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UNIVERSITY OF GLASGOW

Faculty of Social Sciences

*HOUSING SYSTEM DYNAMICS:*

*An Interdisciplinary Comparative Approach*

PH. D. THESIS

by

Nicholas G. Pirounakis

July 1990

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## A B S T R A C T

Formulating proper responses to housing problems requires looking at the processes of housing consumption and production in a systemic way. From this perspective, the questions the thesis asks are (a) how the housing system and the wider economy and society interact, (b) how the housing system changes and evolves over time, and (c) how economic, political and social factors can be brought together in an explanatory framework. Moreover, answers to these questions must have general applicability, and not be appropriate for one or two similar countries only. Therefore, in addition to a theoretical approach to these issues, the thesis cites international evidence, and focusses on a comparison between Britain and Greece.

The thesis argues that housing systems proper appear only in the capitalist era. It explains the significance of this proposition for the dynamics of housing systems, stressing the factors of rising needs and of the formation of rights and claims on the part of various groups.

Chapter 3 overviews how 'politics' and 'economics' together shape housing system dynamics. The next four chapters discuss the links between the housing system and the wider economy, and chapters 8 to 10 discuss how the socio-institutional framework (e.g., the pattern of land and dwelling ownership) affects those dynamics.

The thesis stresses that both the development path of a given country and its socio-institutional features determine the amount of resources that are spent on housing, and suggests how the two

can be accounted for separately. It also explains the relationship between dwelling prices, households' housing costs and incomes, and suggests that the mechanism involved operates not only in a 'pure' capitalist environment, but - with modifications - in 'mixed' ones also. It subsequently incorporates that mechanism in an inter-disciplinary account of dwelling price determination (ch. 7).

The thesis further explains how different patterns and types of rights (e.g., property rights) affect households' housing strategies and a society's housing processes. It links rights and claims in the housing sphere to more general, societal patterns of rights and conceptions of legitimacy, and to the political system. It shows how the British and Greek patterns of property rights, and the respective housing systems, differ because, among other things, each country does not adhere to the 'rule of law' in the same way, and explains why. It also shows how state housing policy (or non-policy) results from the position of the state between a continuously reformulated pattern of rights and claims in the housing sphere, and a more lasting set of principles of societal organisation, which the state is supposed to uphold.

Finally, the thesis demonstrates many of the insights gained above, and the special importance of the socio-institutional context, by focussing on the turmoil in the Greek private rented sector between 1978 and 1990. It shows, in particular, why government intervention in the rented sector has not followed a consistent policy path, but also why it has happened at all, and why many dwelling-owners and some landlords, in addition to tenants, have supported it.

*A C K N O W L E D G E M E N T S*

*To my parents, George and Anastasia,*

*and to Evlyn Macfarlane,*

*whose support made this thesis*

*possible.*

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C H A P T E R 1:

*Issues for Discussion.*

SECTION 1: Purpose of the Thesis.

SECTION 2: Structure of the Thesis.

CHAPTER 1: Issues for Discussion.

This chapter sets forth the main questions which I have tried to answer in writing the present thesis, and describes its structure.

SECTION 1: Purpose of the Thesis.

There are many good reasons for studying the production and consumption of housing in to-day's world, but a primary one stems from a sense of urgency. Securing appropriate accomodation for people may not be on a level with the case for finding a cure for AIDS, alleviating famine, or foiling the many threats to the environment, but I would readily put "the housing issue" high up in the list, and very close to those problems.

The United Nations Organisation reflected this urgency when it declared 1987 "International Year of Shelter for the Homeless". Of course the discussions which took place in the context of that campaign served to re-affirm the well-established connection between poverty and bad housing, or lack of housing altogether. Even a cursory examination of the modern world will reveal, for example, that poorer countries have worse housing conditions than richer ones, and that homeless people in the advanced countries are among the poorest (IYSHT, 1988). This view, correct but limited, allows one to assert, along with R. Muth (1975: 2), that, in so far as "the housing issue" means bad, or lack of, housing, it is a result of poverty, rather than the other way around. In an obvious way this is tautological. Called upon to define poverty, one will invariably make a reference to housing

conditions (cf. Townsend, 1979). Less obviously, a simplistic connection of this kind can lead to lop-sided policy recommendations. For example, a rejection of urban renewal programmes on the ground that they do not attack the real problem, which is about making, say, slum-dwellers better-off financially (Fischer & Dornbusch, 1983: 458).

A simple association between poverty and "the housing issue" presents other problems too. Why, one might ask, has the number of homeless people in the USA, or Britain, been rising in the last 10 years or so (*The Guardian*, 06.01.1987; *The Times*, 26.02.1987; Stearn et al., 1987; *The Correspondent Magazine*, 14.01.1990), despite the fact that the real incomes of most Americans and Britons have risen over the same period? What, in other words, causes the reproduction of homelessness in the midst of relative affluence? One expects the distribution of income to be a factor here. Evidence suggests that it may have become less equal in Britain between, say, 1979 and 1985 (Stark, 1988: 7), and that the number and proportion of the poor<sup>1</sup> has risen between 1973-77 and 1984-85 (*The Guardian*, 28.04.1989). On the other hand, the PM of Britain has asserted in Parliament that "there has been a real increase in disposable income between 1979 and 1985 of 5.9 per cent for the poorest 10 per cent" (ibid.). If true, her figures point to a more complex relationship between poverty and homelessness than some people think, as at the very least one can only conclude that it is not absolute, but relative poverty that is associated with homelessness (cf. Donnison, 1988). In which case, the intuitiveness of any simple link between the two is open to question.

I think that a clue could be offered by the fact that, while bad housing conditions are part of the definition of

poverty, equally, dwelling wealth tends to form a large, and often increasing, proportion of many people's marketable wealth.<sup>2</sup> At the same time a statement of this kind is likely to carry more conviction in, say, Britain, where the housing market is very advanced and efficient, and people move home often (Boleat, 1989: 29), than in, say, Greece or Germany, where dwelling wealth is not as readily marketable (for socio-cultural reasons, among others). If so, what needs to be explained is how rises in incomes, and how particular distributions of incomes, are in at least some cases reflected in (a) more than proportionate increases in dwelling prices, and (b) more unequal distributions of dwelling wealth, respectively.<sup>3</sup>

It could be that the two factors together, (a) and (b), are reasons why housing often becomes dearer to a number of new and/or poor households even as a society becomes wealthier. But the mechanisms whereby this happens still need to be explained, especially since the invocation of poverty is not a satisfactory solution. One has to look at the broader picture, the overall processes of production and consumption of housing, in order to begin forming the right questions in regard to "the housing issue". In short, one has to look at the housing system as a whole. In this endeavour, the links between the housing system and the wider economy and society, as regards, in particular, the connection between dwelling prices and incomes, are an inevitable as well as little investigated area of research<sup>4</sup> - one which will constitute an important part of this thesis.

Having said that, I would like to remind the reader that those links were discussed by Engels in "The Housing Question", back in 1887, and that this work constitutes, in my opinion, a model

undertaking of its kind. In some respects Engels' contribution is now outdated. It ignores the cultural, or even existential, significance that owner-occupation may have for housing consumers (cf. Agnew, 1981; Cox, 1981; Duncan, J.S., ed., 1981). It takes for granted that the form of tenure does not matter to workers - a view reminiscent of modern arguments in favour of a 'tenure-neutral' housing subsidy system (O'Sullivan, 1987; Boleat, 1989). It does not examine how different housing processes and tenures are likely to interact with one another. And it is short on solutions - apart, that is, from the general remedy of socialist revolution. On the plus side it draws attention to the property relationships in the housing system, which it does not consider - and rightly so - a purely, or even mainly, economic phenomenon. It focusses on the role of landlords explicitly. It constitutes a brilliant analysis of the links between the industrial and housing spheres in 19th century Germany - links mediated by the value of labour power. Even more importantly, it is the most intelligent attempt to account for the way 19th-century industrial capitalism transformed and defined 'the housing issue' to date. Unfortunately, many subsequent studies have either thrown the baby out with the bathwater, or, on the Marxist fold, have become lost in highly stylised generalisations (e.g., Castells & Godard, 1974) or even platitudes (Cardoso & Short, 1983).<sup>5</sup> Others have sought to apply mechanistically Engels' arguments in different contexts (cf. Papamichael, 1985). For example, the heat wave that struck Greece in July 1987 (as a result of which about 1,100 people died), gave the daily of the Communist Party of Greece an opportunity to re-assert that Athens is

" a monstrous concrete desert, created by the pursuers of easy profits and their governments... The monster-cities of modern times are outgrowths of the system of dependency and big

capital"

(*Rizospastis*, 28.07.1987).

Statements like this betray a naive, if well-intentioned, understanding of the post-war housing processes in Athens (cf. Emmanuel, 1981; Leontidou, 1985; 1986; Petras, 1984; Skouras, 1984; chapter 6 of this thesis). If a moral blame must be laid at someone's doorstep for the present condition of Athens (cf. OECD, 1983), some of it may well need to be apportioned to millions of ordinary people, many of whom migrated to Athens after the war, in addition to governments and speculators.

I think one can, and indeed must, anchor one's analysis of modern housing systems in an overall capitalist context, and still tackle the problems that Engels left unanswered. One of these problems is the apparent multiplicity of housing systems and processes in the world to-day. Earlier Marxists might have sought to account for such variety by reference to 'deep' structures, like the 'secondary circuit of capital' (Harvey, D., 1981; 1982; 1985b), or by attaching to particular national experiences greater significance than they deserved (cf. Castells, 1977; Duncan, S.S., 1981, for a critique).

Admittedly, postulating unobservable mechanisms at the heart of observable phenomena is one, and sometimes the only, way to explain them.<sup>6</sup> It also accords with a 'realist' conception of science (Keat & Urry, 1982). The danger here is that one can easily end up with 'structures' devoid of all life and the potential for surprise - a grave mistake to make, particularly in the study of social phenomena. Such a mistake is apparent, for instance, in *Rizospastis*' comment (op. cit.), where the daily actions and choices of a great many urban immi-

grants are viewed purely as emanating from 'the system of big capital'.

Recognition of this danger has in the last 10 years or so led to a quest for ways to reconcile 'structure' and 'agency' (people) in social theory - one answer being Giddens' 'structuration' theory (broadly, how to breathe life and dynamism into structure - cf. Giddens, 1984; Moos & Dear, 1986a, 1986b; Healey & Barrett, 1990).

But one does not have to follow this particular avenue (see Storper, 1988, for a critique). Recently an increasing number of scientists have been realising that the repeated application of the same set of simple rules can lead to increasingly complex outcomes - the so-called 'chaos' theory (*The Economist*, 08.09.1984; 26.12.1987, 21.04.1990; Poundstone, 1985; Gleick, 1987). One can therefore look for mechanisms that operate in fundamentally the same way in the housing systems of all capitalist societies, and still expect to find different housing conditions, tenures, markets, and processes in different countries - even among equally rich or poor ones. To find out, or at least speculate about, some of the mechanisms involved is my second major task here.

One might of course ask why such a task should be undertaken at all. Why, in other words, some idea of the determinants of housing system dynamics in capitalist societies is an interesting and useful task to set oneself upon. Would not a thorough study of any particular housing system suffice if, for example, the object is to tackle 'the housing issue' in that particular country?

The answer lies in the need to learn from others.

While it is true that "you cannot transport the [housing] system from one country to another" (Boleat, 1989: 30), features taken from one system may well prove useful elsewhere. Such 'transplants' (e.g., the Abbey National Building Society selling endowment loans in Spain; fixed rate mortgages - a Continental characteristic - being offered in Britain; a particular planning, tax, or rent control arrangement; etc.) may or may not have to be copied exactly. Adaptation is often necessary, and this is especially true in the case of what is broadly referred to as 'social housing'. To understand what one can or cannot do with any given housing system feature, one must first understand how that feature relates to its overall context, and then try and estimate what its effect will be on a different housing system if it is transplanted there, and how it should be adapted in order to ensure success. This calls for some form of comparative analysis (cf. Harloe, 1981; Harloe & Martens, 1984; Jones, C., 1985; Pickvance, 1986). But to do that one needs to utilise a framework that will be as generally applicable as possible. In turn, universality of this kind can only be assured if at the basis of such a framework lie some mechanisms of housing system dynamics that are thought to be common in all housing systems.

Housing deprivation, as well as the opportunity to evaluate housing ideas from other countries, are two very important reasons to 'theorise' about the housing system at all, but are hardly the only ones. First, dwellings make up the largest part of the built environment - which is the typical experience of people born into 'second-' and 'third-wave' civilisations (Toffler, 1981). Second, the amount of resources directed into housing is very large. In the OECD member-countries, for example, residential construction as a percentage of GDP was 5.6 per cent between 1960 and 1986<sup>7</sup> (OECD, 1988: 66-7),

while it is not unreasonable to assume that total consumer spending on housing must have been between a fifth and a quarter of GDP (cf. Burns & Grebler, 1977; Donnison & Ungerson, 1982). Third, housing has a very high degree of complementarity with other goods and services that an industrial economy produces.<sup>8</sup>

These aspects of housing - not to mention its socio-cultural significance - mean that 'events' within the housing system, as well as policies aimed at influencing it, affect 'events' and processes in almost all other areas of the economy and society<sup>9</sup> - and vice versa.<sup>10</sup> Thus a purely 'economic', or 'political', or 'sociological' analysis of housing, or of the links between the housing sphere and the wider economy and society, is hardly adequate as a method of understanding. To show both the need for and effectiveness of an interdisciplinary approach will be my third aim in writing this thesis.

But how important is knowledge of social processes? I accept that it is not axiomatic that some high authority will or should always intervene in the affairs of men and women, trying to direct and control them. I think, however, that the advent of a stateless and/or 'laissez-faire' society is even less probable than its opposite - a truly and completely totalitarian state. Real life has always tended to veer between these two extremes. Thus, the attempt to understand and do something about perceived problems is not only legitimate, but inevitable. In this respect, the housing sphere can be said to force itself upon modern governments and policy-makers with a vengeance. But to ensure that any responses to such pressures minimise unintended consequences and optimise intended ones, a deeper understanding of the dynamics of the housing system is required first.

## SECTION 2: Structure of the Thesis.

The three main issues I will address in this thesis are:

- a. Links between the housing system and the wider (capitalist) economy and society.
- b. Determinants of housing system dynamics, i.e., mechanisms of housing system evolution and change.
- c. The need for and effectiveness of an inter-disciplinary approach to the housing system.

Permeating this discussion will be the attempt to build a framework for understanding housing systems and their dynamics, and for conducting research into them or into specific 'problem' areas in the field. A corollary to that, will be the attempt to ensure the universal applicability of the framework, or at least identify the conditions that would warrant its use across different contexts.

To facilitate the discussion and exposition of these ideas I have organised the material of the thesis as follows:

### Chapter 2: *The Housing System and Capitalism.*

This chapter defines a housing system, discusses the analytical relevance of the concept of 'capitalism', and suggests that the main ways in which capitalism can be shown to affect developments in the housing sphere are (a) by increasing the dependence of households on outside parties for their housing, (b) by subjecting capitalists in the housing sphere to the 'laws of motion' of capital, (c) by causing the formation of rapidly changing and expanding needs, and of rising

expectations, and (d) by facilitating the formation of 'rights' and 'claims' on the part of people with interests in the housing and land sphere.

### **Chapter 3: *Housing System Dynamics: A Holistic Process.***

Understanding these dynamics requires abandoning the 'consumption vs production' dilemma, taking the two together, and looking into the nature of the consuming and producing agents. The latter employ both economic and non-economic means in pursuing their goals. The interaction of these means, and of the groups which employ them, is a holistic process. Recognition of this fact makes an inter-disciplinary approach to the study of housing system dynamics highly appropriate.

### **Chapter 4: *A Framework For Isolating the Effect of National Socio-Institutional Features on Housing Investment Levels.***

Any simple connection between housing investment and national income levels (or 'development') is inadequate. In addition to the influence of a historic development pattern and of building cycles, the socio-institutional context retains its importance, which can only be gauged on the basis of international comparative studies.

### **Chapter 5: *Housing and the Value of Labour Power.***

This chapter paves the way for an analysis of the relationship of incomes to dwelling prices to households' housing costs by arguing that the concept of the 'value of labour power' can be fruitfully utilised for this purpose, even though workers' needs - which the 'value of labour power' is supposed to reflect - are determinate only under rather strict conditions.

*Chapter 6: Dwelling Prices, Housing Costs and Incomes: An Explanation of Their Relationship.*

Dwelling prices tend to reflect the need, capacity and willingness of households to pay for their housing out of their earned incomes. Since most earned incomes take the form of wages, the introduction of a housing cost component in the modal wage (roughly, the value of labour power), and the increase or decrease of that component, are likely to affect business profitability, hence workers' incomes and, eventually, dwelling prices. This mechanism forms a crucial link between the housing sphere and the wider economy.

*Chapter 7: Location Premia & Differential Rents: Extending the Explanation.*

This chapter completes the account advanced in the previous one by explaining how dwelling price changes can come about not in response to changes in households' earned incomes, but to other influences, thus affecting households' housing costs 'autonomously'.

*Chapter 8: Rights and Claims in the Housing Sphere.*

This chapter introduces the discussion of the influence of political and legal factors on the evolution of housing systems. It focusses on the role of 'rights' and 'claims' as dynamic structural factors that both enable and constrain housing processes.

*Chapter 9: The 'Rule of Law' and Variations in Private Property Rights: Britain vs Greece.*

This chapter demonstrates how private property

rights can have different meanings in different countries by comparing Britain and Greece. It underlines the importance of differing degrees of adherence to the 'rule of law' in bringing about these differences in meaning. It shows the consequences of this difference for the dynamic of the housing system of each country.

**Chapter 10:** *Form of Government, Official Ideology, and Housing Policy.*

This chapter reinterprets the role of the state in shaping housing outcomes, and stresses that in a systematic sense it is neither pro-active nor re-active, but both. The state can assume either role, depending on what it stands for, and on the complexity of conflicts and group interests in which it becomes involved.

**Chapter 11:** *The Greek Private Rented Sector, 1978 - 1990 (A).*

**Chapter 12:** *The Greek Private Rented Sector, 1978 - 1990 (B).*

These two chapters apply the approach and insights developed earlier to a study of a concrete situation. Following on chapter 3, they demonstrate that developments in the Greek private rented sector between 1978 and 1990 cannot be understood by divorcing 'economics' from the socio-institutional framework. They show, in particular, why government intervention in the rented sector in Greece has not followed a consistent policy path, but also why it has happened at all, and why many dwelling-owners and some landlords, in addition to tenants, have supported it.

**Chapter 13:** *Concluding Comments and Research Implications.*

Self-explanatory.

FOOTNOTES TO CHAPTER 1

- <sup>1</sup> Those with less than half the average disposable income (*The Guardian*, 28.04.1989).
- <sup>2</sup> In the UK dwellings represented 19% of personal wealth in 1960; 27% in 1970; and 37% in 1976 (HMSO, 1980). The contribution of dwellings to personal wealth tends in fact to be more pronounced the lower the wealth bracket. In the UK in 1981 dwellings represented 8% of the wealth of those whose total wealth was £200,000 or more; 15% of those between £50,000 - £199,999; 15% of those between £10,000 - £49,999; and 34% of those whose wealth was less than £10,000 (Fothergill & Vincent, 1985: 20). See also Thorns (1981).
- <sup>3</sup> As indicated by P. Spencer's calculation that real capital gains in the British housing market as a percentage of personal disposable incomes rose from 10% in 1984 to 60% in 1988 (Brittan, 1990).
- <sup>4</sup> Hence Brittan's comment that "there is a good deal of agreement that housing and land are central to many of Britain's economic problems, but much less agreement on how the link should be analysed and described" (Brittan, 1990). See also Barrett & Hooper, 1983; MacLennan, 1986.
- <sup>5</sup> One remarkable exception is Benwell Community Development Project, 1978.

6 "[A] theory is *not* an untested assertion of alleged fact. The statement that saccharine causes cancer is not a theory, it is a *hypothesis*, which will either prove to be true or false after the right sorts of experiments have been completed. Instead, a *theory* is a deliberate simplification (abstraction) of factual relationships that attempts to explain how those relationships work ... it is an *explanation* of the mechanism behind observed phenomena"

(Baumol & Blinder, 1988: 13).

7 By comparison, non-residential construction was 7.6 per cent, investment in machinery & equipment 8.6 per cent, and exports of goods & services 15.0 per cent (OECD, 1988: 66-7).

8 "The recent upsurge in ownership of cars and domestic equipment has important implications for housing. It means that many people need room somewhere in or around their homes for these large possessions. Thus a new source of housing obsolescence has appeared, for those households which do not have the space to accomodate cars, freezers, dishwashers or washing machines will eventually perceive themselves as deprived ... Housing which prevents people from sharing in this way of life will become the slums of tomorrow"

(Donnison & Ungerson, 1982: 59).

From another angle D. Harvey has made much the same point:

"[T]he whole structure of consumption in general relates to the

form that housing provision takes. The dilemmas of potential overaccumulation which faced the United States in 1945 were in part resolved by the creation of a whole new life style through the rapid proliferation of the suburbanisation process"

(Harvey, D., 1985b: 28).

9 The discouraging effect of high house prices on labour mobility, particularly in Britain, is a well-known case (Muellbauer & Murphy, 1988; Boleat, 1989; Brittan, 1990).

10 It is said that an Englishman's home is his castle. Some castle, when he has managed to occupy it on mortgage interest tax relief and borrowed money - only to find that because of Britain's widening trade gap, the Treasury has raised interest rates yet again (*The Independent*, 26.11.1988, p. 1), consequently our Englishman's mortgage debt has become bigger, and he cannot move downmarket because at the same time house prices are stabilising, or even falling (*The Guardian*, 23.01.1989, p. 4; 05.03.1990, p. 1; 05.03.1990, p. 3; 10.05.1990, p. 5; Counsell, 1989b)!

CHAPTER 2:

*The Housing System and Capitalism.*

SECTION 1: The Housing System.

SECTION 2: Tenures and 'Modes of Housing Production'.

SECTION 3: Housing Processes.

SECTION 4: The Relevance of the Concept of Capitalism.

SECTION 5: Capitalism and the Housing System.

## CHAPTER 2: The Housing System and Capitalism.

Below I define a housing system. I discuss the concepts of tenure, 'mode of housing production', and housing process, and show how any housing system can be conceptualised as a 2 x 2 matrix of four distinct housing processes. I argue that a housing system proper emerges only in the capitalist era. I discuss the extent to which the concept of capitalism can usefully inform the study of modern societies, even those some of whose characteristics are apparently non-capitalist. I finish by drawing attention to those features of capitalism that are particularly relevant to the development of housing systems.

### SECTION 1: The Housing System.

I take the term 'housing system' to mean the totality of relations that people form with one another (individually or through collectivities of various kinds), as well as the roles these people assume, while they go about producing and/or consuming residential land and buildings.

Such people or collectivities can be sellers and buyers of dwellings, builders and planning authorities, governments, tenants and landlords, finance and exchange professionals, and of course households. Occasionally some of the roles are carried out by the same person or agency, as in self-building. The above definition of a housing system conforms to the standard definition of a system as

"not just a totality of parts but rather a totality of

relations among and including those parts"

(Goodall, 1987: 461).

I would argue further that where the majority of the population build their homes themselves, or hire contractors to do that for them, the housing 'system' becomes less of a system. The collapse of a housing 'system' to a simpler entity becomes more pronounced where self-building and/or contractor activity is carried out in the absence of third parties or agencies, which might otherwise impose planning or building regulations, and/or where there is no, or only a very limited, housing market. A sufficiently large number of householders must first become dependent on others for shelter before a housing system proper begins to emerge.

For example, one cannot speak of a Greek housing 'system' during the 19<sup>th</sup> century, as at that time, and even well into the 20<sup>th</sup> century, Greek peasants (70 per cent of the economically active population in 1920 - Freris, 1986: 36) built their own homes using a variety of locally procured building materials. This author's father (a geonist) saw hovels made of dung during his excursions in rural Macedonia in the 1930s. The more affluent among the peasants would employ local craftsmen and builders, who often practised their skills in addition to other occupations (Eleutheroudakis, 1929, vol. 5, p. 384). Even as recently as 1952 agricultural advisers would instruct peasants as to how fast how many pairs of hands could use or make and use stones, bricks, clay-and-straw bricks, etc., in order to erect simple constructions (Papasoteriou & Spyrou, 1952: 673-5). In towns and cities contractual building was far more common than in the countryside, undertaken by a small, fluid, casualised, and occasionally more

specialised labour force. Still, speculative building (i.e., building for the general market when the client is unknown), exchange professionals, or outside finance were virtually non-existent.

It is also wrong to assume that the multiplication of relationships, dependencies, and roles that gives rise to a housing system proper is a spontaneous corollary of urbanisation. Turning to the Greek experience again, speculative building, which in the Greek context is appropriately measured by the number of permits issued for buildings four-storey high or more, has never contributed more than half of all buildings, even in the capital. Its peak - 47.4 per cent of all buildings in Greater Athens & Piraeus - was in 1978. The Greek housing system has indeed become more complex and 'system-like' since the civil war, but still household-controlled housing processes predominate.

A housing system proper appears not so much as a result of urbanisation as of capitalism. There are two reasons for this. First, in its countries of origin (chiefly Britain) capitalism was made possible by, among others, the forcible separation of the mass of the peasant producers from the means of production, including land. Because the latter is a *sine qua non* of housing production, wherever that pattern prevailed people quickly came to depend on others for shelter, and sought to secure accommodation either through the build-up of market capacities (which meant higher incomes), or through forms of collective action, or both. A housing system evolved as a result.

By contrast, Greece, along with many other countries since, got to know capitalism primarily through the economic

pressures the first industrialisers exercised upon her. Her agricultural population, who were already or were soon to become independent small-holders, were not thrown out of their land by some group of big landowners. Yet over the decades many peasants have had to leave agriculture behind and migrate. Many of these people have been able to utilise their real estate wealth, as well as take advantage of the wide distribution of landed property in Greece, in order to house themselves in the cities. They did not become dependent on private landlords and speculative builders the way their British counterparts did. Hence the Greek housing system is only gradually evolving towards more complexity and interdependence.

Second, capitalism brings about advanced, and growing, specialisation. The majority of the population lose building skills in the course of social development, the more so since housing standards rise at the same time.

Together the two reasons mean that most of the wage-earners (working and middle class) tend to be housed through processes over which they have less and less direct control or influence. They even come to rely on external financing in order to buy or build their dwellings. Again, rising housing standards make the housing dependence of households on specialist suppliers wider and more pronounced. As a result residential land and buildings are increasingly commodified, i.e., acquire exchange values. At the same time productivity in the housebuilding industry tends to lag behind that in most other industries (I come back to this in chapter 6), which means that the long-term price of housing (a necessity) relative to other goods tends to rise accordingly, other things held equal.

External dependence, commodification, and the relative expensiveness of residential land and buildings make for a perpetual tendency towards imbalances between the supply of and the demand for housing, in quantity and quality that different social groups demand and/or need. Such imbalances are at the heart of the 'cobweb' or 'hog cycle' models of housing market behaviour (Robinson, 1979; *The Economist*, 17.01.1981, p. 23). What is not often appreciated is that 'cobweb' models presuppose a complex, i.e., highly marketised, housing system, with a high degree of interdependence between its decision-making units. For this reason, a 'cobweb' model is more appropriate for the British, US or Canadian markets for new owner-occupied, or even private-rented, housing than for the Greek market (cf. chapters 10 and 11). It is also obviously inappropriate for describing public provision processes (see, e.g., Donnison & Ungerson, 1982, on housing allocation criteria followed by Eastern European governments).

In turn, a recurring imbalance of this type causes volatility in the production of housing, and in the political articulation of housing-related demands and claims by, or on behalf of, various groups. There is thus an in-built pressure for continuous change in the housing systems of capitalist societies.

## SECTION 2: Tenures and 'Modes of Housing Production'.

From the point of view of housing system dynamics housing conditions are the starting and ending points of each evolutionary phase, but are not by themselves of primary operational significance. Crucial considerations in this respect are how dwellings are produced, how they are bought, sold, rented, or otherwise made available to end-users, how these activities are financed, and whether the rewards or penalties accruing to specific agents in the housing system are sufficient in order to induce them to behave in desirable ways. A *housing process* is a shorthand for a subset of such activities, that can be shown to comprise a reasonably self-contained circuit between one or more kinds of agents and, invariably, some type of end-user.

Housing processes must not be confused with 'modes of housing production'. In Britain speculative housebuilding is in the hands of developers and builders (often through chains of subcontracting - see Ball, 1980b; 1981; 1988), who try to secure development gain by means of landbanks (Ball, 1983; 1985a). In Greece it is carried out by builders who enter into an 'exchange arrangement' with owners of urban plots, the two parties sharing the created floorspace between them (Emmanuel, 1981; Pirounakis, 1986). Often builders will get funding for their operations by selling in advance. The first practice adds a strong contractual dimension to speculative building in Greece, while the second violates the requirement that in speculative building the client be unknown (Ball, 1984). The Greek experience shows why one cannot theorise about the housing system on the basis of 'modes of housing production'. There are simply too many of them, and they change all the

time (cf. Ball's 1984 critique of Cardoso & Short's 1983 attempt to do just that). Equally, one cannot - the way Emmanuel, for instance, does - postulate the existence of 'modes of housing production' that are

"necessarily associated with capitalism, one of its stages of development, or its laws of motion"

(Ball, 1986b: 158).

Of course 'speculative building', as a generic term, tends to appear and spread as dwellings are commodified, and the dependence of households on outside suppliers for their housing increases. But,

(a) there is no ONE universal speculative housebuilding mode, but MANY, perhaps as many as there are different capitalist societies, and

(b) considering a housing system in its entirety, the actually present 'mix' between, say, public housing provision, private renting, and owner-occupation, as well as their particular forms and meanings, are never the same between any two different societies either.

Equally, no particular 'mode of housing production' can be thought of as 'intrinsically' associated with any particular tenure. In Britain, for instance, the 20<sup>th</sup>-century fact that most new dwellings for owner-occupation have been produced by the speculative housebuilding industry may have caused some people to forget:

a. That a variant of the modern British speculative housebuilding industry was responsible for the production of dwellings for private renting in 19<sup>th</sup> century Britain (Kemp, 1982, 1986), and

b. That owner-occupation in other countries has been the

result of very different 'modes of housing production' - contractual housebuilding, self-building, or government-assisted building - (Pirounakis, 1987).

Thus a particular 'mode of housing production' and a particular tenure do not have to go always together, even though they may do so for prolonged periods of time.

Like 'modes of housing production', tenures carry different meanings depending on context. For example, a Bulgarian owner-occupier could, even before the recent liberalisation in Bulgaria, bequeath his home to his close relatives, but could sell it only through, and after permission from, the local council (Gallacher, 1987). A Greek can sell his, but has to operate in a rigid market, and face a 15% transfer tax (although no capital gains tax - see Papamichos & Skouras, 1981). Greeks who own flats ('condominia') in high-rise buildings (perhaps most householders in the capital and Salonica) are obliged by law to take the management of the building in turns (e.g., supervising repairs, seeing that the building does not run out of fuel in winter, collecting each resident's share of the electricity bill for the common spaces of the building, etc.), and hold owners' meetings regularly. A Greek, as a rule, can in practice, and often in law, do more with his property than a British owner-occupier, who is overburdened with local planning regulations<sup>1</sup> (and, until recently, with rates). On the other hand, a British home-owner can usually sell his property, often realising an untaxed capital gain, far more easily than a Greek.

As a form of property (cf. Reeve, 1986), a tenure is not an immutable category, but a set of rights, obligations, liberties and non-liberties that are determined socially and legally.

It is an array of characteristics that can change depending on time and place. This is true as much for landlords and tenants as for 'independent' owner-occupiers. Part of the reason for such variability has to do with the way a particular tenure has come about in a given society. For example, the expansion of owner-occupation in countries such as France, Spain, or Germany has relied on far more active and direct government support than it has in Britain (Pirounakis, 1987; ECMF, 1987a; 1987b), where the main ways the state has helped owner-occupiers have been mortgage interest tax relief and the abolition of tax on imputed rent. The inappropriateness of conventionalising the concept of tenure to the point of abusing it has led some authors to argue, correctly, that

"'tenure' has become more widely used as a *taxonomic* 'shorthand' to describe broad categories which very often do not have substantive, binding attributes. This means that diverse social and economic relations are reduced to unexamined tenure categories which do not have much correspondence with real-world attributes"

(Barlow & Duncan, 1988: 229).

To suggest a possibility: Even if a country had 100 per cent owner-occupation,<sup>2</sup> one should not expect no tenurial diversification whatsoever. Location, housing conditions, or selectively applied planning or building regulations might eventually create a systematic bias for or against particular subsets of the housing stock and/or of the population of households. As soon as that happened new tenures would begin to creep in, even though all stock would in name be owner-occupied (cf. Kemeny, 1981).

### SECTION 3: Housing Processes.

If neither tenures nor 'modes of housing production' provide a satisfactory basis for building a general framework in order to explain change in a housing system, an alternative is offered by the concept of 'housing processes', as defined above. But to avoid the pitfall of losing oneself in an endless stream of national peculiarities, the housing processes that make up a housing system must be thought of in such a way as to allow insights into the system without being exclusive to any particular national housing system.

Let us start by considering the case where housing is provided to end-users - perhaps because it is their legal right to enjoy this provision, or because there is no alternative to outside provision. Potential providers are volume speculative builders, the central state, municipal authorities, or non-profit organisations, usually subsidised by the state. For example, in 1969 5.2 per cent and 56.1 per cent of dwellings completed in Sweden were built by state and non-profit institutions, respectively; 19.0 per cent and 31.7 per cent in Holland; 0.7 per cent and 34.7 per cent in France; 2.5 per cent and 22.1 per cent in West Germany. In the same year, local authorities in Britain completed 50.5 per cent of all dwellings, and even in the USA they completed 2.6 per cent of the total (Heidenheimer et al., 1983: 102).<sup>3</sup>

Alternatively, housing can be acquired by the end-users themselves if they have wide access to land, and direct control over the financing and/or building process. Contrary to the previous case, housing processes involving acquisition occur more often and

strongly in countries with either precarious power structures (the strongest case), or extensive distribution of landownership, or both. Examples of housing acquisition abound. Here are some:

(1) The *inquilinos* of Veracruz, who

"while they sought to negotiate the level of rents, they did not, unlike the rent strikers of Glasgow, appeal to the state to intervene, in spite of the willingness of one sector to do so. At heart, they did not want a welfare system, but ... a new society, free of foreigners, speculators, and policemen"

(Castells, 1983: 334).

(2) Various squatters' movements in Latin America (Drakakis-Smith, 1981; Ward, 1982b; Castells, 1983; Rodwin, ed., 1987).

(3) Urban immigrants in Turkey, who gain(ed) a foothold in the cities (mostly Ankara) by participating in informal and semi-formal networks of patronage in the *gecekondu* areas (Donnison & Ungerson, 1982; Payne, 1982).

(4) The widespread practice in Greece of building (often via contractors) on own land, but without planning permission, with the state subsequently legalising the settlements and/or supplying urban amenities like running water, sewerage, electricity, and telephony.

Rarely in real life can a housing process be described as either purely 'provision-based' or purely 'acquisition-based'. All sorts of 'blends' are possible. Pressing for the provision of urban amenities to settlements of unauthorised dwellings erected with private means, is one 'in-between' example. Essentially, a strategy that combines 'provision' and 'acquisition' is employed

wherever the people involved value what they see as their autonomy from the state or big private interests, or have reasons to mistrust the state, but at the same time their resources fall far short of their needs. Another possibility is that they employ 'combination' strategies whenever they fail to conceive a radical transformation of existing housing arrangements as either beneficial or feasible, and therefore opt instinctively for 'short-range' demands. For instance, the Glasgow and Clydeside rent strikers did not ask for public housing (Damer, 1980, 1985; Melling, 1980; 1983; Castells, 1983). It was, rather, the government and the Labour Party which, for different reasons each (Merrett, 1979; Dunleavy, 1981; Ball, 1983), saw in public housing a proper response to the housing problem of the times. Equally, despite unrest in the Greek rented sector since 1978, there have been no calls whatsoever for creation of a public housing stock, and only minimal calls for direct public housebuilding.

Provision and acquisition are two dimensions along which one can conceptualise housing systems and processes. But a housing system does not evolve only on the basis of urban, or specifically housing, struggles and movements, and of the results of the latter in terms of institutionalised patterns of provision or acquisition. It also evolves on the basis of income levels, and the degree to which housing consumers participate in various markets. Moreover, in so far as purchasing power implies the exercise of choice (e.g., which area of a city would I like to live in? which house or flat, and which design, to buy? how do I want it decorated? etc.), it has a cultural dimension that cannot be dismissed simply because it is money that has enabled its manifestation. Thus, when Castells, for example, says that modern urban movements combine "the search for

cultural identity", "the search for increasing power for local government", and "collective consumption trade unionism",

"in contradiction to the notion of the city for profit in which the desirability of space and urban services are distributed according to levels of income"

(Castells, 1983: 319),

he is laid open to attack. He forgets that money is spent according to cultural choices as well, and therefore the shaping of a city on the basis of income is not less of an urban movement than the sort he seems to prefer. In reality it is both sorts of activity, with their many variations and interconnections, which continuously 'make' a city, and define its 'urban meaning' (ibid., p. 303). Market and non-market, or even anti-market processes of housing provision or acquisition interact, sometimes in an antagonistic, sometimes in a complementary, fashion, and it is the totality of those processes that makes a housing system.

The dimensions I have just discussed can be depicted along the lines of the following 2 x 2 matrix:

Fig. 2.1: Housing Processes.

	Market (M)	Non-market (N-M)
Provision (P)	(i)	(ii)
Acquisition (A)	(iii)	(iv)

Any housing process can be conceptualised as combining any two of the above dimensions, while the precise 'blend' and its form can only be ascertained through empirical investigation. Any housing system may

include any of a number of such combinations. For example, *(i)* is a situation where housing is provided through the market on the basis of ability to pay, but where consumers have minimal direct influence over the development, financing, and housebuilding process as such. This is the case of speculative housebuilding in Britain and the USA. *(ii)* is a situation where housing is provided by the state, probably at subsidised prices, as a welfare item. *(iii)* is a case where people acquire their housing through the market (say, via contractors), but with a large measure of control over things like access to land, building design, or financing. *(iv)* is a case where again housing consumers have some direct control over a range of things that affect them, but with minimal market-mediated inputs, as in many instances of 'Third-World' self-build housing (cf., e.g., Gilbert & Ward, 1986).

#### SECTION 4: The Relevance of the Concept of Capitalism.

I argued above that the hallmark of a housing system is the separation of housing production from housing consumption and, less strongly, the multiplication of interconnected housing processes. I also argued that the emergence of housing systems is a corollary of the development of capitalism. I feel that this last point deserves further explanation in view of the fact that housing systems exist in many countries, at least some of whose characteristics are, or have been, apparently - and often strongly - non-capitalist, and even anticapitalist. Examples are all the Eastern European countries prior to *perestroika*, and Greece. In all such cases, how can it be said that their housing systems are the result of capitalism? And, more generally, how useful is the concept of capitalism in facilitating understanding of those systems?

The answer to the first of the two questions is rather simple. The housing systems of many countries that did not develop indigenous versions of capitalism have nevertheless been responses to upheavals - the flight from the countryside, urbanisation, etc. - which were caused by 'exported' capitalism (cf. Brewer, 1980), and inevitably so. This is what happened to Greece, for example.<sup>4</sup> Yet more obviously, state housing provision - a phenomenon historically associated with social-democracy and communism - was ushered in as a response to what were perceived as the injustices and/or inefficiencies of capitalist housing processes (cf. BCDP, 1978; Melling, 1980; 1983; ed., 1980; Dunleavy, 1981; Heidenheimer et al., 1983; Jones, 1985; Shapiro, 1985; Ashford, 1986).

What is less easy to explain, particularly as regards state housing provision, is the apparent unwillingness and/or inability of all centrally planned economies (or perhaps of economies of ANY kind) to (a) ban variety from their housing systems (i.e., to achieve only one housing process), and (b) to reconcile the producer and consumer roles of households with respect to their housing. It is well-known, for instance, that the housing systems of Eastern European countries exhibit at least as much complexity as those of the West (Grant, ed., 1980; Andrusz, 1984; 1987; Dangschat, 1987; Hegedus, 1987; Szelenyi, 1983; 1987; Tosics, 1987).

I think that the separation of the two roles reflects the advantages of specialisation, which may not be possible, or even desirable, to dispense with now, no matter what the social system is. Perhaps certain forms of democratic involvement and control will eventually lead to a new and successful blend of the two roles (cf. Ball, 1983; Donnison, 1987b), but this remains to be seen. More importantly, the preservation of a high degree of variety in a housing system, in terms of 'modes of housing production' and tenures, may not just be inevitable, but also desirable in that it allows people certain flexibilities which they might not otherwise have. The existence of a private and/or public rented sector, for example, may facilitate the entry of newcomers (students or workers) to a city, while a universal owner-occupied sector of the British type may inhibit it. But urban immigration may also be facilitated, as the Greek experience shows, by means of relatively easy access to cheap peripheral urban land, i.e., owner-occupation of the Greek type. On the other hand, the wide availability of owner-occupation as an alternative to renting may check some otherwise unscrupulous or inefficient landlords.

Turning to the second question - to what extent the concept of capitalism is useful in studying the housing systems of societies with apparently non-capitalist characteristics -, the answer is 'a great deal'. In general, the problem can be posed in the following way:

If the three premises of capitalism are

- (a) the separation of economy and polity (cf. Giddens, 1973);
- (b) competition, and
- (c) the mass of the population are forced purely by means of economic coercion to sell their labour power in the market place,

then the problem is about the extent to which these premises are violated by factors such as

- 1/ a large state sector;
- 2/ state interference in the economy;
- 3/ absence or erosion of civil and individual liberties;
- 4/ a weak industrial base, and/or
- 5/ a large informal economy.<sup>5</sup>

The problem can be solved by examining the epistemological status of both the concept of capitalism - as developed, for example, by Marx in his 'Capital' - and the seemingly non-capitalist aspects themselves. The first type of examination is about assessing whether the 'laws of motion' of capital,<sup>6</sup> which are central to the 'source' model of capitalism as per Marx, are at the root of the economic pressures modern societies experience, EVEN THOUGH

(a) the full effects of those laws are ameliorated or distorted through political interference, and

(b) the units of analysis through which the laws and

pressures are manifested can be at a far remove from the archetypal units of analysis employed by Marx (i.e., individual, disorganised workers and individual capitalists).

The second type of examination asks whether non-capitalist aspects can be assigned 'ontological primacy' (whether, that is, they can be deemed as having an autonomous and ACTIVE role to play in social development), or are merely manifestations of backwardness, and hence transitory, or both.

Let us dwell, briefly, on these two queries. In the first, the main issue seems to be about kinds of fusion between economy and polity beyond which the 'laws of motion' of capital cease to operate. There is nothing in the 'source' model of capitalism to establish firm guidelines on this. The reason 19<sup>th</sup> century Britain served as that model is that there the relatively high degree of freedom that competition and private enterprise enjoyed, allowed the 'laws of motion' of capital to operate and manifest themselves very forcefully. But even in Britain political and state interference in the economy inescapably occurred, and was not always unequivocally in the interests of the capitalists.<sup>7</sup> In yet other cases - France, Germany, Sweden, Japan, or Brazil - the state has played a much more energetic role in promoting capitalist industrialisation and guiding the economy than 19<sup>th</sup>, or even 20<sup>th</sup>, century Britain (or America) ever did (Kidron, 1970; Burks, 1981; *The Economist*, 17.01.1987; 25.04.1987). Thus, fusions of the economy and polity, even if quite strong, are not necessarily anticapitalist. The conceptualisation of the economy and polity as distinct spheres was the result of the requisite breach with Absolutism (i.e., a feudal state - see Anderson, P., 1979) so that the

forces of private enterprise and competition, politically veiled as individual and citizenship rights, and legally as private property rights, could be given a free hand.

What this means is that one must distinguish the 'laws of motion' of capital both from the conditions that facilitate or hinder their operation, and from responses to them. For example, anti-trust legislation in the USA is a political attempt to stop or even reverse the monopolisation of an industry by one or two big firms. Yet such legislation cannot 'prohibit', so to speak, the inherent tendency of capitalist industry to move towards increasingly oligopolistic structures (cf. Buzzell, 1981) - which is one of the 'laws of motion' of capital. A society may indeed armour itself against at least some of the most undesirable effects of free-roaming capitalism (cf. Ashford, 1986; Galbraith, 1990), but unless it engages in successful grand-scale planning, it will still be struggling against economic forces (the 'laws of motion' of capital) over which it will have, at best, only partial control.

Similarly, since Marx's time, the units of analysis through which the 'laws of motion' of capital operate, have become, and are becoming, different. Along with individuals, modern capitalist agents can be joint-stock companies, unit trusts, insurance companies, local governments, co-operatives, states, and, of course, professional managers. Again, one should not view such transformations as paradoxical, provided one sees capital as a 'recursive' phenomenon. Recursiveness is a tendency towards increasing orders of complexity on the basis of successive applications of relatively simple rules (Poundstone, 1985). In other words, although the capitalist system may

explode continuously into highly variegated patterns, the logic behind it may remain unaltered over quite a large number of metamorphoses.<sup>8</sup>

The question of how to treat non-capitalist features of any given society to-day cannot be answered unequivocally. Are such features - whether 'backward' (i.e., 'pre-capitalist') or of a socialist nature - transitory or do they have some more lasting significance? In many respects, the question reminds one of debates concerning the nature of economic growth. The crucial choice to make - whether to view disturbances and frictions of all kinds as part of the nature of growth, or as temporary deviations from an otherwise smooth growth path, cannot be readily resolved by recourse to evidence (Gottlieb, 1976: 48).<sup>9</sup> To a large extent, it is a matter of conjecture.

Traditional 'developmentalists' (see chapter 4) as well as traditional marxists have often found themselves agreeing on the transiency of the non-capitalist features of many societies (see Corbridge, 1986, for an exposition of both views, and a critique). Where they had differed was on how to interpret the so-called socialist societies - a higher social order, or an aberration? To many on the Right, the current upheavals in Eastern Europe appear as a vindication. Fukuyama has even rushed to announce the 'end of history' because, he says, the West (i.e., liberal democracy and market economics) has triumphed, and an era of 'boredom' is about to ensue (Atlas, 1989). The recent spread of democratic reform in Latin America (*The Economist*, 23.01.1988) reinforces such views. They are erroneous because they are eclectic, i.e., they emphasise only those features that appear to conform to the Right's highly stylized version of a mythical capitalism (cf. Galbraith, 1990). They are also erroneous because they take

such features out of context.

The Left has erred similarly. Leontidou (1985; 1986), for instance, interprets Athenian urban and housing history as a result of the transition to capitalism and the incorporation of the country into the world market. So far, so good. But she subsumes national specificities under the notion that Greece has belonged to the imperialist 'semi-periphery'. As a result, she attaches a lot of importance to superficial similarities between Greece and certain Latin American countries. On the basis of those similarities she invents typologies of social classes that purport to capture the particularities of 'semi-peripheral' class patterns as opposed to those of 'core' countries. At the same time she draws most of her evidence from Greece - a country whose property rights pattern, including the distribution of land and home ownership (see chapters 8, 9, 11, 12, and Appendix II), are markedly different from that of any Latin American country. Not surprisingly, she has difficulty accounting for the formation or absence of urban movements in 'underdeveloped' countries (like Greece), and resorts to the explanation that a 'radical' political leadership was/was not present. This is cyclical reasoning.

On its part, the Communist Party of Greece (CPG) has for decades analysed Greek society by reference to 'state monopoly capitalism' (a concept whose appropriateness even for advanced capitalist countries is questionable - cf. Wirth, 1977) and to 'relative retardation' - both in the same breath. Worse, the Party's effort to remain blindly faithful to Stalinist precepts, has at times led it to invent instances of backwardness. In 1930 the CPG described Greece as a country "without serious feudal remnants". In 1934 it found "serious

remnants of quasi-feudal relations". And in 1966 it re-asserted that "despite their important decrease after the war, certain partial feudal remnants still exist in the countryside" (Ladis, 1972, p. 41). All this ambivalence, while feudalism never took hold in Greece (or in Byzantium or the Ottoman empire) (Anderson, 1979; Vergopoulos, 1975; McGowan, 1981; Tsoucalas, 1983), and the few pockets of 'feudalism' that did appear at the end of the 19<sup>th</sup> century were liquidated with the 1917 agrarian reform (Vergopoulos, 1975).

Interestingly, if one chooses to focus on other characteristics of modern Greece, one can come up with a radically different, but equally spurious, interpretation. Namely, that Greece is by now a full-fledged capitalist country (Mastrantonis & Melios, 1983; Mavris & Tsekouras, 1983; Melios, 1983; 1984). Among others, these authors (working through the magazine '*Theses*') stress the development of monetary, exchange, and wage relations in Greece. They also dismiss the significance for class structuration of the security of tenure that public sector employees enjoy in Greece, and quite peremptorily assign most of these employees to the 'proletarian' class (Mavris, 1984). The error of this particular view has been exposed quite decisively by Tsoucalas (1986) (see also Hoff, 1985).

I will not go into details. Rather, I will advance my case utilising Vergopoulos' (1975) thesis on the 'social incorporation' of Greek agriculture. This author denies that the overwhelming presence of the small familial holding in the Greek countryside is a sign of retardation. On the contrary, he argues that such fragmentation is the normal and necessary way by which modern capitalism incorporates agriculture into the economy. He cites the dependence of Greek farmers

on state subsidies and loans as evidence. I do not agree with Vergopoulos' functionalist hue here. But even if capitalism 'needs' this type of rural fragmentation,

*the crucial point I wish to emphasise is that such a pattern of landownership among the peasants implies and conditions a very different political dynamic from a situation where the typical agricultural production relation involves, say, capitalist farmers and hired labourers, or whatever else. This dynamic, in turn, diffuses into the societal whole in ways quite removed from a conception of a capitalist state as the instrument of the ruling class in a dichotomous class model (cf. Giddens, 1973).*

For example, as a result of this dynamic the state may be forced to consistently heed the interests of small proprietors in counterdistinction to the requirements of industrialisation. In Greece the discrepancy between ostensible policy and the anti-industrial/anti-capitalist resilience of society at large is striking (see chapters 8 and 9).

Thus both on the Left and on the Right, stylized versions of capitalism have been applied on actual societies by means of an unwarranted eclecticism. This is a thoroughly unhelpful approach, as it mystifies and obscures much more than it is supposed to illuminate. Obfuscation is a danger inherent in the blanket use of all general terms. I have already warned against the mistake of thinking that what is meant, say, by 'speculative building' or 'owner-occupation' in one country, means the same in another. The same warning can be advanced in relation to the category 'informal sector':

"Infravalorization of wage labour is confused with small

enterprise and non-commodity production or with illegal *modus vivendi*; the specific nature of gender exploitation is lost as women's work is associated with unskilled manual labour; any badly paid job is disguised as unemployment and, lastly, no distinction is admitted between brutal, alienating labour relations and potentially autonomous, creative forms of production"

(Connolly, 1985: 86).

Connolly's comments are also apposite to discussions about self-help building. The latter must not be confused with self-building, at least in Greece (Emmanuel, 1981), as more often than not it has involved contractors rather than physical inputs on the part of the user household. Unsurprisingly, at times it has involved both. Self-help must more appropriately now be taken to mean housing processes under the direct control of the household, in counterdistinction to, say, speculative or state building. Neither is self-help necessarily *illicit* building - both versions are equally plausible. And even self-building proper, it is increasingly acknowledged, must not be counterposed to the market, as it often involves various proportions of purchased inputs (cf. Ward, ed., 1982; Gilbert & Ward, 1986; Hardoy & Satterthwaite, 1987; Peattie, 1987; Renaud, 1987; Scottish Federation News, 1987; Officer, 1988).

In conclusion, the concept of capitalism can be fruitfully used to study societies with apparently non-capitalist characteristics to the extent that the fundamental economic and political tendencies of capitalism, revealed through historical experience, are identified as major sources of pressure for change in such societies.

The form, direction and nature of change need not be identical between different societies.

Understandably enough, the historical experience that usually provides the necessary benchmark is that of the advanced capitalist countries. But to ask only whether Greece, for instance, will become more like Britain, given time, misses the point. Strong similarities may indeed develop, to the extent that both countries participate in an increasingly internationalised global economy, and are therefore subject to the same 'laws of motion' of capital. Equally, differences may well remain or ensue because these 'laws' can operate - in typical 'recursive' fashion - through many diverse channels, determined by both old factors (perhaps remnants of past social orders) and new developments, which is another way of saying that capitalism is as adaptable as it is revolutionising. Thus, rather than seeking to show that any particular country conforms to a model set by another, or that it is on its way there, a more useful question is the extent to which particular laws of motion of capital are arrested, enhanced, or their operation is distorted, by social and political factors in concrete situations.

I will utilise these ideas in my discussion of the relationship between dwelling prices and incomes (chapter 6), and also of the recent upheaval in the Greek rented sector (chapters 11 and 12). But having shown how the concept of capitalism can inform the study of societies with apparently non-capitalist characteristics, it is now time to turn to those 'fundamental tendencies' of capitalism that are directly relevant to the dynamics of housing systems.

## SECTION 5: Capitalism and the Housing System.

The relevance of capitalism for the dynamics of housing systems can be captured by the following four general propositions:

(1) *Capitalism tends to increase the dependence of households on outside agents for their housing.*

(2) *The 'laws of motion' of capital affect the behaviour of capitalists in the housing sphere also. For instance, speculative builders or landlords may face qualitatively different obstacles and opportunities from those faced by capitalists in other spheres, but cannot, on account of that, be assumed to be impervious to the imperatives of capital accumulation. On the other hand, whether there are capitalists in any particular housing system, or in a sector of it, and, generally, how the nature of agents in the system determines the extent of their susceptibility or adaptability to those 'laws', cannot simply be assumed, but requires empirical investigation. This is further discussed in chapters 4, 11 and 12.*

(3) *The spread of capitalism has been associated with the emergence and strengthening of civil and political individual rights (Giddens, 1973; Barbalet, 1988). People in a capitalist society expect (or have the moral and political right to expect), for example, equality before the law, with all that this entails in terms of access to property and opportunities. People in a socialist society expect (or should legitimately expect) the establishment of socialist rights of egalitarian participation in the wealth society produces (Campbell, 1983). Either way, people have become increasingly enabled to pursue constant improvement in their living standards, including their housing*

conditions. Herein lies a prime source of pressure for change in the housing system, i.e., *the fact that while people's expectations are rising along with the growth in social production and productivity, their opportunities - and hence power - to do something about their needs are not merely a function of their purchasing power, but are also institutionalised in the political and legal system.* This is again discussed in chapters 3, 9 and 10.

(4) Finally, far from annihilating the political and legal side of social life in favour of a universal commercialism (or 'economism'), *capitalism maximises their significance, precisely by allowing the institutionalised transformation of 'needs' into 'rights' and 'claims'* (cf. Turner, B.S., 1986; Barbalet, 1988). By their very nature, rights and claims are both 'structure-' and 'agent-'related categories of social life. They are structural because, once created, they are there for people to take advantage of, or to subject others to concomitant obligations (possibly), i.e., they have both 'enabling' and 'constraining' dimensions. Meanwhile claims can become rights through successful collective action. And obviously rights, no less than claims, are created, upheld or opposed by real people, who act as social agents. For example, the rights and claims of landowners or landlords, as checked by the rights and claims of other groups, define their effective power, but also the landownership or rented sector pattern. Patterns of rights and claims also define tenures, housing subsidies, and development and building activity or 'modes'. How they come about, how they constrain and/or enable particular housing processes, and what the relationship of housing-sphere-specific rights and claims to wider patterns of rights and claims in a society is, are thus cardinal questions to ask in order to understand housing system dynamics. I do this especially in chapters 8 to 10.

## FOOTNOTES TO CHAPTER 2

1 And not always unamusingly. Look at this reported incident:

"Brontosaurus ban: Farmer Mr Denis Brant has been told by council planners to remove a huge model brontosaurus from land near Newbury because the gift to his 13-year-old daughter, Katie, is not a grazing animal"

(*The Sunday Telegraph*, 14.01.1990).

2 The only one to actually do so is Mongolia, according to *The Guinness Book of Answers*, 1989, p. 339. It is unclear, though, what is meant by owner-occupation in this, as well as in each and every, national case.

3 These instances belong to a deliberately limited view of housing provision. A wider view would include general infrastructure provision, like roads, sewerage, electricity, tap water, etc.

4 Although Greece is special because even before it re-emerged as a nation-state around 1830, her (expatriate) bourgeoisie had become well integrated into European capitalism. So, in a sense, capitalism in Greece was both indigenous and alien. (Psyroukis, 1975.)

5 To various degrees, all features of modern Greece.

6 I.e., the tendency towards equalisation of the rate of profit between various industries; the tendency of the rate of profit to fall, provided various counter-tendencies do not neutralise the

first; the tendency towards capital concentration and centralisation; towards reproduction of a 'reserve army of the unemployed'; towards 'realisation' crises, and internationalisation of markets and capitals; the continuous revolutionisation of production processes, and the commodification of human relationships.

7 Witness the prolonged struggle over the repeal of the Corn Laws, or, perhaps, the gradual introduction of a shorter working day, or the prohibition of child labour.

8 Hence Marx's famous dictum in his prologue to the first German edition of *Capital*, "De te fabula narratur" - Of you the story is told. He wanted, that is, to make it clear to his German readers that, although *Capital* was based on the British experience, its conclusions (i.e. the 'laws of motion' of capital) were applicable to Germany as well.

9 "Adjustment for trend has been called the 'fundamental logical problem of time series decomposition'... Common to all methods of trend elimination is the presupposition that the force of growth is separate from fluctuation and that the economic system tends to grow by a smooth, continuous movement and then to oscillate around that movement... Conversely, ... economic development has a mixed dynamic of *creation* and innovation, and ... 'evolution is essentially a process which moves in cycles,' so that the trend 'is nothing but the result of the cyclical process or a property of it ...' [Schumpeter, 1939, I, p. 206]. Those who accept this in itself unprovable hypothesis necessarily oppose trend elimination

from cyclical contours ..."

(Gottlieb, 1976: 48).

C H A P T E R 3:

*Housing System Dynamics: A Holistic Process.*

SECTION 1: Housing: A Consumption- or Production-

Orientated Approach?

SECTION 2: Housing Investment and Housing Consumption.

SECTION 3: Needs: Prime Variable of Social Dynamics.

SECTION 4: Resources and Strategies.

SECTION 5: The Transformation of Housing Markets and

Products.

### CHAPTER 3: Housing System Dynamics: A Holistic Process.

Below I review the debate on whether housing studies should more appropriately focus on the consumption or production side of housing, and conclude that this is a false dilemma. The difficulty stems partly from confusing the focus of analysis with 'theory' (section 1), and partly from the way the two sides are defined. For example, it is often overlooked that the nature of the decision-making units behind production and consumption affects the substantive content of these concepts (section 2).

From the point of view of housing system dynamics the consumption/production dichotomy (or overlap) is important mainly in so far as it sheds light on the behaviour of social groups which advance, oppose, or support patterns of rights and claims over housing resources. The broader issues, therefore, are (a) how needs are formed (section 3), and (b) how resources are accessed (section 4). Access can be achieved by a variety of strategies, often involving both economic and political means. The two operate and cause change together. Therefore, one has to go beyond a purely 'economic' or a purely 'political' analysis of housing system dynamics, and combine them instead (section 5).

#### SECTION 1: Housing: A Consumption- or Production-Orientated Approach?

A number of authors from within the broad marxist fold have recently attempted to redress what they view as the one-sidedness of both mainstream, and particularly neoclassical, housing research, and of some marxism-inspired work (involving, chiefly, the

'collective consumption' thesis). They argue that a lot of housing research is overly pre-occupied with the consumption side of housing (keywords: tenures, housing sub-markets, subsidies, taxation, state policy), and pays scant attention to the production side (cf. Harloe & Martens, 1984; Ball, 1983, 1986b; Dickens et al, 1985).

This type of critique has led to a quest for better theorised housing analysis (Ball, 1986b), in which the emphasis should lie on 'production' (Dickens et al., 1985) or, in a more sophisticated version, 'provision' (Ball, 1983, 1986a, 1986b, 1988). Ball, in particular, has advised against concentrating on either production or consumption on *a priori* grounds, and said that only detailed analysis can reveal which aspect, which relations, and which agents are important (Ball, 1986b: 158). He has asserted that "landownership, relations of production, exchange agencies (where they exist) and housing consumers" matter, but warned that "forms of finance and the state" are "problematic and contingent" factors (ibid., p. 160).

I am afraid that even Ball's analysis is not satisfactory. It is not enough to restate that in particular national cases particular factors are likely to be more important than others - that much we know already. I have shown, moreover, that the term 'housing provision', as used by many authors currently, is highly inadequate: housing is not only 'provided' to households, it can also be 'acquired' by them, and the difference is substantial (chapter 2).

The real question is whether it is possible to show that relations between the various factors are not equally *ad hoc*, but instances of a more general mechanism or mechanisms that is/are

responsible for housing system evolution and change in capitalism. Labelling an eclectic mixture of demand and supply relationships and factors "structures of housing provision" (Ball, 1983, 1986b) does not get us nearer to understanding those mechanisms than we were before the introduction of the novel terminology. On the positive side, drawing attention to the significance of socio-economic relations among agents involved in housing 'provision', has indeed served to expand our knowledge of particular national housing systems (see Dickens et al., 1985; Martens, 1985; Folin, 1985; and of course Ball's entire - and remarkable - work). Having said that, it is also true that Marxism-inspired approaches have by no means a monopoly of intelligent interest in the supply side of housing (cf. Grant, ed., 1980; Emmanuel, 1981; Paris, 1984; Rodwin, ed., 1987; Weesep & Maas, 1984). Lastly, Ball's (1986b) formulation of the 'provision' thesis faces us with the paradoxical suggestion that the state need not always be important (p. 160).

