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**The Housing Question: Ideology, Access or Action?
An Examination of Housing Provision
in New Zealand.**

A Thesis Presented in Partial Fulfillment
of the Requirements for the Degree
of Master of Arts in
Geography
Massey University

Scott Salmon
1987

For Yvonne, in Appreciation

**When one voice rules the nation
Just because they're top of the pile
Doesn't mean their vision is the clearest
The voices of the people
Are falling on deaf ears...**

Billy Bragg 1987, Ideology

The disenfranchised must be heard through the kind of geography we make, no matter how unpopular that voice within the corridors of power or with those that control our purse strings.

There is more to geography than the production of knowledge and personnel to be sold as commodities to the highest bidder.

The kind of geography we make must be a peoples geography.

(Harvey 1984, 7)

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PREFACE

The inspiration for investigating this topic, and the material for the case examples, grew out of a period between 1981 and 1986 during which time I became heavily involved in dealing with the consequences of various aspects of Palmerston North's housing shortage. I was, at that time employed as Co-ordinator of Community Volunteers (P.N.) Inc., a small non-profit urban based community work agency. In the course of my work I was involved with the problem on several fronts; dealing with those directly affected by the shortage; the homeless, secondly: trying to raise awareness of the problem amongst those who held power and controlled resources in the city, attempting to persuade them to take some positive action to increase the housing stock.

While much of my work at Community Volunteers was, of necessity, related to dealing with the immediate issues it was this experience that made me aware of the complex and interconnected nature of the city's problems. Taking time out to complete this thesis has allowed me the luxury of standing back from the exigencies of my previous position to investigate the deeper ongoing processes and to gain an overview of the urban scene. I felt strongly that it was important not just to indulge in "moral masturbation" by compiling some 'huge dossier on the daily injustices to the populace' (Harvey 1973:145) but to identify and explain the processes that have led to and perpetuate the particular housing problems that Palmerston North is experiencing in such a way that the knowledge gained can be applied to the task of bringing about a humanizing social change.

CHAPTER ONE

INTRODUCTION

The housing question is an important one. On a practical level its resolution is crucial to the well being of all people. On a conceptual level it occupies a key position in the 'urban problematic' encompassing a series of social processes and issues surrounding the production, provision, and use of housing. Housing is a complex good, as such there are many facets to the problem - it is not uncommon for it to co-exist with a surplus of dwellings.

To study the question of housing is not to contrast popular 'needs' with the wickedness of capitalists, but to reveal the structural limits of the solutions to the problems of shelter, and the complex set of correspondences between the practices of agents and their place in the social structure.

(Castells 1969:81)

This work was born of disbelief. Housing meets one of the most basic needs of human survival. In a rich and developed society such as New Zealand an increasingly significant minority are homeless or poorly housed. Yet the problem persists and apart from a few ineffectual attempts at resolution, the prevailing response seems to be becoming one of mounting indifference. As the housing situation deteriorates for many in New Zealand so the need for a true understanding of housing and the nature of its recurring problems in the New Zealand context becomes urgent as a first step towards achieving a fundamental and lasting solution to the housing question.

This thesis is an examination of the provision of housing in Palmerston North, analysing the current housing shortage and associated problems which are being experienced not only in Palmerston North but now throughout the larger cities in New Zealand. A central objective is the search for an explanation of the causal processes at work determining housing provision and accounting for the particular situation in Palmerston North.

Much of the theoretical material drawn on in this thesis to provide explanation is not new but originates from the 'Anglo-American' arena where it has in many cases been constructed with a view to creating a 'general' theory of housing and as such has on too few occasions been

employed to explain specific and unique situations. For the purposes of this study an attempt was made to break away from the tradition of simply transferring the findings of European and American theorists to describe the New Zealand scene in favour of a more 'organic' approach where this theory is transformed in the course of the research to provide an interpretation of the unique of the Palmerston North situation which links it to that which is general about housing in capitalist societies.

Considerable emphasis is placed, within this study, on the opportunity of access to housing for various groups and the impacts (both deliberate and unintended) of authorities (particularly the state), institutions and actors that provide or take decisions that influence the distribution of housing. The study reflects a commitment to discovering, by conceptually and historically informed analysis, the underlying social processes which have caused existing social and spatial forms. It is hoped that this study of housing problems in a New Zealand context will be of use to all interested, or directly involved, in the struggle to improve the standard and equality of distribution of housing in this country.

This study employs a neo-Marxist conceptualisation of social enquiry and there is no intention on the part of the writer to justify the adoption of such a conceptualisation by undertaking a major critique of positivist and empiricist approaches to housing issues. The debate relating to the value of the Marxist method in Human Geography is regarded as one that has been held and in this writer's opinion resolved (for some example of the debate see the pages of *Area* 1971 3(2) - 1981 13(1) or Johnston 1983a, chapt.6 esp. pp.191-198, for the nature and value of a 'Marxist Geography'; Gregory 1978, chapt.3; Harvey 1973, 1981, 1984; Johnston 1983b:91-101, 108-121; Quaini 1982; Sayer 1979; Short 1985; and in relation to housing, Ball 1978; Bassett and Short 1980; Berry 1981; Castells 1977:145-191; Duncan, S.S. 1976; Gray 1975; Harvey and Chatterjee 1974). Obviously the term 'neo Marxist' is not an unambiguous one and so a brief statement of the interpretation employed here is appropriate.

Value Freedom

In presenting this work the writer accepts the basic contention that it is not possible to exclude 'values' which may include political, moral and religious beliefs, the subjective and affective preferences of the individual and so on. Those geographers that claim to be objective and

value free are "unwilling or unable to detect their implicit and explicit value judgements, biases and distortions." (Doherty 1973:45) The work that results from such beliefs is in fact ideological in the classical Marxist sense in that it produces "systems of ideas which give distorted and partial accounts of reality, with the objective and often unintended consequences of serving the interests of a particular social group or class." (Anderson 1973:1) Harvey (1974:214) notes that:

Scientific method, it is often argued, guarantees the objectivity and ethical neutrality of "factual" statements as well as the conclusions drawn therefrom.

but that

The peculiarity of this view is that the claim to be ethically neutral and ideologically free is itself an ideological claim. The principles of scientific method are normative and not factual statements.

Both ideology and science are socially constituted discourses.

To avoid the 'unconscious distortion of reality' the writer's values and background have pointedly been made explicit at the outset of this work (see Preface) and the study has been consciously constructed from an awareness of this position.

Totality and Reductionism

Marxist theory attempts to understand society as a whole, thereby putting its parts (including the knowledge accumulated within it) in perspective. But Marxism does this in a specific way, it begins from the concrete, material reality as it currently exists and by penetrating beneath the surface appearance of that reality, seeks to understand the underlying rationale of the society being examined.

(Harvey 1981:210)

Marxist structuralism views reality as a totality of internally related parts. It adopts a relational perspective studying not the elements of a whole but the complex of relationships that unite and connect those elements. The emphasis is on how totalities are structured and how these structures change. The relationships between elements within a structure are continually undergoing change through which the totality is transformed. At the same time, however, the

totality tries to shape the parts so that each part functions to preserve the existence and general structure of the whole.

Capitalism, for example, seeks to shape the elements and relationships within itself in such a way that Capitalism is reproduced as an ongoing system. Consequently we can interpret the relationships within the totality according to the way in which they function to preserve and reproduce it.

(Harvey 1973:289)

Another result of this is that the totality shapes the character of the parts it contains; they exhibit the distinctive characteristics of the totality. This is because, Harvey claims (1973:289), each element, for example housing, is the locus of a set of relationships within that totality. From a Marxist perspective, the causes and effects of social phenomena are aspects, or applications, of structural relationships between the elements (Keat and Urry 1982:97). No aspect can be considered in isolation. Thus, as opposed to atomistic conceptions of totality (the whole is the sum of simple elementary facts) or formalist conceptions, typical of modern structuralists (the whole has a separate and predominant identity over the parts), the

dialectical and materialist conception of Marx...Views the whole as the structured interdependence of its relational parts, the interacting events, processes, and conditions of the real world. Through the constant interaction and development of these parts, the whole also changes, realizing the possibilities that were inherent in earlier stages.

(Ollman 1973:496)

Therefore, in this study, housing is not examined as an independent variable, amenable to equitable distribution via housing policy alone. It is examined, not only in relation to the role of housing consumers but through their relationships with other elements such as: the distribution of income; the role of local and central Government and other groups associated with housing production and allocation; the structure of the finance market; the operation of the landuse planning system; the institution of private ownership of land and housing; and the circulation and accumulation of capital (Crawley 1982:3).

Structures and Transformation

Relationships such as these are acknowledged to be both continually changing and often contradictory, conflicting and incompatible. This notion is embodied in the Marxian method of

dialectics; a powerful tool for dealing with the interrelations and dynamics of society. In simple terms the concept can be defined as the perpetual resolution of opposition (thesis-antithesis-synthesis), in which each resolution produces its own contradictions, which in a societal context allows for the progressive unfolding of structures (Gregory 1981:81-2). In the Marxian dialectic, society is conceived of as a set of structures in the process of continuous transformation. Such change is internally generated by the ongoing dynamic of society itself. It takes the form of contradictions which prevent any system of production and accompanying social relations from remaining in a state of equilibrium. Commonly, readjustments or partial solutions occur which attempt to mitigate the effects of societal contradiction (Peet and Lyons 1981:188). These forces are viewed as socially produced phenomena which serve the needs of a constantly evolving capitalist system and maintain the underlying structures of capitalism's remarkable adaptability and dynamism; its success. However these readjustments induce new changes which open the way to new contradictions. As a result society is in a constant state of flux.

Transformations occur through the resolution of ...conflicts and with each transformation the totality is restructured and this restructuring in turn alters the definition, meaning, and function of the elements and relationships within the whole. New conflicts emerge to replace the old.

(Harvey 1973:289)

To illustrate this process,¹ an example that has, as we shall see, important ramifications in relation to the allocation and accessibility of housing; the conflict between the necessary structures of production and distribution in capitalist society.

Conflict

Since the aim of Capitalism is to produce profit, it continues to increase its productive ability which conflicts with another basic element of the market economy, the distribution and

1 A full exposition of the Marxian method and the laws of dialectic now would prove too long a detour. (For further detail see for example Ollman 1971, 1973; Engels 1955)

For the present it is probably sufficient to note their character as generalisations about the interaction and change which occur in a world conceived of in terms of internal relations.

allocation of scarce resources. In other words the market system is based on conditions of scarcity which conflicts with the tendency towards overproduction. This tendency being the result of continual, albeit uneven, increases in productive ability. As a result certain mechanisms develop in capitalist society to alleviate the contradiction of overproduction; the creation of scarcity in another part of the system or the artificial depreciation of capital in the built environment. Although these mechanisms may prove successful in balancing productive capacity with social need in the short term, they cannot alter the basic tendency towards overproduction since it is inherent in the process whereby capital is accumulated - the elimination of scarcity would cause the market economy to collapse. These changes likewise help to produce new contradictions - homelessness, social conflict, urban decay - which in the end only serve to further enhance disequilibrium.

Materialism

Marxism takes a materialist view of history. This is not to assume that the economic base is superior to all other structures with which it might come into contact.

The relation between economic and other social factors is not a causal one; mutual interaction (or reciprocal effect) characterises the relations between all elements in Marx's conception of reality.

(Ollman 1973:497)

Nevertheless

The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness,

(Marx 1970:21)

Labour, it is argued, creates a human world through the production of material objects. This production is the means by which people create themselves as human. By acting on the external world they both change it and change themselves. They develop human powers through this inherently social process. People can not be conceived of apart from society; their existence is dependent upon their relations with other people. The process of material production, for example, is one of continuous creation, satisfaction and regeneration of

people's needs through labour. But these needs and people's abilities and wants, are themselves historically produced. They depend not on people's essential attributes but upon the particular modes of organisation of human labour found within specific societies (Keat and Urry 1982:96-7). The point is that the way in which labour, or productive activity expresses itself is historically and spatially variable. Thus Marxism holds that one must always study people within specific historical structures which are themselves founded on different modes of organisation of productive activity.

Different social formations create material and social landscapes in their own image (Harvey 1983:192). It follows then that there are no general economic laws which are applicable to all societies, none are independent of given historical structures (Keat and Urry 1982:99). Judgements, attitudes and action can not be severed from the social context in which they occur. In fact the analysis of any group's values and the actions based on it must deal with what they take to be true, the categories in which they organise this truth, and the social conditions and interests which structure both; the social relations of that system (Ollman 1973:500).

Housing Provision and Social Causation

The results of numerous studies, and indeed my own experience in the Palmerston North situation, reveal that

in the situation of unequal distribution of wealth, prestige, and power the study of constraints and allocation rather than preference and demand provides the more realistic viewpoint from which to understand housing situations and housing markets.

(Duncan 1976:10)

(See for example Mellor 1973; Harvey and Chatterjee 1974; Gray 1975; Kirby 1976; and Castells 1977.) Gray makes the point that

People are not free to choose and prefer from a range of options, and that study of household units does not provide a key to understanding the urban processes. Instead many groups are constricted and constrained from choice and pushed into particular housing situations because of their position in the

housing market, and by the individuals and institutions (i.e. building societies, estate agents, public and private landlords) controlling the operation of particular housing systems.

(1975:230)

But, while this point is vital to any enlightening explanation of the distribution of housing in capitalist societies excessive emphasis on constraint could produce an analysis almost as one-sided as the previous emphasis on preference and choice (Hamnett 1977:144). Without doubt people are severely restricted in their housing market but they still have to make some choices within those constraints. I can do no better here than to borrow an image from Harvey:

"In the housing market with a fixed housing stock the process is analogous to filling up seats sequentially in an empty theatre. The first who enters has n choices, the second has $n-1$, and so on, with the last having no choice. If those who enter do so in order of their bidding power then those with money have more choices, while the poorest take up whatever is left after everyone else has exercised choice.

