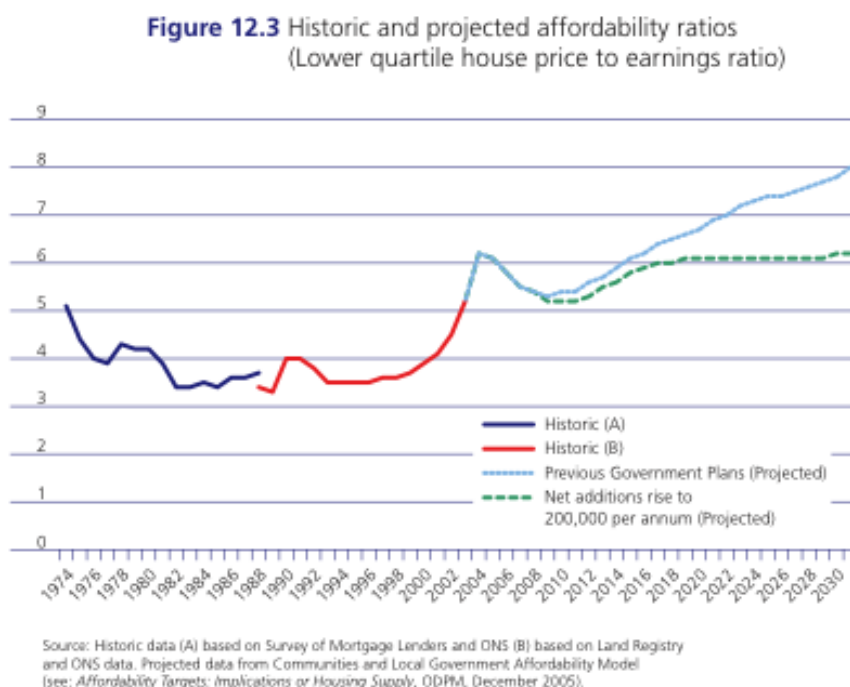
⁷⁹ Buck, *Working Capital : Life and Labour in Contemporary London*.

⁸⁰ Peter Damesick, "The Inner City Economy," *The London Journal* 6, no. 1 (1980): 32. John McCarthy, "The Evolution of Planning Approaches: North Southwark 1971-1994," *Land Use Policy* 13, no. 2 (1996): 149.

receiving planning permission for these schemes). This led to periodic calls to liberalise the planning system or at least to allocate more land for housing, which always aroused fierce political opposition, and normally ran into the sand.⁸¹

For the modestly affluent outside London, and especially those whose parents could afford to help them put down a larger deposit, falling interest rates meant that aspirations to owner occupation *could* still be met by the market (albeit with the assistance of a growing volume of help from tax subsidies from interest relief until these were reformed and largely removed in the late 1980s and early 1990s). (Figure 11).

Figure 11: ‘Affordability’ of Dwellings for Lower-Income Households, 1974 to (projected) 2030.⁸²



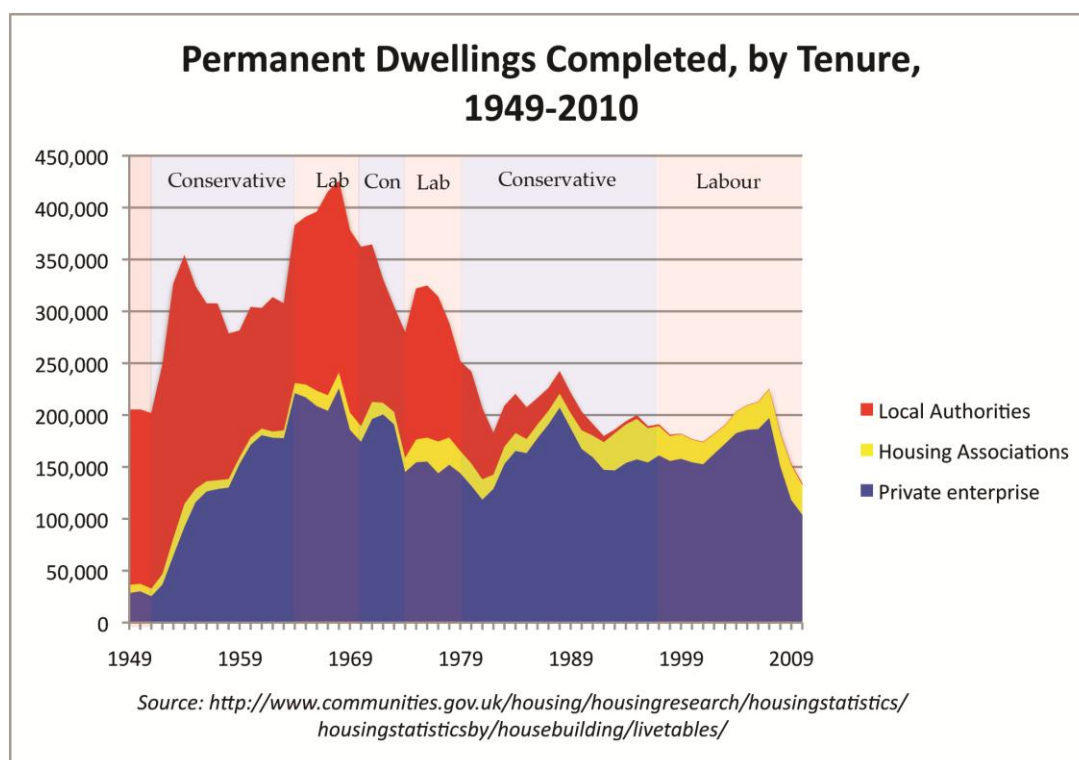
Liberalisation of financial markets also made lenders much less risk-averse than they had previously been; the multiple of incomes on which they made loans increased, and the deposits they required shrank. Most building societies (hitherto members’ organisations) de-mutualised in the early 1990s and turned themselves into banks (or

⁸¹ K. Barker *Review of Housing Supply: Final Report*. (London, March 2004). HM Treasury/ODPM *The Government’s Response to Kate Barker’s Review of Housing Supply*, (London, December 2005). Tim Leunig and James Swaffield, "Cities Unlimited: Making Urban Regeneration Work," ed. Oliber Marc Hattwich (Lonon: Policy Exchange, 2008)..

⁸² Reproduced from Hills, "Ends and Means.", Figure 12.3 p.138

sold themselves to banks). Competition between them caused them to over-extend their loan books, and created periodic crises for both lenders and borrowers.⁸³ But these setbacks did little to check the overall growth of the sector. New house building for owner occupation continued at pretty-much the same level as it had done since 1959 (with occasional mini-booms and busts), right up to the onset of the credit crunch of the early twenty-first century (Figure 12).