More generally, the terms in which most of the housing consumption vs production debate has been conducted, have been unhelpful in terms of theory-building because

"the *focus* of analysis is being confused with something called 'theory'"

(Kemeny, 1987: 259).

But Kemeny's suggested alternative, namely to construct

"conceptual frameworks derived from disciplines such as Marxism, sociology, geography, and political science"

(ibid, p. 250),

is not a solution either. For one thing, the problem of explaining what

makes housing systems 'tick' is not addressed - Kemeny simply urges his readers to do so. At least M. Ball has attempted it, and has indeed illuminated many aspects of the British housing system. For another thing, Kemeny's suggestion that particular 'disciplines' are all possible avenues to genuine knowledge is questionable. Castells (1976a, 1976b), for example, has dismissed mainstream urban studies on the grounds that the 'urban' is neither a real nor a theoretical object of analysis. The fragmentation of social reality into 'aspects', legitimately discussed in the context of appropriate 'disciplines' such as economics, sociology, etc., has been held by some to be more than a heuristic device (which it can very well be): it serves, they have argued, as a deliberate counter-procedure against marxism (Cockburn & Blackburn, eds, 1969), which is supposed to be the main approach to the study of social life that is both holistic and critical of the status quo.

This does not mean that marxism, or a certain interpretation of marxism, is the correct path to true knowledge. The point, rather, is that there is nothing necessarily 'theoretical' (i.e., illuminating) in the perspective one chooses to focus upon (as Kemeny himself would admit), while there may indeed be demerits in some attempts to compartmentalise reality (cf. Ball, 1979). Housing, I have argued, is precisely one area where such an attempt is likely to be especially unhelpful.

## SECTION 2: Housing Investment and Housing Consumption.

Since any attempt to explain housing system dynamics has to take account of the multiplicity of existing housing systems, and utilise comparative housing research, the researcher must be aware that analytical concepts such as housing investment, house prices, or housing expenditure are not immutable categories, but are themselves problematical. One must constantly ask whether it is legitimate to take any given housing economic concept for granted in forming additional research questions, or whether the concept itself should first become the object of investigation.

(A) Investment is a process that depends critically on who the investor is. Investment in dwelling wealth cannot be expected to exhibit the same characteristics and sensitivities across different housing systems. In one system the decision-makers may be families, in another the state, in yet another speculative builders or prospective landlords. In Sweden, for example, co-operatives accounted for 16 per cent of the housing stock in 1980 (Clapham & Millar, 1985: 10), and in Oslo for 45 per cent of households in 1983 (Kintrea & Munro, 1985: 35). Co-operative housing in both Sweden and Norway has involved features usually associated with owner-occupation, like the right (and opportunity) to sell one's equity or interest in the co-op (which in effect means the right to live in a co-op dwelling) at market prices. In West Germany social housing, in many different forms, has played for decades a very important role in housing provision.<sup>1</sup> The recent innovation of Housing Action Trusts in Britain (CB News, 1989, p. 14) is another example along the same lines.

It is wrong to expect one investment model - e.g., the 'cobweb' capital stock adjustment model mentioned in chapter 2 - to capture the behaviour of each and every one of those different agents. Although there are speculative developers and builders in Scandinavia and West Germany, understanding the housing investment process in those countries would necessitate taking account not only of how housing investment agents other than those behave, when considered in isolation, but of how all agents behave, or are likely to behave, in interaction with one another. In another example from Sweden,

"[t]he downturn in the property development market has meant that many property companies are offering their services to co-operatives. In general, they have not been successful in generating much business, because of the attitude of co-operative owners who consider them to be less caring and more expensive than the service from the co-operative, although the evidence for HSB [one of the two major co-operative organisations of Sweden - NP] seems to indicate that the HSB services are in fact more expensive"

(Clapham & Millar, 1985: 24).

This example brings to mind the British case, where at times many Local Authorities have felt they could exercise a choice between setting up their own Direct Labour Organisations (to the open hostility and resistance of the big private builders in particular - see Direct Labour Collective, 1980) and employing private contractors to build or rehabilitate public housing for them (Direct Labour Collective, 1978). (For an example of a more positive relationship between a LA and the private housebuilding sector in Britain, see Sim, 1985.)

The two cases cited contrast in that in Sweden private capital has sought or accepted collaboration with the non-profit sector, whereas in Britain the relationship between the private building and the municipal sectors has always been much more strenuous. I will not get into the reasons for the difference; I am only stressing it, pointing out that non-market and/or acquisition-oriented housing processes (see chapter 2) may well give their place to market and/or provision-oriented ones in the course of social development, but not necessarily or inevitably to the stereotypical speculative developer or builder of the USA or Britain, or to a bureaucratic state either. Other forms, perhaps combining end-user control with state assistance or private external financing, are possible.

(B) Housing consumption is usually taken to mean "consumer allocations to pay for the services rendered by the total inventory of dwellings [ ] the amount spent for rent or home-ownership expenses" (Burns & Grebler, 1977: 47). The way this concept is defined affects subsequent estimates of the so-called income elasticity of demand for housing; knowledge of the latter has important policy implications:

"With inelastic demand, a subsidy for general income support [ ] will be less effective in raising levels of housing consumption than one of the same amount earmarked specifically for housing"

(Burns & Grebler, 1977: 50).

The problems of determining what counts as housing consumption, and what does not, are three-fold.

First, consumption expenditure on housing has to be disentangled from investment expenditure on housing. Burns & Grebler (1977) try to do this via a shift in their definition of housing: from "housing as a competing use of capital" they arrive at "housing as a competitor for consumption resources" (p. 47). But their shift in the definition does not seem to be able to cope with cases where the investing and the consuming agents are one and the same - as very often has been the case in Greece and many other countries. This is important. The main usefulness of the distinction between housing investment and housing consumption is that it allows one to investigate cases where apparently desirable areas for investment, like (usually) industrial development or restructuring, are starved of funds because these are directed elsewhere - e.g., into housing. But competition of capitals presupposes competition of capitalists, who consider investment alternatives depending on their rates of return. Where, however, the investing and consuming agents coincide, the field of economic activity so circumscribed is not open to competition, it is a closed personal or household field geared towards autarky, and therefore what we have here is a form of economic activity inherently and often deliberately un-capitalist, if not outright anti-capitalist. This is a finite field in the sense that all that is invested is consumed by the same agent and is not sold on a market (i.e., it is not meant for sale on the open market), hence no extended reproduction of capital takes place, and no meaningful rate of return can be applied. Whatever funds are invested and consumed in this way cannot be said to have competed against other funds (capitals) for the field of activity in question (e.g., housebuilding), and consequently that field cannot be said to have been in competition with other fields for funds. (I will return to this topic in section 3.) An example from 18<sup>th</sup> century England is

appropriate here:

"A man of means who wished to build a country mansion or a town house for his own use might perhaps ignore conditions in the capital market: even in years of acute shortage of funds some building took place. But if such a man contemplated putting up a house as an investment he would surely consider the yield he could obtain by buying other assets and, in particular, government stock"

(Ashton, 1959: 87).

The point I am making is this: It is often not possible to distinguish consumption from investment expenditure on housing. If, however, in comparing different time periods or countries, one chooses, in some cases to drive an arbitrary wedge between consumption and investment, and in other cases to conflate the two, without sufficient theorisation and justification, then any figures for the income elasticity of demand, for example, will be severely distorted (over- or under-stated). If, on the other hand, one chooses to avoid comparative research, and base one's policy recommendations only on the study of short time periods or of very ad hoc environments, then there is no way of telling whether, say, the size of the elasticity arrived at in this way can be of any use in other contexts. What is needed is awareness of any subtle changes in the meaning and significance of housing consumption and investment across different settings, so that time series, or cross-sectional, studies can be conducted using the appropriate magnitude for each time period or locality.

The second problem in determining what can count as

housing consumption involves deciding which from among clearly consumption expenses are to be included in the analysis, and which left out. Does expenditure on minor repairs, fuel or electricity qualify? What is a house without power supply, tap water, and other amenities that in an advanced society are widely conceived as necessities? Following the neoclassical device of talking in terms of housing services instead of actual dwellings can lead to Byzantine complexities: Why not include, for example, expenses on items of furniture, cookery, entertainment, etc., that a larger dwelling space makes possible and desirable, thereby helping create potential demand for (cf. Donnison & Ungerson, 1982: 59)? Why not include household expenses on neighbourhood child-care facilities, schools, or rates, which are obviously related to the location of a dwelling? Space and location are, according to neoclassical theorising, two typical housing services (Straszheim, 1975: 79), and attempting to price them in terms of the costs that their use, or consumption, incurs, or even in terms of the opportunity cost of non-available room or of an inconvenient location, seems quite legitimate. But if one were to follow that road, it would soon become apparent that one would be talking of by far the largest part of total household consumption expenditure. Such a shift would be at the cost of understanding anything specific about the consumption of the housing commodity as such.

Finally, there exists a problem in relation to those housing consumption expenses, usually rent or loan repayment installments, that allow one, whether tenant or owner, primary access to a dwelling, i.e., give one the right to use a dwelling in more-or-less prescribed ways, and to the discretionary exclusion of other parties. Neoclassical economists like to incorporate imputed rents in their

conceptualisations of housing consumption expenses (see the debate between Merrett et al., 1989; Hancock & Swales, 1989; Pirounakis, 1989). The neoclassical argument is that there is something called "real income" which is neither money nor income in kind, but the flow of services that any item, especially a long-lasting one, yields to its owner (Hancock & Swales, 1989); hence a house yields a "real income" over its life, which must be priced through calculation of an imputed rent even where no actual rental payments take place. In my view this argument belongs to the realm of shadow-fighting: real magnitudes, like monetary income or in kind, are ignored in favour of obscure service flows<sup>2</sup> which must, in turn, be priced in an equally obscure fashion through regression exercises that typically involve circular reasoning (cf. Ball, 1979). The possibility that a whole - a dwelling and its location, for instance - is greater than the sum of its parts in a way that no decomposition of the whole into its parts can reveal, is ignored as well. Further, the calculation of imputed rents usually involves asking the following question: What would a given owner-occupier pay for rent if he had to rent instead of owning? Now, there may be circumstances where calculation of an imputed rent, in the form of actual income not spent on rent, is possible - e.g., one or few working class households who own their dwellings in a situation where the vast majority do not, the wages of all are more-or-less at the same level, and all live in approximately similar dwellings. Then obviously those households who do not have to pay rent are better off than the rest by the amount of rent saved. But these are rather strict conditions. As soon as owner-occupation expands and/or wages and dwelling types begin to vary, there is no standard of comparison which one can base calculation of an imputed rent on. It is pointless, in such circumstances, to ask what a household would pay for rent if it had to:

The very act of searching for rented accommodation, especially if under pressure (an occurrence which implies absence of alternatives - whereas often owner-occupation is precisely an alternative to renting), would affect the prevailing prices for rented accommodation, and the structure and workings of the housing market. One household searching for rented accommodation would not, of course, affect the housing market conditions significantly, but the neoclassical project is about assigning imputed rents to the entire owner-occupied stock - a different matter altogether. Consequently, prevailing rental prices could not be used in calculating imputed rents not only on empirical, but also on theoretical, grounds; certainly it would be very difficult - and probably uninteresting - to learn what rental prices would be like in a different, non-existent market.

It is thus better to limit the definition of housing consumption expenditure to payments that allow a user or consumer to obtain a dwelling for his and/or his kin's personal use. These expenditures can take only the following forms:

- (a) One-off cash payments to buy title to a dwelling;
- (b) Rental payments;
- (c) Loan repayment installments (for buying, building, expanding, altering or repairing a dwelling);
- (d) Cash payments associated with building, structurally repairing, rehabilitating, expanding, or otherwise substantially altering a dwelling.

Some of the above expenses can also count as investment in dwelling wealth, but whether - on account of that - housing investment can be

assumed to be in competition with capital investment proper is a different matter, and I have urged caution against such an assumption. If these four items are to be accepted as the only genuine forms of consumption expenditure on housing, then, for example, the loan that a building society extends one in order for him to buy a second-hand house should not be carried as either investment or consumption expenditure in the given financial year - it is merely a transfer payment, representing, that is, a transfer of wealth through the financial system from one or more parties to one or more other parties. The repayment installments, however, should count as consumption expenditure. The expenses incurred by an owner in having a contractor build his home could count as either consumption or investment expenditure, depending on what one wants to measure. If, for instance, these expenses came from the proceeds of a bank loan, the actual payments to the contractor could represent housing investment, while the repayment installments would count as housing consumption (double counting should be avoided, of course). But if the builder were a capitalist building for the general market, as is often the case in Britain, or the owner of the property a prospective speculative landlord, then the outlays of either of those agents should definitely count as investment. Equally, when a state builds dwellings, its outlays are to be considered investment in so far as the relationship between the state and the people concerned is bureaucratic, paternalistic, and dominated by a logic of industrial exigency and expedience. A characteristic example is departmental housebuilding in the Soviet Union (Andrusz, 1984):

"The formal rejection in the Soviet Union of private ownership of the means of production initially created a tendency for those possessing a set of property rights in the productive

sphere to extend their range of activities to embrace the production (and maintenance) of objects of collective consumption in order to ensure the reproduction of their labour needs"

(Andrusz, 1984: 78).

In conclusion, the proper use of the concepts of housing investment and consumption requires an understanding of the nature and rationale of investing and consuming agents in any particular society or setting. But how does this insight help one discuss larger processes - for example, the relationship between spending on housing and national income (see ch. 4)? The answer is that the extent to which housing investment and consumption are or are not conflated, and therefore are or are not in the hands of the same agents, affects the formation and strategies of various social groups, who end up trying to uphold rights and/or advance claims over housing resources (land, buildings, materials, know-how, utility infrastructure). In turn, the pattern of rights and claims thus created (e.g., the landownership pattern or the scope and authority of the planning practice) influences the way any society responds to its housing needs.

### SECTION 3: Needs: Prime Variable of Social Dynamics.

It is an empirical fact that the correspondence between (housing) needs and resources is not one-to-one: the material needs of some people, or groups, overshoot their material resources at any one time. But "needs" can be a very vague concept, while a "resource" is anything that enables one to (strive to) achieve a certain goal. On its part, 'demand', or 'effective demand', the way it is defined by economists, is simply realised sales, or realised purchasing power, while 'potential demand', an admittedly vaguer concept, is merely expected effective demand (cf. Donnison & Ungerson, 1982). 'Demand' is not a problematical notion, while 'needs' is. For this reason I will now concentrate on the latter, and later see what happens when the two come together.

Needs are formed on the basis of perceptions of what is desirable and/or necessary, and often of what is just. Apart from immediate biological urges it is society, or social development if one likes, which creates needs (cf. Galbraith, 1958; Hayek, 1961), and for this reason they cannot be said to exist prior to their being acted upon, prior to their instigating a social (including a political and economic) dynamic. But needs must not be confused with utopian dreams or capricious desires: for needs to arise and spread, a certain element of attainability must usually be present too. Otherwise, if something is perceived as unattainable, one may not feel it is worth pursuing, and therefore that thing may not be experienced as a need - at least to the eyes of most people, which is what counts from the point of view of social dynamics. It has been observed, for example, that people, when asked, often do not put forth their "real" most pressing

needs, but what they feel are their most feasible ones.<sup>3</sup>

Obviously the larger the number of people who are aware of their needs and are prepared to do something about them,<sup>4</sup> the greater the "realism" of those needs, and their importance in shaping social dynamics. In other words, needs become an objective factor behind social change only to the extent that they are socialised, i.e., they become standards of well-being shared by an increasing number of people, and eventually the majority or a great many of them, in any given society or sub-section of it (e.g., a social class). In capitalism the 'socialisation' of needs, as defined here, determines, of course, the value of labour power (see chapter 5), and is empirically approximated as the average (or modal) wage:

"The actual value of ... labour power ... depends not merely upon the physical, but also upon the historically developed social needs, which become second nature"

(Marx, 1959: 837).

Some needs are universal. These are usually epitomised in the notion of necessities, which were defined by A. Smith as

"whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without"

(Smith, 1976: vol. 2, p. 870).

Needs other than necessities are particular to different social classes and strata. That is to say, people in any given social stratum will tend to perceive as need anything contributing to the standard of well-being normally associated with their class or "station in society". In

the absence of institutionalised artificial barriers to social mobility, they are, in addition, likely to incorporate in their notion of needs standards of well-being normally associated with the stratum or class immediately above or, at any rate, near their own<sup>5</sup> - but not those associated with too "distant" classes or strata. Alternatively, if there are barriers to social mobility, people on the lower rungs of the social ladder are quite likely to "know their place in the scheme of things," have no, or only very modest, aspirations, and consequently no, or few, needs other than those a rigid social hierarchy allows them to contemplate and have.

On occasion, however, especially in modern times, people or groups do have opportunities to conceive of a better future (better for them, that is), do form new needs, but cannot fulfill those needs because they are still politically and/or legally excluded from access to certain goods, services, opportunities, and locations, or are otherwise discriminated against (for instance, on racial or religious grounds). Two examples are black Africans under apartheid, and non-members of the "nomenklatura" in stalinist countries. Such cases, combining rising expectations with awareness of exclusion, can be quite explosive politically, whether in Soweto or Beijing. By far, however, the commonest reason to-day why needs are not readily fulfilled has to do with the high cost of sought goods and services relative to purchasing power, i.e., incomes and income-generating assets. In other words, as I emphasised in chapter 2, nowadays cases of obvious and direct political and/or legal (i.e., non-economic) exclusion from the fruits of social progress are becoming increasingly rare.

Because of the way needs come about, it is often

futile for scholars or governments to try and define other people's needs. Sometimes this can be done, and I explain the conditions under which such an exercise makes sense in chapter 5, when I discuss the value of labour power concept. The difficulty of defining needs *ex cathedra* is compounded in a context of rapid economic growth. It is better, I feel, to leave the definition exercise to individual people or groups, and then concentrate on the effects of their chosen strategies to fulfill those needs on society at large and/or any particular sector of it - like the housing system. What the groups and their strategies are, is more important than whether people have defined their own needs in a 'scientific' way.

#### SECTION 4: Resources and Strategies.

To fulfill their needs people utilise a variety of different resources and strategies. Income is a resource, of course, but so are citizenship and individual rights - like equality before the law and freedom of speech -, the capacity to mobilise politically, affiliation to a powerful party, having the right "connections," participation in a strong trade-union, possession of market skills, or wealth. From the point of view of the satisfaction of material needs, however, what matters is the extent to which political and other non-monetary resources or means enable one to access directly usable and/or exchangeable material resources - those epitomised in income and wealth.

Between the last two, it is incomes that are ultimately important - after all, many forms of wealth are but accumulated income, while the power that wealth, in all its forms, confers on one results from the possibility of using wealth in order to generate an income, or of liquidating it in exchange for commodities - i.e., part of the national income. This is borne out clearly if we examine the various components of most people's wealth nowadays. Their wealth is mostly in the forms of dwellings, savings, pension rights, and shares.<sup>6</sup> Savings are simply part of their past incomes plus interest, which is a charge on the earnings of other agents in the economy. Shares are valued in so far as there exists the potential of receiving dividends from them - in turn, dividends are part of an enterprise's profits. Pension rights are either accumulated savings, or funded by the contributions which the currently working population makes out of its incomes. Land and dwellings, especially after they are inherited, can be a different matter, but the needs of most people cannot be

permanently satisfied by liquidating their wealth - this is a one-off solution. Many Greeks, for example, gained a foothold in the cities after the war by selling (some of) their agricultural holdings; for some this was sufficient in order to allow them to secure both a plot and a dwelling in the city; others still had to buy or build the actual dwelling to live in, or improve, or expand it. Certainly many from among the second, and increasingly the third, generation of urban dwellers cannot cash in on their countryside assets in order to house themselves because they do not have any left, or what they have may not be marketable. Wealth liquidation tends to be a "singular" event, which, although occasionally very important, at most enables individuals or groups to embark upon their housing careers at a point in time. It is not a substitute for the resources - the income - subsequently required, and on an on-going basis, for the satisfaction of future needs. For that, what matters in the long-term is incomes, and their relationship to costs.<sup>7</sup>

To a certain extent, of course, political struggles, either directly or through their impact on the political and legal system, can help bridge the gap between needs and resources: the latter can be redistributed, for example, as a result of such struggles (cf. Simmie & Hale, 1978). In the housing sphere, redistribution of resources has traditionally taken three main forms: (a) utilisation of tax revenue, or even imposition of additional taxes, in order to finance public housing and/or housing subsidies - let alone urban infrastructure in general; (b) government intervention in the private rented sector, and (c) the broad area of land-use politics, characteristic examples from which have been: urban squatters' movements in many Latin American countries (Ward, 1982b; Castells, 1983; Angel et al., eds, 1983), the

colonisation of sub-urban public land in Greece (Emmanuel, 1981; Leontidou, 1985; 1986), and the controversies surrounding land-use planning in Britain (Pugh, 1980: 241-3; Cullingworth, 1982: 170-96; 341-4; Ball, 1983: 193-271; Healey et al., 1988).

Redistribution struggles go on all the time, in different forms and at various levels. But beyond a certain difficult to define point it is the wider economy which provides, and ultimately must provide, whatever resources are needed: the size of the cake matters roughly as much as the number of pieces it can be divided into. Equally the size of the cake and the number of pieces are dialectically related: in some cases an egalitarian environment can actually foster growth of the cake; in other cases, it may discourage such growth. This is because economic magnitudes are sensitive to contextual parameters of an institutional and qualitative nature - who spends, who invests, who builds, and how, where their incomes derive from, who owns and/or controls what, and who has what kind of power in any given situation. Nowhere is this more apparent or pertinent than in the broad area of housing provision, since the latter depends critically on the nature of prior claims upon land. Such claims usually take the form of private landownership in capitalism, but other forms are possible, e.g., claims of government bodies. The landowner may simply deny any particular change of use of his land for as long as he wishes or as long as he is allowed sovereignty over it. In advanced western countries the landlord's sovereignty is circumscribed by the legal and planning system, and only rarely does it become a directly political issue. But this does not make the processes of land acquisition for housing, and housing production, purely economic, despite appearances (cf. Emmanuel, 1981: 123).

The relationship between resource availability, epitomised in incomes, and constraints on those resources, epitomised in costs, provides an objective basis for the formulation and deployment of strategies - individual and/or collective - aimed at the satisfaction of needs. Strategies of this kind may assume a multiplicity of forms - hard work, a marriage of convenience, educational pursuits, political mobilisation, criminal activity, moonlighting, speculation in the stock exchange, etc. Some strategies will utilise an existing array of legal rights and institutional opportunities in order to meet their aims. One example of such an institutional opportunity is a legal framework making most forms of private property somehow sacrosanct. Another example is dowry. Other strategies will run against the rights of others, or their perpetrators will feel unhappy about the existing legal and institutional framework, and will try to change it, often by advancing counter-claims on what are ultimately the resources of other people. Such activities, constant as they are, add life and liveliness to the dynamic structure of rights and claims, which is present in every society, and to the institutions that are set to uphold or oppose particular rights and claims. This process lies at the root of the transformation of housing markets and products, which I address in the next section.

## SECTION 5: The Transformation of Housing Markets and Products.

Economic theory suggests that a level of national income is possible at which spending equals output. This is the equilibrium level of national income. It also says that in any particular market a price can be established which, given certain conditions, equates demand and supply. If demand exceeds supply, price will rise, calling forth more supply, which will lower the price. The question is - can housing system change be visualised in these terms? And, more importantly, can one limit policy recommendations to removing market imperfections?

Let us note that it is possible to have an equilibrium level of national income consistent with almost any level of unemployment or prices (Baumol & Blinder, 1988). Equally, it is possible to have equilibrium in any particular market at almost any price or output level, which at the same time leaves out of the market those who cannot buy the given product at the equilibrium price although they may well want or need to obtain it.

Clearly, the supply and demand equilibrium model is not cast in terms of need or potential demand (or potential supply, for that matter), but in terms of effective demand (and supply) at a given price. Therefore any freely realised price can be shown to be an equilibrium price as supply and demand are equal at that price by definition. In other words, the conception of a price-quantity equilibrium through equalisation of demand and supply sheds no light on anything in the real world because the reasoning involved is cyclical. The model says that supply and demand determine price, while

price determines supply and demand (cf. Marx, 1959: 184-9). In addition, prices (an observational term) are very poorly 'explained' by the neoclassical theoretical term of utility maximisation. Transactions are, among other things, rarely as voluntary as utility theory assumes:

"Housing is a necessity and it is indivisible (an infringement of the assumption needed to derive continuous indifference curves and budget lines). A low-income household may have virtually no choice at all as far as the housing market is concerned"

(Richardson, 1977: 30).

But let us go along with the model for a while. It is not inconsistent with it to say that even cases of unfulfilled demand can be taken care of in the long run, as the initial high price will call forth additional supply, which can be sold only at a lower price. If the initial high price is the result of monopoly, and it is still possible to increase output at increasing returns to scale, then there may be another price, lower than the initial high price, at which the increased output can be sold in a way that augments revenue and profit.

The incentive to raise productivity and lower prices varies as an industry moves along the spectrum of possible structures, from monopoly to perfect competition. Even a monopolist or oligopolist will feel pressure to do so if he operates in a *contestable* market (Baumol & Blinder, 1988: 628). The situation is less certain under monopolistic competition (the typical case of the housebuilding industry, and of housing markets in general - cf. Emmanuel, 1985) because, on the positive side,

such firms can utilise the fact that they tend to operate under excess capacity (Baumol & Blinder, 1988: 616) in order to experiment with the market, and guesstimate its absorption capacity for their products, if the latter are offered at lower prices as a result of increasing output.

But, on the negative side,

they are unsure, because of product heterogeneity, as to whether extra output can be sold, even at a lower price.

Note that a crucial feature in the above analysis is the potential for increasing returns to scale by means of technological applications and know-how leading to higher productivity. Often such innovation is not easy or fast enough, for a variety of reasons: capital rationing, technological impossibility, industrial structure, or landownership (a case of capital rationing, really). If, at the same time, the product involved is a necessity, and in general politically sensitive, the larger the number of people who cannot get it because of its high price, the stronger the case for regulatory (e.g., rent controls), or even more radical forms of, intervention in the market (e.g, public housing provision, sequestration of properties, or land nationalisation). Needless to say, a notable form of intervention involves the formation of collectivities (trade unions, pressure groups, co-ops, etc.). Collectivities breach another crucial assumption of the neoclassical model of economic behaviour - that of atomistic competition.<sup>8</sup>

The result of intervention is that the initial high-price equilibrium is disturbed, while at the same time the 'natural'

long-term movement towards a new equilibrium at a lower price/higher output level is interrupted. Concomitant to these developments is the very strong possibility that, as a result of those 'interferences', new products and markets will be created and/or non-market or acquisition-based processes will emerge (see chapter 2). From the time political intervention occurs, equilibrium as per mainstream economic theory is no longer attainable, and what may be attainable in the future is equilibrium in a different market, in the context of a different industry, and possibly about a different product, from the one with respect to which the intervention happened in the first place. This is a transformation process which conventional economic analysis, with its disregard for the socio-institutional framework that shapes economic activity, cannot even begin to address.

Products whose 'evolutionary cycle' has been subjected to 'government mediation' (Tellis & Merle Crawford, 1981), and other forms of political intervention, may be few compared to the total number of products in circulation at any one time. But they are, or have been, arguably, among the most important precisely because they have involved strong popular needs, and have therefore been highly relevant to the determination of the value of labour power (chapter 5). Housing is such a product par excellence.

The growth of the product 'owner-occupied housing' in Britain, and the particular way it is defined, is a case in point. The government has sought to make it widely accessible, in response to a perceived and/or induced need for it, by means of mortgage interest tax relief, abolition of tax on imputed rent, rent controls (which made landlords want to sell to owner-occupiers), and strict enforcement of

building and planning regulations (and, in recent years, discounted sales of public housing stock to sitting tenants). In this way a particular housing market has emerged, in which

(i) demand and supply have been broadly in long-term equilibrium (as evidenced by the remarkable stability of the dwelling price/earnings ratio in Britain since before World War II - Donnison & Ungerson, 1982; see also chapter 6), and

(ii) owner-occupiers have less liberty to do as they please with their properties than, say, the Greeks, but can sell them and/or realise capital gains more easily, and more often, than the latter.

Even these forms of intervention, however, may not prove enough to turn owner-occupation into the only tenure in Britain, as the evolutionary cycle of this 'product' is envisaged to reach its 'saturation' phase at a level of owner-occupation between 70 and 80 per cent, sometime around 2000 (Boleat, 1989: 29; see also *The Economist*, 24.02.1990, pp. 21-24). On the other hand, if the British state had chosen a different form of intervention (for example, if it had nationalised peripheral urban land, and then allowed or tolerated squatting on such land, or had not strictly enforced building and planning regulations), the kind of owner-occupation that would have resulted might have reached its 'saturation' phase sooner, but at a lower level - e.g., 60 or 70 per cent around 1980 -, and the British housing market as we know it would have been quite different. How different we cannot really tell, neither would it be very interesting (but probably it would bear strong similarities to the Greek market).

The reason it would be different is that the modern

British housing market operates on the premise of a severe planning and building regulatory framework, and takes full advantage of it. For example, planning authorities in Britain go to great lengths to ensure the homogeneity of neighbourhoods and estates. Such homogeneity is crucial in allowing professional valuers, surveyors, buyers and sellers, to value owner-occupied dwellings as accurately as possible. In turn, valuation accuracy enables building societies and banks to finance owner-occupation to a far larger extent (in terms of both amount advanced and number of clients served) than otherwise would have been possible. This is part of the reason why in European countries with lax planning frameworks the percentage of the value of a dwelling that can be covered by a mortgage loan is traditionally lower than in Britain (cf. Pirounakis, 1987; ECMF, 1987a).

What is interesting, is to show, for example, that the forms and substance of state intervention in housing in Britain have been linked to, and have been an outcome of, wider societal characteristics (cf. ch. 9). That is, the British state may have intervened in the market when it began to support owner-occupation, but it did so in ways that were consistent with, and ultimately encouraging of, capitalist expansion in the housing sphere. In Greece, by contrast, the introduction of rent controls in 1978 and after served to discourage capitalist housing interests, and extended the life of more traditional, family-controlled housing processes. This theme is revisited in chapters 11 and 12. It is obviously important to understand how a society's general features determine the evolution of its housing system because such knowledge will allow policy makers to pursue more practicable policies and/or take additional measures in order to ensure the success of the policies they do choose.

### FOOTNOTES TO CHAPTER 3

<sup>1</sup> In 1987 it involved 3.3 million dwellings, or 12.6% out of a stock of 26.3 million. Of those 3.3 million, 2.4 belonged to housing associations, and 0.9 to the private rented sector. In addition, 42.0% of the stock was owner-occupied, and 3.7% and 41.7%, respectively, belonged to housing associations and private landlords outside social housing (Tomann, 1989). On recent problems of social housing in West Germany, see Kratke (1989).

<sup>2</sup> To neoclassical economists, housing service is an "'unobservable theoretical entity'" (Straszheim, 1975: 20).

<sup>3</sup> In her study of the problems of new settlements in Papaloapam, south-east Mexico, in 1976/77, Liz Allen, of the Glasgow University Institute of Latin American Studies, found that some people were saying, for example, that their most pressing need was for electricity. Liz Allen felt this was because those people knew there was an on-going electrification programme, and thought they could plug into it - while a bridge might have been a more effective solution to their immediate problems (interview with E. Allen on 23.08.1989).

<sup>4</sup> Identification of an individual with a group often facilitates this process.

<sup>5</sup> But still above their own: Voltaire once remarked that the trouble with equality is that people always seem to want it with their superiors...

6 In the UK in 1976 the ingredients of personal wealth were as follows: 37% homes; 3% land; 7% other physical assets; 10% company shares; 14% life assurance policies; 8% building society deposits, and 21% other financial assets (HMSO, 1980). For a decomposition of personal wealth in the UK in 1981 by wealth bracket, see Fothergill & Vincent (1985).

7 People can also borrow on the basis of their wealth. One example is owner-occupiers in Britain when house prices appreciate, as they have done in the 1980s. Again, the debts so raised must be paid for either through liquidation of wealth or through future income. Another influence of household wealth (towards which house prices contribute about 60% in to-day's Britain - *The Economist*, 19 August 1989: 26) seems to be on spending and savings: that is, the wealthier people feel, the more willing they become to spend as opposed to saving - with sometimes dire consequences for the trade balance and the price level. This at least is what some recent studies of the British economy have pointed out (*The Economist*, op. cit.). The implication of this behavioural pattern is that people run down one form of their wealth (cash and bank deposits, and possibly other relatively liquid assets) on the basis of their confidence in the strength of other forms of wealth, usually property. The resultant inflation (unless contained by higher productivity) is bound to redistribute income, and, as usual, does so capriciously (Baumol & Blinder, 1988: 104).

8 "It is a mistake to limit collective action to State action; many other departures from the anonymous atomism of the price system are observed regularly. Indeed, firms of any complexity are

illustrations of collective action, the internal allocation of their resources being directed by authoritative and hierarchical controls"

(Arrow, 1977: 79).

C H A P T E R 4:

*A Framework For Isolating the Effect of National Socio-*

*Institutional Features on Housing Investment Levels.*

SECTION 1: Housing Investment Levels: Problems of

Interpretation.

SECTION 2: An Alternative Framework.

CHAPTER 4: A Framework For Isolating the Effect of National Socio-Institutional Features on Housing Investment Levels.

Both incomes (and wealth) and people's needs and preferences (and the socio-institutional framework - including demographic factors - which shapes them and gives them voice) affect housing investment levels. For this reason the presence as well as absence of a significant statistical correlation between incomes and housing investment levels cannot allow us to form any qualitative conclusions regarding the relationship between housing investment and 'development' (the more so since national income - whether total or per capita - is not tantamount to 'development') (section 1). Neither can it inform policy unless some way is found to take account of the influence of both economic and socio-institutional factors.

An alternative approach can be built on the double observation that (a) fluctuations in housing investment lead to the formation of building cycles, and (b) the historic development trajectories of modern countries can be associated with characteristic building cycles. Differences between countries that cannot be attributed either to their different development paths, or to their being at different phases of a building cycle, must be due to the effect of nationally specific socio-institutional features (section 2). The latter affect housing investment also indirectly - through their influence on the relationship between incomes and housing costs.

SECTION 1: Housing Investment Levels: Problems of Interpretation.

It is a recurring theme in the housing economics literature whether, and to what extent, housing investment "crowds out"

industrial investment (cf. MacLennan, 1986: 15-18; Ermisch, ed., 1990; Muellbauer, 1990). These questions occur in the context of views - mostly of classical and neoclassical ancestry (cf. Pen, 1980: 49-51) - that "balanced" growth somehow presupposes a particular resource allocation mix:<sup>1</sup>

"[ ] the spur to demand for higher standards in housing [ ] crowds out crucial housing priorities and may affect production in the rest of the economy"

(Kilroy & McIntosh, 1982).

"[ ] the distribution of housing subsidies in the UK [ ] has undesirable implications for the allocation of resources"

(O'Sullivan, 1987: 15).

"On allocational grounds, we would naturally wish to treat owner occupier housing for tax purposes in such a way that distortion of resource allocation within the economy is minimised"

(O'Sullivan, 1987: 20).

"It has sometimes been argued that British economic growth would have been faster if there had been less investment in dwellings and in some forms of infrastructure, so as to free resources for investment in other sectors, especially manufacturing"

(Matthews et al., 1982: 417).

"The question of the role of housing investment in the Greek economic development is quite familiar. The debate about the causes and effects of its large magnitude in the post-war has been recurring from 1948 down to the present, when a case on

the need to curtail it, is being advanced"

(Emmanuel, 1979: 84).

But are such anxieties by and large justified? In their seminal work on British economic growth, Matthews et al. (1982) concluded that

"Much turns on whether a lower level of investment in infrastructure or dwellings would in fact have caused investment in manufacturing to be significantly higher. This must be considered doubtful, since there were in each period good reasons on the [Marginal Efficiency of Investment - NP] side why manufacturing investment was no higher than it was. On this reckoning, lower investment in infrastructure and dwellings would not have helped to speed up economic growth"

(Matthews et al., 1982: 418).

And on the Greek side, Emmanuel was firm that

"[t]he solution to the problem of limited industrial investment must be sought in the domain of industry and of related policies, and not in housing policy. The reasons are simple: The 'capital structure' of industrial firms, and the post-war evolution of their capital needs, compared to the available volume of deposits, have precluded the emergence of funding problems"

(Emmanuel, 1979: 89).

If that has been the case, the existence of resource

allocation worries, spanning, as we have seen, at least two quite different countries, is a direct result of the official acceptance of the classical idea that investment implies abstaining from consumption (Pen, 1980), and, on that count, the "consumption" of housing is bound to subtract from "investment" funds or resources. However, this idea is not tantamount to a law (although it does have a historical basis - cf. Marx's discussion of primitive accumulation in 'Capital'). Let us look at the only two possibilities that a dynamic economy faces:

(a) Rising consumption may well encourage new investment, made possible either through higher revenue and profit or through more easily available credit. As a result of new investment fewer hands, and perhaps less energy, will be needed to produce a given quantity of goods: this represents a liberation of resources, brought about by the autonomous effect of technology on productivity and growth (Pen, 1980: 238-42). In Marx's words:

"The criterion of this expansion of production is capital itself, the existing level of the conditions of production and the unlimited desire of capitalists to enrich themselves and to enlarge their capital, but by no means consumption, which from the outset is inhibited, since the majority of the population, the working people, can only expand their consumption within very narrow limits, whereas the demand for labour, although it grows absolutely, decreases relatively, to the same extent as capitalism develops"

(Marx, 1969: 492).

(b) On the other hand, falling consumption may well justify

**TABLE 4.1: Composition of Personal Sector Physical Wealth in the UK, 1957-84 (current prices, £ billion).**

Physical Assets	1957	1961	1966	1970	1975	1980	1984
Stocks & work in progress	1.9	2.2	2.0	2.6	5.4	7.1	8.9
Vehicles, plant & machinery	1.3	1.8	1.5	2.0	5.4	14.6	17.9
Dwellings	12.4	16.6	35.0	49.9	137.5	322.8	485.6
Other developed land & buildings	2.1	3.6	1.9	2.7	12.2	21.0	25.6
Agricultural & other land			4.6	4.6	11.0	27.6	29.7
Consumer durables	2.8	4.0	11.4	16.1	38.2	74.7	98.2
Total	20.6	28.2	56.4	77.9	209.6	467.8	665.9

Source: Halsey (1988: 155).

and lead to a search for cheaper ways of making things (a process which can be facilitated by the availability of credit, and primarily involves orders to firms making producer's goods), and to a search for new products. The situation is no different if, instead of total consumption, we deal with "consumption" of industrial goods only. Either way, no necessary resource allocation mix need be assumed or required for growth to go on, whether we deal with a self-contained dynamic economy or with a country that participates in an internationalised global economy.

In both cases - rising or falling consumption - the onus for achieving growth falls on the shoulders of industry, and it involves three things. First of all, the capacity of its people - its entrepreneurs - to invent, to innovate, to organise and manage efficiently, to take calculated risks, and hire and involve the right staff; second, the performance and attitude of the work force, and third, the efficacy of financing mechanisms and arrangements. But only in stagnant and/or early capitalist economies would growth in one sector - e.g., industry - involve transferring resources from another sector - e.g., housing - , and that would not do them much good anyway, would not allow them "to produce amply and diversely for themselves as well as for others" (Jacobs, 1985) if the ingredients we have mentioned were absent. If anything, in dynamic economies the formation of housing wealth can be associated positively with industrial expansion: it can lead to demand both for building materials and equipment (Emmanuel, 1979), and for furniture and other consumer durables (Donnison & Ungerson, 1982: 59). From Table 4-1 it can be seen, for example, that next to dwellings (whose value is usually inflated in monetary terms over time relative to the value of other physical assets), it is

consumer durables (whose cost of production tends to decrease over time) which are by far the largest component of personal sector physical wealth in the UK.

To pose the problem of growth in inter-sectoral terms requires the occurrence of two conditions which are by no means ubiquitous in to-day's world: economic stagnation and reliance of both prospective housebuilders or housepurchasers and businessmen on the availability of the same credit facilities, so that the two parties compete against one another for the same, usually centrally controlled, pool of funds. This, up to a point, does seem to have been the case in Greece in the 1980s (Emmanuel, 1989), though not during the three previous decades (Emmanuel, 1979). It does not seem to have been the case in Britain because in this country, up to relatively recently, the financial system was neatly bifurcated into two parallel sectors: one, the building societies, catering almost exclusively to the needs of the home-buying public, and attracting the largest part of the personal sector's deposits with the financial system, and another, the banks, catering mainly to the needs of businessmen and local authorities, and attracting mostly non-personal sector deposits.

"Traditionally building societies operated on a separate financial circuit from that of the rest of the economy. They raised funds in the retail sector through just one type of savings account, the ordinary share account [ ]. As late as 1980 80% of the funds held by building societies were held in ordinary share accounts"

(*BSA Bulletin*, 1988, Oct.: 21).

Another reason why the building societies sector was distinct from the rest of the financial system was that

"[t]he rate of interest paid on such balances [see previous quot. - NP] was below money market rates"

(ibid., p. 21).

Deregulatory changes during the 1980s - e.g., withdrawal of government interference in mortgage rate setting - allowed and/or encouraged banks and building societies to get into each other's respective fields if they so wished (Pirounakis, 1987: 11-12), and brought both on a more equal footing with one another (Roistacher, 1987). As a result building societies began to raise an increased amount of funds from the wholesale money markets,<sup>2</sup> while the prolonged bull market of the 1980s (up to 19 October 1987, that is) soon subjected them to severe competition with shares and unit trusts for the small investors' savings.

The situation changed after the Crash, and the building societies were once again perceived as very stable and secure investment outlets (*BSA Bulletin*, 1988, Oct.: 22). Without doubt, this must have been due to the overwhelming concentration of most of the building societies' own investments in dwelling mortgages. It can be seen, then, that there are more than one way to perpetuate and/or re-establish a division of labour in the credit markets, with the result that different institutions attract different investors/savers, both according to the latter's perception of, and attitude to, risk, and according to the investors/savers' aims and plans. The described developments in the British financial scene can then be interpreted to mean that building societies still tend to attract principally the

savings of people who are rather risk-averse and/or whose primary aim is to save as securely as possible. Such people would not normally, as experience has shown, enter the equities or bonds markets, and even if they did (like they did before the Crash for a time), they would be very likely to withdraw at the first signs of trouble. The industrial sector, therefore, cannot be said to compete, albeit in highly contingent circumstances, with the housing sector for the savings of such people.

I have adopted the view that there is no unique or necessary resource allocation mix for economic "development". But this view might be questioned if a significant association between measures of national income (GNP or GDP) and measures of housing investment could be established. It might then be argued that "development" does seem to require, after all, a certain proportion of housing investment into national income, and no other. Burns & Grebler (1977) tried to muster support for such an association by evaluating (a) data from 39 countries at a point in time, and (b) time series from the USA. They concluded that

"[c]ontrary to what might be expected, the share of residential building in total output is found to be a non-linear function, that is, the share increases with the wealth of nations up to a point but declines in the richest countries"

(Burns & Grebler, 1977: 13).

But this should not really be surprising: The share of residential construction in national income cannot go on increasing

indefinitely as, taken to extremes, this would imply that one day most or almost all of a country's national income would be made up of residential construction. Intuitively such an outcome seems absurd. Neither could that share stay the same over time, because it is bound to reflect levels of attainment of what society regards as acceptable housing standards. More precisely, the share is affected by the operation of four main factors, each of which justifies one to expect the alternation of periods of contraction and expansion in housebuilding activity:

(a) the way needs-related perceptions diffuse among the general population - whether in a smoothly continuous fashion during some periods, or in leaps and bounds in other periods;

(b) the ease and speed with which existing stock can be replaced, and sub-urban land become available for housing;

(c) demographic patterns, and

(d) technological and business cycles, or phases.

Actually , Burns & Grebler (1977) take issue with authors like Howenstine (1957) and Donnison (1967) who, on the one hand, have described, sometimes in rather normative terms, the housing policies of countries at various "stages of development", and, on the other, have mainly had in mind needs-related absolute expenditures. There is no denying that the latter may well go up with national income even though they may decline coevally as a proportion of it. Thus, Burns & Grebler's attack on the aforementioned authors is unwarranted and unnecessary: the two sides have been talking about different things. A more important concern is how illuminating the conclusions of those authors are. The robustness of any conclusions is directly

related to the explanatory power of the framework adopted. A framework is in turn required in order to show that it is possible to generalise on the basis of the conclusions reached, that they do have a wider relevance. In this case both sides have adopted variants of the so-called 'developmental' framework. Burns & Grebler assume that levels of national income imply development stages, and Howenstine and Donnison associate the latter with identifiable, and sometimes 'appropriate', housing policies. I wish to argue that the conventional 'developmental' paradigm is inadequate as a means of understanding world development today, and therefore those authors' conclusions - although not 'false' - are of limited scope.

"Developmentalism consists of two primary assumptions. The first asserts that the modern world consists of a large number of relatively autonomous societies. They are viewed as autonomous to the extent that social change within these societies can be adequately understood as processes operating within each society. [ ] The second assumption is that social change operates as a series of parallel paths for all societies. Hence each society or nation-state can be viewed as occupying a position along this common path. This implies [ ] a practical duty to advise governments on how to speed their journey along the path"

(Taylor, P., 1989: 305).

Explicit criticism of these two assumptions is by no means new (cf. Jenkins, R., 1970). Nation-states are not distinct, self-contained, separate spheres in pursuit of their own trajectories, occasionally clashing with one another. They interact and influence one

another, especially nowadays when they are increasingly drawn into one global capitalist system (Wallerstein, 1979; Brewer, 1980; Corbridge, 1986; Taylor, 1989). As a result the development paths of the early industrialisers, for example, cannot be copied by the rest of the world. One implication of this state of affairs is that associating national income levels with "stages of development" (the way Burns & Grebler 1977, do, p. 20), poses the problem of how to account for instances when a "less developed" country surpasses a "more developed" one in income terms. Has the latter country regressed somehow? Is this some form of "negative development"? (One would be tempted to use the term "underdevelopment" for such cases had not the term been hijacked by the "underdevelopment" theorists.)

I feel that income levels may at times be a useful shorthand for "development", but this is neither rigorous nor sufficient (cf. Cole, 1979; World Bank, 1988: 222-23 & 236-37; *The Economist*, 26.05.1990). Development proceeds unevenly, and involves the continuous realignment of growth and decline centres within and between countries (and regions) (see Brewer, 1980; Warren, 1980; Carney et al., 1980; Corbridge, 1986; Massey & Meegan, 1989; et al.). Social evolution does of course involve at times necessary and at times inevitable phases or trajectories, features and patterns - like monetisation, urbanisation, decline of the agricultural sector, spread of capitalist relations, etc. But the timing, duration, and forms of these are not - and indeed cannot - be the same from country to country, although groups of countries may well share a development tradition - and perhaps a future - that is more characteristic of them than of others. For this reason, the experience of a country, or group of countries, at a point in time or over a period - for example, any empirically found relationship between income and

housing investment levels - need not be repeated by other countries. When Burns & Grebler (1977) describe this relationship as a non-linear function with certain characteristics (see above), on the basis of a sample of countries from 1963-70 or of American time series, there is no way of telling what this result means for any of them now or in the future. This is not a result which can inform policy. Governments or policy analysts who worry about levels of housebuilding in their countries would utilise their time better if they devoted their attention to problems particular to the industrial and financial sectors of their countries, instead of resorting to the sometimes easy solution of inventing imaginary resource drains.

## SECTION 2: An Alternative Framework.

Instead of trying to understand the behaviour of housing investment by relating it to national income levels as a proxy for development stages, it is possible and, I believe, more fruitful to place it in the context of an alternative to the conventional developmental framework. Such an alternative would involve linking investment in dwellings and infrastructure to the position of a country at any point in time along the shorter and longer building cycles it experiences (cf. Gottlieb, 1976), and would incorporate causes for each type of cycle,<sup>3</sup> the factor of different stock vintages,<sup>4</sup> the effects of variations in the value of fixed capital,<sup>5</sup> and the interaction of a country's cycles with those in other countries.<sup>6</sup> The power of this framework is that it brings together both a needs-related dynamic<sup>7</sup> and the behaviour of capitalists and of capital. It does so, moreover, in full recognition of the interdependence of countries in the world today. Let us elaborate:

Housing needs are about the characteristics and availability of dwelling units that people or groups would like to have in particular areas. What these dwellings should be like relates to aspirations, which are a function of incomes and opportunities for social mobility. Where they should be is a reflection of needs formed on the basis of: (a) the magnitude, specificity and geography of business investment; (b) advances in transport technology leading to investment in transport infrastructure, and (c) technological revolutions that affect the structure of employment, the nature of the labour process (cf. Littler, 1982), and the required distance between dwelling place and work place. These, in turn, are precisely the

processes that Juglar, Kuznets and Kondratieff cycles are supposed to be made of (see footnote 5). In contrast to the view that associates development stages to income levels, the above processes are development in its real, organic sense. The cycles in business and building activity<sup>8</sup> that these processes give rise to, form a development trajectory which, although unique for each country or region, may have a number of common elements with that of another country or region. It may be possible, therefore, to construct a small number of stereotypical trajectories that typify the development paths of groups of countries over the last 200 years or so. Over the same period countries have become increasingly interconnected. Understanding how particular national and regional development paths interact with one another, might be necessary so that at some point one or more conceptions of a global development trajectory can be arrived at. This is an open research question (see ch. 13), and it is hoped that illuminating the way housing systems in the capitalist era change and evolve will contribute towards an answer.

In the meantime I will give a simplified example of the kind of trajectory I have in mind. The British development experience can be approached on the basis of the following highlights:

- \* Industrial revolution;
- \* Close proximity of dwelling place to work place;
- \* Rural-urban migration and urban congestion;
- \* Steam engine; railways; urban expansion and industrial investment along railway lines or near network nodes;
- \* Rises in productivity and incomes;
- \* Public transport; longer distance between dwelling place and

- work place possible; urban sprawl;
- \* Car-ownership; road network; suburbanisation;
  - \* Further rises in productivity and incomes; growth of service sector;
  - \* Wartime destruction; urban regeneration; gentrification; housing careers related to family life cycles (cf. Pickvance, 1973);
  - \* Computers and telecoms; increasingly possible to work from one's home (cf. Kellner, 1989; Drucker, 1989: 28).

Throughout the above stylised trajectory housing investment has expanded or contracted in accordance with its major phases<sup>9</sup> (Barras & Ferguson, 1985; 1987a; 1987b; Barras, 1987). Consideration of fluctuations in building activity in conjunction with an overall development path of which they are part, makes it possible to ask a number of interesting questions:

- \* Which and how many countries' development experience is approximated by a given model, i.e., a characteristic development path?
- \* What other clearly distinct models are possible? Which countries can each apply to?
- \* What differences in housing investment levels between countries can be attributed to differences between their respective models?
- \* What differences in housing investment levels between any two countries can be attributed to differences in the cycle phases they are in at any point in time, even though the countries in question may be described by the same model?
- \* Finally, what differences in housing investment levels

**Table 4.2: Residential Construction as a Percentage of GDP: selected**  
OECD countries & total OECD, 1960-86.

	60-67	68-73	74-79	80-86	60-86
USA	4.8	4.8	4.9	4.4	4.7
Japan	5.2	7.2	7.6	5.6	6.3
Germany	7.3	7.2	6.1	6.2	6.7
France	6.8	7.8	7.9	6.3	7.2
UK	3.5	4.0	4.1	3.5	3.8
Italy	7.6	7.4	6.7	6.4	7.1
Canada	5.2	5.8	6.7	5.5	5.8
Austria	5.8	5.4	5.3	5.0	5.4
Belgium	5.9	5.1	6.8	3.7	5.3
Denmark	6.5	8.4	6.8	4.4	6.4
Finland	6.1	6.8	7.6	6.6	6.7
Greece	6.0	7.7	6.8	5.3	6.4
Holland	5.0	6.3	5.6	5.2	5.5
Iceland	8.1	6.5	6.2	5.1	6.5
Ireland	3.2	4.5	6.0	---	---
Norway	4.4	5.1	5.4	4.5	4.8
Portugal	3.5	2.7	5.6	---	---
Spain	5.9	6.5	6.6	5.1	6.0
Sweden	6.3	5.7	4.3	4.2	5.2
Turkey	3.0	3.4	3.1	---	---
OECD-Europe	6.3	6.8	6.4	5.7	6.3
OECD-Total	5.4	5.9	6.0	5.2	5.6

Source: OECD, 1988: 66.

cannot be explained as either model-linked or phase-linked?  
What are the explanatory factors? Through what mechanisms  
have they operated?

To begin forming an answer to the last question, let  
us look at another example, Greece. Its development highlights are:

- \* Formation of what is roughly the territory of modern Greece  
by 1913;
- \* A very elementary rail network constructed c. 1890;
- \* Influx of 1 million refugees in 1922 (see Ghizeli, 1984);
- \* Beginnings of industrialisation around the 1920s (cf.  
Agapetides, 1961); a second wave in the 1960s; nothing  
impressive then or now (Freris, 1986);
- \* Post-war urbanisation - mainly towards Greater Athens &  
Piraeus - accelerated by civil war in the countryside in the  
1940s;
- \* Widely available public transport since the 1950s; diffusion  
of urban car-ownership since the 1960s; rise in incomes;
- \* Main industries agriculture, shipping and tourism;
- \* A service-based urban economy.

Two contingent factors are immediately apparent in  
the Greek case: refugees and war, both of which led to abrupt  
urbanisation spurts. It is also known that formal measurements of  
housing investment in Greece credit her with higher levels than what  
would be expected for countries at Greece's income-defined development  
stage (Emmanuel, 1979; 1981). From Table 4.2 it can be seen that  
between 1960 and 1986 residential construction as a proportion of GDP

Table 4.3: Housing Conditions in Selected Countries.

(a)

Country	Percentage of households with:			
	Kitchen	Tap water	Bath or shower	Flush Toilet
	(inside the dwelling)			
Greece				
1961	69.5	28.7	10.6	14.6
1981	84.6	88.3	69.2	70.7
Austria <sup>1</sup>				
1960		64.0	30.0	48.0
1980		96.0	79.0	82.0
Germany				
1960	94.0	85.0	45.0	68.0
1980	98.0		89.0	93.0
Holland <sup>1</sup>				
1960	99.0	90.0	27.0	68.0
1980	100.0	100.0	96.0	100.0
USA <sup>1</sup>				
1960		93.0	85.0	87.0
1980		97.0	97.0	97.0

<sup>1</sup> = percentage of dwellings.

(b)

Country	Percentage of households with more than x number persons per room
Greece (1981):	46 per cent with more than 0.9 persons per room. 11 per cent " " " 1.4 " " "
Austria (1981):	21 per cent " " " 1.0 " " "
France (1978):	15 per cent " " " " " "
Ireland (1977):	20 per cent " " " " " "
Spain (1975):	38 per cent " " " " " "
Holland (1981):	2 per cent " " " " " "
USA (1980):	4 per cent " " " " " "

Source: Greece: 1964 and 1985 Yearbooks of the NSSG. All other: OECD, 1986, pp. 135 & 139.

in Greece was 6.4, as opposed to 6.3 for OECD-Europe and 5.6 for OECD-Total.<sup>10</sup> Greece's proportion was higher than Spain's, Portugal's, and Ireland's - countries with comparable incomes per capita to Greece's. It was also higher than Japan's and the UK's - countries whose housing stock was depleted severely during the war, and yet far richer than Greece. It was less than Italy's and France's. This is significant because, while Italy and France were richer than Greece over the period, yet they exhibited stronger socio-institutional similarities to Greece (e.g., many small proprietors, large agricultural sectors - cf. ch. 9) than Greece had with, say, the UK, Germany or Holland. I would then argue that these similarities are part of the reason for the very high proportions of their GDP that Italy and France invested in housing between 1960 and 1986.

However, if there are reasons to dissociate development from GNP or GDP levels, there are at least as strong reasons to dissociate development from urbanisation levels.<sup>11</sup> On the basis of an analysis of labour force patterns in the cities of various developing countries, Friedmann & Sullivan (1975) showed that economic growth need not lead to alleviation of urban problems (see also Cohen, 1981: 308-9). Hence the remarkable rise in real incomes in Greece from the early 1950s to the early 1970s<sup>12</sup> is only part of the explanation behind the very high levels of housebuilding in that country, and the concurrent rise in housing standards, in a relatively short time, to a level comparable to that of definitely more advanced countries (see Table 4.3). Neither can urbanisation by itself lead to economic growth: J. Sachs has suggested, rather surprisingly, that lower levels of urbanisation can in fact be causally associated with good manufacturing exports performance on the part of certain developing

**Table 4.4: Income Distribution: % of income falling into each decile of a specified population (HH = households, URB = urban, NAG = non-agricultural, NL = national, EA = economically active). Selected Countries From Around 1960.**

Advanced Countries and/or With Tradition of Welfare

<i>Greece</i> (57/58, HH, URB)	UK (60, HH, NL)	Yugoslavia (63, HH, NL)	France (56, HH, NL)	Japan (62, HH)
2.3	2.3	2.5	0.7	1.4
4.0	4.1	4.4	2.4	3.4
5.0	5.3	5.5	3.7	4.7
6.1	6.4	6.6	5.0	5.8
7.1	7.6	7.7	6.3	7.1
8.5	8.9	9.0	7.9	8.6
10.0	10.6	10.4	9.9	10.3
12.3	12.8	12.4	12.6	12.6
15.7	16.2	15.3	17.2	16.4
29.0	25.8	26.2	34.3	29.7

Countries With Landless Peasants, Urban Squatting, Shanties

<i>Greece</i>	Turkey (68, HH, NL)	Venezuela (62, HH, NL)	Venezuela (62, HH, URB)	Argentina (61, HH, NL)	Argentina (61, HH, NAG)	Peru (61, EAP, I)
2.3	1.0	1.3	1.7	3.1	3.2	1.6
4.0	1.9	2.0	3.3	3.8	4.0	1.7
5.0	2.8	2.7	4.2	4.5	4.7	2.2
6.1	3.7	3.6	5.3	5.2	5.5	2.8
7.1	4.8	4.8	6.5	6.1	6.4	3.7
8.5	6.2	6.4	7.9	7.2	7.4	4.6
10.0	8.1	8.4	9.7	8.6	8.7	6.1
12.3	10.9	11.8	12.1	10.6	10.7	8.1
15.7	15.9	17.8	16.3	13.9	13.8	11.8
29.0	44.7	41.2	33.0	37.0	35.6	57.4

Source: Jain (1975).

countries (*The Economist*, 22.02.1986: 65). In a complementary, or at least compatible, analysis S. Corbridge ascribed a great deal of the industrial success of Taiwan to the fact that

"the Taiwanese land reforms and the associated co-operative movements had the effect of institutionalising a pattern of rural demand which was at once supportive of low-level agrotechnologies [ ] and which could be met largely by local production in a decentralised industrial strategy"

(Corbridge, 1986: 182).

This account points to one of the two chief reasons behind the post-war Greek housing performance (Emmanuel, 1979, 1981, 1989): the very wide distribution of landed property in Greece. This, as in the case of Taiwan, is a socio-institutional factor that conventional economic analysis cannot assimilate. The other reason, which we have already mentioned, was the rise in real incomes, but also, very importantly, their distribution: On the basis of data from around 1960 (the start of the Greek housing boom), the Greek pattern of income distribution resembled closely the pattern of more advanced countries and/or countries with a noticeable welfare or socialist tradition (UK, Yugoslavia, France, Japan) (see Table 4.4). In turn, this pattern, in a country not renowned either for its progressive taxation or its income redistribution and welfare policies, was the result mainly of the wide distribution of landed property in Greece.<sup>13</sup> Certainly income distribution in Greece around 1960 was more equal than in countries associated with landless peasants, urban squatters, and shanty towns (Turkey, Argentina, Peru, Venezuela) (see Table 4.4).

In conclusion, there are two kinds of factors that may explain housing investment levels not attributable either to the type of development path a country follows or to the phase she is in along that path. One is the socio-institutional framework, e.g., the distribution of landed property and the assorted pattern of property rights - and, of course, the kinds of political activity and claims that this framework makes possible, and, indeed, inevitable (see chapters 8 to 10). The other is the relationship between incomes and housing costs, which again is affected by the socio-institutional framework.

#### FOOTNOTES TO CHAPTER 4

- 1 Following Lenin (1917), Schumpeter (1939), Storper (1988) et al., I believe that economic development is essentially an uneven, unbalanced, dynamically fluctuating process. That this is largely a matter of "belief" rather than "fact", see Gottlieb (1976: 48-9), where he discusses the fundamental unproveability of either of the two main conceptions of "development" - the "smooth" and the "discontinuity-fraught".
- 2 In 1980 the Nationwide BS and the Alliance BS were the first to issue negotiable bonds (*BSA Bulletin*, 1988, Oct.: 22).
- 3 Barras & Ferguson (1985: 1371) accept as significant the following four types of cycles in a modern industrial capitalist economy:
- \* 4 - 5 year business or Kitchin cycles, associated with fluctuations in inventory investment in relation to a fixed level of productive capacity;
  - \* 9 - 10 year major or Juglar cycles, associated with plant and machinery investment;
  - \* 20-year or more long swings or Kuznets cycles in building activity, associated with investment in transport infrastructure, and
  - \* 50-year long waves or Kondratieff cycles in infrastructure investment, associated with dominant technologies, such as railways, electricity, and telecommunications.
- 4 "Each major phase of building creates a 'vintage' of urban stock which tends to age at a similar rate, and therefore becomes due for

rehabilitation or replacement at the same time" (Barras & Ferguson, 1985: 1370).