(1973:168)

This issue illustrates the tensions that exist within any attempt at causal analysis between the relative import of structure and agency. It also raises what has become an ongoing debate in the social sciences.

Despite the conceptual insights into capitalist economies which it provides it is probably fair to say that much of Marxism since Marx has tended to underrate the importance of social variability within social structures and this has meant that in some cases Marxism underestimated the self-destructive forces and contradictions of capitalism. There are a number of reasons for this, both internal and external to Marxism (Dickens *et al.* 1985:6) but a major cause, more recognisable with the benefit of hindsight, was the overreaction of Marxists to the inadequacies of conventional social science, where formal attempts to acknowledge social totality were usually functionalist and commonly ignored in empirical studies (Dickens *et al.* 1985:6).

Marxism offered a powerful alternative to this blinkered view but, as seems characteristic of progress in social science (Johnston 1983a, 1983b), this resulted in one extreme being replaced by another with the 'onslaught' of structuralism in the 1960's and 1970's (Massey, 1984:8-9). As Dickens *et al.* (1985:6) note there was not inconsiderable irony in position

where explanation was commonly left at the identification of basic social structure, thus re-introducing the problems of functionalism. Where such studies depended on circular and effectively deterministic, non social explanations, the result was an inability to explain the variability of social practices. This work was written in reaction to that phase.

Structure and Agency

Identifying the structural mechanisms of capitalism is not the same as explaining what happens in particular societies at particular locations, the multifarious ways of institutionalising practice, that determine how and in what ways such structural mechanisms work. Furthermore, it is worth noting again that many of these characteristics have been created by people; the geography of society is socially constructed but also, that social processes and phenomena are constituted geographically (Massey and Allen 1984:161).

People may not be able to act independently of others, nor in circumstances of their own choosing, and the nightmare of the past certainly bears down upon them. But they do act, in accordance with their evaluation of the circumstances and often with considerable skill and force. It is not surprising, therefore, that what are identified as basic structural mechanisms actually produce widely variable outcomes in different times and at different places.

(Dickens *et al.* 1985:1)

The fundamental methodological question is how to keep a grip on the generality of events, the wider processes lying behind them, without losing sight of the form of their occurrence.

(Massey 1984:9)

It is in response to just this challenge that a modified Marxism is employed in this study which, it is held offers the best chance of relating structure to particular practice, and therefore of understanding change and variability in both.

Social structures are not imposed by nature or God, the motors of social change are active people with skills and resources. Yet people are not isolated individuals, they act as members of social groups constituted in time and space.

social structures are both the medium and outcome of social practices. Actions are not only constrained but enabled by structures (for example speech by language) which only exist where they are reproduced, that is their reproduction or transformation is not automatic but contingent upon actions.

Actors are not automatons or dupes or mere passive bearers of roles, but possess skills, some of them tacit or unconscious, which are a condition of the possibility of even the most mundane of acts. It is therefore possible to recognise that actions take place in conditions and with resources which preexist, and which may not be acknowledged by actors but which are nevertheless a necessary condition of their execution, and also that the reproduction or transformation of these conditions is an (often unintended) consequence of the actions. Thus the twin errors of voluntarism (actors act independently of any constraints) and structuralist determinism (the conditions do the acting) are avoided.

(Sayer 1983:109)

This methodological and theoretical stance has affected not only the approach to the topic but also the way in which this work is structured. As a result it too requires some brief explanation.

The Structure of this Thesis

The following chapter presents a theorisation of the role of housing, a general explanation of how and why housing is provided in capitalist societies, which we can use to examine particular aspects of the New Zealand situation. This theorisation is constructed from the works of Harvey, Duncan, Berry, Boddy, Larmarache, and others. However, as such, these theoretical constructions do not explain what actually happens in the reality of particular societies at particular places at particular times (Dickens *et al.* 1985:1). Such theories are, of necessity, abstractions. Their explanative power depends upon the success (or not) of their generalisation of relations among empirical objects and events (Sayer 1982:72). It is important to be aware that this body of theory is in fact an ahistorical generalisation (Duncan 1981:239). Capitalist social formations are in constant motion, including, for example the nature of state interventions in housing provision together with the material and ideal components of this provision. An adequate theory must provide the means to analyse these specific changes in a particular location (Duncan 1981:239). It is worth reiterating then, that this theorisation is conceived as a starting point for analysis; providing the conceptual framework with which we can examine particular aspects of the empirical observable reality of New Zealand and later Palmerston North. In itself it tells us little about changing structures and specific processes.

In the later sections, where abstractions are utilised we must be aware of the relations which link these abstractions to the totality; they are both relative and historically specific.

Even before I undertook this thesis I was aware of the complexity of factors involved in this aspect of the urban scene and so I was concerned that a reductionist dissection would distort or obscure the true nature of the problem. As a result, rather than proceed in a 'linear' manner from these early chapters to a definite conclusion I chose to use elements of the theoretical framework to interpret the unique outcomes of housing distribution in New Zealand by writing a series of linked yet separate chapters, or long essays, each examining different aspects of the housing question and each tied to a preliminary statement of theory. To borrow a borrowed² image (Harvey 1982:2) I have conceived of these chapters as being separate 'windows' around a courtyard from which we can gain one view of the complexities of housing provision in the urban setting. When we move to another window we can see things that were formerly hidden from view. By moving from 'window' to 'window' each new perspective will, I hope, force us to interpret and reconstitute our knowledge to build up an overall picture which will provide us with a clearer, more accurate understanding of the housing question in this society.

These chapters or 'windows' each pick up on a particular aspect arising from the theoretical exposition or abstract view point. The thesis, then moves from the general and theoretical to explain how particular aspects work themselves out in the Palmerston North situation. In this way we are abstracting the units which we are studying but are still aware of their necessary links with the totality.

The theoretical section is followed by a historical 'window' which sets out to document in a comprehensive way the history of housing provision in New Zealand. In particular I have attempted to examine the evolution of particular structures and processes which have shaped the patterns of housing distribution and access of today.

The following essay (Chapter Four) takes up this theme in the 1980's, analysing how the trends identified in the previous section have combined with contemporary processes in such a way as to dictate to a large degree, the role of the State in our society and in so doing create new and changing patterns of access to housing for growing numbers of New Zealanders.

2 Originally taken from Olman 1971.

The next chapter shifts the focus of attention from the general national structures towards the analysis of the unique. It provides a glimpse of the New Zealand housing question from the point of view of several groups of housing consumers in Palmerston North in the early 1980's. In this way we are able to gain some appreciation of local variation within the New Zealand housing question. We are able to move from the national or aggregate level to understand how these processes interact with local specificities to produce a unique outcome. In turn by studying the actions of different groups of dissatisfied housing consumers we can see how the unique feeds back to affect those wider processes.

At another level there are a number of points arising from the theoretical and historical sections, relating to the New Zealand scene which provide recurring themes throughout the rest of the work. One of these is the focus within the following discussions on the implications of various processes, actions and 'local specificities' for access to housing within the city. Another theme derives from the reworking of an idea originally raised by Frederick Engels (hence the title of this work), in an entirely different context, in his essay on the Housing Question (1887, in Marx and Engels 1955:557-634). This is the contention that housing problems are inevitable while housing is treated as a commodity and allocated via the market system and that attempts by many institutions and organisations to solve housing shortages within that framework have resulted only in shifting the problem elsewhere, exacerbating it, or concealing it (Engels 1887, 1955 edn:609).

The aim of this thesis is not to try and demonstrate the validity of some 'universal law' of housing by reference to an isolated ahistorical case study (Duncan 1981:239) I do not wish to employ some mechanistic 'top-down' form of structuralism (Massey 1984:9). Rather my intention is twofold. Firstly, to focus on the articulation of the general with the local; and to apply a generalised theory to explain the specific historical and geographic processes that have caused the housing reality of New Zealand and in particular Palmerston North in the late 1980's. Secondly I hope that the application of this theory to a real and specific situation may illuminate and enrich that theory. Finally having examined how the present patterns and processes have been created I wish to consider their implications for future housing provision in New Zealand.

CHAPTER TWO

A THEORISATION OF THE ROLE OF HOUSING IN CAPITALIST SOCIETIES

The system of housing in capitalist societies is interconnected with the wider social system in a number of important ways which provide different yet interrelated viewpoints for analysis.¹ At the most obvious level housing in New Zealand is treated as a commodity, primarily produced and distributed to provide surplus value for various forms of labour employing, profit seeking capital. At a second level housing is a necessary element in the production of labour power, and hence in the reproduction of capitalism itself. Thirdly housing provides the opportunity for capital accumulation, and therefore competes with other uses of capital. At the fourth level housing occupies a fixed space and thus must 'compete' with other land uses.

Because of these often conflicting roles, housing is enmeshed in a system of contradictory forces, and so the housing system has and continues to be an arena for social conflict and in New Zealand, the focus for various often extensive, forms of State intervention. We must consider all these aspects of the housing question in order to build an adequate framework for analysis.

COMMODITY PRODUCTION

The production of housing in New Zealand takes the form of commodity production: (private) housing is produced for its exchange value. As a commodity housing is the vehicle for the production of surplus value and a means of capital accumulation for a particular sector of industrial capital (building industrial capital) (Bassett and Short 1980:174). Housing, once produced, is placed upon the market for allocation like any other commodity. What is an immediately apparent consequence of this mode of allocation is that interaction of supply and

1 Berry (1981:3) cites three 'dimensions' to the housing question. I have modified these and included another.

demand is fundamental to the creation of price levels and hence access to housing for various groups.

The desire for profit by those institutions and individuals producing and controlling private housing means that there always needs to be a shortage of the commodity, for it is only when demand exceeds supply that prices will rise. For consumers this means that there must, virtually always be a group at the 'bottom' of the housing system who are homeless or poorly housed who are trying to buy into the system. This is but one aspect of an extremely complex system, where the traditional economic concepts of supply and demand curves have little analytical usefulness (Kirby 1976:6). This is because housing is a commodity with a number of peculiar features

Harvey (1973:157-159) has outlined six distinguishing features relevant to an analysis of housing as a commodity in contemporary capitalist society.

- (1) Housing (and the land it occupies) has a fixed location and can not be moved around at will.² This absolute location imparts monopoly privileges upon the person who is given the rights to determine use at that location - no two people can occupy exactly the same location. This principle, institutionalised as private property has important ramifications for urban land use theory.
- (2) Housing is a commodity which no individual can do without, it is a basic need or necessary consumption. Human beings need shelter to survive and no-one can exist with out a dwelling of some sort.
- (3) Housing changes hands relatively infrequently, although often in constant use it takes on the commodity form only occasionally. This is, however, less true in the rental sector or in unstable owner-occupied areas.
- (4) Housing is a relatively durable commodity and has a considerable life expectancy. Because of this length of life and the rights of private property housing provides an opportunity to store wealth.

"In a capitalist economy an individual has a dual interest in property both as current and future use value and as potential or actual exchange value both now and in the future"

(Harvey, *ibid*, 159).

2 In New Zealand housing is usually tied, for purposes of exchange and use, to a parcel of land, but ownership of land and the housing upon it do not always co-incide.

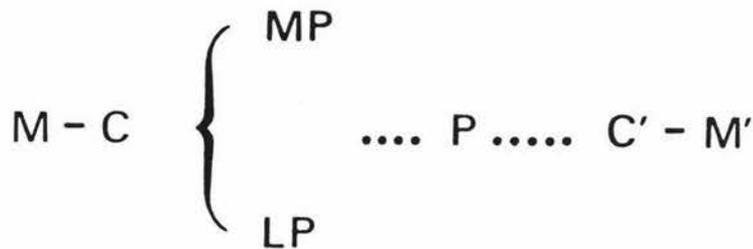
- (5) Market exchange occurs at an instant in time but use extends over a substantial period. This as we shall see has important implications for the role of financial institutions and the State in the operation of the housing market.
- (6) Housing has numerous differing uses which vary between people. A house can be used in many different ways simultaneously. Depending on an individual's needs a house can provide, to varying extents:
- (a) Shelter
 - (b) Privacy
 - (c) A relative location which is
 - (i) Accessible to - Workplace, shops, friends, family, social services, recreational amenities.
 - (ii) Proximate to - Pollution, heavy traffic, noise, congestion, crime etc., people you don't like.
 - (d) A means of storing and enhancing wealth.
 - (e) A neighbourhood location that has physical, social and status characteristics.³ (symbolic)

All these uses, when combined, constitute the use value of a house for the occupant(s). Different people have different needs and consume different aspects of housing in different quantities. These features and others such as the length of time and cost involved in housing have important ramifications for the housing system, from production to consumption.

The production, realisation, exchange and consumption be approached as the interconnection of circuits of different forms of specialised capitals. Marx differentiated three circuits of social capital; the primary circuit of industrial capital and the secondary circuits of merchants (commercial) and interest-bearing (financial) capital; which are involved in the general process of commodity production. Since then a number of writers have extended these concepts to analyse housing (e.g. Larmarche 1976; Boddy 1981).

The process of commodity production, in this case housing, can be interpreted as the money circuit of industrial capital:

3 Marchand (1982) argues the meaning of use value should be expanded beyond use value and exchange value to include categories of sign value and symbol value.



Industrial capital; the capitalist developers and builders lay out money M, in exchange for commodity inputs C including labour power LP and means of production MP which after purchase are combined in the production process to form productive capital. In production labour acts upon the other means of production to produce the final commodity outputs C' (the prime signifying that the commodity embodies surplus value) which are converted to the final money form M' by the act of sale, realising the surplus value as profit which can be consumed by the builder-developer or reinvested to begin a new circuit of commodity production. This is the basic form of commodity production, however in the case of housing unique features create problems for the successful completion of the circuit.

