DUTCH HOUSING POLICY REALIGNED

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1 Introduction

As in many other West European countries, in the Netherlands too government policy in the eighties was laid down principally by centre/right-wing cabinets. In many countries this was accompanied by the withdrawal of the authorities from many fields of policy and by a certain revaluation of the free play of social forces. The policy followed in Great Britain may in a certain sense be regarded as the trend-setter in this respect. This general point of departure can in many cases also be found in the housing policy followed. The reduction of government aid (both individual and property subsidies), the encouragement of home ownership, the hiving-off of government tasks and responsibilities and the simplified regulations are often the most obvious aspects in this context.

In contrast with this, with respect to Dutch housing policy there had hardly been any question so far of a drastic change of course in the past decade. Government spending on housing grew steadily, the subsidized building programme was maintained at a reasonable level, and expenditure on housing allowance even rose explosively (see also Table 1). It is characteristic of this situation that the last complete policy document dates from 1974: the Rent and Subsidy Policy Memorandum. A piquant detail is that this memorandum was published by a centre/left-wing coalition and was maintained by a series of centre/right-wing coalitions.

Since the presentation of the memorandum *Housing in the Nineties*; from building to living (the draft in 1988, the definitive memorandum in 1989) a change seems to be taking place in this situation. This memorandum was published on the responsibility of a new State Secretary of Housing: Heerma. Like his predecessor, this state secretary is a member of a denominational party. The change of administration took place because the Christian Democratic parliamentary party demanded this as part of a parliamentary investigation of possible fraud with building subsidies. It was considered undesirable that a state secretary whose actions were under investigation by a parliamentary committee of enquiry should remain in office.

As stated, his successor did not let the grass grow under his feet, and within two years presented a new complete draft housing memorandum, in which the policy for the nineties was worked out.

The proposals were then sent in September 1988 to seven official advisory bodies. The most important of these are the Council for Housing (RAVO) and the Socio-Economic Council (SER). The SER is composed of representatives of management and labour, supplemented by Crown-appointed expert members. The RAVO is composed of interest groups in housing and experts. This seven-fold request for advice was inspired by the consideration that the proposed revision of housing policy affects many groups, also outside the interest groups represented in the RAVO. After these recommendations had been digested, the definitive memorandum was submitted to parliament in April 1989. However, so far it has not been the subject of a parliamentary debate. A government crisis immediately after April 1989 put a stop to that. Meanwhile, in November 1989 a new centre/left-wing government assumed office, in which Heerma was again appointed State Secretary of Housing. He will in all probability elucidate the memorandum in the Second Chamber in the spring of 1990. It seems unlikely that in the process many new points of view will be adopted. Nor does the government policy statement give any occasion for this. In this statement only a small increase in both the tax on imputed rent and the social housing programme was announced.

Despite the government crisis, publication of the draft memorandum prompted in the past year in the Netherlands lengthy discussion of the points of departure and the elaboration of future housing policy. In this contribution we shall therefore go more deeply into important issues from this discussion. Attention will be devoted both to the content of the Housing Memorandum and to the comments of the advisory bodies.

In Section 3 we consider the rent and subsidy policy. The distribution of the housing stock is the subject of Section 4. In Section 5 we comment on the theme of the encouragement of home ownership.

First of all, in Section 2 the motives are discussed that form the basis of government intervention in housing in the Netherlands.

2 The motives for government intervention in housing

As already stated in the introductory section, until the publication of the Housing in the Nineties Memorandum, the Rent and Subsidy Memorandum from 1974 was the most recent complete policy memorandum. This memorandum was compiled by members of the government from social democratic parties who have now been forming part of the opposition for some twelve years (with a short break of one year). The policy of these parties was characterized by belief in the mouldability of society, in which, in conjunction with the spirit of the seventies, a considerable task was destined for the central government. General government policy was developed to bring about a fair distribution of

power, knowledge and income. The accessibility of a good dwelling for lower-income groups formed the general objective of housing policy in this context. More specifically, government intervention in housing was considered particularly desirable on the basis of a number of fundamental arguments.