5 Capitalistically produced and owned built structures tend to exchange at prices that include location-specific valuations of expected rents. Should economic conditions change, and the expected rental stream is not realisable, the capitalist owners will either have to sell to others at a discount, so that the new owners can calculate profit rates on smaller capital bases, or will have to demolish the existing structures so that more profitable uses at the given locations can be found. This process, which Marx calls the "periodical depreciation of existing capital," is

"one of the means immanent in capitalist production to check the fall of the rate of profit and hasten accumulation of capital-value through the formation of new capital"

(Marx, 1959: 244).

6 "In the 'Atlantic economy' of the nineteenth century, for example, the long waves in investment in the built environment moved inversely to each other in Britain and the United States ... The two movements were not independent of each other but were tied via migrations of capital and labour within the framework of the international economy at that time"

(Harvey, D., 1985b: 19).

7 Burns & Grebler (1977) and Burns & Ferguson (1987) do not accept that needs are a proper object of concern for the kind of economic analysis they favour.

8 *The Economist* (05.08.1989) cites evidence and argues that business cycles nowadays are markedly less volatile than they were in the past.

9 "[T]he boom in housing and factory development in the 1860s and 1870s, after the construction of the railways, established the form of the major industrial conurbations in Britain. The housebuilding booms at the turn of the century, and during the 1930s, were the driving force for suburban expansion. In the postwar period, development activity reached a peak in the 1960s, with continued decentralisation to the metropolitan fringes and smaller towns, the construction of the motorway network, a major public housing programme, and a wave of commercial development in city centres"

(Barras & Ferguson, 1985: 1369).

10 In reality Greece's proportion - and certainly Turkey's, and probably other Mediterranean countries' - was even higher due to the magnitude of informal, untaxed and unregistered, housebuilding, which in Greece at least makes for the largest chunk of the informal economy (Pavlopoulos, 1987).

11 "[The share of housing in total output] is far more responsive to level of economic development, and to changes in that level, than to population growth and urbanisation and changes in these variables"

(Burns & Grebler, 1977: 35).

12 Real GDP per person employed in Greece grew by 8.3 per cent per year between 1960 and 1968, and by 7.9 between 1968 and 1973. By

contrast, Japan's rates were 8.8 and 7.3, respectively. Over the same period no other OECD country reached such levels of performance (OECD, 1988: 47).

13 The reasons why a wide distribution of landed property tends to be associated with a wide income distribution probably involve (a) the capacity to tap income generated through physical asset utilisation, (b) greater effort and care on the part of the owners, and (c) easier access to credit facilities - all three prominent in the Greek case. For instance, in their study of the impact of land-ownership security in Thailand, Chalamwong & Feder (1988) found that

"[t]he risk of eviction on untitled lands and the advantages in access to credit associated with titled land are shown to account for the higher price of titled land. [ ] The analysis implies that granting full legal ownership to squatters can be a socially beneficial policy in many provinces [p. 187] [because] the gain in agricultural productivity due to titling accompanied by agricultural credit expansion outweighs the losses in other sectors of the economy (represented by the opportunity cost of capital) [p. 200]"

(Chalamwong & Feder, 1988).

CHAPTER 5:

*Housing and the Value of Labour Power.*

SECTION 1: Housing: From Necessity to Form.

SECTION 2: The 'Collective Consumption' Thesis.

SECTION 3: When Are Needs Determinate?

SECTION 4: Does 'Indeterminacy' Matter Though?

CHAPTER 5: Housing and the Value of Labour Power.

The relationship of dwelling prices to housing costs to incomes is a fundamental influence on the dynamics of housing systems. Since most workers' incomes are in the form of wages, and since wages fluctuate around the value of labour power, use of the latter concept is necessary in a discussion of that relationship. As an introduction to this discussion (chapters 6 & 7), here I review briefly the 'value of labour power' concept (see also Appendix I). I show that its use need not entail either admitting to only one or two particular ways of satisfying housing needs, and to no other, or the determinacy of workers' needs (e.g., in contrast to the 'collective consumption' thesis). Moreover, notions of workers' housing welfare or satisfaction should and can be disentangled from the question of the value of their labour power. Such a 'disengagement' need not affect the usefulness of the concept otherwise.

SECTION 1: Housing: From Necessity to Form.

In *The Housing Question* Engels (1887) discussed the role of home-ownership on the part of domestic German workers in enabling German capitalists to deduct from wages what would otherwise have been necessary expenses, and concluded:

"Here we see clearly that ... the ownership ... of a dwelling place, is becoming today ... the basis for an unexampled depression of wages below their normal level"

(p. 15).

In this case Engels compared the real wages of one group of workers - the German ones - to those of a 'reference' group - French, English, and US workers. Such a comparison, however, makes sense only if the two groups can be said to have the same needs, and, moreover, to value the things that go towards satisfying those needs equally. The reason is that the way the need for 'housing' is satisfied cannot easily be disengaged from whether it is satisfied at all.

For example, the German workers were owner-occupiers, the English were not. The possibility that owner-occupation imparted to the German workers a subjective feeling of security and well-being that the English lacked, Engels simply did not discuss. But if the German workers did see things that way, then clearly it is difficult to tell whether they were worse off than the rest because their wages were less. Neither is the significance of differences between the tenures merely emotional as far as the workers were/are concerned. Ball (1983) cites the case of Welsh coal miners, for whom owner-occupation was a source of strength during the industrial strife of the 1920s and 1930s.

Equally, it may be that the growth of owner-occupation in all advanced capitalist countries is not merely the result of whatever economic advantages this tenure may have over others. It may also be due to it being most people's natural aspiration, something which they try to achieve as soon as they get the means or the chance. Although there does seem to be some evidence in favour of this proposition (cf. Duncan, J.S., 1981), cultural anthropologists are perhaps better equipped to discuss it. But if the proposition is true, then the large rented sectors of a number of countries that

industrialised and/or became capitalist earlier than the rest, are explainable either by their feudal past (enclosures, creation of a proletariat, etc.), in the case of the European early industrialisers, or, as with urban America and Canada, by the large numbers of immigrant labourers that poured into them over prolonged periods. In the long-run, one can argue, a large rented sector is but a distortion of people's natural preference, and a mere parenthesis in a country's housing history.

In his analysis Engels assumed that the needs of workers in all industrial countries were the same, and, moreover, that the workers were indifferent as to how those were being satisfied. In other words, he took those needs to be established and unequivocal. Housing was one more necessity to be treated in that way, while its form was of secondary importance. This is not necessarily true.

SECTION 2: The 'Collective Consumption' Thesis.

The notion of the determinacy of the needs of the working class has also been implicit in the 'collective consumption' thesis, which became very popular among marxists in the 1970s. Essentially this was an attempt to explain the post-war growth of the welfare state and of the public sector. The approach recognises that for capital accumulation to proceed as smoothly as possible, the reproduction of the working class and its labour power must be assured (Harvey, D., 1981; 1985a; 1985b). By 'reproduction' is meant the diachronic satisfaction of a certain constellation of 'basic' needs such as housing, health care, and education, which amounts to the cultivation of 'basic' skills and attitudes 'required' by capital. The approach is clearly functionalist in that it subsumes the reproduction of the working class to the interests of 'capital'.<sup>1</sup> The state intervenes in order to help capital where the market fails to ensure a viable reproduction process. Hence Lojkine's theory of state intervention in urban space

"as a mechanism for the devalorisation of overaccumulated capital"

(Dear & Scott, eds, 1981: 16);

Castells's theory of state intervention

"as the socialisation of consumption in the interests of accumulation"

(ibid.),

and his definition of the 'urban' as "a unit of collective consumption" (Castells, 1977); or Preteceille's (1981) definition of advanced

capitalism as " a commodity mode of consumption". More specifically Maloutas (1986) explains:

"The tendency for the socialisation of consumption appears [ ] as an attempt to overcome difficulties associated with the individualistic - commercialised character of the labour power reproduction process. [ ] The main instrument for the realisation of this tendency is the state [ ]. The two basic characteristics of the collective means of consumption are (a) the collective form of their ownership, and (b) the collective form of appropriation of the good or service they provide. Collective means of consumption are conventionally called those that possess at least one of those two characteristics"

(Maloutas, 1986: 125).

Social housing is normally cited as an example of a 'collective consumption' item by authors aspiring to this approach (e.g., Pincon, 1976; Kotzamanis & Maloutas, 1985; Maloutas, 1986).

The 'collective consumption' approach fails as an explanation of state intervention in the economy and society on a number of counts (cf. Ball, 1986c, pp. 449-451; Harrison, 1986):

(1) It fails to appreciate the extent to which necessities can be provided or acquired via the market, or acquired **outwith** the market, or to account satisfactorily for the conditions that make a switch from non-market to market provision or acquisition (and vice versa) possible and even inevitable. Pickvance (1980), for example, after examining Pincon's (1976) argument, concluded:

"The fundamental problem with the argument was however the conceptual-historical connection between housing and the reproduction of labour power which turned out to be much weaker than is generally thought. We concluded that with two exceptions (housing shortage, excessive housing costs) state intervention in housing was unlikely to be explained by the role of housing in the reproduction of labour power"

(Pickvance, 1980: 48).

(2) The very definition of the 'collective means of consumption' cited above (Maloutas, 1986:125) is flawed. Following it would turn into means of collective consumption any items supplied through businesses owned by a multitude of share-holders, pension funds, or unit trusts - or Housing Action Trusts, for that matter. Equally, the notion of collective consumption is exceedingly difficult to operationalise. For example, the answer to the question whether bus transport or social housing is consumed collectively or individually does not depend on factual evidence, but on one's perspective.

(3) The 'collective consumption' approach can be called into question particularly nowadays that the political attacks on the welfare state in quite a few advanced capitalist countries, coupled with privatisation policies and experiments in both East and West, have shown the political and economic viability of the private provision of 'collective consumption' items. Therefore their public provision is not a necessary or inevitable feature of advanced capitalism (or socialism?).

(4) Finally, the attempt to suggest that the trend towards the

expansion of state-mediated 'collective consumption' was/is inevitable relied heavily on the assumption of a falling rate of profit for the capitalist economy (cf. Harvey, D., 1981). More accurately, it depended on minimising or ignoring any counter-tendencies to a falling profit rate. Yet:

\* Marx himself was well aware of counter-tendencies, and discussed them at length in '*Capital*' (Marx, 1959; 227-35). The most important of these is probably productivity increases in the producer goods industries being on a par with productivity increases in the consumer goods industries (Brewer, 1980: 34-45).<sup>2</sup>

\* A falling rate of profit is superfluous as an explanation of why 'capital' should like to pass on to the state certain functions that are supposed to help the reproduction of labour power. Surely, if these functions are invariably as costly or unprofitable as the 'collective consumption' thesis maintains, 'capital' should like to relegate them to the state anyway. The point, rather, is about the usage of the term 'capital'. 'Capital', or the capitalist system, is not a uni-minded entity the way a particular enterprise is supposed to be. 'Capital' is merely the expansion of the wage relationship in the pursuit of profit. Whereas a particular firm, or group of firms, may well want to see the state assuming certain 'reproductive' functions (hence certain costs), other capitalists may equally want to take up the provision of the goods or services involved as soon as there is sufficient effective demand for them.

### SECTION 3: When Are Needs Determinate?

The assumption that needs are determinate is by no means unrealistic in all cases, but the conditions of its applicability or relevance need to be spelt out.

Let us suppose that initially the economy works at full capital capacity, i.e., all available capital is fully employed. Total output is bought by workers' wages and capitalists' profits, i.e., consumer goods are bought by workers and capitalists, and producer goods by capitalists. Investment is equal to savings at that capacity-induced level of national income.

Let us also suppose that the pace of technological innovation is 'slow'. This tends to set short- to medium-term limits on the growth of product classes and even of product forms - though not necessarily of product brands.<sup>3</sup> As a result, sales of the products of individual firms will depend on price competition aimed at securing as big a market share as possible, rather than on creating new markets through product differentiation or the introduction of new products.

Capitalists may invest all their profits in capital goods - so that total expenditure in the economy is enough to buy the total product. Suppose they do so. New investment (i.e., over and above capital replacement) can mean either starting new products - an option which is always circumscribed by the pace of technological innovation (as well as by institutional and behavioural factors - cf. Turner, G., 1971: 28-29), and therefore can be put aside for the sake of argument; or, it can mean mechanising existing production lines

further. The latter option has the following consequences:

(a) Assuming a lower productivity in the producer goods industries than in the consumer goods industries, the rate of profit will tend to fall (cf. Brewer, 1980). Hence some capitalists will have second thoughts about investing their profits (or savings, i.e., retained earnings) in the domestic economy. Competition may of course force many of them to invest, but not necessarily ALL that is available to them. Immediately the flow of expenditure in the economy will be threatened with disruption.<sup>4</sup> Consumption is likely to suffer.

(b) The implication of reduced consumption expenditure and increased mechanisation are, first, unemployment, and, second, that labour productivity will rise faster than production, i.e., sales will tend to stagnate.<sup>5</sup> There will then be more unemployment, leading to even less consumption and to pressure on the wage rate, even though consumer goods may become cheaper.

Thus, the critical factor of slow technological innovation, causes what might be called the 'consumption possibility frontier'<sup>6</sup> that the working population faces, first to stabilise, and then to be confined increasingly to necessities. In other words, needs become determinate once basic technologies are well established and reach saturation point, without new technologies (and products) having appeared or made an impact yet. This process may perhaps best be depicted by the so-called Kondratieff cycles (Marshall, 1987: 19-25, 28-35; Barras & Ferguson, 1985: 1371).

Marxist approaches that presuppose the determinacy

of needs are more successful when the context is one of stagnation and decline. Consequently they tend to neglect the growth aspect of capitalism (cf. Storper, 1988). Such approaches contrast with Marx's own emphasis on the possibility of real wage increases, contained in his 1865 Address to the General Congress of the International Working Men's Association (Marx, 1978). Marx's argument, polemical in tone, is an exposition of the effectiveness of wage demands if there are no disruptions in the flow of expenditure, and, even more importantly, the static assumptions behind the situation I described above give way to dynamic considerations (Marx, 1978: 49). This is a slow growth situation, not necessarily in terms of output, but in terms of technologies, products, and needs. For example, the situation coinciding with the saturation of steam-based technologies, which Marx and Engels knew so well.

In their time, the slow growth in the number of affordable consumer product classes and forms allowed them to treat the subsistence needs of the workers as both determinate in that context, and correspondingly stable.<sup>7</sup> Those needs were practically a datum in real terms.<sup>8</sup> On the other hand, unemployment, an endemic phenomenon aggravated by highly unmanageable disruptions in the flow of expenditure, would ensure that real wage fluctuations would average out over time around what was necessary for subsistence - a given. In such a world, the pool of rewards to the workers (wages plus, say, free housing) would represent a zero-sum game. Hence Engels' sneering over partial solutions to 'the housing question' was in that sense justified.

#### SECTION 4: Does 'Indeterminacy' Matter Though?

More often than not the value of labour power (in practice this means the cost of goods and services that a given group of workers is accustomed to enjoying) and the level of wages diverge. When this happens, as a result, say, of rising housing costs, both workers and capitalists are likely to experience certain economic pressures. In the next chapter I examine the significance of these pressures for the way the housing system and the wider economy interact.

I have shown that housing may not be part of the 'standard' workers' budget (the value of labour power), without this making the workers concerned necessarily worse off (recall section 1). Equally, the workers', or the state's, responses to a situation of rising housing costs need not be the same everywhere (recall section 2). In these and other cases, the people and governments involved can be said to exercise preferences for particular housing forms and processes (subject to existing constraints and opportunities). The resulting variety makes any simple statement about the kind of housing that workers or governments need or like, unwarranted. By the same token, the dynamics caused when the level of wages and the value of labour power diverge are more important than the precise forms of workers' housing needs.

I would also argue against the idea that housing becomes part of the value of labour power invariably as capitalism develops. Presently, the proportion of outright owner-occupiers in Greece is far higher than in Britain (approx. 65.5 per cent as opposed to approx. 25 per cent - Pirounakis, 1987). Consequently, Greek

employers do not have to take account of their labour force's housing costs to the same extent that British employers are obliged to. Twenty or thirty years from now, as younger British households inherit the dwellings of the present generation of owner-occupiers,<sup>9</sup> a similar situation may prevail in Britain. This does not mean that the value of labour power in Britain will become less than what it is to-day. In a dynamically growing economy, the number and variety of goods that become the object of people's needs expand at the same time that the individual values of those goods decrease.<sup>10</sup>

But 'housing' in general can easily become part of the value of labour power. All that is required is that most wage-earners pay regularly for it. It is only then that rising housing costs, for example, can induce a type of chain-reaction that links the housing system to the wider economy. Where such is not the case, or is the case only in part, the operation and effects of this mechanism are modified (see chapter 6).

For example, Greek workers have been able to 'colonise' peripheral urban land, and build dwellings there without planning permission, and without borrowed money. British workers have not. This makes the dependence of British workers on regular money incomes as a means for paying their rents or mortgages (i.e., for housing themselves) greater than for Greek workers, even discounting the fact that the proportion of wage-earners in Greece has been considerably lower than in Britain. On the other hand, British workers have benefited from the introduction of subsidised public housing, Greek workers have been left mostly to their own devices. Such variety means that the study of the relationship between housing and the capitalist economy must be

conducted in specified contexts - from a 'pure' capitalist to 'mixed' ones.

In conclusion, I have viewed housing as a necessity which is, at least potentially, an ingredient of the value of labour power. However, I have rejected the notion that when the value of labour power does not include the cost of housing, the workers involved are necessarily worse off. I have also rejected the notion that workers' responses to expensive or bad housing, and/or the state's responses to their demands and problems, can take a single form only, as in the 'collective consumption' thesis. I have argued that both of these views assume the determinacy of the workers' needs, which can only be true under rather strict conditions. I have suggested, though, that what ultimately matters is that any divergences between wages and the value of labour power are manifested in, and are important because of, the dynamics they cause.

<sup>1</sup> Marxists have not been alone in viewing the role of the state in a functionalist way. Contrast, for example, D. Harvey's (1981) or O'Connor's (1973) thesis that the state acts in the interests of capital accumulation to Wilensky's (1975; 1976) or Wilensky & Lebaux's (1965) that it acts in the interests of industrialism. Others have viewed the role of the state in a conflict framework, i.e. 'bottom up' pressures or 'top down' responses in a continuous interplay between rulers and ruled (cf. Jones, 1985: 43-57). I am inclined to the second point of view.

<sup>2</sup> According to J. Robinson (1971),

"[t]here is something contradictory in postulating a uniform rate of profit throughout an economy in which technical progress is going on. Some firms are always taking advantage of new ideas faster than others and enjoying a higher rate of profit in their investments. Moreover, technical progress alters the nature of commodities and the requirements of skill and training of workers"

(p. 128).

But for the rate of profit not to fall, technical progress in general is not enough; productivity in the producer goods industries must be equal to or higher than productivity in the consumer goods industries.

<sup>3</sup> A product class = cigarettes. A product form = plain filter cigarettes. A product brand = Philip Morris regular non-filter. Example supplied by Kotler (1976: 232-33).

4 "[T]he person who has effected a sale, who therefore has commodities in the form of money, is not compelled to buy again at once... [T]he commodity must be turned into money but the money need not be immediately turned into commodity, and therefore sale and purchase can be separated. We have said that this form contains the *possibility of crisis*"

(Marx, 1969: 509).

5 "The criterion of this expansion of production is *capital* itself, the existing level of the conditions of production and the unlimited desire of the capitalists to enrich themselves and to enlarge their capital, but by no means *consumption*, which from the outset is inhibited, since the majority of the population, the working people, can only expand their consumption within very narrow limits, whereas the demand for labour, although it grows *absolutely*, decreases *relatively*, to the same extent as capitalism develops"

(Marx, 1969: 492).

6 By analogy to the 'production possibility frontier' (see any economics textbook). That is, the set of all possible combinations of products on which a person's or nation's budget can be spent.

7 In his study of the apparent allocative efficiency of the Soviet economy, Whitesell (1990) has come to a similar interpretation: "one would expect the Soviet economy to be efficient in a static allocative sense relative to market economies because of its technological stagnation. This is the case because technological stagnation gives planners and firms a long time to adjust inputs so

as to converge to an efficient allocation" (p. 266).

8 The views of both Marx and Engels on the value of labour power developed from a rather dogmatic early position, amounting to a conception of absolute impoverishment, and later giving rise to Lassalle's 'iron law of wages', to more refinement and flexibility. These involved accepting the positive influence on workers' living standards of productivity increases (Rowthorn, 1980). In the text of Marx's 1865 Address to the General Council of the International Working Men's Association (Marx, 1978), Rowthorn (1980) has identified three different definitions of the value of labour power, which are not necessarily equivalent. They all emphasise, however, a "minimum standard of living which wages must be sufficient to provide" (p. 210).

9 "Calculations by a British merchant bank, Morgan Grenfell, suggest that about half the middle-aged households in the country will inherit property typically worth £35,000 - more than three times the average disposable income of £11,000 a year. As the proportion of elderly owner-occupiers rises, so will the proportion of middle-aged inheritors. By the end of the century, property worth nearly £9 billion (in 1986 prices) will be handed on each year ... Britons ... will discover the delights of a second home"

(*The Economist*, 9 April 1988: 13).

10 "[W]ith the advance of capitalist production and the attendant development of the productiveness of social labour and multiplication of production branches, hence products, the same amount of value represents a progressively increasing mass of use-

values and enjoyments"

(Marx, 1959: 214-15).

CHAPTER 6

*Dwelling Prices, Housing Costs and Incomes:  
An Explanation of Their Relationship.*

SECTION 1: A Framework For Analysis.

SECTION 2: Upper Limits to Changes in Housing Costs in a  
'Pure' Capitalist Environment.

SECTION 3: Lower Limits to Changes in Housing Costs in a  
Variety of Environments.

SECTION 4: Upper Limits to Changes in Housing Costs in  
'Mixed' Capitalist Environments.

CHAPTER 6: Dwelling Prices, Housing Costs and Incomes: An Explanation of Their Relationship.

I concluded chapter 4 with the observations that the relationship between incomes and housing costs is one important factor behind housing investment levels, and that it is affected itself by the socio-institutional context. The need, capacity and willingness of households to use part of their earned incomes in order to house themselves affects dwelling prices, which then affect the housing costs of households in turn. Earned incomes are not the only influence on dwelling prices, but in what follows I do not consider other important influences, which I discuss in chapter 7.

Here I suggest a mechanism linking dwelling prices, housing costs, and incomes. The mechanism involves the postulation of upper and lower limits to the movement of housing costs in relation to incomes - via dwelling prices. Its operation can best be seen in a 'pure' capitalist environment, where it forms a crucial link between the housing system and the wider economy, but it also operates - with modifications - in a variety of 'mixed' ones. In this way the socio-institutional framework is brought to the fore. Importantly, housing costs need not always be financial, but can be environmental as well, as the Greek experience, for example, demonstrates. When environmental housing costs get too high, the political response and the resultant socio-institutional changes are likely to cause financial housing costs to increase.

SECTION 1: A Framework For Analysis.

A usual way of getting some idea of how expensive

Table 6.1: Trends in Dwelling Prices and Incomes in Canada, 1961 - 76 (in \$).

Year	Personal Disposable Income per capita	NHA* single-family dwelling cost (including land)	NHA* single-family land cost	Monthly principal & interest payment	Dwelling cost/dispo- able income ratio	Land cost/ dwelling cost ratio	Monthly pay- ment/dispo- sable income ratio
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1961	1,475	14,463	2,453	87.52	9.8	17.0%	71.2%
1962	1,579	14,614	2,535	91.37	9.3	17.3%	69.4%
1963	1,646	15,068	2,692	92.51	9.2	17.9%	67.4%
1964	1,713	15,807	2,813	95.68	9.2	17.8%	67.0%
1965	1,846	16,572	2,816	100.26	9.0	17.0%	65.2%
1966	1,994	18,059	3,006	115.30	9.1	16.6%	69.4%
1967	2,116	18,529	3,155	126.90	8.8	17.0%	72.0%
1968	2,262	18,922	3,350	146.90	8.4	17.7%	77.9%
1969	2,424	20,315	3,623	164.80	8.4	17.8%	81.2%
1970	2,536	19,894	3,666	169.70	7.8	18.4%	80.3%
1971	2,779	20,528	3,944	161.80	7.4	19.2%	69.9%
1972	3,121	22,168	4,333	174.80	7.1	19.5%	67.2%
1973	3,585	28,683	4,571	194.29	8.0	15.9%	65.0%
1974	4,121	33,356	6,279	247.70	8.1	18.8%	72.0%
1975	4,734	35,492	7,246	324.85	7.5	20.4%	82.3%
1976	5,278	39,881	9,226	388.81	7.6	23.1%	88.4%

Source: Patterson, 1978, p. 282 (columns 1 to 4). \* = National Housing Act.

housing is in relation to incomes is to calculate how many years worth of (some measure of) average income are required in order to cover the market price (or cost of construction) of an average dwelling. This is the so-called house price/earnings ratio. In Britain, for example, this ratio has shown a remarkable stability in the post-war period at least, averaging 3.44 for the period 1956-1987, with a 4.95 maximum in 1973 and a 2.92 minimum in 1960 (*BSA Bulletin*, 1988, July: 14).

The house price/earnings ratio, useful though it may be as a general indicator, has one important limitation: It offers no insights into the mechanism that determines its magnitude and movement over time. It does not tell us, for example, whether the relationship between dwelling prices and earnings is prices-led or earnings-led (an intuitive answer is that it is probably both; but how? and does each of the two variables affect the other equally strongly?). Neither does it tell us why the ratio changes markedly over a long period (as in Canada between 1961 and 1976 - see Table 6.1), or, alternatively, stays broadly the same (as in Britain between 1956 and 1987). To begin answering these questions, one needs to look into the relationship between housing costs, as experienced by households, and earned incomes.

The reason why one must turn from dwelling prices to housing costs is simple: housing costs are the organic link between dwelling prices and incomes. The way that link operates is to be investigated below, but it is important to note from the start that movements in the ratio of house prices to incomes do not have an obvious or unequivocal significance for households. Commenting on the Canadian experience between 1961 and 1976 Patterson (1978) wrote that the fact that personal disposable income per capita increased faster than house

prices did not necessarily mean that "housing is becoming easier for Canadians to obtain" (p. 281). He explained this by drawing attention to two facts which took place over the same period:

"[ ] the costs of carrying a mortgage have risen faster than personal disposable income [see column 7 in Table 6.1 - NP] [ ] increases in per capita personal disposable income have exceeded increases in average weekly industrial earnings by a substantial amount. This likely reflects both decreasing household size and increased female participation in the labour force. That is, family incomes have increased more rapidly than the average worker's earnings. The capability of purchasing a home on the part of a one-earner family is therefore reduced"

(Patterson, 1978: 281).

Equally, the emphasis on **earned** incomes (i.e., wages and salaries, and earnings from self-employment) is deliberate. While housing demand by the unemployed or pensioners, for example, does contribute to upward pressure on dwelling prices, it must not be forgotten that the incomes of these categories are in reality transfers of wealth generated by those currently at work, whether the basis of those incomes is taxation or accumulated savings. The latter, in particular, may have been the result, in part, of past earnings saved, but their real worth now depends on the value that the currently working population creates.

To postulate households' housing costs as the link between dwelling prices and incomes begs the question of what determines house prices. In formal valuation terms (cf. Engels, 1887) the price of

a dwelling consists of a land price and interest on and amortisation of the capital invested (i.e., past construction costs). This is not a satisfactory starting point because nothing guarantees that the seller of a dwelling will at least recover his initial investment outlay - let alone interest. It all depends on market conditions.

Of course an investor in dwelling property has to consider whether the market will allow him to get his money back plus interest (or the interest on foregone investments), and, on top of that, make some profit out of an expected appreciation in the value of land. But what the market will ultimately offer is not based on such calculations, but on a variety of factors, including, importantly, people's earned incomes (whether current or some measure of permanent income), and, more to the point, on what those people need to, can afford and/or want to pay in order to house themselves. In short, it is based on the housing consumption costs households actually experience.

To facilitate the coming analysis of the relationship between dwelling prices, incomes and housing costs, I will focus on earned incomes as the key factor, and suggest that dwelling prices reflect incomes in so far as fluctuations in the latter signal to housing providers fluctuations in the capacity and/or willingness of households to shoulder expected levels of housing costs. In turn, any given level of dwelling prices is likely to have an effect on incomes (probably weaker than the effect of incomes on dwelling prices) through causing demands for higher pay, or through making businesses pay more in order to attract desirable staff (cf. Appendix I). I will ignore, for the time being, influences on dwelling prices from other sources (e.g., differential rents and location premia - see

ch. 7). Further, I will NOT address the effect on the relationship under discussion of the following four factors - **other than dwelling prices themselves** - that affect the housing costs of households directly:

(1) Changes in interest rates.

(2) The feasibility of access of a prospective housing consumer to alternative forms of housing to buying from an existing owner or builder, or renting.

(3) Administrative interventions like rent controls and regulations, credit rationing, or various tax and subsidy arrangements.

(4) The nature of any existing financing schemes via which people can buy dwellings. It is well-known, for example, that apart from the direct financing route (cash), the only other three ways whereby housing for owner-occupation can be financed are:

- ( i) The contractual savings system;
- ( ii) The deposit savings system, and
- (iii) The bond-issuing system (Boleat, 1985: 6).

Any of these financing systems, or of variations thereof, has, depending on context, different implications for the capacity of individuals or groups to borrow in order to house themselves. This is why different housing credit regimes are appropriate for different countries. For instance, the contractual savings system requires that persons form families or households later rather than earlier in their adult lives, and that a substantial and flexible rented sector exist so as to accomodate prospective owner-occupiers while they save. It also requires a sound economy, with positive real growth rates, and it is for these reasons that this particular system has been more successful in,

say, West Germany than in Greece (Pirounakis, 1987).

The reason I choose to ignore the above four factors is that I consider the proportion of housing costs to incomes of more direct significance for dwelling price determination than the absolute magnitudes of the variables making up that ratio.

Equally I will ignore a number of other factors that affect that relationship indirectly. The most important of these are:

- (1) Population changes.
- (2) Urbanisation.
- (3) Changes in the rate of household formation.
- (4) Changes in the number and proportion of two-earner households.

Again, the reason I will not be addressing these factors is that I want to examine the mechanism that affects the relationship of dwelling prices and incomes in an as unclattered way as possible. For example, expansion in female employment can induce dwelling price rises that would have been impossible to sustain if the mortgage repayments had to come from one wage (the male's) only. (This phenomenon may be part of the reason for the high dwelling prices in the South-East of England in the 1980s, but is not the main reason, as I argue in chapter 7.) At the same time such a trend makes it more difficult for single-earner households to house themselves, and may therefore affect adversely the rate of household formation and/or the rate of urbanisation. On the other hand, these last two factors, left to themselves, would have affected dwelling prices positively. These are exactly the kind of complexities I wish to avoid in the coming

Table 6.2: Distribution of National Income Among Factor Shares, selected countries and periods.

	<u>Share in National Income (per cent)</u>			<u>Percentage of Entrepreneur &amp; Self-employed in Labour Force</u>
	<u>Compensation of workers &amp; employees</u>	<u>Income of entrepreneurs &amp; self-employed</u>	<u>Income from assets</u>	
<b>UK</b>				
1860-69	47	17	36	13
1954-60	70	9	21	6
<b>France</b>				
1853	36	46	18	36
1954-60	59	29	12	27
<b>West Germany</b>				
1895	39	45	16	26
1954-60	60	22	18	16
<b>Switzerland</b>				
1924	49	25	26	25
1954-60	50	18	22	19
<b>Canada</b>				
1926-29	59	25	16	28
1954-60	66	13	21	18
<b>United States</b>				
1899-1908	54	24	22	28.5
1954-60	69	12	19	15

analysis.

The natural context for this discussion is capitalism, the on-going processes of capital accumulation (see also chapter 2). What I will do, is focus on the link between incomes, housing costs and capital accumulation. The logical schema I have adopted in order to describe that link is as follows:

- \* Capital accumulation depends crucially on the value of labour power (it depends on other things too, but these need not concern us here).
- \* The value of labour power at a particular time and in a particular place tends to be epitomised in the modal per capita income of the working class at that time and in that place.
- \* Therefore, the extent to which working class incomes incorporate a "*housing cost component*" affects the value of labour power (cf. chapter 5) and consequently the process of capital accumulation.

The focus on the working class and on wages (and salaries) is clearly necessary in addressing the relationship between housing costs and incomes in capitalism. For one thing, as capitalism advances the percentage of independent entrepreneurs and self-employed in the labour force tends to decrease, and that of those who sell their labour power to increase; coevally, the share of workers' and employees' compensation in the national income increases too (Table 6.2). Finally, the largest part of the income (the "compensation") of the working class tends to be made up of wages (and salaries).

There are two points to make: First, as I suggested in chapter 2, housing processes can be understood by means of a 2 x 2 matrix, along the dimensions "market - non-market" and "provision - acquisition". Truly capitalist is only one combination, namely, the "provision" of dwellings through the "market"; yet most countries in the world to-day experience all four categories in various combinations. This is a reality that must be taken into account when developing a model of the relationship between housing costs and incomes in capitalism. Second, the working class itself is not a homogeneous mass, but is differentiated both by income and by 'structural position' in the economy - for example, there may be people who are not currently in paid employment, but who to all intents and purposes are working class (e.g., street hawkers: i.e., people without any productive property to fall back on, and dependent on their labour and chance to feed themselves from one day to the next). I will address the problem posed by working class income differentiation in Appendix I. Meanwhile, taking on board the two points just made, means that we have to proceed in the following manner:

First, I will propose a mechanism linking housing costs and wages in a 'pure' capitalist environment. The geographical scale of the analysis (a country, a region, a city) may vary without affecting whatever validity the latter may otherwise have. In such an environment all (or most) wage-earners house themselves through the market; moreover, they have no housing alternatives to the market- and provision-based processes. At the same time all (or most) people who can be identified as working class are wage-earners. I assume, in addition, the existence of private landownership, and of a land and housing market (with or without effective planning authorities) in which speculative

builders, landlords, and owner-occupiers operate. These agents may be present in various numbers without, again, affecting any validity in the analysis. Such a 'pure' capitalist environment was closely approximated in 19<sup>th</sup> century Britain (minus the planning function), and in qualified ways (which I will discuss in sections 3 & 4) is the case nowadays in all the main English-speaking countries.

Second, I will relax the conditions that make up a 'pure' capitalist environment by introducing a cross-relationship between wages and incomes from self-employment on the one hand, and non-market and/or acquisition-oriented housing processes on the other. Then I will try to incorporate, say, the British public housing sector into the analysis, as well as the various - and varied - housing systems of Latin American and Mediterranean countries, among others.

## SECTION 2: Upper Limits to Changes in Housing Costs in a 'Pure'

### Capitalist Environment.

In what follows I assume the existence of a 'pure' capitalist housing and labour market, as postulated in the previous section, and virtual equality of incomes for the working class. (The analysis pursued here can be extended to include incomes differentiation and a varied working class, but for that we need the concept of "*pools of 'equivalent access' skills*" which is developed in Appendix I.) I assume also that dwelling prices are only affected by households' need, capacity and/or willingness to use parts of their earned incomes (rents or loan repayment installments) in order to house themselves, although later I qualify this by bringing into the analysis the influence of 'location premia' and differential rents (see chapter 7).

Housing is likely to be provided to wage-earners at most at such prices which will still allow the wage-earners to feed and clothe themselves, and generally to satisfy the barest of their other necessities. This is a kind of absolute upper limit to upward variations in housing costs, which, in the absence of other factors, is also a limit to house price rises. It will not concern us much because at to-day's level of capitalist development such cases are becoming increasingly marginal (although if it does come to the margin, that is the bottom line).

The issue is really more complex than that because both the housing and labour markets consist of a variety of supply-side agents, who employ different profit-maximising strategies, and are subject to different contingencies from one another. So, far before

some absolute limit is reached, a rising *housing cost component* in the wage (I introduced this concept in section 1) is likely to initiate a kind of chain reaction across the capitalist economy, which will at some point force housing market supply-side agents to adjust their asking prices downwards. That point is governed by a certain 'corrective' mechanism, which centres around two distinct main factors (the influence of 'location premia' and differential rents is compatible with the analysis that follows):

- (a) Long-term productivity differences between the house-building and non-housebuilding sectors of the economy, and
- (b) The 'locational specificity' of housing costs as opposed to the 'geographical homogenisation' of the costs of non-housing goods making up workers' budgets.

I will now discuss these.

At the heart of the mechanism lies the capacity of businesses, or groups of businesses (at whatever level of geographical or sectoral aggregation), to sustain wage bills which become very large, by comparison to competitors' wage bills elsewhere (e.g., overseas, or in another region or city), *as a result of an increasing and/or excessive, by the standards of even the relatively recent past, housing cost component*. Obviously, if other components of the wage (food, clothing, etc.) become cheaper over time, the value of labour power (the modal wage) for the working class as a whole may be unaffected, or even drop, to the extent that cheaper non-housing items exactly compensate,

or more than compensate, for higher housing costs. However, a combination of rising land prices and of productivity in the housebuilding industry lagging behind productivity advances in the food, clothing, car, and other consumer durables industries, will tend to push house prices up relative to the prices of those other commodities. This will cause housing market supply-side agents to seek higher returns on their assets (in terms of non-housing goods & services), and consequently the housing cost component of the wage to rise.

Before going any further, it is useful to digress on the proposition I have just advanced, about persistent productivity differentials between the housebuilding and sectors producing non-housing goods. It is certainly a phaenomenon that has been recorded repeatedly throughout the history of (British) capitalism:

"Of all great industries, building - and it was among the greatest - had been least affected by invention, by metallurgy, or by the machine during the first half of the nineteenth century; nor was it much affected during the second half"

(Clapham, 1938: 195).

"Building, of all great industries, was least affected by machinery and even by non-mechanical technical advance. The late nineteenth century saw an increased use of concrete and in the first few years of the twentieth century a steel frame became more and more common for large buildings. But most building on a smaller scale was still done by methods that had long been known. It was in the methods of making some of the

universal components of buildings, rather than in building work itself, that machinery was bringing some improvements and economies"

(Ashworth, 1960: 85).

Ball (1978) cites further corroborative evidence: Between 1907 and 1955 the average rate of productivity increase per annum (by output per operative hour) in the UK for selected sectors was as follows (p. 83):

Total manufacturing	2.1
Building materials	2.1
Building & contracting	0.2

And between 1955 and 1973 the trends in output per employee (per cent, per annum) for selected sectors were (p. 83):

	Manufacture	Bricks, pottery, etc.	Construction
1955-60	2.2	n.a.	2.2
1960-65	2.8	4.0	1.2
1966-71	3.6	4.8	7.0 <sup>1</sup>
1971-73	6.7	8.7	-2.2

Ball (1978, 1988) has examined a number of explanations as to why the housebuilding industry appears to be technically 'backward', and found them wanting. The reasons usually offered focus on

- (1) the design stage (this view gave rise to the 'Modern Movement' in architecture);
- (2) construction's low 'organic composition of capital' (circular argument);

- (3) physical characteristics of the building process;
- (4) presumed impossibility of applying Taylorist and Fordist principles in the industry;
- (5) moral and/or professional 'deficiencies' on the part of people in the trade, and
- (6) in Britain at least, a long-standing separation between design and production (Ball, 1988: 23-34).

Ball does not deny that the building industry has traditionally been more technically 'backward' than most other sectors. But he dismisses, say, comparisons "between the long-term rate of productivity change in building and elsewhere " (Ball, 1988: 32) on the grounds of their theoretical implications:

"Why should the future technical development of construction necessarily be towards more and more factory production? An unwarranted idealisation of particular methods of production seems to be elided with a very essentialist view of technical change. Yet, without such a view of the perfect universal technology applicable to the production of everything, how can you compare technologies on a scale of backward and forward?"

(ibid.)

To me the argument about the 'perfect universal technology' involves using semantics in order to avoid the issue. Obviously each industry - and often firms from within the same industry (indeed, this is how innovation proceeds) - uses a technology which is different from that of any other industry: the nature of the thing to be produced usually dictates how it is to be produced. But the common

pattern throughout the history of capitalism is towards greater and greater division of labour - whatever its form: mechanisation, automation, sub-contracting, project management. The real question is why, as the evidence cited shows, a particular industry - housebuilding - has persistently lagged behind other sectors in productivity terms despite various innovations and cost-cutting schemes occasionally adopted.

I accept that each of the answers to this question, which were enumerated above, does go some way towards an explanation for the relative 'backwardness' of the housebuilding industry. I also accept many of Ball's criticisms of those answers. The explanation I am going to offer differs from those above, but also builds upon the contributions of others, including that of Ball himself (Ball, 1978, 1983; Colclough, 1965). To make my account relevant, I will not compare a non-capitalist housebuilding process (e.g., self-help or household-contracted building) to other capitalist industries, but I will compare capitalist housebuilding, a highly advanced example of which is the modern British speculative housebuilding industry, to other capitalist industries.

My explanation begins with the proposition that non-housing goods are produced with technologies and capital that are more mobile geographically than the technologies and capital involved in the housebuilding industry. For example, concrete is more suitable to the dry, warm weather of Greece than to the weather of the British Isles. The same climatic factors make for longer-life, more-easily-maintained houses in Greece than in Britain (for the same type of house): i.e., to make a house in Britain last as long and need as little maintenance as a

similar house in Greece, a different and more expensive technology would have to be adopted. Equally, since the capital of a speculative housebuilding industry is mostly in the form of landbanks (Ball, 1983), the immobility and geographical specificity of this form of capital are patently obvious.

The significance of these features is that industry participants are not open to the same kind of competitive pressures to rationalise operations and cut prices that other capitalists face. What happens is that as soon as a speculative builder (or landlord, in the case of a free rented sector) lays claim to a plot of land (or one or more dwellings), he achieves a virtual monopoly over that property;<sup>2</sup> the larger the area (or stock) thus monopolised, the greater the power of its owner, and the less his urgency to build and/or sell at prices he does not find 'suitable'. This is so especially if he has the financial resources to sustain a period of 'waiting' (before building or selling), and/or during times of rising land prices (Hallett, 1977: 108).

In such circumstances a speculative developer and/or builder will subordinate his adoption of new techniques to the imperative of securing as large a 'development gain' (Ball, 1983: 143-4) as possible. The latter must be understood as that share of any expected appreciation in real land prices going to the developer-builder (as opposed to the landowner: no reason, however, why the two cannot coincide).<sup>3</sup> Hence, the frequency of sub-contracting in the speculative housebuilding industry (Ball, 1980b), or the recent emphasis on project management (Ball, 1988), are but ways to achieve the flexibility required in order to tap development gain in a perennially volatile land and housing market. Econometric evidence from the British housing

market supports this point. The fact that prices of existing and new dwellings have moved closely together in Britain since 1957 at least (Dicks, 1989: 72), means that

"[i]f, for example, prices were to slow, this would reduce the profitability of building new houses - which would reduce the rate of completions significantly [ ]. Substantially higher costs of stockholding would then give builders a strong incentive to cut back on starts but keep completions running close to current levels, in order to reduce the uncompleted stock as quickly as possible"

(Dicks, 1989: 73).

By the same token, there are periods when it pays to adopt new techniques and cut costs, and others when to do so would imply creation of excess capacity and huge carrying costs. Of course, most firms under monopolistic competition (the usual case in the real world) tend to operate under some excess capacity anyway (Baumol & Blinder, 1988: 616), but the virtual monopoly associated with urban and/or developable land makes excess capacity in machinery & equipment particularly useless - and hence particularly dangerous financially - in the case of the capitalist landbanking, housebuilding enterprise.

One implication of the relative immobility of the technology and capital involved in the housebuilding industry, is that while the labour times going into the production of non-housing commodities tend to be standardised across similarly advanced countries,<sup>4</sup> the value of labour power (i.e., the modal wage) is left more open to the influence of the 'local' element of housing costs. In

a worst-case scenario, the labour times spent on non-housing commodities are not standardised across similarly advanced countries, but then, in conditions of free trade, workers in the more 'expensive' country will tend to substitute foreign goods for domestic goods (alas, not housing!). Hence, there will still be a standardisation (of sorts) of the value of labour power inter-nationally, in terms of non-housing items, but at the expense of poor or declining sales on the part of 'domestic' firms. If, in addition, house prices in the more 'expensive' country begin to rise, and the housing component of the wage rises too, 'domestic' firms will end up facing both a lower market performance in terms of domestic sales and higher wage bills than their overseas competitors. Needless to say, 'domestic' firms will not be able to substitute foreign sales for the declining domestic ones because, as I assumed, they were producing non-housing items more expensively than their overseas counterparts in the first place!

Thus, unless productivity in the non-housing sectors of the economy expands in proportion to house price rises, as the latter are reflected in the modal wage through their impact on housing costs (cf. Bover et al, 1989; Muellbauer, 1990), businesses will not be able to accomodate such rises indefinitely, especially if workers are capable of passing any rises in their housing costs unto their employers. Something will have to give or change. Whether some firms will go out of business, while others will rationalise and/or automate their operations faster than they would have done 'normally', there will be downward pressure on the average wage: hence (since I have assumed homogeneity of incomes), on the modal wage (the value of labour power), which will check further rises in the housing cost component of the wage, and ultimately in house prices.

That pressure, however, may be mitigated due to a number of factors, most of which - with the important exception of induced state intervention - tend to facilitate house price rises, and in a roundabout way fuel anew pressures on the average wage, in the manner I have been describing. All of these factors involve the capacity and willingness of workers (a) to sacrifice other goods or services in order to attain or preserve their customary housing standards; (b) to suffer deterioration in their housing conditions, and (c) to engage in industrial action and/or political mobilisation in order either to pass their housing costs unto their employers or to cause some form of state intervention on the workers' behalf. Let us examine each in turn:

(a) The capacity of workers to sustain increases in the proportion of their expenditure budgets that is spent on housing is likely to be facilitated by price falls in basic items making up those budgets, but also by the fact that some of the items in question are consumed in more-or-less physically constant quantities, e.g., food. Thus, in the UK in 1984 the proportion of total consumers' expenditure (in current prices) spent on food was 14.6%; in 1900, it was 28.3%, and the average for the period 25.3%. The proportions spent on fuel & light and on clothing did not vary much over the period. The proportions spent on durables were 9.9% in 1984, 3.8% in 1900, and 6.5% on average. The proportion spent on cars increased (no surprise here). And the proportions spent on housing were 15.0% in 1984, 10.2% in 1900, and 10.7% on average (Halsey, 1988: 150). Overall, since 1955 the proportion spent on food has been declining, while that on housing has been rising (ibid.). Had it not been for this relationship, businesses in Britain would probably have been under greater pressure to increase

wages (other things held constant), and ultimately house prices would not have risen as much as they have.

(b) Despite the caution I urged at the beginning of this section, regarding the infrequency of cases of dire housing circumstances in most advanced countries to-day, it is a fact that the capacity of people to suffer appalling housing conditions seems at times to know no limits. Often this is due to straightforward economic necessity imposing itself upon them, but also because individually they can be weak and helpless, and, of course, shelter is itself a bare necessity. This is borne out in the following piece of press commentary, entitled "Workers forced to sleep in cars":

"Construction workers from the north and Midlands who have found employment in the Gatwick and Crawley areas of West Sussex are sleeping in their cars because of a local accomodation shortage. The practice highlights the complaint of local employers that high house prices and a limited supply of private rental accomodation in the area are hampering attempts to recruit staff from other parts of the country.

[ ] Ucat, the construction union, [ ] says it regularly receives reports of workers who come to the south in search of work and are forced to sleep in the buildings they are employed to renovate. One construction worker who sleeps regularly in his car at Gatwick said last week that he came south from Huddersfield seven weeks before after nine months of unemployment"

(*Financial Times*, 12.01.1988).

(c) Nevertheless, alternatives like these, if generalised and/or if drawn to extremes, and consequently threaten the value of labour power which is appropriate or customary for a specific time and place, are very likely to lead to social and political upheavals. Such upheavals, in turn, will necessitate state intervention in the land use and housing spheres. This happened, for example, in Glasgow in 1915, and in post-war Greece, to name but two cases. To avoid potential unrest on a grand scale, to appear paternalistic, and because there was no landowners' or developers' lobby to press for other "solutions", the Greek state tolerated large groups of people to build outside the formal plans (such as they were) of a great many cities and towns, or lay claim through rather dodgy practices on 'national', i.e., state, peripheral urban land.

For state intervention to occur, it is not necessary that the entire working class should suffer particular hardship. Even if only some workers' housing situation deteriorates, but these workers possess highly valued skills, or work in sensitive industries, their political clout increases accordingly, and some urgent solution to whatever their housing problems are, is likely to be sought by the state, often with employers' co-operation or approval (see the FT quote above). The success, in a relatively short time, of the 1915 Glasgow rent strikes and agitation must have owed something to the fact that many of the workers involved worked in ammunition factories (Castells, 1983) at a time when Britain was waging a desperate war. The common thread running through all such state interventions is a practical attack on vested interests in the land and housing spheres, which results in a socially and politically more acceptable relationship between house prices and wages, or the re-establishment of an upset

relationship.

To sum up: I have suggested the type of mechanism that checks upward movements in households' housing costs in a 'pure' capitalist environment, given certain facilitating assumptions. The major factors involved are two kinds of productivity differentials: between the housing and non-housing sectors of the economy, and between a given geographical area and all others. Two important conclusions have emerged:

(1) The question whether house prices lead or follow earnings is pointless. The two are related by means of a spiral in which higher earnings create the potential to pay more for one's housing, and thereby the potential for house prices to rise. Landlords, builders, and owner-occupiers will then try to realise this double potential by demanding higher rents and/or higher prices for their dwellings. They may even try to 'overshoot' the current potential if they expect yet higher economic growth, hence higher earnings, and therefore still higher house prices, in the future (cf. Hendry, 1984; Muellbauer, 1990, p. 17). Wage-earners will respond to these demands through a variety of strategies (e.g., cutting down on their consumption of non-housing items), but eventually by demanding higher pay (cf. Bover et al., 1989; Muellbauer, 1990, p. 18). Such demands, incidentally, are likelier to be generalised and hence successful if the number of those who seek to house themselves and/or improve their housing conditions is large relative to those who are outright owner-occupiers and/or live in 'good' dwellings.

(2) An intuitive implication of the model developed is that

in some circumstances rising housing costs and house prices relative to incomes can actually contribute more towards mechanisation and automation in certain firms or industries than a stable or declining house price/earnings ratio - other things held equal.

The analysis has also enabled identification of a number of secondary factors, namely:

- \* The nature of the industrial structure;
- \* The degree of openness to foreign trade;
- \* The behaviour and attitude of supply-side agents in both the housing and non-housing spheres;
- \* The behaviour and attitude of the working class;
- \* Governmental policies in the respective spheres;
- \* The nature of landownership.

Some of these factors make intuitive sense or have been recognised by others (e.g., Massey, 1981; Ball, 1983; Barrett & Hooper, 1983). I feel that the novelty in my approach is that I have placed them in the context of an explanatory mechanism that binds the housing and non-housing spheres together. Thus,

(a) A crucial link between the housing system and the wider (capitalist) economy was identified and analysed. The inevitable link between the two is not via competing investment funds (cf. ch. 4) but via supply-side agents in the housing and non-housing spheres competing over the proportion of workers' take-home pay that is converted into rent or loan repayment instalments - and into house prices.

(b) One or two factors that have not, to my knowledge, been integrated in previous analyses of the topic, e.g., degree of openness to foreign trade, were shown to be directly relevant.

(c) The 'economic', in the sense of costs and productivity differentials, was linked to the 'political', e.g., the behaviour of the workforce.

**SECTION 3: Lower Limits to Changes in Housing Costs in a Variety of Environments.**

It is well-known that dwelling and land prices can go down as well as up. In the immediately preceding section I discussed the case of an upper limit to house price fluctuations. I will now discuss cases where lower limits apply.

A lower limit to the movement of housing costs relative to incomes is primarily determined by the capacity and willingness of landowners and landlords to hold onto their property rather than make it available at prices they don't like. This, in turn, means that the characteristics of landowners and landlords in any particular place, and the legal and political framework governing land use and development, the rented sector, property taxation, and compensation in case of forced sale, affect the speed and prices at which land and dwellings become available. The question is - are any particular landownership patterns (including the kind and strength of rights attached to them) more conducive to bringing down the ratio of dwelling prices to earnings than others? And even if yes, for how long or to what extent?

To answer these questions one must compare historic landownership-cum-planning patterns, and see how each has financially enabled households to house themselves, and also how it has contributed to what, with hindsight, we can now associate with a sustained, long-term improvement in housing conditions. For the purposes of this exercise I have identified six historic stereotypes, which are depicted in Table 6.3. Let us look at them in greater detail.

**Table 6.3: Characteristic Historic Landownership and Planning Patterns**

Pattern	Typical Cases	Housing Outcomes
Landless peasantry, urban squatting, no effective planning controls, private & public property rights challenged	India, Peru, Brazil, etc.	Marked politicisation of the urban land issue; miserable housing conditions mostly caused by a combination of poverty & overpopulation.
Many private small-holders, no effective planning controls, private - but not public - property rights mostly respected	Greece	Fast spread of housing opportunities in the right economic conditions, but accumulation severe long-term external costs. Strength of system: households have control over financing & building process.
Concentrated private landownership, ownership rights strongly upheld, no effective planning controls	19 <sup>th</sup> c. British rented sector	Immediate & long-term housing costs in the forms of urban squalor, slums, neglect of stock. Most households have no control.
Varied landownership, rule of law, effective planning controls, restrictive planning	20 <sup>th</sup> c. British own.-occ. sector	Housing conditions mostly high but sustained drops of house price/earnings ratio very difficult; ratio tends to readjust swiftly to its long-run average, with house prices responding fast to productivity-related gains in earnings.
Varied landownership, rule of law, effective planning controls, liberal OR development-oriented planning	Canada, Germany, etc.	Housing conditions mostly high periods of drops in the ratio longer than in previous case; house prices slower to catch up with earnings.
Public landownership and housing	British council housing; Soviet departmental housing	Repair & maintenance problems rationing system open to corruption and/or political manipulation, households have little or no control, tendency towards uniformity of output, housing investment in direct competition with other uses, system geared towards the 'working class'.

PATTERN 1: India, etc.:

Although there are marked variations in landownership patterns in the so-called Third World, a combination of poverty and overpopulation, as well as a historic tradition of concentrated landownership in quite a few such countries (cf. Whittemore, 1981), have resulted in urban squatting movements and very bad housing in most of the Third World. These movements have often challenged, in deeds if not in words, private and public property rights over urban land which the squatters have felt they had to settle upon. In such circumstances the 'economic' relationship between housing costs and incomes often breaks down, and frequently what matters is whether a person or 'household' can physically be in a particular place.<sup>5</sup> Granted that, he or she will subsequently seek whatever materials can be had in order to acquire a modicum of shelter: It has been noted that the construction of shacks in many 'Third World' cities and towns relies substantially on discarded materials (e.g., cardboard boxes). For instance, in the Juan Pablo barrio of Bogota the use of scrap materials or laminated cardboard as a proportion of primary building materials used in roof was 27 per cent c. 1979; in six Mexico City barrios their use ranged from 19 to 51 per cent (Gilbert & Ward, 1986: 29).<sup>6</sup>

PATTERN 2: Greece:

Between 1951 and 1981 Greece was urbanised fast (58% urban population by 1981 - OECD, 1983: 26). At the same time the Greeks managed not only to stick to owner-occupation as the dominant and preferred tenure in the country (about 70%), but to achieve housing standards near those of advanced countries (Table 4.3). As a very gross

Table 6.6: Earnings-years required by three different categories of employees in order to buy a flat in Greater Athens: a 60 sq.m. flat in 1975; an 80 sq.m. flat in 1984 (see footnote 7 of chapter 6).

		Centre	Periphery
1 9 7 5	Office employees	4.5	3.5
	Workers	8.3	6.3
	Sales assistants	8.2	6.2
1 9 8 4	Office employees	3.8	3.2
	Workers	5.8	4.8
	Sales assistants	5.8	4.8

Source: Annual incomes of employees from Table 6.4. Averages of dwelling prices from Table 6.5.

indicator, by 1981 the number of dwellings per 1000 persons in Greece was 411 (NSSG 1985 Yearbook); whereas by 1980 it was 265 in Ireland, 348 in Canada, 390 in Spain, 387 in the US, 413 in West Germany, 402 in Austria, and 317 in Bulgaria (UN, 1987). The Greek performance was the result of a wide landownership distribution, of unauthorised building, and of a favourable relationship between housing costs and incomes over the period.

Even despite unusual inflation in the late 1970s - early 1980s, it can be seen from Table 6.6 that between 1975 and 1984 the number of earnings-years it took to buy a flat in selected areas of Greater Athens was reduced for three different categories of male workers.<sup>7</sup> The reduction was larger for the more 'traditional working class' categories of Table 6.6 than for the 'lower middle class' category (office staff). Both findings accord with Emmanuel's own (1989: 8), and are explained by two factors:

(1) The income redistribution policies pursued during the first three years of Papandreou's government, which came to office in October 1981, and

(2) The effects of rent controls (begun in 1978), in conjunction with the socio-institutional features of the rented sector. This factor will be discussed at length in chapters 11 & 12; suffice it to say that the behaviour of the Greek rented sector is directly related to the wide distribution of land and dwelling ownership in Greece.

*Conclusion no. 1: In favourable economic conditions the Greek landownership-cum-planning pattern is very conducive to the spread of housing opportunities and to rising housing standards.*

**Table 6.7: Housing Credit Expansion in Greece, 1970-1988 (m. drs).**

Year	Loan Advances (current prices)	Official Inflation Rate	Price Level Increase	Nominal Increase in Loan Advances	Real Increase in Loan Advances
	(1)	(2)	(3)	(4)	(5)
1970	4,215	3.7	100.0	100.0	100.0
1971	4,879	3.0	103.0	115.7	112.3
1972	7,003	6.5	109.7	166.1	151.1
1973	5,997	30.6	143.3	142.3	99.3
1974	2,970	13.5	162.6	70.5	43.4
1975	5,712	15.2	187.3	135.5	72.4
1976	8,897	11.7	209.2	211.1	100.9
1977	13,084	12.8	236.0	310.4	131.1
1978	17,744	11.5	263.2	421.0	160.0
1979	20,087	24.8	328.4	476.6	145.1
1980	16,206	26.2	414.5	384.5	92.8
1981	31,634	22.5	507.7	750.5	147.6
1982	43,491	21.0	614.3	1,031.8	168.1
1983	41,328	20.5	740.3	980.5	132.1
1984	45,474	18.5	877.2	1,078.9	123.5
1985	50,689	25.0	1,096.5	1,202.6	109.7
1986	43,720	16.9	1,281.9	1,037.2	80.9
1987	41,428	15.7	1,483.0	982.9	66.3
1988	68,687	13.5	1,683.2	1,629.6	96.8
1989					
1990					
1991					
1992					

Source: Column 1: Bank of Greece unpublished data; Column 2: Bank of Greece Annual Reports.

However, over the 1975-1984 period the official inflation rate in Greece was about 18.5% per year. Households chose to preserve their customary level of consumption, and indeed expand it, by dissaving (Emmanuel, 1989: 7). At a time when reliance on bank credit for housing has been increasing in real terms, with the index of housing loan advances rising from 72.3 in 1975 to 123.0 in 1984 (1970=100), while the average for the decade was 127.4, such advances fell sharply after 1984 (Table 6.7). Since the early 1980s construction costs have outpaced inflation (Emmanuel, 1989). Because of these developments, it seems - although precise data are lacking - that the ratio of housing costs to incomes in Greece after 1984 has increased considerably (cf. Emmanuel, 1989). In reality, though, the situation is more complex because:

(a) informal building has not stopped, and according to anecdotal information has even increased in recent years after a period of relative lull (see Tzanavara, 1987);

(b) private & public sector wage-earners have had recourse - through a party-politicised rationing system - to subvented housing loans whose repayment has not, in many cases, been enforced (Pirounakis, 1986), and

(c) on the incomes side the picture is further distorted by the fact that Greece has perhaps the largest informal sector - as a proportion of GDP - among all OECD countries (with the possible exception of Turkey).

These factors may mean that in practice households' housing costs in relation to incomes have not increased for many of them, but even if true this will lead to further accumulation of severe external costs:

In the case of receivers of subvented housing loans who avoid repayment, and who for political reasons get away with it (they number tens of thousands), the external cost is extra inflation.

In the case of unauthorised building, and, more generally, of unplanned, unsupervised building (whether illegal or not), the costs take the form of urban congestion and pollution, traffic jams, lack of amenity space, deliberate and unlawful depletion of scarce woodland, and destruction of natural landscapes and traditional houses, villages, and neighbourhoods - all in the name of convenience and financial expedience. In turn, these external costs make achieving a civilised quality of life far dearer than the initial savings realised through the practices that led to those costs. One cannot assign exchange values to things like congenial surroundings, sense of community continuity, greenery, clean air, or unspoilt beaches. Yet the traditional political weight of small-holders in Greece makes it possible and expedient for many of them to define their property rights (e.g, where to build, how, or when) in destructively atomistic ways. The result has been a marked deterioration in the quality of life of most Greeks. Evidence abounds:

(1) Land directly adjacent to the Temple of Poseidon in Sounion is being parcelled and sold for housebuilding (*Sunday Rizospastis*, 1989.07.30: 12-13). Treating archaeological sites in this way is not of course unique to Greece: I have seen the same happening in the area adjacent to the pyramids in Cairo, while the cases of the Rose Theatre and of the Roman Palace discovered in 1989 in London, and already being developed upon, are two more examples. The difference is that in Greece, Egypt, and many other less developed

countries such instances are part of a widespread pattern that is tolerated by the state due to a combination of incompetence and corruption. (I feel that Prince Charles' campaign for an architecturally more humane and beautiful Britain belongs to a different league altogether: romantic though it may be, it is about advancing further from an already high point.)