Figure 12 – Permanent Dwellings Completed, by Tenure, 1949-2010⁸⁴



What was hard to do, however, was to build new housing that was affordable for purchase by people on more marginal incomes, especially in areas of high demand. The widespread selling of council housing at high discounts under the Right to Buy scheme introduced by the Conservative government in 1981 was a partial answer to

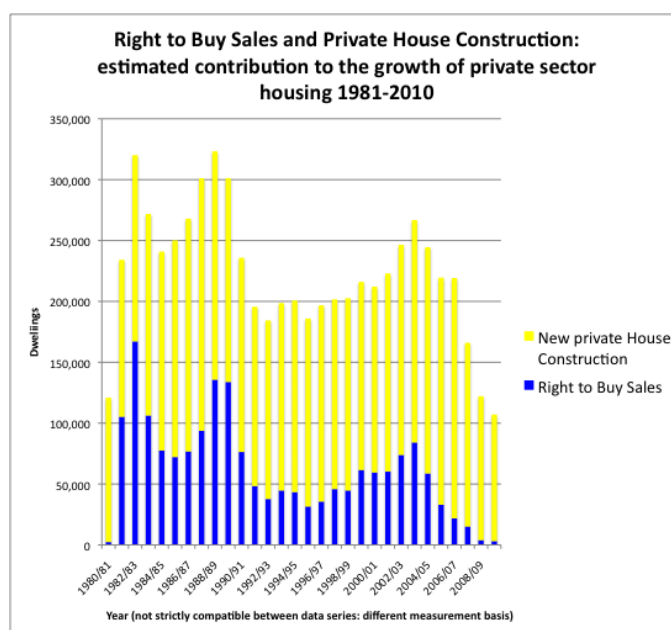
⁸³ Peter Malpass and Alan Murie, *Housing Policy and Practice*, 5th Edition ed., *Public Policy and Politics* (London: Macmillan, 1999). p.85

⁸⁴ The Conservatives built on average just over 50,000 socially rented houses each year from 1979 and 1996, (though the numbers decreased significantly year by year); from 1997 to 2010 the New Labour total decreased still further, to an average of 25,000 dwellings.

Table 241 House building: permanent dwellings completed, by tenure, United Kingdom historical calendar year series, from <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housebuilding/livetables>

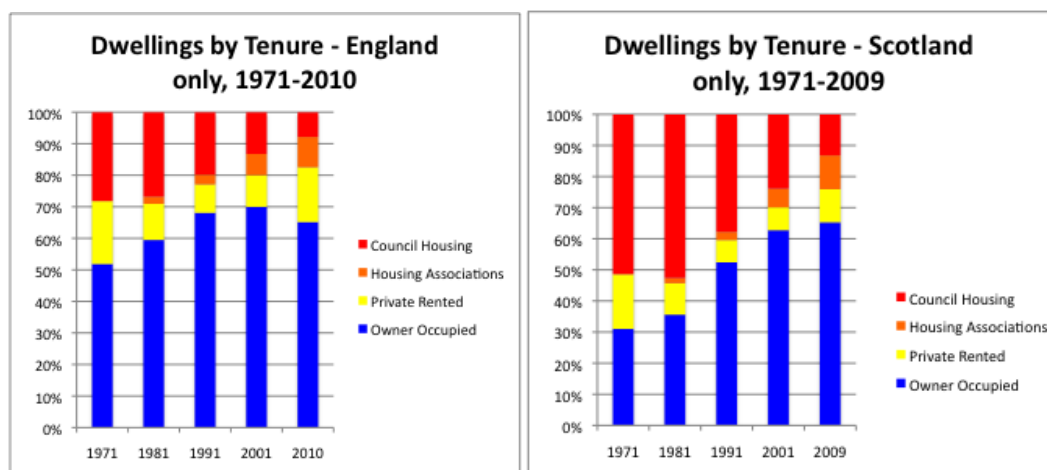
this problem. Right-to-Buy provided a relatively lower-cost route into home ownership for precisely the skilled, better paid, upper working-class families that had for so long been the life and soul of local Labour Parties. In many ways, it catered for groups similar to those who had bought the freeholds of previously *privately* rented houses between 1938 and 1975. The properties that were sold tended to be the better sorts of houses and bungalows, or flats on the nicer estates – which were somewhat more likely to be occupied by the first wave of council tenants, than by those later allocated houses on the basis of need. And in any case, more-prosperous families found it easier to afford the cost. Thus, the older moral economy reasserted itself; the subsidies involved with these sales went overwhelmingly to the more prosperous working people – the ‘respectable’ rather than the ‘rough’. The programme was extremely popular, and accounted for a significant proportion of the increase in owner-occupation for the following twenty five years (Figures 13, 14); it proved impossible for the Labour Party to sustain its initial opposition to the scheme. Another tenorial group had been created, which henceforth it would be essential to placate if further reform was proposed.

Figure 13: Sales under the ‘Right to Buy’⁸⁵



⁸⁵ Chart 671 Social housing sales: Local Authority and Registered Provider stock sold through the Right to Buy scheme, England : from <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/socialhousing/gsales/livetables/>

Figure 14: Changes in Tenure, England and Scotland, 1971-2009/10⁸⁶



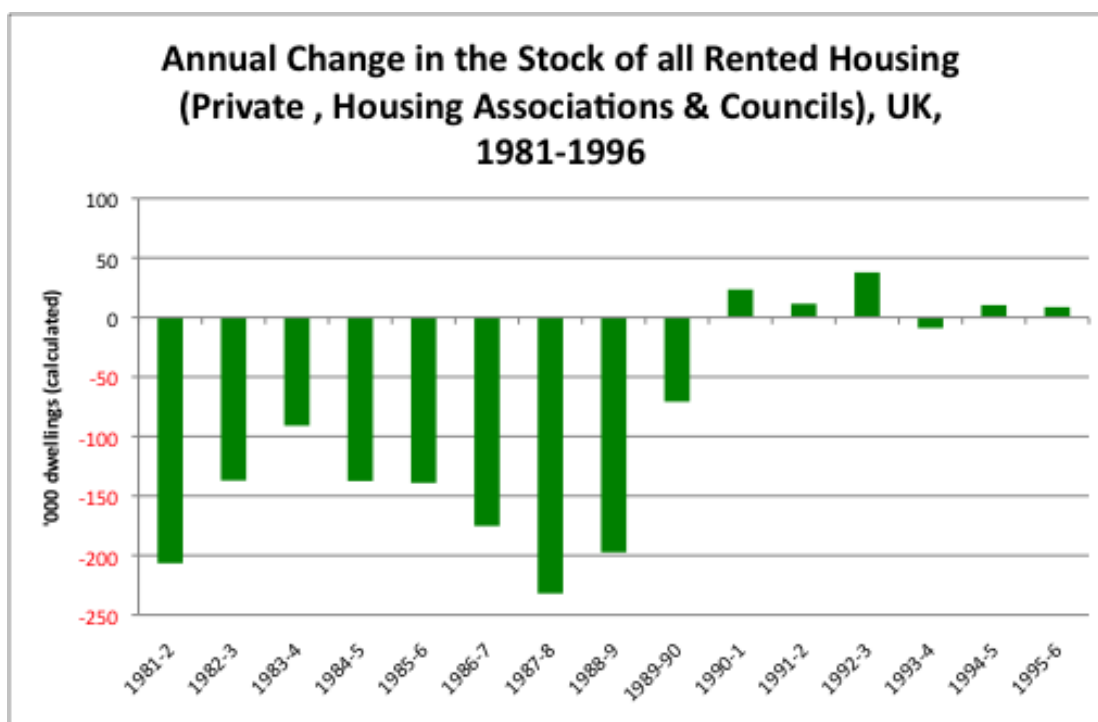
This left the problem of the poor. Right-to-Buy had no initial impact on the availability of housing for them, since the houses were sold to sitting tenants. But by removing the best properties from the rental market, it further reduced the range of choices available in the longer-term to those who could not afford to buy. And when these Right-to-Buy houses were eventually sold on, the purchasers more closely fitted the profile of ordinary buyers of owner-occupied homes, than that of those who had first bought them; the houses took their place in the supply chain based on their amenities and location.⁸⁷