Firstly, housing was interpreted as a merit good. On the basis of a perhaps somewhat paternalistic view it was argued that citizens underestimate the importance of a good dwelling and prefer to spend their money on consumer goods. Secondly, positive external effects were attributed to good accommodation. In addition to the quality of the housing this related above all to the quality of the environment in the narrow and broad sense. The general possibilities for the individual to develop are involved here. As the third motive for government intervention in housing the development motive was adduced. In the context of housing this means that in the construction of dwellings, having regard to their long life, advance allowance had to be made for the demand for quality that would increase in the future with the growth in prosperity. This argument played a particular part in the first half of the seventies, when the national economy displayed high growth rates.

The motives forming the basis for government intervention from the Housing Memorandum are clearly of a much more modest nature. Thus now making the housing market function better is regarded as the most important aim of housing policy. Steering in this direction is necessary in connection with the specific properties of this market. A dwelling is tied to a specific place, has a long life, requires high investments, the yields of which are distributed over a long series of years, which entails the need for a long time horizon, and the supply of dwellings is determined much more by the existing stock than by the production. The cost price is highly dependent on the sometimes quickly changing level of interest. There are also a large number of submarkets with a limited number of suppliers and the reaction rate of supply and demand is slow.

In addition to improvement of the operation of the market, adequate quality of the housing supply, the availability for the lower-income groups of affordable housing of adequate quality, the effects radiated outside housing and the stabilization of the market and the continuity in building production (with great restraint) are also stated as reasons for government intervention in housing.

In the elaboration of this government concern (also entrenched as such in the Dutch Constitution for some years now) a distinction is made in the Housing Memorandum between organizational and steering objectives. The point of departure in the organization of housing is that the concern for good accommodation is in the first instance the personal responsibility of residents and other participants in the market. Key concepts in this context are deregulation, decentralization and self-sufficiency. Incidentally, this choice does not mean a fundamental change of course in respect of the policy of the past years. Many individual regulations had already been simplified and decentralized. The creation of a decentralized urban renewal fund (1985), absorbing over twenty old subsidy schemes, and a decentralized planning and programming cycle (1985) for new construction are clear examples of this.

These points of departure also form the basis for the elaboration of the steering function of the authorities, with the following four priorities:

- a. concern for good and affordable accommodation for the lower paid;
- b. promotion of a good environment;
- c. encouragement of home ownership;
- d. furtherance of experiments, innovation and knowledge (transfer).

The two principal advisory bodies, the SER and the RAVO, partly subscribe to these points of departure. In its recommendation on the Housing Memorandum the SER in particular discusses in detail the motives for market intervention. Like the state secretary, the SER comes to the conclusion that the housing market contains a number of special characteristics, as a result of which a completely unregulated market is not the optimal coordination mechanism. One may think here of the stock character of the housing market, the being tied to a particular place, the local differentiation and the long life of dwellings, which makes financing additionally complicated. The Council remarks that then the question should be answered to what extent government intervention can improve or stimulate the workings of the market at acceptable cost. A distinction is made here between the following motives: the redistribution motive, the external-effects motive and the stabilization motive. The SER attaches considerable importance to the first motive in particular. Thus the Council argues that subsidies linked to individuals achieve a better redistribution than 'tied' subsidies. With regard to the external-effects motive mention has already been made of the fact that, in addition to the dwelling itself, the environment in the narrow and broad sense is also involved. With the stabilization motive it is not a matter of continuity in the construction industry in itself, but of the avoidance of high costs for housing as a result of great discontinuities in building production. In contrast with the points of departure of the Rent and Subsidy Policy Memorandum from 1974, the SER no longer considers the furtherance of the supply or enhancing dwelling quality (building for the future) a subsidy motive of paramount importance.