(2) Between 1962 and 1988 23,989 forest fires resulted in the destruction of 732,755 hectares (1,810,613 acres) of scarce woodland in Greece (*Rizospastis*, 1989.07.27: 18). Many of those fires were straightforward arson,<sup>8</sup> attempts - overall successful - to create developable land.<sup>9</sup> In a country with just 2.5 m. hectares of woodland c. 1980 - or 19% of its surface (OECD, 1983: 85) - such destruction represents a major loss, the more so since much of the affected woodland was near towns and cities. Significantly, 43% of those 732,755 hectares were torched from 1982 to 1988 - a period in which the particularly populist policies of Papandreou's government gave many Greeks a freer hand than usual.

An arsonist would not, of course, have committed his crime had he not counted on the fact that after things calmed down, he would be allowed or tolerated to build in or develop burnt woodland eventually. This happens often, despite the fact that evidence (including photographs) often appears in part of the press (e.g., *Rizospastis*, 1989.07.26: 19). One should not really be surprised, however: The state in effect endorses the practice, and in any case reforestation has not been high on any government's agenda. The Water Authority, for example, has been known to supply tap water even to settlements that have sprung on burnt woodland (*Rizospastis*, op. cit.).

Table 6.8: Air Pollution in Athens and Other Cities in 1978 (annual average)

City	Total Suspended	Smoke Levels
	Particulates ( $\mu\text{g}/\text{m}^3$ )	(COH Units/ 1000 linear feet 24
Athens		
Centre city commercial	254.72	1.392
Suburban residential	NA	0.747
Suburban industrial	NA	0.720
Los Angeles - Azusa		
Suburban industrial	173.5	NA
Tokyo		
Centre city industrial	146.0	NA
Sydney		
Centre city commercial	95.1	NA
Chicago		
Centre city commercial	87.1	NA
New York		
Centre city industrial	68.5	NA
Helsinki		
Centre city commercial	66.6	NA
Montreal		
Centre city commercial	64.3	NA
Copenhagen		
Centre city commercial	41.2	NA
Zurich		
Centre city commercial	NA	0.953
Hamilton (Canada)		
Suburban residential	NA	0.669
Centre city commercial	NA	0.561
Vancouver		
Suburban industrial	NA	0.343
Centre city commercial	NA	0.327
Centre city residential	NA	0.200

Source: OECD, 1983, p. 38.

Other agencies do the same. And in 1987 the government passed a law that changed the status of much of woodland into pasture land - therefore land fit for development. In some cases this was a belated recognition that what was long ago woodland had by 1987 been built upon anyway. But the law went far beyond established or irreversible cases, in effect signalling to prospective arsonists-cum-developers-builders that it is alright to go on.<sup>10</sup> (It must be stressed that much recently burnt and developed woodland has not been colonised by hapless households or urban immigrants seeking primary shelter, but by a few 'rich' and even more 'poor' people, already established in urban areas, wanting to buy or build holiday or weekend homes.)

(3) Air pollution in Athens is among the highest in the world (Table 6.8). The causes are many, including an aged and poorly maintained car fleet, but the failure to delineate land uses, create and/or enforce provisions for open spaces, preserve and expand greenery, etc., have been major contributory factors. The same factors are behind the relative lack of open space in Athens c. 1980: 2.7 sq. m. per capita, against 8.4 in Paris, 9 in Rome, 9 in London, and 15 in Vienna (OECD, 1983: 31).

*Conclusion no. 2: Although a pattern of widely distributed landownership, and very 'liberal' (or individualistic) property rights, seem to help 'translate' rising incomes into rising housing standards very fast for most people, the long-term social implications are very serious and in many ways countermanding. In the Greek 'model', the lower (sic) limit to the movement of housing costs relative to incomes is set at that point where the accumulated social costs begin to be experienced by most people individually, sufficiently*

*so that an attack on the dominant pattern of property rights can become politically feasible.*

PATTERN 3: 19<sup>th</sup> c. British rented sector:

There is sufficient historical evidence to demonstrate that this 'model' is perhaps the least conducive to cutting house-building and housing costs from among those discussed (cf. Engels, 1844/45 and Benwell CDP, 1978).

PATTERN 4: 20<sup>th</sup> c. British owner-occupied sector:

Britain was the first country to industrialise, and so could not learn from the experience of others. The combination of abhorrent urban conditions during the 19<sup>th</sup> century, and the historic fact of the non-liquidation of the landed gentry (Anderson, P., 1979; 1987) created cultural and political support for a very conservationist planning practice. Coupled with the strength of private property rights (see, for example, Shoard, 1987) and widespread respect for the 'rule of law' in this country,<sup>11</sup> the consequent scarcity of land with planning permission has accentuated the speculative character of the British housing market, discouraged any sustained drops in the ratio of house prices to incomes, and facilitated the rapidity of the ratio's readjustment to its long-run average. To substantiate these claims I will provide evidence on four areas:

- (1) Support for conservationism;
- (2) Comparative data on urban density;
- (3) The 'speculativeness' of the housing market, and
- (4) The post-war movement of the house price/earnings ratio.

(1) Support for conservationism:

A *Which?* magazine survey conducted in April 1989 turned out an 82% 'yes' to the statement "Green Belts should be preserved at all costs"; 77% 'no' to the statement "There is nothing wrong with building more shopping centres in Green Belts"; 54% 'no' to the statement "Green Belts should be used to provide more housing at a cost ordinary people can afford"; 54% 'no' to the statement "There is so much pressure on space these days that we cannot afford to keep Green Belt land open"; and 60% 'no' to the statement "More industry or office buildings should be allowed in Green Belts if it creates jobs" (*Which?*, 1989, August: 389).

Bearing in mind that the survey covered a "representative national sample of 2,300 adults in their homes" (op. cit., p. 389), the above results are all the more remarkable in that overwhelming support for the Green Belt was shown at a time of a very high house price/earnings ratio in Britain: 4.61 (Nationwide Anglia BS, 1989, April: 2) - second highest on record since 1956.<sup>12</sup> Further evidence on central and local governmental support for conservationism, as well as on the part of lay people, is in Elson, 1986; Jenkins, S., 1986; *The Economist*, 23.08.1986; 21.03.1987; 25.02.1989; *Newsweek*, 08.05.1989; *The Glasgow Herald*, 23.06.1989; *The Guardian*, 05.10.1989).

(2) Urban density:

In 1971 the UK had the second highest urban density of population in the EEC: 34.5 ha/1,000p, the same as Ireland's. Only Italy had a higher density - 22.6 ha/1,000p -, but then the UK had 8% of its total area devoted to urban uses, against 1.5% and 4.2% for

Table 6.9: Dwellings Started by the Private Sector and the House Price/Earnings Ratio in the UK, 1961 - 1989.

Year	No. of Dwellings Started (1)	House Price/Earnings Ratio (2)
1961	192,950	3.03
1962	189,116	3.14
1963	202,536	3.21
1964	251,200	3.26
1965	214,466	3.36
1966	197,241	3.40
1967	237,867	3.47
1968	204,768	3.51
1969	171,463	3.39
1970	169,154	3.25
1971	212,198	3.50
1972	232,711	4.29
1973	220,663	4.95
1974	109,604	4.25
1975	153,059	3.65
1976	158,362	3.40
1977	138,582	3.34
1978	161,597	3.43
1979	148,143	3.82
1980	101,420	3.61
1981	118,881	3.31
1982	145,024	3.13
1983	176,645	3.29
1984	162,010	3.26
1985	169,963	3.30
1986	183,168	3.53
1987	198,753	3.80
1988	219,000*	4.25
1989	170,000**	4.50
1990	136,000**	

Sources: (1) *Housing and Construction Statistics*, HMSO; various years.

Occasional revisions have been incorporated.

(2) *Housing Finance* no. 5, Feb. 1990.

\* Estimation on the basis of 216,262 dwellings for Great Britain alone (*Roof*, Housing Update p. 6, May & June 1990).

\*\* Estimation on the basis of 168,000 and 135,000 dwellings, respectively, for Great Britain alone (*Financial Times*, 16.06.1990, p. 6).

Ireland and Italy, respectively. Britain's density was even higher than Holland's (38.3 ha/1,000p), whose proportion of urban land (15%) was the highest in the EEC. By far the lowest density was enjoyed by Denmark (78.3 ha/1,000p), while the EEC-9 average was 39.9 ha/1,000p (Best, 1979: 400). Best's comment on this, is very pertinent to our discussion here:

"At the moment it is not clear why Denmark should differ so substantially from the other member states, apart from the prevalence of second homes. Even so, this Danish figure is in no way unusual when compared with some other technologically advanced countries outside Europe. In particular, urban land in the United States is developed at much lower densities than in the EEC, and this is especially true of housing - the largest urban use. In total, the provision of urban land in the United States (in 1965) amounted to as much as 137 ha/1,000p (or 83 ha/1,000p if transportation land were excluded) compared with 40 ha/1,000p for the whole EEC"

(Best, 1979: 403-4).

*Conclusion no. 3: Urban density is not a matter of land scarcity in general, but of how 'liberal' or 'development-oriented', as opposed to 'restrictive' or 'conservationist', a country's planning policy and practice is.*

(3) 'Speculativeness':

For a housing market, this can be defined as the buying and selling of dwellings in the pursuit of profit - in counterdistinction to other possible motives. The 'speculative' behavi-

Table 6.11: Loans for House Purchase in the UK, 1961-70 to 1981-87.

Figures in '000s.

Period	Loans for House Purchase			
	N	SH	T	SH:T
1951-60	NA	NA	NA	---
1961-70	1,509	4,067	5,576	72.9%
1971-80	1,477	6,302	7,779	81.0%
1981-87	940	7,600	8,540	89.0%

Source: Table 6.10.

Notes: N = Loans on new dwellings.

SH = Loans on second-hand dwellings.

T = All housing loans.

our of the UK housebuilding industry has been so well documented (cf. Ball, 1983; Dicks, 1989) that it is expected as a matter of course. Even a cursory comparison of dwelling starts per year by the private sector to the annual changes of the house price/earnings ratio shows how starts picked up dramatically after 1970, and again after 1984, when the ratio was on the increase (Table 6.9). Another indicator can be the proportion of loans for purchase of second-hand dwellings to all housing loans. The proportion has been increasing consistently over the last three decades (Table 6.11), a reflection of the increasing weight of capital gains in the decision to move house.

#### (4) Post-war history of the ratio:

Between 1956 and 1989 the longest period in which the house price/earnings ratio dropped was 4 years, once from 1957 to 1960, and a second time from 1974 to 1977 (Table 6.12). There has also been a 3-year period of decline, from 1980 to 1982. By comparison to the Greek experience of the '60s, '70s, and early '80s, and to the Canadian experience between 1961 and 1976, the British periods of decline seem short. The house price/earnings ratio in Britain tends to readjust to its long-run average very quickly. Characteristically, the two periods in which the ratio showed a very marked upward trend, from 1971 to 1973, and from 1985 to 1989, were associated with marked increases in real personal disposable income: 1.3%, 8.5%, and 6.8% during the first period (to be followed by the first drops in income since 1956, and the collapse of the housing market in 1974); and 2.3%, 3.8%, 3.2%, 4.8% and 4.1% during the second (ibid.).

The regional dimension is important: nationally, increases in real personal disposable income during 1985-89 were

Table 6.12: House Price/Earnings Ratio and Increase in Real Personal Disposable Income (RPDI) in the UK, 1956 - 1989.

Year	House Price/Earnings Ratio	Increase in RPDI
1956	3.19	2.6
1957	3.12	1.6
1958	3.10	1.5
1959	2.98	5.1
1960	2.92	6.6
1961	3.03	4.1
1962	3.14	1.1
1963	3.21	4.6
1964	3.26	4.2
1965	3.36	2.1
1966	3.40	2.2
1967	3.47	1.5
1968	3.51	1.8
1969	3.39	0.9
1970	3.25	3.9
1971	3.50	1.3
1972	4.29	8.5
1973	4.95	6.8
1974	4.25	-0.8
1975	3.65	0.3
1976	3.40	-0.6
1977	3.34	-1.1
1978	3.43	6.9
1979	3.82	5.4
1980	3.61	1.4
1981	3.31	-1.3
1982	3.13	-0.1
1983	3.29	2.2
1984	3.26	2.3
1985	3.30	2.3
1986	3.53	3.8
1987	3.80	3.2
1988	4.25	4.8
1989	4.50	4.1
1990		

Source: *Housing Finance* no. 5, Feb. 1990.

ordinary by post-war standards: around 3.6% on average. But the concentration and ascendancy of financial services in London, the London Commuter Belt, and other South-East, particularly since the early 1980s, against heavy unemployment in Wales, the North, and Scotland, have resulted in a shift in the employment - hence income - structure that makes incomes in London and the South-East more important to house price appreciation than incomes elsewhere (more on this, in ch. 7, sec. 3). Thus, from 1985 to 1989 the house price/earnings ratio in Britain has been rising in response to rising incomes in the South-East rather than elsewhere, given the rapidity with which house price inflation, starting from London, is transmitted throughout the country (DoE, 1982). (See also Thorns, 1982; Hamnett, 1983; 1984.)

PATTERN 5: Canada, Germany, etc.:

From Table 6.1, column 5, it can be seen that in Canada between 1961 and 1976 the ratio of dwelling costs to disposable incomes fell from 9.8 to 7.6, i.e., a 22% drop, while the average ratio for the period was 7.9 (Patterson, 1978: 282). In terms of households' housing costs, as Patterson himself notes, this was not necessarily good news for one-earner families (see quote in section 1), as during that period the proportion of monthly loan repayments to disposable incomes rose from 71.2% to 88.4% (column 7); but it was probably good news for two-earner families.

The capacity of the Canadian housing system to sustain such a prolonged drop in the ratio of house prices to earnings was all the more remarkable because over the same period the cost of land increased: the ratio of land to dwelling costs went from 17.0 in

1961 to 23.1 in 1976 (column 6). This means that contrary to the British case, the Canadian system did not "internalise" land value appreciation into a housebuilding industry mode of operation that was resistant to cost-cutting - and/or into a housing market that was capable of assimilating into higher house prices (relative to incomes) any gains in real incomes the Canadians were making over the period under study (column 1).

I think that the main reason for the difference between the two 'models' - the British on the one hand, and the Canadian (or the US) on the other - is that in the latter countries the planning function is much more liberal than in Britain (recall the comparative data on urban densities cited above):

"No state can seriously claim it has embraced the ideology of land use planning until it transposes this concept into a mandatory function of local government rather than a permissive one. Until it establishes at the apex of governmental responsibilities an agency charged with guiding, co-ordinating, sanctioning and enforcing local plans. At present no such agency exists in Quebec. [ ] Added to which, the *laissez-faire* tradition of property ownership is without exception tenaciously upheld by local government organisations [in Canada - NP]"

(Perks, 1965/66: 31).

A 'liberal' planning system is one way of promoting land availability. This is the North American way. On the other hand, a conscious and deliberate 'development-orientation', albeit 'managed'

or 'engineered', can have an equally favourable impact on the house price/earnings ratio without, perhaps, some of the shortcomings of the North American 'model'.<sup>13</sup> That is the reason why 'development-oriented' planning systems, such as that of Germany or Sweden, were included along with 'liberal' ones in Table 6.3. Again, the difference from the 'restrictive' British 20<sup>th</sup> century 'model' is striking: While

"British town planners [ ] have often regarded the countryside as a 'good thing' and urban development (except for New Towns) as a 'bad thing' [,] Germany has protected recreational (wooded) areas from development but has not generally sought to restrict the total urban area as such: the whole emphasis - stemming from the war damage and refugee inflow - has been on zoning enough land for development and getting it developed as quickly as possible"

(Hallett, 1977: 106).

Now, although inter-country comparisons of house price/earnings ratios are very difficult to make (primarily because of a combination of differences in income distribution and tenure patterns - e.g., lower income groups may be housed in non-marketable tenures, or vice versa; also because of differences in the size and characteristics of the private rented sector; finally, because of differences in the relative proportions and popularity of flats and houses); still, some available evidence (McGuire, 1981, cited in Jones, C., 1985: 169-70) seems to suggest that around 1976 the costs of becoming an owner-occupier were lower in the US, Canada, Sweden and Germany than in Britain for two kinds of professionals - teachers and managers (probably representative of owner-occupation seeking groups). McGuire compared 8

advanced countries after he had taken account of house prices, monthly mortgage costs, any tax benefits, and the monthly incomes of teachers and managers (in \$US). The UK scored fifth:

Owner-occupied housing:

1	most affordable	USA
2		Canada
3		Sweden
4		Germany
5		UK
6		France
7		Switzerland
8	least affordable	Japan

This does not mean that house prices relative to incomes will always fall in some countries just because they have a more liberal or development-oriented planning system than others. Hallett (1977: 104) discerns a 'striking' similarity in the long-term land price movements (upward as well as downward) in Germany, Britain, and the US. To an important extent the similarity results from the fact that all three countries belong by and large to the same model development trajectory (see ch. 4, sec. 2), and have been subjected to similar long-term land demand and supply influences, to the same phases of "decentralisation, depression and boom, rises and declines in housebuilding" (op. cit., p. 106).<sup>14</sup> The point, rather, is the following one:

*Conclusion no. 4: In a more liberal or development-oriented planning environment the ratio of dwelling prices to earnings*

*is likely to increase more slowly in response to rising earnings than in a stricter planning environment.*

Another interesting observation concerns the nature of housing costs, and is revealed through the contrasting cases of Britain and Greece. In both countries the initial liberalism of the housing system (19<sup>th</sup> century British capitalist housing vs modern Greek 'grassroots' housing) was manifested in bad housing conditions in Britain and in environmental deterioration in Greece. The British solution to that problem took the form of a very strict planning function, which, together with the speculativeness of the UK housing market, makes it virtually impossible for households to avoid incurring substantial monetary costs in order to house themselves, or for these costs to exhibit any sustained long-term decrease. Equally, should the Greek state put its own house in order (e.g., by clamping down on unauthorised building, by strict land-use planning, etc.), it should expect that monetary housing costs would rise as a result - to the benefit, most probably, of those already owning land and dwellings in the capital and other cities.

Of course such 'order' need not be imposed by the state only. The first (and, less so, the second) generation of (sub-) urban settlers, most of them already outright legal owners of their plots, make it altogether more difficult for relative newcomers to repeat the postwar land colonisation process. Suburban land has become parcellised, and this has raised the 'entry' costs for newcomers. This process has been an important factor behind increases in new dwelling prices, and in rents on new lettings in particular (see chapter 12 and Table 12.3) in Greater Athens after 1978. It has also been behind the

growing role of bank credit in the finance of owner-occupation (see p. 155, this chapter).

It might be argued, of course, that as the Canadian, German, and US experiences show, observance of planning rules and building regulations, need not result in a downward-sticky dwelling price/earnings ratio. That is, urban 'order' and a 'developmental' planning philosophy geared towards making more land available for housebuilding, can co-exist in principle. But Greece does not have the infrastructure, the means of transport, the telecommunications system, that would enable her to adopt that model 'off-the-box'. She could not, for example, expand the feasible Greater Athens travel-to-work-area the same way that Montreal, Toronto, or Los Angeles can expand theirs, or incorporate sudden and/or excessive expansions in the periphery of the capital into a single, integrated urban economy.

*Conclusion no. 5: There seems to be a trade-off, potentially in most circumstances, between 'external' or environmental housing costs and individual monetary housing costs.*

**PATTERN 6: Public housing:**

Public landownership and housebuilding may at times solve the problem of high land costs, depending on the strength of private property rights in the respective setting. Building in bulk may also cut construction costs, and extensive use of subsidies makes public housing more affordable to those who get it than what they would usually be faced with in the market. Although state housing is 'provided' to households and not 'acquired' by them (this is its similarity to

capitalist housing), it is not readily marketable (unless through the black market or unless state-owned dwellings are formally sold off - but then they drop out of the sector). It might be argued that because of these features, public housing is likely to lead to larger and longer-sustained cost savings than any other type of housing would ever be capable of generating in any monetised economy. This is not necessarily true.

For one thing, when a single agency (local or central government) is the source of funds for a variety of uses, the upper limit to the extent to which it can satisfy, say, housing needs is given by the amount of resources it can singly command (in this case, usually taxes), and by a conscious decision as to which areas to favour. It has been found, for example, that in the US

"[w]hile public construction has often been advocated (and sometimes used) as a means of countercyclical intervention, this sector of the economy has in fact exhibited systematic procyclical behaviour in relation to GNP fluctuations. [ ] These fluctuations [in public construction expenditure - NP] are explained by the positive response of state and local activity to variations in revenues which run with changes in business conditions"

(Burns & Grebler, 1984: 375).

On the other hand, when the units that take housing investment (or consumption) decisions are many and varied, and different from those that take decisions in the non-housing sphere, each of the two sectors can expand following and creating its own dynamic, without the

relationship between the two being a zero-sum game (recall our discussion of housing investment & national income in ch. 4, sec. 3). By contrast, a state can endure a housing subsidies burden only so long as national (or local) income grows in real terms: otherwise it will want to shed that burden off, usually by privatising state housing stock and/or state housebuilding. Hence recent developments in the USSR and other statist societies (cf. Tosics, 1987; Hegedus, 1987):

"Mr Yury Batalin, the Housing Construction Minister, yesterday announced [a] radical shift in Soviet housing styles and priorities. By 1995, 66 per cent of all new homes would be built by co-operatives or by the heads of households who would occupy them, aided by construction enterprises [ ]. Large sectors of the defence industry had, he said, been switched to making housing materials and within the next seven years 40 per cent of all plumbing materials will be made by the defence sector"

*(Financial Times, 1988.11.22).*

And

"The Soviet Politburo [ ] has authorised the sale of state homes to their tenants. [ ] Mr Piotr Feodorov, head of housing section at the Soviet Trade Unions Centre [ ] said that a flat, once sold, would become 'personal property and you can do anything with it. It can be inherited, or you could sell it'"

*(Financial Times, 1988.12.07).*

But there are also factors setting a lower limit to the cost efficiency (monetary as well as non-monetary) of state housing. Take high-rise residential blocks, for instance (not exclusive to the public sector, but typically associated with it in many countries). In Britain they were built in the '50s and particularly in the '60s in order to save money. Initially tenants did not seem uncompromisingly averse to them:

"It could be expected that people moving into post-war local authority dwellings would be satisfied since, whether the dwellings were packaged in blocks of flats, in terraces or in separate houses, adequate space and modern plumbing services were being delivered to people who had been sharing their homes, who had been overcrowded and who had lacked bathrooms [ ]. Nevertheless the preference for a house [remained] strong and [was] expressed by 80 per cent of the respondents in a national survey"

(Ash, 1980: 106).

Gradually, as the post-war urgencies began to recede into the background, aversion to high-rise grew (for reasons and evidence, see Ash, 1980). Vandalism in the estates, and some notorious accidents precipitated the situation:

"If the 'commodity' and 'delight' of high rise had been questioned it was their lack of 'firmness' which literally caused their destruction"

(Ash, 1980: 112).

Or, take the **repair & maintenance** of state housing.

One can almost intuitively expect that the larger an organisation is, the more unwieldy, inflexible and slow to respond, particularly to problems it deems minor, is likely to be (cf. Drucker, 1989). For example, in an article in *Roof* (July/August 1986), Glasgow's direct labour organisation was described as having "an awful reputation for the slowness and poor quality of its repairs service to council houses" (p. 22). It has therefore been easy for Thatcher's government to pick upon and predictably exaggerate problems in the Repair & Maintenance areas as part of their ideological attack on council housing. Their solution: break up council housing 'empires' and replace them by new forms of 'social housing', comprising smaller administrative units and a variety of landlords .<sup>15</sup>

Let us, finally, take **industrialised housebuilding** (again, not something exclusive to the public sector). For industrialised building to be economically efficient, demand must be "both large and continuous" (Harvey, J., 1987: 199); it is therefore unfeasible in a housing market as speculative and volatile as Britain's, and more appropriate to circumstances where a single supplying agency - say, a state - wants to respond to urgent needs in a uniform way. This is another reason why in an environment where consumer choice is practicable, industrialised building as we know it is not on:

"Increasing the size of contracts would only be possible if the variety of buildings were restricted to a narrower range. Yet private clients, especially house-buyers, demand a building which is satisfying both functionally and aesthetically"

(Harvey, J., 1987: 199-200).<sup>16</sup>

Aesthetics and choice can be increasingly important as raw needs are satisfied, and people's expectations rise. The USSR experience demonstrates well the trade-off between aesthetics and functionality (and even political imperative) in this area:

"In the program devised at the end of World War II to combat the colossal housing shortage in the Soviet Union, a commitment was made not only to high-rise concrete construction but to factory-produced precast concrete construction. [ ] In American practice shoddy construction is frequently camouflaged by well-finished walls, floors, and ceilings. In the Soviet Union the reverse is true. Excellent construction from a structural point of view is made to look shoddy by poor finishing. This condition is surprising since in the expertise which has been developed for restoring tzarist palaces and old churches it is evident that there is an appreciation for and an ability to create good finishes. It may be that the appearance of mass-produced buildings is partly intentional. The unfinished look connotes an air of urgency and an appreciation of the magnitude of the job to be accomplished; thus those whose housing needs have not yet been met cannot accuse the authorities of wasting time and effort on unneeded frills"

(Philleo, 1980: 35-6).<sup>17</sup>

Conclusion no. 6: *State housing, despite the cost advantages it often has over most of the other models in Table 6.3 (with*

*the possible exception of the Greek model) when it comes to large scale responses to minimal housing requirements, tends to create costs in other areas (choice; individuality; aesthetics; flexibility; independence) which tend to increase in importance over time, and may even outweigh any initial benefits.*

\* \* \* \* \*

It is only apposite to conclude the discussion on upper and lower limits to housing costs in relation to incomes with comments of a normative character. *First and foremost, it was shown that one cannot exclude non-monetary costs from the analysis: the quality of output and the quality of life dimensions are paramount.* The Greek case, above all, attests to that. Perhaps expectedly, on the criterion of reducing households' monetary and non-monetary housing costs in the long-term, none of the historic landownership-cum-planning patterns of Table 6.3 is decidedly superior to any other, assuming of course that a comparison makes sense: the 'Third World' pattern is not exactly a matter of choice, it has been imposed upon those countries by poverty, over-population, the political power of big landowners, and lack of administrative resources; so was the 19<sup>th</sup> century British housing system imposed upon the working class by the industrial revolution. But where a choice of pattern is in some ways feasible, or at least can inform policy, all comparable patterns demonstrate strengths as well as weaknesses. Some are more appropriate than others, depending on circumstances.

Although none of these patterns need, or indeed can, be adopted in its entirety by another country, it is a feature of the

times that knowledge of what should or can be avoided, and of what should or can be encouraged, spreads rapidly and widely. This makes the evolution of a housing system sensitive to policy, and consequently increases both the opportunities and responsibilities of policy makers to advise well.

In some cases the emphasis may be on enhancing households' control over the building and financing process, as in the Greek model. But we know where this can lead to in the long-term, if untempered by broader considerations of the common good and the rule of law. In other cases the emphasis may be on making housing cheaper relative to incomes, which means that more development is allowed and encouraged, with landowners getting compensation at pre-development prices. But we know that 'liberal' planning laws are not the only way to promote development, as the German and Swedish experiences show.

In short, what is required is an undogmatic and informed approach that will deliberately foster variety and flexibility in a housing and planning system. Political battles will always have to be fought of course over land uses, ground rent appropriation, and in order to resolve the potential conflict between the individual and the social. But if progressive politicians are willing to formulate their land and housing market intervention programmes in a language that emphasises the need for balance between household control and the common good, between nature conservation and urban growth and transformation, instead of speaking in terms of who should own what or how much, or in millenarian terms, the people are likely to listen. If anything, the previous discussion has shown the need for precisely such a balance. The recipe, I admit, is perhaps too ideal, too civilised: in socially

polarised situations the question is who owns the land, and how strong his rights over it are. In such cases, a black-or-white answer is the only one possible. For example, the transition from the 19<sup>th</sup> century British housing system to the 20<sup>th</sup> century one would not have happened, had not economic circumstances and new laws and institutions eroded much of the traditional power of landowners and landlords.

One question remains, however. Three of the landownership-cum-planning patterns of Table 6.3 are outwith the notion of a 'pure' capitalist environment as I postulated it in section 1 of this chapter. In particular, speculative builders and landlords are secondary features in the Greek 'model', and simply absent from the public housing 'model'. Does this in any way compromise my analysis of an upper limit to house price fluctuations? The short answer is no. I explain why in the next section.

**SECTION 4: Upper Limits to Changes in Housing Costs in 'Mixed' Capitalist Environments.**

A 'mixed' capitalist environment would ensue if I relaxed the assumptions behind a 'pure' one, set forth in section 1.

Thus:

- \* Not all people who can be identified as working class are wage-earners;
- \* At least some people have some alternatives to capitalist (i.e., market-cum-provision-based) housing processes.

The combination of these two assumptions can give rise to the following set of cross-relationships between an employment pattern and a housing pattern - in effect to any from among the real-life housing systems of to-day's world:

**Fig. 6.1: A Matrix of Employment Types and Housing Processes.**

		Housing Processes (see ch. 2, p. 35)			
		M-A	M-P	NM-A	NM-P
Employment Types	S.S.P.E.	%	%	%	%
	P.S.W.E.	%	%	%	%
	P.S.S.E.	%	%	%	%
	C & R	%	%	%	%

Where: S.S.P.E.: State Sector Permanent Employees (i.e., having tenured jobs; if state employees do not enjoy security of tenure, not so much in name as in

deed, I consider them to be in the private sector for analytical purposes).

**P.S.W.E.:** Private Sector Wage-Earners.

**P.S.S.E.:** " " Self-Employed.

**C & R :** Capitalists & Rentiers.

**M-A :** Market-Acquisition (e.g., the Greek model).

**M-P :** Market-Provision (e.g., the British model).

**NM-A :** Nonmarket-Acquisition (e.g., the 'Third World' model).

**NM-P :** Nonmarket-Provision (e.g., the public housing model).

At any one time each of the cells in the above matrix is occupied by a certain percentage of the people who reside in a given geographical area. The people in each cell belong to a particular employment category, and house themselves by means of a particular housing process. The percentage of people in each cell can vary, of course, from 0% to 100%.

The model of Fig. 6.1 may look static, but this is deceptive. All sorts of dynamic processes take place both within and between cells continuously. Let us forget that it is possible, and occasionally necessary, to break down one or more of the categories in Fig. 6.1 into smaller ones, or, for that matter, aggregate them into larger: For example, private-sector wage-earners can be differentiated by income (see Appendix I on this) and/or by place; market-cum-provision housing processes involve renting from a private landlord, but also buying into owner-occupation from an existing owner-occupier or

from a speculative builder (i.e., from an anonymous market over which an individual has little or no control); part of the self-employed and part of the wage-earners can be placed in the wider category of the 'working class'; combinations of household control over the housing process plus state assistance and monitoring of the process can cut across the 'Greek' and 'public housing' models, creating varieties of 'social housing'; etc. One can seek either increasing or decreasing detail over a very broad range of scales, but I feel that Fig. 6.1 is useful as it stands.

The dynamism implicit in Fig. 6.1 stems from the following 3-step mechanism:

1. The housing costs people from a given employment category face in the context of any housing process are not just charges on their own incomes, but also affect the incomes of people in all other employment categories. Factors permitting - to a greater or lesser extent - this chain effect are: the relative proportions of people participating in each housing process and in each employment category; the opportunities they have to pass from one process or category to another; and the nature of linkages between the housing processes and between the employment categories.

2. In turn, people's existing housing situations, their incomes and employment categories, along with opportunities for inter-category mobility, affect their choice of strategy as to how to house themselves. Such strategies are formed on the basis of three questions: how desirable a particular housing process is (in terms of physical output, and in terms of control over

one's life), how feasible in a legal and political sense, and what value-for-money it offers.

3. Finally, the more - or fewer - people adopt - willingly or otherwise - a particular housing process, the more comparative costs between the various processes are affected, so that the cycle begins all over again, spiral-like.

It is unnecessary to demonstrate this mechanism in detail by developing sub-models and/or citing evidence for every possible combination of employment categories and housing processes. This can be done in the context of studies of particular housing systems, or parts of them, and I hope that the framework presented here will allow researchers or policy analysts to be aware of the nature of the interconnections among the various parts of a housing system. I will only elucidate the mechanism by discussing two cases:

\* A \*     A working class made almost exclusively of wage-earners that is housed partly through a 'typical' capitalist process (e.g., the 'British' model), and partly through public housing. The typical case is, incidentally, Britain.

\* B \*     A working class made of both wage-earners and self-employed, some of whom (from both categories) house themselves through a largely capitalist process, and some through an 'acquisition' process (i.e., easy access to land, legally or otherwise, and household-controlled, or even unauthorised, building). The case I have in mind is Greece.

The inclusion of elements of a 'pure' capitalist

environment in both cases is deliberate. In the modern world it is increasingly, and in some cases overwhelmingly, the capitalist sector (wage labour or equivalent plus enterprises organised on the basis of an expanding division of labour) which sets the pace for the entire economy, draws all sectors of society unto itself, or at least makes them depend on it, and determines the socially necessary labour time for, and consequently the value of, an expanding array of products. Thus, the interaction between a capitalist sector and any other (or all others) plays a decisive role in the evolution of both a society and its housing system.

CASE A: Wage-earners housed by means of public housing and of capitalist housing.

Taken separately, these two combinations pose no problems that I have not already answered: One is the case of section 2, the other that of the public housing sub-case of section 3. We recall that, regarding the latter, the upper limit to housing costs is given by the capacity and willingness of the state to devote funds to the sector.

Taken together in the form of a simplified model, some interesting consequences follow:

I assume a world in which the main reason a state taxes its subjects is to spend most of the proceeds on housing subsidies or on providing dwellings directly to people. Since there is no point in taxing those on whom the money will be spent, the tax base consists of business firms and those wage-earners who are not housed by the

state. Then obviously the more people are housed by the state, the heavier the charge on the profits of business firms to pay for this type of housing. The pressure on business firms is mitigated by the fact that the state, in its capacity as provider of housing, is likely to set 'functional' standards rather than 'aesthetic', and also employ economies of scale, but is aggravated by the fact that especially in a democratic society the provision of housing by the state will be sensitive to 'bottom-up' pressures, with people demanding better and cheaper housing from the state. The more the second factor prevails, the more the pressure on profits will increase through the mechanism I described in section 2.

There is a second aspect to this: Assuming that in the short- to medium-term at least, households' housing costs in the state housing sector are less than households' housing costs in the private, speculative housing sector, firms whose employees are mostly housed 'capitalistically' will still be subjected to the pressures I described in section 2, and at the same time, through the taxes they pay, will be subsidising state housing - i.e., unemployed people and those who work in other firms or industries. This means that both management and employees of the first kind of firms will have interests antithetical to those of management and employees of the second kind of firms - and vice versa. This is a conflict that is bound to be resolved through the relative economic and political strength of the two opposing groups. Whether the lines of conflict will be drawn over calls for less state housing, or, on the contrary, over calls for more of it, depends on many ad hoc factors, not least of which is popular and class perceptions of which process is 'better'.

Thus, the decline of the coal, ship-building, and heavy engineering industries in Britain, and the upsurge of the financial and other services sector, led to the formation of a block of interests calling successfully for cutting subsidies to council housing and charging council tenants higher rents. Things could have conceivably taken another turn, however: 'let's improve public housing, let's democratise it, let's give people more control over their housing, and at the same time let's nationalise land development rights so as to rid the housebuilding industry and the housing market of their speculative character' - these could have become the predominant rallying cry in British housing. That this has not been so, is due as much to rising incomes and the decline of traditional class outlooks and allegiances, as to the myths of the post-war generation. Those myths, D. Donnison (1987) reminds us, involved a belief in the necessity and usefulness of large organisations and bureaucracies as tools with which to solve social problems, and were compounded by a lack of imagination and foresight as to what would or should come next.

**CASE B: A Varied Working Class Housed By Means of a 'Capitalist' and an 'Acquisitive' Process.**

In such a world the nature of the linkages between the sections of the working class is the factor that matters. In terms of structural position in the economy, the categories 'wage-earners' and 'self-employed' appear quite apart, but this is not necessarily the case. Often self-employment is just a euphemism for covert or disguised unemployment. Leontidou (1985), for example, finds that "as in Third World cities" the inter-war Athenian economy was divided into a

"formal or stable part [,] a protected, rationalising,

dominant sector made up of domestic and foreign industrial and finance capital and the administrative apparatus [and an] informal, unstable or peripheral part [ ], a 'traditional', low-productivity, unprotected sector where small enterprises were constantly reproduced"

(ibid., p. 60).

The latter part, she says, was "the main source of employment for the rapidly increasing labour force" (ibid.). I disagree with her assertion that "the petty economy [ ] was reproduced as functional for capitalist development": functional is not the right word, and the two sectors would be better described as partly accomodating of one another, and partly antagonistic to one another.<sup>18</sup> The point, however, is that payment of a formal wage is not indispensable to the definition of the working class: lack of capital or productive land, insecurity of employment, possession of common skills, or subsistence-level income are more decisive indicators. I recognise that in practice differences among workers along (some of) those lines result in very important sectional divisions. For instance, because they enjoy security of tenure, public sector employees in Greece perceive themselves as better-off than private sector ones, and their political strategies are as much directed towards higher pay, etc., as towards perpetuating their advantageous position in Greek society (Tsoucalas, 1983, 1986).

Let us now turn to the 'self-employed' - 'wage-earners' divide, and see what linkages matter in this case - which is characteristic of Greece and many Third World countries. According to Friedmann & Sullivan (1975),

"[t]he labour force in cities of developing nations is divided into three sectors (a small corporate sector, a family-enterprise sector and an individual enterprise sector), [ ] with the individual sector remaining structurally isolated from the others, thus countermanding the ordinary behaviour of wages in an integrated labour market, which would tend to drop when there are more workers than jobs. Instead, wages in the individual sector are depressed to subsistence levels when additional job seekers enter this part of the labour market, but remain unaffected in other sectors"

(Cohen, 1981: 308-9).

The difference between Friedmann & Sullivan's model and, say, the Greek case is that the family and individual sectors on the one hand, and the corporate and family sectors on the other, overlap much more in Greece than in the model (cf. chapter 9). Moreover, the family and other small enterprise sectors in Greece are much more resistant to annihilation by the capitalist sector proper (Moschonas, 1986) than the model envisages (Cohen, 1981: 309). Another real-life divergence from the model involves the public employment sector: its large size and dominance, not only in Greece, but also in many Third World countries (e.g., India), have been well-documented (Tsoucalas, 1983, 1986; *The Economist*, 23.09.1989: A Survey, p. 22). Still, I will go along with Friedmann & Sullivan's model in so far as the analytical insights it offers help the presentation of the case I am discussing.

Ignoring the public sector, the two sections of the working class in the case in question, 'wage-earners' and 'self-employed', house themselves through

(1) market-cum-provision-based processes, i.e., by renting or buying from speculative builders;

(2) market-cum-acquisition processes, e.g., through forms of 'exchange arrangement' (Pirounakis, 1986) or by hiring contractors, and

(3) nonmarket-cum-acquisition processes, i.e., squatting and/or self-building.

The potentialities inherent in such a set of combinations are manifold: In the case of wage-earners who house themselves capitalistically, upper limits to the movement of housing costs in relation to incomes are set via the mechanism I described in section 2. However, if the costs associated with housing processes (2) and (3) are lower than the costs implicit in process (1), then the number of wage-earners who will resort to processes (2) and (3) will tend to be high. The larger their number, the smaller the size of the capitalist housing market, and the more difficult its expansion. In such circumstances, the number of wage-earners on low incomes who are housed 'capitalistically' may not be large enough to allow them to press successfully for higher wages in response to rises in their housing costs, and are therefore more likely to pay high prices for substandard housing. On the other hand, they may, of course, resort to the alternative of housing themselves through either process (2) or (3).

Let us now bring self-employed workers into the picture: If the wage-earning and self-employed sectors are highly linked, then, even if housing alternatives (2) and (3) are not readily available to most people (who, by implication, are housed capitalistically), the presence of covert unemployment in part of the self-employed sector, will make it harder for wage-earners to press for

higher wages to cover rising housing costs. The wider the covert unemployment, the harder this will get. Substandard housing and/or less spending on non-housing goods and services are very likely to be the case. But if alternatives (2) and/or (3) are available (or created), the result will again be less pressure on wages to cover housing costs, while the effect on housing output and conditions may be either positive (as in Greece from 1950 to 1980) or negative (as in many Third World countries), depending on income growth and distribution.

If, on the other hand, the two sectors are not linked, as Friedmann & Sullivan postulate in their model, then high-income wage-earners who are housed capitalistically will be catered for by a sub-market offering high-quality accomodation, while low-income wage-earners will or will not be able to press for a higher 'housing cost component' in their wages, depending on how many of them are housed capitalistically.

\* \* \* \* \*

A very important factor that determines comparative costs between the housing processes depicted in Fig. 6.1 is their degree of 'marketisation'. If a very large number of people house themselves through market processes (whether provision- or acquisition-based), then this:

(i) Enhances the dominance of contract and property law in the housing system, and thus of private property rights. This makes it more difficult for people without land to engage in squatting.

(ii) Enhances the propensity and capacity of the land market to reflect 'location premia' and differential rents (see next chapter).

A consequence of these two factors is that in any period in which land prices are increasing, following or even anticipating capitalist and urban development (until the latter stabilises or reverses), even non-capitalist housing processes will exhibit rising real costs. This will tend to foster or reinforce an alliance between wage-earners and self-employed to press either for higher wages and prices charged to customers, or for some governmental intervention in the housing system, or both. The inflationary pressures Greece, for instance, has been experiencing in the last 12 years or so must owe something to this cause. That is, in contrast to a more capitalistic and/or industrialised environment, where entrepreneurs can respond to higher wage claims by innovating, automating, and rationalising their businesses, in order to achieve higher productivity, Greece cannot effect such a response precisely because of its employment pattern (very large proportion of self-employed and state permanent employees in the economically active population, and many family-run small businesses: these, in turn, perpetuate the dependency of the Greek economy on the solutions of agriculture, tourism, remittances from overseas, and foreign loans).

In the coming chapter I complete the analysis of the economics of housing by discussing the influence on house prices of overall social and urban development - encapsulated in location premia and differential rents.

FOOTNOTES TO CHAPTER 6

1 "[T]he spectacular increases shown for 1966-71 could be attributable to the rise in self-employment. [ ] [A]llowing for self-employment, the rate of increase in output per head in construction was considerably lower than in manufacturing for the period 1954-70"

(Ball, 1978: 83).

2 A shoemaker may face competition with a shoemaker thousands of miles away; although there are always second-best locations to form alternatives to a given location, its owner is safe from competition regarding his own parcel of land: its location cannot be reproduced exactly, while shoes can.

3 Ball (1978) has criticised Colclough's (1965) very similar view because

"[t]his [ ] raises questions about the operation of the land market for which no answer is given. For example, why the initial landowner does not raise the selling price and acquire the builder's profit on land"

(p.84).

His own suggestion is to focus on the merchant-producer roles that the capitalist building enterprise plays (Ball, 1988: 34-41). My view is that the ways such an enterprise uses in order to acquire the flexibility to tap development gain, and any possible confrontations between landowner and builder, although crucial in practice and in need of empirical investigation, are not to be confused with the aim itself.

4 The analysis pursued here owes a lot to ideas and evidence produced in Baumol & Blinder, 1988. The authors note "a dramatic narrowing of productivity gaps among the industrial countries" (p. 124) over the last 100 years or so, describe the process as 'convergence of labour productivity levels', and consider "the speed-up of the international spread of new technology" (p. 125) as one of its main causes.

5 "Bombay has 9m people; probably 400,000 of them live on the pavements. [ ] Some have been on the pavements for 20 years. [ ] But the state government of Maharashtra, of which Bombay is the capital, decided in 1981 that it had had enough and started evicting pavement-dwellers. [ ] The brutality of the evictions brought civil-rights groups to their help" (*The Economist*, 23.11.1985b).

6 The authors note, in addition, that

"[w]ith some 16 million people living in Mexico City, half of whom may be engaged in self-help construction, there may well be a shortage of planks left around the streets [ ]. Since the real cost of land and materials appear to be rising in many cities, it is probably getting more difficult for the poor to build a self-help home"

(Gilbert & Ward, 1986: 37).

7 In my calculation I took account of the fact that in 1981/82 the proportions of households living in dwellings of a given size range in Greater Athens were as follows:

Up to 40 sq. m.	:	7.8%
41 - 60 sq. m.	:	30.5%

61 - 100 sq. m. : 47.9%  
101 plus sq. m. : 13.8%

(NSSG, 1983, mimeo of unpublished survey data).

To arrive at the figures of Table 6.7 I had to recognise that (a) flats built for sale tended to be larger than many houses built for owner-occupation, and (b) housing standards - in terms of dwelling area - slightly increased over the decade. Therefore, I adopted the figure of 60 sq. m. for 1975, and of 80 sq. m. for 1984.

8 In 1984, for example, out of 1,284 separate forest fires  
470 were identified as arson;  
465 were attributed to other known causes, and  
349 were attributed to unknown causes (arson probably as well)  
(*Rizospastis*, 1989.07.27: 18).

9 Again, Greece is not alone among European countries to suffer this: Some of the forest fires that ravaged the south of France in the summer of 1989, and some that happened in the 1970s, are believed to have been lit by arsonists working for property developers (*The Times*, 1989.09.16: 29, 31). Britain may have escaped arson-associated property development because of the strictness of her planning rules, but not general environmental and land degradation due to the insufficiency of the legal framework governing other environmentally hazardous practices (see Moss, 1981 and *Observer magazine*, 1989).

10 Hence the outcry in the Greek press:

*Ta Nea*, 13.07.87: "Building plots in woodland!"

Unauthorised buildings legalised."

*Eleutherotypia*, 24.08.87: "50,000,000 stremmas [5 m. ha - NP]

turned into concrete: The plots of  
thousands of squatters made legal."

*Rizospastis*, 28.08.87: "Anti-forest bill."

" 29.08.87: "Big interests push for turning  
forestland into building plots."

<sup>11</sup> For example, self-help building in Britain can only take place on land with planning permission. The whole process is organised and monitored closely by a local authority, and the costs of land and materials have to be paid in full following the end of the project, usually through a loan raised with a building society. This means that British households cannot simply occupy 'free' or public land and build however and whenever they please. In other words, the legal and political system forces even households who contemplate self-help building to be involved in monetary transactions, rely on credit, and build according to rules and regulations. This is a far cry from, say, the Greek case, let alone the 'Third World' one.

<sup>12</sup> The highest - 4.95 - was in 1973, just before the housing market collapsed (BSA Bulletin, 1988, July: 14).

<sup>13</sup> Like homelessness: Cf., e.g., *The Times*, 1987.02.26: "25,000 wander the streets of Chicago."

<sup>14</sup> Although not necessarily at the same time: see D. Harvey's (1983) discussion of how troughs in investment in fixed capital in the USA corresponded to peaks in Britain during the 19th century because of

the way the two economies were linked.

- 15 "[T]here is a growing dissatisfaction among the tenants of many estates about the conditions in which they live, and about their lack of control over their own environment and housing. What then must we do? [ ] I want us increasingly to think in terms of transferring ownership of estates or parts of estates in small units to others - including the tenants themselves - who will be in closer touch with the needs and aspirations of individual tenants"

John Patten, Conservative Government Minister of Housing (1987).

- 16 J. Harvey (1987) offers six additional reasons, on the supply side, why industrialised building is not necessarily more cost-effective than 'traditional' methods, of which the strongest, I feel, is that
- "[i]f skilled craftsmen and wet finishers are to be eliminated in the assembly process, the components of factory-built systems must have greater dimensional precision than traditional materials. But the greater accuracy of steel, plastics, wood and concrete slabs prepared under high pressure has to be weighed against their higher cost relative to bricks and concrete, especially as they are not as yet fully proven. Since materials account for about half the cost of a building and labour for one-third, a 25 per cent increase in the cost of materials would require a 37.5 per cent saving in labour costs just to break even"

(pp. 200-1).

- 17 The ease with which so many buildings in Soviet Armenia collapsed in the 1988 earthquake also casts doubt on how general or wide-

spread the structural soundness of Soviet buildings is.

<sup>18</sup> Moschonas (1986) documents how resistant to capitalist erosion and rationalisation the strata involved in petty commodity production have traditionally been in Greece.

C H A P T E R 7

*Location Premia and Differential Rents: Extending the Explanation.*

SECTION 1: An Introduction With Definitions.

SECTION 2: Dwelling Price Determination: A Synthesis.

SECTION 3: Evidence on the Influence of Differential

Rents on Dwelling Prices.

CHAPTER 7: Location Premia and Differential Rents: Extending the Explanation.

In chapter 6 I suggested that households' incomes affect dwelling prices by enabling households to meet their housing costs (rent or loan repayment installments). In effect, I argued, dwelling prices tend to be capitalisations of the housing cost component of the value of labour power, although the direction of causality does not run only from costs to prices, but vice versa also. I explicitly ignored other influences on dwelling prices - in addition, that is, to housing costs and earned incomes. Here I will remedy this by looking into differential rents and location premia.

SECTION 1: An Introduction With Definitions.

The analysis that follows revolves around the following three concepts:

- a. Differential rents;
- b. Location premia, and
- c. Absolute minimum price (of land).

Although land rent initially involved physical payments in the form of agricultural produce to the landowner (Marx, 1959), it eventually took the form of payments in money. Marx showed that in capitalism agricultural land rent would arise on the basis of differences in productivity (either in terms of fertility and/or distance, and/or resulting from differing amounts of capital applied to the land) between land plots. Moreover, rent would come about not because agricultural produce is sold above its value, but precisely

because it is sold at its value (ibid.). Land price, under those circumstances, is simply capitalised land rent.

I wish to argue, however, that it is not necessary for the landlord/tenant social relationship to exist for land to have a price. To the extent that a piece of land does or can yield a rent, then its price very swiftly will tend to reflect a capitalised rental stream. Before that, land, and especially land that is not directly productive in a physical and commercial sense, may have a price unrelated to either a real or a notional rent. What's more, there may well be price differences between plots.

For example, as sub-urban land around Greater Athens was colonised, first as a result of the influx of Asia Minor refugees in 1922, and second after 1950, large tracts of that land were not directly productive and/or were owned, at least in theory, by the state. As the waves of immigrants began to colonise that land, and acquire it for owner-occupation, the relative ease of that process virtually precluded the use of such land for the purpose, say, of building dwellings for rent. In those circumstances, it was meaningless to calculate land prices on the basis of expected rents, especially since the permitted floorspace ratios in the expanding periphery (in effect, this ratio refers to the number of floors) was set very low, thus discouraging speculative building decisively (Emmanuel, 1981). Yet plots of land around the expanding capital did exhibit a pattern of prices.

I suggest that the basis of that pattern was an absolute minimum price (AMP). This must be understood as the price of an "entry ticket" into the area, an "import tariff", so to speak, re-

flecting historic relationships of power which determine the ease of access to sub-urban land on the part of settlers (cf. Emmanuel, 1985). The absolute minimum price bears some affinity to Marx's 'absolute rent' (the only case where landed property itself creates rent<sup>1</sup> - Marx, 1959), but it is a broader concept in that (a) it doesn't have to be capitalisation of any 'rent', and (b) it's not just the power of a particular landowner that is implied here, but wider political and social balances (and even the effect of technological constraints and opportunities).

But the absolute minimum price, referring as it does to a whole area, a city, or even a country, fails to account for price differences between plots (at any relevant level of geographical aggregation). Such differences, over and above an AMP, I call **location premia**. Again, these occur even in the absence of a landlord/tenant relationship, and simply reflect the relative desirability of residential plots in physical terms. Differing degrees of desirability between residential plots can exist even in the context of very easy access to an area as a whole and to owner-occupation (as in the example mentioned).

Rents come to the fore as an influence on land prices as soon as tapping rental streams becomes a social and economic possibility - for instance, the creation of conditions that bring about and reproduce the landlord/tenant relationship. In such an environment, location premia are incorporated into rents very quickly, thus giving rise to a rent hierarchy. From the time the appropriation of a rental stream becomes a viable possibility, land prices can no more be equated to an AMP + a location premium. They tend to be capitalisations of rental streams instead, and even the prices of residential plots or dwellings that do not at present yield rents, tend to follow the prices

of plots and dwellings that yield rents.

What makes this transformation of all land prices possible - from a simple 'AMP + a location premium' to a capitalised stream - is the possibility that the current use of any given plot or dwelling can change. What happens elsewhere in the city, affects what happens here. The rents that non-residential users of city-space pay to landowners (even if landowner proper and businessman proper coincide), affect land prices across the city. This particular effect becomes the more pronounced the more a market economy expands, and, importantly, does not require the presence of residential landlords to take place.

The rents that non-residential users of city-space pay to landowners are differential rents. Such rents are the difference between the profit that a firm operating in a particular urban location makes (or expects to make) by virtue of its being there, and the profit it would make (or expect to make) if it were placed elsewhere. It is this difference which the landowner, however disguised, pockets, and which is capitalised into the plot's land price. Thus, in a market economy non-residential land prices are inevitably capitalisations of rental streams. Subsequently, the inter-changeability of land-uses, depending on the degree to which it is actually possible, makes even the price of residential land follow the thus-formed price of non-residential land.

Again, the degree of ease of access to sub-urban residential land, and to owner-occupation in particular, that new-comers in the city, or new households, enjoy, affects the degree of dependence of the price of residential land on the price of non-residential land.

## SECTION 2: Dwelling Price Determination: A Synthesis.

The analysis that follows assumes that the reader is familiar with the discussion of income differentials among the 'working class' and of house price bands, pursued in Appendix I, as well as with the concept of "pools of 'equivalent access' skills" (ibid.).

As an introduction to dwelling price determination, I assumed in ch. 6 that dwelling prices are capitalisations of the housing cost component of the value of labour power, and then went on to discuss upper and lower limits to the movement of dwelling prices in relation to modal incomes (which can serve as a proxy for the value of labour power).

Real life is of course more complex than that. One complication is that the direction of causality runs from dwelling prices to incomes as well - through affecting households' housing costs. Rising expectations on the part of landlords or home-owners regarding the future movement of incomes, and, by extension, the capacity of tenants or house-buyers to meet increased (usually) housing costs is one way whereby the direction of causality is reversed. Another way is through the fact that for individual people or small groups, dwelling prices are given in the short-term.

A second complication is that the 'working class' (blue- and white-collar) is not homogeneous in terms of incomes, but differentiated by income levels. In addition, the housing commodity is not homogeneous in price terms either; it is differentiated by a pattern of house price bands.

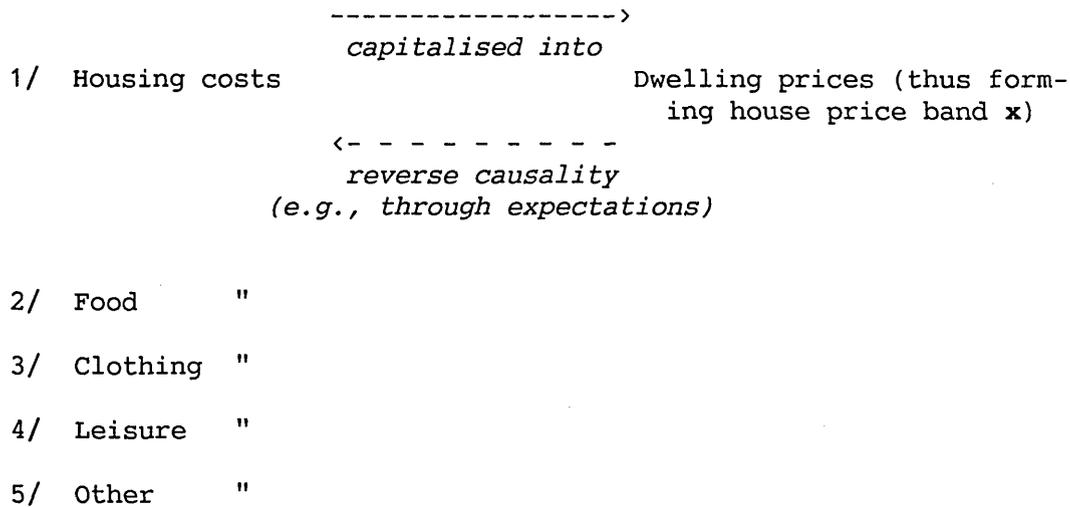
However, the analysis of ch. 6 is compatible with this complication. The key is to visualise a series of 'values of labour power', each appropriate to a particular "pool of 'equivalent access' skills" (see Ap. I). Equally, the cohort of workers falling into a given 'pool' are not meant (sic) to 'hunt' for housing across the entire stock of dwellings (even in a sub-set of a given travel-to-work-area), but only within a 'price band' appropriate to their 'pool' (cf. section 3 of ch. 3, on 'needs'). Thus, we can have the following schema:

Fig. 7.1: Dwelling Price Determination By Households' Housing Costs.

"Pool of 'equivalent access' skills" x: (x = 1, ..., n)

Value of labour power (for that pool):

Broken down into:



In this framework, the form of tenure is less important than the housing costs in relation to incomes that renting or buying within a given 'price band' imposes on households from a given 'pool'. Also, excess overall housing demand across a given area would have the effect of pushing some 'house-hunting' households from a given income rung into renting or buying cheaper dwellings than what they

would have done normally (i.e., under conditions of market equilibrium). If the imbalance continued, people from a given "pool of 'equivalent access' skills" would end up 'house-hunting' (or 'consuming' housing) within a house price band 'appropriate' for people from an 'inferior' 'pool'. This is the reverse of the 'filtering' process traditionally identified in the housing economics literature (cf. Robinson, 1979), and we can call it negative filtering. Positive filtering, of course, can occur in a situation of excess overall housing supply.

A third complication to the simple account developed in ch. 6 concerns the influence on dwelling prices of the 'autonomous' factor of location premia.

I defined location premia in the previous section as 'mark-ups' on the absolute minimum price (AMP) of land across a given area - mark-ups that in effect differentiate one plot from another in price terms. If no mechanisms of rent appropriation exist in the area, and, generally, if the housing process involved is acquisition- rather than provision-based (see ch. 2, pp. 35-36), then the price of a plot there, is

AMP + a location premium,

and that of a plot plus a dwelling built upon it, is

AMP + a location premium + construction cost of the dwelling.

Consider the following general case (based on the historical experience of Athens - see previous section):

A travel-to-work-area where

- (1) most households have relatively easy access to land plots in or near that area,
- (2) those households are of the same social class,
- (3) rely mostly on own resources (as opposed to borrowing) for housing themselves,
- (4) the predominant modes of housebuilding are either self- or contract-building or both, and
- (5) high-rise developments or landbanking are prohibited, unprofitable or impractical.

Then the basis for the formation of the asking price for a dwelling of a certain type in almost any location in the area would be the construction costs of a similar dwelling in the same area. A prospective purchaser could contemplate either buying at the asking price, or, if he found it excessive, building himself or hiring a contractor. If these practices were sufficiently standardised and available in that area, and indeed across the largest part of a city, there is no reason (other than political intervention, which would only serve to raise the AMP for land in the area) why an extra dwelling could not be added to the stock under the prevailing conditions of production, representing, that is, the socially necessary labour time for production of such a dwelling. The seller of a dwelling, therefore, would have to take the buyer's potential alternatives into account, and offer his dwelling for sale at a price commensurate with those alternatives.

The catch here is the word 'alternatives'. Despite the presence of many homogenising factors across such a landscape, any particular plot might be preferable to many another - because of its

place on a hill, or of proximity to trees or a bus stop, etc. (or even because of nearness to preferred social groups - cf. Boverter, 1978). A buyer might still be prepared to pay a location premium for acquiring title to a plot or dwelling in such a location.<sup>2</sup> Otherwise, if the landscape were truly homogeneous, the price of a plot would be equal to the AMP, and that of a dwelling to AMP + its construction cost (or the current cost of construction of similar dwellings in the same area).

Let us now examine the role of location premia in the case of a provision-based housing process. In this case dwelling price tends to be capitalisation of the housing cost component of the modal income (broadly, the value of labour power) typical of those potential tenants or home-buyers for whose "pool of 'equivalent access' skills" the dwelling is meant, i.e., considered socially appropriate. In turn, what makes the dwelling 'appropriate' for workers who belong to a given 'pool' are three things: (1) the AMP for land in the area, (2) the dwelling's relative construction costs (i.e., the current costs of constructing a dwelling offering a comparable level of amenities and comfort), and (3) the location premium of its plot.

The role of the last variable requires a bit of explanation. Location premia are social constructs in the sense that location qualities tend to become part of the needs of various social groups. Therefore, groups higher up in the social hierarchy are prepared to pay more for access to 'appropriate' locations (i.e., locations that satisfy the needs of a given group in terms of physical and social amenities customarily sought and enjoyed by members of the group) (cf. ch. 3, sec. 3, on 'needs'). The relative worth of each location to each group quickly becomes common knowledge, along with the purchasing power of each group,

and the premium of each location is the maximum payment for access to it that could be had if the plot or dwelling in question were 'auctioned', so to speak, among all groups making up a social hierarchy. In this way, its location premium helps to place a dwelling in an 'appropriate' house price band, 'appropriate' in turn for members of a certain "pool of 'equivalent access' skills". In summary:

a. AMP, construction costs and a location premium make a given dwelling socially and economically 'appropriate' for 'pool'  $x$  ( $x = 1, \dots, n$ ), and place that dwelling into a relevant 'price band'.

b. Members of 'pool'  $x$  expect and/or are expected to pay  $y\%$  of the value of their labour power (empirically approximated by their modal income) in order to house themselves.

c. This proportion takes the form of a rent or a loan repayment installment.

d. Capitalisation of that, gives the dwelling price.

Location premia need not come in discreet lumps. One can get very fine variations even within the same house price band, and this is one reason (other than differences in construction costs or finishing) why the bands into which house prices may be assigned cannot be separated by precise or immutable demarcations.