The only feasible option for lower income householders remained, as it had always been, to rent. But the stock of available rental dwellings decreased steadily until 1990, and did not increase significantly in the ten years after that date (Figure 15).

⁸⁶ Table 104 Dwelling stock: by tenure1, England : Table 107 Dwelling stock: by tenure, Scotland <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/stockincludin gvacants/livatables/>

⁸⁷ Malpass and Murie, *Housing Policy and Practice.*, pp256-7.

Figure 15: Rental Property net Increases or Decreases⁸⁸



At the same time, trends in the national and international economy reduced the resources that they could bring to the market, when seeking rented homes. In a powerful and intensely moving article, Avner Offer has charted the decline and fall of the once self-confident world of the British working class.⁸⁹ There was an increasing gap between the income of those at the bottom of the income distribution, and the rest (Figure 16) – especially as society tended to polarise between households where two people had a job, and households where nobody did. There was also collapse in employment in manufacturing industry (Figure 17). More and more jobs were accounted for by government service (which used proportionately far fewer men than manufacturing had done) and by financial services (which normally required more formal educational qualifications than had manufacturing industry). Unemployment and rates of economic inactivity also rose.

⁸⁸ Calculated from: P. Malpass and A. Murie, *Housing Policy and Practice* (London, 1999) Table 532 p.88

⁸⁹ Avner Offer, "British Manual Workers: From Producers to Consumers, C.1950-2000," *Contemporary British History* 22, no. 4 (2008).

Figure 16: Real Household Disposable Income by selected deciles, UK 1981-2007/8⁹⁰

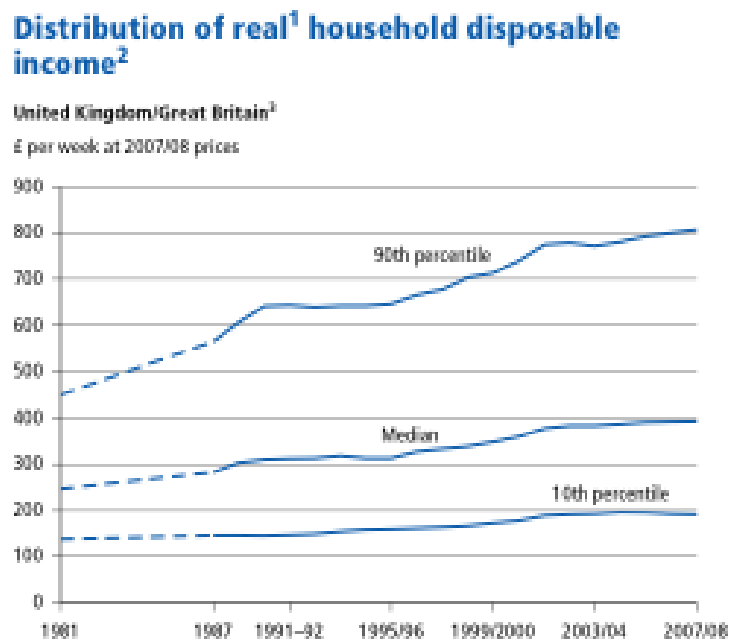
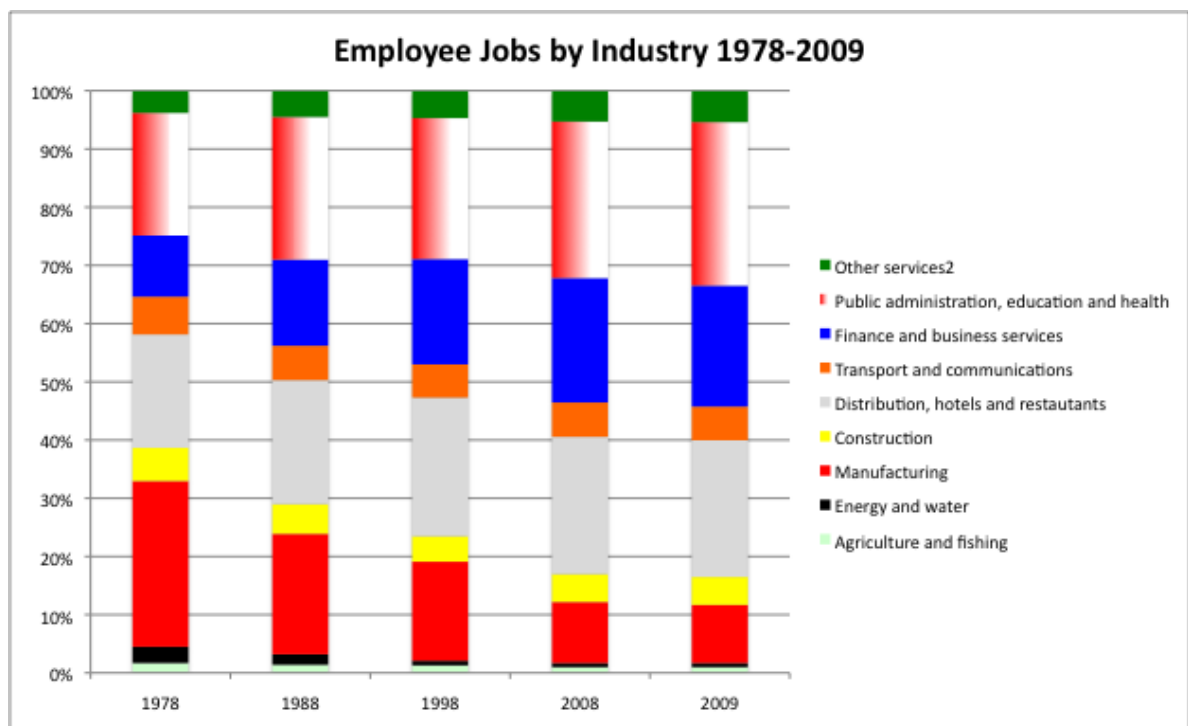


