HOUSING FINANCE IN SEVEN EUROPEAN COUNTRIES: FINANCIAL INSTRUMENTS AND GOVERNMENT EXPENDITURE[1]

Peter Boelhouwer

1 Introduction

The foregoing article illuminated the housing policy waged for two decades in seven West European countries. That review drew attention to the ubiquitous departure from production-oriented policy (stages 1 and 2). These countries have moved ahead to deal with distributive issues and specific target groups (stage 3). At the same time, government everywhere has been retreating from the housing arena, making way for market forces. This trend was observed first in Belgium, followed by the Federal Republic of Germany, Denmark, England, France, the Netherlands, and finally by Sweden.

This second article complements its predecessor by focusing on the instruments that have actually been used to carry out housing policy. These instruments are described from a financial perspective, for which we rely on Papa's (1992) study of the financial instruments applied in European housing.

This article has a dual objective. It seeks *to elucidate how the governments use financial instruments to intervene in housing* and subsequently *to determine the (relative) level of government expenditure on housing.* The latter part of the objective also concerns the nature of the expenditure. Such information is a necessary supplement to an overview of government policy. It provides insight into how diverse housing systems operate. As posited in the first contribution to this special issue, an analysis confined to housing policy (in terms of formulated goals) has little value. The reason is that the goals of the government tend to be too narrowly conceived, whereby the implementation of policy is often doomed to failure (Ball et al., 1988; Harloe and Martens, 1983; Van Vliet, 1990). Of course, not all researches share this view. In fact, Lundqvist's (1990) approach to the comparison of housing systems is based on implemented government policy. The concluding section elaborates on the relation between effectuated government policy, as explained in the foregoing article, and the level of housing subsidies.

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Before dealing with government expenditure (Section 4) and drawing some final conclusions (Section 5), attention is devoted to the first part of the dual objective stated above. That is, we ask, How did the countries under review utilize their financial instruments to build a housing policy in the 1980s? In this context, we can distinguish three main types of government intervention that are found to some degree in all seven countries: regulation, subsidies, and direct investment.

Regulation means that the government makes use of laws to intervene in the market mechanism. In OECD countries, regulation of the housing market takes the form of rent control and constraints on the capital market. In the latter case, regulations stipulate the type of loans and/or mortgage rates that may be applied to housing. The mortgage guarantee is also a form of regulation.

Subsidies also allow a government to intervene in the market mechanism. But this instrument is primarily intended to assist the consumers by fixing housing costs below cost price. This instrument applies to both the supply and the demand sides of the housing market. Subsidies on the supply side are directed toward the producers of housing, such as developers and housing associations. With subsidies, housing services can be offered at a reduced price. Subsidies can be granted in various forms, such as capital subsidies or tax deductions. And subsidies can also be directed to the demand side. Through this channel, the direct housing consumption (of the renters and owner-occupiers) can be influenced by bringing direct housing outlays down below cost. Subsidy systems in this area apply to individual housing allowances and income tax relief. Finally, governments can intervene in the housing market by investing in housing and then bringing it onto the market. Various strategies are conceivable. The government can act as developer; it then takes the risk of building and selling the dwellings. These units could also be rented under public management. The financial instruments should be derived from these three main types of government intervention.

Obviously, direct subsidies are part of the package, and tax deductions are also taken into account. Strictly speaking, these two measures are not true subsidies, but their effect is essentially the same as that of a subsidy. This article subsequently deals with forms of regulation, including constraints imposed on the capital market and the provision of guarantees. Direct investments by government lie outside the scope of this review. The reason for their exclusion is that by the end of the 1980s, this measure was hardly extant in the countries under study.

Summarizing, the first part of this contribution is primarily concerned with the following financial instruments: subsidies, loans (and guarantees), and fiscal regulations. Section 2 starts off with an overview of the various financial instruments available in the seven countries. Section 3 gives depth to this review by expanding on the differences and similarities found for each type of instrument.

