

Editor's introduction

↳ By Andrew Heywood

The development of affordable housing by governments has been a barometer of the shifts in how government sees its responsibilities to provide for the needs of its citizens. Should government intervene to directly offer secure high-quality accommodation to those who cannot access such accommodation via the market, or should policy makers stand back in the belief that the market will ultimately serve the needs of all, if to varying degrees? Put another way, should government develop "affordable housing" as a specific category of provision standing outside the market, or should the role of the state be to create conditions in which housing is affordable?

At times of crisis, whether natural or man-made, such dilemmas are often temporarily resolved by the responsibility to urgently provide shelter to those in need. Hurricane Irma has rampaged across the Caribbean and Florida. The sight of the widespread destruction of homes and the mass dislocation of households on our television screens creates an immediate impetus towards rapid and decisive action. Yet even here difficult issues are raised. When providing help for the longer term, should one aim to reproduce the sometimes-inadequate housing of the past or to improve it? Should new housing be for rent or for sale? How should it be funded?

For much of the post-war period, the "Golden Years" as the French describe them, the issue of how to provide housing for all was resolved by a twin-track approach. Market recovery was encouraged after six years of conflict and homeownership levels rose over the following four decades. Yet this achievement was underpinned by simultaneous provision of "affordable housing" which frequently had a dual purpose. Affordable (social) housing directly provided decent homes for those who could not access the homeownership market and whose experience of private renting had in many cases been negative. At the same time, the development of large numbers of homes under the auspices of government contributed to overall new housing supply with the effect of making housing more affordable across tenures. In the UK for instance, social housing made up 53% of all new housing built during the thirty years to 1980. The high levels of affordable housing development were reproduced across much of Europe, notably in the Netherlands and France. It is ironic that the post-war boom in home ownership owed much to the provision of affordable housing in many countries.

This is not to suggest that the post-war provision of affordable housing was an unmitigated success story. The development of large unattractive mono-tenure estates often created their own set of social problems including worklessness and anti-social behaviour. Some academic studies of the life chances of those brought up in social housing went as far as to suggest that such housing was itself responsible for limiting individual opportunities and suppressing aspirations.

The last two decades of the twentieth century saw a shift in the emphasis of public policy in many countries. Governments reacted to the perceived shortcomings of existing affordable housing provision but also responded to the broader neo-liberal political climate, which supported the withdrawal of the state from responsibilities that had previously been seen as central. The emphasis of policy moved away from traditional social housing provision towards encouragement of homeownership. Social tenants were encouraged to buy their homes and in many countries the new supply of affordable housing declined.

For a while, the change in approach appeared to be working. Homeownership peaked at 80% in Ireland in 1991 and at 70% in the UK early in the next decade. As mortgage finance became more widely available it appeared that the need for affordable housing as a specific tenure would continue to reduce. Sadly, this did not last. In the wake of the Global Financial Crisis [GFC], it became increasingly clear that homeownership levels were on the decline in many markets, including the US. In addition, there remains a stubborn sector of households who cannot sustainably be accommodated by the market whether as owners or in the private rented sector. As this issue of HFI demonstrates, this has led to increased interest in affordable housing both by government but also by private investors. It is unlikely that this interest will simply reproduce the policies of the past. The trick, of course, is to learn the positive lessons while avoiding the very real mistakes.

China, in many ways epitomises the story sketched out above. From a position where the State had the central role in the direct provision of housing, China began to move decisively towards market provision of housing with an emphasis on homeownership. This policy has been highly successful in promoting a private housing market

and a generation of homeowners. However, since 2007 China has recognised the need to make housing provision for those priced out of the homeownership dream. In our first major article in this issue Yusong Deng traces the changes in Chinese housing policy relating to the reform of the urban housing system over the past three decades. The article not only demonstrates the direct benefits of the reforms but links them to strong economic growth in China.

In terms of size Wales and China are at opposite poles. Nevertheless, Wales too has an interest in affordable housing provision, in part because 23% of Welsh households continue to live in poverty. In an important article, *Affordable housing in Wales: Challenges underpinned by optimism*, Matthew Kennedy provides a valuable overview of affordable housing policy in Wales in the context of the broader housing market and the economy.

The affordable housing sector has seen increased interest from private institutional investors in a number of countries including Germany, the Netherlands and the UK. In his article, *The public markets and European residential real estate*, Shaun Stevens examines the reasons for increased institutional investment in the affordable sector in Europe in the period since the GFC.

The private rented sector is often seen as a tenure standing between homeownership and social housing. In his article *The Private rented sector in France*, Claude Taffin provides an overview of the private rented sector in context and discusses its history as well as current trends. This is a very helpful article for anyone wishing to better understand housing policy and practice in France.

Our final article, by Jakob Kongsgaard Olsson, focusses on the preparations for the introduction of the Basel III capital accords. New regulation almost always involves striking a balance between protection and growth. In his article Olsson argues that the new capital floors proposed by the Basel Committee will dampen down economic growth and cause consumer detriment without providing effective additional protection from the effects of high risk lending. The article makes some telling points about the relationship between an unaccountable Basel Committee and the EU.