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**DOI**

[10.1080/14036096.2020.1816572](https://doi.org/10.1080/14036096.2020.1816572)

**Publication date**

2020

**Document Version**

Final published version

**Published in**

Housing, Theory and Society

**Citation (APA)**

Elsinga, M. (2020). About Housing Systems and Underlying Ideologies. *Housing, Theory and Society*, 37(5), 557–561. <https://doi.org/10.1080/14036096.2020.1816572>

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To cite this article: Marja Elsinga (2020) About Housing Systems and Underlying Ideologies, *Housing, Theory and Society*, 37:5, 557-561, DOI: [10.1080/14036096.2020.1816572](https://doi.org/10.1080/14036096.2020.1816572)

To link to this article: <https://doi.org/10.1080/14036096.2020.1816572>



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Published online: 12 Oct 2020.



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## About Housing Systems and Underlying Ideologies

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### ABSTRACT

This contribution is a reflection on the critical analysis of Mark Stephens of the theoretical work on housing systems by Jim Kemeny. It concludes that the analysis of Stephens is a great incentive to continue the debate on housing and welfare started by Kemeny. The core of the review is that Stephens focusses on the so-called maturation of social rental housing as a replacement of government subsidies: can non-profit housing compete with commercial housing under smart conditions for social sustainability? Stephens is right that this maturation thesis does not hold and he provides convincing evidence for this. However, Stephens contribution neglects an important part of Kemeny's work: the link between housing and more in particular the role of home ownership in welfare states. Here is work to be done! This contribution concludes with emphasizing the link between housing and welfare systems and its underlying ideologies. Rules of the games such as laws for social rental housing are important, but even more important than laws are day to day beliefs among citizens and professionals of what is right and wrong in housing practice. In other words it needs further research to explore the role of housing in practice of populism and COVID19. How do underlying housing ideologies play a role in current practice and how do and can they change policies and practices in housing in different continents?

### ARTICLE HISTORY

Received 22 June 2020

Accepted 24 August 2020

### KEYWORDS

Housing systems; housing ideologies; housing policy

## Kemeny's Provocative Theory on Housing and Welfare

Kemeny is a sociologist who developed a theory on housing and welfare that has been cited many times by those who support his theory as well by those who criticize it. Kemeny criticizes the Marxist as well as the neoliberal discourse. Both are suggesting a convergence in housing systems with a focus on Europe. By contrast, he advocates divergence of housing systems and theorizes an alternative model inspired by the Swedish, the German, the Austrian and the Dutch models. The *unitary rental model* is an alternative to the Anglo-Saxon model of a home ownership society and a dual rental market: home ownership as the social norm, and social housing as a safety net that is clearly separated from the commercial rental market.

The heritage of Jim Kemeny is worth debating with him directly, but unfortunately, he recently passed away, so we have to miss his voice. It is great that *Housing Theory and*

*Society* continues this debate, and the editor has invited the widely-recognized Professor in Housing, Mark Stephens, to provide an excellent kick-off for future debate.

### **Kemeny's Theory Failed, according to Stephens**

After 25 years since Kemeny's seminal publications, Stephens presents an empirical analysis of the Kemeny hypothesis on the unitary rental model, and in particular the role of maturation. He explores Kemeny's theory about mechanisms of unitary rental markets, in which an independent non-profit rental sector competes on the housing market with the for-profit rental sector and the owner-occupiers sector. Both of these compete for the favours of broad layers of the population without specific government protection or support (that is, without "positive discrimination"). Stephens identifies the financial maturation of non-profit rental housing as an alternative for government subsidies, this being a key feature of unitary systems. To support his argument, he analyses the developments in the last decades of the dual rental market in the UK and those in the unitary rental markets in Germany and Sweden. This results in a very rich overview of what happened in practice in the last decades and how that links to Kemeny's theory. He identifies financial austerity as a key factor leading to changes in the rental systems. The conclusion is clear: unitary models lost and these systems are moving towards the dual rental model.