Table 1 Overview of the incidence of financial instruments in the countries studied, 1990

	individual subsidies		property subsidies		government loans		government guarantees	
	rental	owner-occupied	rental	owner-occupied	rental	owner-occupied	rental	owner-occupied
The Netherlands	+	-	+	+	-	-	-	+
Belgium	+ (1)	-	+ (2)	+	-	-	-	+
Federal Republic of Germany	+	+	+	+	+	+	-	-
Denmark	+	+ (3)	+	-	-	-	-	-
England	+	+ (4)	+	+ (5)	-	-	-	-
France	+	+	+	+	-	-	-	-
Sweden	+	+	+	+	-	-	-	+

(1) no direct subsidy, but a system of rent regulations (only social rental sector)
(2) only social rental sector
(3) only pensioners
(4) until 1990, only a local real estate tax
(5) only improvement

Source: Papa, 1992, p. 158.

2 Incidence of financial instruments in seven European countries

Table 1 gives an overview of the subsidies available in the countries studied. These instruments include property subsidies, housing allowances, government loans, and government guarantees. The figures are broken down for the rental and owner-occupied sectors.

All seven countries provide housing allowances for renters. In Belgium, this instrument does not take the form of a direct individual subsidy. Rather, through a system of rent control, individual rents are calculated that may be either higher or lower than cost rent. This system of rent control only pertains to the (relatively small) social rental sector (NMH); it does not apply to renters in the private sector. Unlike the other countries, the Netherlands and Belgium do not offer housing allowances for the owner-occupied sector. Yet in countries where such allowances are provided, they are limited in scope. Section 3 elaborates on the differences and similarities among the subsidy schemes.

Table 1 also shows that each country offers property subsidies in one form or another. These can be applied to both new construction and rehabilitation of existing dwellings. Section 3 identifies some major differences in the effects of property subsidies, both in terms of scope and form. Two points should be made in regard to interpreting this table. First, it should be kept in mind that owner-occupiers in Denmark make little use of property subsidies. These are incorporated in index-linked mortgages, and this kind of loan is not in great demand by Danish homeowners. Secondly, in England, access to property subsidies is confined to the owner-occupied sector. These funds are intended to support home improvement. New construction in the owner-occupied sector is not subsidized there.

Government loans, which are financed directly by a budget, have all but disappeared in Western Europe. The Federal Republic of Germany is the only country where they are still available. There, government loans take the form of interest-free loans and "Aufwendungsdarlehen." The interest-free loan is extended as partial coverage of the full amount to be financed. The "Aufwendungsdarlehen" is an advance on capital expenditure. It is extended on a 15-year term, and repayment starts after 17 years. Interest is due on the debt.

The final column in Table 1 refers to government guarantees. The Netherlands, Belgium, and Sweden are the only countries that still use these instruments. The Netherlands and Sweden provide municipal guarantees for owner-occupiers. In Belgium, homeowners may qualify for regional guarantees under certain conditions.

3 Comparison of financial instruments for housing

This section compares selected elements of each type of instrument as applied in the seven countries surveyed.

Housing allowances
Table 2 gives an overview of some key aspects of the housing allowance systems. As pointed out above, the Belgian system of rent control differs from the others. For countries with a variety of systems, the table presents the one most widely applied. It also includes systems that serve special target groups.

Comparison of the various systems shows that the range of application differs among the seven countries. The Netherlands, Denmark, and Belgium restrict the system to the rental sector. In the Netherlands and Denmark, it covers the entire rental sector, whereas in Belgium it only applies to the social rental (NMH) sector. In the other countries, a system of housing allowances also applies to owner-occupiers. This form of individual subsidy is highly differentiated as well. In England, homeowners only have access to individual subsidy in

Table 2 Comparison of the scope and the dependent variables of the individual subsidy systems, 1990

	scope	contribution dependent on	restrictions	other systems
The Netherlands	rental sector	rent, income, size of household	max. rent, max. income	none
Belgium	social rental-sector	rent, income, number of children	social rental-sector	none
FRG	rental/owner-occupied sector	rent, financing costs, income, size of household	max. income	supplement for social rental sector
Denmark	rental sector	rent, income, number of children, floorspace	max. income	pensioners
England	rental/owner-occupied sector	rent, income, local taxes	none	none
France	rental/owner-occupied sector	rent, income, financing costs, size of household	year of construction, type of loan	benefits for families and special groups
Sweden	rental/owner-occupied sector	rent, interest costs, maximum income, number of children	max. income, household composition	housing expenditure supplement for pensioners

Source: Papa, 1992, p.162

the form of local tax concessions. Until 1990, this was the municipal real estate tax. In 1990, the community charge was introduced, a tax unrelated to housing characteristics. Thus, from a housing perspective, as of 1990, England no longer offers housing allowances to homeowners. In the French system, the housing allowance (APL) is linked to the financing of the dwelling. In the event of a loan for subsidized housing (PAP loan), the tenant is eligible for APL. Only the Federal Republic of Germany and Sweden have widely applicable subsidy systems for homeowners.