Figure 17 – Employment by Sector, 1979-2009⁹¹

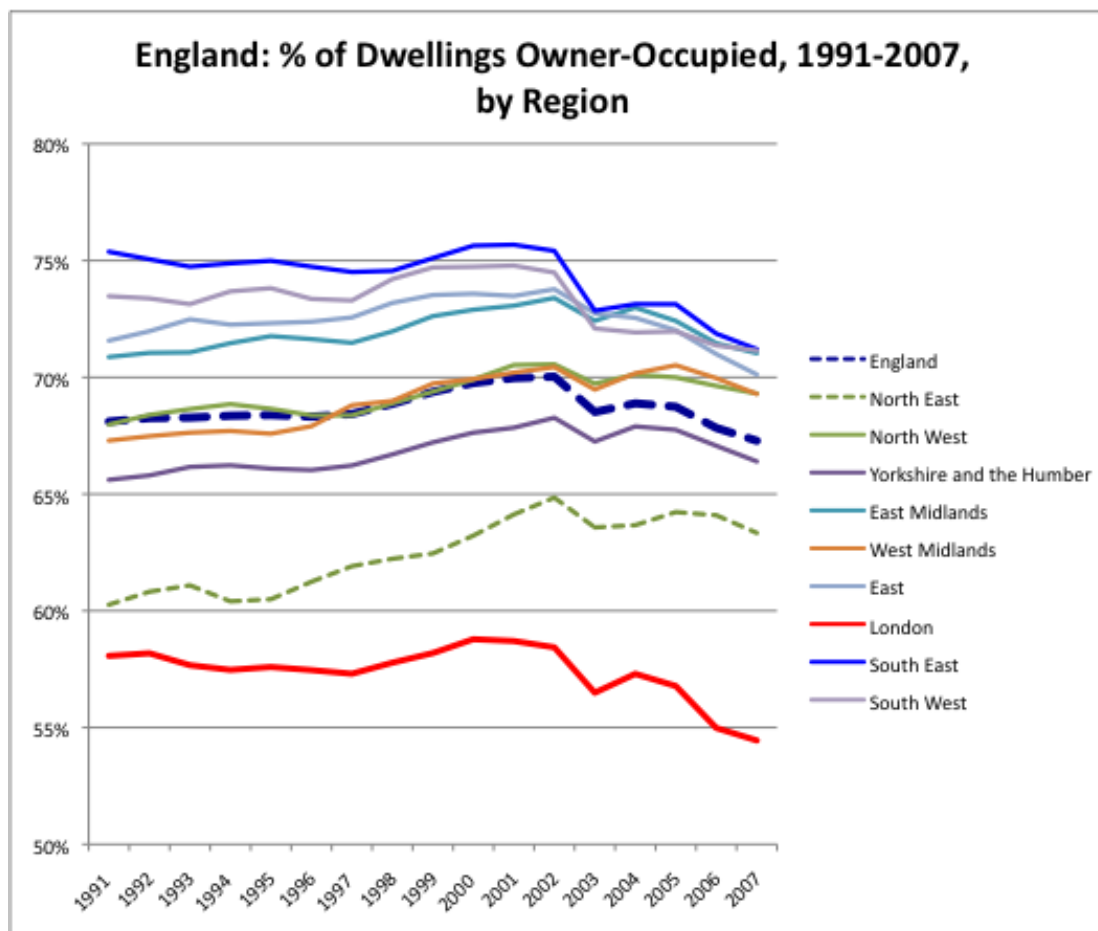


⁹⁰ Reproduced from *Social Trends 40* (London, 2010) Figure 5.2 p.61

⁹¹ Calculated from *Social Trends 40* (London, 2010) Table 4.8 p.49

Under these circumstances, although home-ownership increased in most British regions until the turn of the century (Figure 18), it remained out of reach for many families (especially in London, where house prices were very high).

Figure 18: owner occupation by region, 1991-2007⁹²



Social housing remained a viable option for some of the people who could not buy. But as demand due to new-household formation increased, as stock turnover fell, as some social houses were sold, and as pressures from immigration (in some local areas) increased competition for dwellings,⁹³ families were forced into a damaging game of catch-up, claiming multiple disadvantages in order to stand any chance of getting a home. Homelessness in particular gave access to priority allocation, but the

⁹² Table 109 Dwelling stock: by tenure and region from 1991 - <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/livatables>: author's calculations.

⁹³ For example, Hills reports that in the nine months from October 2005 to June 2006, 3,045 (or 5 per cent) of the 61,300 statutory homelessness acceptances by local authorities were recorded as being of foreign nationals, 71 per cent of these coming from outside the EEA and therefore likely to be primarily refugees; but that while most parts of the country, only 2 per cent or fewer of homelessness acceptances were of foreign nationals, in London, 14 per cent of the acceptances were. Hills, "Ends and Means." p.135

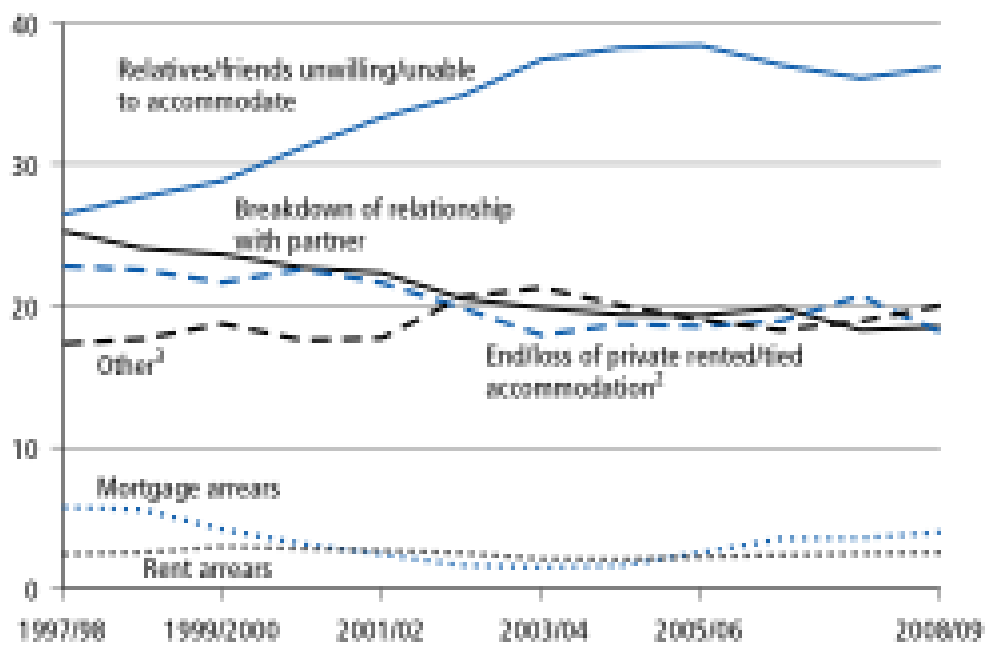
largest cause of ‘homelessness’ was eviction from the homes of family or friends (and thus may have involved some exercise of discretion) (Figure 19).