This attitude is at variance with the view of the majority of members of the RAVO. This advisory body argues that the development motive is of lasting importance to housing policy. The positive external effects, which also occupied a prominent place in the Rent and Subsidy Policy Memorandum, are likewise a major subsidy motive for the RAVO. The Council therefore assigns more tasks to the government than does the SER. In concrete terms, the following factors are mentioned: the pursuit of continuity in the construction industry, urban renewal and urbanization policy, the systematic and task-setting reduction or elimination of qualitative and quantitative shortages and the limiting of net housing costs.

In conclusion it may be remarked that the motives for government intervention in housing of the SER and the State Secretary of Housing display the greatest similarities. The RAVO, on the other hand, assigns greater responsibility to the government.

Of course, the different points of departure have considerable consequences for elaboration of parts of housing policy. It is, however, important to note here that in the Housing Memorandum an equally clear relation is not always established between the policy motives just discussed and the housing instruments presented (see also Tamerus and Bos, 1989). In part this development can be explained by the fact that as the years go by many instruments proceed to lead a life of their own, in which the original objectives of the instruments fade into the background.

In the rest of this contribution attention is paid to a number of specific instruments. As the first one, the choice of a mixed subsidy system is explained. In this choice the motives for government intervention are the most visible. Then consideration is given to a new element from the memorandum: the combating of a 'skew' housing distribution, after which the contribution concludes with the proposals for encouragement of the owner-occupied sector.

3 Rent and subsidy policy

Before the proposals for rent and subsidy policy are explained, attention will first be paid to the present regulation. As in many other West European countries, there was in the Netherlands after the Second World War considerable government involvement in the housing supply. Initially the emphasis lay on property subsidization, the aim being to encourage investment in new construction and to promote improvement of dwellings and at the same time to maintain a moderate rent level, as a consequence of planned wage policy (which incidentally was very successful in the Netherlands). In the mid-sixties, when the reconstruction of the Netherlands was complete, property subsidization was increasingly queried. In particular the question whether the subsidies did in fact end up with the right groups led to an extensive discussion of the nature of the subsidy system. In the Rent and Subsidy Policy Memorandum of 1974 the then state secretary, after years of exchange of arguments, finally opted for a mixed system of property and individual subsidies. Through property subsidies new social housing for rent would have to remain within the reach of the employee with a modal income (the 'housing price'). In addition to stimulating a good housing climate in general, subsidy policy ought to be aimed at increasing the choices for all groups of residents, also the lower-paid. The latter point required additional support by individual subsidies (the housing allowance). This choice led in the period 1979 to 1985 to a sharp rise in property subsidies, as a result of the high interest rate and the complete collapse of the market for owner-occupied dwellings. Moreover, to complete the task-setting of the new construction programme the numbers of subsidized dwellings for rent were greatly expanded. However, through an increase in housing costs in combination with a declining income growth, the individual subsidies also grew. Table 1 illustrates the trend of the subsidies.

Table 1 Expenditure on housing in the period 1970-1987 (in millions of guilders, in current prices)

year	property rental	subsidies owner- occupied	individual subsidies	urban renewal and urbanization	other	total	social housing loans	grand total
1970	275	55	0	100	20	450	1790	2240
1975	980	280	235	395	185	2075	2810	4885
1980	1810	430	965	805	375	4385	4435	8820
1982	1840	570	1425	1210	465	5510	5215	10725
1985	4050	990	1425	1810	740	9035	5355	14390
1987	5170	1020	1665	1125	545	9525	4590	14115

Source: Ministry of Housing, 1989, p. 92

As the table shows, property subsidies form the main part of housing expenditure. It is regarded as a considerable disadvantage that the housing budget (on a cash basis) is determined to a considerable extent by the expenditure entered into in the past (see also Klunder, 1988 and Brouwer, 1988). These old obligations, as they are called, consist chiefly of annual contributions for rented and owner-occupied dwellings, which have a long term. For the social dwellings for rent built after 1975, this term is no less than 50 years. The result is that in 1988 some sixty percent of the total expenditure on housing consists of payments on old obligations. Only forty percent of the budget is available for housing allowance, urban renewal, urbanization and subsidies for new construction and dwelling improvement. Incidentally, this table does not give a complete picture of expenditure on housing in the Netherlands. For this it is also necessary to include fiscal regulations in the analysis (Table 2).