Besides the basic regulation, some countries also have systems for special target groups. For instance, Denmark and Sweden have separate systems for pensioners. France has a parallel system that is not financed by government budgets but through social security funds. And some German states have a system of housing allowances to supplement the "Wohngeld"; this special system is called the "Harteausgleich."

In all cases, the housing allowances cover the difference between housing costs and a normative price. This standard price is dependent on income in all of the countries. The higher the income, the more of the normative price that the tenant has to pay and the lower the subsidy. An advantage of this system is that it provides subsidies for low-income households. A drawback is its income dependence, whereby it actually tends to increase the marginal income tax rates. Besides income, various countries use other factors to determine the normative price. The table shows that the size of the household (in the Netherlands, France, and Germany), the number of children at home (Belgium, Denmark, and Sweden), and the floorspace of the dwelling (Denmark) are factors that are also taken into account. Another important factor is the way the difference between actual housing costs and the standardized housing expenditure is subsidized. In none of the countries is the whole difference unconditionally subsidized. Each country has some kind of reduction. The methods vary widely, ranging from a simple percentage applied across the board to reductions dependent on income or level of housing expenditure.

In nearly all of the countries, the eligibility of renters and owner-occupiers for subsidy is limited. In the Netherlands, the restriction is enforced by setting a maximum on income and rent level. In Germany and Denmark, there is only a maximum income level. France restricts the scheme to dwellings that have been financed by special subsidized loans. Sweden also links the subsidy to a maximum income but sets conditions on household composition as well. The English system is unusual. No maximum rent or income levels apply. In England, the scope of the regulation is only restricted by imposing a maximum level on assets. The Federal Republic of Germany is exceptional in that the "Wohngeld" regulation allows adjustments in the limits on rent and income. This is not done annually but every few years. In the meantime, numerous recipients outgrow the scheme as their incomes increase. In most countries, the responsibility for financial resources lies at the national level. In Denmark, Sweden, and England, however, part of the financing is provided by the municipalities; in the Federal Republic of Germany, by the states.

Property subsidies

Property subsidy schemes can also show major differences in the form adopted for the measures. A fundamental distinction is between long-term subsidy through annual contributions and once-only contributions provided as capital subsidies. In the former case, the subsidy is spread out over time, whereby a large number of dwellings can be subsidized in a given year from a set budget. The same budget can subsidize relatively fewer dwellings with lump-sum contributions. On the other hand, lump-sum subsidies do not entail long-term obligations, which in time can reduce the flexibility of the government budget.

The annual contribution can take various forms. The contribution can be paid as a direct subsidy on operating costs, but it can also take the form of a reduction on the interest accrued on outstanding loans. The Netherlands subsidizes both new construction and rehabilitation activities by contributing to the operating costs. Sweden and Denmark, in contrast, subsidize both kinds of construction activity for all tenure classes through interest subsidies. The Federal Republic of Germany appears to offer combinations of subsidies on interest and operating costs in all cases. The other countries take intermediate positions. Rehabilitation activities are subsidized in Belgium, France, and England by contributing to the operating costs. New construction in these countries is subsidized through once-only capital subsidies to the financing institutions.

Table 3 gives an overview of some of the important characteristics of the property subsidies. First, the table shows that the Netherlands, Belgium (Flanders), Denmark, England, the Federal Republic of Germany, and Sweden have schemes with long-term annual contributions. In these countries, the long-term contributions generally apply to construction of social housing in both the rental and the owner-occupied sectors. Sweden is exceptional; there, nearly every form of housing construction is eligible for subsidy. This derives from the neutrality principle in regard to tenure classes. In the Netherlands, there is also an annual contribution for private rental dwellings, but this is of a limited amount. England has a system of once-only capital subsidies for housing associations.

