From slums to slums in three generations; housing policy and the political economy of the welfare state, 1945-2005.¹

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. Sometimes we try to create a different set of outcomes, by modifying the way the market operates. In mainstream economics the decision to intervene under such circumstances purports to be explicable within a rational choice framework, usually justified by the concepts of market failure and/or of public goods. But this apparent objectivity is the hard shell around a soft centre; why not chop down the rain forest, or let the cities rot? 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? Values keep coming in through the back door. Governments also sometimes explicitly seek to impose a substantially different outcome from that which market forces would have created. Such anti-market interventions have been suspect amongst those wedded to free-market models, but the political pressures to intervene have remained. Since this is so, we need to understand more clearly what happens when governments intervene in markets, or over-ride them entirely; it happens all the time, and we do not talk about it enough.

Housing markets are a good test-bed to study the causes and consequences of government intervention. Housing is also extremely important in its wider impact on society. Apart from the intrinsic worth of good quality homes, construction activity and housing-wealth have an important influence on much of the remainder of the economy. In the United Kingdom, distribution of overall life-chances in the second half of the twentieth century came to depend substantially on the consequences of political intervention in housing markets. Housing became simultaneously the principal speculative good for most families, and one of the most important consumption goods. There was constant tension between these two roles. Private interests became increasingly intertwined with conceptions of the public good, and

¹ This paper has benefited greatly from comments made at a seminar held in Oxford to mark the retirement of Prof. Avner Offer held in Oxford in October 2011, and from comments by readers when a version of it was made available on the internet as working paper in the Nuffield College Oxford Discussion Papers in Economic and Social History in May 2012. My thanks are due to all who have responded; any errors that remain are my own.
government intervention was pervasive. There were multiple groups (‘tenurial interests’)
with a stake in the outcome of these struggles:

- 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 the funding of housing loans. 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 third most important group were ‘private’ tenants - but for them during much of the century the state also intervened by imposing rent-control and security of tenure (and sometimes by expropriating their landlords, or demolishing 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.

Independence from the state, for all these groups, was a chimera. Government action could be defended as creating public benefits; 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 much federal support for owner-occupation. In Europe, the pattern varied – but broadly speaking, governments intervened to support the creation of good quality rented housing for ordinary working people (though not the poorest) in the 1940s and 1950s; but by the end of the century most governments provided directly subsidised housing principally to the very poorest groups. Almost all OECD countries also experienced substantial growth in owner-occupation, aided by generous tax subsidies.

Housing markets were affected by political intervention in six core ways:

- by planning;

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Attempts to shape the provision of housing needed to cope with the multiplicity of entrenched rights and expectations in each of these spheres.

**Housing and the poor**

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-1939 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. Slum-clearance knocked down their homes, but the new socially-subsidised houses that replaced them were often too expensive for them to rent. After the 1950s, social housing allocation no longer discriminated against the poor, and the cost of renting council housing fell as subsidies for building started to be topped up, from the mid 1960s, by rent subsidies for less well off tenants. The physical conditions of their homes were transformed for the better. 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

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per cent and 29 per cent.6 The poorest social groups still did less well than others, but the major differences related to the environment outside the home.7

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. 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.8

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.9 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.10 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. By 2007-8 majority of occupants in all sectors described themselves as satisfied, or very satisfied, with the places in which they were living. However, ‘satisfaction’ measures are difficult to interpret. More detailed questions showed 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’.11 In the 1990s and 2000s, things were made worse by an unintended consequence of the sale of council homes; while houses in

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7 Social Trends 37: 2007 (London:HMSO, 2007), Table 10.13 p.137
8 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.
10 Ibid. pp.100-110.
11 Ibid. pp.4, 94ff.
good neighbourhoods were popular, flats that were sold in inner-city council estates were often later bought 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. Thus, a new generation of private slum-landlords emerged, alongside their public-sector counterparts.

So why did the problem of providing poor people with a decent home prove so difficult to solve? An answer given by some on the Left was that there was no real desire to solve the problem; that radical egalitarianism coupled with extensive controls was the only answer; and that the collapse of the house-of-cards built on speculative investment in housing was an essential precursor to a serious attempt to tackle the problem. On the Right, rational-choice explanations about the demoralising effect of ‘welfare’ competed, and sometimes combined, with explanations in terms of personal inadequacy; poor areas are hell-holes because they are occupied by dysfunctional people.

