

REPLY TO TONY WARD

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Tony Ward's criticisms allow me to develop certain points which have been dealt with more fully in other papers (some of which are still, unfortunately, either unpublished or forthcoming) and which were only footnoted in this and other articles. Any critical work on home-ownership is bound to stir and perhaps offend deep emotional commitments to what is one of the most sacred social institutions in Australia. I therefore welcome this opportunity to elaborate on a critical study of housing tenure of which the finance capital paper is only a part. Tony's criticisms embody the basic assumptions concerning the role of home-ownership in Australia against which my own work is directed. At the same time, Tony's critique is marred because of a fundamental misreading of my paper which underlies that critique.

Tony makes two substantive criticisms of my paper. Firstly, he disputes my contention that the rise of home-ownership has not benefited householders but has rather incremented the profits of finance capital. Tony's explanation as to the increase in home-ownership (that real incomes rose and that owning is vastly cheaper than the only alternative of private renting) is, of course, the standard explanation and one which is repeated and accepted by most if not all observers of housing in Australia. My position, therefore, is very much a minority one, and depends for its defence upon taking a cross-cultural comparative approach to the study of housing in capitalist (and, for that matter, state socialist) societies.

The first point to note is that if rising real incomes lead to increased home-ownership rates we would expect the home-ownership rate to have increased in all capitalist societies. This is largely true but there are important exceptions, notably Sweden, West Germany, The Netherlands and Switzerland, whose home-ownership rates have remained stable around one-third of households or even declined somewhat. Curiously, these are precisely those countries which have experienced among the most rapid increases in real incomes over the post-war period *and* (with the exception of The Netherlands) they all possess higher per capita gross national incomes than Australia.¹

This in itself could be dismissed as indicating that there are exceptions to the general rule. However, there is one more vital difference between these societies and the overwhelming majority of capitalist societies: this is that their tenure policies have developed along quite different lines.

In most capitalist societies, public renting is prevented from expanding to meet demand because it is artificially restricted by means-testing, limited funding, restrictions of tenant autonomy, and closely regulated residential mobility. Why should this be so? As I have pointed out and discussed at length in my article and in the Arena article which Tony cites, socialised renting (which I call non-profit renting) is cheap for exactly the same reasons that home-ownership is cheap: that is, *mortgage repayments* remain tied to the historic cost of the house, whereas in private renting rents reflect current market values. Contrary to Tony's assertion, therefore, non-profit renting is a competitive alternative to home-ownership, without involving the complete socialisation of housing as occurs in State Socialist

societies. In Sweden, West Germany, The Netherlands, and one or two other societies,² non-profit renting is allowed to expand to meet demand and to compete with both private landlordism and home-ownership for households.

It is clear that Tony's criticism of my comparison of owning and no-profit renting is based on a complete misreading of my work. Tony mis-cites my Arena article that I 'argued out the merits of non-profit renting, of Governments paying for housing out of revenue rather than by loans' and then he asks '...why is mortgaged housing continually compared with non-profit renting?' since it '...is not a feasible solution in present capitalist society' and so people '...must choose between rented and mortgaged dwellings'. Tony concludes from this that finance institutions are in fact assisting people to opt for a form of tenure which is less expensive than private renting.

However, I make it abundantly clear that by 'non-profit renting' I am not talking about completely socialised housing (as Tony clearly believes) but about public rental housing in which the mortgage debt of the total housing stock is averaged, rather than payed for individually as in home-ownership. Indeed, most of my discussion in the above article as well as in the Arena article, is based upon the argument that public rental housing is vastly cheaper than home-ownership since houses are only mortgaged once, when they are built, and not sold over and over again and re-financed with larger and larger mortgages.

Tony's misreading of my work probably derives from my use of the expression 'non-profit renting', which if defined literally means that housing has been completely removed from exploitation for profit. However, it is quite clear that I define 'non-profit renting' as the socialisation of the pooled mortgage debt, and that such housing is 'non-profit' only because it eliminates the landlord as a source of exploitation in housing.³ Indeed, I only mentioned state socialist rental housing in passing to indicate by comparative means the extent to which profits are made out of mortgages which are raised on public housing in capitalist societies.

Let us now return to the question of the relationship of patterns of tenure in capitalist societies to the profitability of housing. In societies such as Sweden there is no 'private rental market' such as exists in most capitalist societies. The choice in Sweden is between non-profit renting and home-ownership. The question that must be asked in the Australian context is not the narrow one of why people choose home-ownership when the only alternative for 95% of the population is private renting: the answer to that question is obvious, and Tony, like most commentators, has provided it. Rather, the question must be why do we have two strictly segregated rental sectors in most capitalist societies and why is the public (non-profit) rental sector in Australia prevented from emerging as an alternative tenure to home-ownership.