The contribution can increase, decrease, or stay the same; it can undergo annual adjustment according to a predetermined method or according to an annual recalculation, for instance. The annual contribution to new construction in the social rental sector in the Netherlands is linked to a cost-price method. By this method, a standardized deficit is calculated annually. This deficit is subsidized. A high proportion of the current subsidy obligations in the Netherlands are subject to an increasing (nominal) subsidy amount. In the social owner-occupier sector in the Netherlands, the subsidy payments are spread out over several years in the form of a fixed contribution.

Table 3 Overview of the characteristics of property subsidies in the countries studied, by tenure class, 1990

	annual contribution	lump-sum contribution
The Netherlands:		
1. social rental sector	system-dependent, increasing or decreasing	dependent on amount of investment
2. private rental sector	unchanging, 5-year term	incentive bonus
3. owner-occupied sector	unchanging, term interest-dependent, amount income-dependent	incentive bonus
Belgium:		
1. social rental sector	interest payment (Flanders)	budgetary credit
2. private rental sector	-	dependent on amount of income and number of children
3. owner-occupied sector	-	dependent on amount of income and number of children
Federal Republic of Germany:		
1. social rental sector	decreasing over 15-year term or interest payment	-
2. private rental sector	-	special deals
3. owner-occupied sector	decreasing over 15-year term or interest payment	special deals
Denmark:		
1. social rental sector	interest payment	-
2. private rental sector	-	-
3. owner-occupied sector	interest payment	-
England:		
1. social rental sector	based on operating cost deficit (L.A.)	investment-dependent (H.A.)
2. private rental sector	-	cost-dependent
3. owner-occupied sector	-	cost-dependent
France:		
1. social rental sector	-	budgetary credit
2. private rental sector	-	once-only amounts
3. owner-occupied sector	-	budgetary credit
Sweden:		
1. social rental sector	decreasing interest subsidy	-
2. private rental sector	decreasing interest subsidy	-
3. owner-occupied sector	decreasing interest subsidy	-

Source: Papa, 1992, p.165

The English system of contributions to the local authorities is in principle also a contribution to the annual deficit in operating costs. Since 1990, these deficits are calculated with normative amounts. The difference between the English and the Dutch situation is that the English subsidies apply to the total deficit of a local authority, and the Dutch deficits concern separate housing complexes.

Germany has two systems. The 15-year subsidy contribution is simply reduced by one-fifteenth each year. The other system involves interest payments on government loans. In a system financed by annuities, this leads to decreasing payments. In Denmark, interest payment on loans is also a form of subsidy. Yet since these payments are made on index-linked loans, whereby the debt is continually indexed, there is no fixed system to determine the annual amount of the (nominal) interest payment.

Sweden and Belgium (only Flanders) also have a system of interest payments. In Sweden, the subsidy part is decreased somewhat each year. In Belgium, this should also be the case as a result of annuity financing. However, due to the mismatching of funding and the extension of loans, the Belgian system has gotten completely out of hand. Belgium (Wallonia and Brussels) and France exclusively use systems of once-only capital subsidies to subsidize new dwellings. The other countries use this kind of subsidy as well, but then just for home improvement and urban renewal.

Fiscal instruments

In the area of fiscal instruments, the discussion pertains to the home ownership sector.

The Netherlands, Belgium, Denmark, and Sweden consider the owner-occupied dwelling as investment property. In these countries, this entails a fiscal treatment whereby an imputed rent is added to the taxable income and the mortgage interest due can be deducted. England, France, and Germany consider the owner-occupied dwelling as a consumption good. These countries do not add imputed rent to taxable income (see also Haffner, 1990).

Concerning the deduction of interest, the Netherlands, Belgium, England, and Sweden recognize one and the same system. The deduction takes place within the marginal tax bracket. Of these countries, only the Netherlands and Sweden allow unlimited interest deduction. Belgium, France, and England have introduced limits on the amount that can be deducted. France and Denmark interest costs differently.

In these countries, the interest deduction is given the form of a tax credit. In the French system, a fixed percentage of the interest costs can be deducted directly from the amount of tax due.

Germany has a unique system. Since 1987, the system allows the deduction of extra depreciation over a limited period. It also allows a deduction, related to the number of children, of a standard amount from the tax due.