**Path dependence and complexity**

This paper, however, will argue that it is not fruitful see the problems of the slums in such simple terms. Each intervention created rights and expectations that in turn complicated (and limited) subsequent choices. Over fifty years, successive governments boxed themselves into an ever-shrinking corner.

- Town and country planning restricted the ability of cities to expand. This helped to prevent hollowing-out of city centres. 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. Those who had bought when suburban building was allowed, saw the values of their homes rise sharply once planning controls stopped further expansion. As the periphery of England declined economically, and the south-east flourished, planning restrictions prevented people from moving to jobs. In the declining economic regions, the reverse sometimes happened; 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.

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• 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. 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. 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 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.

• The subsequent 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 the quality of the remaining housing stock available for rent.

- Access to good quality social housing thus became a very high-stakes game. 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. 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 were extensive black-markets in social housing tenancies. In some areas of major housing stress this competition led to sharp communal or ethnic tensions.  

- Attempts by governments to help poor families by providing means-tested help with rent payments 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. 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. 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. 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 half-century’s attempt to reform the provision of housing as a whole, not just housing in the public sector.

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The Supply of Housing and the First Tenurial Revolution

Before 1936, most ordinary families lived in privately rented housing; council housing (scarce, usually of higher quality, and often more expensive) was principally occupied by better-off working-class families. The Atlee government after 1945 revived what was effectively a pre-1936 policy, by building high quality houses for working people, at relatively high rents; but the building programme was restrained by other calls on public expenditure. The Conservatives, in power in the 1950s, 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.

Despite a constant narrative of crisis, the crude data suggest that the country made substantial strides in meeting the housing needs of its population throughout the second half of the century. The overall shortage of housing, which had been a major problem in 1945, was largely eliminated. Even by 1970, the United Kingdom already had a crude housing surplus. 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. Over the same period, the number of households increased by 31 per cent, and the population grew by only 9 per cent. The number of dwellings almost doubled from 1951 to 2005. By 2014, as Danny Dorling points out, there were far more bedrooms available than there were people to sleep in them – though unequal distribution of homes between rich and poor meant that some people remained in desperate housing need, and many families faced a crisis in terms of the availability of affordable accommodation. Acute local shortages still remained but these were essentially problems of economic success and of inequality, in fast growing regional economies.

Up to 1981, much of this new building took place outside the market sector, by the provision of council houses. After 1981, social housing construction was much less important. The overall impact of council housing construction on the stock of

15 Malpass and Murie, Housing Policy and Practice. p.52
18 Dorling, All That Is Solid. Chapter 4
20 Table 104 from: http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/stockincludin gvacants/livetables/
housing was however much less than these figures suggest. In the middle of the twentieth century, starting in the 1930s and continuing until the mid 1970s, England saw large slum-clearance programmes. Slum clearance after 1936 was still on a small scale compared to the total housing stock, and was halted by the war, but the programme started again in earnest in the 1960s and continued until the mid-1970s. 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. 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 reasonable time.

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 (fewer) occupants of the first 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. By 1965, 40 per cent of all local authorities offered some form of rent rebate for poorer tenants. These proposals provoked great anger, and sometimes rent-strikes, amongst better-off tenants and those in the older and better homes.

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. Rules granting rent control and security of tenure to new

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


24 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.

25 Malpass and Murie, *Housing Policy and Practice*. p.62
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). It allowed families to move home when they needed to in pursuit of a job, and to get a bigger or smaller home as family circumstances changed. It was also felt (sometimes wrongly) to be financially sensible because it could avoid the ‘waste’ of paying rent. Thus there was a growing wave of new owner-occupiers, often from modest working-class backgrounds.