Figure 19: Households accepted as homeless⁹⁴

Households accepted as homeless: by main reason for loss of last settled home¹

England

Percentages



This did not mean that there was not real need. But personal need had to be matched to official categories of ‘need.’ One especially poignant example came in 1991 when Hanna Baiden, a 36-year old mother living in extremely crowded conditions, refused to take the advice of housing staff in Southwark and claim that she needed to be re-housed because of racial harassment. She said:

I told staff straight away that I would not say I was the victim of racial harassment. Black or white, we all get on very well together here and there is no need for me to do that.⁹⁵

However, she could not, therefore, be re-housed. ‘Southwark gives priority to homeless people and can only rehouse her if she is the victim of racial harassment’. Allocation was becoming a bridge-game, in which categories of need had to be used

⁹⁴ *Social Trends 2010*, Figure 10.8 p.144

⁹⁵ *South London Press*, 12th November 1991

as trumps. This started to undermine many of the implicit moral bargains that underlay the welfare state.

Governments faced an intractable problem. Faced with scarce social housing, they had to impose rationing.⁹⁶ But rationing had to be consistent in its application – and was increasingly subject to legal challenges. Allowing what many residents wanted – for example, ‘promotion’ to better homes by movement within the housing stock for better-behaved tenants, priority to the children of existing residents so that they could live near their families, and priority to applicants who had lived for a long time in a particular area⁹⁷ – was increasingly made impossible by court decisions.

While the physical conditions of their housing had improved, many families found themselves compelled to live near to a small minority of households who were criminal, violent, or simply anti-social in their habits.⁹⁸ The best empirical study of what might constitute a British ‘underclass’ – ‘suffering from lack of qualifications, low cognitive ability and chronic joblessness’ with ‘distinctive [characteristics] in terms of patterns of family formation, work commitment and political allegiance’ estimated its size as at most 6 per cent of the population – and many such families led blameless lives.⁹⁹ But there was no way, within the social housing system, to move away from difficult families, if they happened to live near by. Houses were allocated, not chosen; and ‘choice-based’ lettings gave priority not to the respectable, but to those in the greatest need. It had not always been like this. From at least the turn of the nineteenth century to the middle of the twentieth, a key feature of the life of the poor was the fine grained distinction of the rough and the respectable; and the way in which neighbourhoods, streets, or even sides of individual streets were the preserve of the one or the other; there was also significant defence by members of the community to local leaders, who were often prominent trades unionists in the workplace as well as being active in the community.¹⁰⁰ But this world was lost, along with the settled

⁹⁶ Including housing-association houses, access to which government also largely controlled, as a condition of providing subsidy.

⁹⁷ Geoff Dench, Kate Gavron, and Michael Young, *The New East End: Kinship, Race and Conflict* (London: Profile Books, 2006).

⁹⁸ Nick Davies, *Dark Heart : The Shocking Truth About Hidden Britain* (London: Vintage, 1998). Field, *Neighbours from Hell*. Mark Hudson, *Coming Back Brockens: A Year in a Mining Village* (London: Vintage, 1999). Beatrix Campbell, *Goliath: Britain's Dangerous Places* (London: Methuen, 1993).

⁹⁹ Alan Buckingham, "Is There an Underclass in Britain?," *British Journal of Sociology* 50, no. 1 (1999).

¹⁰⁰ Brian Jackson, *Working Class Community: Some General Notions Raised by a Series of Studies in Northern England* (Harmondsworth: Penguin Books, 1972). Joanna Bourke, *Working Class Cultures in Britain 1890-1960: Gender, Class and Ethnicity* (London: Routledge, 1994). Peter Willmott and Institute of Community Studies, *Adolescent Boys of East London, Reports of the Institute of Community Studies*

nature of the working-class communities in which such stratification was possible. It took very few badly behaved families to make an estate a nightmare to live on, if the community had no mechanism to check deviant behaviour.¹⁰¹ Nor, in an era of human rights and moral relativism, was it so readily possible for the majority to enforce its standards of behaviour on the disruptive minority.

By the first decade of the twenty-first century, politicians started to grapple with the issue in their speeches: for example, in September 2011 Ed Milliband said in his leader's speech at the Labour Party conference that:

Even after reforms of recent years, we still have a system where reward for work is not high enough. Where benefits are too easy to come by for those who don't deserve them and too low for those who do....Take social housing. When we have a housing shortage, choices have to be made. Do we treat the person who contributes to their community the same as the person who doesn't? My answer is no. Our first duty should be to help the person who shows responsibility. And I say every council should recognise the contribution that people are making.¹⁰²

Perhaps less surprisingly, similar commitments had already been made by the new Coalition government, for example in their framework document for the expansion of 'affordable' housing, and in a speech by the Minister on September 29th.¹⁰³ But however much politicians recognised that there was a problem, it was hard to see how under conditions of scarcity, and within existing legal frameworks, they could do much about it; the Minister's speech said that the government was to introduce new allocation criteria for social homes, giving more 'points' to someone who had been in work for two years; but simultaneously stressed the duty of councils 'to look after the most vulnerable in society'.¹⁰⁴ It was not clear that any government would seriously contemplate leaving a young mother homeless with her child, in order to give priority

(London: Routledge & Kegan Paul, 1966). Ross McKibbin, *Classes and Cultures : England 1918-1951* (Oxford: Oxford University Press, 2000).

¹⁰¹ Alice Coleman, *Utopia on Trial: Vision and Reality in Planned Housing* (London: Hilary Shipman, 1985).