4 Conclusions on the effect of the instruments

This section deals with the second part of the objective of this contribution. Here we address the question, *What government expenditures do the financial instruments entail?* To do so, we attempted to collate statistics on both the direct housing subsidies and the tax concessions available to homeowners. For this last group, however, we were only partially able to do so. Consequently, we cannot draw firm conclusions on that point.

For each country, we related government expenditure to the Gross Domestic Product (GDP). This reveals the relative importance of the subsidy policies. The same was done for foregone fiscal income related to housing. This concerns the net loss due to fiscal treatment of the owner-occupied dwelling. The statistics for France also include the fiscal losses due to interest-free loans connected to construction savings and the registration tax, as well as the losses resulting from fiscal exemptions for landlords.

These figures are shown for all seven countries in Table 4. The table covers the period 1980-1988. Yet the necessary data is not available for all of the countries. Let us first consider how the total direct housing subsidies (property and individual) developed in each country in the period 1980-1988 as a percentage of GDP. The following groups of countries may be distinguished:

a. *countries with an increasing share of subsidies:*
- The Netherlands (entire period)
- Denmark (first half of the decade)
- France (first half of the decade)
- Sweden (first half of the decade)

b. *countries with a declining share of subsidies:*
- Belgium (second half of the decade)
- Federal Republic of Germany (entire period; total funds of the Federation and the states)
- France (second half of the decade)
- Sweden (second half of the decade)

c. *countries with a relatively stable share of subsidies:*
- Denmark (second half of the decade)
- England (second half of the decade)

Table 4 also breaks down the figures into property subsidies and housing allowances. In regard to *property subsidies* in the second half of the 1980s, the following points may be made:
- Belgium, the Federal Republic of Germany, Denmark, England, and France show a declining trend in the percentage of GDP that goes toward property subsidies.
- The Netherlands and Sweden show fluctuations in the percentage of property subsidies, expressed as share of GDP. Sweden shows a tendency to decline; the Netherlands, in contrast, shows a tendency to increase.

In regard to *housing allowances* in the second half of the 1980s, the countries may be divided into the following groups:

- England and Sweden show a decline in the percentage of GDP allocated to housing allowances.
- Belgium and France allocate a stable percentage of GDP to housing allowances.
- In the other countries, namely the Netherlands, the Federal Republic of Germany, and Denmark, a growing percentage of GDP goes to housing allowances.

Table 4 also provides information on fiscal loss of income. On the basis of available statistics, we can only draw conclusions for Germany, England, France, and Sweden. For these countries, the following situation prevailed in the second half of the 1980s. Germany and England showed a declining percentage of foregone fiscal income, expressed as a share of GDP. In England, during the first half of the 1980s, the percentage was still rising. In France, the percentage was stable. Sweden showed a fluctuating course, with declining trends and an upward swing.

Statistics for the Netherlands are only available for the years 1981, 1983, 1987, and 1988. On the basis of these figures, the percentage of foregone fiscal income (expressed in GDP) appears to be stable.

The absolute level of direct government subsidy, expressed in GDP, was used to calculate annual averages, which were then ranked. Table 5 shows the ranking of the countries studied. The table differentiates between the periods 1980-1984 and 1985-1988. For the first period, not all the necessary data for all seven countries is available. Thus, we can draw no conclusions for Belgium and England concerning the first period.

Sweden ranks first in the early 1980s, having on average the highest percentage of housing subsidies in relation to GDP. The percentage of property subsidies for (almost) the entire period was the highest of all countries. The Netherlands takes second place, while Denmark, France, and Germany follow at a good distance.

In the second half of the 1980s, Sweden and the Netherlands share first place, with the same average percentage of subsidies: 2.14%. The percentage was declining in Sweden, whereas the share of subsidies in the Netherlands was increasing. It is striking that in the second half of the 1980s, the Netherlands had the highest percentage of GDP going to property subsidies.