But much of the shift to owner-occupation did not come from new building. Alongside slum clearance and council house construction, the most notable feature of the years before 1975 was the sale of private rented housing, mainly into owner-occupation. Until 1960, the decline of the private rental sector 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 that year. To help put this into perspective, it is worth noticing that sales of private rented dwellings into owner-occupation between 1938 to 1960 accounted for about one-and-a-half times more transfers into owner occupation than did all the (widely discussed) sales of public rented dwellings under Mrs Thatcher’s later ‘Right to Buy’ programme between 1980 and 2010. These early sales from the private rented sector represented a largely unnoticed tenurial revolution, whose impact has been swamped by the greater political prominence of the Thatcher reforms.


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). Source: Chart 671 Social housing sales: [http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/socialhousingsales/livetables/](http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/socialhousingsales/livetables/). 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).
Figure 1: Changes in Housing Stock by Tenure, 1960-75

Figure 2: Annual Increases in Owner-Occupation, by Source, 1951-1975

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Some of these sales, especially in parts of London,\textsuperscript{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).

Owner occupation 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 young skilled and non-manual workers who wanted to get a home and start a family.\textsuperscript{33} By 1972, almost half of all skilled workers in Great Britain already owned their own homes.\textsuperscript{34}

\textsuperscript{31} Source: \textit{Social Trends No 6} (London, 1975) Table 3.3 p.54


\textsuperscript{34} Adapted from \textit{Social Trends 6} (London, 1975) Figure 3.1 p.17
The Cycle of Government Intervention

Councils helped these new buyers by offering loans to facilitate purchases of older houses, at a time when building societies were often unwilling to lend on such properties, or to lower-income purchasers.\textsuperscript{35} 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 torrent of private-sector funding for housing repair. From the 1960s onwards, increasingly generous government grants also started to be available to supplement those private resources.\textsuperscript{36}

The market responded to these pressures. After 1960, building for owner-occupation took off, and between 1960 and 1975 2.6 million private-sector dwellings were constructed.\textsuperscript{37} But the market was not acting in isolation from government. 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 to support owner occupation (which took it to a peak of over 70\% of households in 2001) posed the question of whose interests it should serve. For Labour councils 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. 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 focus 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. 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).\textsuperscript{38} A formidable new tenurial interest had been created. In 1968 the Labour government introduced (as an alternative to tax relief) a subsidy to the interest rate charged to buyers by building

\textsuperscript{35} The issue of council loans for house purchase is discussed extensively in Merrett and Gray, \textit{Owner Occupation in Britain}, Chapter 10 pp.99-105.

\textsuperscript{36} Malpass and Murie, \textit{Housing Policy and Practice}. p.51

\textsuperscript{37} Ibid. p.50 (colour added)

\textsuperscript{38} Ibid. p.53.
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. Local councils also stepped into the breach by providing loan finance to marginal borrowers, on older properties.

The impact of all these measures was dwarfed by that of inflation. 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. First time buyers declined from 60 per cent of all purchases in 1970-72, to 48 per cent in 1973-80. 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. Meanwhile, nominal house prices rocketed.

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. House building started to decline very sharply in the public sector, 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. 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 faced sharply increased costs. Those who had bought homes early often sought 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.

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40 Ibid. pp.81-84, 298, 303-4.

41 Ibid. p.301

42 Ibid. p.305

43 Ibid. p.300
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.44 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. 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 difference between house prices in different regions of England.45

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.46 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


45 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/livetables.

employment for their working-class populations.\textsuperscript{47} 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 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.\textsuperscript{48}

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).\textsuperscript{49}

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 de-mutualised in the early 1990s and turned themselves into banks (or sold themselves to banks). Competition between them caused them to over-extend their loan books, and created periodic crises for both lenders and borrowers.\textsuperscript{50} 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 4).


\textsuperscript{49} Reproduced from Hills, \textit{Ends and Means}. Figure 12.3 p.138

\textsuperscript{50} Peter Malpass and Alan Murie, \textit{Housing Policy and Practice} (5th Edition, 1999) xi, 201. p.85
What was hard to do, however, was to build new housing that was affordable for purchase by people on more marginal incomes. The widespread sale of council housing at high discounts under the Right to Buy scheme introduced by the Conservative government in 1981 was a partial answer to this problem. It provided a relatively lower-cost route into home ownership for the 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 council properties that were sold tended to be the better sorts of houses and bungalows, or flats – somewhat more likely to be occupied by the first wave of council tenants, than by those later allocated homes on the basis of need. And in any case, more-prosperous families found it easier to afford the cost. Thus, the older

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51 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
moral economy reasserted itself; the subsidies involved with these sales went overwhelmingly to the more prosperous working people. The programme was extremely popular, and accounted for a significant proportion of the increase in owner-occupation for the following twenty five years (Figures 5, 6); it proved impossible for the Labour Party to sustain its initial opposition to the scheme. Another interest group had been created, which henceforth it would be essential to placate if further reform was proposed.