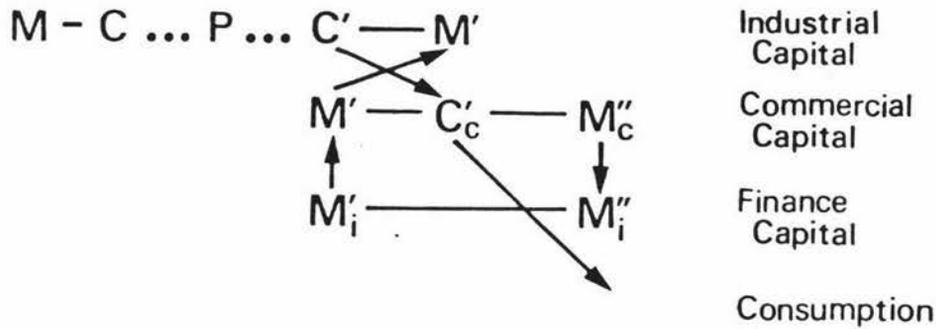
The process of production from C to C' involves a long period, usually taking several months and embodies a relatively large amount of human labour time, particular types of labour and specialised skills which have to be co-ordinated with the flows of materials. This as Bassett and Short (1981:175) point out commonly takes place on site in conditions that are far removed from the authoritarian and programmed production of the normal factory operation. Because of these factors the housing production process, in any society, is relatively precarious; prone to interruptions such as labour problems, hiccups in the flow of materials, or even bad weather. This increases the long period between the outlay of money capital M by the builder developer and the realisation of profit M'.

Under capitalism the cost of the final commodity C' is higher because of the private ownership and control of the money, land and industry. The price of the final commodity presents major problems in realising surplus value through sale to the consumer. In New Zealand, the cost of the average, new, family house is about three times the average yearly income. Because of

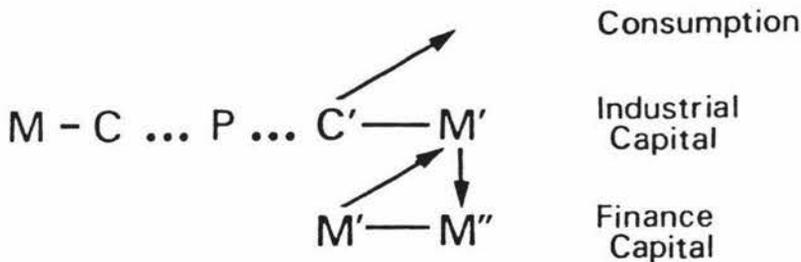
this housing, unlike most commodities, can not be sold to its final consumers in a single direct transaction. This problem of the realisation period of industrial capital C'-M'-M-C, in the production of housing is particularly long and requires the intervention of a specialised form of capital, - circulation capital, to overcome it. This mediation enables the household to pay for its housing, as it is consumed, over an extended period yet still allows industrial capital to realise their profit at the time of exchange.

Marx (in Volume 3 of Capital) distinguishes two separate circuits of circulating capital; which I shall refer to as commercial and finance capitals (referred to by Marx as merchants, and interest-bearing capitals respectively). Briefly, commercial capital circulates M-C-M' and involves the transformation of money capital into commodity capital and then back into money capital within the sphere of circulation. In other words it involves the distribution (buying and selling) of commodities within the process of reproduction of capital and with it the expropriation of a certain amount of the surplus value (commercial profit). The circuit of finance capital takes the form of M-M'-the commitment of a certain amount of money capital thrown into circulation purely for the purpose of returning a larger amount of money capital. It is money lent in return for interest, and used by the borrowers to begin the circuit of industrial capital or commercial capital (Thompson 1977:236-7).

Circulation capital may be advanced in a variety of ways, that are represented in different forms of tenure. From financial institutions (and the State) that mediate between producers and consumers by advancing credit for private house purchase, to housing purchased by a third party; private landlords, the State or local authority, and then rented to consumers. For example, a landlord raises commercial capital by borrowing from financial institutions at the current interest rate to purchase a house. The investment is then recovered with a profit increment through monthly/weekly rental charges to the tenants (Bassett and Short 1980:176). This situation is represented as:



in which the arrows represent exchanges of commodities (housing) or money between the different circuits (adapted from Boddy 1981:270). Private, loan financed house purchase can be represented as:



Here money is directly advanced to the consumer by a financial institution, or the State, in return for interest. There is no circuit of commercial capital as it does not pass through the intermediary of the landlord (Bassett and Short 1980:176).⁴ Larmache (1976:90-3) argues for the extension of these categories to include - Property Capital which

"exists with the sole function of planning and equipping space in order to increase the efficiency of commercial, financial and administrative activities".
(1976:91)

4 This analysis is basically an application of Marx's specialised capitals to housing production.

This form of capital is, however, relevant to housing only where it is integrated with office-complex and shopping centre developments, which may be a feature of urban development in North America but is, as yet, rare in New Zealand. In addition Boddy (1981:280) argues that there are no theoretical grounds for separating property capital from commercial capital, contending that:

"...there is no justification for distinguishing commercial capital functioning to realise the commodity *property* from that realising any other commodity..."

Because the production of housing is financed by private investors the capital costs must be repaid. Thus fractions of circulation capital, represented by groups and institutions such as finance companies and building societies in one respect and landlords in another, play a crucial role for that section of industrial capital engaged in the production of housing, allowing them to realise their profit immediately; converting their commodity capital back into money capital without long delays enabling them to recommence the production cycle (Saunders 1981:232-3).

Stone (1975, 1977) has taken this point further, arguing that developments in the sphere of circulation capital, particularly the growth of the long term high ratio mortgage system and the extensive intervention of the government in the housing sphere can be understood as attempts to manage the "inherent contradiction" between the requirements of the housing market and the labour market (1977:179). Because of the high costs of housing and the extremely unequal distribution of income produced by the labour market a large proportion of the population can not adequately pay for the costs of their housing and meet their other needs.⁵

Capitalism Stone (1977:150-1) contends, cannot solve this problem. If incomes were redistributed so as to enable everyone to pay for housing and their other necessities labour would take a much greater share of the nation's productive output; profits would decline leading to reduced investment and reduced production. In addition, with the eradication of unemployment and low paying jobs industrial capital would lose its ability to dominate

5 Stone's argument referred to the United States but, as we shall see, it is applicable to the New Zealand situation.

workers by job competition and insecurity. Eventually the labour market, a central institution of capitalism, would collapse. On the other hand, if the price of housing was to be set at a level which the occupants could realistically afford after paying for their other necessities, house prices would be driven down, in some cases to zero. Property values would collapse, private investment in housing would cease, the mortgage system would be threatened and with it much of the financial structure of capitalism. Thus, Stone believes, the housing problem can be

"recognised as the result of an inherent contradiction between some of the most basic institutions of capitalism - a contradiction the system can not resolve without bringing about the demise of capitalism itself."

(1977:185)

The development, in the last half century, of specialised forms of circulation capital, particularly that associated with State intervention, in the housing sector is an attempt to manage the conflict in the long term interests of capital.

Housing, as we noted earlier, is a durable commodity, houses are often bought and sold many times during their lifetime. Housing transactions are dominated by a thriving second hand market and a continued excess of demand over supply. The largest mass of finance capital is in fact involved in the resale of houses, the prices of which reflect current replacement costs and market conditions. Therefore the mortgage payments made by consumers in older buildings reflect the property values that prevailed the last time the buildings were sold or refinanced, not the original capital cost which may have been paid off many years ago (Stone 1977:195). These rising costs are borne by consumers but eventually lead to increasing wage demands and at that stage represent a transfer of surplus value from capital as a whole, not just from building industrial capital.

One of the most immediate determinants of the amount of new housing produced is the availability of mortgage funds; there will be no market for new houses if people do not have access to loans to buy them. Thus finance capital exerts a controlling influence on the amount of new housing available to consumers, such that Stone (1975:163-4) believes the shortage of housing is a result of dependence on the mortgage system for financing housing. As we have seen much of the finance capital invested in new housing is, in fact, involved in the transfer or

refinancing of existing housing. Further, lenders seek to protect the value of their investments in older properties. Large scale expansion of new house construction would reduce the value of functionally or physically inferior older housing, threatening the security of mortgages on those buildings. In addition it is advantageous for lenders to ensure new construction does not completely satisfy need so as to guarantee an effective demand in the market for new housing. Thus it is in the interests of finance capital not to direct all available funds into new housing.

The relevant dominance of the secondary circuits of finance and commercial capital within the contemporary housing system leads, therefore, to complex patterns of realisation of surplus value within the economic system as a whole.

At this point it is worth noting, briefly, that housing need not be provided as a commodity under capitalism. Ball (1978:79) notes two instances in which the absence of the commodity form could exist: in production, when a dwelling is produced for its use value only, and in consumption when an agency, such as the State, may purchase housing in the commodity form but provides it free to households. In New Zealand, however, these instances are rare; housing is mainly produced as a commodity under capitalist relations of production and it is provided for consumption in the commodity form, predominantly through either private renting or purchase, or through renting from the State or local authority.

From the previous discussion it can be seen that the unique features of housing as a commodity create the scope for the intervention of myriad *non-productive* capitals in the housing sector. Thus the operations of mortgage lenders, financial institutions extending credit to builders and property developers investing in real estate, as well as the mediating roles played by 'exchange professionals'; estate agents, solicitors, valuers etc., all serve to encourage the realisation and consumption of housing. Figure 2.1 illustrates a general categorisation of agents according to their role in the process of production of new housing, the process of financing the consumption of new and existing housing, and the process of exchanging houses between owners. The interaction creates the environment in which household housing decisions are made, housing constraints imposed, housing choices realised, and accessibility to housing for various groups is determined. The particular configuration of forms and circuits of capital representing housing production, consumption and exchange, and the specific structure of institutional agents which make up this configuration at

the empirical level is historically determined, and therefore continually changing within social formations (Boddy 1981:271). The profits actually realised by the productive (industrial), financial and commercial capitals advanced in the housing sphere depend both on the factors determining the conditions of exploitation in the building industry and the success of financial and commercial capital in reducing the time building capital remains frozen in unsold houses and on the conditions of exploitation and competition between capitals in the society as a whole (Berry 1981:3). Returning to our earlier point, it is not a system of allocation which necessarily serves the best interests of housing consumers. As Berry (1981:3) notes

"there are not built in mechanisms which ensure that this basically anarchical process will satisfy the real housing needs of all or even most workers or the long term interests of the capitalist class in general."

HOUSING AND THE REPRODUCTION OF CAPITALISM

This section deals with the interconnections between housing and reproduction. In this context the concept of reproduction is taken to have three levels or aspects: biological reproduction, reproduction of labour power, and social reproduction of the conditions of production for the social formation as a complex whole (Gamarnikow 1978:394).

Labour Power

So far we have examined the interconnection with housing and the wider social system by focusing on housing as a form of commodity production, but housing is also a necessary consumption for workers. As we have previously noted housing is a basic need, no-one can live for long without some form of dwelling. So adequate housing is a pre-requisite of the capitalist production process in general because it is necessary for the reproduction of labour power.⁶ The concept of labour power refers to the workers' continued capacity to work. This reproduction of labour power contains two aspects: not just the presence of a labour force (i.e. the resources to raise children, the next generation of workers), biological reproduction or the

6 Labour power, means of production and the relations of production are the three conditions which must be reproduced for the capitalist mode of production to persist.

physiological aspect but also resources to ensure the workers physical capacity for work each day - adequate housing, food, clothing, care etc., are required to perpetuate the productive system on a daily basis.

This raises the dual relation of housing to the capitalist production process.

On the one hand housing is a commodity produced by particular sector of production, the building industry; on the other hand housing is a prerequisite of the capitalistic production process in general since it is necessary for the reproduction of labour power.

(Pickvance 1976b:59)

Housing is then, a commodity that must not only be sold but also consumed for capital accumulation to take place.

It can be seen then, that adequate cheap housing is of vital importance for capital as a whole because higher housing costs are translated to higher labour costs - i.e. workers must pay more for their housing and so ultimately demand more wages to compensate - raising the value of labour power. It is worth noting at this point that the improvement in housing standards over the last half century in most capitalist countries, including New Zealand, may have effectively reduced the constraints on that part of the reproduction of labour power that takes place in the home (Pickvance cited in Bassett and Short 1980:207). However the principle remains, that if the value of housing can be reduced then, if other factors do not mitigate, the value of labour power for capital in general will be reduced, clearing the way for an increase in the rate of profit and a higher rate of capital accumulation.

The dual relation of housing to the capitalist production process raises a contradiction in this respect, namely between capital engaged in the building industry and industrial capital in general. Because while building capital has an interest in the high selling price for housing to increase profit, industrial capital as a whole has interests in keeping housing costs as low as possible to avoid higher housing costs being translated into pressure for higher wages and hence lower profits. As Pickvance notes this contradiction is often expressed in struggles over rent levels.

Pressure for greater profits in the building industry creates upward pressure on rents and thereby reduces the share of wages available for other reproduction costs, e.g. food, clothing. In turn this creates pressure for higher wages, which cuts into the profits of industrial capital in general. Conversely rent freezes effectively restrict the profitability of the building industry to the advantage of industrial capital as a whole. Thus the peculiar role of commodity housing gives rise to a conflict of interests among the supports of industrial capital.

(1976b:59)

Reproduction of Social Relations

For any social formation to be reproduced its economic system, political and legal structures, cultural patterns and ideologies must be reproduced. In the case of the economic system, for example, not only must the technical requirements of production - continued supplies of means of production and labour power - be certain but also, the social relations of production must be reproduced.