A fourth complication to the account of ch. 6 is that construction costs and land prices do not always affect the final dwelling price separately. There are circumstances in which they interact with one another. In modern Britain, for example, builders organise their operations in ways that enable them to tap as much development gain as possible (Ball, 1983, 1988). In turn, the basis for development

gain is land value appreciation. Therefore, builders' expectations regarding the future movement of land prices are bound to affect both their organisation of production and output, and hence construction costs.

The last complication concerns the influence on dwelling prices of the 'autonomous' factor of differential rents.

The concept of differential rents dates back to Ricardo and Marx, and, to date, treatises on the subject have not clarified it conclusively (cf. Ball, 1976; 1980a; 1985a; 1985b; 1987; Clark, 1987; Murray, 1977; 1978; Tribe, 1977; Fine, 1979a; 1979b; 1980a; 1980b). I will not get into the intricacies of that debate. I feel, however, that (a certain interpretation of) the concept is required in order to complete the explanation of the relationship between dwelling prices, housing costs and incomes.

In section 1 I defined differential rents as the difference between the profit that a firm operating in a particular urban location makes (or expects to make) by virtue of its being there, and the profit it would make (or expect to make) if it were placed elsewhere. It is time I explained this.

Land is not directly productive in the built environment (cf. Ball, 1985b; 1987). The Marxian category of differential rent II, DR II (i.e., rent that results from the application of differing amounts of capital to agricultural land), may therefore, at first sight, be inappropriate for the built environment precisely because this category of rent involves improvements in the

productiveness of land that stem directly from capital investment.

It may still be the case, however, that differential rent I, DR I (i.e., rent related to location, which in agriculture is relevant in the twin senses of fertility and distance from markets), exists in the urban environment. But then a question immediately arises, namely, what is the significance of location? To which the answer cannot be "distance from the city centre, or from a market, or from a place of work, or from various amenities, etc."; although correct in an apparent sense, this answer begs another question: why should the centre matter? what makes amenities desirable, and to whom? what conditions the separation of dwelling-place and work-place? or, for that matter, the separation of some desirable 'amenities' from the home? how is any such distance priced and thereby reflected in DR I? are such prices a function of distance alone or mainly, as in traditional neoclassical rent-gradient theory, or does the nature of the locations in question affect the relevant valuations, as in more recent neoclassical hedonic theory (see Quigley, 1979, for a review)?

A firm or other organisation may desire an urban location for any of a number of reasons: access to a particular residential area or hub from a retailer's point of view; nearness to the state administrative apparatus, the central bank, other firms, hotels and restaurants, etc., from the point of view of a firm seeking office space; proximity to a workforce, and indirectly to things which households are known to value (e.g., schools, nursing and child-care facilities, trees, the sea, tennis courts) from any employer's point of view. In short, in the built environment every plot depends for its usefulness on every other plot. This means that every single plot is or

can be linked to agglomeration economies (or diseconomies) (cf. Richardson, 1978: 304-13). The net effect of these economies is tantamount to the usefulness or value that a city or society as a whole imparts to any particular plot; it is this use-value which makes a plot, or location, more or less attractive to any particular firm or organisation. But that usefulness, in turn, is the result of the total motion of the entire social capital, of social development and change in their entirety, and as such varies with time. It is for this reason that

"[a]gglomeration economies are a 'catch-all' concept and are notoriously difficult to measure. Thus, the hypothesis that urban growth depends on agglomeration economies becomes almost a truism"

(Richardson, 1978: 304).

Looked at in this way, we see that in the built environment we have DR II (which reflects the combined effects of capital investment, but, more generally, of the motion of the entire social capital) and DR I (which reflects the effects of location) rolled into one. (Perhaps this is one reason why Marx illustrated his theory of ground rent by reference to agriculture: the two types of capitalist ground rent could be identified there far more clearly.) Firms and other organisations wanting to capture benefits associated with urban locations, made possible precisely through the motion of the total social capital (city-wise, nationally, and even internationally - see Cohen, 1981), are prepared to pay for the use of an appropriate piece of urban land. The price they are prepared to pay is a rent. That rent is the difference between their expected extra profits, which use of that plot is likely to make realisable (not least because of the

attractiveness of the location to particular types of desirable work force), and their 'normal' profits (say, their profits before (re)location, or an industry standard profit (for aliquot parts of capital invested), or the prevailing profit for the entire capitalist economy in question, applicable to aliquot parts of social capital).

The rent that producers of labour power, i.e., most households, are in certain circumstances obliged to pay cannot, however, be conceptualised in a similar manner. It is not the difference between any 'extra' and 'normal' profits. If landlords in a particular area demand payment of a rent  $x$  for properties of a certain type and in a certain location, employers in that area have to ensure that the wages they pay their labour force, or segments of their labour force, are high enough to enable them to meet their housing costs; in other words, it is employers who must foot the bill landlords present to their tenants. The question an employer has to ask himself is: If I set up business in this location, will I be able to pay wages and salaries high enough to enable my work force to pay their rents or loan repayment instalments, and therefore to ensure that I get enough workers of the requisite skills for my purposes? If I remain in this location, will I be able to continue doing that, other factors held equal? Thus, to understand the pattern of rental payments or loan repayments in a residential area characterised by market-based housing provision processes, one needs to look at the employment pattern of its residents, and ultimately at the opportunities for profit that firms in the corresponding travel-to-work-area are faced with.

Differential rents affect dwelling prices to the extent that - due to the possibility of land-use change - they make the

price of residential land follow the price of non-residential land - which is determined by capitalised differential rents. We can thus identify the following two limiting cases:

**CASE 1:** No housing cost component in the value of labour power; acquisition-based housing process (see ch. 2, p. 35):

$$D = (AMP + CC + LP)f \quad (f > 0)$$

where

D = dwelling price;

AMP = absolute minimum price of land;

CC = relative construction costs;

LP = a location premium, and

f = factor incorporating the expected influence of differential rents.

**CASE 2:** Value of labour power includes a housing cost component; provision-based housing process (see ch. 2, p. 35):

$$D = (h:i)f \quad (f > 0)$$

where

h = proportion of the modal income characterising a given "pool of 'equivalent access' skills" that landlords or home-owners expect prospective tenants or home-buyers from that pool to use in order to pay a stream of rents or of loan repayment installments BEFORE dwelling prices influence households' housing costs in turn (say, due to the 'autonomous' effect on dwelling prices of f);

$i$  = expected interest rate.

As soon as dwelling prices influence  $h$  in turn, the mechanism I described in ch. 6 begins to work, setting upper limits to the movement of households' housing costs in relation to their incomes (subject to the various qualifications which I discussed). Eventually, landlords and/or dwelling owners adjust their asking prices downwards by moderating their expectations regarding the influence of 'autonomous' factors (i.e., factors other than households' housing costs) on dwelling prices. In effect, they lower  $f$ .

The strength of the influence of differential rents on dwelling prices obviously depends on the probability that residential land can be converted to non-residential uses. But, importantly, it also depends on the extent to which firms realising extra profits because of their location are enabled, or find it necessary, to pay higher wages and salaries in order to attract the right work-force. (It is here that the question of whether urban producers of goods and services and urban landowners are separate or the same entities, comes to play - cf. Ball, 1985b; 1987; Clark, 1987.) The incomes of those workers signal to landlords or home-owners in adjacent residential areas the kind of rents or loan repayment installments those workers can be expected to meet. Dwelling prices become capitalisations of those estimates. And, coming back full circle, this brings us to the question of upper and lower limits to the movement of dwelling prices in relation to incomes (ch. 6).

SECTION 3: Evidence on the Influence of Differential Rents on Dwelling Prices.

In modern advanced capitalist societies, where agriculture is of secondary importance (either because capital investment in agriculture has made it possible to get more output from progressively less land; and/or because a lot of food is shipped over from other countries), differential rents are not determined at the urban fringe as much as on the basis of the capitalistically highest and best use of urban land. The uses involved may be industrial, office, retailing, warehousing, or residential (as in the speculative provision of dwellings for rent). For example, the dominant position of the City of London in the world's financial markets has led to over-investment in office space in the centre. In other words, the highest bidders for land in the City have come from firms offering financial services, and secondarily from firms of all types establishing their headquarters in or near London. The apex of the pyramid of differential rents in Great Britain is thus determined by what those firms can afford, i.e., by the profits those firms can make through their global operations. The influence of these rents, and of the land prices formed on their basis, on the prices of residential land - hence of dwelling prices - in Britain is substantial.

The following evidence is consistent with this view: In 1974 and 1975 house prices in Greater London increased by 2.3 per cent annually compared to 7.1 per cent in the UK (BSA Bulletin, 1988, July: 15). This means that the London housing market was more put off by the 1974 housing market crash than the rest of the country. As soon as the market began to recover, London surged forward once more: from

1976 to 1980 house prices in London rose annually by 17.86 per cent compared to 16.56 per cent nationally (ibid.). Then came yet another slump, and the London market prices tumbled back to lower rates of growth than for the nation as a whole. From 1983 and up to 1987 dwelling prices in London again rose fast, in fact far more than they did nationally (ibid.). To a large extent, the onset of decline in the rate of increase of house prices in London in 1988 can be attributed to the consequences of the October 1987 international stock market crash, which curtailed the profitability of financial firms - among the most prominent employers (and renters of office space) in London.<sup>3</sup> It has been estimated, for example, that in the two years following the crash the City lost between 40 and 50 thousand jobs (Park, 1989).

By the same token, the very high rates of increase in house prices in London, relative to the UK, from 1983 to 1987 can easily be attributed both to housing demand by employees of the London finance and banking sector, and to the high profits - hence high rent-paying capacity - the sector increasingly enjoyed over the period:<sup>4</sup>

"the lifting of exchange controls accompanied a further quantum jump in foreign banking in London, that within a few years had taken it over a historic threshold. By 1985 the City was a *plaque-tournant* for global funds amounting to over £1 trillion - or more than three times the gross domestic product of the UK. [ ] The majority of these were now held not by British but by foreign banks, among whom the largest single group were no longer American but Japanese"

(Anderson, 1987: 69).

It is thus no wonder that office space in the City of London is taken up first by finance, then by banking, and, quite below that, by the professions and insurance (*Financial Times*, 18 Sept. 1987: 16). In fact, the supply of office space in London closely follows the outlook for the financial sector:

"Big Bang was reflected in new starts of business centres in the City in 1986, when 12 new centres were started, compared with only seven in the previous year and only one as recently as 1981. The numbers have topped off quite smartly as the City has had to retrench in the face of the stock market crash of 1987. Last year saw only six new centres started in the City"

(*Financial Times* Survey, 30 June 1989: XI).

The prominence of London as the financial capital of the world during most of the 1980s has been evidenced in the relative expensiveness of rents for office space there:

(a) In 1984 office rents in

London-City	were	38.67	\$US per sq ft;
Paris	"	22.46	" ;
Brussels	"	6.32	" ;
Frankfurt	"	11.46	"

(*The Economist*, 22.12.1984: 85).

(b) In 1987 "[r]enting an office in London cost \$23,000 a year, the most expensive of [a sample of 18 - NP] cities" in the western world, although, because staff came cheap there, total costs were

comparatively low, \$100,000 (*The Economist*, 16.05.1987: 115).

(c) In 1989, probably due to the after-effects of the October 1987 Crash, London moved to second place in the world in terms of the cost of renting offices, just before Tokyo, with more than double the office rents of Paris and New York, while Hong Kong lay in-between (*The Economist*, 23.09.1989: 167).

In turn, house prices in the London area and other South-East have reflected the profit potential of the financial and other firms established there, not only in cases where it is possible to have residential and office land uses competing against one another, but primarily by incorporating a rising 'housing cost component' (see ch. 6) in the modal wage of those firms' employees. Based on data covering the first nine months of 1984, the Nationwide BS (1984) was able to show that the largest proportion of borrowers with professional/managerial status were in Greater London and the London Commuter Belt, 35.9 and 39.1 per cent respectively, from among the nine major urban areas of the UK studied. Of course such people form the majority of housing loan borrowers in the UK anyway (32.5 per cent), but even so in 1984 they provided a higher proportion of the demand for dwellings in and around London than their national average. In the same year the average annual income of borrowers in Greater London was £14,458, and in the London Commuter Belt £14,530, against £12,509 for the UK. The well-documented income inequality between the South-East and the rest of the country is certainly consistent with far higher house prices in the former than in the latter.

Finally, the results of the Nationwide BS study

mentioned in the previous paragraph were reiterated in Kleinman & Whitehead's (1985) study "Who Becomes a Home-owner?". On the basis of 1981 Census data, they showed that in England & Wales the ranking of various socio-economic groups, in terms of access to owner-occupation, was remarkably consistent across different spatial units (from rural and small towns through large towns, free standing cities and conurbations to Inner London, Greater London and England & Wales), and was as follows:

Professionals		Highest	proportion	of	own.-occ.
Employers/Managers	Second	"	"	"	"
Other Non-manual	Third	"	"	"	"
Skilled	Fourth	"	"	"	"
Semi-skilled	Fifth	"	"	"	"
Unskilled		Lowest	"	"	"

Still, they found that

"[t]here is some evidence that manual workers find it slightly easier than average to become owner-occupiers outside London, particularly in the large towns, and that, in comparison to other groups, relatively high proportions of professional and employer-manager groups are owner-occupiers in London and particularly in Inner London. This latter point provides some evidence that *incomes at the top end of the scale are high enough to offset the problems of the high costs of owning in London* [my emphasis - NP]"

(Kleinman & Whitehead, 1985: 160-1).

Kleinman & Whitehead's empirical findings support the theoretical rigour of the households' housing costs - incomes - dwelling prices model advanced above, and are as expected. In a market-cum-provision-based housing process like that of Britain, dwelling prices tend to be capitalisations of households' housing costs; differential rents, such as those prevailing in and near London, push land - and therefore dwelling - prices further up, but then the same profits that are the basis for land value appreciation allow higher wages and salaries to be paid to the employees of the firms realising those profits. Since in the London case the firms in question were (and are) predominantly in banking and finance, and secondarily other professional firms and corporation headquarters, it is no wonder that professional and employer/manager groups achieve relatively higher proportions of owner-occupation in and near London than nationally. Equally, Kleinman & Whitehead's finding that c. 1981 it was probably easier for manual workers to become owner-occupiers in large towns outside London, reflects the industrial employment structure of those towns, with its attendant link between wages, households' housing costs, and dwelling prices there.

\* \* \* \* \*

In the discussion that was pursued in this and the last chapter, socio-institutional factors were pointed out as crucial in at least five cases:

(1) The extent to which dwelling prices reach their 'theoretical' upper limits, as the result of the operation of the mechanism suggested in ch. 6, depends on the capacity and willingness of various

groups of people to participate in, or create, alternative housing processes (e.g., by squatting or engaging in unauthorised building) to the one(s) they find too costly.

(2) The same factor affects the extent to which rent appropriation mechanisms can arise. It has, therefore, a particular significance for dwelling price determination.

(3) Additionally, the extent to which these upper limits are reached, depends on the capacity and willingness of workers to cause the state to interfere in the housing sphere (e.g., through initiating rent controls).

(4) The distribution of landownership, and the strength of property rights on the part of various 'holders', were shown to be decisive factors checking or, alternatively, facilitating falls in housing costs in the right economic circumstances - contrast the British and Greek experiences.

(5) The extent to which urban producers of goods and services and urban landowners are or are not the same entities is likely to affect the capacity of those producers to transform part of their extra profits into higher pay for their employees. It therefore affects the extent to which dwelling prices in the adjacent areas are influenced by differential rents.

Clearly, an analysis of housing system dynamics cannot be complete without considering the formation and defence of rights and claims over resources that can help people house themselves

better and/or more cheaply than otherwise. Such resources are land (first and foremost), buildings, and the political capacity to influence the legal and planning system, and state policies. In short, I am talking about the legal and political dynamics of a housing system. To this, let us now turn.

- <sup>1</sup> In the form of a rent below which a landowner would not be prepared to lease his property. Or, alternatively, of a land price below which he would not be prepared to sell.
- <sup>2</sup> I suspect this could be the reason why real land prices in a middle-income residential area in New Delhi increased by 22.53 times between 1957 and 1977, while in Seoul they increased by 7.61 times between 1963 and 1974 (Doebele, 1987: 117). That is, the fact that New Delhi has gravest urban problems than Seoul makes land prices in its relatively 'good' areas appreciate more than those of relatively 'good' areas in Seoul.
- <sup>3</sup> The rest of the explanation has to involve, of course, rising interest rates nationally (see *The Independent*, 26.11.1988, p. 1; *The Guardian*, 05.03.1990, p. 3). These, in turn, have been necessitated by the widening current account deficit of Britain from 1988 and after - itself the result, to a substantial extent, of the fact that many households could (and can) obtain consumer credit on the basis of their equity in their dwellings (cf. *The Guardian*, 10.05.1990, p. 5; Huhne, 1990; Muellbauer, 1990).
- <sup>4</sup> Actually, in line with a long tradition of specialisation in the provision of international financial services on the part of the City of London (cf. Yeager, 1976: 299-301).

C H A P T E R 8

*Rights and Claims in the Housing Sphere.*

- SECTION 1: Trespass Law in England, 1968 - 1977.
- SECTION 2: The Politics of Squatting and the Local State  
in England, 1968 - 1977.
- SECTION 3: Local Soviet Housing vs 'Departmental' Housing  
in the USSR.
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CHAPTER 8: Rights and Claims in the Housing Sphere.

This chapter begins the discussion of the influence of political and legal factors on the dynamics of housing systems. My approach is unusual in that I do not start by asking how the state affects the housing system, or how housing policies develop, but by emphasising the importance of 'rights' and 'claims' as both structural and constitutive features of any housing system. The reason for the choice of approach is that I can then ask how 'rights' and 'claims' in the housing sphere relate to societal patterns of rights and claims (chapter 9), so that when, finally, I turn to the role of the state (chapter 10), I am able to identify the determinants of state action or inaction in the housing sphere. Presently I will make my case about the significance of 'rights' and 'claims' through five examples.

SECTION 1: Trespass Law in England, 1968-1977.

In his study of squatting in empty dwellings and of the political and legal response to it in Britain between 1968 and 1977, Vincent-Jones (1987) makes three main points:

1. He associates cases of squatting in the dwelling-place with similar cases in the work-place.
2. He suggests that both types of case represented a challenge to "greater possessors" (individual factory owners and property companies and local authorities) on the part of "lesser possessors" (the squatters themselves - whether workers doing sit-ins or homeless people).
3. He discerns a wider dimension in the practice of squatting, namely an *ideological* challenge to the established legal and social

order.

More specifically, Vincent-Jones writes that between 1968 and 1971 a number of workers staged sit-ins in various factories in England in order to frustrate (often successfully) plans for redundancies, and even closures, which managers and owners felt they were legally entitled to pursue. After all, part of the definition of private property rights is precisely the right to exclude others from access to, use or enjoyment of, what is owned (Reeve, 1986: 11-12). Over the same period the number of homeless persons increased, with the result that some had to turn to squatting in empty dwellings, owned either by LAs or big private landlords.

Until 1970 the legal framework governing eviction and repossession in England made it difficult for owners to assert their rights of "exclusion". For example, a *writ of possession* to enforce a *judgement for possession* "could not be issued without leave of the court, for which every trespasser [i.e., squatter - NP] must have had actual notice of the proceedings, and [ ] at least 14 days must elapse between the initial judgement and the granting of the writ" (Vincent-Jones, 1987, p. 94). This state of affairs "enabled the Redbridge squatters in 1969, for example, to 'play musical chairs with the council' by moving out those named in the original order and installing different families, forcing the council to begin the entire process again" (p. 95).

As such instances of law evasion mounted in both the industrial and housing spheres, the outgoing Labour government in 1970 changed the law of Trespass in order to make eviction and repossession

easier. This, it turned out, was not enough. Part of the national press began a campaign of (mis)representing cases of squatting as a threat to the moral and legal foundation of society, and also as a threat to ordinary owner-occupiers, who might, it was said, find their homes invaded by "layabouts" when they got back from holidays (p. 100). The real or imaginary danger that squatting in public-sector dwellings posed for waiting-list management was pointed out too (pp. 99-100). The press campaign was successful: seven years after the initial toughening of Trespass law, aspects of squatting were criminalised (1977 Act). A decline in the numbers of squatters followed. In effect,

"the real function of the Act was not merely to encourage and give advantage to particular greater possessors, whilst hampering and discouraging particular lesser possessors; rather it was to buttress the institution of private property in general, and thus meet the ideological and political challenge to the capitalist state in a period of [ ] crisis"

(Vincent-Jones, 1987: 108).

SECTION 2: The Politics of Squatting and the Local State in England,  
1968-1977.

Whereas squatting in empty dwellings during the 1970s in England was portrayed by the bourgeois press as an affront to private property in general, most squatting, ironically, took place in the public housing sector. It was mainly in this sector where both squatters and landlords adopted explicitly political tactics and phraseology in pursuing their respective aims, and consequently the issue was 'politicised' most.

This fact begs the question of "whether squatting substantiates or refutes Castells's hypothesis about the politicising effect of state action" (Cant, 1979: 406). In investigating this problem, Cant (1979) showed that

"squatting in the public sector was characterised by i) a high degree of organisation, ii) the use of explicitly political tactics, iii) the pursuit of political objectives"

(p. 407).

These three aspects were absent from cases of squatting in the private sector. Although the presence of those three characteristics seems to corroborate Castells's hypothesis, Cant concludes that there was no "real politicisation of the issue at stake which was the right of landlords to keep their property empty at a time of homelessness. Instead the issue became one of local government efficiency" (p. 407).

In other words, people chose whenever possible to

squat in the public sector because, for example, they found it easier to publicise their circumstances and enter into negotiations with the state. The possibility for such negotiations, and the subsequent establishment of 'rules of the game', meant that in cases of squatting in the public sector "the clash of interests is not as direct as when a private landlord confronts a squatter. The existence of a publicly owned sector of housing can thus be seen as a buffer which separates those individuals whose interests are directly opposed" (p. 411). As a result, "radical change [is made] *less* rather than more likely" (p. 415).

Cant's analysis is a useful reminder that not all political confrontations between the state and the have-nots necessarily have far-reaching consequences for the social order. The reverse may happen as well. What he does not attempt to explain is what determines the timidity (or aggressiveness) of the demands made upon the state, or the success (or failure) of the latter in dampening radical stands and feelings. Neither does he define radical change: Would it consist in legal endorsement of the practice of squatting - creating, in effect, the 'right' of homeless people to occupy empty dwellings? Would it involve the nationalisation of empty dwellings? Would it be a massive housebuilding programme? Or perhaps the substantial relaxation of planning rules so that homeless people could obtain virtually free access to land (and what type of land: public? or private as well? brownfield only? or greenfield too?), and build their own homes as they saw fit?

If we combine the respective contributions of Cant (1979) and Vincent-Jones (1987) (whose paper was summarised in Example 1), an inkling as to what a general answer to these questions might be

begins to emerge. In England it was both the ideological and practical importance of private property rights, and broad popular support for the 'rule of law', by means of which they were interpreted and upheld, which circumscribed a rather narrow - and increasingly so - field for effecting any "radical" solutions to the problem of homelessness. "Radical" here means anything that might threaten established private property rights - over empty dwellings or even over unused land. The press campaign of the 1970s, which was successful in portraying squatting as a threat to the fabric of society, and the subsequent legislation of 1977, which criminalised squatting, attest to the validity of this interpretation.

By contrast, in societies where the legitimacy of the state is called into question, the 'rule of law' is or becomes an empty concept. There, property rights remain to be defined as well as distributed. The implication of such a 'formative' situation is that the state may in some cases tolerate various groups infringing on the property rights of other groups or individuals, or of the state itself; in other cases, it may not hesitate to infringe upon the rights of its own citizens; and in yet other cases, it may effect or encourage harsher responses to 'bottom-up' demands than would be necessary in societies with well-established legal and political systems, i.e., it may have little room for exercising a "dampening", "de-radicalising", or conciliatory role. The following hypothesis can, therefore, be formulated: *that the ways and extent in which issues are politicised in the housing sphere, as well as the limits circumscribing the relevant confrontations, appear to be causally affected by what the dominant pattern of rights is, and by how dominant it is, in the wider society.*

### SECTION 3: Local Soviet Housing vs 'Departmental' Housing in the USSR.

The case of housing in the Soviet Union is particularly interesting because it shows vividly the clash not simply (or even mainly) between two contrasting processes of (non-market) housing provision, but between two equally legitimate conceptions and patterns of rights. Although local soviets were repeatedly proclaimed masters of their territories, with a duty to provide housing to people, in practice this role of local soviets was minimised because of the urgency to industrialise fast at any cost.

Thus, in the run-up to the Second World War, industrial and transport enterprises, and government departments (hence the term 'departmental' housing), built far more dwellings than any other agency. The contribution of local soviets was correspondingly curtailed. From 1924/25 to 1927/28 the first three agencies accounted for 59.6% of public sector housing investment, while local soviets for 26.7% (housebuilding co-operatives contributed the rest). From 1928 to 1932, the respective figures were 78.9% and 14.8%; and from 1933 to 1937, 84.7% and 11.3% (Andrusz, 1984: 34). This trend meant that aesthetic, urban-infrastructure, and quality-of-life considerations were pushed aside as departmental agencies operated under a logic of economic exigency and expedience. Typically, this logic necessitated the use of housing as a reward or incentive attached to valued categories of workers (op. cit., p. 36), or as a penalty calculated to enforce labour discipline (p. 36). Even local soviets had to conform to this framework: they were legally obliged not to house people who had voluntarily left the state enterprises they worked for, or who had been evicted from their departmental dwellings because of work rule or

criminal violations. This piece of legislation was deliberately calculated to get round another statutory obligation of local soviets, namely, to provide people with living space (p. 36).

It was only around the late 1950s that the initial pressures to industrialise and satisfy very basic needs were mitigated, and attention began to focus on raising housing standards, improving the urban environment, and responding to higher and more varied local needs. As a result, the latent tensions between the local soviet and the departmental housing sectors (or tenures) increased. Local soviets could point to their legally and ideologically enshrined duty to be masters of their cities and towns (p. 47) more confidently and assertively than before, and demand that resources be given them to carry out that duty in both the housing and urban-infrastructure spheres. Conversely, state enterprises and departments could not easily shrug soviets' demands away, as they had so often done in the past. A real problem emerged as to whose 'property rights' over resources - the local soviets' or the departments' - would prove stronger (p. 45). The way the battle between vested interests in the two tenures - soviet and departmental - evolved during the post-war period, and up to 1975 at least, is shown clearly in the following example from the Russian Federal Republic:

"[L]ocal soviet control over the public housing sector declined from 45.6 per cent of overall living space in 1940 to 34.8 per cent in 1950 and 26.8 per cent in 1956. The decree of July 1957 began to reverse this decline and initiated the transfer of housing from state enterprises and institutions to local soviets. By the end of 1960, local soviets in the

[R.F.R.] controlled 32.4 per cent of the socialised housing stock. By January 1965 they had increased their holding to about 34 per cent. Yet a decade later the deputy minister for Housing and Communal Economy in the [R.F.R.] could only affirm that 'at present only 35 per cent of the socialised housing stock is in the hands of local soviets in the Russian Federal Republic''

(Andrusz, 1984: 55).

How is the battle going to end? Undoubtedly the age of perestroika opens up wider possibilities for articulation of political and consumer demands on the part of the citizens themselves - with or without the medium of local soviets. This new element changes the nature of the confrontation significantly. Considering that the struggle between the two tenures in the post-war took place through the Communist Party (which controlled soviets and enterprises alike), before Gorbachev came to power the issue of whether the narrower interests of the enterprises, or the broader ones of the soviets, would prevail, was discussed and fought over between two Party groups or tendencies - one representing the 'civil' demands of the soviets, and another representing the 'economic' demands of industry. These confines may now be breaking down. A successful perestroika may severely curtail the property rights of enterprises, and reinforce those of the soviets (or municipalities; or whatever other forms popular activity will generate). Such an outcome may at last make local soviets " a social and political force independent of and standing against industry whenever the latter violate certain presumptions on the nature of socialist society" (p. 79). At the same time, enterprises may find that despite their enjoying lesser rights than previously (e.g., housing their workers as cheaply as

possible, and damning the consequences), they will now "stand to gain economically from the more co-ordinated spatial planning policy which local soviets could implement" (pp. 79) if they exercised their new-found rights.

There is, however, another possibility: that the present upheavals in the Soviet Union may not simply lead to more rights being transferred from the enterprises to the soviets, as in a zero-sum game, but that another distribution of (and at the same a time different set of ) rights may take place. I have in mind recent moves to sell public dwellings to their tenants, and encourage substantially more private housebuilding than before (see chapter 6). Such developments mean that in effect private citizens stand to benefit from the new distribution of rights over resources, which apparently is taking place in the Soviet Union. Whether they will do so along with or even against local soviets, cannot be foretold. Either way, the role of local soviets in the housing sphere is likely to involve more co-ordination and planning and less direct and/or universal provision. At the same time provision itself may become less bureaucratic, more 'enabling', and more in the nature of welfare than it is presently. The expansion of private rights will have both decreased and transformed the rights of the soviets. (Possibly to the disadvantage of the poorer and/or weaker sections of society: Campbell (1983) has stressed that, on account of their non-universal character, welfare rights are not socialist rights.)

#### SECTION 4: Unauthorised Building in Greece.

The two examples from Britain and the one from the USSR have one thing in common: the successful upholding by a state of that set of property rights which is consistent with that state's official ideology. In Britain, these were the rights of private dwelling and factory owners, but also - by extension - the rights of LAs over their housing stock. In the USSR, these were the rights of state enterprises to obtain and use resources in preference to other agents, and also to use the allocation of housing as a disciplinary means.

The efforts of the Soviet state to uphold their favoured set of property rights were more direct and brutal than those of the British state, which were more indirect and subtle. The reason for the difference is simple. In Britain the ideology of the sanctity of private property rights, and of the rule of law, was securely established, enjoying both historical continuity and at least implicit support by the vast majority of the population. This 'climate' allowed, for instance, the 1977 criminalisation of aspects of squatting to appear as a dutiful *response* on the part of the state to legitimate demands and worries of the public. By contrast, popular support in the Soviet Union for the 'rights' of state enterprises to enforce their notions of discipline on the labour force, and more generally for the Soviet system as a whole, could not be taken by the state to be either 'natural' or secure.

There are circumstances, however, when a state may not be so successful in upholding the set of property rights that is consistent with its own ideology. This is likely to be the case where

a state's official ideology is not a 'representation' of the actual ideology that is shared by society at large, but some other ideology, and at the same time the state lacks the means, the will, or the reason to enforce resolutely its own ideology on society.

Such instances of relative 'impotence' on the part of the state have been manifested, for example, in large-scale land-squatting, as practised in many 'Third World' countries (Drakakis-Smith, 1981; Ward, ed., 1982; Angel et al., eds, 1983; Castells, 1983; Rodwin, ed., 1987). Another example is unauthorised building in Greece.

The case of Greece is particularly interesting because, although some squatting on state land has indeed taken place in Greece throughout the post-war period, sub-urban expansion has occurred mainly on land the new-comers had obtained legal titles to. At any rate, the right to landownership of the vast majority of urban immigrants has not been challenged. What has at times been challenged, what has been causing environmental and traffic problems, and what has been perceived as 'the' issue, has been the practice of unauthorised building (mostly on own land, I repeat).

Thus the Greek case diverges from the typical 'Third World' pattern in that it demonstrates (among others) a breach of planning regulations (such as they have been) rather than a land 'invasion' by landless peasants. The issue in Greece has not been about primary distribution of, or access to, land, but about how property rights should be interpreted once a basic right of private ownership had been firmly established. As a result, unauthorised building in Greece incorporates aspects that are reminiscent both of planning

problems faced by advanced capitalist countries, and of 'Third World' practices and politics. Let us look at it more closely.

Unauthorised building in Greece must not be associated exclusively with self-building. A lot of it has been, and is, of this kind; but a lot has been the result of contractual housebuilding. Neither has it been confined to the residential sphere: shops and warehouses, as well as restaurants and taverns along the Attica coastline, have often been established without planning permission. Finally, it has not been a 'solution' open solely to the underclass: villas have sprouted alongside one-storey, cubic dwellings made of concrete in rural parts of Attica or Salonica to provide week-end homes for rich and poor alike.

The extent of unauthorised building in post-war Greece cannot be overstated. For example,

"[i]n 1958 the area within the approved Master Plan for Athens was 174 sq. km., or 17,400 hectares. By the end of 1962, 21.6 sq. km. or 2,160 hectares of approved Master Plan were added. Approximately 45 sq. km. of built-up area fell outside the officially approved plan: of this, unauthorised residential developments cover approximately 35 sq. km. and the other 10 sq. km. are mainly authorised development areas of industrial and military expansion"

(Papageorgiou, 1972: 480).

In 1977 the government invited people who had built illegally to declare their properties, so as to have them legalised:

74,228 householders responded. In 1984 the exercise was repeated: 173,584 responded (Ministry of Planning, 1984). At the same time it is highly likely that not all who had built illegally came forth on either occasion. In time-honoured fashion, 'planning policy' in both instances, and despite the intentions of the Ministers concerned, did not go beyond the legalisation of unauthorised structures (Tsoulouvis, 1987). As soon as this was done, the planners and their political masters were content that they had solved the problem of unauthorised building.

Contentment would last until the real problems that an anarchically built and growing city throws upon its inhabitants re-asserted themselves - only to be rephrased as a problem of 'extending the plan' (on paper) in order to legalise more and/or new unauthorised structures. Needless to say, legalisation has tended to take place around election times, and involve Acts like the following (come to effect just before the 1977 elections):

"Unauthorised buildings or parts thereof within and outwith approved city or town plans [ ], which were built prior to Law 651/1977 [ ], are exempt from demolition, even if they countervene the requirements of existing planning rules, provided their owners [ ] submit [ ] declarations [etc.]"

Law 720/1977.

In fact, I would argue that the political impotence, technical ineptitude, and corruption of the planning function in Greece, have contributed to a situation in which unauthorised building is just the tip of the iceberg, and a convenient distraction. For, truly, what is the big deal of having something called 'Master Plan'

when

(a) it does not address problems of the quality of life and the structure of the city *within* its so-called 'approved' area,

(b) whatever its stipulations (if any!) about what *should* happen *within* the 'approved' area, they are not taken into account, or are even countermanded, by other Ministries, or by the government,

(c) there are no effective mechanisms for fruitful consultations between either government departments or citizens and the planning authorities prior to drawing the 'Master Plan', or for implementing its stipulations, or for monitoring the degree of its implementation, or even for gauging the actual state of the city at any point in time, and

(d) there are no general policy guidelines, targets or criteria by which to formulate aims for, and judgments about the performance of, the plan itself?

In other words, what has passed for city plans in Greece has been mainly one-off, cartographic, street-drawing exercises. In this respect the significance of unauthorised building, i.e., building outside the land-marking confines of the official plan, is mostly legal/financial<sup>1</sup> and political, and not real. It would have been real if somehow the development of the 'legal' city were more closely monitored and influenced, and the city itself better organised, less polluted, more livable than the 'illegal' city. But it isn't. The 'illegal' city may be poorer, and its structures smaller, but it is as

ad hoc, dysfunctional, and 'anarchic', and as much the result of expediency as the more voluminous, legal city. Foreign planners visiting Athens have often not appreciated the extent to which the town plans they are presented with by their Greek counterparts, sometimes in good faith, are hardly worth the paper they are drawn on.

SECTION 5: Non-repayment of Housing Loans in Greece.

This practice started a couple of years before the 1981 elections, and spread rapidly after PASOK came to power. It involved mainly borrowers nominated by the Workers' Housing Organisation (WHO). Some of these formed pressure groups, and began to publicise the 'rightness' of their cause (i.e., their 'right' not to repay housing loans they had received), lobby political parties, etc. This practice, like unauthorised building in Greece, does not mean that all, or even most, of the non-rePAYERS were or are necessarily destitute; certainly many were, and are, not even manual workers. Some were and are permanent employees of banks or other public sector enterprises (NMBG unpublished data).

WHO nominees received their housing loans (heavily subsidised by the state, and carrying fixed rates of interest) from the National Mortgage Bank of Greece, the biggest housing bank in the country (with about 69% of all housing loans in 1984). These loans, along with loans to earthquake victims and loans to persons named by the Ministry of Health & Welfare (MHW), were the 'social' loans of the Greek state, and were all managed by the NMBG for a nominal commission. They also got associated with increasing rates of non-repayment. By 1985 the NMBG felt it had no choice but to consider these loans as 'problematical', i.e., highly unlikely to be recoverable (Mandikas, 1985). At that time claims arising from those loans were equal to 56% of all housing loan claims the NMBG had outstanding - or 34% of total housing credit outstanding in the economy - or 4.9% of all private-sector credit outstanding (ibid.; Bank of Greece MSB, July 1987).

Although the problem of uncollectability of those loans was crippling the NMBG, and was a source of inflationary pressure on the economy, the government would not even consider simple legal measures whereby collection of the debts owed, or repossession of the dwellings, could be pursued (WHO, 1984). The essential thing needed was to bring the legal status of WHO and MHW loans on a par with ordinary mortgage-backed loans. This was not done. The government also felt it could not easily curtail the WHO programme because such an act might "create more than 500 thousand frustrated, angry voters" (WHO, 1985).

Eventually, with Law 1641/1986, the government promised amnesty to non-rePAYERS if they paid their *initial* debt through a 'rescheduling' scheme which the government arranged for their convenience. Still, the problem has not gone away. The upheaval has forced the Bank of Greece to cut back on the total amount of housing credit that specialised institutions or banks can extend, and also to curtail the proportion of 'social' loans in the total - much to the dismay and opposition of the central government.<sup>2</sup>

\* \* \* \* \*

Already the contrast between Britain and Greece in terms of the extent to which households can or cannot get away with law-breaking is striking. Whereas aspects of squatting were eventually criminalised in Britain (and the practice has never really caught on, anyway), unauthorised building AND non-rePAYMENT of housing loans have occurred widely, and, more importantly, been *tolerated*, in Greece. Both countries are broadly capitalist, sharing a belief in, and having laws

upholding, private property. They are also broadly democratic, enjoying parliamentary elections at most every five years, freedom of the press, and - ostensibly - equality before the law. Yet aggressive acquisitive practices flouting the law in the housing sphere are far more pronounced, widespread, and effective in Greece than in Britain. In effect, property rights are defined differently in the two countries. For this reason they enable certain housing processes and constrain others in each country - or in the Soviet Union, or anywhere else. For example, the speculative housebuilding mode of Britain could not have grown the way it has, if large groups of people had taken it upon themselves to 'colonise' the land that developers have bought and used over the years for landbanking purposes. Conversely, if the Greek state had upheld private and public property rights in a truly rigid and formal fashion, owner-occupation in Greece would have probably been significantly less than it is, and capitalism in the housing sphere far more securely established.

In the next chapter I examine reasons why property rights are defined differently in Greece and Britain. I also ask what the implications of differences in the meaning of property rights are for the housing systems of the respective countries.

FOOTNOTES TO CHAPTER 8

1 For example, owners of unauthorised structures (i.e., outside the formal city plan) cannot mortgage their properties in order to obtain loans.

2 Traditionally the Bank of Greece (with the exception of the colonels period, 1967-74) has pursued, and insisted on, sounder economic and monetary policies than the central government. To a large extent this has been the result of the bank enjoying relative immunity from the type of short- to medium-term political exigencies that professional politicians in Greece tend to succumb to.

CHAPTER 9

*The 'Rule of Law' and Variations in Private Property Rights:  
Britain vs Greece.*

SECTION 1: An Introduction.

SECTION 2: Britain: The 'Control' Variable.

SECTION 3: Greece: The 'Test' Variable.

CHAPTER 9: The 'Rule of Law' and Variations in Private Property

Rights: Britain vs Greece.

In this chapter I show how property rights which are manifested in the housing sphere are related to broader, societal patterns of property rights. I achieve this by contrasting two quite different capitalist countries, Greece and Britain. This is a more interesting comparison than, say, between the Soviet Union (perhaps before *perestroika*) and a capitalist country, because it can show how 'grassroots' activity and local political conditions can affect the meaning of property rights, and the evolution of the housing system, even when two countries otherwise share the same fundamental economic orientation.

SECTION 1: An Introduction.

In advanced capitalist countries private property rights are interpreted and reinforced by means of the ideological concept of the 'rule of law'. This is

" at once a description of the structure of the State and an ideal. First, it symbolizes a commitment to the preservation of the neutrality of the State between classes and interest groups. [ ] Second, the laws are sovereign in their determination of the issues of who should hold political power and how it can be exercised. [ ] Finally, the laws are available and capable of being readily understood, and are enforced according to their obvious meaning"

(Collins, 1982: 135).

Authors like Hayek (1944: 54-65) and P. Johnson (1984) suggest a strong correlation between the presence of the rule of law and the presence of market, and specifically capitalist, relations. The latter are assumed to be expressed in the private property rights traditionally and currently practised in the first countries to become capitalist, and in all advanced capitalist countries to-day. Admittedly, not all such countries have always adhered to the rule of law (cf. Nazi Germany). But there seems to be a long-term tendency towards establishment or restoration of the rule of law wherever market mechanisms and/or capitalism are found or encouraged: hence, for example, "Gorbachev's search for the rule of law" in the era of perestroika (Hermann, 1988).

Having accepted that capitalism and the rule of law have tended to appear together, and even facilitate one another, it does not follow that one need always be a condition of existence for the other; or that once the one is there, the other is inevitable. The experiments going on in some state-socialist societies presently may lead to co-existence between variants of the rule of law, and of private property rights, with forms of social organisation in which citizens will hold (certain kinds of) political power directly and statutorily. Political power might be used to prescribe and delineate fields and ways in which enterprises could operate capitalistically, but would not seek to 'move the goalposts' if certain outcomes were not liked by specific groups or individuals: grassroots democracy would be exercised in accordance with the 'rule of law'.

A more immediate concern is to demonstrate that private property rights (a) can co-exist with various degrees of

adherence to the rule of law, and (b) have different meanings, depending on how closely they approximate an established ('time-honoured') conception of the rule of law (as is found in Britain, for example). Whatever the case may be, the practical implications and consequences for housing system dynamics and for housing outcomes, of such changes in the meaning of private property rights, can be enormous. Let us compare Britain and Greece.

SECTION 2: Britain: The 'control' variable.

Britain (not just England) has traditionally shown a very high degree of integration between its conception of private property rights and the ideology of the rule of law. I think that one important reason for this has been the fact that she did not experience a clear break with her feudal past:

"The social and the economic histories of England until the twentieth century largely converge around, or could be written in terms of, [the] rent relation. The fact that from quite early times the rent relation assumed the form of payments of money is one fundamental reason why it is so difficult to pinpoint the 'moment' when England can usefully be said to have undergone the transition from 'feudalism' to 'capitalism'"

(Murphy & Roberts, 1987: 55).

As a result the emergence of private property rights went hand-in-hand with the preservation of traditional (feudal) notions of authority and subordination. The subsequent definition and exercise of private property rights was therefore bound to incorporate such notions. This was achieved by means of the capacity of the 'landed interest' to enjoy and exercise a very high degree of political and legislative power almost up to 1870. "Politics was still in the middle of the century 'to a remarkable extent the plaything of the nobility and gentry'" (Ryder & Silver, 1970: 64; quoting Clark Kitson, 1962).

I will produce two pieces of evidence to

substantiate this point. *First*, the franchise in Britain was extended very gradually, and at each stage it was linked to amount of property owned. For example, although the 1832 Reform Act "enfranchised a quarter of a million new property-owning voters" (Ryder & Silver, 1970: 73), the proportion of voters as a percentage of the population aged over 20 years was just 7.1% (p. 74); the 1867 Reform Act "gave the suffrage in boroughs to all householders and to lodgers paying ten pounds a year or more, and added one million voters to the registers" (p. 74), but the proportion of voters in the population aged over 20 years increased to a mere 16.4% (p. 74).

In contrast to what happened in Britain, all Greeks over 25 years of age who were "owners or practising a craft in rural areas" were given the vote as early as 1844 - i.e., 12 years after Greece re-established national boundaries. The franchise was extended in 1864 to all male Greek citizens over 21 years of age (Eleutheroudakis, 1929, vol. 5, p. 148). This instance of 'early parliamentarism and late industrialisation' (Mouzelis, 1986) is part of the explanation behind the rise of populism and political paternalism in Greece (Mouzelis, 1978), and the attendant substitution of politicking for law-abiding in the country.

*Second*, in Britain competitive examinations in the civil service were introduced only after 1854; until then, the latter was characterised by "aristocratic patronage and domination" (Ryder & Silver, 1970, p. 65). On reflection, a civil service enjoying such a 'heritage' was bound to be less susceptible to, or the object of, the kind of 'mob' or 'political clientele' pressure that from Independence times has caused the Greek civil service, for example, to become an

instrument which the government of the day uses directly in order to curry favour with, and at the same time manipulate, sections of the public (Tsoucalas, 1983, 1986). As a result the British civil service has been overall less tolerant of law circumvention, better positioned to uphold the principle of equality before the law, and inclined to show less favouritism, than the Greek civil service.

The implications of these differing traditions for the state of the rule of law in the respective countries can be appreciated better by looking at the following two contrasting cases from Britain and Greece:

*Case 1:* The voluntary National Code of Local Government Conduct in Britain states that prior to approving development schemes, or awarding contracts, any LA officials involved in the proceedings must declare whether they have any familial ties with the applicant(s). The Code specifies that "even where no pecuniary interest is involved, 'kinship can sometimes influence your judgement and give the impression that you might be acting for personal motives'" (Macrae, 1989). Because such a code of conduct exists, the apparent failure of Highland Region's planning chairman, Councillor Francis Keith, to reveal that he was the brother of a director of a construction company recently awarded a big contract by the Region, caused a major uproar, as soon as it came to light in August 1989 (op. cit.).

*Case 2:* Such a code of conduct is absent from local planning offices and authorities in Greece. The results are predictable. In the municipality of Myrina, capital of the Aegean island of Lemnos, the head of the local planning office took part in

preparing a new town plan, which she eventually submitted to the Myrina council and to the Ministry of Planning. Both authorities accepted her recommendation, and approved the plan: the council because it was dominated by the local PASOK party, with which the sister of the head of the local planning office was very influential; and the Ministry because it relied on the Myrina planning office for information.

The plan was drawn in such a way as to make the value of certain plots and buildings owned by members of those sisters' extended family appreciate. They did not even hesitate to take away - on paper - bits and pieces of gardens and yards owned by many other people, in order to further their families' aims; neither did they hesitate to slaughter the traditional physiognomy of parts of Myrina while they were about it. Fortunately, the plan was withdrawn - for the time being at least - after a lot of people rallied against it. This happened in January 1989. An important reason for their success must have been that national elections were to be held next June.

The proposition that emerges from the above discussion is that the 'rule of law' in Britain is more securely established than in Greece.<sup>1</sup> It is this 'fact' which informs the content of private property rights in Britain (recall chapter 8), and lends them strength. It is also this particular combination of the 'rule of law' with private property rights that explains, in my view, the following three general 'facts' about the British housing system.

*(a) Housing processes in Britain, whether market or non-market, have been in the nature of 'provision' rather than 'acquisition'. Housing has been provided to households either through*

an anonymous market or by an often bureaucratic local state. Most households have had little or no control over the building and financing process. Having said that, I can also accept that in the last 100 years or so many households' control over their housing situations has increased markedly in relation to what had gone before: I can accept, for instance, that political pressures that have resulted in more sanitary cities and the introduction of minimum housing standards represent an indirect form of 'grassroots' control.

One area where there might be room for more household control to-day concerns the aesthetics of many dwellings, estates, and neighbourhoods. The overwhelming impression one forms by walking through many residential areas (both good and bad) in British cities and towns is how monotonous, standardised, and even dreary the landscape looks. One reason for that has to do, of course, with cost-cutting. Another, however, is the obligation to conform to certain standards set by the local authority. This, I suspect, is at least in part a reflection of the need (felt by various interest groups) to preserve a basis of comparison for estimating house prices: so that buying and selling can be 'rationalised' and facilitated, and, most importantly, building societies and banks know where they stand when they accept mortgages.

Self-build housing is another area where households have little or no control presently (see footnote 11 to chapter 6). Access to land is a third. The 'rule of law' and strong established property rights in Britain have in effect removed land-squatting (even on state land) from the realm of the politically possible, or of the practically feasible. Typical 'acquisition' housing processes - like

sub-urban land colonisation and unauthorised building, which have marked the housing histories of Greece and many other countries - have been virtually non-existent in Britain.

(b) *Capitalist processes in the private housing sphere have been preserved and even been enhanced, albeit in altered forms.* Public housing and rent controls may have been a victory for the working class, and a defeat for private landlordism, but have also served to direct attention away from a socialist restructuring of the entire housing system. Such restructuring might, for instance, have included land nationalisation without market- or development-linked compensation, more democratic control over the planning process, formal as well as sustained training of the construction labour force (Ball, 1983).

In other words, public housing provision and rent controls were institutionalised *in addition to* rather than *against* the set of property rights that in effect allow one to speculate with land and buildings (remember, there is no capital gains tax in the vast majority of dwelling sales in Britain), to create and hold landbanks (within certain limits), to stop or delay the release of more land for housebuilding, etc. Whether such rights should be curtailed, how, and by whom, is a moot point. It could be argued that some of their consequences are detrimental to the interests of the homeless, or the poor, for example. At the same time it must be pointed out that whereas the private property rights of 19<sup>th</sup> century private landlords gained strength and meaning by that group's political power, and were concentrated within that group, nowadays private property rights, as they pertain to the housing sphere, are much more widely distributed -

chiefly because of the growth of owner-occupation.

(c) *Traditionally dominant class interests have in places continued to prevail over the need to house the working class.* In their excellent study of property and political paternalism in Suffolk, Newby et al. (1978) have shown how established farmers and rich newcomers had consistently managed to frustrate proposals for more housebuilding in their areas. They achieved this by means of their control of most of the local councils - to which they were elected precisely because of their success in patronising the local working class. The following extract from the 1966 Survey of the Dedham Vale, prepared by the Suffolk and Essex planning authorities, serves to illustrate that achievement:

"In our view, the traditional peace and tranquillity of the Vale depends on keeping the population scale more or less the same as it is today. Natural increases from within the Vale should not necessarily be housed within its villages. [ ] The existing and anticipated future demand for housing is not accepted as an over-riding justification for further large-scale land allocations for residential development ... No further private or public estate development will be permitted"

(quoted in Newby et al., 1978: 251, 253).

Considering the destruction of many traditional rural and city sites and buildings that anarchic, individualistic development has brought about in Greece, I am not altogether dismissive of the sentiments and aims implicit in the above extract. Again, what

needs to be underlined here is how traditional relations of authority and subordination, within an overall 'rule of law' context, served to define and strengthen the private property rights of those who happened to own landed property in parts of rural England. This was so to such an extent that new homeless households had in fact had to migrate (Newby et al., 1978), rather than challenge the local relations of power - by squatting, for instance.

SECTION 3: Greece: The 'test' variable.

In Greece private property rights, although absolutely compatible with market relations and a market economy, have developed and are often exercised in defiance of law and state, or even the legally and morally legitimate interests of other people (regarding environmental consequences, for example). The reasons are not hard to find:

(1) *Greece has not experienced a feudal past, whether before, during, or after Byzantine times (Anderson, 1978, 1979). The local nobility, which might well have established a feudal system given more time, was swept away by the Ottoman conquest of Asia Minor and the Balkans in the 14<sup>th</sup> and 15<sup>th</sup> centuries, an event which also served to reassert the supremacy of the central state.<sup>2</sup> The latter was the main mediator and holder of power in Byzantine as well as Ottoman Greece, its main economic interest being the collection of taxes.*

One consequence of the liquidation of local aristocracies as a result of the Ottoman conquest was

"an actual regression to clannic institutions and particularist traditions among the Balkan rural population ...  
[a] general relapse into a patriarchal localism"

(Anderson, 1979: 373).

The liquidation of the local nobility and the socio-cultural 'regression' that followed it go some way towards explaining why modern Greeks lack a tradition of acceptance of, and submission to, elitist authority and strict rules, which a rigid social and political hierarchy might have made them accustomed to (the Ottoman authority

structure did not provide a substitute partly because the Ottomans were alien conquerors, and partly because they were themselves subjects of, and dependent on, the Porte). Instead, Greeks have entered into a love-hate relationship with the central state. Most Greeks detest it, yet yearn to join the public sector; try to cheat it all the time, but miss no opportunity to demand favours from it (Tsoucalas, 1983, 1986; Moschonas, 1986; Tsoulouvis, 1987).

Another consequence of the Ottoman conquest and the absence of a feudal past was that landed property in modern Greece was eventually very widely distributed. For, as the country was liberated (1821 - 1913),

"Turkish landlords normally and comprehensibly decamped with the troops that had guarded them, abandoning their estates to the peasants that had tilled them"

(Anderson, 1979: 393).

At the same time the modern Greek state, by proclaiming most of the land abandoned by Turks to be 'national land', made it difficult for private persons to become big landowners, and for a landowning 'class' to emerge and establish itself as such. Even some big estates that a few wealthy Greeks bought from departing Turks - for example, in Thessaly - after 1881, were subsequently liquidated with the 1913-1923 agrarian reforms.<sup>3</sup>

On the other hand, the fact that the modern Greek state became the largest nominal landowner in the country (with perhaps as much as 58 per cent of the total agricultural area around the middle of the 19<sup>th</sup> century<sup>4</sup>) allowed successive governments to engage in a privatisation exercise (i.e., to allocate or endorse landownership

rights to multitudes of peasants) that spanned more than 160 years.<sup>5</sup> The same fact also served to encourage the pattern of paternalistic politics which in altered forms has been carried over to the present.

(2) A second reason for the way private property rights in Greece are exercised has to do with *the early suffrage*, which, as I have already pointed out, was granted to most male Greeks almost since conception of the modern Greek state. This fact, together with the nominal landowning role of the early modern Greek state, made it both possible and necessary for a large section of the agrarian population to rely on the political rather than the legal system in order to acquire or strengthen their rights of landownership. In turn, this helped create a political tradition and 'culture', that has underpinned the process of definition of property rights in Greece ever since.

(3) A third reason is that *the public administration apparatus (the civil service) of the modern Greek state has not been manned by members of a pre-existing dominant class or elite, but by members of the general public*. The latter, in order to gain access to the public sector, and hence to a small but secure income, have only had to show support for the 'right' politician, the 'right' party, or the 'right' ideology.

(4) A fourth reason is *a tradition of populist and/or paternalistic politics*, along with a belief (mostly justified through experience) that formal laws are less important than having the right connections and/or political power.

**Table 9.1: Structure of Agriculture in EEC-12.**

	% of Agric. Employment (1986)	% of Agric. Holdings LT or E 2 ha (1985)*	% of Agric. Holdings GT or E 20 ha (1985)&	Aver. Holding Size (1985)	% of Agric Area Owner-farme (1977)
	1	2	3	4	5
Belgium	3.2	25	24	13 ha	78.3
Denmark	6.0	2	54	14	97.3
France	7.6	14	45	27	87.2
Germany	5.0	16	28	16	95.7
Greece	28.5	46	2	4	80.5 <sup>\$</sup>
Ireland	16.1	5	39	23	99.9
Italy	10.5	54	5	6	90.8
Luxembourg	3.8	14.5	52.8	28.6	NA
Netherlands	5.1	19	27	15	83.6
Portugal	21.5	74	2	4	NA
Spain	16.2	36	12	13	NA
UK	2.2	10	56	65	76.8
EEC-12	8.1	39	16	13	

Sources: (1) Eurostat, 1988: 164-5;  
 (2) (3) (4) Eurostat, 1987;  
 (5) Eurostat, 1983: 250.

Notes: \* Less Than or Equal to;

& Greater Than or Equal to.

<sup>\$</sup> This is a misleadingly low figure to the extent that many peasants cultivated land over which they might not have had formal titles (e.g., 'national', i.e., public, land), but were nevertheless effective owners, i.e., the landlord - tenant relationship was virtually absent or very weak. Cf. footnote 5 in p. 266.

These four factors have in turn helped reproduce and reinforce two seemingly incompatible things: (a) a set of very 'individualistic' private property rights, whose exact nature and limits are determined more by the kind of political assets individuals can bring to bear in any particular situation, and less by laws that are applicable to all; and (b) a patronising, favouritist state. This combination is not only obviously inimical to the 'rule of law', and the emergence of a meritocratic society, but also to the expansion of capitalist relations proper - a point of consequence for the dynamics of the Greek housing system (cf. chapters 11 and 12 on the rented sector).

The extent to which Greek capitalist development has been held back by the above combination can be manifested in a comparison of EEC agricultural structure and employment patterns. These patterns are highlighted in Tables 9.1 and 9.2.

It can be seen there that, as late as 1986, Greece had by far the largest proportion of employers and self-employed in the economically active population, the smallest proportion of employees, and the largest proportion of family workers in the EEC-12. In 1986 she also had the largest proportion of working population in agriculture, and, along with Portugal, the smallest proportion of large holdings (2%), and the smallest average holding size (4 ha). Finally, Greece's proportion of owner-farmed agricultural area c. 1977, although one of the lowest in the EEC-12, was in reality quite higher than the nominal 80.5% of Table 9.1. The reason is that a large part of the land not owned directly by the tillers in Greece is public (as opposed to being rented from private landowners). Since peasants who use nominally public land in Greece pay only a token rent, if any, to the state, this

Table 9.2: Employment Structure of EEC-12.

	% of Employers & Self-employed in Labour Force	% of Wage-earners in Labour Force	% of Family Workers	Public Admin. Employees as % of All Employees	
	1986 <sup>*</sup>	1986 <sup>*</sup>	1986 <sup>*</sup>	1983 <sup>\$</sup>	1986 <sup>&amp;</sup>
Belgium	15.5	80.9	3.6	11.3	12.1
Denmark	9.4	88.5	2.2	7.3	8.4
France	12.7	83.4	3.9	10.2	11.1
Germany	9.1	88.1	2.8	11.2	9.8
Greece	35.3	49.3	15.4	10.6	12.0
Ireland	21.6	76.2	2.2	8.0	8.2
Italy	23.9	71.0	5.2	10.8	14.8
Luxembourg	9.0	89.1	1.9	9.7	9.7
Netherlands	10.7	89.3	---	8.1	NA
Portugal	26.2	68.8	5.0	NA	10.0
Spain	22.6	70.6	6.8	NA	7.8
UK	11.5	88.5	---	7.1	6.5
EEC-12	15.5	81.0	3.5	NA	NA

Sources: \* Eurostat, 1988: 130;  
 \$ Eurostat, 1985: 105;  
 & Eurostat, 1988: 168-9.

land is effectively theirs (after all, their agricultural income is not taxed).

Another remarkable fact is the size of the public sector in Greece. With the lowest proportion of wage-earners in the EEC-12 (Table 9.2), as well as with one of the lowest figures for public spending on health as a proportion of GNP in the entire OECD,<sup>6</sup> Greece has one of the highest proportions of public administration employees in all employees in EEC-12 (10.6% in 1983, and 12.0% in 1986 - Table 9.2). Notably these figures do not include employees of state-owned organisations, banks and insurance companies (most of whose employees enjoy effective security of tenure), 'lame ducks' under state control, enterprises in which the state has minority interests, teachers, and officers of the armed forces. If all of them were to be included, nearly 30 per cent of all wage-earners would be shown to depend on the state.<sup>7</sup> That figure, I believe, had gone up to around 35 per cent by the end of 1989. At the same time the budget deficit was nearly 20% of GDP, and cumulative public debt had mounted to more than 100% of GDP (McDonald, 1989).

The strength of smallholders' interests in Greece can also be gauged from international comparative figures on the size of the average retail shop, in terms of manpower employed. While one would intuitively expect that Greece would have lower figures than, say, Britain or Sweden (both far more developed capitalistically than Greece), it appears that c. 1983 her average retail shop employed fewer employees than Italy and Argentina as well (countries which in many respects resemble Greece - cf. Cole, 1979, esp. pp. 211-15):

Country	Number of Employees of Aver. Retail Shop	Population per Retail Shop <sup>8</sup>
Greece	1.78	60.65
Italy	1.87	58.04
Argentina	2.08	62.69
Sweden	5.43	143.55
UK	10.40	247.17

(Source: Tsiambas, 1986: 35).

I will not get into a discussion of how exactly the Greek employment pattern has come about, or how it is sustained. Suffice it to recall the combined influences of a paternalistic state, early universal suffrage, and a wide landownership distribution. Moschonas (1986), Tsoucalas (1983, 1986), Tsoulouvis (1987), and Mouzelis (1978, 1986), among others, have studied aspects of the phenomenon already: For example, Moschonas has focussed on the political power of small to medium traders and artisans, Tsoucalas on public sector employment and, generally, the dominance of the state in Greece, Tsoulouvis on the planning system, and Mouzelis on the history of Greek populist politics. What I wish to underline is the nature of Greece as a 'smallholders', market-oriented, and at the same time statist,<sup>9</sup> society. Whatever its origin, this system is bound to reproduce and enhance individualistic AND politicised interpretations of property rights.<sup>10</sup>

It is simple - and correct - to say that in the housing sphere these property 'rights' have been manifested - and

resulted - in the practices of unauthorised building, non-repayment of housing loans, breaching building regulations, and - importantly - a very timid state policy on compulsory purchase (EKKE, 1985). It is also true that the kind of laissez-faire economic activity that these practices and policies imply are a primitive capitalist's dream. Closer scrutiny, however, reveals that at least in the housing sphere such a situation is inimical to the development of capitalism.