Stephens: "the two unitary rental markets examined here broke down not just because things changed, but because the theory was in places mis-specified. The relationship between housing and the wider welfare regime was misunderstood, the belief that maturation would counterbalance loss of subsidy misplaced, and the refusal to accept the power of high-level forces of convergence associated with globalization myopic, whilst the post-GFC era of unorthodox monetary policy was unforeseeable."

### **Analysing Maturity in Rental Systems**

Stephens strongly focusses on Kemeny's hypotheses, that financial maturation of non-profit housing providers can replace government subsidies. Based on the analysis of the situation in Germany, Sweden and the UK, he concludes that sustainable competition between non-profit and profit housing providers is not realistic. However, the German case demonstrates that there still is a huge regulated rental sector model which, one could argue, is a unitary model. This raises the question of representativeness of these two quite different unitary models.

It is a pity that he did not include the Dutch case in his analysis, a social-rental sector that is a topic of debate because it is considered too rich and "over-mature" (Elsinga, Haffner, and van der Heijden 2008). Conijn (2011) made an inspiring start with the analysis of the Kemeny hypothesis from an economic perspective. Likewise, it is disappointing that the analysis of Conijn was not followed up. This is the place to remind us all of his contribution and the introduction of the term "over-maturation"! He states: "One of the consequences of the financial strength of the Dutch housing associations is that they have ample opportunities to create a substantial gap between the market rent level and the actual rent of their dwellings. So, there is no level playing field anymore." He concludes: "This situation of over-maturation may have destabilising effects for the Dutch housing

market.” Therefore, the dominance of the over-mature social-rental sector seriously harms private rental housing. A way to solve this “problem” was through the introduction of a landlord tax for affordable housing by the Dutch government in 2013. This was a different way to push the unitary market in the direction of a dual one.

This Dutch case demonstrates that maturation is part of the system that can be applied in different ways: it may appear not to compensate for subsidies as Stephens concludes, but if it is over-mature, a tax can be applied to “de-mature” the non-profit providers. The conclusion is that it is not a question of maturation but rather how governments deal with it is the driver for changing rental systems!

## Ideologies as the Drivers of Systems

The Dutch case demonstrates that maturation was able to compensate for the loss of subsidies. The financial crisis was used as an argument to introduce the landlord tax, but further analysis teaches us that it was the neoliberal thinking that became dominant. This was key in the thinking about the Dutch social-rental system.

The European Commission criticized the large social-rental sector in the Netherlands for harming the level playing field with commercial rental housing providers. The limited amount of state aid for the social landlord (a guarantee for loans) was considered false competition for commercial rental investors. Instead of providing limited support for commercial investors to create a level playing field, the fundamental discussion about non-profit housing resulted in a new Housing Act in 2015 that ended the broad Dutch rental model.

Non-profit housing subsidized housing should be targeted to the most vulnerable. This kind of wording became dominant among policy-makers and also on the boards of non-profit housing associations. It is remarkable that in this debate it is often stated that housing associations should go “back to their core”: housing the most vulnerable households. However, Dutch housing associations were established to serve broader layers of the population and not the most vulnerable. This demonstrates that the neoliberal language appeared stronger than the factual history.

But why did the neoliberal thinking take over, and why did alternatives not prevent this? Kemeny refers to the “ordoliberal”, but this part of his theory is rather vague, as Stephens justly concludes. There is more work to be done here to delve into what could underpin “social markets” and the so-called “Rhineland model” in which all investors feel responsible for society. What are the key principles and words here that are different from neoliberal thinking in the field of housing, and could these play a role in the future debate?