The capitalist system in particular is dependent for its functioning and stability on certain forms of property relations, authority relations and attitudes to consumption. In modern democracies ideology plays a crucial role in maintaining these relations by moulding the appropriate attitudes and values so that individuals come to accept capitalist relations as somehow natural and inevitable (Bassett and Short 1980:208).

Women

Any examination of housing and reproduction in a capitalist society must recognise the central role of women in the continuation of the social formation. This is an aspect that has been largely ignored in most studies, both orthodox and 'alternative', of this topic (as the critiques of W.G.S.G. 1984; Berry 1981; Cass 1978; Delphy 1984; McDowell 1983 attest to). Perhaps this is because, as Kelly (1986:84) suggests, the prevailing view in (male) academic scholarship is that the home (as opposed to housing) is not a legitimate research area. It is necessary then that more researchers undertake the process of unmasking to challenge the set of assumptions they hold about their subject matter, rather than maintain the 'status quo' by uncritically adopting the 'taken for granted' definition of reality.

Despite this 'gender blindness' women rather than men are the central agents for the reproduction of labour power. In fact modern capitalism has come to depend on the subordination of women for the reproduction of labour power and the socialisation of the next generation of consumers and producers. Placed in the position of having an almost total monopoly on child care responsibilities; women's unpaid domestic labour forms the basis for the reproduction of future labour power. Furthermore, as Berry points out:

Women's domestic labour contributes substantially to the current reproduction of labour power, by way of routinely delivering up their men to the point of capitalist production, duly fed, clothed and sexually satisfied, without these expenses being borne by capitalists in the form of higher money wages and the resulting drain on social surplus value which this would entail.

(1981:9)

Historically the allocation of gender specific roles and consequently the subordination of women to unpaid domestic labour occurred with the separation of the home and workplace (during the period of capitalist industrialisation) and co-jointly the proliferation of the ideology that women were unsuited to any kind of work other than domestic, particularly childcare (commonly associated with the idealisation of the home as a haven) (McDowell 1983:61). This process has now become so entrenched that Castells argues:

The feminist movement is threatening the very logic of urban structure, for it is the subordinate role of women which enables the minimal 'maintenance' of it, housing, transport and public facilities. In the end, if the system still 'works' it is because women guarantee unpaid transportation...Because they repair their homes, because they make meals when there are no canteens, because they spend more time shopping around, because they look after other's children when there are no nurseries...If these women who 'do nothing' ever stopped to do 'only that', the whole urban structure as we know it would be completely incapable of maintaining its functions.

(1978:177-8)

The allocation, control and consumption of housing impinges on the subjection of women through domestic labour, particularly in respect to the reproduction of labour power. However it is not the intention of this brief discussion to suggest that some simplistic answer to women's oppression in the urban environment lies in a shift from domestic labour in the home to wage labour elsewhere. Indeed Berry (1987:9-10) notes that high rental costs and the lure of owner occupation have encouraged women to participate in the lower reaches of the capitalist labour market. This has not, however, always led to a corresponding redefinition of roles; wage

earning women are often expected to bear the main burden of domestic labour in addition to their paid jobs. In this respect the housing situation has intensified the exploitation of women.

Sexual inequality is a large and complex question and in that it is concerned with far more than housing related issues falls outside the scope of this study. However in this context it is important to recognise that:

Women's unpaid domestic labour supports, like an infrastructure, the wage structures and profits of the industrial-capitalist economy.

(Cass 1978:28)

As a result the home must be regarded as the locus of domestic relations of production. The specificity of female labour in the home, the sexual division of labour, and the social relations between men and women form the structural base and material conditions for the reproduction of labour power within the system.

Collective Consumption

Bound up with the whole area of housing and the reproduction of capitalism is the concept of collective consumption. As we have already seen consumption is necessary for the reproduction of labour power and so plays a major role in the survival of the capitalist economic system and the shaping of urban form.

In classical Marxism three types of consumption are differentiated, with respect to their function within the capitalist system; productive consumption contributing to the reproduction of the means of production; individual consumption, contributing to the production of labour power; and luxury consumption, individual consumption exceeding needs (currently the target of marketing and advertising aiming to increase markets and hence production). However Castells (1977:460) draws a distinction between individual consumption and collective consumption whose economic and social treatment, he argues, remains capitalist but takes place not through the market but through the State apparatus. Individual consumption, perhaps the most familiar in capitalist societies, is mainly associated with commodities which are separated from their means of production and consumed individually and are destroyed in the process of consumption, for example food and clothing (Pickvance, 1976:18). Collective

consumption, however, refers to services or useful effects not commodities which are not destroyed in the act of consumption and are consumed collectively for example schools, health facilities, parks, public housing etc.

By 'collective means of consumption' we mean the totality of material supports of the activities devoted to the extended reproduction of social labour power, which is not to be confused either with simple physiological reproduction of social labour power, which is not to be confused either with simple physiological reproduction or with the consumption-destruction by an individual of a material object.

(Lojkine 1976:121)

Castells in particular, lays great stress on the strategic importance of collective consumption⁷ in what he calls 'Neo-Capitalist Economies'. "The transformation of consumption in advanced capitalism is directly determined by the long term structural tendencies upon which it is based" (Castells 1978:16). As capital becomes more concentrated and centralised, the labour process becomes more independent and production relies more on consumption needs that cannot be met efficiently or profitably by private capital. Thus in a broad sense the process of production is increasingly becoming more socialised, dependent on the back up of public housing, public transport, health and education services.

Castells does not say there is some natural characteristic of certain goods and services that mean they have to be consumed collectively. Rather, within capitalist logic anything can become a commodity. Everything except those whose production involves a lower than average rate of profit or those whose benefits cannot be monopolised by one capital, for example schools or police (1977:460).

The inability (or unwillingness) of private capital to provide certain collective means of production necessary for its own survival and expansion in the urban environment calls for increasing State intervention. However this State intervention to meet collective consumption needs is not clear cut or necessarily permanent, there is always a tendency for capital to claim

7 which has, for various reasons been a major source of criticism from other urban theorists e.g. Lojkine ; McDowell; Pickvance.

back sectors from the State for private exploitation whenever changes in supply and demand and relative profit rate favour it. There is also a tendency for the principles of the 'free market' to invade the public sector, leading to more 'realistic pricing' (user pays!) and a stratification of provision according to ability to pay.

This collective consumption is, therefore, consumption of commodities whose production is not assured by capital, not because of some intrinsic quality, but because of the specific and general interests of capital: thus the same product (housing for example) will be treated both by the market and by the State, and will therefore be alternately a product of individual or collective consumption, according to the criteria, which will change according to the historical situation.

(Castells 1977:460)

While the concept of collective consumption is mainly associated with the work of Castells (esp. 1977, 1978) it is also central to the work of other French writers particularly Lojkin (1976, 1977) and Preteceille (in Pickvance 1976b). Predictably they all differ to some degree as to the nature and role of collective consumption in the urban environment. What has been presented here is essentially an overview of the concept focusing in the main on the areas of agreement between these three writers.

The notion of collective consumption provides one useful angle to approach the explanation of the State's role in housing consumption. It should, however, be recognised that at present it remains a contentious and relatively unrefined theorisation embodying a number of ambiguities and as yet is only partially integrated into the wider theory of the urbanisation process. Returning to our earlier points regarding women, a major criticism of the collective consumption concept as it relates to the reproduction of labour power is that it ignores the broader aspects of reproduction, particularly those relating to biological reproduction and the structure of social relations between men and women. This leaves unexplored the relationship between patriarchy and capitalism in the urban system and

hides the fact that the structure and practices of agencies of collective consumption are constructed around the sexual division of labour in the family (and in employment), and that the sphere of collective consumption reproduces both patriarchal relations between men and women and capitalist social relations.

(Gamarnikow 1978:394-5)

The Relations of Production

The relations of production refer to those social relations necessary for co-ordinating individual activity in production. These social relations vary both with the co-ordinating mechanism (which is different in different societies) and according to the mode of production.

The analysis of relations of production in capitalist societies was the major aim of Marx's *Capital*. Harvey provides a concise summary of his approach:

production occurs in the context of definite social relations. The social relation that dominates under the capitalist mode of production is that between wage labour and capital. Capitalists control the means of production, the productive process and the disposition of the final product. Labourers sell their labour power as a commodity in return for wages. We presuppose, in short, that production occurs in the context of a definite class relation between capital and labour.

(Harvey 1982:22)

One of the most important features of the capitalist social structure is that it is premised upon exchange relations and the production of commodities. These exchange relations are regulated by the mechanism of competition. This imposes on the behaviour of capitalists because "free competition brings out the inherent laws of capitalist production, in the shape of external coercive laws having power over every individual capitalist" (Marx, *Capital* Vol 1 1976:270). Any individuals adopting the role of capitalists, are forced to internalise the profit seeking motive as part of their subjective being in order to survive. Workers too are influenced by competition; in principle free to sell their labour power under whatever conditions they please, they must also compete with each other in the labour market.

in contemporary western society the price system serves to co-ordinate a large number of individual activities through market behaviour and the requisite social structure is here a stratified class society.

(Harvey 1973:199)

In the capitalist mode of production, circulation (and consumption) are separated from production, in fact capitalist relations and forces of production can not exist without a separate sphere of exchange where labour power is bought and where surplus-labour is realised in the form of surplus value.

Urry argues that there is not a simple economic instance or level - but rather a set of circular relationships, of circuits which begin and end within the sphere of circulation (1981:30), for example the money circuit of industrial capital M-C-C'-M' (ref. p.11). It is in such circuits that each capital unit, which may or may not be owned by one or more identifiable capitalists competes with other capital units to expand value, to purchase labour power and the means of production, to set them to work to produce commodities

$$M-C \left\{ \begin{array}{l} MP \\ \dots P \dots C'-M' \\ LP \end{array} \right.$$

which when sold in the market yield the maximum mass of profits relative to the money advanced. The products of labour are separated - by ownership and by the market - from consumption on the part of the labourers.

As we have previously noted the construction of housing can be seen as just one production process in which surplus labour can be realised in value form, albeit one with a number of unique features which create a lengthy delay before that value is realised in the form of profit. Similarly, land development gains or house rents are one means by which certain social groups can intervene in this process of valorisation; landowners may be able to appropriate a part of builders' or developers' profits, landlords (or renter) part of labourers' wages (Dickens *et al.* 1985:12). Labour power (distinct from labour) itself is bought and sold as a commodity, and money - as one fetishised representation of value - helps knit production relations into civil society through that crucial factor of everyday capitalism, the wage.

This analysis of a capitalist economy presumes the availability of individuals who bear either the function of capital or the function of labour. This view is reflected in Marx's famous words from *Capital*: "...characters who appear on the economic stage are merely personifications of economic relations, it is as the bearers of these economic relations that they come into contact with each other" (Marx, *Capital*:179).

This perspective does however, because of its focus on the economic aspects of society, neglect a number of crucial points. This issue, as will be shown, constitutes another example of the general principle made by an increasing number of writers in a variety of contexts.

while not denying the primacy of a society's most fundamental economic processes in the last analysis, the danger inherent in a too great reliance on the purely economic aspects of Marxist thought is that analysis and argument may dissolve into a naive economic determinism, and perhaps also involve a move towards the functionalism of which Marxists are so critical.

(Gray and Dickens 1978:38)

In modern capitalist societies (like New Zealand) a situation now exists where only a minority of the total population is directly involved in capitalist production. Large numbers of people (such as surplus workers, the unemployed, children, the elderly), do not appear as 'bearers' of the functions of capital and labour. In addition, in some areas, there is an increasing minority who are involved in commodity and subsistence production outside capitalist relations. Even when particular individuals do bear the social relations of production they are not 'passive dupes' but are endowed with consciousness and will. Further much of their lives are, lived outside of paid work. Finally, wage labour is clearly a necessary presupposition of capitalism, but it is produced outside of capitalist production. This point relates to the earlier criticism of the neglect of domestic labour and the role of women in the reproduction of labour power by many economic theorists (including it seems, Marx!).

These points have, in my belief, considerable significance for the analysis of social relations. They imply that it is a condition of capitalist production that there is a realm of social practices outside the relations of production where people, and individual subjectivities, are created and reproduced. This realm is civil society. It is here that people develop consciousness and will, just as much as in capitalist workplaces.