Unlike many other West European countries, the Netherlands allows unlimited deductibility of mortgage interest. However, house-owners have annually to add to their income a part of the imputed rental value of their owner-occupied dwelling via the tax on imputed rent. This tax is being increased in January 1990 to 1,8% (it was 1,3%) of the value of the dwelling in occupied state. The government would like to increase this percentage to 2,3. In addition, the purchasers of an existing dwelling have to part with a non-recurrent 6,0% in transfer tax (the government would like to reduce this to 4,75%).

In 1987 the loss of tax in connection with mortgage interest deduction was approx. 5.75 billion guilders. Conversely, the yield of the tax on imputed rent was only 650 million guilders. When the property subsidies in the owner-occupied sector are included in this, the sum of the property and individual subsidies and the tax benefit via fiscal regulations is approx. 6.1 billion guilders for the owner-occupied sector and approx. 6.8 billion guilders for the rented sector. Together this is some 5% of the gross national product of the Netherlands. It should be borne in mind here that about 57% of the housing stock consists of rented dwellings.

Table 2 Fiscal regulations; relevant amounts, 1975-1987 (in current prices in millions of guilders)

year	interest deduction amount claimed	imputed rent tax amount entered	transfer tax	turnover tax
1975	3343	719	-	-
1977	5628	1255	540	2462
1979	8564	1704	-	2788
1981	11002	1695	520	3070
1983	12130	1862	620	2989
1987	13000	1800	850	3700

Source: Ministry of Finance

The above figures show that in the past years there has been a massive increase in government expenditure on housing. This is in spite of the fact that there has been a review of the size of the public sector and there have been sharp cuts in a number of subsidy schemes.

With regard to the future rent and subsidy policy a clear preference is expressed in the Housing Memorandum for a subsidy policy that has the redistribution motive as its starting point. This means a gradual decrease in property subsidization. This line of policy comes clearly to the fore in housebuilding programming, in which provision is made for a strong decline in the subsidized housebuilding programme (Table 3).

Thus the proportion of unsubsidized dwellings increases from about a quarter of the production in 1989 to 50% in 1997. Incidentally, in the new coalition agreement the programme in the social sector has been increased by 5000 dwellings annually.

Table 3 Indicative size of new construction 1989-1999 (x 1000)

year	rented	social sector owner-occupied	other subsidized investors	other	unsubsidized	total
1989	29,5	21,0	5,0	15,0	24,0	94,5
1990	25,0	21,0	5,0	10,0	29,0	90,0
1991	21,5	21,0	5,0	10,0	29,0	86,5
1992	18,5	21,0	5,0	5,0	35,0	84,5
1993	16,5	21,0	5,0	5,0	36,0	83,5
1994		36,0		8,0	37,0	81,0
1995		36,0		6,0	38,0	80,0
1996		36,0		5,0	39,0	80,0
1997		36,0		4,0	40,0	80,0
1998		36,0		4,0	40,0	80,0
1999		36,0		4,0	40,0	80,0

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1991	21,5	21,0	5,0	10,0	29,0	86,5
1992	18,5	21,0	5,0	5,0	35,0	84,5
1993	16,5	21,0	5,0	5,0	36,0	83,5
1994		36,0		8,0	37,0	81,0
1995		36,0		6,0	38,0	80,0
1996		36,0		5,0	39,0	80,0
1997		36,0		4,0	40,0	80,0
1998		36,0		4,0	40,0	80,0
1999		36,0		4,0	40,0	80,0

Source: Ministry of Housing

However, as already indicated, the obligations already entered into make heavy demands on the housing budget. So as to be able further to reduce the future expenditure on property subsidies, the Memorandum proposes the following measures: a high annual rent increase, a shortened subsidy duration in the case of new obligations, a reduced interest-dependence of future subsidies and a reorganization of the old obligations through the sale of social dwellings for rent. We shall return to the last measure in the development of the owner-occupied sector.