An example of such an alternative is thinking about non-profits that are part of a “social market” but do not match with neoliberal thinking. *Non-profit* is not public and not profit-driven, and thus regarded as being inefficient and not desired. Another example is risk-taking and the rather negative connotation of being *risk averse*. The negative connotation of risk averse is connected to financial thinking as taking intelligent risks and building buffers. Yet this is considered inefficient in residential real estate thinking. The word risk averse is often applied when describing the German housing system, but why not simply call this prudent? After all, Germany was hardly hit by the global financial crisis. Thus,

there is work to be done in rethinking housing regimes and the wording applied in the debate.

## Beyond Rental Systems: About Home Ownership and Welfare

The title of Stephens' contribution promises to deal with the future of housing systems. However, the remainder of the article mostly focuses on rental systems and Kemeny's book, *From Public Housing to social markets* (1995). Stephens concludes that Kemeny "misunderstood the relationship between housing and the wider welfare regime". It is a pity he did not include the ideas of two other great books of Kemeny that deal with the relationship between housing and the wider welfare regime: *The myth of home ownership* (Kemeny 1981) and *Housing and social theory* (Kemeny 1992).

For me, *The myth of home ownership* was a real eye-opener when I was working on my PhD on low-income home ownership in the early 1990s. Kemeny was a British person that moved to Sweden and was fascinated to see in Sweden that a municipal rental dwelling appeared a good and broadly accepted alternative to home ownership. He witnessed and felt that there is another housing model than the British home-ownership model, and he wanted to theorize this. He, therefore, became an important player in the housing convergence and divergence debate, emphasizing the role of country-specific institutions, and stating that there is an alternative for convergence, driven by neoliberal forces.

## Food for Further Debate

Stephens emphasizes the weak part (maturation and ordoliberalism) of Kemeny's thinking and neglects the strong part (home ownership and welfare) of his work. Nevertheless, this piece is a great start for a new research agenda.

The focus on maturation in this contribution of Stephens is a "systems" debate, but what Kemeny was looking for was the way ideologies are translated into housing systems (Kemeny 1992). This is an important conclusion: it is not about whether maturation can compensate for stopping subsidies or whether "housing for all" is affordable for a society. Rather, it is about the underlying ideology of whether non-profit housing should be open to large parts of society, of whether home ownership is the best housing tenure, and whether housing is meant for making money or for supporting people's wellbeing. As Stephens refers to his work on Eastern Europe and concludes that "there was no *ideology* replacing socialism, and that this extends to the former heartlands of social democracy and corporatism. Neoliberalism is too looser shirt to explain and is in any case challenged by populism!" This does not restrict the debate to housing but links to ideologies more in general. As Ruonavaara (2018) states, it is not sensible to search for "a grand, total theory of housing". Instead, theorizing *about* housing and *from* housing are ways to move forward.

It would be worthwhile to dig *broader* and to further analyse other prominent but slightly different examples of the unitary model, such as those from Austria, Switzerland and the Netherlands. Another challenge is to dig *deeper* to grasp what Kemeny was looking for: the mechanism underlying a different model. For example, one might try to find theoretical underpinning for housing systems and explore whether ordoliberal or other theories can be alternatives for neoliberal thinking. Finally, it would be good to dig

*different*, by, for example, searching for the role values around housing in shaping well-being of people and inclusive and sustainable societies: to enquire about the underlying values at stake and how they do and can shape housing systems (Elsinga et al. 2020).

Housing systems are path-dependent, and changes can be explained by *critical junctures*, such as crises. Many hoped the Global Financial Crisis could be such a critical juncture. However, it did not really change the dominant neoliberal thinking. Maybe the COVID19 crisis will. After all, it was the concern about health issues at the end of the 19th century that boosted the introduction of the Housing Acts. Perhaps the current situation can be a critical juncture in the development of housing systems, by putting housing as being key for health. The work of Jim Kemeny still is a source of inspiration and this contribution of Mark Stephens an excellent kick-off for re-thinking ideologies and housing systems in times of European populism and COVID19.

## Disclosure Statement

No potential conflict of interest was reported by the author.

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