Civil Society

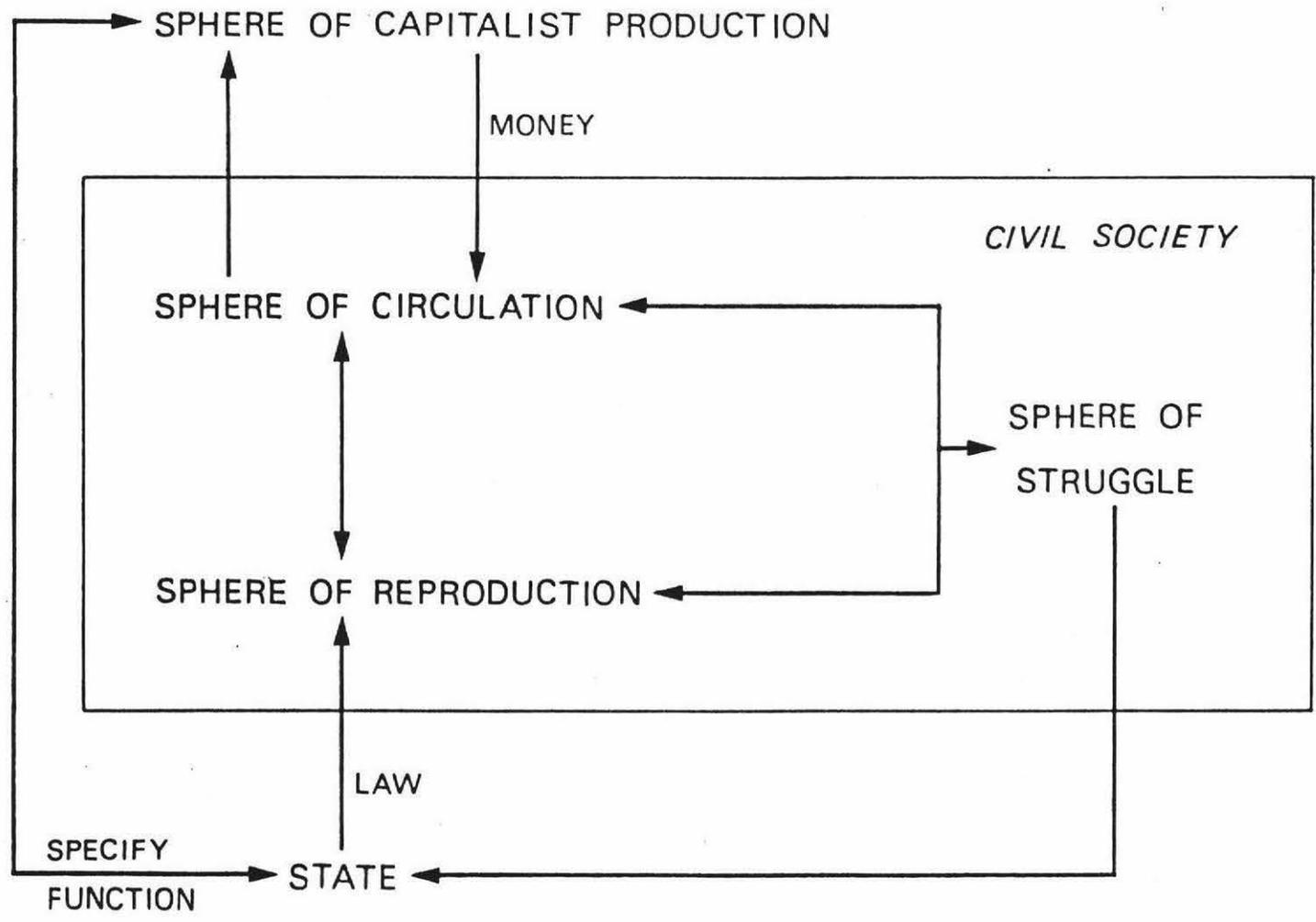
Within a Marxian analysis the individual is often viewed as merely the 'bearer' or 'support' of specific social relations of production. But although an economic character may be impressed upon individuals, it does not follow that all bearers will bear their particular function in an identical fashion. In addition it is a precondition of individuals acting as economic agents, as bearers of one function or another, that they act as subjects, as conscious bearers endowed with a will (Marx 1976, Vol 1:254). This means that it is a condition of existence of capitalist production, that there is a realm of practices where such individual subjectivities are constituted and reproduced; that is in civil society.

Urry (1981:69) argues that within civil society there is a plethora of social practices which in various ways are all responsible for constituting and reproducing human subjects. These practices can be grouped within three overlapping spheres within civil society: these are the social relations of circulation, of reproduction and of social struggle or social intervention. These are schematically represented within the basic structure of capitalist societies in Figure 2.2.

The sphere of reproduction consists of those social practices within which individuals are reproduced as subjects, willing and able to bear functions, either within capitalist production or within the State. This, as already noted, involves biological, economic and social or cultural reproduction of subjects. These subjects may then sell their labour power within the sphere of circulation which is concerned with distribution, exchange and consumption and provides the crucial link between the social relations of production and the realm of civil society. The conditions of exchange are significantly structured by the relations of production. Finally the sphere of struggle refers to the struggles of individual subjects and groups, of classes and of other social forces to transform their conditions of reproduction within the sphere of circulation, within the relations of distribution, exchange and consumption. Some examples of practices within these spheres which are relevant to this study would include, housing tenure itself (a means of circulation), housing as a vital element for the domestic economy (reproduction) and voluntary organisation such as tenants' associations and community groups which seek to intervene in housing production, its circulation and its consumption (struggle), commonly through action aimed at State institutions (Dickens *et al.* 1985:13). This plethora of social practices is partly and to a varying degree, independent of capitalist production - it may even threaten the latter. None the less it is essential to capitalism's existence.

Thus civil society is differentiated along a number of lines which provides a diversity of bases around which individuals may mobilise. Urry (1981:70) identifies some of the main dimensions along which civil society may be structured:

1. Spatial organisation of labour and of residence (e.g. nations, regions, cities, neighbourhoods);
2. Sexual division of labour (the differential allocation of gender into spheres of production/reproduction);



Source: After Urry, 1981, 116

Figure 2.2: The Anatomy of Capitalist Societies

3. The religious/ethnic/racial allocation of subjects;
4. The differentiation of subjects on the basis of trade union and professional associations, political parties and pressure groups, artistic and leisure groups;
5. The generational allocations of subjects.

It is within these structures that an individual's subjectivity is constituted. Thus political action or social struggle may arise from a number of sources rather than just the contradictory relationship between capitalist and worker. It is worth noting again that these differences are important to the capitalist economy and are partly used by and partly formed by capitalist production relations.

Urry distinguishes between civil society that is predominantly vertically organised when these diverse social groupings are largely class specific, that is formed around production relations, and horizontally organised when groups and practices are relatively non-class specific. However, it should be made clear, that whatever the form of civil society, the capitalist economy is still organised around the relations of capital and labour; even if both capital and labour experience 'horizontal' groupings in civil society as a prime basis for their subjectivity.

One of the major theoretical advantages of adopting this framework for understanding the diversity of social relations is that it overcomes the confusions and ambiguities in many Marxist (and Weberian) analyses concerning the relationship between housing ownership and class structure (Saunders 1979:66-102). The position taken in this work is that patterns of home ownership are irrelevant to the determination of economic class relations, but are important in political and ideological terms.

In capitalist societies class relations are objectively determined by the contradictory relationship between capital and labour. The only market exchange in which classes develop is that involving the sale of labour power for wages, and the only source of new value lies in the subsequent use of that labour power by capital. So the rent gained by the landlord or interest by the investor is in fact only a redistribution of value already created in the process of producing commodities. Engels put it this way:

in the housing question we have two parties confronting each other: the tenant and the landlord, or house owner. The former wishes to purchase from the latter the temporary use of a dwelling; he has money or credit...It is a simple commodity sale; it is not a transaction between proletarian and bourgeois, between worker and capitalist. The tenant - even if he is a worker - appears as a man with money [sic]; he must already have sold his commodity, a commodity peculiarly his own, his labour power, to be able to appear with the proceeds as the buyer of the use of a dwelling...No matter how much the landlord may overreach the tenant it is still only a transfer of already existing, previously produced value...

(1887, 1955 (ed.):560)

Saunders (1979:79) identifies this issue as a point of some confusion for many Marxists writing on housing. However, using the concept of Civil Society as outlined by Urry, it can be seen that the emergence of an organised tenants movement, for example, should not be viewed as some distorted manifestation of class struggle or the product of 'false consciousness'. Rather such a movement reflects the mobilisation of individuals around a structure of Civil Society.

Returning to our earlier point, the consumption of the commodity housing, whether by purchase or renting, whatever the cost, can not change the objective class relations arising from the process of production. It follows then, that home ownership, despite its popularity as an ideological tool of the State, can not transform a wage labourer into a capitalist. Engels again:

capital is the command over the unpaid labour of others. The little house of the worker can therefore become capital only if he rents it to a third person and appropriates a part of the labour product of this third person in the form of rent. But the house is prevented from becoming capital precisely by the fact that the worker lives in it himself, just as a coat ceases to be capital the moment I buy it from the tailor and put it on.

(1887, 1955 (ed.):585)

Thus an owner occupied house constitutes property in the form of individual means of consumption rather than means of accumulation and the fact that both types of property are expressed through the same concept does not mean they amount to the same thing.⁸ Indeed Engels goes on to show that the real advantage of owner occupation on the part of the worker

8 However, the relative importance of each (accumulation is consumption) will vary in each instance.

(if it is the norm in a given labour market) actually accrues to the capitalist in the form of a reduction in the cost in production of labour power and will eventually result in a corresponding drop in wages for workers.

...that is, the worker would pay rent for his [sic] own house, but not, as formerly, in money to the house owner, but in unpaid labour to the factory owner for whom he works.

(Ibid.)

Thus patterns of home ownership may, in one sense at least, be considered irrelevant to the determination of economic class relations. However, the real importance of forms of housing tenure lies, as I will outline, in its political and ideological effects.

Ideology

It is in the realm of Civil Society that ideology plays an important and complex role in the maintenance and reproduction of the social relations necessary to preserve capitalist social formations.

In the field of housing, ideology is effective at a number of levels. Different tenure forms mould and reinforce certain patterns of social relations. At a more fundamental level the form in which housing is provided is tied to the role of the family in Civil Society. The family is the primary location for the socialisation of the next generation of workers and is a primary source of attitudes and values over the whole field of work and social relations; as such it is crucial to the survival of the capitalist system.

Ideology has, over the last few decades, achieved an unprecedented significance and centrality in Marxist theory. This new status reflects an attempt by theorists to come to terms with pressing problems and struggles generated by internal changes within contemporary capitalism. Social movements based around sex and race issues, the developments in the welfare State, the heightened political role and effects of the mass media, have increasingly shown the classical Marxist theories of the economy and politics to be inadequate to comprehend the complex field of social relations. The work of Louis Althusser, developed in response to the deficiencies of classic Marxist approaches, has been the primary means by

which these problems, largely encompassed by the notion of 'ideology' have been thought through (Hirst 1979:1). More recently, however, a number of writers have criticised Althusser's conception of ideology, particularly in relation to his claim that ideology is part of the State and is exhibited in unified 'Ideological State Apparatuses' (esp. Hirst 1979; Urry 1981).

Without becoming embroiled in a critique of Althusser's work I would briefly like to make clear several important ways in which the notion of ideology employed here differs from Althusser's conception. The view adopted in this work is that ideology should not be reduced to merely that which functions to reproduce the dominant relations of production; the class relations of capitalist and worker. In addition, though widely used by the State, ideology is not just part of the State. Many of what Althusser terms ideological apparatuses of the State (for example the family, trade unions, community groups, tenants association, political parties etc.) are interpreted here as private institutions of civil society. Neither is there anything unified about ideology; much of what is collected under this label is more correctly viewed as differentiated, diverse, and heterogeneous social practices. Some of these are directly linked to capitalist social relations and others are not (Urry 1981:57)

The approach that sees all ideology as unified is reductionist, particularly in the sense that it treats all social movements (e.g. anti-racist or women's movements) as auxiliaries of the anti-capitalist struggle. Many of today's important struggles cannot be aligned in terms of capitalism or anti-capitalism (Hirst 1979:13). In addition civil society is not necessarily structured so that it is most functionally appropriate for the existing social relations of production.

Civil society embraces complex sets of social relations, aspects of which are directly structured by the dominant relations of production (for example, the division between domestic and productive labour), while other aspects are not (for example different patterns of child rearing).

(Urry 1981:52)

Finally, as Hirst (1979:75) argues, ideology itself should only be viewed through its effects. In the context of this study the ideological effects of various forms of housing consumption provide a good illustration of ideological effects linked fairly directly to capitalist social relations.

Tenure Forms

Earlier in this chapter the complex problems of realisation and consumption associated with housing, when it is treated as a commodity, were discussed. Different forms of tenure mediate between production and consumption and determine the type of housing finance as well as the rights and obligations attached to occupation of any particular housing unit.

Ball(1978:78-99) examines housing tenure forms, at the economic level, principally in terms of the possibilities each offers for the appropriation of surplus value by the various agents in the realisation process and the effects these differences have on productivity in the house-building industry. Ball (*op.cit.*) argues that the fall in labour time necessary to produce housing has lagged behind that for other commodities, consequently the value of housing has not fallen to the same extent. This has important implications for capitalism in that it restricts the ability to lower the value of labour power and so may slow the rate of accumulation and increase the tendency towards the falling rate of profit.

Owner occupied housing is purchased via the market system and involves the existence of numerous exchange professionals who are unproductive and are paid out of surplus value. But, because of the largely fragmented and individual nature of its production, owner occupation does not lead to mass production or major productivity increases. On the other hand, State and local authority housing also enable the appropriation of surplus value by loan capital but, have beneficial effects on housing production by aiding attempts to increase building productivity by the large scale, non market style of such building contracts. Private landlords purchase the commodity housing as an investment of capital with the intention of appropriating surplus value in the form of profit on that capital by charging rents. Ball notes that in England (as in New Zealand) the decline of private renting began with the development of alternative forms of investment. Finally Ball makes the point that analysis must go beyond the economic level to include political and ideological factors in any understanding of the "housing problem".

In New Zealand owner occupation is the dominant form of housing tenure (as in most capitalist countries). It also has received considerable financial and ideological backing from the State

(see Chapter Three). Bassett and Short (1980:209-10) have summarised the advantages that a number of writers suggest that owner occupation may have for the capitalist system:

- a) **Owner occupation is concordant with the dominant ideology of private property ownership. It gives a household the feeling of a stake in society and encourages social stability. It**

...tends to reinforce certain attitudes towards private property and private ownership, and an extended period of debt repayment may encourage certain respect to job stability, career advancement and deference to authority.