The ranking of the Netherlands is based on the inclusion of the total amount of the Urban Renewal Fund ("Stadsvernieuwingsfonds"). The money from this Fund is not spent entirely on housing. The precise amount of the expenditure on housing is not easy to determine, since various interpretations are possible. Assuming that in the period 1985-1988 on average about half of this Fund was allocated to housing, then the average percentage of subsidies is 2.05% of GDP. Thus, the Netherlands would take second place, behind Sweden. The conclusion

Table 4 Direct government expenditure and foregone fiscal income in housing, as percentage of GDP, 1980-1988

	1980	1981	1982	1983	1984	1985	1986	1987	1988
The Netherlands									
property subsidies	1.02	1.13	1.06	1.25	1.47	1.77	1.67	1.77	1.91
housing allowances	0.29	0.32	0.39	0.48	0.51	0.35	0.35	0.39	0.40
foregone fiscal income	-	1.21	-	1.23	-	-	-	1.24	1.23
Belgium									
property subsidies	-	-	-	0.30	0.37	0.31	0.28	0.20	0.23
housing allowances	-	-	-	0.02	0.02	0.02	0.01	0.01	0.01
foregone fiscal income	-	-	-	-	-	-	-	-	-
FRG									
property subsidies (*)	-	-	0.58	0.53	0.42	0.33	0.25	0.19	0.18
housing allowances	0.12	0.16	0.17	0.16	0.14	0.13	0.17	0.19	0.17
foregone fiscal income	-	-	-	-	-	0.44	0.42	0.42	0.40
Danmark									
property subsidies	0.45	0.56	0.59	0.60	0.53	0.52	0.47	0.44	0.43
housing allowances	0.38	0.40	0.41	0.45	0.48	0.49	0.50	0.55	0.59
foregone fiscal income	-	-	-	-	-	-	-	-	-
England (**)									
property subsidies	-	-	-	-	0.43	0.40	0.41	0.38	0.36
housing allowances	-	-	-	-	1.33	1.34	1.36	1.31	1.14
foregone fiscal income	0.98	0.94	0.91	0.95	1.14	1.38	1.27	1.19	1.23
France									
property subsidies	0.57	0.62	0.60	0.65	0.65	0.59	0.56	0.47	0.45
housing allowances	0.13	0.18	0.24	0.26	0.28	0.30	0.30	0.31	0.32
foregone fiscal income	0.64	0.66	0.63	0.61	0.53	0.52	0.52	0.54	0.55
Sweden									
property subsidies	0.95	1.24	1.40	1.39	1.32	1.42	1.53	1.30	1.28
housing allowances	1.14	1.04	0.99	0.96	0.87	0.82	0.76	0.73	0.73
foregone fiscal income	1.72	1.99	1.63	1.54	1.35	1.50	1.40	1.29	1.48

(*) Federal and State expenditure
Source: Papa, 1992, p. 116

Table 5 Ranking of countries according to average absolute level of percentage of direct government expenditure and the percentage of foregone fiscal revenue (both expressed as share of GDP), for the periods 1980-1984 and 1985-1988 (ranked by decreasing average share)

direct subsidy expenditure		foregone fiscal revenue	
1980-1984 (average %)	1985-1988 (average %)	1980-1984 (average %)	1985-1988 (average %)
Sweden (2.26)	Sweden (2.14)	Sweden (1.65)	Sweden (1.42)
Netherlands (1.59)	Netherlands (a)(2.14)	England (0.98)	England (1.26)
Denmark (0.97)	England (1.68)	France (0.61)	Netherlands (b)(1.24)
France (0.84)	Denmark (1.00)		France (0.53)
FRG (0.66)	France (c)(0.83)		FRG (0.42)
England (d)	FRG (0.41)		
Belgium (d)	Belgium (0.35)		

(a) If for the period 1985-1988 only half of the money from the Urban Renewal Fund is allocated to property subsidies in housing, the average percentage of subsidies (expressed as GDP) for the Netherlands amounts to 2.05%

(b) Only known for 1987 and 1988.

(c) This only applies to the direct government subsidies; the relevant employers' contributions and the social security benefits for the period 1985-1988 amount to an average of 0.64% of the GDP.

(d) No data available.

Source: Papa, 1992, p. 174

formulated above, that it has the highest percentage of property subsidies, remains valid even after making a correction for the Urban Renewal Fund.
England takes second place in the second half of the decade, with an average of 1.68% of GDP going to subsidies. England thus follows Sweden and the Netherlands at some distance. Denmark and France take fourth and fifth place, while the Federal Republic of Germany and Belgium rank last. The share of direct subsidies allocated by these two countries, expressed as percentage of GDP, is considerably lower than that of the Netherlands and Sweden.