¹⁰² The Labour Party, <http://www.labour.org.uk/ed-milibands-speech-to-labour-party-conference>: downloaded 30th September 2011

¹⁰³ "Provided that a local authority's overall scheme is framed around the Reasonable Preference categories, local authorities can opt to reserve certain properties for allocation to other client groups. They may decide to exercise this discretion in relation to Affordable Rent, eg to target it at households in work but on low incomes. Similarly, providers will have discretion to allocate properties to households who are in work where those properties do not form part of nominations agreements with local authorities." *2011-15 Affordable Homes Programme – Framework* (London, 2011) p.18 - Section 3.21

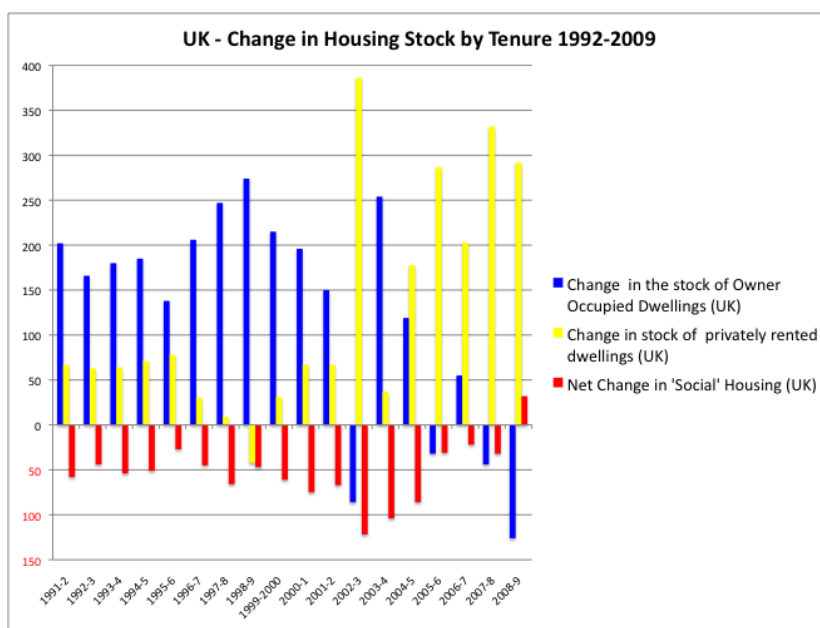
¹⁰⁴ *Daily Telegraph*, 29th September 2011

to good citizens who had contributed years of service to the community; or would leave the jobless shivering on the streets. It was also unlikely that any government would be able to expand social housing sufficiently to give access to it for families of modest means who were not facing a crisis. But many of them could not buy a home, either.

Since this was so, private rented housing – the Cinderella of UK housing policy for eighty years – increasingly had to take the strain. Earlier attempts to lift restrictions on private renting had failed miserably, amid scandals.¹⁰⁵ It was not until the late-1980s that governments began to reform security-of-tenure and rent-control for new lettings, and this liberalisation was initially hedged around with complicated rules. But by the mid 1990s new rentals were effectively uncontrolled. At the same time, purchase prices resumed their upward trajectory, making the purchase of rented homes seem a one-way bet for speculators. Landlords were also – unlike owner-occupiers – entitled to offset any interest they paid on debt incurred in buying rental properties against the income they derived from renting. This resulted in the provision of over 2.2 million new privately rented dwellings, in a period of under twenty years (Figure 20) – almost as many as had vanished from private renting between 1960 and 1975. This was an astonishing change in the nature of housing provision in the UK, though it is one that has so far attracted surprisingly little comment.

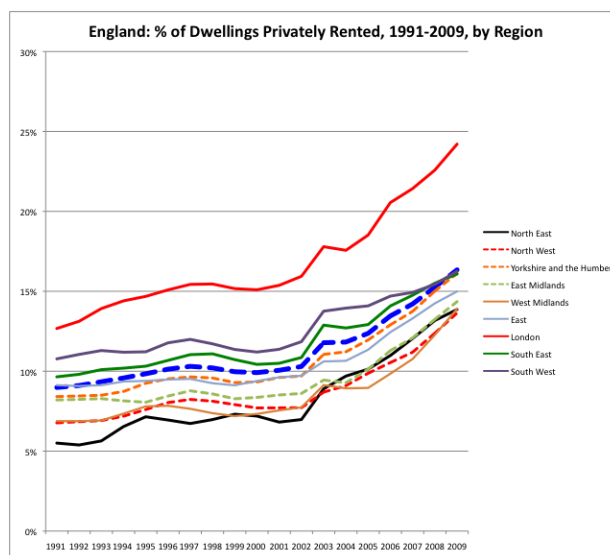
¹⁰⁵ Jerry White, *London in the Twentieth Century : A City and Its People* (London: Viking, 2001).. John Davis, "Rents and Race in 1960s London: New Light on Rachmanism," *Twentieth Century British History* 12, no. 1 (2001).. Christine Keeler and Thompson. Douglas, *The Truth at Last* (London: Pan, 2002)..

Figure 20: The rebirth of the private landlord¹⁰⁶



The regional impact of the change was even greater: in London by 2011, probably because of its much higher house-prices, private renting accounted for almost a quarter of all dwellings (Figure 21).

Figure 21: Private renting, by region¹⁰⁷



¹⁰⁶ Table 101 Dwelling stock: by tenure, United Kingdom - <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/livatables>: author's calculations.

¹⁰⁷ Table 109 Dwelling stock: by tenure and region, from 1991 <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/livatables>: author's calculations.

Once more, however, this shift owed as much to government intervention as to market forces. The two tenurial groups – small capitalist landlords buying houses on borrowed money, and tenants with limited security of tenure – would have been familiar one hundred years earlier.¹⁰⁸ What was different this time around was that the government was paying the rent, for one in four of the new tenants.

This was essential if they were to be able to have anywhere to live. Without government help of some sort, many working families on average or below-average incomes would have been unable to pay private-sector rents in areas of high housing demand. Average private-sector rents were £198 per week in London, £134 per week in the South East and £116 in the ‘East’ standard region. The minimum wage in 2008 was between £221 and £229 per week. Median earnings for all workers were £400; for those in the thirtieth percentile of earnings, they were only £277.¹⁰⁹ The average weekly pre-tax income of private-sector tenants receiving Housing Benefit was only £231 in 2009-10; about a quarter of all private sector tenants depended on Housing Benefits to meet their housing costs.¹¹⁰

Assistance to families to pay private rents had started in a modest way in 1972, as a result of the government’s attempt to raise social housing rents closer to market levels, accompanied by the introduction of mandatory rent-rebates. Since private renting was rent-controlled there were few public-expenditure implications in extending rent allowances to private sector tenants also, especially since that sector was shrinking in size. From at least the 1950s, there had been some pressure from central government to raise rents in social housing. The 1980 Housing Act took this process to its logical conclusion; it first cut, and then eliminated, tax- and rate-subsidies to council rents (though these rents still incorporated a considerable *economic* subsidy, since the cost-based rents were considerably below the costs of

¹⁰⁸ Also, in 2005 landlords tended to anticipate windfall capital gains, because of widespread belief that house prices were bound to go on rising, rather than a steady stream of rental income; loan-to-value ratios were high. This was a very fragile situation.

¹⁰⁹ Table 715 Rents, lettings and tenancies: rents and rent types, by tenure and region, from 1994
<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/livetables>.