(Bassett and Short 1980:178)

- b) **Owner occupation is normally associated with the expansion of single family housing and the individual consumption of a variety of household consumer goods. Owner occupation thus has extremely desirable multiplier effects for those industries producing mass-consumption goods. So much so that Harvey argues "it is now necessary for urbanism to generate expanding consumption if the capitalist economy is to be maintained. Much of the expansion of G.N.P. in capitalist societies is in fact bound up in the whole suburbanisation process" (1972:271).**

- c) **Owner occupation is basically a form of debt encumbrance for most households in this sector. Debt repayment demands work discipline and job stability.**

Borrowers are constrained by the need to follow a lifestyle ensuring their future income, whilst they also tend to oppose social and physical changes endangering the value of their property, both as loan security and as a potentially increasing capital asset.

(Boddy 1976:17-18)

In addition, by the time the house has been paid for the worker is usually approaching retirement and the lower housing costs help to lower the cost of supporting the retired and 'unproductive' population.

- d) **Owner occupation does not lead easily to the politicisation of housing issues. Not only do owner occupiers tend to feel they have a "stake in the system" but costs are mediated through anonymous market mechanisms so undesirable effects are not easily attributable to any particular capital fraction. In some respect owner occupation tends to anaesthetise social conflict over housing.**
- e) **Owner occupation is seen as dividing and fragmenting potential working class alliances. Access to home ownership is not open to all and it tends to drive a wedge between, for example, manual labourers on one side of the home ownership divide, and more skilled (or at least better paid) manual workers and white collar workers on the other. The fact that home ownership cuts across these class barriers reinforces the earlier claim that patterns of home ownership are irrelevant to the determination of economic class relations.**

In capitalist societies, owner occupied housing is inherently more secure, for the resident, than rental housing. As Berry (1981:6) points out this is attributable to the difference in the nature of the social relationship between consumer and capital in each case. Mortgage credit is advanced over a long term and the owner occupier (mortgagee), protected by the general laws of contract, has considerable security of tenure as long as the periodic payments are met. The mortgagor is in fact not investing capital in the house but in the ability of the mortgagee to repay. The mortgagor then, has no access to, or right of disposal of, the house unless the loan is not repaid. Thus mortgaged owner occupiers do not experience eviction, harassment or any interference as long as they meet their repayment requirements. Once the mortgage is discharged, security of tenure is total.

Landlords however, invest their capital directly in the house and land. The law defines and protects their rights to use and disposal of their property almost at will. When more profitable investments arise, it is common for landlords to shift their capital by sale of the house and land, to a purchaser who may not necessarily wish to keep the house in rental use. Thus to facilitate capital mobility tenants must be expendable; short term tenancies are, and remain, a feature of the private rental sector in New Zealand, as well as elsewhere. In reality this can mean that tenants face the ever present threat of eviction, harassment and interference from landlords, particularly in New Zealand where tenants' rights legislation is in its infancy.

Owner occupation does have some drawbacks for the success of the capitalist system. The creation of great numbers of debt encumbered households is not totally beneficial for the powerful in society. The difficulty in obtaining mortgage funds and fluctuations in interest rates in recent years has for many owner occupiers revealed the forces of finance capital in a harsh and particularly direct way, encouraging for many a more critical frame of mind. Reiterating another point made earlier, Stone has demonstrated for the American situation, that the sheer volume of debt tied up in the mortgage financing of owner occupation has now reached a level where the possibility of real income falling and debt defaulting rising poses a real threat to the finance system as a whole. Finally the very protective attitudes of owner occupiers to their, often hard won, piece of property may be counter-productive in that it encourages more community resistance to the speculative property schemes of various financial institutions whose attempts to manipulate the urban property market to maximise rents and profits may be construed by owner occupiers as threatening to the status or value of their investments.

Public housing has been portrayed by many as an appeasement to working class militancy while others see it as a victory for the interests of industrial capital as a whole in that it serves to lower the cost of the reproduction of labour power. Obviously the reality is more complex than this but public housing does have certain ideological disadvantages that challenge many of the rules that govern the operation of the system as a whole. For example public housing implies the socialisation of housing costs and tends to undermine that vital principle of capitalism; private property ownership. This socialisation of costs tends to encourage social solidarity amongst public housing consumers and serves to give them a sense of unity which, when coupled with the direct involvement of the State in the administration of such housing, politicises this area of housing provision to a far greater degree than owner occupation.

Ideology, however is also effective in countering any tendency to undermine owner occupation in that public housing is widely portrayed as a safety net for low income groups and emphasis is placed on the State's subsidy of public housing tenants. When this is coupled with a dominance of bourgeois ideology strongly steeped in the concepts of "self help", the "efficiency" of the market mechanism, and explanations of poverty in terms of the personal characteristics of the individuals (Ball 1978:91), the virtues and status of owner occupation are very obvious to the "upwardly mobile".

This is not to suggest that large scale owner occupation is necessary for the reproduction of social relations in all capitalist societies. As a number of studies point out (Dickens *et al.* 1985; Pugh 1980; Bassett and Short 1980) owner occupation plays a lot less dominant role in housing consumption compared to other tenure forms in many successful European capitalist countries.

Obviously, in practice tenure is not a homogeneous, static and unchanging phenomenon. Nor do housing systems always determine housing consumption and in turn social relations; housing consumers also, to some extent, determine the housing system. This is most clearly illustrated by housing consumers who take action over housing consumption issues. As Dickens *et al.* (1985:199-200) point out, housing action is usually reactive or defensive; a response to present or future threats or challenges to consumers consumption experiences. These actions may be individual or collective and may follow legitimate channels or involve lawlessness. The course of action followed by dissatisfied consumers may be influenced by

the rights attached to their form of tenure and the effects of ideology associated with it (cf. earlier points made in relation to owner occupation).

Housing consumption, social relations and actions often appear insignificant, except to those people directly involved. But housing struggles have much wider implications; changes in housing quality, costs, security of tenure, tenants' rights and so on might, at least in part, be taken as an indication of the success of housing consumers in defending or enhancing their housing conditions and experiences. Indeed, housing consumption, particularly housing struggles, have over a long period of time, attracted considerable State intervention and attempted management and regulation (Dickens *et al.* 1985:203).

It remains for the ideological effects of various forms of housing tenure, and the actions of dissatisfied housing consumers to be examined in a historical analysis of housing provision in this country.

However, it is

...clearly difficult to portray and understand the complexity and interrelationships between, for instance, ideology, the State, civil society, economy, and social classes, and now each impinges on and is in turn influenced by the others at a single point in time, let alone carry out such an analysis over a sustained historical period. One facet of the problem is again that while we may, conceptually differentiate a variety of elements in society, in reality such elements are intertwined and inseparable. For instance, ideology is part of the State, and the State represents, on one level, the nature of class power and forces.

(Gray and Dickens 1978:39)

This leads me to one of the most important factors of any analysis of housing in capitalist societies; housing policy and the role of the State.

THE STATE AND HOUSING

It has not been possible to discuss the provision of housing without encountering, at various points in this chapter, the different roles of the State. However, the piecemeal invocation of the State during the progress of this particular theoretical project will present a fuller understanding

of both. Thus an attempt will now be made to bring together this material to place the role of the State in a more general perspective.

The Role of The State

It is now somewhat clichéd to state that Marx did not present a general and coherent theory of the capitalist State. It remains a problem for Marxist theory and is the object of some debate. This is not the appropriate place to put forward a detailed review of that debate (see Jessop 1977; Frankel 1978; Urry 1981), it will suffice to note that the common aim of recent contributors has been to develop a theory of the capitalist State that neither reduces politics to economics nor assumes that State intervention will necessarily realise the class interests of capital (Berry 1981:10).

The theory of the State advanced here is largely based on the work of Urry (1981, 1982). It ties in with the outline of capitalist societies advanced earlier, in the section referring to civil society; the State in capitalist societies is seen as a system of political domination separate from both the economy and civil society. This particular theory of the State (and of the structure of capitalist societies) has been employed here because of the relative breadth and sophistication of its explanative power. Briefly, this is reflected in a number of features which set it apart from other contemporary approaches which appear more partial or simplistic: it is based on the specific characteristics of capitalist societies; the State is not reduced to the economic, or seen as the instrument of the dominant economic class; the State is not conceptualised in functional terms; explanation is provided of its specific institutional form; theorisation is provided not of *the* capitalist State but of capitalist States and of their interrelations; and it is recognised that capitalist States are diverse and bear no straightforward one to one relationship with the development of the capitalist economy. Obviously, what follows constitutes only a brief summation of the major points of the theory as it applies to this study, a fuller account is to be found in the source works cited.

Urry (1981, 1982) argues that it is essential to relate the State to the overall character of civil society and not just to the relations of production. On one hand, the capitalist State possesses a form which is dictated by its attempt to sustain the overall conditions under which profitable accumulation can take place within its natural territory. But, on the other hand, the State

expresses a set of social relations which are distinct from the process of production itself. In addition the myriad relations of civil society intervene between the State and production. Therefore, each capitalist State, in attempting to sustain the dynamic conditions for profitable accumulation, in fact operates within the diverse relations which comprise civil society. It is this contradictory location, Urry argues, that is central to an understanding of the State. "In its attempt to guarantee accumulation it seeks to organise, legislate and orchestrate the diverse relations of civil society" (1981:102).

The capitalist economy is by nature competitive, it is comprised of many capital units each of which seeks to reduce to a minimum its production costs and particularly the costs of the labour power which it employs. This can be achieved by increasing the hours and intensity of labour as well as by reducing wages, although of course there must be a point beyond which labour power is destroyed faster than it is biologically reproduced. Urry argues (1981:113) that this does not occur *not* simply because capital recognises that it is not in its general interest to destroy the commodity labour power *but* because of the organised and sustained resistance of wage-labourers. "Wage-labourers of all sorts are literally forced to defend their interests to struggle to sustain their material conditions of life" (Urry 1981:113). Yet, it is this struggle which is essential for the reproduction of labour power without which capitalist production could not continue.

Thus the development of the State and its institutional and policy making elaboration, whose principle function is to sustain and guarantee suitable quantities of appropriate labour power, can in a sense be seen as not only an outcome of the capitalist interest but also that of wage-labourers. This can be seen in the growth in size and significance of the welfare State.

It is only the State that can limit the power of each capital unit to destroy the basis of its own reproduction and accumulation. The State imposes on each capital various laws, rules, conditions procedures and taxations which govern the operation of these separate units. And these result significantly from the force and organisation of working class and popular politics from the determined resistance of the working class and others to reproduce the conditions of their own existence.

(Urry 1981:115)

Such resistance is never straightforward since it will involve alliances and coalitions among classes, factions and social forces and will always meet the constraints of action imposed by the existing degree and forms of capital accumulation.

So the State acts within the context provided by the contending relations between individual subjects and wider social groupings. It is not omnipotent nor does it merely react to the demands of the economy, or only to the social relations constituting civil society. Rather, Urry argues, the State is to be seen as formed actively, in seeking to establish and sustain a particular constellation of social forces.

It was argued earlier that civil society can be abstracted into three identifiable spheres: the sphere of circulation and the actions of people in exchange; the social relations within which labour power is reproduced (biologically, economically, socially and culturally) and third social classes and popular democratic forces.

These practices do not form a unity and each bears different relations both to the State and to the relations of production. Urry argues that the form of each capitalist State is given by its simultaneous relation to these three aspects of civil society (see Diagram 2.2).

It is the relative significance of the spheres of circulation and reproduction that affects the sphere of struggle which, in turn, has considerable implications for the determination of the State (Urry 1982:410). Where the sphere of circulation dominates the sphere of reproduction, social struggles will tend to revolve around the creation and maintenance of relations of exchange equality between the owners of the different commodities, including labour power. When these circumstances prevail, State policy is more directly defined by the nature of the economy and the struggles of different social groupings to establish conditions of formal exchange-equality. In contrast, where the dominant sphere is that of reproduction State policy is more indirectly mediated. In this situation there are highly complex interdependent social struggles involving numbers of different classes and popular forces, each concerned to establish and sustain the conditions of reproduction of their labour power. The State is, in this case, forced to pursue a much wider range of policies located within a broader institutional base, in order to guarantee the conditions of profitable capital accumulation.

Thus the essential form of the capitalist State is given by its functioning to maintain the overall profitable accumulation of capital within the heterogeneous relations which comprise civil society. It is a unified set of institutions which bureaucratically administers the interests of the citizens resident within its territory and that passes and implements generally applicable laws

(although it often transgresses them itself). These laws, and indirectly all State activities, are guaranteed by the centralisation and monopoly of physical coercion by the State which are used both to sustain legally sanctioned relations internally as well as external relations of that nation State. It is interesting to note that the role of the State in the twentieth century has been significantly enhanced by its centrality in the organisation of warfare.

As previously stated the State operates within the context of contending relations between classes, fractions and popular democratic forces (organised around structures in civil society). The actions of the State can neither eliminate the contradictions of capitalism, nor act independently of them. To effect a major change in State policy or form involves the establishment of a power bloc (at least temporarily) out of the politically dominant social forces (cf. Poulantzas 1973:229-32). The establishment of a power bloc is problematic and involves balancing out, manipulating, co-ercing, compromising and bargaining between the different classes, fractions and popular forces. So it is never a question of *the* capitalist class running the State or *the* ruling class or a *capitalist's* State. Nor is the State always able to implement the 'correct' policy for capital accumulation; indeed the State may often implement the 'wrong' policy or the 'right' policy at the 'wrong' time. The State should not be viewed as automatically reacting to the demands of capital accumulation, for long periods there may be no power bloc established, merely numerous politically dominant classes, fractions and social forces with no particular organisational unity or policy.