The position of France and Belgium requires some explanation. The percentage given in the table for France refers to only direct government subsidies.
A substantial part of the housing is financed by earmarked employers' contributions and social security benefits. In the period 1985-1988, these non-governmental contributions to housing averaged 0.64% of GDP. For Belgium, the extensive debt problem should be mentioned to put its rank into proper perspective. Approximately half of the annual number of completions are subsidized. The subsidies take the form of a once-only cash grant. These premiums are not paid in lump sums but are refinanced on the capital market. Only the annual capital costs of these loans appear on the budget. In this manner, the picture is

distorted in comparison with the countries that put their subsidy expenditure directly on the budget.

The table also gives some information on the foregone fiscal income from taxes. However, it is impossible to provide a complete comparison because sufficient information is only available for five countries. The table clearly demonstrates that in comparison to the visible, direct government subsidies, the amount of foregone fiscal income is substantial.

To complete the picture sketched above, we should consider the imposition of value added tax (VAT) on the construction of new housing. Not all countries included in the study had such a tax in 1990. The Federal Republic of Germany exempts housing construction from VAT. England uses the nil rate. The other countries use a VAT tax rate for new housing. In Belgium, this is 17%, in France 18.6%, in the Netherlands 18.5%, and in Sweden 19%. In fact, compared to the countries where VAT is levied on new housing, the countries that do not charge VAT implicitly provide an extra subsidy component.

5 Concluding remarks

This contribution had a dual objective. The first three sections addressed the question of how government utilizes financial instruments for housing intervention in the countries under study. As the answer to this question was extensive, we will not attempt to summarize it here. We do want to mention that the seven West European countries show numerous similarities and differences, particularly in the manner and degree to which the government intervenes in housing by implementing financial instruments. In some cases, these variations are based on the same policy standpoints. In other cases, traditional views on the role of government with reference to (sub-sectors of) housing are also influential (see Boelhouwer and Van der Heijden, 1992). Finally, we want to note that the period this study takes into consideration (1980-1990) seems to be one of transition. It seems to mark a shift to a set of housing instruments in which individual, income-dependent government support will come to the fore. This development is already evident in some of the countries investigated. Several other countries intend to take a similar course in the 1990s. The increasing European integration will reveal the extent to which this development will become accelerated.

The second element of the objective concerns the degree to which a relation exists between the government policy being pursued (see the previous article in this issue) and the specific level of government subsidies. We referred above to a primarily theoretical discussion among housing market analysts. Some attach little value to the housing policy advocated by the government (Ball et al., 1988). Others maintain that policies actually are implemented and do influence real developments on the housing market (Lundqvist, 1990). The results of empirical research presented in this special issue can help clarify the standpoints in this debate. For instance, they can help determine whether or not the level of financial expenditure corresponds with the prevailing policy positions. To ascertain the eventual effects of the existing instruments on how the housing system functions, more specific analyses are obviously needed to supplement the present body of information.

With reference to the first aspect of the objective, we may conclude that the policy positions formulated over the past decade are clearly manifest in government expenditure for housing. As a case in point, we may calculate an annual average of direct government subsidies expressed as percentages of Gross Domestic Product. If we rank these averages, Sweden and the Netherlands qualify for first and second place. The hefty government outlays in the Netherlands and Sweden clearly reflect policy goals forged in the 1980s. Both countries allocated the great majority of tasks to government and did not choose to liberalize their housing policy. It should be kept in mind that both Sweden and the Netherlands pared their housing budgets way down in the early 1990s and may continue to trim them in the future. In the other countries, a more market-responsive policy has been fostered since the 1970s. In the second half of the 1980s, England took third place, with subsidies averaging 1.68% of GDP. Thus, England follows Sweden and the Netherlands at some distance. Denmark and France take fourth and fifth place, and the Federal Republic of Germany and Belgium close the ranks.

As pointed out above, there is a clear relation with the classification based on the formulated policy standpoints (see the introduction and the previous article in this special issue). Sweden and the Netherlands rank first in both classifications, followed by France and England, though they switch places. The rank order of the last three countries is once again identical: Denmark, the Federal Republic of Germany, and Belgium.

Note

1 This article is based on the study "Housing Systems in Europe: Part II. A Comparative Study of Housing Finance" by Oscar Papa, published in the series **Housing and Urban Policy Studies.**

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