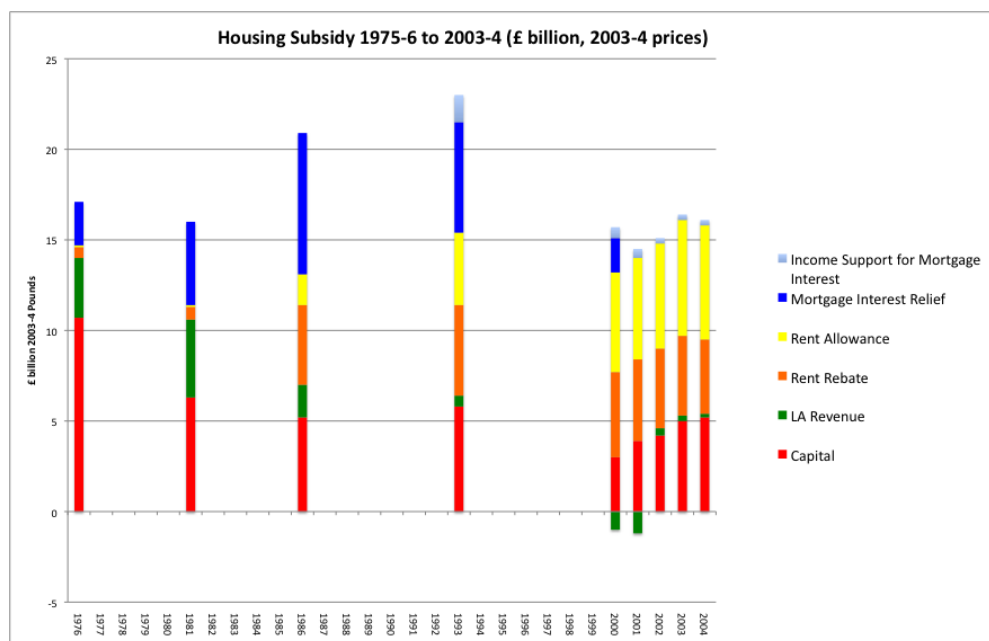
Table 1.7a Annual pay - Gross (£) - For all employee jobs: United Kingdom, 2008: Annual Survey of Hours and Earnings: from <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcM%3A77-48266>

¹¹⁰ (a) After 1997 means-tested government help was also available via ‘Tax Credits’ (these extended far up the income scale, to middle income families), and that these payments are likely to have supported housing payments amongst other things, though they were not earmarked for that purpose.

(b) Social sector tenants receiving benefits had an average income of £203 per week. 62 per cent of social-sector tenants were in receipt of housing benefit. Department of Communities and Local Government ‘English Housing Survey: Headline Report 2009-10’, London: 24 February 2011 p.17.

comparable private-sector housing).¹¹¹ To protect poorer tenants, the 1982 Social Security and Housing Benefits Act provided them with funding to meet these new higher rents, if necessary in full.¹¹² Similar payments were allowed to private tenants. This marked the start of a major shift of subsidy, away from buildings and towards people (Figure 22).

Figure 22: The Growth of Rent Rebates and Rent Allowances¹¹³



The Housing Act of 1988 created Assured Shorthold tenancies (which allowed landlords to regain possession of houses at the end of a rental term), but at controlled ‘fair’ rents set by a council rent officer. For Housing Benefit recipients, the rent could be paid in full. From 1996, Assured Shorthold tenancies became the norm, and landlords were allowed to charge full market rents.¹¹⁴ While government had always paid the full costs of (much lower) social housing rents to eligible claimants, there were obvious problems about what level of benefit to pay for private sector renting. Between 1989 and 2008 a variety of formulae were used, which aimed to pay actual rents in full if they were ‘reasonable’ for the area. After 2008 this system was changed; tenants were allowed to claim for particular types of properties based on their family size and type, and were paid a Local Housing Allowance (set at the

¹¹¹ Malpass and Murie, *Housing Policy and Practice*. pp.80-1. Hills, "Ends and Means." p.113.

¹¹² After 1992, the relevant act was the Social Security Contributions and Benefits Act, 1992.

¹¹³ Hills, "Ends and Means." p.113, Table 6.1

¹¹⁴ Department for Communities and Local Government, *Assured and Assured Shorthold Tenancies: a guide for tenants* (London, 2007)

median market rent for similar-sized properties locally), with which they could go shopping in the open market.

This means-tested support was vital to the financial survival of poorer tenants who needed to rent homes, to the survival of many buy-to-let landlords at the lower end of the property market, and to the survival of some lending institutions (such as Northern Rock).¹¹⁵ In effect, the government became the guarantor of a new generation of slum landlords, while shifting the capital assets involved in housing the poor off its own balance sheet (just as happen in other spheres via the Private Finance Initiative, used to construct new hospitals and new schools). But it was not clear just how much of the risk had truly been shifted to private sector investors and lenders; faced with a potential collapse in the value of those homes in 2008, government intervened to prop up the market. Yet another ‘tenurial interest’ had been created, which governments had little choice but to appease.

There were also two more immediate and practical problems. First (as has been discussed earlier in this paper) Housing Benefit produced major disincentives to participation in labour markets. Since support was withdrawn at very high rates as income rose, tenants in London could find themselves almost no better off if their gross household income from work rose from £100 to £400 per week.¹¹⁶ By 2010, the Local Housing Allowance for parts of London had reached £2,000 per week for five bedroomed properties, and rents for two bedroomed properties could be over £300. It would have been irrational for tenants receiving such rent allowances to seek work.¹¹⁷ This was less of a problem in regions where there was less pressure on rent levels (such as the North East); but there, there were many fewer jobs to go to.

Secondly, there was no effective way to cap the costs of these allowances, since entitlement to them was automatic. There was still – despite the expansion of the sector – a considerable shortage of low-cost rental property, caused by lags in supply, by the high cost of construction on brownfield sites, and by severe planning restrictions on suburban expansion. This helped to increase nominal rents much faster

¹¹⁵ Especially landlords who had purchased former council-owned properties – who have been described earlier in this paper as th new generation of slum landlords.

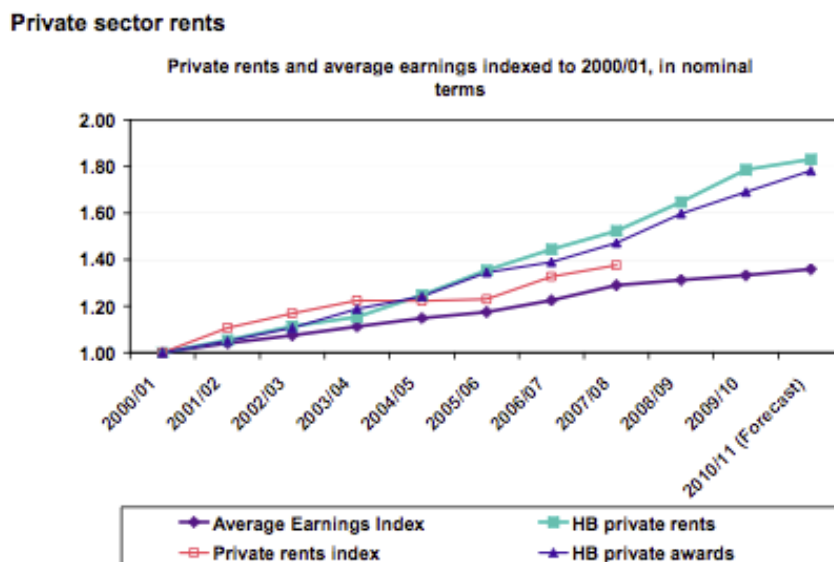
¹¹⁶ Hills, "Ends and Means." p.5

¹¹⁷ Department of Work and Pensions ‘Impact of changes to Local Housing Allowance from 2011’, from <http://www.dwp.gov.uk/local-authority-staff/housing-benefit/claims-processing/local-housing-allowance/impact-of-changes.shtml> (Consulted 2nd October 2011).