The main reason is that the wide distribution of landownership, and the relatively easy access to peripheral urban land associated with a 'Greek' pattern of rights, limit the potential demand for a capitalist's services - whether as a landlord or as a speculative builder. A market presupposes an unequal distribution of desirable goods for exchange to become feasible. Capitalism, in turn, presupposes the market (as a necessary, not a sufficient condition). To invest in the housing sphere, capitalists also need to ensure rates of profit comparable to those obtained elsewhere in the economy. Considering the long time-horizon for investment in physical structures, the best way to ensure that, is to utilise or establish a situation of scarcity, i.e., the housing commodity must be in some sense monopolised. These conditions are only patchily satisfied where the basic ingredient of shelter, namely, land, is more-or-less widely distributed or accessible over a relevant travel-to-work-area (like Greater Athens-Piraeus). As a result capitalism in housing in that area can only expand slowly and with difficulty.

The post-war development of the Greek housing system demonstrates this. Speculative housebuilding in Greece has operated almost totally through the 'exchange-arrangement'. This means a deal

**Table 9.3: New Buildings, Four-storey High Or More, On the Basis of Permits Issued (number and percentage of total in each category).**

Year	Greece		All Urban Areas		G A P	
	N#	Per cent	N#	Per cent	N#	Per cent
1966	2,034	5.2	2,024	13.6	1,406	19.4
1967	1,545	2.7	1,256	9.2	833	13.5
1968	1,970	2.7	1,920	12.5	1,181	18.4
1969	3,301	4.7	3,212	20.1	2,172	28.8
1970	3,123	5.3	3,045	18.5	1,914	27.5
1971	3,568	5.6	3,491	18.6	2,225	25.6
1972	5,459	6.6	5,347	21.3	3,550	32.4
1973	5,572	6.0	5,429	17.2	3,272	28.5
1974	1,721	3.4	1,635	12.9	987	18.2
1975	3,533	6.1	3,451	19.3	1,840	26.1
1976	4,697	8.9	4,602	28.0	2,699	39.7
1977	6,495	11.4	6,281	33.1	3,408	44.9
1978	7,725	12.7	7,486	32.8	4,786	47.4
1979	7,141	10.9	6,875	29.1	3,844	40.1
1980	3,624	6.2	3,387	19.7	1,758	30.8
1981	2,144	3.8	2,039	13.6	1,099	27.1
1982	1,830	3.2	1,719	13.1	947	23.5
1983	2,359	3.8	2,238	14.5	1,190	24.7
1984	1,630	4.2	1,553	15.1	742	25.0
1985	2,085	4.6	1,992	16.7	980	27.4
1986	3,000	6.3	2,892	19.9	1,433	29.9
1987	3,104	6.9	2,957	20.1	1,430	27.7
1988						
1989						
1990						
1991						
1992						

Source: NSSG: various Yearbooks.

Notes: 1967-74: period of fascist dictatorship. 1974: Turkish invasion of Cyprus, general mobilisation, fall of the junta; speculative building activity drops dramatically. 1978-79: introduction of rent controls; immediate impact on speculative building activity.

G A P stands for Greater Athens & Piraeus.

between a plot-owner and a builder, whereby the former receives a certain proportion of the created floorspace (in practice, 2 to 4 flats, depending on the size of the plot and the permitted floorspace ratio) for allowing the latter to build on the plot: i.e., brick and mortar are exchanged for part of the landownership rights applicable to the plot. Needless to say, for such deals to make economic sense, the builder has to erect high-rise buildings, at least four-storey high (and partition them into as many flats as possible).

Table 9.3 contains the numbers of permits to erect buildings four-storey high or more, issued in Greece as a whole, in all urban areas, and in Greater Athens & Piraeus, as well as their proportion in the total numbers of building permits issued, from 1966 to 1987. It can be seen that in none of the three levels of aggregation did the proportion of buildings four-storey high or more reach even half of the total number of authorised buildings. The highest figure achieved during the period was 47.4%, in GAP in 1978. Unauthorised building activity was, of course, almost completely non-speculative.

As expected, the proportion of speculative building activity in Greece as a whole was significantly less than in all urban areas, and in the latter it was less than in GAP. What is also striking is that after 1978 speculative activity, as a proportion of total, tumbled back to lower levels - one result of the introduction of rent controls. Although that was not the result that policy makers had ostensibly intended to achieve, the fact that it was indeed a setback for capitalism in the housing sphere, was precisely what made a majority of people in GAP - tenants as well as owner-occupiers - support rent controls. I investigate this topic at great length later. I show there

**Table 9.4: Population, Urbanisation, and Tenure in Greece, 1951 - 1981.**

Year	Population (m.)	GAP/T <sup>£</sup>	Inhabitants per sq. km. in GAP	Increase in Density (1951=100)	% of Households Owner-occupying & Occupying Rent-free		
					Year	Greece	GAP
1951	7,633	18.1%	3,221	100.0	---	---	---
1961	8,389	22.1%	4,339	134.7	1956/7	83.0 <sup>\$</sup>	60.8 <sup>\$</sup>
1971	8,768	29.0%	5,949	184.7	1974	73.1	56.5
1981	9,740	31.1%	7,090	220.1	1981/2	74.7 <sup>*</sup>	60.0

Sources: NSSG 1977 and 1985 Yearbooks; *E Nea Oeconomia*, 1957a; 1957b.

Notes : <sup>£</sup> GAP/T = Greater Athens & Piraeus into Total population.

<sup>\$</sup> Estimation, given that: (i) the proportion of owner-occupation (and rent-free occupation) in non-rural Greece was 65.1% (from Table 11.3 of this thesis), (ii) the non-rural population (i.e., cities & towns of more than 5,000 inhabitants) was approximately 40% of the total, and (iii) owner-occupation among the peasants was virtually universal (say, 95%).

<sup>\$\$</sup> Data refer to the Neos Cosmos working class - lower middle class neighbourhood near the centre of Athens. This place could be reasonably taken to represent the tenurial composition of the GAP population (see p. 310 of this thesis)

<sup>\*</sup> Of which about 8.7% were owning-purchasing (Pirounakis, 1987: 51). The rest were outright owners.

Figures on owner-occupation include small percentages (around 2 per cent) of households who occupied rent-free (predominantly relatives' homes).

how the dwelling ownership pattern, and the housing processes most people in Greece have engaged in, made this kind of political support for rent controls, and their attendant deterrent effect on capitalism in housing, inevitable.

This should not really be surprising. Already there is an extensive - and growing - literature on the economics of institutions (Matthews, 1986; Coase, 1960; Posner, 1977; Williamson, 1985; et al.), how, that is, different institutions lead to different economic outcomes. Some authors, in fact, identify alternative economic institutions with, precisely, alternative systems of property rights (Coase, 1960), or define institutions as "sets of rights and obligations affecting people in their economic lives" (Matthews, 1986: 905). The dynamic of the Greek housing system, which appears as a struggle between capitalist and non-capitalist housing processes, is underpinned precisely by the Greek pattern of property rights, namely, a widely distributed land and dwelling ownership (Appendix II), and an individualistic and politicised interpretation of what one can or cannot do with one's property.

The strong bias of the Greek housing system towards non-capitalist, 'acquisition'-oriented housing processes (like self-help and contractual building, whether unauthorised or not) is one outcome of that pattern of rights. Another outcome of these demonstrations - and/or consequences - of the 'Greek' pattern of property rights, facilitated by rises in real incomes in the 1960s and 1970s, and a cultural preference for owner-occupation, is that the proportion of owner-occupying households remained high (never less than 65%) - both nationally and in urban areas - from the end of the civil war down to

the present (Table 9.4). The significance of this fact is all the greater if one realises that during this period, Greece underwent rapid urbanisation (Table 9.4). In other words, modern Greece was urbanised and experienced her version of capitalism without either the private (or a public) rented sector, or the big, speculative, landbanking builder/developer becoming dominant - something that cannot be said of the urban histories of the advanced capitalist countries. Even more remarkably, post-war Greece has managed to achieve what is probably the highest proportion of second homes in Europe (see Appendix II).

The Greek post-war housing experience can be depicted as the uneasy co-existence of three major housing processes - one 'informal', non-capitalist, 'acquisition'-oriented (non-contractual forms of 'self-help'); another 'formal', non-capitalist, and again 'acquisition'-oriented (contractual housebuilding); and a third, which, while mostly 'formal', has been increasingly capitalist and of course 'provision'-oriented (consisting of provision of 'landlord' services, accumulation of dwelling wealth through the 'exchange arrangement' - see p. 23 & pp. 250-51 -, etc.).

The co-existence of these processes - their antagonism and complementarity - has been circumscribed by two sets of property rights: one consisting of formally established rights, delimited by respective obligations, and another consisting of a mixture of established rights and 'contestable' ones, i.e., claims. Speculative builders, plot-owners within approved city-plan areas, and many others with the economic means to build or buy within those areas, have of course supported and utilised mostly the first set of rights in their efforts to house themselves or others. By contrast, many without such

means, and others who have simply found it possible and convenient to do so, have sought to expand the definition of landownership rights, and make it include the effective right of a plot-owner to get away with building a dwelling in his plot even if it is outside 'the plan'. Countless others, whether owning land within or outwith the plan area, have housed themselves or built holiday homes by countervailing one or more building regulations.

Rights are or become 'established' or 'contestable' depending on how the political and legal system treats them. In effect, this involves questions relating to the nature of the state, the form of government, and what the official ideology of the state is. These issues are taken up in the next chapter. What I have done so far is to show

- \* how the Greek rights pattern contrasts with the British tradition and meaning of property rights;

- \* how these differing traditions have come about, and how they have influenced housing processes in the two countries;

- \* that in Britain it is the ideology and practice of the 'rule of law' which defines property rights;

- \* while in Greece direct politicking at grassroots level, and a weak authoritarian state are part and parcel of their definition.

<sup>1</sup> This does not mean that British authorities never do anything that is, strictly speaking, illegal. An example is Neil & Annette Crompton vs Westbury Homes (Wales) Ltd (*The Independent*, 03.01.1987). The dispute started when the company built two detached homes at the side of the Cromptons' plot. The new houses were higher and closer to their property than on the agreed plans (1.8 m. further north and 1.8 m. higher). After many actions and hearings, the Welsh Office inspector who decided the appeal "confirmed that planning permission should have been obtained by the company before the houses were re-sited" (op. cit.). Nevertheless, he concluded that "[i]t would not be in the public's interest at large to require the demolition of the two dwellings and the restoration of the land to its former level" (ibid.). This ended the matter, while raising a question as to "how sacred are planning rules?" (ibid.).

Instances like this are, however, few and far between in Britain.

<sup>2</sup> "For Ottoman political theory, the cardinal attribute of sovereignty was the Sultan's unlimited right to exploit all sources of wealth within his realm as his own Imperial Possession. It followed that there could be no stable, hereditary nobility within the Empire, because there was no security of property which could found it"

(Anderson, 1979: 365-6).

- 3 The biggest single transfer of land to the peasants occurred in 1917-18. It involved 703,000 ha (Rokos, 1982: 101), approximately 20% of the total agricultural area.
- 4 Estimation on the basis of Rokos, 1982, p. 100, and NSSG 1985 Yearbook, p. 151.
- 5 As late as 1981, 19% of the total agricultural area of Greece was still nominally public (NSSG 1985 Yearbook, p. 151). Giving land and/or legal title over land to peasants was still going on in 1985. In that year a programme was launched for the free distribution of 6,507 ha to landless peasants (*Ethnos*, 25.04.1985a). On the same day a news item in small print read that "[a]bout 300 families of the Municipality of [ ] obtain legal titles to the building plots to which the state had transferred them after the 1984 earthquake" (*Ethnos*, 25.04.1985b). News like this do not make headlines in Greece.
- 6 In 1980 these figures were: for Greece, 3.5%; for the USA, 4.1%; for Britain, 5.3%; for Italy, 8.1%. Source: *The Economist*, 03.07.1982: a survey of Greece, p.10.
- 7 Calculations based on Tsoucalas, 1986; *Oeconomicos Tachydromos*, 24.11.1983, pp. 25-31; 12.06.1986, pp. 25-72; 11.12.1986, pp. 46-51.
- 8 Even in 1988 Greece had the smallest number of people per retail outlet from among 15 European countries: 58. That was lower than, say, Spain's, Portugal's, Ireland's, and Italy's, among others.

The average for the 15 was 103. (*The Economist*, 12.05.1990, p. 22).

9 See, for example, Smailes, 1987, pp. 63-4, in which he documents and demonstrates the nearly total dependence of Greek trade unions on state overt as well as covert funds.

10 I have suggested that 'individualistic' rights are those that are poor in 'law content', i.e., are not defined and upheld by means of the legal system, but by the individuals themselves in what is essentially a political process, a process of daring, imitation, entrenchment, and retreat. This should not be interpreted as meaning, for example, that Greeks are somehow 'freer' than, say, the British or the Swiss. On the contrary, the very conditions that make for the 'Greek' pattern of rights - a Leviathan-like state, excessive politicisation, etc. - reduce the rights of individuals as citizens.

The reason is that in such a system the civil service and other state institutions and organisations become highly and decisively partisan. Inevitably, individuals discover that only by organising into, or presenting themselves as part of, various collectivities can they achieve their aims when dealing with the state. As a result, it becomes difficult for individual citizens to be heard or respected. Ironically, the individualistic expression of property rights in Greece goes hand-in-hand with the suppression of individuals as citizens.

CHAPTER 10

*Form of Government, Official Ideology, and Housing Policy.*

SECTION 1: The Form of Government.

SECTION 2: The State and Politics.

SECTION 3: Housing System Dynamics: Change and Interaction

Through Patterns of Rights and Claims.

SECTION 4: Housing System Dynamics: A Summary of the

Main Points.

SECTION 5: Housing Policy in a Changing World.

CHAPTER 10: Form of Government, Official Ideology, and Housing Policy.

The complexity of conflicts and group interests in the housing sphere invariably and inevitably draws the state into the play. A full discussion of the nature and role of the state is beyond the scope of this thesis (cf., e.g., Holloway & Picciotto, eds, 1978; Clark & Dear, 1981; Roweis, 1981; Hirsch, 1981; Bedale, 1981: 37-41; Damer, 1981; Harvey, D., 1981; Jones, 1985; Healey et alii, 1988). Still, the preceding discussion requires at least an attempt at conceptualising state intervention - or the lack of it - in the housing sphere (or, indeed, in any other). In doing so, I reject the notion of the state as an 'instrument' of the ruling class. At the same time I accept that the state is not neutral, but stands for something. That 'something' is broader principles of societal organisation than what is at stake in any localised social conflict, or than what is involved in any group's current interests. Its 'principles' may make the state support any particular individual, group, or set of interests, and indeed make it biased in its support, but not necessarily so. The way I resolve this ambivalence is through the notions of the state's political substantiation and the state's political constitution.

SECTION 1: The Form of Government.

In discussing the influence of the 'rule of law' on the way property rights are defined in society (chapter 9), I drew attention to a strong correlation between the 'rule of law' and capitalism. I also showed that private property rights, although fundamental to capitalism, can co-exist with differing degrees of adherence to the rule of law.

For the rule of law to reign supreme what is needed is a capitalist state in whose ideology and practice that rule is strongly emphasised, and a majority of citizens who believe in it, thereby enhancing the capacity of the state to uphold its principle. Equally, rights, whether about property or other types (e.g., welfare rights) have varying degrees of strength, scope, and legitimacy, depending on the extent to which the state (including law-making bodies, the courts, etc.) supports them. If there is no state support, as is usually the case at the initial, formative stage of a 'right', what we have is a 'claim' on the part of one or more individuals or groups, but not a right (Campbell, 1983).

A state, however, whether capitalist, socialist, fascist, or stalinist, can be expressed in a variety of political systems, or forms of government. The difference between the two is crucial. The 'intrinsic' nature of a state is given by the fundamental principles of societal organisation it stands for, both in terms of official ideology and in terms of political practice in upholding those principles. As Collins (1982) points out, official ideology need not be propagandist pronouncements like those that usually come from totalitarian states. In capitalist societies, it usually takes the form of a widespread sharing of a particular worldview (implicit as well as explicit) among members of state bodies and institutions, that appears natural and logical. Indeed, it has been held, for example, that

"specifically in the United States, judicial rulings made a contribution to economic growth because American judges significantly altered the English Common Law tradition by giving more weight to the effects of their rulings on economic

progress and less weight to considerations of equity"

(Matthews, 1986: 911).

The nature of a state is the result of a revolutionary transformation or upheaval, that brings about a sometimes violent breach with pre-existing principles of societal organisation, and their replacement by different ones. Even the origins of the modern English state can be traced back to such an upheaval (Goldstone, 1986), despite the fact that the breach with the feudal order that it represented, was incomplete.

By contrast, the form of government matters precisely because it enhances or stifles particular kinds of political activity, or the political activity of certain groups in preference to others, and also because it affects the range of issues that are legitimate to address. As a result, it may provide the means whereby groups other than the ruling ones may become influential, or at least find a legitimate voice.

Capitalism can co-exist with many different forms of government. This requires a bit of explanation. It is true that, whereas non-capitalist economic systems have, as a rule, been based on extra-economic coercion,

"the generic character of capitalist society [is] predicated upon a fundamental separation of economy and polity"

(Giddens, 1973: 202).

Paradoxically, though, this separation does not diminish the influence of politics on the course of economic events. Rather, it serves to make people more conscious of the inter-dependence between the two, more

aware of what they can do or achieve with either kind of activity (political or economic), and in this roundabout way bring both spheres into sharper relief than ever before in human history.

Thus, the form of government acquires particular importance in capitalist society precisely because people can, and indeed are supposed to, exploit it in order to pursue their economic interests. In other words, the form of government affects the degree of governmental sensitivity to popular pressures and/or needs. According to the World Bank, who should know of such things as a matter of course,

" strong democracies ... have a tradition of consultation with business and labour; this facilitates acceptance of economic programmes. In contrast, where policymaking is conducted by technocrats behind closed doors, reform may succeed in the short term but may be difficult to sustain. Strong authoritarian governments - characterised by continuity in leadership, insulation from societal pressures, well established and integrated interest groups, and the power to enforce decisions - tend to be relatively successful in imposing the short-term costs of economic reform ... Weak authoritarian governments, which maintain political authority through personalistic patron-client relations, tend to be bad at economic reform ... Here the maintenance of political power often depends on the discretionary use of public funds, and the reform of public finances, while economically rational, becomes politically irrational. Such regimes are likely to have greater difficulty imposing reform than either strong authoritarian regimes or consultative democracies"

(World Bank, 1988: 50).

This categorisation is not without problems. Britain, for example, is a strong democracy, yet Mrs Thatcher does not have a reputation for consulting with either the TUC or LAs; neither has her reform drive lost impetus after 10 years in office. Greece, by contrast, while a paternalistic and populist regime par excellence, is a democratic country. In fact, one may easily find grounds for assigning Thatcher's government to the 'strong authoritarian regime' type, and the Greek to the 'weak authoritarian' one. Nominal democracy, in other words, is not tantamount to either democratic content or the 'rule of law'.

What is needed is a way of bringing together the nature of a state and the political system. The first kind of information is important because it tells one what kinds of property rights the state is likely to endorse, and therefore what kinds of vested interests it is likely to support. Formal accounts of the political system may be important only as long as they make it apparent who actually holds political power in society - and of what kind. But since this is rarely the case, it is preferable to go beyond formal descriptions of the form of government, and look into the extent to which the political system makes a government - or a series of governments - susceptible to 'outside' pressures or not; what these pressures are; where they come from; whether they conflict with the state's official ideology or not, and what the implications of such conflicts, or complementarities, are for the formulation and carrying out of policy.

## SECTION 2: The State and Politics.

The influence of politics (i.e., political struggles and pressures as well as the political system) on the state can be conceptualised by means of the following two theoretical entities:

- (a) The political substantiation of the state, and
- (b) The political constitution of the state.

The first is really another name for the nature of the state, as defined in the previous section. I prefer, however, the term 'political substantiation' because it implies a kind of dynamism, of 'becoming', that the term 'nature' lacks. The second theoretical entity means the process whereby the power of the state to control, constrain, and coerce is (or is not) exercised in the service of determinate social interests, and thus the process whereby the state can be said to express, or yield to, those interests.

The catch is that those interests may not always be the ones which are 'theoretically' dominant in the context of a state's political substantiation. E.g., a capitalist state is supposed to cater for the interests of capitalists, but in practice it may often take measures or adopt policies that are not apparently pro-capitalist. It is thus better to link a state's political substantiation to the 'principles of societal organisation' it stands for, rather than to allegiance to specific groups. The political substantiation and the political constitution of a state complement and at the same time antagonise one another. This is because new developments, and the ascendancy of new interests, may at times antagonise the interests that the state stands for, and may even force the state to support them

instead, while at other times may lend strength to those interests.

Greece provides a good example of this point. The modern Greek state was established c. 1830 by England, France, and Russia as a monarchy committed to bourgeois values. Its political substantiation as a capitalist state was reasserted in 1944-49, when the nationalists - with the help of Britain and the US - defeated the communists in a civil war. As a result of both 'affirmations' of its nature, the official ideology of the Greek state is about the 'rule of law', protecting private property rights, enhancing - or at least tolerating - private enterprise, and generally upholding bourgeois legality, order and rationality.

In practice, as I have shown at length above, it falls far short of the mark. The reason is that its official ideology is in dissonance (a) with an ownership pattern that is by and large non-capitalist, (b) with an employment pattern that is similarly non-capitalist, (c) with the smallholder's, individualistic, non-capitalist ideology shared by most Greeks, and (d) with the large size of the public sector, and the patronising role of the state in Greece. In turn, the nominally democratic form of government has enabled the social interests that have emerged on the basis of the ownership pattern, the employment pattern, and the large public sector, to press more-or-less successfully for policies (or non-policies) conducive to what they see as their welfare. And to complete the circle, that same form of government, against a background of petty economic interests, has traditionally made it necessary for politicians and parties to pursue populist/paternalistic politics in order to further their own aims, thus re-affirming the importance of the state in Greece as direct

(re)distributor of economic 'goodies'.

The results of this 'divergence' between state ideology and state practice, between political substantiation and political constitution, or between official ideology and 'societal' ideology (i.e., the ideology that is shared by society at large) can be seen in all aspects of economic and social life in Greece, and, inevitably, in the housing sphere also. I have already referred to unauthorised building, non-repayment of housing loans, etc. Let me now bring additional examples that show how the form of government affects the political constitution of a state - in this case, the Greek state -, and how state actions in the housing sphere ('actions' because 'policy' implies a measure of active commitment and consistency that has been absent from Greece<sup>1</sup>) can be conceptualised as resulting from the interaction between a state's political substantiation and its political constitution.

(1) The Greek state has demolished many unauthorised buildings over the last 30 years or so (an action consistent with its official ideology). Still, such actions have been sporadic. Unauthorised settlements have sprouted and grown around Greek cities, notably Athens & Piraeus, only to be legalised subsequently (an action consistent with the state's political constitution), particularly around election times (effect of form of government).

(2) In the 1950s and 1960s the Greek state was careful not to permit increases in floorspace ratios (i.e., high-rise buildings) in many suburbs and neighbourhoods (working- as well as middle-class) around central Athens and Piraeus. This deterred

speculative building in those areas, helped preserve their traditional local colour, and, as regards working class areas in particular, kept land prices down. Indeed, as Emmanuel (1981) points out, had this not been the case, total housebuilding in those areas would have been less than it was, and many from the popular strata would have had extra difficulty housing themselves. That this 'policy' was a result of the political constitution of the Greek state at the time is made clear by the fact that the colonels who took power in Greece between 1967 and 1974 raised the permissible floorspace ratios in many of those areas (including the Old Phalero suburb, this author's own, where the number of storeys one could build in a plot was raised from 3 to 7). This was so because the colonels' regime enabled a change in the political constitution of the Greek state away from 'popular' interests, and towards capitalist interests, i.e., interests that were supposed to be dominant in the context of its political substantiation.

(3) As an added gesture to capitalist interests, as soon as the colonels seized power, they repealed the first - and, so far, only - attempt by the Greek state to impose a capital gains tax on the sale of buildings (Papamichos & Skouras, 1981). The tax had been voted in Parliament in 1964 by the party of George Papandreou (father of Andreas) and the Left. It lasted less than three years.

(4) Finally, I should like to repeat that there was a dramatic increase in forest fires due to arson, and to rates of non-repayment of housing loans in Greece after PASOK, Andreas Papandreou's party, came to power in 1981 (see Ch. 6). The populist politics and policies with which he secured his two electoral victories (the second in 1985) represented a further shift of the political constitution of

the Greek state towards petty (in both senses of the word) interests, and a further boost to the pattern of individualistic, 'lawless' rights that is so characteristic of Greek society (cf. Marinos, 1987b).

Examples outside Greece are also easy to find. Let us look at some of these.

(5) In 1937 legislation on public housing provision was introduced in the US. However, the pressures that forced the American administration to even consider public housing (namely, the social after-effects of the Depression) were still weaker than the private housing market lobby. An 'equivalent elimination provision' was written into the original 1937 legislation, which said that "for every public housing unit built, a substandard dwelling must be removed within five years" (Heidenheimer et al., 1983: 94).

The reason lay in the free-enterprise ideology permeating the American state,<sup>2</sup> plus a political system that makes it particularly difficult for 'unorthodox' views to have much or sustained effect. In other words, the political constitution of the American state is very forcefully (even more so than in, say, Britain) geared towards the interests that are dominant in the context of its political substantiation, i.e., capitalist interests.

(6) Some of the more authoritarian Latin American regimes, faced with urban 'invasions' by landless peasants, have sought to manipulate these masses by turning a mix of paternalism and intolerance into conscious policy. For example,

"given the way power has been unevenly distributed within [Peruvian] society until very recent times, the land invasion must be understood to have been the result, in part, of policies that originated from various dominant sectors. Very often landowners and private developers have manipulated the squatters into forcing portions of the land onto the real estate market, by obtaining from the authorities some urban infrastructure for the squatters, thus enhancing the land value and opening the way for profitable housing construction. In a second stage, the squatters are expelled from the land they have occupied and forced to start all over again on the frontier of a city which has expanded as a result of their efforts. Nevertheless, the main factor underlying the intensity of the land invasion in Lima has been a political strategy consisting of protection given for the invasion in exchange for poor people's support"

(Castells, 1983: 191).

By contrast, the virtual absence of big landowners and developers from the Greek scene - a result of the wide distribution of land property - is a very important reason why Greek governments have not been able to manipulate the suburban land issue, and by extension, the settlers themselves, the way Peruvian governments have done. In effect there have been no private land-grabbing interests that the Greek sub-urban settlers have needed protection from, and Greek governments have usually chosen to tolerate them quietly (breast-beating apart).

(7) Similarly, rising real incomes in Greece during the urbanisation years (1960-80), and the fact that many urban

immigrants could draw upon their countryside resources in order to gain a foothold in the city, explain why the sub-urban land issue in modern Greece has not been politicised in other respects too - cf. Venezuela and Turkey.

In Caracas, for example, barrios (shanty towns) "have grown up from invasions of unused areas in the city by mass organisations with political power [ ]. To be an occupant of such shanty towns means membership or connection with the group, not individual choice of site" (Morris, 1978: 301). In Greece, by contrast, urban immigrants have bought their way into the city, since land prices were, after all, low in the 'periphery' on account of the low floorspace ratios imposed there. Consequently, they have not had to engage in a political fight over a 'land issue', or pay a capital sum to a local 'boss' in order to establish their right to erect a shack on illegally occupied land, as new arrivals at *gececondu* areas in Ankara have often had to do (Donnison & Ungerson, 1982: 70-1).

Overall, the absence of big private land interests and/or of local 'mediators' of power from the urbanisation process in Greece, has allowed a smoother and more direct relationship between the settlers and the state. Those settlers' main concerns have been (a) to be left to their own devices, and (b) to obtain infrastructural utilities, but not to struggle for land, which was theirs anyway. This is why the political constitution of the Greek state has generally been geared towards the interests of the 'popular strata' more consistently than has been the case in, say, many Latin American countries, where the power of big landowners is considerable.<sup>3</sup>

(8) Sensitivity to the interests of big landowners may explain state actions in the residential land sphere in quite a few cases, but it would be too simplistic to limit the explanation thus. Official ideology has a significance (an 'autonomy') of its own - in Greece as everywhere else. As a result,

"[m]any Third World governments still try to plan and build cities for societies which only exist in the minds of technocrats and politicians"

(Hardoy & Satterthwaite, 1987).

Governments with over-technocratic and over-legalistic notions of 'the good' city, have created a conceptual dichotomy between legal and illegal housing and land-use processes. This dichotomy, in turn, has allowed such governments to justify their ostensible rejection of squatting - that is, when they do not try to manipulate the 'illegal' settlers'. It is only in recent years that Third World 'self-help' housing is increasingly being seen in a more favourable light. The reasons for the gradual change in attitude are, first, the failure of past policies, and the fact that the failure has been recognised by influential international bodies like the World Bank and the UN (Nientied & Linden, 1985; Huyck, 1987); second, the retreat of military rule in a number of Third World countries (cf. *The Economist*, 23.01.1988), and, third, the fact that the advancement of market relations that has occurred in the meantime has made efforts at 'formalising' 'informal' housing processes more viable than before (see Peattie, 1987; Klaassen et al., 1987).

(9) Let us, finally, look at state support for

owner-occupation in Britain. From 1925-26 mortgagors could set their interest payments against their liabilities for tax. This arrangement was given legislative force in 1951 (Merrett & Gray, 1982: 2). Initially, the tax system ensured that this subsidy was limited to the higher income groups. For this reason the 1967 Housing Subsidies Act introduced option mortgages "to allow households with low incomes to benefit from subsidy and to broaden the social base of owner-occupation" (ibid: 37). (Taxation of the imputed rental income of owner-occupiers had already been abolished in 1963.)

Mortgage interest tax relief (MITR) helped owner-occupation expand at a time when the middle class itself expanded to take in many from the working class, and the real incomes of most people were rising also. The percentage of owner-occupied dwellings in Great Britain was 29.0% in 1950, 42.3% in 1961, 50.6% in 1971, and 57.1% in 1981 (Boleat, 1986: 6). Even without considering improvement grants to owner-occupiers, and the selling of public sector dwellings to sitting tenants at heavy discounts on their market prices after 1981,<sup>4</sup> MITR has been increasing dramatically. Its total has for a number of years now been far higher than the sum of exchequer housing subsidies to Local Authorities plus rate fund contributions plus housing benefit for rent to public sector tenants. Also, in 1983-84 MITR per owner-occupied dwelling was 44% of the sum of these three subsidies per LA dwelling, in 1984-85 it was 51%, and in 1985-86 62% (Boleat, 1986). Still, none of the main political parties dares stop the subsidy (although both Conservative and Labour have tried to trim it) because over the years they have had to satisfy increasing numbers of voters who were either expecting to become owner-occupiers, or were already in debt, and therefore would not tolerate any government which might take this

subsidy away from them.

The British state, of course, has had an ideological bias towards provision-based housing processes (speculative housebuilding and the housing market, and municipal housing) because these processes have been consistent with the 'rule of law' principle it stands for. In this respect, the historical difference between the Conservative and the Labour party has been that the former tended to favour the market-oriented housing process, while the latter the non-market one. Both, however, have been equally averse towards 'acquisitive', 'grassroots' housing processes (contrast with Greece). It is this common denominator between the two parties that allows us to talk of a *state* official ideology as regards the formation and carrying-out of housing policy in Britain. This is also what made it difficult for the Labour party to formulate an alternative to bureaucratic public housing provision, allowing the Tories to appear as the champions of 'choice' - meaning, of course, market choice. Expectedly, the Labour party nowadays has no choice but to idealise owner-occupation too (cf. Griffiths & Holmes, 1985).

In other words, it is not simply the pressure of voters that explains party political support for owner-occupation. One must also take into account how official state ideology has delimited the alternatives offered to the public, and how the state's political substantiation and political constitution have circumscribed potential 'grassroots' initiatives, by defining what is permissible and what is not.

SECTION 3: Housing System Dynamics: Change and Interaction Through Patterns of Rights and Claims.

One can conceptualise the dynamics of housing systems along two dimensions, which for the most part act con-currently. A vertical dimension, which is about the evolution of a particular housing process through time (e.g., LA housing provision in Britain, or self-help housebuilding in Greece). And a horizontal dimension, which is about the interaction of two or more housing processes at any moment in time (e.g., the private rented sector vs the public rented sector and owner-occupation in Britain; self-help vs speculative housebuilding in Greece; soviet vs departmental housing in the USSR). I will discuss these in turn.

Vertical Change.

When people try to house themselves, or improve their housing conditions, they utilise both economic and political means. Exclusive reliance on economic resources means that people choose to take advantage of an institutional framework, including a certain pattern of property rights, which will enable them to achieve their aims. By so doing these people give at least implicit support to that institutional framework.

Others, however, may choose or be forced to utilise political means as well. Their purpose will be to minimise their housing costs (monetary or other), and maximise housing benefits (often including a sense of personal or collective independence from other parties). Their claims may take many forms - e.g., demand for land,

demand to occupy empty properties, demand for state housing provision, demand to build as, where, and when they see fit, demand for tax relief and/or other kinds of subsidies, etc. Their decision to form and press such claims will affect the political constitution of the state, depending of course on the correlation of forces. Eventually their claims may become 'rights', if they are legally established as such through the political system, or they may be thwarted and suppressed instead.

The more a state's political constitution is geared towards a specific set of interests, the more the 'rights' of the people who have those interests become a pattern, or structure, that enables their housing strategies to be organised in a cost minimising/output maximising way - subject to any overwhelming constraints that may exist. An enabling pattern of rights, that is, can allow people to move some way towards bridging the gap that may exist between their (housing) needs and resources, but not necessarily all the way.

At the same time, a pattern of rights that is beneficial to some people, and enables them to pursue most successfully their goals of socio-economic advancement, may well in itself constrain the efforts of others. An example is the issue of squatting in Britain, which I have already discussed.<sup>5</sup>

Whatever the output of people's efforts, it will be added to the existing stock of buildings, change the configuration of the physical landscape, and, in general, become a datum to take into account. It will thus affect the extent of any asymmetry that may exist between people's needs and resources, which they, or their offspring,

will experience subsequently.

This, in turn, will induce them to modify their strategies, and perhaps advance different claims in the future. It will also affect the optimality criteria under which the new strategies will be formulated. The cycle I have described will then repeat itself under changed conditions. In effect, what we have is not a cycle, but a spiral, in which the outcome of each round is internalised into human strategies that affect what happens next. Therefore, predictions of how a housing system will look like two, three, or more 'rounds' from now depend on getting right the strategies, and political claims, that particular groups are likely to formulate, as much as getting right future developments affecting housing conditions. This is very difficult - the more so since an observer who attempted the task might well affect the outcome of the situation under study by getting ideas into his/her subjects' heads. In his study of low income settlements and the law in Mexico City, A. Azuela de la Cueva (1987) concluded that

"[a]ctual control over land, involving different modes of acquiescence by the government, combine with different sets of legal rules. The impact of that combination on the formation of property relations during the urbanisation process cannot be predicted by any pre-given formula"

(Cueva, 1987: 538).

I would have to add, however, that an 'urbanisation process' is not the only set of circumstances under which new property rights might arise. It would be interesting, in this respect, to see what the effect on the exercise of the planning function in Britain might be of a clear

majority of outright owner-occupiers, especially if for some reason the housing market became for a relatively prolonged period of time less lively than it has been traditionally.

### Horizontal Interaction.

The corollary of recognising the enabling influence that a particular set of rights has on the growth of a particular housing process, is to recognise the constraining influence that it may have on other housing processes, which, in turn, will be associated with different 'rights' patterns, or with different claims.

Consider, for example, the very hostile attitude of British developers and builders towards the employment of direct labour by LAs (Direct Labour Collective, 1978). Or the way private landlordism in Britain has been suppressed by, among others, the achievement of the right to decent and affordable housing on the part of the working class. Or the role played by the administrative determination of floor-space ratios in enabling or constraining the growth of self-help vis-a-vis speculative housebuilding in the capital of Greece.

In the last example, the rights of many people to enjoy a traditional-looking neighbourhood, and, in general, a more humane city, or to have access to relatively cheap land (whose existence was conditional on low floor-space ratios), were and are pitted against the rights of plot-owners and speculative builders to enjoy the kind of development profits that had been made possible in those parts of the city which had already had high floor-space ratios.

## Change and Interaction

This is also a case where one can see the horizontal and vertical dimensions of housing system dynamics operating together. On the one hand the practicable travel-to-work-area around the core of the capital of Greece has already been built up. Remember, this area is determined by the location of available employment, the availability of transport and other facilities, and the nature of work (e.g., whether it can be done from one's home or not). Already the grand-children of urban immigrants in Athens & Piraeus are coming of age, and for many of them it is often meaningless to buy land and build too far away from the capital, unless it be for holiday purposes. It is true, of course, that almost any point in Attica is nearer the capital than, say, Baldock is to London, yet many of those who live in Baldock commute to London every week-day. But in practice the absence of comparable transport facilities, plus, importantly, other amenities (like schools, shops, maybe tap-water, etc.) delineates a smaller practicable living area around the Greek capital than is the case in Britain.

On the other hand, present-day speculative pressures in the already built-up areas, or in areas adjacent to them, are making it increasingly difficult to buy or rent in those areas. One factor here has been rises in floor-space ratios, which the colonels' regime decreed in many previously spared parts of the capital, and subsequent governments have not repealed. This is a conflict between two different housing processes in Greece, and between their underpinning sets of rights - enabling to some people, but constraining to others. The struggle has been manifested primarily as a 'rents' issue - whether to have rent controls or not, and of what kind -, but at

its root is a struggle between a capitalist housing provision process and the traditional 'acquisitive' housing process of Greece (see next chapter).

The result of these developments is that the nature of claims in the housing sphere has gradually been transformed. In addition to defending the effective 'right' to build outside the official city plan, and generally to be left alone to house oneself as one likes (and can), many in the capital nowadays press for rent controls, rent subsidies, cheap housing loans, etc. In fact, Greece is increasingly getting into a housing mess as continuation of the old ways can only add to the environmental and traffic problems of the capital and other cities and towns, large-scale intervention in the land sphere is very difficult politically because of the very wide land-ownership distribution, and the state cannot increase its (meagre) level of financial assistance to dwelling-seekers because its own finances are in a sorry state anyway. (It is interesting to note that, for different reasons, an untenable situation in the housing sphere is being experienced by Britain as well.<sup>6</sup>)

Different housing processes, and their associated 'rights' patterns, are not, however, always antagonistic to one another. Often they can be complementary. In Ankara, for example, the *ardiyes* (informal organisations for the supply of materials to *gececondu* settlers) eventually became very influential in the construction process, and even "able to dictate the availability of credit and buy-up land on which to erect speculative houses, thereby inflating the prices of adjacent land and houses" (Payne, 1982: 134). And the local government institution of the *mahalle* gave both political legitimacy and

power to the urban immigrants, through which they could obtain municipal infrastructural resources for their *gececondu* areas - even though occasionally some property demolition had to occur (ibid., pp. 125-7). Equally, Peattie (1987) notes that "facts are beginning to be collected on the processes of shelter production in the marginal [Third World] settlements. [ ] The building process is [ ] found to be a commercialised one, in the sense of employing paid labour. [ ] There is a lively market for housing in the marginal settlements" (p. 268).

Similarly, in Greece the self-help sector (including both self-building and contractual building) and the speculative sector have not been completely alien to one another. They overlap - for example, by employing wage labour, or by buying building materials from suppliers, or even by means of the same person entering into an 'exchange-arrangement' in the city, and becoming an unauthorised self-help builder somewhere else. It is precisely this mixture of antagonism and complementarity that makes the dynamics of housing systems fascinating to watch, and their outcomes so varied.

SECTION 4: Housing System Dynamics: A Summary of the Main Points.

1/ The housing processes that households take part in, are, broadly, either acquisition-based (e.g., contractual building, self-building) or provision-based (buying or renting from someone else). A further distinction of those processes is into market- and non-market-based. In reality, one or more of these dimensions blend together.

2/ Households try to minimise their housing costs and maximise their housing benefits. In this respect, the relationship between dwelling prices and housing costs is crucial.

3/ Housing needs, like all others, change all the time. Their satisfaction depends on existing constraints and opportunities - economic and political.

4/ Subject to these constraints and opportunities households form various strategies in order to house themselves as cheaply and as well as possible. In doing so, households enter, create, or abandon various housing processes. They also use economic and political means interchangeably, and often in a complementary way.

5/ As a result, households will at times utilise an existing institutional framework (e.g., the right to own a dwelling as private property), and at times oppose it (e.g., if it grants 'excessive' rights to landlords or landowners). If the existing framework is not satisfactory to some people, they will advance claims whose purpose will be to create rights and opportunities beneficial to them.

6/ Success or failure in this process depends on the political constitution of the state (see chapter 10).

7/ The political constitution of the state also determines the kind of housing policy (or other policies affecting the housing sphere) the state will or will not pursue.

8/ Eventually a new institutional framework is created, which distributes new rights and opportunities among the population.

9/ In turn, this framework enables certain housing processes and constrains others. It thus determines the viability of each housing process.

10/ Meanwhile the extent of the satisfaction of housing needs has altered, as a result of new social developments, but also of the operation of existing housing processes. A new round in the spiral of the evolution of a housing system is about to begin.

## SECTION 5: Housing Policy in a Changing World.

One conclusion of the preceding discussion is that what is usually understood by the term 'state housing policy' is not the only, or even the main, way whereby the state influences housing outcomes. Jones (1985) has pointed out that social policy makers often tend to confuse the output(s) of a policy (e.g., levels of spending; streams of professionals; buildings where a service is given; etc.) with its outcome(s) - how social conditions are actually affected by the policy or policies in question. Unintended consequences (whether 'good' or 'bad') often follow from them, along with intended ones (e.g., the discouragement of high-rise building after the introduction of rent controls in Greece in 1978-79, or rising homelessness in the streets of Britain as a result of the Tories' attack on public housing).

In many ways, therefore, policy is as much about minimising unintended consequences as about achieving stated aims. A sustained effort to co-ordinate housing policy with other sectoral policies, or different layers of government with one another, or encourage citizen participation, is a response to the first kind of need. Addressing the second kind of need means using tools like tax relief, direct subsidies, slum clearance, public housing, or infrastructure provision.

But housing outcomes are also determined by the absence of state intervention. I suspect this is likely to be increasingly the case as the modern world, in both East and West, deregulates fast - not least in the housing sphere. The recent shift in Soviet housing policy towards privatisation of state stock, but also of

housing production, has already been mentioned (Ch. 6). Similar developments have been taking place in Hungary for some time (Tosics, 1987; Hegedus, 1987). And,

"[o]ver the past ten to fifteen years, the United States and Western European nations have been shifting away from production subsidies in favour of housing allowances that go (more) directly to households. [ ] As the housing stocks and economies of Western European nations recovered from the devastation of World War II, the middle-class became less satisfied with the limited options associated with government provision of housing. [ ] This increasing citizen preference for greater housing options has reshaped government support of housing in a way familiar to the United States: subsidies in the form of tax relief for owner-occupiers"

(Roistacher, 1987: 143-4).

In such an environment housing outcomes will be increasingly determined by people's activities at 'grassroots' level. Housing associations, co-ops, contractual housebuilding, and entrepreneurship will flourish. The housing tenures and processes that presently exist in Europe will multiply and become more varied. Although direct state provision of housing will decrease, states will get involved in the housing sphere by mediating between individuals and groups, who will be constantly attempting to broaden their own property rights, and perhaps narrow down the rights of others. Such people will be seeking legitimacy for their claims by recourse to the state, and, in the new democratic climate, by politicising the issues that affect them. The importance of the legal and political framework in determining

housing processes and outcomes will become greater - in a sense, precisely because this framework will be 'negotiable' between people seeking to house themselves or others, and the state.

The liberalising Eastern European countries, the Mediterranean countries, and countries with a tradition of co-operative housing (chiefly the Nordic countries) are the ones to watch in this respect. Whatever the rate of deregulation, do not expect to see the landbanking developer of Britain becoming dominant there, or her 'rule of law' tradition triumphing across the continent. For one thing, a tradition of socialism and/or statism in many of those countries may be too strong to allow something as important as housing provision to be left completely to capitalists. The 'in-built' resistance of Greek society, and of the Greek housing system, to the spread of capitalist relations has also been pointed out. If anything, the expansion of owner-occupation and a widening landownership distribution, especially if combined with genuine deregulation, may well encourage the export of the Greek 'model' to, say, Britain rather than the other way around.

For another thing, the political histories of many continental countries have been too turbulent to allow people to accept the notion of the neutrality of the state. After decades of distrust, fear, and even hate of the state, Eastern European countries are particularly unlikely to incorporate the apparent orderliness and respect for authority that typifies British society, for example.<sup>7</sup> They will probably adopt a 'Greek' or 'Italian' model of the relationship between state and society, in which citizens will be cheating the state while demanding favours from it, and the state itself will not be all that keen to enforce order for order's sake.

Such a model will in fact become all the likelier if the employment and dwelling ownership patterns of those societies evolve towards the 'smallholders' type as the state there recedes.

Whether housing outcomes are the result of policy or the lack of it, the way(s) the state reacts to individuals and groups who advance various claims on resources, or attempt to define their ownership rights, is a decisive factor shaping those outcomes. If anything, the preceding discussion has shown that the nature of the socio-institutional framework, including the main kinds of property rights and obligations that are recognised as legitimate, the structure of landownership, the extent to which ownership of economic assets in general is diffused throughout society, and the degree of adherence to the rule of law, are all important determinants of housing strategies on the part of various groups, as well as of housing outcomes. Thus, the influence of 'politics' on the housing system does not go away as a country becomes richer and the state more securely established and legitimate. In very real ways the influence of the state on, for example, the British housing system is paramount, and, I dare say, more profound and direct than in Greece. One needs only to consider the emergence of public housing, the present-day curbs on LA spending on housing, or the control of LAs over the supply of land for housebuilding.

1 In his letter of resignation to the Minister of Planning and Public Works, the Chairman of the Public Corporation of Town Planning, Settlements, and Housing (DEPOS), John Calantides, wrote that the Greek state had "no housing policy, not even guidelines ... [as a result] our promises, declarations, and state policy announcements have rung hollow" (cited in *TO PONTIKI*, 19.12.1986: 8).

Tsoulouvis (1987) is equally dismissive of the use of the term 'policy' to denote state actions in the planning sphere in Greece: "Greek planning is characterised by a never-ending process of creation of plans that are not implemented" (p. 500).

2 "The United States as a whole seems caught within an ideological framework that allows little else but the recreation in modernised form of nineteenth-century solutions to the housing problem" (Heskin, 1981: 199).

3 In Venezuela "there is an extreme concentration of land ownership, so that suburban land is in the hands of a few large landowners. Large estates, sometimes of thousands of hectares, may occupy land up to the outskirts of the cities, and if sold in their entirety, are necessarily sold not to buyers of a house plot but to developers" (Morris, 1978: 302).

4 Such sales contributed to about half the growth of owner-occupation between 1981 and 1985.

5 And not only there: "Police used bulldozers to break down burning barricades and smashed through the roof of a mansion yesterday to evict the last band of squatters occupying premises in central Amsterdam" in *The Guardian*, 21.11.1989, p. 11.

6 See "Housing crisis: Action needed 'to stop catastrophe'" in *The Times*, 15.11.1989, p. 6.

7 "Talk about immunity [from legal penalties when taking strike action] gives the impression that the trade-union movement wants to be above the law. That is quite wrong. The trade-union movement has accepted, since time immemorial, that it should be subject to the law of the land. The argument is simply about what the law is"

John Edmonds.

(Secretary of the General & Municipal  
Workers Union, speaking to BBC1 during  
the TUC conference, 08.09.1989.)

Professor D. Donnison has pointed out to me that the traditional British respect for authority may, in addition to reasons that I mention in the main text, be related to the fact that England has not been conquered and occupied since 1066 A.D.

C H A P T E R 11

*The Greek Private Rented Sector, 1978 - 1990 (A).*

SECTION 1: The Political Economy of Housing in Greece.

SECTION 2: Emergence of a 'Rents' Issue.

SECTION 3: 'Landlord' and 'Dwelling-owner'.

SECTION 4: 'Owner-occupier' and 'Tenant'.

SECTION 5: 'Tenant', 'Landlord' and 'Rentier'.

## CHAPTER 11: The Greek Private Rented Sector, 1978 - 1990 (A).

In this and the next chapter I analyse developments in the Greek private rented sector since 1978, when rent controls in one form or another began to be re-introduced after about 20 years of 'laissez-faire' in the sector. I do so using suggestions and insights from the rest of the thesis. My aim is to integrate political, economic, and social factors in a framework that both stresses the significance of property relationships in the housing sphere, and illuminates those developments more fully than has been possible thus far.

In the present chapter I show that in Greece the categories of 'landlord', 'owner-occupier' and 'owner of one or more dwellings' are fluid and overlap one another - a result of Greece's employment, land- and dwelling-ownership patterns.<sup>1</sup> Moreover, tenure and 'class' in Greece are not correlated. The politics of the rented sector make sense only against this background.

### SECTION 1: The Political Economy of Housing in Greece.

Elsewhere in the thesis (ch. 2, p. 35 & ch. 6, p. 177) I suggested the use of two matrices for understanding housing processes. One that defines them along the lines of 'provision - acquisition' and 'market - non-market', and another that combines housing processes and types of employment. On the basis of the first type of matrix, the Greek housing system can be depicted graphically as a system biased towards the acquisition-cum-market combination, with the other three lagging behind to varying degrees:

Fig. 11.1: Housing Processes in Post-war Greece.

	Market	Non-market
Provision	*** ***** *****	*
Acquisition	***** *****	***

The predominance of acquisition-based housing processes, together with the kind of employment pattern that characterises modern Greece (see ch. 9), have had the following implications for the economics and politics of housing in post-war Greece:

1/ Individual housing costs have tended to be low in relation to incomes (cf. ch. 6, pp. 154-55). The absence of big private landowners, incomes generated in the large informal sector (see Pavlopoulos, 1987), and a large public employment sector, have been contributory factors here. Civil servants, for example, have traditionally enjoyed a higher proportion of scarce and subsidised housing loan advances than their own proportion in the economically active population (Mandicas, 1972, p. 20; Pirounakis, 1986).

2/ Housing costs have not, in general, been part of the value of labour power in Greece, which explains why state housing policy has not treated housing as an item of contention between capital and labour (cf. Kotzamanis & Maloutas, 1985). If anything, 'workers' have enjoyed higher proportions of outright owner-occupation than the 'middle class' (cf. Table 11.5, p. 324). The assumption of both employers and employees in Greece (recall, from ch. 9, that as recently as 1986 the proportion of wage-earners in Greece was just below 50%, having risen gradually from much lower levels over the post-war period)

has been that, somehow, employees would manage to house themselves either through familial resources or through some acquisition-based housing process. To the extent that this assumption has been true, location premia or differential rents have had a less direct, and more gradual, effect on land and dwelling prices in Greece than in, say, Britain. The wide distribution of outright dwelling ownership has largely justified making that assumption. The reason is that such a distribution has implied (a) relatively easy access to land for housebuilding, and (b) the infrequent occurrence of identifiable regular monetary outlays for housing, like rents or loan repayments (as evidenced by the fact that in 1981 only 25.3% of households were renting, and only about 6.5% were owning-purchasing - Pirounakis, 1987).

3/ On the other hand, as I pointed out in p. 175, marketisation of a housing process (whether acquisition- or provision-based) and the creation and distribution of private claims over urban and sub-urban land, always tend to increase real land and housing costs over time, especially for newcomers, other things held equal. In a situation of lax planning regulations and controls, as in Greece, coupled with wide land and dwelling ownership, such costs can easily be contained by rises in real incomes. The reason is that there are neither big speculative landowners (or landowners/developers) nor strict local authorities to cause *artificial*, *ceteris paribus*, land scarcity. Of course, availability of transport, and the geographical pattern of employment, will still serve to define the habitable area, and hence influence land prices. But these two factors are far weaker than deliberate restrictions on the supply of land, as, in addition to other reasons, the transport system and the nature of people's jobs tend to be broadly compatible technologically.

If, however, real incomes stagnate or fall in a country with Greece's employment structure and sources of income, the results of rising land and housing costs will be two-fold:

(a) Exacerbation of inflationary pressures, as the multitudes of small proprietors, self-employed, and public sector employees begin to charge higher prices to their customers, or demand higher pay, respectively. The way dwellings in Greece are at the centre of mutual support strategies pursued in the context of extended families (e.g., dwellings are the most popular form of dowry) explains why this should be so. And, in a vicious circle, inflation, however caused, further enhances the significance of real estate as a safe investment for self and kin.

(b) Emergence and politicisation of a 'housing issue', which in these circumstances will not be about introducing public housebuilding, or creating landbanks (this would hurt the interests of those involved in the acquisitive housing processes, i.e., the majority of the population), but about enabling financially the consumption of housing, where, that is, actual monetary outlays are involved. In other words, the 'housing issue' will be about regulating the private rented sector and/or securing subsidised housing loans from the state (or state-controlled banks). These are precisely the two aspects of the 'housing issue' which for more than ten years have been politically 'visible' in Greece.

Below I discuss in detail how state intervention in the rented sector in Greece has come about, and why it has taken the forms that it has.

SECTION 2: Emergence of a 'Rents' Issue.

The recent history of rent controls in Greece has passed through the following stages:

a. In the wake of the 1978 earthquake in Salonica, the right-wing central government decreed that leases in the prefecture of Salonica, due to end within the period from 24 May 1978 to 31 August 1980, were extended up to the latter date. Later in the year, rents on dwellings were placed under a regulatory regime throughout Greece.

b. Between 1980 and 1985 five laws were passed governing rent levels and/or the duration of leases. Three of those laws were made by the 'socialist' government of PASOK, which came to power in October 1981. Increasingly, the press began to write of a black market in rents, and of the deliberate withdrawal of lettable properties from the market.

c. On 1 Feb. 1986 the PASOK government initiated a deregulatory process in the rented sector. The process was sanctioned formally in law on 2 June 1986. The law extended the duration of most leases up to 31 Jan. 1987, and stated that rents on new leases, and on extensions of leases, effected after 1 Aug. 1984, and of course after 31 Jan. 1987, would be determined freely between tenants and landlords.

d. The 1986 law caused an outcry in the left-wing press (populist, non-populist, and even pro-government), who interpreted it as too harsh, potentially, on tenants. The government, faced with imminent municipal elections, decided to do an about-turn, and was discreetly

committed to the re-introduction of a regulatory framework after the elections (*E Prote*, 4 Aug. 1986: 15; *Claudianos*, 15.01.1987: 12-13).

e. It turned out that it was too late: The PASOK party carried 143 municipalities (47.2%), against 166 (60.1%) which it had carried in 1982 (*To Pontiki*, 21 Oct. 1986: 3). Notably, the three biggest municipalities - Athens, Piraeus, and Salonica - were won by the right-wing New Democracy (ND) party. As a matter of fact, many communist voters (approximately 10 per cent in Greece as a whole, but more highly concentrated in the urban centres) either abstained during the second round of the elections (that was the official CPG line) or actually voted for the ND candidates in order to pique the leadership of PASOK. In effect, both dwelling owners and tenants penalised PASOK. Tenants from all over Greece for its attempted deregulation of the rented sector, and owners for its about-turn. The 'rents issue' was not of course the only influence on the way the votes were cast, but it is widely believed that it was a main one (*Marinos*, 26 Feb. 1987: 5), especially if one takes into account the huge emphasis that the issue received in the press throughout the summer before the elections (see Table 11.1).

f. Much to the dismay of the pro-free-market press (*Marinos*, 15 Jan. 1987; 26 Feb. 1987), rent control began to creep back in steps, first on 5 Nov. 1986 (*Siomopoulos*, 16 Nov. 1986), and then on 1 Feb. 1987 (*Nicolaou*, 15 Jan. 1987). A new regulatory law appeared on 27 May 1987. The law established a Minimum Compulsory Rent calculated on the tax authorities' assessment of the value of a dwelling, and a Maximum Allowed Rent similarly calculated (*To Pontiki*, 1987).

g. 'New' regulations appeared early in 1990 (*Sunday Eleutherotypia*, 21.01.1990: 61), enacted by the coalition government which was formed because the elections of 8 Nov. 1989 resulted in a hung parliament. The conformity of the 'new' regulations to the pattern of intervention already established was, if anything, striking.

Table 11.1 associates the above chronology with the way some of the Greek press have reported the issue. The reporting itself is sociologically and politically significant. It replicates the ambivalence characterising the government policy in the rented sector. For instance, newspapers with diverse political affiliations were careful not to side fully with either tenants or owners, but give the impression that they stood for both. In effect, this meant that newspapers, implicitly or otherwise, were blaming or holding responsible for the 'problem' the government alone. In November 1986, following a period of left-wing outcry at the attempted deregulation of the rental market, and after the government had decided to do a policy reversal, *To Vema*, a paper of the political centre, wrote:

"Tenants and owners disagree with the proposals" (16.11.86).

Seven months later, in the wake of the re-introduction of a regulatory framework, *E Vradyne* (right-wing) echoed *To Vema* thus:

"Despair at the rents law - Owners and tenants seek immediate changes" (27.06.87).

The contrariety and irresolution of government policy in the sector were depicted avidly and truthfully in the following extract from the left-wing *E Prote*:

"In a reassuring tone the minister of Commerce [ ] affirms that the basic provisions of the law that sets the rents free will not change. The affirmation secures the owners' tolerance and, in a way, wins them over at a time of municipal elections.

On the other hand, informal ministry sources intimate that the situation is under scrutiny, that data are being collected, and that the minister's wish is to take measures after the elections which will balance the differences between tenants and owners"

(*E Prote*, 4 Aug. 1986).

Another commentator summed up the situation thus:

"Left-wing parties focus on tenants, but do not abandon owners either, and even seek tax-exemptions for the latter. Conservative parties focus on owners, but clamour about rents being too high as well. The government always asserts that it satisfies all"

(Claudianos, 1987: 13).

The accuracy of this analysis is borne by the following extracts from the positions that two parties at opposite sides of the political spectrum have held in regard to the rents issue:

New Democracy (right-wing)

"To-day, there exists a situation that hurts both sides in a

leasing contract. The lessee is faced with abrupt rent increases at a time when his pay-packet is reduced due to the incomes policy of the government. On his part the lessor-landlord has been excessively burdened by taxation, and lives in fear of a new rent-freeze. [ ] The New Democracy believes that every Greek is entitled to be an owner-occupier - and that the state is obliged to help the citizen acquire a home. [ ] To-day, unfortunately, no housing policy exists"

(To Vema, 27 July 1986: 22).

#### Communist Party of Greece (CPG)

"It is clear to us that the government's decision to deregulate rents will not benefit the petty landlords because they, too, are heavily taxed on this type of income. The beneficiaries will be those landlords who, because they enjoy high incomes, are in a position to blackmail tenants. [ ] First of all, the price-control of rents must come back. Second, repossession should be allowed only in cases of a landlord wanting the premises for personal use [ ]. Third, income from leasing of dwellings must be tax-exempt up to a specified amount [ ] in a way that compensates petty landlords for any loss associated with the price-control of rents we are proposing"

(To Vema, 27 July 1986: 22).

Clearly, the fact that the government, the press, and parties in opposition have consistently tried to pursue a middle-of-the-road course in relation to the presumed divide between tenants and

landlords, suggests at least the influence of large numbers of voters (and newspaper buyers) in both camps. I have actually calculated that in 1981 about 431,000 landlords confronted roughly 800,000 tenants ordinarily resident in Greece ('ordinary' tenants), or that one landlord confronted 1.86 tenants (Appendix II). But these are crude relationships. They do not capture certain crucial interconnections in the housing sphere that the pattern of highly dispersed dwelling ownership in Greece makes possible and, indeed, inevitable (ibid.).

The presence of such interconnections means that the political impact and significance of any rent control policy are likely to go far beyond the 'current' number of tenants and landlords. In its turn, the politicisation of what each party in a leasing contract can or cannot do determines the nature and strength of property rights in the rented sector. In this way a particular pattern of rights is created, to which the fact of a widely distributed dwelling ownership supplies only the basis. The eventual pattern of property rights influences the availability of rented dwellings, housing 'investment' as a whole, and the relative proportions of the two tenures. I shall elaborate on this process in detail, beginning with the three types of interconnections in the housing sphere that are relevant to the process referred to.

### SECTION 3: 'Landlord' and 'Dwelling-owner'.

'Landlord' here is taken to mean 'owner of one or more rented dwellings'. A 'dwelling owner', by contrast, owns one or more unrented dwellings. If he or she owns just one dwelling, and at the same time occupies it, then he or she is an owner-occupier, otherwise I will be using the term 'dwelling-owner', or simply 'owner', to describe such a person.

The boundary between 'landlord' and 'owner' in Greece is such that '*osmosis*' between the two categories occurs frequently. Consequently, whilst some landlords may find it expedient to withdraw their properties from the rental market, perhaps because of rent controls, other people may enter this market as new landlords at their leisure, and yet others may have to do so. To all categories of 'landlord', factors such as the number of dwellings owned by their families, the location of those dwellings, the current family pattern and its place in the family life cycle, the diversity of sources of family income, and the specific provisions of rent control legislation, are likely to be more important in their decision to leave or enter the rental market than the existence of controls per se.

In other words, the decision of a substantial number of landlords and owners, or, if one likes, of actual and potential lessors, to lease or withdraw their available lettable dwellings, or have them repaired, is unaffected, or affected very little, by government regulation of the rented sector. The cultural determinants of this behaviour cannot be overstated.<sup>2</sup> A Greek owns property in order to keep it; that property is not only, or even

mainly, a personal asset, but a familial one.<sup>3</sup>

In turn, this way of looking at property reflects the importance of the family in Greece as a mechanism whereby strategies of socio-economic advancement are instituted and carried out (cf. Tsoucalas, 1977; 1983; 1986; Hirschon, 1983; 1989; Hirschon & Thakurdesai, 1970). Such strategies typically involve parents paying for their children's education until their late twenties (and sometimes beyond) or one or two family members getting tenured posts in the state sector, while other members chance their arms as self-employed entrepreneurs. Meanwhile the build-up of housing wealth creates assets that both enhance the life chances of marriageable offspring, and sustain the physical proximity of relatives through time. The strong familial interconnections of the Greeks, and their survival in an urban context, are themselves rational, economising responses in the face of adversity (Hirschon, 1983).