The answer to this, I believe, is that the current peculiar arrangements, in most capitalist societies, *maximise the profitability of housing*.

That is, if a non-profit rental sector is prevented from expanding in free competition with private renting,⁴ rental housing will remain highly profitable for private landlords while the maximum number of households will be encouraged to become home-owners, which, as I argue in my paper, is much more profitable to finance institutions than non-profit renting. The current tenure pattern in Australia is therefore very much against the objective interests of ordinary households, and although I freely admit that I have not demonstrated, or even tried to demonstrate, that the move to home-ownership has been 'engineered' by finance capital, the current arrangements are clearly to its (and to other vested interests') great advantage. However, I would hope that once we clearly understand the relationships between the various vested interests and the tenures, and their development in Australia, reasons for the development will be found as a result of future research.

Finally, Tony disputes my contention that 'trading up' maximises the mortgage debt on a stock of dwellings. Tony claims the phenomenon of 'trading up' does not

increase the mortgage debt since house-price inflation affects all houses and 'the movements of individual households within this pattern are not really at issue'.

However, if the two paragraphs immediately preceding the one where an example of a household 'trading up' is given and the effect of this on that household's debt-burden is examined, it is clear that what I am referring to is the way the lifetime cost structure of home-ownership stimulates households to 'trade up' whilst at the same time discouraging older households who have perhaps traded up a couple of times during their lifetime to 'trade down' to a cheaper and smaller dwelling. The data cited from King illustrates this clearly. What appears to happen in home-owning societies is that the consumption of housing is affected by the distorted lifetime pattern of mortgage repayments, so that while 'trading up' is encouraged, 'trading down' is discouraged. The result of this is that aggregate housing consumption is stimulated.

Of course, part of this 'trading up' is simply the redressing of the imbalance between the 'young poor' and the 'old rich' as households make up for their lack of housing in the early years of home-ownership and while privately renting. To an extent, then, the phenomenon simply reflects the social cost of home-ownership in its undesirable effect of forcing large families to overcrowd while the middle-aged and elderly possess surplus space.⁵ However, this is not all that happens. I would maintain that the imbalance between 'trading up' and 'trading down' (plus the tendency for households to increase the size of their homes by building extensions) means that the average dwelling size is likely to approximate that required by the average family with children. This is further supported by the fact that the average dwelling-size in English-speaking countries (including England) is around five rooms per dwelling, whereas in countries such as Sweden, and West Germany, it is between three and four rooms per dwelling.⁶

This brings me back to the wider question of comparative tenure patterns in capitalist societies, and Tony's conclusion that the general attack on finance capital is misdirected, that the paper 'fails to get to grips with housing experience', and that the analysis is sloppy. A careful reading of the paper, particularly the first four or five paragraphs and the concluding paragraph, clearly establishes the comparative context within which the study of one vested interest in one form of tenure in Australia must be placed. Any misreading of the paper side, that wider context cannot be glossed over or ignored, and I welcome the opportunity to reaffirm this.

¹ For a further discussion of this see my 'Forms of Tenure and Social Structure: a comparison of owning and renting in Australia and Sweden', The British Journal of Sociology, vol. 29, no. 1, March 1978, pp. 41-56.

² For comparative analysis see my 'Political Tenure Strategies' (lithograph), University of Adelaide, 1977. For a more detailed study of Sweden see my 'Swedish Rental Policy' (lithograph), University of Adelaide, 1977, and 'Urban Home-ownership in Sweden', Urban Studies, November 1978 (forthcoming).

³ 'The Political Economy of Housing', Arena, no. 49, 1977, pp. 32 and 37-38. See also pp. 13 and 15 in 'Home-ownership and Finance Capital'. It is probably preferable to use another term, such as 'cost-renting', though the original term is retained here to avoid confusion.

⁴ It should be noted that at present the Federal Government provides the majority (though by no means all) of public housing loans. Any move towards developing a non-profit rental sector would necessitate raising a higher proportion of credit from finance institutions due to the cost involved. This is discussed further in my 'Towards a Radical Housing Policy' (lithograph), University of Adelaide, 1978.

- ⁵ A similar situation exists in Britain, where housing shortages are appalling and where the home-ownership rate has been rising by about 1% per year over the post-war period to around 55% today. For data see S.S. Duncan, 'The Housing Question and the Structure of the Housing Market', Journal of Social Policy, vol. 6, no. 4, October 1977, pp. 399-430.
- ⁶ Dwelling size is not to be confused with dwelling type (house or flat) since although flats are more common in those countries, aggregate demand is still for small rather than large flats. In Sweden, for example, there is considerable household resistance to attempts by the Government to increase average non-profit rental flat sizes.

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