The State functions within civil society and particularly where individual subjects, popular forces and social classes struggle to control and transform their conditions of reproduction within the sphere of circulation, within the relations of distribution, exchange and consumption. Thus, the State in capitalist societies can be viewed as structurally determined to ensure the overall conditions suitable for profitable capital accumulation, but it can only do so within the conflicting and multifarious relations constituted by civil society. In particular, it must, but may fail to, orchestrate a power bloc out of the diverse social elements that comprise any particular civil society.

State Expenditure

James O'Connor (1973) has described three forms of expenditure which are utilised by the State in performing its overall function in maintaining the capitalist system. These are: social investment, social consumption and social expenses. Social investment and social consumption are described by O'Connor as two components of 'social capital', that is expenditures that are required for profitable capital accumulation. Social investment takes the form of 'social constant capital' which consists of projects and services that increase the productivity of a given amount of labour power, for example State financed industrial-development facilities. Social consumption is seen as 'social variable capital' which serves to reproduce labour power on a daily or generational basis, for example the support of schemes of social insurance. Thus O'Connor characterises both social investment and social consumption expenditures as indirectly productive forms of investment, which, if they were not undertaken by the State would be forced on capital itself in order to increase the rate of profit. Social expenses, however, are not seen as 'productive' but reflect the State's role in promoting social cohesion and control in that they serve to legitimate the system. Thus social expenses are a necessary form of expenditure but one that nevertheless represents a drain on the system.

Discussing social investment, O'Connor draws a distinction between the classifications of physical and human capital. Physical capital takes the form of State investment in the physical economic infrastructure such as roading and other transport facilities, utilities (e.g. sewerage, water and gas reticulation) and the preparation of sites for industry and commerce through planned urban renewal or development. Social investment in human capital consists of the provision of State education and State support for research and development. O'Connor suggests that social investment is undertaken by the State because such resources are required by private capital on a permanent basis for production to take place and because costs often exceed the resources of or are regarded as unacceptable financial risks by the companies immediately concerned" (O'Connor 1973:101). O'Connor suggests that social investment seems to function mainly in the interests of capital rather than society as a whole. The socialisation of these costs inevitably brings about a *fiscal crisis* for the State for, although footing the bill, it collects little or none of the revenue generated by its investment.

The socialization of costs and the private appropriation of profits creates a 'fiscal crisis' or 'structural gap' between State expenditures and State revenues. The result is a tendency for State expenditures to increase more rapidly than the means of financing them.

(O'Connor 1973:9)

Given that in many capitalist societies social investment is a key feature of local State expenditure O'Connor's thesis serves to explain the crisis of local government finance relatively common in the United States (notably New York city) and Britain.

Social consumption outlays are also subdivided into two categories: goods and services provided by the State to be consumed collectively by the workforce and social insurance against economic insecurity, for example, unemployment or sickness. The first group appears to correspond to Castells' conception of collective consumption (discussed above), and has an important role in the reproduction of labour power, a key resource here being housing. This is again interpreted by O'Connor as predominantly serving the interests of capital, although, as the discussion of this theme that follows reveals, this issue appears to be more complex.

O'Connor's third category of expenditure corresponds to the State's role in maintaining social cohesion and the mechanisms of social control. Social expenses are thus those unproductive outlays undertaken by the State to ensure the reproduction of the relations of production. These, as we have seen, correspond to the fact that State power is predicated by the monopoly of centralised physical coercion within the national territory which guarantees the system of law and sustains the external relations of that nation State. Thus examples of social expenditures are those on the military, police, courts and other agencies of 'law and order'.

However, O'Connor is principally concerned with the problem of legitimation which he sees as a crucial State function in advanced capitalist societies. The State must ensure the maintenance of the conditions for profitable capital accumulation but increasingly 'legitimation' serves to mask or even pre-empt its more traditional coercive character. As O'Connor (1973:6) points out

A capitalist State that openly uses its coercive forces to help one class accumulate capital at the expense of other classes loses its legitimacy and hence undermines the basis of its loyalty and support.

O'Connor argues that the growth of the monopoly capital sector has generated both a surplus productive capacity and a pool of surplus labour. State expenditure on social expenses can be seen as an attempt to overcome these problems. The problem of underconsumption generates an attempt by the State to soak up surplus capacity via an increase in military spending (Baran and Sweezy 1966). The problem of surplus labour, or unemployment, stimulates the growth of welfare expenditure, particularly in the face of potential class conflict or popular social protest (in the sphere of struggle); "relief payments expand during periods of social and political disorder - and are contracted when disorder is reduced" (O'Connor 1973:167).

The problem of legitimation thus involves increased State spending on unproductive welfare provisions which, in turn, contributes to the growing fiscal crisis of the State. Thus while social expenses are necessary to ensure the legitimation of the system, they also pose a fundamental contradiction to the State's principal role in ensuring continuation of profitable capital accumulation. This is because expenditure on welfare, or coercion is an increasing drain on revenue needed for social investment and consumption.

...the socialization of the costs of social investment and social consumption capital increases over time and increasingly is needed for profitable accumulation by monopoly capital. The general reason is that the increase in the social character of production (specialization, division of labor, interdependency, the growth of new social forms of capital such as education etc.) either prohibits or renders unprofitable the private accumulation of constant and variable capital. The growth of the monopoly sector is irrational in the sense that it is accompanied by unemployment, poverty, economic stagnation and so on. To ensure mass loyalty and maintain its legitimacy, the State must meet various demands of those who suffer the 'costs' of economic growth.

(O'Connor 1973:8)

State Intervention In Housing

In most capitalist societies the State has long been associated, in various ways, with the provision of housing, this is certainly true (as we shall see) of New Zealand. Bassett and Short (1980:226) have related State intervention in housing to three major sources of pressure, I have modified these and added another:

- 1) State policies reflect the attempt to reconcile, manipulate, or balance out the differing interests of different fractions of capital (industrial, landed, finance and building capitals).
- 2) State policies reflect working class pressures, particularly when civil society is predominantly vertically organised. These pressures may be exerted directly in the housing field or in the workplace (but in either case are class specific), in which case housing reforms may reflect an attempt to grant concessions in the sphere of consumption in order to divert a more serious threat to the system of production and capital accumulation. Although it may be expressed in civil society this source of pressure stems from the contradictory relationship between capital and worker.
- 3) State policies reflect pressure arising from popular democratic struggles, for example, action by housing consumers. These struggles (often localised and directed towards the local State) are predominantly mobilised around practices in horizontally organised civil society and as such are largely non class specific.
- 4) State policies reflect the global role that the State assumes in preserving the overall stability of the social system; sustaining the particular constellation of social forces that enable profitable capital accumulation to take place. It is here, as we have seen, that ideology provides an important cement to social structure and certain forms of tenure facilitate the reproduction of the dominant ideology.

Applying this broad perspective to the evolution of particular policies is more difficult however. Major pieces of policy may overlap boundaries and present a tangle of underlying factors. In addition such a perspective runs the risk of over-rating the importance of housing to different fractions of capital or capital as a whole (Bassett and Short 1980:226). To avoid such pitfalls it is useful to return to a categorisation of State intervention at the level of commodity production.

Marcuse (1977) has tried to deal with the range of the various forms of State housing intervention in relation to the wider functions of the State but this type of framework is by nature complicated (tending eventually towards obscurantism) and to some extent applies meaningless dissection as most State policies fall simultaneously into numerous categories. The choice made in this work was to use Berry's (1981:10-11) broader categorisation focusing on the economic aspects of State policy which, when integrated with the other aspects of this theoretical framework, will, it is hoped, prove more enlightening, than more complicated, ambitious categories.

Berry (1981:10-1) claims that at the level of commodity production State intervention falls into three broad categories:

- 1) *Market supporting policies* which serve to provide an institutional framework within which commodity production and exchange can occur. Particularly important in this context are the legislative and executive actions which define and enforce the rights of private property and the laws of contract. In the case of housing for example, the State initiated policies and procedures early in New Zealand's settlement history, to regularise and facilitate land transfers.
- 2) *Market supplementing policies* are those which alter some of the external parameters to which competing capitalists, landlords, wage labourers and consumers react but which leave these actors free to interact within the changed market situation. Examples of market supplementing policies would include: subdivision controls, building codes, rent controls, tax deductibility on mortgage interest payments, interest rate policies and subsidies to private building concerns. All these policies alter the terms on which buyers and sellers face each other in the housing market and as a result shift the production, pricing and distribution of housing away from a 'pure' (or unregulated) market outcome. Such policies (see Chapter Three) have been very popular with the State in New Zealand. For example the strong State support for owner occupation has often taken the form of policies to restrain private interest rates, provide State mortgages at less than market rates and enable mortgage interest payments to qualify for tax deductions. In the rental sphere the implementation of rent control functioned, for a short time, to keep private rentals below levels which would have ruled in rental submarkets in the absence of State controls.
- 3) *Market replacing policies* suspend or exclude market criteria in favour of administratively determined criteria and function to significantly modify (and complicate) the relationship between capital and labour. This form of State activity is most commonly represented by public enterprise, which may be geared towards: revenue raising functions, the prevention of private monopolies and their dysfunctional effects for capital accumulation and legitimation, or the provision of use values which are neglected by private capital because of their unprofitability. Examples of such public enterprise functions are, respectively, State owned broadcasting; State controlled water and electricity supplies which have restricted the development of private monopolies; public housing; mass education; public health care and road construction. The events in New Zealand in the mid-1980s provide clear illustration that these categories are not rigid and static (see Chapter Four); many forms of public enterprise are now being re-orientated towards revenue generation while private capital is reclaiming many areas which were once the sole domain of public enterprise, for example private health care and commercial, privatised education facilities.

In the case of public housing the State directly involves itself in the management and allocation of that segment of the housing stock. This represents a *socialisation* of the landlord function -

the dispossession of property capital - and thus State housing is cheaper than (non-controlled) private rental housing, even where the State depends on the direct participation of finance capital. Increasingly, however, (since 1950 - see Chapter Three) New Zealand State housing has become 'welfare housing', aimed at those too poor to gain access to owner occupation or appropriate private rental accommodation but who are sufficiently 'deserving' to be willing and able to meet public rents and the conventional norms of State housing authorities. In this way welfare housing can be seen to reinforce the existing determinants of class fragmentation (Berry 1981:11). Indeed the current trend towards market-related rents in public housing in New Zealand can be seen as an attempt to re-emphasise this policy.

State intervention then, through market supplementing and market replacing policies, alters the price and distribution of housing and partially or completely devalorises capital advanced in the housing sector - that is some or all of the surplus value is locked in the commodity (housing) through the actual price falling consistently below the price of production. This is because public rents need only cover the costs and profits of private builders and the government's expenses, assuming for the moment that public housing is entirely built by building industry capital and ignoring the land and financing aspects. Where the government finances public housing entirely by private borrowing, public rents must also reflect or cover the expenses *and* profit of the firms advancing finance capital. The extension of this example suggests another avenue of devalorisation. The more the State relies on taxation to provide public housing, as opposed to private loan finance, the smaller is the finance capitalists' profit component in the realised price of production, and thus the lower *can* be the public rents. There is no logical reason why taxation cannot lower actual rents below a level which would cover costs of production - rents could be pushed down to zero levels.

So under market replacing policies private capital is displaced, depending on the degree to which private finance is used, and the proportion of social wealth (controlled by the State) turned to the production of use values rather than production for profit is increased (Berry 1981:11). When produced and allocated via such policies housing becomes 'decommodified' - that is, because of State intervention the commodity nature of housing is reduced and the influence of the market is diminished.

Politically, of course, strong opposition would be encountered before 'free' public housing was achieved. Such conflict over the level of public rents and thus public subsidy is expressed politically and ideologically in the form of attacks on and defence of State housing and sometimes State house tenants. (A New Zealand example of just this situation is given in Chapter Three).

Indeed given our earlier discussion the points made by many writers suggest that reducing the price of housing in a widespread fashion is not necessarily in concordance with the overall role of the State. While State policy can lower the price of a basic wage good, thus reducing the costs of labour power for capital and clearing the way for greater profits, such a move may have serious dysfunctional effects. Berry (1981:11) points out that "by concentrating on the price of housing we are forgetting the other functions of housing tenure, especially those relating to the impact of owner occupation" (noted above).

In addition the points made by Stone (1977), and discussed earlier in this chapter, suggest that if the State was to rely on the housing market to provide adequate housing to workers it would be effectively forced to remove a significant proportion of lower paid workers from exclusive economic dependence on the labour market. This is because there is

...a conflict between the requirements of the labor market and the requirements of the housing market. In the labor market it is in the interest of capital to keep wages as low as possible in order to maximise profits. In the housing market it is in the interests of capital to have wages as high as possible so that people can afford the housing prices which maximise profits.
(Stone 1977:150)

The State could possibly implement a guaranteed minimum income scheme which could eliminate homelessness and allow everyone to pay for adequate housing, thus stimulating continued supply, providing of course it was not met by a price rise for housing. But the removal of unemployment, low wage jobs, job competition, insecurity and desperation, could conceivably shatter the class power of capitalists because workers would no longer feel as compelled to sell their labour power under the capitalist labour process and the foundations of labour market segregation would be removed.

This solution to the conflict between incomes and housing costs is therefore unavailable to capitalism, because it would lead to the collapse of the labour market, which is the system's central institution.

(Stone 1977:150)

But leaving the labour market intact and subverting the housing market - reducing the costs of housing to a level affordable to all, would destroy the property market and with it most of the financial sector. This is particularly likely in a country such as New Zealand where the mortgage debt represents a significant proportion of the nation's total debt outstanding, much of it owed to the State. Given such options the State is forced by contradictory imperatives, into policies and actions which are often contradictory and do not uniformly benefit the interests of either capital or labour.