To attain a more cost-effective level of rents in the second half of the nineties, the existing basic rule of a trend rent increase of 3% per year is supplemented by the rule that the difference between inflation and trend rent increase will have to be at least 1% per year. The rise in the starting rent will exceed the development of building costs by at least 1-2%. The state secretary assumes here that the negative purchasing power effects that will be the result of the trend rent policy will in general be absorbed by economic growth and by maintaining the housing allowance intact. Incidentally, this will lead to a not inconsiderable 'leakage' effect. For the savings on the property subsidies are partly nullified by an increase in the expenditure on rent subsidy.

The two principal advisory bodies, the SER and the RAVO, have reacted differently to these proposals. Their attitude is in accordance with the views on the role of the government in housing discussed in Section 2.

Thus the SER opts on certain conditions for a gradual reduction of the property subsidies, because the general housing shortages have been reduced and the stress ought to fall more on redistribution. In this context income-related contributions, such as the housing allowance, are more efficient than the property subsidies.

The RAVO goes less far in its recommendation than the SER. A majority of its members opt for a lasting steering role of the government and regard property subsidization as the finishing touch to the pursuit of continuity in housebuilding, improving the quality of dwellings, reducing the investment risks for social landlords and asking prices on the basis of income development.

As already indicated, the proposals from the Housing Memorandum tie in most closely with the ideas of the SER. The state secretary deliberately opts for a gradual reduction of the dwelling-linked property subsidies, so as to arrive at a more cost-effective rent.

4 The 'skewness' in housing distribution

As already mentioned several times in the preceding sections, a more market-oriented housing policy is advocated in the Housing Memorandum. Concrete government support should be confined mainly to the lower-income groups. For this an indicative income limit was fixed of f. 30,000 disposable income per year. This limit corresponds to the modal income in the Netherlands (about half the households).

In the memorandum it is next rightly noted that the distribution of the available housing stock largely determines the extent to which the authorities must offer financial aid for acceptable housing of the target groups of the policy. The memorandum therefore devotes considerable attention to the degree of 'im-balance' in the distribution of housing accommodation; to what extent do households with a relatively high income live in inexpensive rented dwellings, and to what extent are lower-income groups housed in expensive rented dwellings? Analyses of the housing stock showed that 50% of all more expensive rented dwellings with a rent of f. 600 or over are occupied by the target groups of the policy, whereas 31% of the inexpensive rented dwellings with a rent below f. 450 are occupied by households with an income higher than modal. It will be clear that, having regard to the points of departure of housing policy, this situation is a thorn in the flesh of the state secretary. For property subsidies end up with households that, in view of the size of their income, have no need of them, whereas conversely high individual subsidies are necessary to provide people living too expensively with accommodation. Incidentally, the strong integration of different categories of accommodation in the Netherlands is regarded by some authors (such as Deben, 1989) precisely as an asset. Ghetto-forming, as in for instance many British cities, does not occur in the Netherlands, or does so on only a very modest scale. The fact that higher-income groups too wish to make use of a rented house in the social sector is regarded by Deben as appreciation by broad strata of the population of a qualitatively well-developed housing stock. However, for the time being more emphasis is placed in the Housing Memorandum on combating the alleged skewness. In the memorandum the objective is therefore formulated of reducing the number of households with higher incomes living 'too cheaply' in relatively inexpensive rented dwellings from 770,000 in 1989 to 550,000 in the year 2000. This means an annual reduction over the period 1990-2000 of on balance 20,000 households.

To attain this objective, first of all the present allocation instruments can, of course, be utilized specifically, whereby in particular the income-rent relation deserves considerable attention. In addition to these more general measures, on which the central government can moreover exert little effect, the memorandum has, however, two more rigorous measures in store:

- widening of the possibility for social landlords to conclude temporary tenancy agreements (at present a tenancy agreement is for an indeterminate time), and
- the possibility of making all or certain housing permits temporary ones.