Remarkably, the accumulation of housing wealth has not always had to involve 'trade and bargaining' in some market, and, as a precondition of that, the build-up of *market capacity* on the part of individuals (or households). Simpler strategies, entailing minimal monetary outlays, but presupposing a family working and co-operating as a unit, have achieved much the same result. An example is the formation of inter-generational linkages among family members in Greece via apportionments of dwelling property. In her study of the Yerania Asia Minor refugee neighbourhood in Piraeus, R. Hirschon showed how successive partitionings of, and building next to or even under, a given structure could offer

"flexibility in providing shelter, and hence ... negotiability in strategies surrounding marriage as well as ... symbolic association with the autonomy of the family"

(Hirschon, 1989: 134).

For such strategies to be successful, it has been necessary that planning regulations and building controls in Greece had been lax enough to enable a very large number of families to attune their accumulation of housing wealth to their life cycle and level of savings, and build the ground floor, or, alternatively, the first floor now, and another floor later. But the laxity of what has passed for the planning function in Greece has been precisely the result of (mostly) indirect political pressures on successive governments (see chapter 10) exercised at the level of yet higher collectivities than the family - that of the 'popular strata' (cf. Emmanuel, 1981; Leontidou, 1985; 1986). Incidentally, I would argue that there may well be a connection between Greek 'populism' (see Mouzelis, 1978a, 1978b, 1986, 1988) and the central role of the family in Greece. It is natural for the Greeks, that is, to seek and reproduce in the public sphere a parental figure precisely because they are accustomed to bowing to one at home.

Changes in the requirements of family members will affect the ways familial property is used in Greece. Whether, for example, it is rented to 'outsiders'; made available to relatives for rent-free occupation, handed down as dowry, or, occasionally, sold.<sup>4</sup>

The speculative use of dwelling property in Greece is usually directly proportional to the number of dwellings owned by a household, and inversely proportional to the expectation of

'*metastasis*' (literally: going from one place to another) in the owner's family. Intra-familial '*metastasis*' is in turn a function of a number of variables, like weddings<sup>5</sup> and, less strongly, deaths and births. The two factors together - number of dwellings owned and the expectation of '*metastasis*' - mean roughly that bigger families owning fewer dwellings (in practice 2 or 3) are more likely to place the dwellings that are not currently needed (usually 1 or 2) in a grey area between '*suspended owner-occupation*' and '*lettability*', than are smaller families owning more dwellings (i.e., more than 3). The heads of the second kind of families (who are anyway a minority in Greece<sup>6</sup>) are more likely to use the '*excess*' dwellings (i.e., over and above those currently owner-occupied) as investments in order to secure rental income.

Another factor that distorts and/or reduces the influence of rent controls involves the relationship between overall income and number of dwellings owned. The higher the proportion of income from dwellings (or built property in general) in a household's total income, and the fewer the number of dwellings this proportion is derived from, the more likely it is that the household cannot afford to withdraw their let or lettable property (-ies) from the rental market even in the face of rent controls. Again, the high incidence of dwelling ownership in Greece makes such households fairly common.

It must also be noted that in such an environment even dwelling-owners whose non-rent income constitutes a higher proportion of their total income than is the case for most low-income households, are likely to face pressures to lower the rents they ask. Pressures of this kind will become greater if some of the dwellings

offered by higher-income households are similar in terms of construction and/or location to the dwellings offered by lower-income households (i.e., if there is a low degree of market segmentation).

In the absence of sufficient appropriate data (a sad fact confronting any researcher into Greek matters), I will try to substantiate some of the above claims by whatever means available, forming 'surrogate' hypotheses where necessary. Let us, for example, take the hypothesis that

*the likelihood of 'forced' participation in the Greek rental market as landlord is a positive function of the proportion of income derived specifically from rented dwellings into total income, and a negative function of number of dwellings owned.*

To form some realistic impression of the distribution of dwelling-ownership in Greece we must go to Appendix 2. I have calculated there that around 1981 one 'landlord' must have owned 1.77 separate dwellings rented out to 'ordinary' lessees. This suggests that the bulk of these households must have owned one let dwelling each, and that the number of big landlords of rented dwellings must have been small. D. Emmanuel has concluded much the same thing:

"In Greece [ ], the incidence of [ ] significant landlords in the housing sector is negligible. In 1967, for example, landlords whose income from built properties of all types was above 200,000 drs p.a. made up 0.9% of all taxed landlords and accounted for 17% of the declared income from built properties. This does show a high concentration of wealth in

the hands of a small minority, but is caused by the wide dispersion of properties among a large number of households, each owning a small proportion of them"

(Emmanuel, 1979: 89).

I would only like to add that a substantial part of income from built property at the top income level comes about not as a result of a large number of individual properties owned (of which dwellings are a part), but of the type of property owned - for instance, luxury apartments and villas, up-market flats in central Athens, centrally located shops and offices. Consideration of this fact makes one even more appreciative of the extent of dispersion of ownership of rented dwellings.

Turning our attention specifically to the contribution of income from rented dwellings to total income at various income levels, my surrogate hypothesis will be that

*there is a trade-off between income from built property (which can serve as a surrogate for dwellings) and income from wages and salaries in all categories of income declared by households to the Tax Authorities. The trade-off is such that the lower the total income, the more important does income from built property become.*

Verification of this hypothesis would suggest that a number of the less well-off, income-declaring households (or families) were strongly dependent on income from built property for preservation of their life styles. Such households would have therefore been more likely to be price-takers than price-setters in the rental market -

assuming of course that at the same time demand and supply in the market for rented accomodation were roughly equal to one another. Appendix II, already mentioned, confirms that this was indeed the case c. 1981.

Evidence in favour of the hypothesis is presented in Table 11.2.<sup>7</sup> Several comments can be made by way of interpretation.

(1) Along the row depicting the low-income level (below 30 for 1974, and below 150 for 1979 and after) the proportion of income from built property is high and tends to increase over time. This, however, does not necessarily suggest a large number of households to whom income from that source is important. The reason is that because of inflation (see Table 6.7) the proportion of total income (and, presumably, the proportion of the total number of income-declarers) falling into the lowest-income category diminishes. For example, it was 4.3% in 1974, rose to 19.1% in 1979, when the threshold for the lowest-income category was raised from 'below 30' to 'below 150', only to fall again to 1.6% by 1984. Thus, the year 1979 provides a more accurate picture of the income distribution of the population of income-declarers, and of the contribution of wages and built property to their total income than any other year in Table 11.2.

(2) I can reformulate the data for 1974 in a more realistic way, and also make that year more comparable to 1979, by compacting the first three categories of income for the year to one, 'below 100', category. The primary data for this exercise are in TEE (1979: 30). The results are:

Income Range (th. drs)	1974: Contribution to Total Income of		
	Wages & Salaries	Built Property	I/Y <sup>*</sup>
Below 100	44.5%	18.5%	33.3%
100 - 400	64.4%	5.7%	54.8%
400+	18.8%	11.7%	11.9%

\* I/Y = Contribution of a given income range to total income declared to the Tax Authorities.

In this form comparison of 1974 and 1979 reveals that in both years the lowest-income category was associated with the highest proportionate contribution of built property to total declared income. Moreover, the proportions of total income falling into the lowest-income-range category were significantly high: about a third of all income in 1974 (33.3%), and a fifth in 1979 (19.1%). If the proportions of declarers in this category roughly approached those for income, then a third and a fifth of declarers, in 1974 and 1979 respectively, relied quite substantially on income from built property. That kind of income made up 18.5% of the total income of the lowest-range category in 1974, and 26.1% in 1979. More likely, in the mid- to late 1970s, the real proportions were somewhere in the middle. That is,

*approximately the bottom quarter of income-declaring households relied on income from built property for about one fifth of their total income.*<sup>8</sup>

(3) Looking at the series of years from 1979 to 1984, one is struck by the steady increase in the proportion of income from built property in the lowest-income-range category as inflation diminishes the proportion of total income (and of the total number of

declarers) falling into the 'below 150' category. The proportion rose from 26.1% in 1979 to 47.1% in 1983, and only began to fall in 1984 (26.9%) as inflation finally pushed most of those who received income from property to the category above (150 - 200), and left the least wealthy behind as a residual.

(4) The reformulated data from 1974 and those from 1979 are also interesting because they suggest that income from built property contributed proportionately more to the income of the lowest- and highest-income groups than to the income of those in the middle ranges of income:

1974		1979	
Income Range (th. drs)	Income from Built Property	Income Range (th. drs)	Income from Built Property
		Below 150	26.1%
Below 100	17.6%	150 - 200	14.8%
		200 - 300	0.0%
100 - 400	5.7%	300 - 500	4.1%
400+	11.7%	500+	7.3%

This pattern does not contradict my initial 'surrogate' hypothesis (p. 315), but, rather, corrects it by adding strength to the notion of the importance of wealth in the form of built property in Greece. The wealth of most lower-income households is, to a large extent, in the form of housing, including rented dwellings (or was in the period under study). On their part, the richest invest heavily in built property. And it is only the middle-income groups (i.e., not yet rich enough to invest significantly in built property) who appear to

earn relatively more from other sources than from built property. As a result they are likely to have a greater propensity than the lowest-income groups to divert their higher incomes to bank deposits, gold sovereigns (see Bank of Greece Annual Report, 1964: 15; 1965: 84), life assurance policies (a little), and cars and other consumer durables.

Another hypothesis I have advanced in this section is that

*the number of dwellings owned, together with the prospect of intra-familial 'metastasis' (see p. 313), are more important influences on decisions to enter or leave the rental market than rent control per se.*

Again, the validity of this hypothesis cannot be tested accurately because direct evidence is lacking. Available evidence merely points to the tendency of many landlords, who want to repossess their rented dwellings, to offer 'repossession for the purpose of owner-occupation', usually by first-degree relatives, as the reason - and that is all. The reason is valid under Greek law provided repossession follows expiry of the lease contract,<sup>9</sup> and is also carried out for the stated purpose, i.e., if the reason is not proven ex post to have been a mere excuse to throw a tenant out. Of course one expects that a number of landlords will use that loophole if they feel it profitable to do so, and if they can get away with it. But the point is that one can only tell genuine cases of 'repossession for owner-occupation' from false ones with great difficulty and/or at great cost. It is no wonder that during the deregulated 1986 the number of repossession notes lodged with

courts, most of which invoked owner-occupation as the ostensible reason (*E Prote*, 4 August 1986, p. 15), and some, no doubt, as the true reason, increased dramatically:

"... over the last two months [i.e., June and July 1986, just after the deregulatory law had been passed on June 2nd - NP] repossessions in Salonica [on the basis of court-lodged notes - NP] rose by 90.4% in comparison to the same period last year, whilst during the first seven months of 1986 ... by 62.25% in comparison to the corresponding period of 1985 [the deregulatory process had begun on Feb. 1st, 1986 - NP]"<sup>10</sup>

(*ibid.*).

*E Prote* further commented that

"[t]he situation is caused by landlords who utilise the excuse of owner-occupation in order to throw tenants out, and who are forced to leave even before a court hearing as such a procedure is costly and the law itself is pro-landlord. Consequently actual repossessions are a multiple of the notes lodged with courts"

(*ibid.*).

The law does require that repossession on the grounds of owner-occupation must be used for such, but the onus of proving the 'misuse' of repossession, if any, lies with the ousted tenant. The latter, it seems, "very rarely monitors and reports any possible 'breaches of stated intention' on the landlord's part" (Papa-yannakis, 1986). Thus, the number of true 'metastasis' cases cannot be ascertained through a survey because it will be very difficult to

disentangle 'truth' from 'falsehood'. A landlord who has lodged a repossession note with a court cannot be expected to confide to an interviewer that what he or she intends to do is offer the repossessed property to the highest bidder rather than let a son or daughter have it. Obviously, direct monitoring of 'breaches of intention' at a substantial scale is a task for a state agency. On the other hand, looking at repossession court cases of earlier years would be an irrelevant exercise precisely because prior to 1978, and even prior to 1983, the rented sector was ostensibly unproblematical. What we really need is the social history of a given dwelling: when it was built or bought, by whom, how the owner's family has evolved since, whether the property was initially owner-occupied or rented, whether there have been changes of tenure status, and for what reason. This is a formidable endeavour even if the sample size is kept small, say, one per cent of all regular dwellings in Athens.

At any rate, the practical significance of the 'metastasis' hypothesis is that landlord households owning one or, in some cases, two dwellings, and expecting an intra-familial 'metastasis' in the short- to medium-term (one to five years), may be less inclined to bother throwing out a regularly paying tenant, advertising, losing income while the property is vacant, possibly effecting a few repairs, and taking in an 'unknown quantity', than households with different characteristics. Further, even the prospect of a rent increase - within limits - obtained from a new tenant (an increase that cannot be spectacular since, after all, in 1981 one landlord confronted 1.86 tenants), may not be enough to induce them to bother.

Table 11.3: Occupation/Profession & Tenure in Non-rural Greece,<sup>1</sup> c. 1957.

Occupation/ Profession	% in the sample	Tenure of Households		
		Owner-occupying & Occupying Rent-free <sup>2</sup>	Per cent: Renting Under a Rent Control Regime	Per cent: Renting Under a Liberal Regime
Civil servants	9.2	57.3	10.4	32.3
Civil service pensioners	6.3	55.5	8.3	36.2
Other pension- ers	9.8	68.9	6.8	24.3
Labourers	17.1	66.1	15.5	18.4
Private sector clerical staff & an- cillary staff	10.3	51.6	25.7	22.7
Solicitors & Notaries	0.5	51.8	26.8	21.4
Other Professi- onals & Self-employed	46.8	69.9	16.8	13.2
<b>T O T A L</b>	<b>100.0</b>	<b>65.1</b>	<b>15.4</b>	<b>19.4</b>

Notes: <sup>1</sup> Cities and towns of more than 5,000 inhabitants.

<sup>2</sup> Approximately 92% and 8%, respectively.

Source: *E Nea Oeconomia*, 1957a.

SECTION 4: 'Owner-occupier' and 'Tenant'.

There is a high likelihood that both owner-occupiers and tenants 'belong' to the same 'class'<sup>11</sup> - as judged by such a proxy for class as occupation and/or profession. I can support this claim by reference to the results of a 1957 survey conducted by the NSSG (coverage: 719,500 families (sic) residing in cities and towns of more than 5,000 inhabitants). This is one of the few Greek studies that associate - however incompletely or inaccurately<sup>12</sup> - occupation and/or profession and tenure. The results of the survey are summarised in Table 11.3, the emerging pattern being one of no correlation between tenure and occupation/profession.

Further evidence that 'class' and 'tenure' in urban Greece are not correlated is in a study of the Neos Cosmos suburb of Athens that the Social Security Foundation (IKA) carried out in 1956. The choice of the suburb was conditioned by, among others, the fact that it was "mixed, i.e., it had neither a purely working-class population like, for instance, Drapetsona, nor refugees alone like, for example, Asyrmatos. In addition, it is a relatively new area of Athens since many of its inhabitants (21%) settled there after 1940" (*E Nea Oeconomia*, 1957b: 618). The survey covered 13,775 families, or 44,714 persons. As it conveyed information on both the tenure and the amenities distributions in Neos Cosmos, it will be interesting to see whether bad housing (another proxy for 'class') coincided with any particular tenure. The results of the survey are summarised in Table 11.4.

Given that the 13,775 families in the survey area

Table 11.4: Tenures & Physical Features of the Housing Stock in Neos Cosmos, Athens, Greece, c. 1956.

Household Tenure	Settled Prior to 1940	Settled 1940 - 1956	Total
Owner-occupiers	60.9%	38.7%	56.4%
Renting	34.8%	56.4%	39.2%
Occupying rent-free	4.3%	4.9%	4.4%
All	100.0%	100.0%	100.0%

Physical Features of the Dwelling Stock

Damp	51.6%
Inside Kitchen	60.0%
Tap Water	51.0%
Bathroom	8.0%
Sewerage Connection	7.0%

Source: *E Nea Oeconomia*, 1957b.

had 28,080 rooms at their disposal, 88% of which were deemed fit for habitation, overcrowding, in the sense of two or more families occupying the same dwelling, must have been negligible or even non-existent. This means that one can associate households and dwellings on a one-to-one basis. If so, the proportions of dwellings which were damp, had no tap water, no inside kitchen, no sewer, and no bathroom, were in excess, or far in excess, of the proportion of rented dwellings. In other words, to a significant extent owner-occupiers and tenants faced much the same (bad) housing conditions. If different grades of housing quality are sometimes taken to imply class differences, perhaps in Giddens' sense of 'distributive groupings' (Giddens, 1973: 109), then clearly in the Neos Cosmos case tenure was not a predictor of 'class', the same way that in Table 11.3 occupation/profession (or 'class') was not a predictor of tenure. If anything, the period of settlement in the area was a far stronger influence on tenure than 'class'.

Let us, finally, look at some of the results of the 1974 Household Expenditure Survey, carried out by the NSSG. That survey again associates the profession of the heads of households with tenure (Table 11.5).

Notably, it is the very high owner-occupation rate among peasants and fishermen, and their high proportion in the Greek population (about a third), that brings down the proportion of renting households among all households (see Table 9.4 for the tenure distribution at various points in time in Greece). Apart from that, the striking conclusion is that household heads higher up in the occupational hierarchy seemed to be in the rented sector proportionately more often than those below. In a way this is consistent with one of my

Table 11.5: Renting Households By Household Head's Profession, Greece,  
1974.

Profession of Household Head	Renting Households (% of occupational group)
All Households	26.9%
Scientists, liberal professionals, technical assistants	44.9%
Directors and managers	43.9%
Clerical staff	41.9%
Providers of services	37.9%
Workers (skilled & unskilled)	35.7%
Traders and shop assistants	27.7%
Non-working	25.0%
Farmers, fishermen, et alii	2.7%

Source: *TEE*, Jan. 1979, p. 29.

conclusions from the previous section, whereby at middle income levels the proportion of income from built property into total declared income declined.

SECTION 5: 'Tenant', 'Landlord' and 'Rentier'.

Quite often landlord and tenant belong to the same 'class', and even when they do not (according to some criteria of 'class'), it is not always safe to assume that it is the landlord who is 'superior'. Evidence for this lies in the fact that all socio-economic groups (SEG) in Greece enjoy income from built property.

For example, between 1974 and 1984 those described as 'rentiers' by the Tax Authorities declared income which was derived from various sources thus (TEE, 1979; NSSG, 1977: 405; 1985: 394):

	1974	1976	1984
Built property	52.2%	55.0%	45.0%
Securities	3.0%	3.6%	0.1%
Wages & salaries	16.6%	22.5%	38.7%
Enterprise	25.8%	17.0%	12.9%
Misc.	2.4%	1.9%	3.3%

In the same years the composition of the declared income of those described as 'merchants, industrialists, artisans' was like this:

	1974	1976	1984
Built property	8.6%	10.0%	11.2%
Securities	0.5%	0.5%	0.5%
Wages & salaries	10.1%	13.9%	19.0%
Enterprise	78.4%	73.1%	68.1%
Misc.	2.4%	2.5%	1.2%

Of those described as 'wage-earners', it was like

this:

	1974	1976	1984
Built property	4.5%	3.9%	2.8%
Securities	0.4%	0.3%	0.1%
Wages & salaries	90.9%	92.3%	94.8%
Enterprise	3.0%	2.5%	1.7%
Misc.	1.2%	1.0%	0.6%

And of those described as 'pensioners', it was like

this:

	1974	1976	1984
Built property	14.2%	13.0%	9.9%
Securities	0.5%	0.4%	0.2%
Wages & salaries*	81.0%	83.3%	87.6%
Enterprise	3.5%	2.7%	2.0%
Misc.	0.8%	0.6%	0.3%

\* Including pensions.

From the above data it can be seen that the contribution of wages & salaries (and pensions) to the income of all four groups increased between 1974 and 1984. The most dramatic increases were registered, in fact, in the categories 'rentiers' and 'merchants et al.': 233% and 188%, respectively. At the same time the contribution of income from built property declined in three of the categories (the exception being 'merchants et al.'). It is thus questionable whether the term 'rentiers' adequately describes a group 38.7% of whose declared income in 1984 was in the form of wages and salaries, and only 45.0% in the form of income from built property.

The insignificance of stock market income in all categories is striking, and it lends support to the notion of the importance of immovable wealth in Greece. Even the category 'merchants, industrialists, artisans' appeared in 1984 to have restructured their portfolio of income sources to the direction of wages & salaries, and of built property, but not of bonds and shares. Their proportion of income from securities remained stable between 1974 and 1984, at 0.5 per cent.

At the same time that the importance of wages was increasing in Greece, even to those described as rentiers, the respective contributions of various SEG to the total declared income from built property were altering. This pattern is depicted in Table 11.6:

Table 11.6: Break-down of Declared Income From Built Property By SEG Which Has 'Earned' It, 1974, 1976, 1984.

S E G	1974	1976	1984
Rentiers	26.0%	25.3%	23.2%
Merchants et al.	30.2%	30.6%	28.6%
Peasants	0.2%	0.2%	1.4%
Wage-earners	16.5%	17.4%	18.6%
Professionals	9.0%	9.3%	8.7%
Pensioners	18.1%	17.2%	19.5%

Source: TEE, 1979: 31; NSSG, 1977: 405; 1985: 394.

Not all income from built property is income from dwellings; neither is it all from renting out premises to a tenant-household or tenant shopkeeper. For instance, some of it may have come

Table 11.7: Import of Capital Into Greece for Investment in Real Property, 1978 - 1986.

Year	Amount (m. \$US)	% of Current Account Deficit Financed
		In This Way
1978	409.6	42.9
1979	592.1	31.5
1980	599.0	27.0
1981	487.8	20.1
1982	398.9	21.2
1983	422.9	22.5
1984	473.8	22.2
1985	430.9	13.2
1986	462.7	27.2

Source: Bank of Greece Annual Report 1980; 1983; 1986.

from renting advertising space. Such cases, however, must have provided a small proportion of total income from built property, while it is dwellings that make up most of the latter.

If that is so, the pattern shown in Table 11.6, together with the information in pages 325-26, points to the conclusion that

*while rental income is becoming proportionately less and less in Greece, the 'role' or 'function' of 'landlord' diffuses more and more among different SEG, including wage-earners and pensioners. Over the same period, SEG traditionally associated with the capacity to provide 'landlord' services - rentiers and merchants et al. - have become less important in this respect.*

This pattern is partly the result of the propensity of the Greeks to invest in real property more than in other fields. The contribution of emigrants' remittances to the Greek balance of payments, and to investment in housing and other real estate in particular, is a case in point (Table 11.7). But the pattern also has to do with the implications of competition among 'rentiers'. There are so many landlords, each, moreover, facing approximately 1.86 tenants (see Appendix II), that they are forced to rely on non-property sources of income as well. Conditions in the rental market are such that the increase in the number of 'landlords' is actually leading to a reduction in the number of 'rentiers'!

- <sup>1</sup> In what follows I will not be re-discussing these patterns, which have been reported at length in chapter 9 and Appendix II.
- <sup>2</sup> Cultural characteristics are the result of a people's experience. The Greeks have known perhaps more than their fair share of war, occupation, revolution, civil strife, political instability, and inflation (cf. Freris, 1986; Clogg, 1987). To them physical property represents the utmost security.
- <sup>3</sup> This behavioural pattern is only a specific case of a more widespread fusion between 'business' and 'household' in Greece - and not only there (cf. Tsoucalas, 1986; Redclift & Mingione, 1985). Emmanuel (1981) has also commented on the phenomenon: "... in conditions where an economy of the household type (peasant-like) is widespread, household wealth provides to petty businessmen a hedge against adverse circumstances and a base for much-valued 'autonomy'. Here the concepts of 'household' and 'business' lose their analytical precision and, in terms of behaviour, become intermingled". In my view the behaviour referred to can be replicated in urban settings, albeit in different forms. Possession of dwelling wealth is precisely one of the means whereby it can be made possible.
- <sup>4</sup> I refer to the secondary housing market. The primary market in finished dwellings has been catered for almost exclusively by 'speculative' builders (see chapter 2).

5 In Greece unmarried children are expected to stay with their parents (cf. Hirschon, 1986).

6 See Table A.II.1, of Appendix II.

7 To get an idea of the significance of figures arrived at on the basis of the number of those who declare income to the Tax Authorities, and of the relative magnitude of that income, one must take into account that, e.g., in 1981 about 1.6 m. people declared their income (*Statistics of the Declared Income of Natural Persons and Their Taxation*, 1982). In the same year the number of households was nearly 3 m. (Statistical Yearbook, 1985). This means that, roughly, 1.3 m. households did not declare their income. The largest single category among those were peasant households, as peasant income is not taxed in Greece to the extent that it derives from 'primary-sector' activities. Another sizeable group must have been students.

Notably, the incidence of owner-occupation in rural areas was 93.2% in 1981, while 2.5% of rural households occupied rent-free (NSSG, Household Expenditure Survey, 1981/2). Therefore, the use of income declaration statistics can be accepted, by and large, as relevant to this study precisely because such data can be taken to refer predominantly to urban areas, and to 'settled', economically active, wealth-owning households from those areas. The possibility that some of these households simply do not bother to submit income declarations cannot be discounted, but I think that they are a small minority.

8 This conclusion may be questioned on the grounds that a substantial number of landlord households do not declare all their income from built property (let alone other sources). However, since there is no reason to assume that richer households are more adept at, or inclined to, hiding their income than poorer households, or vice versa, the absolute amount declared may well be lower than the real income from built property, while the pattern presented by the proportional contribution of such income to total income declared at each income range, can be taken as 'true'.

9 The normal lease period for dwellings in Greece is one to two years.

10 The absolute figure for repossession cases for the whole of Greece cannot be known with certainty. In two instances the press gave prominence to a claim made by the chairman of the Pan-hellenci Society for Tenants' Protection, according to which the number of repossession notes lodged with courts was 40,000. However, we are not told how the Society arrived at that number, and we become even more suspicious by the fact that eleven months intervened between the two identical claims, which were nevertheless made with respect to different periods and different regions of court jurisdiction: (a) April 1986 - beginning of August 1986 for Athens, Piraeus, Salonica and Patrae (*E Prote*, 06.08.1986, p. 19), and (b) 1 Dec. 1986 - 20 June 1987 for Greece as a whole (*E Vradyne*, 27.06.1987, p. 1).

I am inclined to think that those 40,000 repossession cases were just a 'calculated' guess on the part of the good chairman (or of the papers citing him), politically

inspired. The true figure may have been significantly lower. After all, if 40,000 notes were lodged with courts during each period, simple arithmetic suggests a total nearer to 80,000 than to 40,000. Unless, of course, the courts of the four aforementioned cities miraculously managed to process 40,000 repossession cases from the beginning of August 1986 to the end of November 1986. A truly Herculean task even if one takes into account the possibility of out-of-court settlements - and were there not fresh repossession cases in those four months?

11 I use the term 'class' in Giddens' sense (Giddens, 1973: 100-106). Roughly, 'class' - in capitalism - is a large, relatively stable social grouping, 'membership' of which is nominally open to all, and which comes about through the operation of identifiable 'structuration' factors. This usage contrasts with the medieval 'estate' or the Indian caste.

12 One error was in the 'civil servants' row of the ENO table. I have had to ignore the data therein, and adopt instead the proportions arrived at in the October 1956 census of civil servants (*E Nea Oeconomia*, Feb. 1957, p. 112).

C H A P T E R 12

*The Greek Private Rented Sector, 1978 - 1990 (B).*

SECTION 1: Main Implications of the Sectoral Features.

SECTION 2: Consequence 1: Rent Controls Did Not Discourage  
Growth in the Number of Landlords.

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CHAPTER 12: The Greek Private Rented Sector, 1978 - 1990 (B).

In the previous chapter I showed that "actors" in the Greek housing scene are socially and economically diffuse. Here I discuss the implications of this situation for the behaviour of the rented sector in the face of rent controls.

SECTION 1: Main Implications of the Sectoral Features.

The Greek rented sector is characterised by the following features, as the analysis pursued in chapter 11 and Appendix II has revealed:

(1) The roles of 'landlord', 'dwelling-owner', and 'rentier' are not well-defined, but are often interchangeable and/or transitory.

(2) These roles, plus that of 'tenant', are not related to any conventional conception of 'class', but span all social classes instead.

(3) Dwelling property is very widely distributed in Greece, and the ratio of 'landlords' to tenants c. 1981 was 1:1.86.

(4) 'Tenants' are often owners of dwellings themselves.

These features of the sector are another aspect of the morphology of Greece as a smallholders' society, and the result of the wide distribution of landownership, of the employment pattern (see chapter 9), and the way property rights in the country are defined (see chapters 9 and 10). I will now examine the consequences of the characteristics of the rented sector for the behaviour of the sector as well as for the politics of rent control. In summary, these consequences were:

(1) The decisions of most landlords to stay in, or leave, the market, or of various dwelling-owners to enter the market as landlords, were affected very little by a rent control regime. I will show that the latter did not deter new landlords appearing in the market, and did not stop, over the period under study, the number of landlords increasing.

(2) The distribution of effective power between landlords and tenants was such that the collective capacity of landlords to exploit tenants was severely compromised.

(3) A significant number of landlords can be said to have shared a particular common interest with most tenants: namely, aversion to the emergence of capitalist housing processes. If that was the case, rent control in Greece can be viewed only in part as a tenants' protection device. Its additional significance has lain in discouraging concentration of the rented stock into fewer hands, and the activities of speculative builders.

(4) Rent control, then, tends to reinforce the nature of Greece as a smallholders' society, while at the same time it is bound to take the form of a series of disjointed, often inconsequential measures and pronouncements, and be highly susceptible to political circumstance.

**SECTION 2: Consequence 1: Rent Controls Did Not Discourage Growth in the Number of Landlords.**

In 1978 the Right-wing government of Greece introduced a form of rent control for the first time since the late 1950s. Approximately since that year the speculative building sector in Greece has been in recession (cf. Table 9.3). I have no doubt that, in addition to the influence of other factors,<sup>1</sup> the series of rent control measures after 1978 has been an important influence on the sector's weakness.

Still, the number of those who declared income from built property to the Tax Authorities kept rising throughout the 1979 - 1984 period:

**Table 12.1: Declarers of Income From Specified Sources, 1979 - 1984.**

Year	Number of People Who Declared:				
	Income From Any Source	Income From Built Property	Income From Wages & Salaries	% 3:2	% 4:2
1	2	3	4	3:2	4:2
1979	1,437,955	507,842	927,350	35.3%	64.90%
1980	1,547,262	526,840	998,909	34.0%	64.56%
1981	1,631,199	538,944	1,063,195	33.0%	65.18%
1982	1,723,461	562,543	1,136,179	32.6%	65.92%
1983	1,805,778	586,107	1,200,215	32.5%	66.47%
1984	1,881,398	608,091	1,259,950	32.3%	66.97%

Source: NSSG, *Statistics of the Declared Income of Natural Persons and Their Taxation*, respective years.

A simple calculation shows that from 1979 to 1984 the number of those who declared income from built property increased by 19.7%, and the total number of declarers by 30.8%. The latter figure reflects, among others, the growth in the number of those who declared income from wages and salaries (35.9%). There are many tentative reasons why the absolute number of declarers of income from built property rose in a period of rent controls. My more specific concern is how much of the increase (about 100,000 declarers) involved owners of let dwellings, and why their number rose under those conditions. I calculate this through the following steps:

(1) A small part of the increase must have involved owners of shop, office, and warehouse premises. Since in Appendix II I subtracted 50,000 declarers of income from non-dwelling built property from the total number of declarers of income from built property in general for 1981, i.e., 8 to 9 per cent, I can do the same here, and subtract, say, 10,000 from the total figure of 100,000.

(2) Another sizeable chunk must have consisted of people inheriting dwellings during the period. I mention this category because it augments the number of declarers of income from built property, including dwellings, without necessarily implying the introduction of new let dwellings, or new landlords, into the market. Obviously the net influence of this group on the number of landlords is not only a function of the total number of inheritors, but of the number of the deceased as well. I suggest a figure of 10,000.

(3) Taken all together, this leaves about 80,000 people who entered the rented dwelling market as landlords to ordinary tenants

(as opposed to room-letting tourists: the Tax Authorities count income from that source as from 'commercial & industrial enterprise' rather than from 'built property') during a period of rent controls. I think that this figure can hardly be brought below 65,000, even if a need is felt to adjust the above calculations downwards. One must also consider that over the same period some landlords may well have withdrawn their properties from the rented sector. This piece of evidence also lends support to my point about the fluidity of the boundary between 'owner' and 'landlord' in Greece. On the other hand rent controls, along with other factors (see footnote 1) deterred big, speculative investors in the sector.

**SECTION 3: Consequence 2: On the Distribution of Effective Power.**

Power, in the landlord-tenant context, refers to the capacity of either group to influence the level of rent and/or the duration, security, and other conditions of the tenure, in its favour. In a free market landlords do tend to be in a superior position, but even then there are many gradations of asymmetry in the distribution of power between the two groups, which are all-important in a real-life situation. In the Greek case, for example, there is relative power parity, however precarious, between the two groups. Let us look at it more closely.

(a) One form of relative power parity exists when the number of new dwellings far exceeds that of households seeking to rent. Between 1974 and 1981, for example, 1,189,680 new authorised dwellings (let alone unauthorised ones) were added to the stock (on the basis of permits issued between 1973 and 1980 - NSSG, various Yearbooks), while the number of tenants increased by 100,000 (see below). Still, this type of parity does not take into account,

(b) Relative parity between the number of landlords and that of tenants - an occurrence which implies that there may be competition among landlords as well as among tenants. Recall that in 1981 one landlord corresponded to 1.86 ordinary tenants (Appendix II). Recall also my estimation that between 1979 and 1984 the number of landlords to ordinary tenants increased by about 80,000 (or 65,000, if one accepts the lower estimate). Against that increase, the number of tenants between 1974 and 1981 rose by about 100,000 (on the basis of NSSG figures<sup>2</sup>). In other words, between 1974 and 1981 about 14,300 new

tenants appeared on the market each year, and between 1979 and 1984 about 16,000 (or 13,000) landlords did so. But even relative parity in numbers does not capture the whole story, as, in addition to taking advantage of the number of 'actors' in the opposing camp, the effective power of both tenants and landlords can be enhanced by certain other features of the Greek society.

(c) Tenants: The morphology of Greece as a smallholders society, with a markedly weak and diffuse hierarchy of socio-economic (class and/or role) positions available to, or imposed upon, individuals (Tsoucalas, 1986), is also manifested in the physiognomy of urban areas. The latter do, of course, include some 'good' and some 'bad' areas, but otherwise the urban landscape is more-or-less socially homogeneous - at least far more than in Britain. For example,

\* A 1968 study found that "about half of the city's jobs [in GAP - NP] are spread over its entire area in proportion to its population, in units of 5,000 - 10,000 inhabitants" (Vivirakis, 1972). The significance of the finding is that it lends support to the notion of a non-strict segregation of residential and work areas in GAP. Assuming that the stricter the work-residence segregation, the greater the possibility of the emergence of a strict hierarchy of localities in terms of relative desirability, then the GAP pattern, if true, implies greater homogeneity between localities (see also Table 12.2).

\* A second homogenising influence is the absence of local authority rates as most local government finance comes

from the central state. Households only have to pay to their local authorities 18% of their electricity bills.

\* A third factor is that the cost of public transport anywhere within the GAP, Salonica, and other cities is the same, low, subsidised, flat rate.

A relatively homogeneous urban landscape means that a prospective tenant's 'hunting ground' is extended significantly, and so does his bargaining power. But by far the greatest source of strength for tenants is the existing potential for moving on to owner-occupation - building cheaply outside the formal city plan, if they must (recall chapters 6 and 9).

(d) Landlords: In a democratic society numbers mean votes, and the larger a group the higher the probability that it will influence the formation of policies in its favour. A ratio of landlords to tenants of 1:1.86 c. 1981 seems guaranteed to make rent control policy, if embarked upon, hazy and indecisive, but the ratio alone does not indicate all there is - in terms of numbers, and hence of political power - on the landlords' side. In chapter 11 I argued that there is a constant 'osmotic' relationship between the categories 'landlord' and 'owner'. Because of this, too sweeping a clamp down on the rented sector might well meet with opposition not only from 'current' landlords, but also from a far wider bedrock of prospective or even potential landlords. To the latter type, small-scale landlordism can be, for instance, a way of recouping part of their investment in an extra dwelling until such a time as a son or daughter get married, and are given the dwelling as dowry or a gift.

More generally, the overlap of roles between 'landlords' and 'owners' means that too rigid forms of rented sector control would amount to an attack on the prevalent notion of private ownership of dwelling wealth in Greece. They would endanger one of the distinctive features and conditions of reproduction of the smallholders strata (in effect, the majority of the population) in this country, and would not, therefore, be tolerated politically. (See also section 5.)

SECTION 4: Consequence 3: Small Landlords - Tenants: Mutual  
Opposition to Capitalism in Housing.

The characteristics of many dwelling owners, landlords, and tenants in Greece are such that it is wrong to view them as antagonistic groups alone. A considerable area of common interest remains at the end of the day, made possible by the aversion of all parties to the possible emergence of capitalist landlords in the Greek urban scene. In this respect, two questions are relevant:

(1) Would that have been, and/or can it still be, a likely, or even imminent, outcome of the evolution of the Greek housing system at the end of the 1970s, and/or today? Does any evidence corroborate this possibility?

(2) If yes, to what extent can rent control be attributed to the imminence of such a potential development? Can we identify ways whereby the worries of both tenants and small landlords were brought to the attention of political decision-makers? Were such worries deliberately articulated in the first place? Was the 'threat' I am postulating recognised as such by interested parties?

In answer to the first question, let us look at Table 12.3. The Table compares selling price and letting price increases (of newly constructed apartments and new lettings, respectively) in as representative a sample of GAP areas as the available data made possible. Increases in prices are compared over three periods:

\* January 1976 - January 1979, when rent control had not been

introduced yet;

- \* January 1979 - January 1982, a period of increasingly bolder steps towards rent control;
- \* January 1982 - January 1985, a period of relative consolidation of rent control.

It is apparent from Table 12.3 that during the first period rent increases were higher, and often a lot higher, than selling price increases over most areas in the sample (2 out of 6 in cluster 1; 10 out of 17 in cluster 2; 2 out of 2 in cluster 3). Possibly the trend was more pronounced in the suburbs (cluster 2) than in the municipality of Athens (cluster 1) because of more new development occurring in the former. In the second period the tendency became stronger: 6 out of 6 areas in the first cluster, and 14 out of 17 in the second showed it. Moreover, the increases in rents during that period were even higher than in the preceding one. Still, the gradual introduction of rent control during the second period caused an astonishing deceleration in the rate of increase of selling prices in period 2 in comparison to period 1. In 3 out of 6 areas in cluster 1, and 10 out of 17 areas in cluster 2, the increase in selling prices was lower than in period 1.

That this was a real tendency of the selling prices, and not a random occurrence conditioned by the choice of sample is borne out by developments in the third period, 1982 - 1985. Almost throughout the sample range selling price increases have collapsed relative to the previous periods.

My interpretation of these results, in full recognition of the possible inadequacy of the data, is that selling

prices in the first period (1976 - 1979) increasingly tended to reflect a speculative component, namely an expected rental stream. Whether this development signified the deliberate construction of apartments-to-let as opposed to apartments-to-sell (i.e., a shift of speculative builders and plot-owners away from the owner-occupied and towards the rented sector), is academic. More to the point, the explicit influence of rents on selling prices signified the 'coming of age' of speculative building. Before that period, and especially before the colonels (1967 - 1974), even 'speculative' housebuilding in Greece had a strong 'contractual' hue (see chapter 2, p. 28). But the stronger link between selling price increases and rent increases, which became apparent by the late 1970s, points to the emergence of a new breed of bigger, financially more secure builders and housing investors. Hence the deceleration of selling price increases at the prospect of rent control, even though letting prices kept going strong in 1979 - 1982.<sup>3</sup> In other words, these new housing entrepreneurs, or capitalist landlords, explicitly priced their housing assets on the basis of projected rental streams to be provided by future unknown clients in the general market.

Let us now turn to whether the emergence of capitalist agents in the housing sphere was perceived as a threat by other groups, and whether such perceptions contributed to the imposition of controls.

To be sure, between 1976 and 1979, and even up to 1982, the level of rents was not a hot issue politically or in the press. The first organisations claiming to speak for tenants and landlords, respectively, appeared only in 1986. They are of doubtful representativeness, more in the nature of press release centres than mass

associations. Indeed, the characteristics of the Greek rented sector preclude the emergence of highly 'focussed' and partisan 'movements'. So it was that the gradual introduction of control, from 1978 onwards, occurred and was received, to cite Eliot, 'not with a bang, but a whimper'. It was precisely this kind of acquiescence that points to large sections of society having perceived certain developments in the housing sphere as a 'threat'.

The reasons are manifold. High dwelling selling prices, perhaps even more than high letting prices, meant that tenants could not hope to become owner-occupiers as easily as in the past. Tenants might also have felt that higher-income, bigger landlords were more powerful opponents than lower-income, smaller landlords. Higher selling prices - of dwellings as well as of plots - also meant that many families, even owner-occupying, were finding it difficult to augment their housing assets, say, for the purpose of renting one or two flats or securing a child's housing future. And, incidentally, whereas the average family might welcome a kind of intervention in the rental market that would discourage capitalist speculation and landlordism, it would not, on the other hand, welcome so strict controls as to interfere with that family's housing strategies. (For example, a life-tenancy means that the dwelling cannot be given to a son or daughter upon marriage, and it would therefore be an extremely unpopular form of rent control.) For the same reasons, even small landlords could be expected to be averse to the emergence of capitalist landlordism, especially considering how their category overlaps with that of mere 'dwelling-owner'.

It could be argued, though, that small landlords were not seriously threatened by developments in the housing market

because, the argument goes, their large number would make it more difficult for speculators and capitalist landlords to earn 'supra-normal' profits than for small landlords to be 'crowded out' by big ones. Although not incorrect in particular localities, the argument as a whole is too simplistic. The very number of small to medium and/or lower-income landlords (cf. chapter 11), at a time when the ratio of landlords to tenants was 1:1.86, could make the following script possible:

(Recall - chapter 11 - that tenants in Greece are not concentrated in one class or stratum only, and, if anything, there are proportionately more of them in the 'white-collar' class than in any other.) Initially, richer tenants would be drawn into new, speculatively built apartments in the more desirable locations of Athens and other cities. This is one potential loss to the average, traditional landlord, occurring in a situation that simultaneously made it difficult for such landlords (prospective or current) to enter the top end of the market for new-build accommodation on account of the high land and dwelling prices brought about precisely by the activity of the speculative builders of the late 1970s.

As a result the small landlord would be increasingly obliged to rely on middle- to low-income tenants for his rental income. But this would mean that the small-scale landlord - existing as well as potential new-comer - would be faced with an increasing ratio of average landlord to average tenant. Competition between small- to medium-scale landlords would, therefore, intensify. Raising rents would only make

them lose more tenants. This time the loss would be of households refraining from entering the rented sector, or opting out of it (by self-building or borrowing, as, e.g., by the early 1980s housing loans were easier to get and more plentiful). Such an eventuality would increase competition between landlords even further.

To small and medium landlords and dwelling-owners the prospects depicted in the above scenario meant mounting anxiety, uncertainty as to where to set the rent level on particular properties (too high, it would discourage tenants at a time when their formal real incomes were reduced; too low, it would not be worth the bother), long periods of keeping properties empty in search of a better deal, difficulty in planning ahead. Clearly some co-ordination would not be amiss - and this was precisely where rent control came in, and why it was welcomed by more than tenants (see section 5).

Of course in such a context rent control was bound to be a hit-and-miss affair. Quite probably it has not affected the formation of actual rent levels (see footnote 3), and has at times displeased some groups more than others. Its broad perceived merits were that it provided (a) a frame of reference that the average landlord and/or owner in Greece must have felt was needed by the late 1970s - early 1980s (hence the increase in the number of landlords during the control period - see section 2), and (b) a deterrent to large-scale speculative building and capitalist landlordism.

Table 12.4: Opinions of households in GAP on rent-related questions -

October - December 1986.

The level of rent should be determined	(a) By the state	66%
	(b) Freely between lessor and lessee	31%
	(c) Otherwise	3%
Rent increases should be controlled by the state	(a) Yes	92%
	(b) No	8%
All who replied 'yes': The increase should be	(a) Equal to the inflation rate	20%
	(b) Equal to the rate of incre- ase in wages & salaries	55%
	(c) Significantly less than the inflation rate	25%
A dwelling should be made available for reposses- sion by the owner	(a) Immediately after expiry of the contract	24%
	(b) Not immediately after	76%
All who replied 'no': The lessee should have the right to stay	(a) One year more	48%
	(b) One to two years more	4%
	(c) As long as he finds it necessary	48%

Source: EKKE, 1987b: 33.

Key statistic: In GAP, in 1981, about 40% of households were renting, 57% were owner-occupying, and 3% were occupying rent-free (Pirounakis, 1986: 35).

SECTION 5: Consequence 4: The Politics and 'Policy' of Rent Control in Greece.

Public opinion is especially important in a democratic society. In the previous section I asserted that rent control must have been welcomed by more than tenants. It is time I supplied evidence for this.

Between October and December 1986 the National Social Science Research Centre (EKKE) undertook a study of housing conditions in Greece on the basis of answers to a questionnaire given to a sample of households (about 5,000). Part of the questionnaire sought the opinions of households on matters relating to rented housing. Table 12.4 sums up some of the results, which show that in GAP

"the majority of the interviewees are expressly in favour of 1) determination of the level of rents by the state, 2) determination of the magnitude of increases in rents by the state, and 3) a tenant having the right to remain in the dwelling even after expiry of the contract"

(EKKE, 1987a: 50).

EKKE further commented that

"[r]ecognition of the need for measures to protect tenants is not difficult to explain when this opinion is expressed by tenants or owners of unrented dwellings. In this case, however, the results refer to the total number of interviewees, independently of tenure status and ownership of

rented dwellings. Realising that in GAP 4 tenants correspond to 6 owner-occupiers, then a number of owner-occupiers express an opinion supportive of the interests of tenants. If some of the owner-occupiers are also owners of rented dwellings - a question that cannot be answered prior to elaboration of all the data -, then we do not have merely a case of support for the interests of others, but also one of neglect of one's own interests"

(EKKE, 1987a: 52).

The results of the EKKE should not, however, be surprising after the analysis pursued in chapter 11 and in the previous sections. On the basis of that analysis, things could not have been otherwise. When dwelling owners expressed opinions supportive of control, it may well have been the parents of tenants, or the children of tenants, but, more generally, people with an interest in lower land and dwelling prices, and in opposing capitalism in housing, who were often involved. Equally, I disagree with EKKE when it describes the emerging opinion pattern as a case of 'neglect of one's own interests'. On the contrary, the foregoing analysis suggests that even landlords who supported various forms of rent control did so precisely in their own interests.

This climate of opinion, and the socio-economic interests that made it possible, explain the evolution of rented sector politics in Greece after 1978. On the excuse of the Salonica earthquake of that year, which anyway did no extensive damage, the right-wing government (and not a centre or left-wing one) re-introduced a rent control process in Greece, 20 years after the lifting of the last

remnants of control. Inevitably - and I do not think it was in that government's intention to achieve this - rent control discouraged newly emerging interests in the housing sphere, namely, capitalist speculators and landlords. Rent control tilted the balance back towards more traditional interests in the housing system - small-scale landlords, owners, and, of course, tenants. It is difficult at this point to disentangle the deterring influence of control on speculative building from factors such as sluggish economic growth or reduced urbanisation rates, phenomena which occurred at the same time as the introduction of controls. Does it matter though? It was, after all, falling incomes and rising rents that provided the ostensible reason for pursuing a rent control policy. Despite increasing protests from higher-income landlords, and mainly right-wing building professionals and their political friends, the policy has met with overall approval on the part of a broad coalition of tenants, many landlords, and a lot of owner-occupiers.

Successive governments have sought to keep the coalition happy by continuously altering the specific rent control pronouncements and regulations (see Table 11.1). Their behaviour, although erratic and, in a sense, internally inconsistent (which is why the term 'policy' may not be appropriate to describe state actions in the rented sector), is in fact a rational response to the requirements of the actual situation. It is, in other words, consistent with the diffuse and small-scale interests characterising the rented sector, the housing system, and the wider society.

A comparison to Britain might be useful here (main source: Robinson, 1979: 83). Full rent control was introduced in 1915.

A new provision in 1919 excluded from control houses built for rent after that year. In Greece, so far at least, there has been no distinction between old- and new-build dwellings - which is consistent with my analysis of the threat posed to small-scale landlords and to most tenants by speculative builders. Although in 1923 gradual decontrol was introduced in Britain, in 1933 full control was re-introduced for lower-valued property. Middle-valued property fell under creeping decontrol, and block decontrol was introduced for higher-valued property. In 1938 the Ridley Committee recommendation on block decontrol for middle-income housing was implemented. Then came the Second World War, when general full control was reintroduced, but in 1957 block decontrol of all higher-valued property came back (and creeping decontrol of all other property). As one would expect, in Britain speculative developers have been encouraged, and this is why higher-value properties have been the first to be decontrolled whenever the opportunity has arisen. But, in addition, throughout the period covered, housing ownership was not widely spread, the ratio of landlords to tenants was far smaller than in Greece, and many landlords owned not just one or two extra flats for renting, but substantially more, even as late as the middle 1970s (see Merrett & Gray, 1982: 141; Elliott & McCrone, 1975).

For these reasons the interests of most British households were not in thwarting speculative builders, but private landlordism in general. Under those conditions decontrolling higher-value property did not matter much. Most tenants were too poor to afford it, while the better-off households were increasingly turning to owner-occupation.

In Greece, by contrast, post-1978 rent control has

not excluded higher-value properties<sup>4</sup> precisely because in an ex-post sense part of its *raison d'etre* has lain in frustrating speculative builders and capitalist landlords. Marinos, editor of a pro-free-market weekly, has been quick to point out this feature of the control provisions time and again:

"[H]ow does one justify the fact that the tenants' protection measures have included every villa and apartment, independently of floorspace and degree of luxury, which of course no social need and no socialist sensitivities made necessary?"

(Marinos, 1987a: 10).

Marinos goes on to argue that the universal coverage of control was brought about by the 'administrative *nomenklatura*' who, while enjoying the capacity to make housing policy, also like living (renting?) in the high-status suburbs of the capital. Such a hypothesis, clever, funny, and difficult to prove though it is, is really superfluous. My own analysis, and the evidence on public opinion that supports it, suggest that the particular rent control regulations enacted in Greece between 1978 and 1987, helped deter, or at least slow the pace of expansion of, capitalist housing processes. Significantly, the new regulations governing the rented sector, which the new (right-wing) Minister of Trade (of an all-party coalition government) issued early in 1990 did not exempt large or new dwellings either (*Sunday Eleutherotypia*, 21.01.1990: 61). In fact, the 'new' regulations did not diverge one iota from the 'philosophy' of the older ones.

At a more general level the Greek rented sector experience points to the possibility and viability of a complementary

relationship between a strongly interventionist state and a strongly private-property-oriented populace - provided, of course, that it is not private property in some abstract sense that is meant here, but widely spread, 'egalitarian' private property in the context of a small-holders' society.

This kind of complementarity suggests an interesting possibility. It has often been assumed that state intervention in housing comes about either when 'capital' somehow requires it, or when poverty and/or grassroots mobilisation combine with homelessness, or 'Rachmanism', to force a welfare role on the state (Jones, 1985: 42-53). The Greek experience suggests that under certain circumstances tenants AND owner-occupiers AND small landlords can welcome state intervention. The pattern of property rights that is both a basis for and an outcome of such intervention is attuned towards maximising personal and familial socio-economic and tenurial mobility as well as autonomy from interests (such as big, private ones) that are not easily amenable to political pressure from below.

CHAPTER 13

*Concluding Comments and Research Implications.*

SECTION 1: On the Links Between the Housing System  
and the Wider Economy.

SECTION 2: On the Dynamics of Housing Systems.

SECTION 3: In Lieu of An Epilogue.

CHAPTER 13: Concluding Comments and Research Implications.

This chapter looks into whether the main questions of the thesis have been answered, and what these answers mean for future research in the field. I feel it would have been unnecessary to repeat here the main conclusions or insights of the thesis, as these have been pointed out elsewhere in the thesis (pp. 149-151; 154; 158; 161; 166; 168; 173; 217-18; 291-92; 334-35).

SECTION 1: On the links between the housing system and the wider economy and society.

I have rejected the notion that development stages and/or levels of national income are necessarily associated with specific levels of housing investment. Such a connection may be true for some countries over certain periods, but it is neither general nor inevitable. Levels of spending on housing can be associated with the position a country is in with respect to its 'typical' (if, indeed, it is so) development trajectory, usually described by such processes as urbanisation, suburbanisation, industrialisation, de-industrialisation, etc. But levels of spending are also influenced by the socio-institutional framework (e.g., the dwelling and land ownership pattern, the prevalent planning 'philosophy' and practice, etc.), which is, of course, specific to each country. I have also drawn attention to the problematical relationship between housing investment and housing consumption, which in each particular case must be clarified before the variable 'spending on housing' can be utilised and quantified properly.

An interesting research project might therefore be

about identifying the separate effects of a country's development trajectory (and of its position along it), and of a country's socio-institutional framework on its building activity and/or housing spending pattern. This endeavour would probably have to involve the following steps:

- (1) Each country (or region) could be placed in a group on the basis of demonstrable similarities, particularly as regards their development path. Notably, the development paths of the countries in the group do not have to begin from the same chronological point, as calendar time and 'social time' often do not coincide (cf. Moos & Dear, 1986a; Thrift, 1981).
- (2) The development path of each country from within a given group would then be associated with ups and downs in building activity and/or spending levels ('investment' as well as 'consumption') the country has experienced.
- (3) The question would then be how closely the building and/or spending patterns of countries in the same group resemble one another, or, alternatively, how far they diverge. Can the characteristic development trajectory of the group be associated with a characteristic building cycle and/or spending cycle pattern?
- (4) Next, the socio-institutional framework of each country in the group should be described. Here, the analysis pursued in chapters 2 to 3, and 8 to 10, could prove

useful. The housing system of each country could be described as a set of interconnected processes; the evolution of each process could be followed over time; and the nature and strength of 'rights' and 'claims' that have enabled or constrained each of those processes could be gauged accordingly. To make the exercise easier, the final outcome could be in the form of short general statements, typifying a relatively short list of socio-institutional contexts (probably along the lines of Table 6.3, p. 153).

- (5) Given the 'type' of socio-institutional framework each country in the group belongs to, one would need to ask to what extent 'close resemblance' between the countries' building or spending patterns can be attributed to the 'fact' (if such is the case) that they share, approximately at least, the same socio-institutional 'type' in addition to the same development path. Or, alternatively, to what extent any 'divergence' can be attributed to socio-institutional differences between the countries.
  
- (6) The analysis can, and indeed must, be extended, however. A number of different groups of countries can be constructed, each group exemplifying a characteristic development trajectory. The question now would be to what extent building and/or spending patterns (e.g., as a proportion of some measure of national income) have been similar or different between the groups, and whether any similarities or differences in socio-institutional pat-

terns can account for similarities or differences in the building and/or spending patterns - in addition to the effect of a distinct development path.

- (7) Throughout the above procedure, a plausible hypothesis one could test might be that as regards countries from within the same group (all sharing the same broad development path), socio-institutional differences are a more important explanation of building and/or housing spending patterns than actual income levels or the exact details of the development path a country has followed. On the other hand, development trajectories might be a more potent explanation of inter-group differences in building and/or spending patterns, than socio-institutional characteristics. If true, this result would enhance the importance of the socio-institutional framework in a world that becomes increasingly integrated.
- (8) One could end with policy conclusions of the following type: If country A is on the same development path as country B, but has a 'worse' housing situation than B because of certain socio-institutional features (say, a too restrictive or too liberal planning policy), then if country A adopts some of B's features or innovations, country A should have strong reasons to expect an improvement in its housing situation. Moreover, such improvement would come about independently of country A's present income or resources. This would happen because the socio-institutional changes that A would adopt,

would liberate and/or create resources for investment into housing. The existence of policy conclusions of this type would, in addition, have obvious political potential, which would not be missed on interested parties in, say, country A.

The other way in which the connection between a housing system and the wider economy and society has been illuminated is by focussing on the relationship between dwelling prices, incomes and housing costs. The framework I developed for this purpose allows for a large number of capitalist 'environments' (a 'pure' and a variety of 'mixed' ones) in which that relationship can occur (i.e., different combinations of housing processes and employment patterns), but postulates that the same essential mechanism operates throughout those different settings. I also showed the kind of approach required in the case of 'mixed' environments. The approach, in its general form, begins by constructing a matrix of housing processes and employment patterns (p. 177), and goes on to study any existing inter-connections.

My explanation of the relationship between dwelling prices, incomes and housing costs is based on the simple proposition that in an increasingly inter-connected world the value of labour power, among similarly advanced countries, tends to be affected more by the 'local' element of housing costs than by the cost of most other goods which working people (blue- and white-collar) demand. The prices of most of these goods tend to be standardised internationally as capitalism advances. The analysis can be extended to tackle varying levels of geographical aggregation, or differing patterns of dwelling prices and incomes (see Appendix I).

Certain consequences follow from this proposition, which, depending on the socio-institutional framework, set lower and upper limits to the movement of dwelling prices in relation to incomes. What is at issue is the capacity of land and dwelling owners to siphon off rises in people's earnings, the result, perhaps, of higher productivity, in the forms of higher rents or higher land and dwelling prices. However, the imposition of higher housing costs on households may well result in higher wage demands, which, if satisfied, are likely to affect negatively the international competitiveness of the productive sector of the economy. Such costs can result not only from landowners' and dwelling owners' expectations regarding the capacity of households to sustain rises in rents and/or mortgage repayments, but also from the fact that firms' demand for urban space affects, through the formation of differential rents, all land prices, and not just the price of non-residential land. It is these expectations, coupled with the impact of differential rents, which explain why homelessness among the poor often increases, and can be experienced for considerable periods, as a capitalist country becomes richer.

In turn, reduced competitiveness in the productive sector of the economy will mean reduced real incomes for the working population. This will eventually check further rises in rents and/or land and dwelling prices, or induce some sort of political intervention in the residential land and housing spheres.

The obvious research project that could be undertaken in connection to the above, would be to test for the operation of the postulated mechanism in the context of a given country or region, or of particular socio-economic groups, or industries, or

'pools' of work skills (cf. Appendix I). Such a project would involve:

- (1) A description of (say) a country's employment, or 'source-of-income' pattern over the period of study.
- (2) A description of the country's housing processes over the same period.
- (3) An association of the two, along the matrix of p. 165.
- (4) An assessment of the operation of the mechanism within the capitalist sector of the matrix. Questions to ask here would fall into two main categories: Those aimed at establishing the existence of conditions and/or paths for the operation of the mechanism; and those aimed at verifying its operation by looking at its effects on (i) dwelling and land prices, and (ii) wages and profits.

#### Conditions/Paths

\* How deeply is the working population differentiated in terms of skills and/or incomes?

\* Where do they work? Do they work in industries that produce products that compete internationally (whether via exports or via competitors' imports, or both)?

\* How have rents and land and dwelling prices varied over time? How widely differentiated is the housing market?

\* What has the consumption pattern of households in each particular sector of the working 'class' been? How has it changed, if at all, over time? How has the proportion of households' budgets (from each working class sector) spent on housing (and what kind of housing) varied? How have households' housing costs changed over time? How have other costs changed?

\* Can one identify instances where higher housing costs have actually led to higher wage demands (in the context of particular 'crosses' between working class sectors and housing market segments)? One could approach this question by constructing consumption 'baskets' representative of particular populations of households, and following the movements in the prices of housing (households' housing costs) and in the prices of all other goods and services. If a pattern of rising real housing costs did emerge in relation to the cost of non-housing items, one could then associate such price movements in the consumption budget with documented wage demands, and their effects on competitiveness. During that exercise, however, one should take care to account for (i) rises in dwelling quality demanded over time, (ii) synergistic effects between increased dwelling space and spending on consumer goods and services, and (iii) the implications of the possibility that declining production prices per unit of output in manufacturing have been behind increasing prices for services in all advanced economies (cf. Baumol & Blinder, 1988: 640-43).

\* A second line of approach would have to involve comparisons between similar groups of workers (blue- and/or white-collar) in the given country and in one or more other countries - say, workers from the same industry. If housing costs were shown to differ between

the two groups, while other costs were being equalised, the existence of a sufficient condition for the operation of the mechanism I have described in this thesis would have been verified.

### Effects

\* One could also test for the existence of this mechanism by studying its possible effects. Namely, by associating movements in land and dwelling prices to ups and downs in productivity and earnings in the productive sectors of the economy. This kind of test is necessary but is not sufficient. High correlations between the two sorts of magnitudes, as might, for example, be obtained by looking at UK data (after adjustments for lagged effects) would make sense only in the context of a theoretical explanation of their relationship - such as this thesis has provided - and only after 'paths' whereby the postulated mechanism can operate have been established empirically (through the procedure suggested above, for example).

(5) Finally, the research project would have to involve an assessment of how the mechanism in question is, or has been, affected by (a) the presence of other housing processes and employment patterns, in addition to those in the capitalist sector of the matrix, and (b) the formation of high land prices as a result of space demand on the part of producers of various kinds (e.g., financial institutions).

Such an exercise could provide a government or a political party with ammunition for justifying, say, a more development-

oriented and/or liberal planning policy, if it could show, for example, that the way the ratio of dwelling prices to incomes is readjusted over the long-term tends to affect adversely the productivity of the manufacturing sector. Alternatively, it could show, perhaps, that the way land and dwelling owners exploit the productive sector of the economy (not only manufacturing) acts as an incentive to employers in the sector to tackle the problem of high wages demanded as a result of high housing costs by taking measures to increase productivity more than they would have done 'normally' (although I doubt it).