Figure 5: Sales under the ‘Right to Buy’

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52 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/socialhousingsales/livetables/
The Fate of the Poor

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 rental choices available in the longer-term. 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 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.

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. There was an increasing gap between the income of those at the bottom of the income distribution, and the rest – 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. More and more jobs were accounted for by government service (which used proportionately far fewer men than

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53 Table 104 Dwelling stock: by tenure1, England : Table 107 Dwelling stock: by tenure, Scotland
http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/stockincludingvacants/livetables/

54 Malpass and Murie, Housing Policy and Practice, pp256-7.

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

56 Reproduced from Social Trends 40 (London, 2010) Figure 5.2 p.61
manufacturing had done, and more women) and by financial services (which normally required more formal educational qualifications than had manufacturing industry). Unemployment and rates of economic inactivity also rose.  

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

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

This did not mean that there was not real need. But personal need had to be matched to official categories of ‘need.’ Allocation was becoming a bridge-game, in which categories of need had to be used 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. 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 area – 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

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


59 Hills, Ends and Means, p.135

60 Social Trends 2010, Figure 10.8 p.144

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

their habits. The best empirical study of what might constitute a British ‘underclass’ estimated its size as at most 6 per cent of the population – and many such families led blameless lives. 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. But this world was lost, along with the settled 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. 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 from all the major parties started to grapple with the issue in their speeches. 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; it was not clear that any government would seriously contemplate leaving a young mother homeless with her child, in order to give priority 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.

The Return of the Slum Landlord

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

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64 Alan Buckingham, ‘Is There an Underclass in Britain?’, *British Journal of Sociology*, 50/1 (1999), 49-75.

on private renting had failed miserably, amid scandals. 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 7) – almost as many as had vanished from private renting between 1960 and 1975.

Figure 7: The rebirth of the private landlord

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.


This was an astonishing change in the nature of housing provision in the UK, though (like the earlier shift from private renting to owner occupation) it is one that has so far attracted little comment within an academic and policy community whose focus has been overwhelmingly on what was happening in the public sector.

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. What was different this time around was that the government was paying the rent, for one in four of the new tenants. 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.

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. 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 comparable private-sector housing). 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. Similar payments were allowed to private tenants. This marked the start of a major shift of subsidy, away from buildings and towards people.

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. From 1996, Assured Shorthold tenancies

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69 Also, in 2005 landlords tended to anticipate windfall capital gains, because of widespread belief that house prices were bound to go on rising.


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

73 Hills, Ends and Means. p.113, Table 6.1
became the norm, and landlords were allowed to charge full market rents.\textsuperscript{74} 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.

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. 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. 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. 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 than average earnings. Thus, expenditure doubled, rising from £11 billion in 2000 to £22 billion in 2010.\textsuperscript{75}

**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 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

\textsuperscript{74} Department for Communities and Local Government, \textit{Assured and Assured Shorthold Tenancies: a guide for tenants} (London, 2007)

\textsuperscript{75} 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’ in http://www.dwp.gov.uk/local-authority-staff/housing-benefit/claims-processing/local-housing-allowance/impact-of-changes.shtml (Consulted 2\textsuperscript{nd} 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, 3\textsuperscript{rd} November 2010 p.3 - from http://www.dwp.gov.uk/docs/wpsc-analytical-supp.pdf (Consulted 2\textsuperscript{nd} October 2011)
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. Interest-rate rises created the spectre of defaulting mortgagees, and failed lending institutions. Even when government wanted to withdraw from the market, it could not do so.

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 2014, it was no longer clear that this was happening in the UK.

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.

Harold Carter

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