With the introduction of these measures much of rent protection is rendered inoperative, and the authorities are interfering in a highly intrusive manner with the responsibilities of citizens and housing managers. The proposed measures are also at variance with the point of departure of a withdrawing government and the greater role that is intended for the operation of the market.

These proposals therefore gave rise to a storm of protest, by bodies and persons both inside and outside housing. Some commentators even drew parallels with the forced migrations in Rumania (see also Priemus, 1988, and Klieverik, 1989).

To meet this criticism to some extent, the state secretary proposes in the definitive memorandum to relate temporary tenancy agreements only to new dwellings for rent and not to introduce the measure until the mid-nineties, if the number of households living too cheaply should not fall sufficiently. Incidentally, this adjustment forms one of the few differences between the draft Housing Memorandum from 1988 and the definitive version as published in 1989. The recommendations sought from the seven advisory bodies and the countless unsolicited comments have thus exerted only a limited effect on the definitive position adopted. However, it was already remarked beforehand that the drastic proposals on this point should perhaps be regarded as a concession towards which much of the criticism would be directed. The other proposals could then be put through intact.

It was decided not to introduce a filtering charge or rent tax, as applied in the Federal Republic of Germany. Nor are the RAVO and the SER advocates of this. What apparently does not apply to the proposed drastic measures with regard to rent protection is now suddenly recognized by the state secretary. Such a measure would, according to the Housing Memorandum, lead too much to centralistic and detailed regulation, which would be completely at variance with the endeavour to strengthen the operation of the market and decentralization. The same reasoning ought to lead to a plan for the 'battle against skewness' much more in line with market principles.

5 The encouragement of home ownership

Compared with countries like Belgium and Great Britain, the proportion of owner-occupied dwellings in the Netherlands is fairly small (see Table 4).

However, this proportion has steadily increased in recent decades, as has the social rented sector. The big loser - as elsewhere in Western Europe - was the private rented sector (see Table 5).

Table 4 **Housing tenure in some West European countries, mid-eighties**
(in % total stock)

	% owner-occupied	% rented,	of which non-profit	% other
Netherlands	43	57	38	0
Germany	38	60	17	3
Belgium	61	35	5	4
France	48	41	14	11
Great Britain	57	43	33	0
Denmark	52	40	19	8
Sweden	41	43	23	16
Austria	45	41	8	14

Source: Heerma, 1989, p. 87

Table 5 **Tenure of the housing stock, 1960-1985 (in %)**

year	owner-occupied sector	social rented sector	private rented sector	total
1960	30	23	47	100
1965	33	26	41	100
1970	35	31	34	100
1975	39	34	37	100
1980	42	36	21	100
1985	43	38	18	100

Source: Heerma, 1989, p. 87.

Table 6 **The percentage of home-ownership per income category (disposable income x f.1000) in 1981 and 1985**

1981/1982 income category	% home ownership	1985/1986 income category	% home ownership
less than 14	24	less than 15	20
14 to 17	21	15 to 18	17
17 to 20	28	18 TO 21	24
20 to 23	25	21 to 25	23
23 to 26	28	25 to 29	30
26 to 34	36	29 to 38	41
34 to 42	45	38 to 47	52
42 and more	62	47 and more	67

Source: Housebuilding Survey (WBO) 81/82 and 85/86

As already explained in Section 2, the Housing Memorandum is an ideologically composed policy document. The memorandum aims at an increase in the proportion of owner-occupied dwellings (from 43% now to 55% in the year 2000), without convincing arguments being adduced for this. It would be logical if a government were to aim at alleviating the housing need and meeting residents' preferences as much as possible. In boom times the popularity of owner-occupied dwellings is great. As soon as the economy comes to a standstill the demand for dwellings for rent increases. State Secretary Heerma prefers to leave nothing to chance, and proceeds from steady economic growth in the nineties and - bound up with this - a rapidly growing demand for a home of one's own. Through a large proportion of dwellings for owner occupancy in new construction (approx. 75%) and extensive sales of rented dwellings to their tenants, the proportion of owner-occupied dwellings must be drastically increased. At the same time the memorandum wishes to direct government aid more towards the target groups (income up to and including modal). The combination of these two main aims of policy ('concern for good and affordable

housing for the lower-paid' and 'encouragement of home ownership'; Heerma, 1989, p. 14) is a precarious one. For in the past the growth of home ownership proved to be to the particular benefit of the above-modal income groups (see Table 6).