## SECTION 2: On the dynamics of housing systems.

I have advanced a conception of housing system dynamics in the form of a spiral, where the 'output' of a previous evolutionary round (in terms of housing conditions, tenures, housing processes, 'modes of housing production', etc.) becomes the 'input' of the next round. I have supplied a series of tools and frameworks that can allow one to follow the evolutionary pattern of a housing system by focussing on how housing processes change over time, and how they interact with one another. Moreover, I have shown the housing system to be an open system, subject to influences generated in a wider context (demographics; availability of economic resources; rising needs; the form of government; the nature of the state; etc.).

The general idea behind this approach is that any component of a housing system (a tenure; a housing process; etc.) follows a path of birth, growth, diversification and/or decline. The system itself does not 'die' (at least as long as the factors that give it its 'systemic' character are present - see pp. 23-27); it is only transformed as its component parts change all the time.

The approach bears a strong affinity to the product life-cycle theory of marketing (cf. Kotler, 1976; Day, 1981; Midgley, 1981; Tellis & Merle Crawford, 1981). That theory is not without problems of its own (Tellis & Merle Crawford, 1981). One problem is how to account for environmental influences on the life-cycle of a product. In this respect, I tend to support Tellis & Merle Crawford's thesis. These authors have abandoned the rigidity of more traditional product life-cycle models, and advanced a model of their own, which they call 'the

product evolutionary cycle'. The difference from more conventional models is not just in the label. The authors have shifted "the emphasis from the identification of proper curves to the analysis of underlying forces and trends" (ibid., p. 130). In their view, the factors of government mediation, managerial effectiveness, and market dynamics become crucial influences on the 'history' of a product. They have also stressed that in real life many products do not exactly 'die', but, as with living organisms, simply change in a variety of ways.

If one substitutes political interference for 'government mediation', the capacity of 'actors' in the housing system to formulate and pursue their own strategies, for 'managerial effectiveness', and the interaction of housing processes with one another, as well as their dependence on resource availability, for 'market dynamics', then the affinity between my approach and Tellis & Merle Crawford's becomes obvious. Additionally, I have been at pains to stress that tenures, for example, are not sufficiently described, or their dynamics understood, by reference to their generic names only. In practice, many tenures evolve (and do not just 'die') in accordance with changes in the array of legal and effective rights and obligations, opportunities and constraints, that circumscribes each.

Of course any similarity between the two approaches presupposes that the term 'product' is not understood narrowly (cf. Reeve, 1987: 91-92). Granted that, any component of the housing system can be considered a 'product', be it a housing process, a tenure, or a set of specified housing standards. They are all products, that is, of social development as a whole. The choice of 'product' one will focus upon is, of course, a matter of personal preference or of the objective

one has in mind. One can describe, for example, the evolution of the British housing system either as a series of housing standards attained (or not attained), in which case the different housing processes of Britain will become, perhaps, explanatory variables at the background. Or one can describe the same evolution in terms of housing processes, like

- \* the secondary housing market;
- \* the primary housing market;
- \* the entire market for owner-occupied housing;
- \* the allocation and management of public housing;
- \* the private rented market.

In which case, other factors, like the formation of rights and claims, the nature of the state, etc., will become the explanatory variables. Alternatively, one can focus on tenures, and ask, for example, how a tenure like owner-occupation diversifies into sub-categories through the operation of factors such as degree of dependence on building improvement grants, condition of the dwelling, location, and saleability.

On the basis of the above comments, two related research projects can be attempted. One can be about the history of a given housing system; another, about forecasting future developments on the basis of trends and sensitivities identified through the first kind of project. I would recommend the following steps:

- (1) Identification of the main housing processes in the system.
- (2) Construction of a series of qualitative statements descri-

bing the pattern of legal and effective rights and obligations that circumscribe (by enabling as well as constraining) each housing process.

- (3) Identification of social, economic and political developments that have affected the 'history' of each process.
- (4) Quantification of gains and losses from and to other housing processes (in terms, perhaps, of number of households participating; of number of dwellings built or transacted; of value created; etc.).
- (5) Gauging of the sensitivity of each process, or of any of its features, to both general 'environmental' factors, and to other processes. Which relationships are complementary, and which antagonistic?
- (6) It might then be possible to establish, for instance, the extent to which a specified change in the legal parameters of a particular housing process will affect the flow of resources into that process, enhance or curtail its viability, etc. Or, alternatively, the extent to which particular demographic changes, for example, will alter that process, thereby affecting (possibly) the meaning of a tenure, and what the implications of such developments will be for the future course of the housing system. The results of this kind of exercise could then be fed into the housing-policy-making process.

### SECTION 3: In Lieu of An Epilogue.

From the start I viewed this research project not as an effort to come up with immediately practicable applications, but as an attempt at understanding. Nevertheless, I did make a number of policy-relevant comments (pp. 174-76, 293-96, and in the two preceding sections). Rather than resummarising those comments, it is of greater significance to ask **what this thesis has been about**; what, in other words, its main contributions to knowledge have been.

Methodologically, the thesis has not been about a new set of statistical or econometric techniques. It is not even something which has been advanced in competition to any quantitative technique. It is, rather, a way of thinking about housing problems, the housing system and the residential aspect of an urban system. This way of thinking involves combining 'politics', 'economics', and 'sociology' (and even marketing theory) in order to address a part of the social reality - the housing sphere - which is not amenable to disciplinarian fragmentation. It is, I believe, about innovative ways of effecting this conceptual 'mix'.

In many ways the approach adopted and enhanced is also the substance of the thesis. I would consider as its potentially most useful contribution its emphasis - I hope, a paedagogic one - on the need and possibility of thinking about housing-related issues in a holistic manner. Every single problem I addressed in the thesis was a step in that direction. For instance, I showed that the question of whether housing investment levels can be associated with particular GDP levels should really become a question of how to account separately for

the effects of economic development and of the socio-institutional framework on housing investment levels (and only after 'investment' and 'consumption' expenditure have been distinguished clearly from one another).

The second major contribution of the thesis has been its proposition that the structuration of rights and claims in the housing sphere are conditioning factors which both enable and constrain housing processes. For example, the broad success of owner-occupiers in the southern counties of England in stopping a lot of potential housebuilding over the past 20 years, is tantamount to creation of a 'conservationist right' (cf. pp. 149-150). I showed in chapter 4 that the scarcity of developable land thus created (cf. Muellbauer, 1990: 16 & 20) has served to check any prolonged drops in the ratio of dwelling prices to earnings, and has therefore affected the way the housing market and the building industry work (cf. Barrett & Hooper, 1983). If the 'conservationist right' were to be challenged effectively at a truly grand scale (cf. Nicholson-Lord, 1990), the result might be more housebuilding in the south (intended consequence), but would probably also affect the operation and structure of the housing market and the building industry (unintended, perhaps, consequence). In turn, the approach developed throughout this thesis can help one conceptualise precisely this kind of housing system dynamics.

The third major contribution of the thesis has been its analysis of the trade-off that often exists between the individual and the social; the fact, in other words, that 'efficient' solutions to housing 'problems' from a narrow, short-term point of view are very often sub-optimal, and even disastrous, from a broad, long-term

viewpoint. One example is the dilemma between conservationism and new housebuilding in the south of England mentioned above (cf. *The Guardian*, 05.10.1989: 20; Miller, 1990). Another is offered by the Greek dilemma between encouraging more housebuilding in areas outside formal city plans (chiefly around Greater Athens), as a relatively cheap and convenient way of alleviating local housing shortages and/or improving the housing stock, and discouraging new housebuilding there until a proper plan, planning apparatus, and funds for infrastructure provision are available.

In both of these examples the difficulty that planners and policy-makers face results, in part, from a narrow, non-lateral way of thinking. Recently Prince Charles has argued that Britain's

"new housing estates need not always be strewn clusters of separate houses set at jagged angles along windswept planners' routes"

(HRH The Prince of Wales, 1989: 87).

He insists that there are ways of reconciling England's 'green and pleasant land' with satisfaction of growing housing needs. There is always a choice as, for example,

"[n]ew buildings can be intrusive or they can be designed and sited so that they fit in"

(*ibid.*, p. 78).

New types of town and/or estate, and of course a new 'philosophy', are

what is required. Among other things, he advocates 'enclosed' architecture, which should also foster a much missed sense of neighbourhood:

"A community spirit is born far more easily in a well-formed square or courtyard than in a random scattering of developers' plots"

(ibid., p. 87).

In Greece, on the other hand, new housebuilding in areas 'outside-the-plan' could be encouraged and accompanied by measures which, while easily observed, would not require much state spending, and would also part with the implicit assumption that built-up areas are/should be primarily for cars and traffic, and not for people and neighbourhoods. Most importantly, the number of permissible floors in those areas should be set at a maximum of two. This would also serve to discourage the growth of speculative housebuilding in those areas, and therefore preserve the affordability of land.

I will not try here to work out perfect ways to resolve these and similar dilemmas. The topic belongs elsewhere. My point is that very often such debates tend to be cast in terms of the right or safe 'mix' of 'green' land and development carried out through a conventional housing process - like, in Britain, speculative housebuilding or bureaucratic public provision. This is wrong. If new types of towns and/or estates are the solution, it is perhaps futile to expect speculative builders to come up with commercially viable schemes, affordable by ordinary people. New housing processes will be needed in order to have these new, environmentally friendly, and 'humane' towns

and estates. This brings us back to the domain of politics (cf. Ball, 1983: 370-391). After all, the reason why 'conservation vs development' debates have been cast in rather narrow terms, is not merely the 'narrow-mindedness' of planners, but also the influence of established interests and lobbies of all sorts (cf. Healey et al., 1988).

Throughout this thesis I have stressed that housing processes are not about brick and mortar, but about the kind of rights that various agents involved in the production and consumption of housing enjoy or lack. In its broadest sense, the problem concerns the degree of independence and control that households have over their housing and - why not? - their localities and communities. If it comes to that, the Greek process of achieving and enjoying owner-occupation may have something of value to teach planners and architects of more advanced and orderly countries. Yes, the Greek way has caused - and is causing - grave environmental harm (see chapter 6). But the route whereby this has happened has not always been direct. For example, the parcellisation of urban land in Athens has indeed played havoc with what proper traffic planning ideally requires. A congested urban system, in turn, aggravates pollution from car exhaust fumes. But it is not natural or obvious that modern cities will have to accommodate an expanding number of 'dirty' private cars (cf. Sweezy, 1973). This is no less of an ideological assumption and political choice than the ones about the value of household independence and control regarding their housing.

At a time, however, when the need for a new relationship between man and the environment is felt by more and more people, it is highly appropriate and encouraging that new types of towns and

estates, and a new architectural and planning 'philosophy' are sought as part of the solution. Inevitably this kind of search will make an increasing number of people aware of the need to question both established planning philosophies and established housing processes. If so, my attempt to advance an understanding of housing system dynamics from the point of view of the formation and significance of 'rights' and 'claims' may have been highly opportune.-

A P P E N D I C E S

APPENDIX I: *Income Differentials Among the 'Working Class'  
and House Price Bands: Preliminary Notes Prior  
to Further Research.*

APPENDIX II: *The Structure of Dwelling Ownership in the Greek  
Housing System c. 1980.*

APPENDIX I: Income Differentiation Among the 'Working Class' and House  
Price Bands: Preliminary Notes Prior to Further Research.

The following discussion involves three steps. Step 1 explains how recognition of the existence of wage differences can be compatible with retention of the analytical category of the 'working class'. This is achieved by means of the device of "pools of 'equivalent access' skills". Step 2 reconciles the existence of a wage hierarchy and of a hierarchy of dwelling prices with the mechanism that checks rises in households' housing costs (and consequently in dwelling prices) in a 'pure' capitalist environment (see ch. 6, sec. 2). Step 3 demonstrates the affinity of the concept of "pools of 'equivalent access' skills" to income distribution theory, and shows that it can be a more useful way of accounting for income distribution than some past attempts.

The analysis pursued here can be applied at different levels of geographical aggregation: a country, a region, a travel-to-work-area, a city, a town. For this reason it will be conducted without prior specification of a spatial frame of reference.

**Step 1:** The question I will try to answer in this Appendix is: Can the mechanism that sets an upper limit to households' housing costs, and indirectly to dwelling prices, operate even when the working class is not just a homogeneous mass, but is differentiated by income and/or sector? In other words, can the model I advanced back in sec. 2 of ch. 6 be expanded in order to incorporate a more realistic view of the world, where substantial differences in pay can exist between, say, unskilled and skilled labourers, or between

blue- and white-collar workers?

The appropriate starting point for answering this question involves defining the term 'working class'. I think that the conventional conception, according to which only possession of 'raw' (unskilled, manual) labour power qualifies someone as part of the working class, is incorrect; its acceptance might lead one to 'discover' the relative 'disappearance' of the working class in advanced capitalist countries - something which would only result in mystifying the processes of wealth creation in those societies. I will not get into details; the topic has been discussed extensively elsewhere (cf. Giddens, 1973, 1987; Gorz, 1982). I feel, however, that an operational definition of the working class should include the possession of market capacities for which a wage is paid, and at the same time those who possess such skills do not occupy managerial or leadership positions in society's or an enterprise's hierarchical structure (I am having in mind enterprises that employ staff unrelated to management or ownership). In section 4 of chapter 6 I suggested that this basic definition can be qualified to include small entrepreneurs who simply disguise their own unemployment, and others besides - but I will ignore such subtleties here. This definition will allow me to preserve the analytical insight offered by the concept of class, while acknowledging the existence of a hierarchy of wage levels.

A wage hierarchy exists because society values and devalues different skills, or 'market capacities', all the time. Most probably increasingly valuable skills will be in short supply, and increasingly devalued skills in excess supply, at any point in time. The former tend to command higher remuneration than the latter. If,

however, enough socially necessary labour time is spent on the reproduction and deployment of a labour force with the requisite skills (e.g., through formal training of school leavers or retraining of the current work force), the relative lucrativeness of the increasingly valuable skills will be eroded. So what matters is the ease with which workers from different industries and/or with different skills, or school leavers (if available), can compete for jobs in any particular occupation or industry.

For example, few workers can compete for a brain surgeon's job because of the years of training it takes to become one, and/or because of the high degree of intelligence and the rarity of other personal qualities required for brain surgery. All these qualities, even if innate, can be understood as the effective equivalent of abnormally long periods of training. Most people lack the capacity and/or the willingness to undergo the requisite kind of training and sustain the associated period of 'waiting' in order to become brain surgeons. However, more people can compete for jobs in the electronics or information technology industries, and vastly more for unskilled jobs.

We can thus envisage a hierarchy of "pools of 'equivalent access' skills" demarcated by the period of time required to transform 'raw' labour power into qualitatively specific labour power, i.e., into skills. In other words, the roughly equal length of time different people take in order to 'access' a given skill assigns them in a certain, 'equivalent access', pool of skills. It goes without saying that many different skills can be part of the same pool. People 'belonging' to a particular pool of 'equivalent access' skills can be

said to form a cohort of competing workers. In general, the larger the cohort, the greater the downward pressure on the wages offered by the industries or in the occupations involved (assuming constant or declining productivities). Conversely, and assuming at least some freedom of movement of capital and labour between sectors, productivity gains in anyone sector that result in higher wages for the labour force there, will tend to exercise upward pressure on the wages of the entire cohort. An example is productivity gains in the manufacturing industry resulting in higher wages there, which in turn pull wages in the service sector up (without commensurate increases in the service sector productivity though: hence the long-term rise in the cost of personal services in all advanced countries, according to Baumol & Blinder, 1988: 8, 640-43).

These pools of 'equivalent access' skills provide a way of linking particular market capacities for which a wage is or can be paid, to the structuration of the working class. For example, most doctors in the past were definitely not working class because fewer people than to-day (proportionately speaking) could afford to study medicine. Therefore, the total amount of labour time society devoted to producing doctors fell far short of the socially necessary labour time. Doctors' incomes, as a result, tended to be far higher than modal incomes. Nowadays the process of doctor production is more standardised and assembly line-like (albeit with severe quality controls attached to it). Consequently, an increasing number of doctors approach the 'positional' category of the 'working class': they work for collectively negotiated rates either for some national health service or for private clinics and hospitals.

Thus, depending on shifts in the learning curve for various skills and on how long enterprises and organisations can wait before they are forced to hire personnel possessing new skills, the pool of 'equivalent access' skills that defines the working class can be extended substantially - from jobs that require no pre-learnt basic skills to jobs that require one, two, or even more years of training. One cannot draw a precise line as pools of 'equivalent access' skills are in a permanent state of flux, cutting across middle and working class, for example. But in the context of the relationship of dwelling prices to wages, the conclusion is that we do not have to limit the discussion to manual or industrial workers only. We can use the concept of pools of 'equivalent access' skills to include a broader spectrum of skills, jobs, and workers, while holding onto the analytically crucial concept of the working class, and at the same time incorporating the empirical fact of a hierarchy of wage levels.

Step 2: In a housing market different dwellings have different prices. Consequently dwellings fall into price bands. Now, if most wage-earners in a particular place and of a certain pool of 'equivalent access' skills house themselves through the market, their wages will tend to include a component that goes towards meeting their unavoidable and recurring housing costs, like rents or loan repayment instalments. The magnitude of the 'housing cost component' enables workers in that pool to 'address' (i.e., consider renting or buying) dwellings from within an 'appropriate' (broader or narrower, depending on price) dwelling price band.

What the relevant price band is for given groups of workers, or for given pools of 'equivalent access' skills, is not

intuitively obvious, and therefore needs elaboration. The question I will try to answer in this subsection is: Why should the housing component of the wage of, say, white- as opposed to that of blue-collar workers enable the former to 'address' dwellings in a higher price band than it enables blue-collar workers to do? One can, of course, reply that white-collar workers tend to have higher incomes than blue-collar ones (this may not always be true, but this is besides the point), and are therefore able to afford better - and more expensive - accomodation. This answer does contain an important insight - namely, that people's needs expand with their incomes -, but does not immediately explain how movements of dwelling prices relative to incomes come upon a certain upper limit, as I have postulated. To do so, we need to look at the hierarchy of pools of 'equivalent access' skills.

In this hierarchy each level tends to be associated with a higher modal income than the one below, and a lower modal income than the one above it. This is so because higher levels are associated with more years of training, or equivalent, for the various (socially valuable) skills contained in the respective pools than lower levels are. Now, people's needs do expand with incomes, so income differentials are a sufficient explanation of why people in higher income brackets aim for better housing than those in lower brackets. On the other hand, what wage-earners need or want is only an indirect influence on whether their employers will give it to them, and often, at least in the short-run, employers tend to be very insensitive to wage-earners' needs. The catch is that employers do want people with particular skills, which in effect means people from particular pools of 'equivalent access' skills, and are therefore prepared to pay wages commensurate with the position of each pool in the hierarchy.

The fact that wages, and incomes in general, form the basis for the different expectations and needs of different groups of wage-earners implies that each pool of 'equivalent access' skills becomes associated with certain needs and standards of fulfillment consistent with the reproduction of the skills going into the pool. Housing is one of those needs - a basic one. A particularly apposite example comes from Eastern Europe. Donnison & Ungerson (1982) note that housing in these countries is not 'free' but 'rationed', that is, "allocated in prescribed amounts to people who qualify for it owing to their needs and owing to their place in the productive system: it is a ration provided along with wages" (p. 107). As a result, "priority for public housing is given to 'keyworkers' and undermanned industries, and the distribution of housing is used as a substitute for wage differentials" (pp. 95-6).

In other words, people from pool A (say, electronic engineers, computer analysts, lecturers, et al.) have to have a certain standard of housing, usually superior to that for people in pool B (say, bin-men, cleaners, et al.) in order to continue to provide their customary standard of service, and for new recruits to be attracted to pool A. Consequently, if the prices of dwellings that are usually 'addressed' by people in A go up, their wages will have to go up too - subject to the 'control' mechanism I described in sec. 2 of ch. 6. This is essentially what I mean when I say that the housing component of the wage enables wage-earners to 'address' dwellings in a relevant price band.

**Step 3:** The statement made above, that employers pay wages commensurate with the position of each pool in a

hierarchy of pools of 'equivalent access' skills, amounts to a hypothesis purporting to explain income distribution from wages. It introduces elements from both the Pareto and Lydall approach, and the Gibrat and Tinbergen approach (Pen, 1971). What W. Pareto said was that "the number of people earning at least a given income decreases by a fixed *percentage*, if we let that income increase by 1%" (op. cit., p. 235). Although it is now "generally recognised" that Pareto's Law "applies only to higher incomes" (p. 245), still the right-hand tail of the Pareto curve (which is a right-skewed distribution) has had to be explained. H. Lydall suggested that the skewness is a result of somebody's income corresponding to his place in the social hierarchy (p. 243). Pen argues that although "[t]his theory is a good find ... its logic is confined to bureaucracies - it is concerned with incomes with regard to which status and prestige are decisive. If the forces of the market are involved another result may be expected, for it is difficult to see why supply and demand should yield exactly a price that is proportionate to a person's responsibilities. After all, there are people in the world with high incomes and hardly any subordinates" (p. 244).

It was the apparent skewness of observed income distributions which enticed Pareto and others to reject chance as an explanatory principle behind income distribution. On the other hand, R. Gibrat and others have maintained that an observed income distribution is related to another, unobservable, distribution, "which *is* governed by the laws of chance" (p. 245). The unobservable distribution might be that of each of various talents, or of a certain combination of them. By utilising logarithms, Gibrat was then able to show that the tail of an observed income distribution is forced back towards the middle -

hence Gibrat's Law states that the personal distribution of income is lognormal (p. 246). In turn, a severe weakness of Gibrat's Law is that possible intercorrelations of people's talents or qualities would in fact result in even skewer income distributions than are actually observed (p. 251).

J. Tinbergen incorporated this criticism into his own theory of income distribution. He did not merely "take into account the *availability* of these qualities", but focussed also on "the degree to which these qualities are *desired* by society" (p. 252). In other words, according to Tinbergen, it is only "if the spread of the contributions [i.e., of separate positive qualities - Pen, p. 252] supplied does not differ from the spread of the contributions demanded" (p. 253) that a Gibrat distribution appears.

I would argue, then, that the pools of 'equivalent access' skills hypothesis offers a way of 'marrying' Tinbergen's emphasis on market dynamics (between supplied and demanded skills or traits) and Lydall's suggestion that one's income depends on the rung in the social hierarchy one is. I would say that a hierarchy of incomes is the result of an ordering of **socially valuable** skills, in terms of the length of required training, or its effective equivalent, rather than of the extent of administrative responsibility or position in a bureaucracy as such. For instance, if I study 5 years for a Ph.D. that nobody cares about, my income will be quite lower than someone else's who has trained for 5 or even fewer years on skills that society values. But as soon as whatever effective market capacities I actually possess have placed me in my appropriate pool of 'equivalent access' skills, my income will depend on the position of my pool in the entire hierarchy of pools of

'equivalent access' skills rather than on 'absolute' demand and supply for my particular skill.

Let us rephrase this: Society values and devalues productive qualities all the time. Productive skills are acquired through formal training and/or experience, while the learning process may be assisted by the presence of innate intelligence and other personal qualities. What matters from the point of view of remuneration is not a person's actual length of time it takes him/her to acquire a skill, but how generally accessible a skill is, in relation to the accessibility of every other skill. Broadly, the shorter the learning time, the more accessible the skill. New and/or rare socially valuable skills do tend to attract higher remuneration than other skills in the same 'equivalent access' category, but this is simply a reflection of the fact that, as yet, society has not invested enough labour time, or equivalent, in producing the new skills or reproducing the rare skills to a larger scale. Given time, such deviations tend to be ironed out.

In the above framework, the reason why income distributions tend to have a rather long right-hand tail, and a shorter left-hand tail, is simple enough: the rich or well-to-do have more power than the rest, so they 'mark the cards' to their favour more effectively than the less rich, and in many different ways, while the really poor have no or very little power.

APPENDIX II: The Dwelling-ownership Structure of Greece, c. 1981.

In this Appendix my aim is to estimate how many households from each tenure grouping owned how many dwellings in Greece around 1981 - and whether these dwellings were primary residences, rented properties, second homes or other (vacant and/or ruined). I will have to make a number of assumptions in order to compensate for the lack of precise or appropriate data. I hope that my 'feel' of the Greek society, and a conscious effort to treat available data in a consistent manner, will make this exercise worthwhile. My results should be interpreted as reasonable approximations to orders of magnitude rather than word on stone tablets. I also hope that the 'reconstruction' attempted here will provide useful insights into the context of housing politics in Greece, as regards, for instance, the crucial areas of rent control and urban planning.

SECTION 1: Sources and Definitions

My primary sources are the NSSG 1985 Yearbook, specifically Tables II: 20 (p. 35), II: 23 (p. 38), and XII: 7 (p. 279); the NSSG "Statistics of the Declared Income of Natural Persons and Their Taxation During the 1982 Fiscal Year"; EKKE (1987b), and Pavlopoulos (1987). The census referred to below took place in 1981.

From Table XII: 7 I get the total number of dwellings in 1981. A 'dwelling' is defined as "a separate and independent space which, by the way it has been built, rebuilt or converted, is intended for habitation, or one not intended for habitation but occupied as living quarters at the time of the census" (NSSG, 1985: 268).

From Table II: 20 I get the total number of households in 1981, the numbers of households living in 'regular' and 'non-regular' dwellings, and the numbers of sharing and non-sharing households.

A 'household' is "(a) any person living alone in a separate housing unit or occupying a room as a lodger, provided that, in this case, he does not share meals with the family he is staying with, and (b) a group of two or more persons (related or not) living together in the same housing unit and sharing meals. Every person staying in a private household and sharing meals with family members was considered as household member. A distinction was made, however, between regular members and temporary guests. Persons who, on account of the nature of their work, cannot have regular meals with the household, have been considered as household members if they actually belong to the family. Strangers have been considered as household members, if they have at least one principal meal a day with the family or the household head, in which case they were reported as boarders. Otherwise, they were considered as a separate (usually one-person) household" (NSSG, 1985: 13).

A 'regular dwelling' is "a permanent and independent structure constituted by one regular room at least and intended for the purposes of habitation by a private household" (ibid., p. 13). A 'regular room' is "a space within a building reaching at least to a height of 2 metres, of a size enough to hold a bed for an adult (that is 4-square metres at least), with direct day-light from window or a glass door" (p. 13). A 'non-regular dwelling' is "(a) other spaces intended for human habitation, constructed, however, with cheap or locally available materials (huts, shanties), (b) other spaces not intended for habitation (stables, barns, garages, warehouses, offices, natural caves, etc.), (c)

mobile housing units which have been made to be transported and are intended for habitation (trailers, ships, boats, yachts, caravans and gypsy camps)" (p. 13).

Finally, from Table II: 23 I get a breakdown of occupied regular dwellings into owned, rented, other (usually occupied rent-free) and 'undeclared tenure status'.

Because of sharing, the breakdown of households into owner-occupying, etc., is bound to differ from that for dwellings. Also, the number of propertied households is likely to be quite larger than the number of owner-occupying households, as in Greece a lot of renting households (and even more owner-occupying ones) own, in whole or in part, dwellings in the villages or towns they originally come from.

SECTION 2: Assumptions (in italics) and Processing of the Data.

(1) Households:

Total number in 1981	:	2,974,450
Living in non-regular dwellings	:	38,000
Living in regular dwellings	:	2,936,450
Of which: Sharing	:	76,980
Non-sharing	:	2,859,470

(2) Dwellings:

Total number in 1981	:	3,999,332
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*Assuming that (a) households living in non-regular dwellings occupied a total of 30,000 such dwellings, and (b) all other dwellings - occupied or not - were 'conventional' or 'regular' dwellings, and deducting this number from the total number of dwelling, I get:*

Total number of regular dwellings	:	3,969,332
Occupied regular dwellings (a datum - see Table II: 23)	:	2,895,840
Excess of unoccupied regular dwellings over occupied regular dwellings	:	1,073,492

(3) The number of shared occupied regular dwellings is given by deducting the number of non-sharing households living in regular dwellings from the number of occupied regular dwellings, i.e.,

$$2,895,840 - 2,859,470 = 36,370$$

This means that 76,980 sharing households occupied 36,370 regular dwellings, or 2.1 households per dwelling.

(4) According to Table II: 23, in 1981 occupied regular dwellings were distributed by tenure status as follows:

Total of dwellings	:	2,895,840	
Owner-occupied (OO)	:	2,028,510	or 70.0%
Rented (R)	:	768,910	or 26.6%
Occupied rent-free (ORF)	:	87,750	or 3.0%
Of undeclared status (U)	:	10,670	or 0.4%

*Assuming that the tenurial distribution of U dwellings is similar to the distribution suggested by the other three categories, the total distribution becomes:*

Owner-occupied (OO)	:	2,036,065	or 70.31%
Rented (R)	:	771,741	or 26.65%
Occupied rent-free (ORF)	:	88,034	or 3.04%
All dwellings	:	2,895,840	or 100.0%

(5) To sum up results so far:

Dwellings, occupied:		Households
a. Regular:		
2,895,840	}	2,936,450
a.1. Non-shared:		
2,859,470	}	2,859,470
a.2. Shared:		
36,370	}	76,980
b. Non-regular:		
30,000	}	38,000

(6) I will now associate the tenure distribution of dwellings to that of

households, taking account of the distorting effect of sharing. Logically one would expect those who share to fall into one of the following categories:

- 00/00 i.e., 'both' sharing households are owner-occupying;
- 00/R i.e., one is owner-occupying, the other is renting;
- 00/ORF i.e., one is owner-occupying, the other is occupying rent-free;
- R/R i.e., they are both renting;
- R/ORF i.e., one renting, the other occupying rent-free;
- ORF/ORF i.e., they are 'both' occupying rent-free.

*One may safely ignore all cases but 00/R and R/R.*

If the sharing households are both 00, they are almost certain to be familiarly related. As such they will have counted as a single household after the NSSG definition of one. Also, the number of those who share as well as occupy rent-free do so either on the landlord's sufferance (the vast majority of cases, as when landlord and tenant are related), or because they squat. Either way it is unlikely that they would accept sharing their space with an alien household, i.e., someone they would not be sharing meals with and/or familial ties. Finally, one must also disregard cases 00/ORF and R/ORF. Barring confiscation of property in the context of emergency measures (e.g., like it happened for a few years after the 1922 Asia Minor catastrophe, and the influx of refugees that followed it - see Ghizeli, 1984), it is equally unlikely that either an owner-occupier or a tenant will take in rent-free a household unrelated to them. It should be recalled that temporary guests do not count as members of a household.

By far the most widespread type of sharing is likely

to involve two or more renting households (e.g., students, civil servants seconded away from home, etc.). Less common will be the case of an owner-occupying household sharing with a rent-paying tenant (I am not considering here the case of room-letting to tourists).

*I suggest, therefore, the following tenure distribution for sharing households:*

R/R	75%	i.e., 57,735
OO/R	25%	i.e., 19,245
All	100%	i.e., 76,980

*Assuming that in the OO/R case the sharing ratio is*

*1:1, we get*

	OO	:	9,622;	R	:	9,623		9,622	OO
							or		
	R	:	26,748;	R	:	30,987		67,358	R
			-----					-----	
Dwellings			36,370					76,980	Households

On the basis of these results, the 'real' tenurial distribution for all households becomes:

Dwellings	Households
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Owner-occupied:	Owner-occupying:
2,026,443 non-shared	2,026,443 non-sharing
9,622 shared	9,622 sharing
Rented:	Renting:
744,993 non-shared	744,993 non-sharing
26,748 shared	67,358 sharing
Occupied rent-free:	Occupying rent-free:
88,034	88,034
Total:	Total:
2,895,840	2,936,450

In other words, in 1981:

69.3% of all households living in regular dwellings were owner-occupiers;

27.7% were renting privately, and

3.0% were occupying rent-free.

This distribution slightly diverges from that given in the 1981/82 Household Expenditure Survey (on the basis of a sample of 6,035 households), according to which the corresponding figures were 72.0%, 25.3% and 2.7%, respectively.

(7) While most of the rented stock was owned by owner-occupying households, not all of them owned rented stock, and, in addition, some of the rented stock was owned by renting households. To estimate the number of owners of rented stock, I turn to the 1982 "Statistics of the Declared Income of Natural Persons and Their Taxation" mentioned earlier. The number of taxpayers who in 1982 declared income from 'built properties', which was earned in 1981, was 562,543. *I assume that this number corresponded to 534,416 households (95 per cent of the taxpayers), as in Greece husband and wife declare in common to the Tax Authorities.*

Understandably, not all of the 'built properties' in question were dwellings, and, moreover, a number of those taxpayers must have earned income from properties owned in common. The latter point is of no consequence here as my aim is to find the number of households with property stakes in dwellings, no matter how small those stakes may have been. Still, one must make allowance for those taxpayers whose income from 'built properties' derived exclusively from non-dwellings. *Assuming that such cases were a*

*relatively small minority, I suggest a figure of 50,000.*

It is also possible that the number of those who received income from dwellings was larger than those who declared such income to the Tax Authorities. I have no doubt that the discrepancy was material in the case of people who let rooms to tourists (Pavlopoulos, 1987: 135-36). Still, *that leaves about 40,000 households who, according to my estimate on the basis of Pavlopoulos, op. cit., in 1981 did declare income from that source.* What is less clear, is whether income from room-letting to tourists passes down in the books of the Tax Authorities as 'income from built property' or as 'income from enterprise'. I know that the Tax Authorities tend to opt for the latter definition, but not in all cases necessarily.

However, *I do not think that the discrepancy between the number of those who earned income from dwellings and those who declared such income was material in cases of renting to households ordinarily resident in Greece.* The reason is that such households can charge their conspicuous rental payments against their declared income, and thus have an incentive to declare their tenant status to the Tax Authorities. By analogy, landlords cannot easily hide the fact that they have property income from tenant households ordinarily resident in Greece. It is more probable that the black economy in this particular market 'manifests' itself as undeclared income rather than as undeclared cases of letting to tenants ordinarily resident in Greece. Taking all this into account, we come up with

534,416 - 50,000 - 40,000 = 444,416 households,

who in 1981 received declared income from tenants ordinarily resident in Greece.

(8) My next question is: Did all the 9,622 owner-occupiers, who in 1981 shared with tenants declare their income? I think not. Although those tenant households must have been ordinarily resident in Greece in order to count as households in the census, a very large number of them must have been non-liable to income declaration, e.g., students or young officer cadets. In addition, it is easier for a landlord not to declare income earned from an in-resident than from tenants occupying separate dwellings. Therefore, *accepting Pavlopoulos' estimate of two non-income-declaring, room-letting landlords to one who declares this type of income, out of 9,622 households mentioned, 6,351 did not declare, and 3,271 did so.* Deducting the latter figure from 444,416, leaves 441,145 landlord households who in 1981 owned 771,741 let dwellings in addition to those they themselves occupied.

(9) Another point concerns the breakdown of those 441,145 landlord-households into owner-occupier and tenant. Below I estimate the number of let dwellings owned by households who rented in turn, as 10,132. *Assuming that each such dwelling was owned by one household,* leaves  $441,145 - 10,132 = 431,013$  owner-occupying, landlord-households owning  $771,741 - 10,132 = 761,609$  rented dwellings.

(10) *Sharing households who rented had no property stakes in dwellings.*

(11) *Two thirds of non-sharing, renting households had no stakes in*

*dwelling properties at all (i.e., 491,695 households), and one third had dwelling property stakes (i.e., 253,298 households).*

(12) *The renting households with dwelling property stakes owned into dwellings 80% of their number (i.e., into 202,638 dwellings), as some of them must have shared property rights over dwellings owned in common.*

(13) *The dwellings owned by renting households were distributed thus: 65% (or 131,715) were second homes, 30% (or 60,791) were vacant and/or ruined, and 5% (or 10,132) were rented.*

(14) *Sharing, owner-occupying households had no property stakes in other dwellings. Even if some did so, the numbers involved must have been negligible, as to share one's dwelling with an alien household implies a low permanent income and/or wealth level.*

(15) *Households occupying rent-free had no effective property stakes in any dwellings, and even if they did in a legal sense, the effective ownership rights over those extra properties were likely to reside with the landlord-households who owned the dwellings occupied rent-free, or with other younger relatives. Otherwise, such households were likely to be too poor to have property stakes anyway.*

(16) *40 per cent of the dwellings occupied rent-free were owned by owner-occupying households in receipt of income from other dwellings, and the rest by owner-occupying households not in receipt of such income, at a ratio of 1:1. I assume these*

proportions on the grounds that households owning a number of properties were more likely to afford to let someone in one of their properties rent-free than households owning one or even two dwellings only; on the other hand the latter type of household were more numerous than the former type (by a little less than four to one, in fact).

- (17) *Owner-occupying households who were neither 'landlords' nor owners of dwellings occupied rent-free owned into second and/or vacant homes 80% of their number (i.e., 751,563 x 80%).* The reasoning is the same as in the case of renting households. *Owner-occupying 'landlord' households did so 60% of their number (i.e., 431,013 x 60%)* as a large part of them got stakes into lettable properties through the mechanism of the 'exchange arrangement'. This means that they had had urban land plots at some point in the past, which by 1981 made most of them longer-standing urban dwellers than the 'average' owner-occupying, non-landlord-household. In other words, their connections with rural Greece, where most of the second and/or vacant homes are located, must have been less strong than those of more recent urban immigrants. Finally, *owner-occupying households owning dwellings occupied rent-free, but who did not receive income from (other) dwellings, owned into second and/or vacant homes 40% of their number (i.e., 52,820 x 40%).* The reason I suggest a 40% proportion is that, since their own dwellings, and those occupied rent-free but still owned by them, already must have taken up most of their wealth, their extra property stakes were likely to be smaller than those of the other two categories of owner-occupying households.

(18) The concept of a second home as opposed to a vacant and/or ruined one is very fluid. In 1981 vacant dwellings in Greater Athens & Piraeus were estimated to be 18.5% of the stock, and 12% were unfit for habitation (EKKE, 1987b: 14, quoting the Athens Master Plan 1983). This might mean that vacant dwellings all over Greece could have been 25% - 30% of the stock - and, indeed, the excess of unoccupied regular dwellings over occupied ones in 1981 was 27% of the national stock (see (2) above).

*I would contend, however, that most of the excess must have been in reality second homes, as opposed to merely vacant. That is, they must have been summer, weekend, or holiday homes, and, often, ancestral homes in one's place of origin. Truly vacant homes, in the sense of advanced deterioration or complete desertion by their owners must have been a minority in the excess stock. Further, owners of ancestral or holiday homes may be prepared to put up with a higher degree of deterioration, or economy of construction, or lack of amenities, than as regards their principal residences. In other words, a deteriorated dwelling in an urban centre is more unsuitable for habitation than a 'similar' dwelling used during holidays. Thus, I propose that 35% of the excess stock in 1981 (1,073,492 dwellings) be considered 'vacant and/or in ruin', and the rest 'second homes'. This translates into 9.5% and 17.5% of the total stock, respectively. By comparison, 17.4% of all dwelling units in France in 1982 were either second homes or classified as vacant (Boleat, 1986: 29). Only 4% of the stock in Spain was considered to be 'in ruin' (ibid.). (See also Ashby et al., 1975.)*

(19) It is unlikely that the distribution 65% - 35% (for 'second' and 'vacant' homes, respectively) suggested in (18) above was the same throughout all propertied categories. One would expect, for instance, that 'landlord' households would own proportionately more 'vacant' (as opposed to 'ruined') than 'second' homes, since some vacant homes were very likely to be 'for rent', but registered as 'vacant' at the time of the census. *I would suggest, therefore, the following proportions for 'second homes' and 'vacant and/or ruined' dwellings falling into each propertied category:*

	<i>Second Homes</i>	<i>Vacant and/or Ruined Dwellings</i>
<i>'Landlord' households</i> :	45%	55%
<i>All the rest</i> :	71%	29%

(20) On the basis of the above assumptions and calculations, I have worked out the property structure of the Greek housing system around 1981. I present the results in Table A.2.1.

Table A.2.1 (a): The Property Structure of the Greek Housing System c. 1981 (households living in regular dwellings only).

	H o u s e h o l d s	
		%
A. Owner-occupying	2,036,065	69.3
1. With no property stakes in other dwellings		
a. Sharing with renting households	9,622	0.33
b. Other (non-sharing)	791,047	26.94
2. With extra property stakes		
a. Those who let dwellings to 'ordinary' tenants	431,013	14.68
b. Those owning dwellings occupied rent-free	52,820	1.78
c. Those with second and/or vacant homes only	751,563	25.59

Table A.2.1 (b): The Property Structure of the Greek Housing System c. 1981 (households living in regular dwellings only).

	H o u s e h o l d s	
	%	%
B. Renting	812,351	27.7
1. With no property stakes in dwellings		
a. Sharing with owner- occupiers	9,623	0.33
b. Sharing with other renting households	57,735	1.97
c. Other (non-sharing)	491,695	16.74
2. With stakes (non-sharing)	253,298	8.63
C. Occupying rent-free	88,034	3.0
T O T A L	2,936,450	100.00
	2,936,450	100.0

Table A.2.1 (c): The Property Structure of the Greek Housing System c. 1981 (households living in regular dwellings only).

Households:	Dwellings						Total	%
	OO	R	ORF	SH	V/R			
A. Owner-occupying								
1. With no property stakes in other dwellings								
a. Sharing with renting households	9,622					9,622	0.24	
b. Other (non-sharing)	791,047					791,047	19.93	
2. With extra property stakes								
a. Those who let dwellings to 'ordinary' tenants	431,013	761,609	35,214	116,374	142,234	1,486,444	37.49	
b. Those owning dwellings occupied rent-free	52,820		52,820	15,001	6,127	126,768	3.19	
c. Those with second and/or vacant homes only	751,563			426,887	174,363	1,352,813	34.08	

Table A.2.1 (d): The Property Structure of the Greek Housing System c. 1981 (households living in regular dwellings only).

Households:	D w e l l i n g s					Total	%
	00	R	ORF	SH	V/R		
B. Renting							
1. With no property stakes in dwellings							
a. Sharing with owner-occupiers							
b. Sharing with other renting households							
c. Other (non-sharing)							
2. With stakes (non-sharing)		10,132		136,679	55,827	202,638	5.10
C. Occupying rent-free							
T O T A L	2,036,065	771,741	88,034	694,941	378,551	3,969,332	100.00
%	51.3%	19.4%	2.2%	17.5%	9.5%	100.0%	

Notes: 00 = owner-occupied; R = rented; ORF = occupied rent-free; SH = second homes; V/R = vacant and/or ruined.

SECTION 3: Results and Comments.

(1) Regarding households:

- 69.30% were owner-occupiers;
- 27.70% were renting;
- 3.00% were occupying rent-free;
  
- 14.68% were both owner-occupiers  
and landlords to 'ordinary' tenants;
- 27.27% had no property stakes in dwellings  
other than their own homes;
- 27.37% were owner-occupiers, had property  
stakes in other dwellings, but did  
not let those;
- 8.63% were renting, but had also property  
stakes in other dwellings;
- 22.04% had no property stakes in dwellings  
whatsoever, and
- 77.06% had such stakes.

*Comment 1:* Since a number of households without property stakes must have been students, officer cadets, and young civil servants, i.e, people with potential but no actual property stakes in dwellings, the proportion of families with property stakes in dwellings must have been even higher than that for mere households - possibly 80% - 82%.

(2) Regarding dwellings:

51.30% were owner-occupied;  
19.40% were rented;  
2.20% were occupied rent-free;  
17.50% were second homes;  
9.50% were vacant and/or ruined.

(3) Regarding households and dwellings:

14.68% of households were owner-occupiers, were also landlords to 'ordinary' tenants occupying separate dwellings, and owned 37.45% of the dwelling stock, and 98.70% of the rented stock;

27.27% of households were owner-occupiers without any other property stakes in dwellings, and owned 20.17% of the stock;

27.37% of households were owner-occupiers with stakes in dwellings other than letting to ordinary tenants occupying separate dwellings, and owned 37.27% of the stock;

8.63% of households were renting and occupying separate dwellings, had stakes in other dwellings, and owned 5.10% of the stock.

(3) Regarding property relationships between households:

15.01% of households who were owner-occupiers confronted as landlords

27.70% of households, who were renting;

14.68% of households who were non-sharing owner-occupiers (i.e., 431,013) confronted as landlords

27.37% of households (i.e., 802,728), who rented but did not share with an owner-occupier.

I.e., one such 'landlord' household confronted 1.86 such tenants.

0.03% of households who were renting confronted as landlords

0.03% of other households;

0.33% of households who were owner-occupiers confronted as landlords

0.33% of households who shared with them as tenants.

**Table 6.4: Wages & Annual Receipts of Various Categories of Wage-Earners  
in Greece, 1975 and 1984.**

(a) Annual averages of monthly receipts of office staff in industrial & handicraft establishments with 10 persons or more:

	1975	1984
All :	11,471 drs	63,394 drs
Men :	12,706	69,196
Women :	6,962	42,275

To find annual receipts we multiply the above figures by 13 because employees in Greece receive their monthly wages 13 times a year:

All :	149,123	824,122
Men :	165,178	899,548
Women :	90,506	549,575

(b) Annual averages of weekly receipts of workers in industrial & handicraft establishments with 10 persons or more:

All :	1,481	10,022
Men :	1,728	11,422
Women :	1,108	8,297

These we multiply by 4 and then by 13:

All :	77,012	521,144
Men :	89,856	593,944
Women :	57,616	431,444

(c) Annual averages of monthly receipts of employees in the retail trade:

All :	6,045	39,928
Men :	7,063	45,403
Women :	5,150	33,548

These, again, we multiply by 13:

All :	78,585	519,064
Men :	91,819	590,239
Women :	66,950	436,124

Source: 1977 and 1985 Yearbooks of the NSSG re. monthly and weekly figures.

Table 6.5: Dwelling apartment prices in various areas of Greater Athens, as of 15 January 1975 and 1984. Prices refer to first-floor newly built flats and to new lets. Sale prices are in '000 drs/sq.m. Letting prices are in drs/sq.m.

Locality	1 9 7 5			1 9 8 4		
	Centre	Periphery	LETTING PRICES	Centre	Periphery	LETTING PRICES
Acharnae	11.5	10.0	42	36	38.5	135
Ampelokepoe	15	10.5	45	33	42	210
Galatsi	11	9	42.5	32.5	40	150
Ghyzi	11.5	10.5	25	---	44	184
Kypseli	11.75	8.25	42.5	35	34	172.5
Pangrati	13	10	49.5	42.5	38.5	160
Patesia	12.5	7.75	52.5	34.5	36.5	195
Aegaleo	8.5	7.25	38.5	26	35	97.5
Alimos	13	11	55	39	47.5	200
Glyfada	15	9	55	41	56.5	255
Helioupolis	9.25	9	29.5	27.5	34.5	135
Kallithea	11	9	42	41	40.5	145
Kefisia	22	13.5	70	55	68.5	305
Khalandri	14.25	9.5	50	39	37.5	150
Kholargos	12.75	8.75	47.5	39.5	46	175
Marousi	14	9.25	50	40	57	175
New Cosmos	9.25	9	40	32.5	34	165
St Paraskevi	13	11.25	50	36	44.5	160
Zographos	9.75	8.25	44	36	41	180
Unweighted Average	12.5	9.5	45.8	37	43	176.3
					35.5	137.4

Source: Express, 15 January 1975 & 1984.

Table 6.10 : Number of Loans for House Purchase in the UK, 1960 - 1987.

In '000s.

Period	Building Societies			Banks		
	N	SH	T	N	SH	T
1960	<i>94</i>	<i>231</i>	<i>325</i>			
1961	<i>101</i>	<i>249</i>	<i>350</i>			
1962	<i>108</i>	<i>267</i>	<i>375</i>			
1963	112	288	400			
1964	139	309	448			
1965	132	250	382			
1966	146	315	461			
1967	147	357	504			
1968	155	343	498			
1969	128	432	560			
1970	133	407	540			
1961-70	<i>1,301</i>	<i>3,217</i>	<i>4,518</i>	<i>20</i>	<i>50</i>	<i>70</i>
1971	165	488	653			
1972	164	517	681			
1973	142	403	545			
1974	102	331	433			
1975	121	529	650			
1976	129	586	715			
1977	122	615	737			
1978	134	668	802			
1979	117	598	715			
1980	94	584	678			
1971-80	<i>1,290</i>	<i>5,319</i>	<i>6,609</i>	<i>97</i>	<i>402</i>	<i>499</i>
1981	87	649	736	} <i>44</i>	<i>352</i>	<i>396</i>
1982	94	766	860	}		
1983	110	839	949	21	145	166
1984	130	955	1,085	17	98	115
1985	119	955	1,074	18	158	176
1986	122	1,110	1,232	21	225	246
1987	106	943	1,049	33	253	286
1981-87	<i>768</i>	<i>6,217</i>	<i>6,985</i>	<i>154</i>	<i>1,231</i>	<i>1,385</i>
1988						
1989						
1990						

1981-90

(cont'd)

Source: *Housing & Construction Statistics; Financial Statistics* (HMSO).

Notes : N: Loans on new dwellings; SH: Loans on second-hand dwellings;  
T: All loans. Figures in italics are, or derived from, my own estimations.

Table 6.10 (cont'd): Number of Loans for House Purchase in the UK,

1960 - 1987. In '000s.

Period	Insurance Companies			Local Authorities		
	N	SH	T	N	SH	T
1960				14	34	48
1961	}					62
1962	}					53
1963	}	86	212	298		58
1964	}					77
1965	}					87
1966	}					46
1967		12	22	34		57
1968		14	28	42		39
1969		13	27	40		19
1970		9	23	32		44
1961-70	134	312	446	54	488	542
1971	8	22	30			47
1972	7	18	25			45
1973	7	22	29			59
1974	6	20	26			75
1975	4	18	22			102
1976	3	14	17			24
1977	2	14	16			23
1978	3	14	17			27
1979	3	16	19			35
1980	2	15	17			16
1971-80	45	173	218	45	408	453
1981	2	13	15			4
1982	2	14	16			4
1983	2	16	18			3
1984	2	16	18			1
1985	2	16	18			1
1986	3	27	30			1
1987	4	36	40			1
1981-87	17	138	155	1	14	15
1988						
1989						
1990						

1981-90

(cont'd)

Source: *Housing & Construction Statistics; Financial Statistics* (HMSO).

Notes : N: Loans on new dwellings; SH: Loans on second-hand dwellings;  
T: All loans. Figures in italics are, or derived from, my own  
estimations.

Table 6.10 (cont'd): Number of Loans for House Purchase in the UK,  
1960 - 1987. In '000s.

Period	TOTAL		
	N	SH	T
1960			
1961			
1962			
1963			
1964			
1965			
1966			
1967			
1968			
1969			
1970			
1961-70	1,509	4,067	5,576
1971			
1972			
1973			
1974			
1975			
1976			
1977			
1978			
1979			
1980			
1971-80	1,477	6,302	7,779
1981			
1982			
1983			
1984			
1985			
1986			
1987			
1981-87	940	7,600	8,540
1988			
1989			
1990			
1981-90			

Source: *Housing & Construction Statistics; Financial Statistics* (HMSO).

Notes : N: Loans on new dwellings; SH: Loans on second-hand dwellings;  
T: All loans. Figures in italics are, or derived from, my own estimations.

Table 11.1: Greek Press Commentary on the Rents Issue, 1983 - 1987 (Ind=Independent, C=Centre, L=Left, R=Right).

Date	Paper	Affiliation	Emphasis	Heading
<i>(a) First period of controls</i>				
17.04.1983	Ethnos	Pro-PASOK	Full centre-fold	"Hell is cheaper..."
26.02.1984	Rizospastis	CPG	Full inside page	"Black market in rents in Salonica."
22.04.1984	To Vema	Ind., C	Full inside page	"15%-20% rise in holiday home rents."
23.06.1985	Ethnos	Pro-PASOK	Full inside page	"How 'TO LET' signs have disappeared."
11.11.1985	El/typia	Ind., L	Two full inside pages	"If you want a house, go to a friend of the owner only..."
<i>(b) Control-lifting legislation; rapid rent increases on new lettings; repossession notes</i>				
20.07.86	To Vema	Ind., C	Three full inside pages incl. a centre-fold	"Rents: No leeway left."
04.08.1986	E Prote	Pro-Com.	Half inside page	"Mockery with the rents: Before the municipal elections the government is avoiding the political cost."
04.08.1986	Rizospastis	CPG	Full inside page	"Rents: Despair."
05.08.1986	E Prote	Pro-Com.	Full centre-fold	"While tenants' desperation is mounting, the KKE [CPG] is proposing a solution."

05.08.1986	Rizospastis	CPG	Half inside page	"Rents soar sky-high, and so does demagoggy."
06.08.1986	E Prote	Pro-Com.	Full front page	"Rents Volcano: 40,000 repossession notes."
06.08.1986	E Prote	Pro-Com.	Full inside page	"40,000 repossession notes on tenants."
10.08.1986	To Vema	Ind., C	Full inside page	"The state has no housing policy."
19.08.1986	E Prote	Pro-Com.	Full inside page	"Rents: Trek to a Dead-end."
19.08.1986	E Prote	Pro-Com.	Full inside page	"Rents Battles."
19.08.1986	E Prote	Pro-Com.	Editorial	"Only socialist solutions on rents."

(c) *Policy about-turn; creeping 're-control'*

16.11.1986	To Vema	Ind., C	Full inside page	"Complete Dead-end in the Rents Problem: Tenants and Owners Disagree With the Proposals."
15.01.1987	Oec. Tach.	Ind., R	Two pages	"Elementary social justice demands that the proposed rents law be drastically improved."
26.02.1987	Oec. Tach.	Ind., R	Five pages	"The Measures on Rents" - a survey:

1. "The provisional 'solution' is certain to sabotage our economic development."
2. "The rents crisis and the measures taken betray lack of economic management skills."
3. "The government's decision on rents was dominated by a price-policing mentality."

05.04.1987	To Vema	Ind., C	Half inside page	"Vacant dwellings are now on offer, but rents are high!"
12.04.1987	To Vema	Ind., C	Full front page	"In lieu of a housing loan, rent subsidy for life."
03.05.1987	To Vema	Ind., C	Front page; full inside page	"Retroactive rise in rents: Institutionalisation of a minimum compulsory rent."
<i>(d) 27 May 1987: Latest legislation (reinstatement of control; rent levels a function of the value of the dwelling)</i>				
31.05.1987	To Vema	Ind., C	Full centre-fold	"80 Tips on Rents."
27.06.1987	E Vradyne	R	Front page	"40,000 repossession notes served in seven months - Despair at the rents law - Owners and tenants seek immediate changes."
12.07.1987	To Vema	Ind., C	Full inside page	"Two rooms and payment 'under the table', or how the new rents law is circumvented."
06.09.1987	Rizospastis	CPG	Full inside page	"Rents Law Ineffective: Impaired by past government decisions."

Notes: CPG = Communist Party of Greece; PASOK = Panhellenic Socialist Movement;

Oec. Tach. = *Oeconomikos Tachydromos* (an Athenian economic weekly).

**Table 11.2 (a): Percentage Contribution of (a) Wages & Salaries, and (b) Income From Built Property to Ranges of**

**Declared Income As Defined By the Greek Tax Authorities, 1974, 1979 - 1984.**

Income Range	1974		
	W&S	BP	I/Y
Below 30	16.4	56.5	4.3
30 - 50	25.4	25.1	5.6
50 - 100	51.2	8.6	23.4
100 - 400	64.4	5.7	54.8
400+	18.8	11.7	11.9

Sources: For 1974, TEE (1979: 30). For 1979 to 1984, NSSG: *Statistics of the Declared Income of Natural Persons and Their Taxation, relevant-year issues.*

Notes: (1) Income is in thousand drachmas.

(2) W&S = wages & salaries; BP = income from built property.

(3) I/Y = declared income falling into a specified income range as a proportion of total declared income.

**Table 11.2 (b): Percentage Contribution of (a) Wages & Salaries, and (b) Income From Built Property to Ranges of**

**Declared Income As Defined By the Greek Tax Authorities, 1974, 1979 - 1984.**

Income Range	1979			1980			1981		
	W&S	BP	I/Y	W&S	BP	I/Y	W&S	BP	I/Y
Below 150	34.8	26.1	19.1	30.0	30.4	14.8	24.9	35.1	11.5
150 - 200	56.0	14.8	12.6	55.5	9.0	9.2	50.1	11.5	7.3
200 - 300	78.6	0.0	21.0	69.6	5.6	19.2	64.5	7.1	16.0
300 - 500	78.6	4.1	26.1	79.4	3.9	28.9	79.7	4.3	28.9
500+	64.7	7.3	21.2	69.2	6.2	27.9	76.2	5.3	36.3
	1982			1983			1984		
	W&S	BP	I/Y	W&S	BP	I/Y	W&S	BP	I/Y
Below 150	21.4	40.4	8.6	15.3	47.1	6.1	17.4	26.9	1.6
150 - 200	42.7	16.2	5.2	30.4	22.5	3.4	29.1	16.8	1.5
200 - 300	57.7	9.4	12.2	46.8	13.1	8.4	43.7	12.6	4.8
300 - 500	76.9	5.0	25.7	72.1	6.1	21.0	66.8	8.0	15.9
500+	80.2	4.4	48.4	84.0	3.5	61.2	78.0	7.0	76.2

Sources and Notes as in Table 11.2 (a).

**Table 12.2: Proportion of Greater Athens Population Living in Perceptively 'Good' and/or Distant From the Centre Areas, c. 1981.**

Kind of Area	Proportion of Population
1. 'Good' Municipalities:	
Best <sup>1</sup>	5.0%
Other <sup>2</sup>	10.0%
2. Distant Municipalities <sup>3</sup>	
(when not included above)	5.0%
3. Municipality of Athens	35.0%
4. Rest of Greater Athens	45.0%

Source: NSSG 1985 Yearbook, p. 25.

Notes: <sup>1</sup> Hecali, Kefisia, Marousi, New Psychico, Philothei, St Paraskevi.

<sup>2</sup> Alimos, Glyfada, Heracleion, Khalandri, Kholargos, Old Phalero, Papagos.

<sup>3</sup> Camatero, Hymettus, Khaidari, Lycovrysi, Melissia, New Erythrea, New Penteli, New Khalkidon, Penteli, Pevki, Voula, Vouliagmeni, Vrilessia.

Comment on Table 12.2:

In Table 12.2 I have calculated the proportion of 'Athenians' living in parts of Athens that are perceptively similar (the assumption here is that perceptions are a social fact that cannot be discounted even if 'wrong'. Perceptions of relative desirability influence, for instance, residential decisions and dwelling prices). Often the categories selected overlap in terms of relative desirability. For example, Kolonaki, a supposedly posh area of central Athens may be as, or even more, attractive to some as, or than, Old Phalero or Marousi, which appear in category 1. On the other hand, Kallithea (category 4) may hold more appeal than congested Kypseli (category 3). Notwithstanding such possibilities, the notable point is that in constructing the four categories I was unable to identify any truly 'bad' areas. If anything, the status of areas in category 2 ('distant' municipalities) is nowadays being upgraded because of pollution in central Athens. Before this started happening, most of these areas were considered relatively 'bad' (because of (a) their remoteness, (b) their working class population, and/or (c) their comparative lack of amenities).

In other words, about 80% of the population of Greater Athens (categories 3 and 4) live in broadly similar environments, and only 20% live in distinctly 'good' and/or distant from the centre areas. This means that a prospective low- to middle-income tenant, although he might have personal reasons to prefer a certain area to another (because of nearness to relatives, friends, or work), enjoys in effect a potential hunting ground that encompasses up to 80% of the population of Greater Athens.

**Table 12.3: Increases in the selling (SP) and letting (LP) prices of dwellings**  
in GAP, 1976 - 1985 (percentages).

	1976-79		1979-82		1982-85	
	LP	SP	LP	SP	LP	SP
<u>Cluster 1</u>						
Acharnae	57	100	82	54	-15	2
Ampelokepoe	50	62	67	41	0	25
Kypseli	100	50	100	57	0	-15
Neos Cosmos	80	100	122	65	0	21
Pangrati	33	53	150	73	10	7
Patesia	100	60	127	67	0	13
<u>Cluster 2</u>						
Aegaleo	30	73	85	53	0	55
Alimos	43	76	120	57	0	28
Caesariani	180	73	157	105	0	13
Galatsi	78	65	125	86	0	18
Glyfada	100	51	114	114	7	17
Helioupolis	75	127	129	59	0	10
Kallithea	25	127	100	53	-10	2
Kefisia	138	21	89	30	0	50
Khalandri	115	56	57	5	-9	22
Kholargos	154	106	43	28	0	27
Marousi	67	78	120	44	0	30
Nea Ionia	157	59	56	100	0	9
Nea Smyrna	140	94	67	61	0	10
Nea Philadelphia	75	140	100	58	7	16
Old Phalero	31	78	138	81	0	12

St. Paraskevi	192	96	14	45	0	36
Zographos	64	35	122	68	0	12

Cluster 3

Piraeus (centre)	40	35	100	106	0	3
Nicaea - Keratsini	116	64	100	106	0	8

**Source:** *Express*, an Athenian economic daily; 15/16 January, 1976 - 1985.

Prices refer to newly constructed apartments, and to new lettings.

**Notes:** (1) Cluster 1 includes areas of central Athens. Cluster 2 includes municipalities around Athens. Cluster 3 includes Piraeus and surrounding municipalities.

(2) The prices on which Table 12.3 is based are top prices. As the *Express* data involved two prices only, a low and a high, I chose to use the high one as more appropriate to a study of speculative trends. Had I chosen to use the mean of the two listed prices, the general picture would not change.

(3) The municipalities in cluster 2 accounted for 29% of the GAP population in 1981 (NSSG, 1985 Yearbook).

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