Social rents were much lower than market rents (just under half the level, across England as a whole, in 2009/10). Department of Communities and Local Government, ‘English Housing Survey: Headline report 2009–10, (London, 2010) p.7

than average earnings (Figure 23). Thus, expenditure doubled, rising from £11 billion in 2000 to £22 billion in 2010.¹¹⁸

Figure 23: Private rents, Housing Benefit Rents, and average earnings, 2001-2011¹¹⁹



Government moved to cap these costs, by reducing the benefits payable. From April 2011, the allowance was reduced to the level at which it would meet the rent at the thirtieth, rather than the fiftieth, percentile of rents in the local area (and maxima were set). It was uncertain what the impact of this would be on tenants, or indeed on their landlords and on the banks that had loaned them the money to buy those assets.

Conclusions

Over sixty years, housing assets became simultaneously the most important investment goods owned by most households in the UK, and the largest single item in

¹¹⁸ around 70% of this being, in both years, payments to working-age recipients – see Department of Work and Pensions ‘Impact of changes to Local Housing Allowance from 2011’ - from <http://www.dwp.gov.uk/local-authority-staff/housing-benefit/claims-processing/local-housing-allowance/impact-of-changes.shtml> (Consulted 2nd October 2011).

For total expenditure number see Work and Pensions Select Committee , ‘Impact of the changes to Housing Benefit announced in the June 2010 Budget’, analytical supplement, 3rd November 2010 p.3 - from <http://www.dwp.gov.uk/docs/wp-sc-analytical-supp.pdf> (Consulted 2nd October 2011)

¹¹⁹ Work and Pensions Select Committee , ‘Impact of the changes to Housing Benefit announced in the June 2010 Budget’, analytical supplement, 3rd November 2010 p.5 - from <http://www.dwp.gov.uk/docs/wp-sc-analytical-supp.pdf> (Consulted 2nd October 2011)

most families' consumption expenditure. They underpinned much of the consumption in the economy, since increasing house prices made many families willing to spend more. Housing construction was an important economic activity in its own right. Do-it-yourself labour, although not counted in national accounts, added substantially to the country's capital stock, and became a major hobby. Speculation about future house price movements created a new cohort of small capitalists, risking their wealth on buying property with borrowed money, and sometimes adding (or destroying) value by ambitious projects of redecoration and renovation. At its peak, seventy per cent of households in England owned their own homes. It was the apotheosis of the liberal revolution; the market had triumphed, and the state (apart from a residual social housing sector, catering to the feckless poor) had withered away.

But there was a puzzle here. As, on the surface, the British housing market moved away from social democracy and towards market liberalism, its underpinnings moved in the opposite direction. Each government intervention created a new set of clients or a new set of interests; these could seldom be ignored or over ridden when it came to introducing the next set of changes. So measure was piled on measure, and subsidy on subsidy, until at the end of the century the influence of government had become all-pervasive. It controlled the physical expansion of the housing stock by imposing planning rules; it controlled the form of the stock through building standards; it controlled who could live in social housing by increasingly tortuous and potentially self-contradictory criteria of need (which also came to determine the nature of whole neighbourhoods, by acting as a lens to focus deprivation); it underpinned owner-occupation through tax subsidies and direct sales of its own housing stock; and it provided financial support for private renting, at the bottom end of the market by paying the rent, and at the top by providing continued tax-breaks for loan interest, and by propping up lending institutions. A great deal of other economic activity by consumers depended crucially on the health of the housing market, so the impact of decisions about housing reverberated way beyond the walls of the nation's homes. Even when government wanted to withdraw from the market, it could not do so.

Avner Offer commented on the attempts at 'rational' reform before 1914:

Why did... reform end in such a miserable failure? Arguably, because of a misconception of the problem. Registration, which appeared on the face of it to be a rather mild measure of legal and administrative reform was really a measure for nationalisation without compensation.... Bentham would not have fallen into this error. He reserved his greatest eloquence to condemn the analogous case, "suppression of places and pensions, without indemnifying the individuals who had possessed them", not only on grounds of utility, but also of justice....

Expropriation by main force of middle-class interests was not practicable in Edwardian England and may still not be so today....¹²⁰

By 2011, the range of interests that had to be preserved went way beyond the middle class, and the task of any would-be reformer had become immeasurably harder.

To those of a conservative disposition, followers of Burke not Bentham, who think that society is made up of obligations, duties and rights that accrue through time, this is less of a problem than it might be to a rationalist reformer. Housing conditions have improved immeasurably, most people have been satisfied, and adjustment of the patchwork quilt of provision to cope with problems as they arise is probably the best that can be hoped for. But social amelioration of this kind faces two major problems.

The first problem is that it tends to reward the majority at the expense of minorities and the weak, whose claim on government attention may be sufficient to attract enough resources to buy them off, but is seldom enough to become the focus of concerted policies that could transform their lot. Markets can satisfy the needs of minorities (if they have the buying power), and so can Commissars; but pluralist politics cluster around the median voter. This is what has happened to the housing situation of the poorest households in Britain over the past hundred years.

The second great problem is that it depends on a continuing flow of new resources, to fix each new problem while still maintaining preserving the interests of existing clients. In particular, in housing, this demands the provision of enough new houses at least to keep prices in balance. By 2008, it was no longer clear that this was happening in the UK. Should this lead, as the Barker review predicted, to a major crisis of affordability, then it seems likely that something will have to give.

More generally, the history of post-war housing provision in the UK poses questions about the political economy of the welfare state in general. If pursuit of the median voter and the preservation of vested interests created at earlier stages of reform have been the two great forces driving forward state involvement in the political economy of housing, what might that tell us, for example, about education? And if liberal democracies survive by buying-off trouble from new problems, while continuing to support the vested interests that have accrued in the past, how will they to manage in situations in which economic growth can no longer be relied upon? If the history of intervention in housing gives us anything to go by, it seems likely that they will focus their resources on preserving the interests of those in the middle. This does not bode well for the poor.

¹²⁰ Offer, *Property and Politics, 1870-1914 : Landownership, Law, Ideology and Urban Development in England*. pp.85-6.

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