As indicated in Section 2, in the Rent and Subsidy Policy Memorandum 1984 the dwelling was still labelled a 'merit good'. This status has been jettisoned in the Heerma Memorandum, because this motive for government intervention is now considered too paternalistic: residents are adult enough to form their own preferences and are usually able to appreciate the advantages of good housing. However, the 'merit good' argument has crept into the Heerma Memorandum again via the back door. No longer is the **dwelling** a merit good, but the **owner-occupied dwelling**! The residents know that housing is important, but the government finds it necessary too to confront the citizens with its own preference for the owner-occupied dwelling. Against this it can be argued that the stress on home ownership in the Heerma Memorandum is precisely based on residents' preferences, and thus is in accordance with market principles. Surely it is a good thing if the government tries to clear away obstacles in the way of satisfaction of residents' preferences?

However, it should be realized that preference for home ownership is very closely bound up with the rose-coloured assumptions of the memorandum (6% interest on government loans, 2% real economic growth, and that for more than 10 years in succession). If the mortgage rate increases or economic growth comes to a halt, the relative demand for dwellings for rent grows. The Heerma Memorandum does not state that the rented sector must be encouraged too, notably if such unfavourable circumstances should occur. Nor does the Memorandum choose a neutral formulation, such as housing policy is directed towards following the preferences of residents, also with respect to tenure, neither does it attempt to approach the ideal of a 'tenure-neutral' policy. Everything is in the context of the encouragement of home ownership, from the government's own ideological preferences. In fact the owner-occupied dwelling is thus the new merit good in the Netherlands. This desirable status is no longer granted to rented dwellings.

Incidentally, it is very much the question whether the extent to which the proportion of owner-occupied dwellings grows will correspond to the aims of the central government. The draft Memorandum (1988) spoke of a proportion of 55% to be aimed at for the year 2000. After fierce criticism of this ambitious objective State Secretary Heerma climbed down somewhat in his definitive memorandum and spoke of 'a further growth to some 50-55 percent' (Heerma, 1989, p. 122). This watered-down formulation also implies a vigorous shift, of which the chances of being attained are questionable. First of all, it looks as if not only tenants' housing expenditure will increase in the nineties (a result of the policy outlined), but also owner-occupiers will be confronted with additional financial burdens. The imputed rent tax is regarded as too low and will rise in the course of 1990 from 1.3% to 2.3%. The proceeds of this tax increase are to be used to reduce the transfer tax from 6% now to 4.75% in 1990.

owner-occupancy. However, this remains largely a question of 'management by speech': vigorous measures for greatly increasing the owner-occupied sector are absent. For the time being there need be no fear of a real marginalization of the social rented sector in the Netherlands.

It is true that the battle that the draft Memorandum joins with the skewness in the distribution of the housing stock is accompanied by the utilization of instruments that do not fit into Dutch housing culture (temporary tenancy agreements, temporary housing permits), but in the definitive memorandum these instruments are merely mentioned as a means of bringing pressure to bear. What is left is a rather moderate plea for better accessibility of the less expensive parts of the stock for residents with low incomes, which local authorities and social landlords should take to heart.

As already indicated in the introduction, a new centre/left-wing coalition assumed office at the end of 1989. It looks as if the Heerma Memorandum will be adjusted somewhat, but will not be consigned to the waste-paper basket. That illustrates the moderate nature of the memorandum, which, though it has been fervently opposed by many interest groups in housing, in fact entails a continuation of the Dutch tradition in which the central government continues to bear major responsibility for housing. The State's pretensions are scaled down, more scope is offered for decentralized policy and for individual policy of social landlord and other participants in the market, but for the time being Dutch housing need not expect really dramatic developments.

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