Finally, Lojkine (1976:131) suggests that where State intervention effectively reduces house prices and restricts the degree to which the surplus value extracted in the act of producing houses can be realised as profit, the rate of profit will tend to fall, thereby exacerbating crisis tendencies in the economy which in turn, threaten the prospects for continuing capital accumulation and the legitimisation of the system as a whole (see also Berry 1978).

Thus the role of the State in housing is dictated ultimately by its minimal function, the attempt to ensure continued capital accumulation within its territory. The organisation and orchestrating of civil society, and the response to struggles taking place there is the chief means of attempting to sustain capital accumulation. Thus "the central paradox of the capitalist State: that much of its form and policy results from the struggles of the sellers of the commodity labour power, yet at the same time it attempts to reproduce that labour power in a form which enhances its use-value to capital" (Urry 1981:116). In this attempt to sustain profitable capital accumulation the State is forced into particular relations with the agents of change, and the sphere of circulation, with the reproduction of labour power and with social classes and popular democratic forces. This places State institutions in a contradictory position and is a chief reason why State action is confused fragmented and internally contradictory. This situation is complicated in a social democracy like New Zealand where the representatives of labour have increased influence from within the State.

The Local State

It must be noted at the outset of this section that while the term 'local State' has become quite popular (after Cockburn 1977), the concept still remains uncertain in its usage and application.

The term could apply to 'autonomous local State' or 'local institutions of the central State' (Duncan and Goodwin 1982:155).

For the purposes of this study the term local State refers to those sub-national institutions ostensibly run on the principles of representative democracy with an executive electorally accountable to all citizens within their territorial limits. The main example of a local State referred to in this work encompasses a *local government* (the Palmerston North City Council) and a *non-electoral* local government institution (the Palmerston North City Corporation). Local institutions of the central State are treated here as just that; a local arm of a central department of the capitalist State.

The local State can, however, be generally located as part of the State apparatus as a whole, but variations in local policies will reflect the *relative* autonomy of the local State and the local configuration of class and other social forces. Because of its partial reliance on higher levels of State apparatus for funding the local State can not be said to be totally independent (Boddy in Fincher 1981:25).

Generally local State institutions and policy can be interpreted as a response to local class relations. Indeed, Duncan and Goodwin (1982:168) suggest that, the main reason for the emergence of local government in its particular form was specifically to counter certain *local* situations - although of course these social relations are in no way created by local government districts or likely to be independent from national relations.

As well as providing local administration, one key role of local State institutions is to manage, respond to and, if possible transcend (into legal relations) local class relations and other local social relations.

(Dickens *et al.* 1985:15)

In this way the interpretation of the local State differs from many of the prevailing conceptions of the 'functions' of the local State. Many Marxist theorists appear to interpret the local State (and in fact even local government) as just the local agent of the central State, replicating, in fact, the view of orthodox political science.

the marxist tendency to see the State as a 'centralised unity' so that there is no question of there being separate pieces of the State (Poulantzas 1973;

1975) has meant that the emerging tradition of local political economy has chosen to accept the cogency of orthodox description and explanation.

(Dearlove 1979:216)

Cockburn's (1977) work provides some valuable insights into the operation of the local State, in her study the Lambeth Borough Council in London, but in some places tends towards this view of the local State as a subdivision of the central capitalist State.

local authorities, including local health, water and transport authorities as well as local education, housing and planning authorities, are aspects of the national State and share its work. When I refer to Lambeth Borough Council as 'local State' it is to say neither that it is something distinct from 'national State' nor that it alone represents the State locally. It is to indicate that it is part of a whole.

Cockburn 1977:47)

Although Duncan and Goodwin (1982:166) point out that while some aspects of her theoretical approach appear shaky, her empirical work is not. Building on the empirical work of Cockburn (1977) and the more general typology of O'Connor (1973) we can distinguish three main roles *likely* to be performed *currently* by a local State within a capitalist social system.

- 1) The sustenance of local conditions favourable to private production and capital accumulation. This could be performed in a number of ways, including: the provision of necessary non-productive urban infrastructures, for example local roading developments, municipal transport services; or by aiding the reorganisation and restructuring of production in space, achieved most notably by the processes of planning and urban renewal.
- 2) Assisting and ensuring, the adequate reproduction of labour power. Again there are a number of mechanisms by which this role might be performed: most obviously by the provision of the material conditions of existence in this case the provision of (low rental) local authority housing; or by the provision of the cultural conditions of existence, for example libraries, museums, recreation areas, and parks. Notably the local State's activity within this role would appear to be most commonly in the form of provision of goods, services and facilities for collective consumption.
- 3) The maintenance of local order and social cohesion. This may be achieved by the support of the 'surplus population' by local welfare support services for example emergency housing, or by other services. Such activities are likely to reflect directly the activities of groups and individuals within the sphere of struggle.

This role may also extend to the support of broader agencies of legitimation for example 'community development agencies' or social work and by promotion of public or neighbourhood participation, particularly when certain groups are presenting a threat to existing power structures.

In particular attempts may be made to defuse the situation by offering some form of participation or by the appointment of community development offices.
(Cockburn 1977:93)

It is this role that Cockburn sees as especially significant for the local State. Whereas the national State may be primarily involved in economic measures and regulation to ensure profitable capital accumulation, the local State has an increasingly important role in legitimating capitalist relations and diffusing conflict. Many of the roles identified here are of course performed in conjunction with the agencies of the central State (although not necessarily) and many are financed through the central State. These roles are likely to be modified by the particular blend of local factors, notably the historical development and balance of class and social forces in any particular local State.

Fincher (1981) too, views the local State as but a local manifestation of the central State apparatus while arguing against the development of a functionally specific theory of the local State.

the functions and form observed to characterize arms of the State at any one conjunctive are *historically* explicable with reference to the Marxian theory of the development of capitalism. Accordingly, though it may appear that certain levels of the State's apparatus perform certain functions, it is not necessarily the case that these functions always characterize those levels of the State, across time periods when the relations of capital may have caused its requirements of the State to differ.

(Fincher 1981:30)

The point made is essentially correct, the form and function of any local State will be directed by the specific circumstances, particular history, social process and balance of class and social forces operating in any particular locality considered. But the view of the State and correspondingly of the local State (given her viewpoint) appears to be particularly functionalist in that she appears to assume that the State automatically develops its form or changes its policy in response to the needs of the capitalist system. This is a viewpoint that was rejected

in gaining an understanding of the role of the State, in relation to the provision of housing, and it is rejected here also. The local State is not the instrument of any one class nor does it develop automatically, local States operate (and develop) within the context of different individuals, groups and classes struggling to sustain their material conditions of life within a locality. This also means that such social struggles are reproduced within the local State itself.

It is the position taken here that any analysis of the local State must acknowledge the importance of local social processes. It is possible that local variation *may* be caused by a passive mapping of national processes onto an already unevenly developed surface but it appears much more likely that the particular nature of class relations and local processes operating in a specific city will mediate national trends and, for example, help shape local housing provision (Dickens *et al.* 1985:192). In this way local State institutions may function as an intermediary between the national and local social relations providing local implementation of 'State' functions which best meet local needs and demands. Local authority housing is probably the best example here.

Yet, as already stated, the local State is not seen as but an arm of the central capitalist State. Local State institutions acting as an intermediary between the national and local can potentially suffer the problem that at times they may be effectively captured by the locality itself, putting them in a contradictory position. Local social relations may dominate over what is deemed 'appropriate' at a national level. National policy, for instance, may be rejected in the locality and local State institutions used to hinder its implementation. Thus local State institutions can at times be inappropriate tools for managing, for example, housing consumption issues and actions in the 'national interest' (Dickens *et al.* 1985:240). At other times neither national level nor locality may gain the upper hand and local State institutions may operate in an essentially independent and autonomous manner, perhaps on the basis of some 'professional' or bureaucratic criteria, failing to understand or respond to demands from the locality. Whatever the case it is important to appreciate that the liberties or rights conferred by the local State have been won by struggle.

They were not bestowed by benevolent rulers but ceded gradually and grudgingly by local and national elites confronted by sections of the citizenry anxious to secure for themselves some say in decision making, some improvement in their material circumstances, some basis for fuller citizenship. How those institutions and agencies work, how they respond to citizens and

clients is much affected by the particular histories of those agencies...The practices and procedures with which they operate, the commitments which they acknowledge are the outcome of prior struggle. Current efforts to extend or alter them are constrained by those legacies.

(Elliott and McCrone 1982:141)

HOUSING AND CAPITAL

It was mentioned at the outset of this chapter that housing provides an opportunity for capital accumulation, as such it competes for capital with other potential sites of investment. It is here that we pick up this theme and relate it to the theory of accumulation. This section represents an attempt to present a brief sketch of the flows of capital in an urban system with a particular focus on investment in the built environment. It will be immediately obvious to those familiar with his work, that the analysis presented here owes a major debt to the work of David Harvey (1977a; 1977b; 1978; 1982).

Harvey (after Marx) identifies three interrelated circuits of capital, the *primary circuit* of capital, concerned with production, a *secondary circuit* of capital flowing into fixed capital investment and consumption funds and a *tertiary circuit* of capital flowing into investment in science and technology and the reproduction of labour power (1978:104-108). There must be a 'surplus' of both capital and labour in comparison to current production and consumption needs in order to facilitate the flow of a proportion of fixed capital investment and consumption fund expenditure (the secondary circuit) to provide long term assets - the necessary physical framework for production and consumption particularly those constituting the built environment (e.g. housing). It is the tendency towards *overaccumulation* in the primary circuit of capital which creates these conditions on a periodic basis.

This tendency towards overaccumulation is generated from what can be identified as the basic contradictions of capitalism. The capitalist system is characterised by its inherently competitive nature, as we have seen the laws of capitalist production are "external coercive laws having power over every individual capitalist". Each individual capitalist strives to make an excess profit but overall the resulting competition may not be beneficial. To pick up one example, cited in the section on the role of the State, this competition may force each capitalist to lengthen and intensify the work process to an extent that the capacity of the labour force to

produce surplus value is seriously threatened. The collective effects of individual entrepreneurial efforts may threaten the process of the reproduction of labour power, thus endangering the social basis for future accumulation.

As a consequence, individual capitalists, each acting in his own immediate self interest, can produce an aggregative result that is wholly antagonistic to the collective class interest.

Harvey 1978:102)

This basic contradiction, generated by the actions of individual capitalists seeking to make excess profit, produces a tendency towards overaccumulation - that is too much capital is produced in aggregate compared to the opportunities to employ that capital. The tendency is manifest in a variety of ways that may be present simultaneously.

- 1) The overproduction of commodities, a glut on the market.
- 2) Falling rates of profit - in terms of falling prices.
- 3) Surplus capital expressed in idle productive capacity or money capital lacking opportunities for profitable employment.
- 4) Surplus labour (unemployment) or a rising rate of exploitation of labour power.

What is the response of capitalists to this crisis of overaccumulation in the primary circuit of capital?

One feasible if *temporary* solution to this overaccumulation problem would therefore be to switch capital flows into the secondary circuit.

(Harvey 1978:107)

Thus crises in the primary circuit are expressed in terms of an overaccumulation of capital and sudden flows of this surplus into speculative property investment may often represent a last ditch attempt to stave off crisis. In this way the flow of capital into the secondary circuit can be seen to be closely linked to the rhythms of capital accumulation in the primary circuit.

The unique features of housing and land (noted earlier) mean that investments in this sector of the built environment are generally large scale, long lasting, often difficult to price in the ordinary way and in many cases are open to combined uses by all capitalists. Such features

emphasise the necessity of a functioning capital market and a State willing (or forced) to finance and guarantee long-term, large scale projects, to enable capital to flow into the secondary circuit. If there is no funding available in the area for the particular type of investment intended the desire on the part of individual capitalists to invest in the built environment may be frustrated, and a potential, if temporary, solution to a crisis in the primary circuit denied.

At times of overaccumulation, a switch of flows from the primary to the secondary circuit can be accomplished only if the various manifestations of overaccumulation can be transformed into money capital that can move freely and unhindered into these forms of investment.

(Harvey 1978:107)

The availability of mortgage credit is a prerequisite for the overwhelming majority of individuals wishing to invest in the built environment. Therefore the switch of resources into investment in the built environment cannot be realised without a money supply and credit system which creates 'fictional capital' before actual production and consumption take place. This underscores the importance of consumer credit, housing mortgages and the like, in the contemporary capitalist system:

Since the production of money and credit are relatively autonomous processes we have to conceive of the financial and State institutions controlling them as a kind of collective nerve centre, governing and mediating relations between primary and secondary circuits of capital.

(Harvey 1978:107)

The form of these institutions play important roles in influencing flows of capital into specific aspects of the secondary circuit of capital (such as housing, transport networks, public facilities and so on.). Changes in these mediating structures may therefore affect both the volume and direction of capital flows by constricting movements in some directions and opening new conduits elsewhere.

The tendency for individual capitalists to generate States of overaccumulation in the primary circuit of capital has already been described. As pressure builds either accumulation grinds to a halt or alternative investment opportunities are found in the secondary or tertiary circuits of capital. Housing investment is obviously a particular component of investment in the built environment and a component in the reproduction of labour power. It is therefore linked to the

rhythms of the secondary and tertiary circuits of capital and their interrelations with the primary circuit.

Investment in science and technology and other forms of research and development as well as a wide range of social expenditures (see State Expenditures section) including health, education, police and welfare are part of the tertiary circuit of capital. The tendency towards overaccumulation is accordingly transferred by switching capital into other circuits of capital but it is not expelled from the system. Overaccumulation is transferred into overinvestment in the secondary and tertiary circuits of capital. This overinvestment can be interpreted as the direct result of the needs of capital rather than the needs of people.

Manifestation of the tendency towards overaccumulation then begin to appear in the secondary and tertiary circuits of capital because the potential for productive investment within a particular sphere is exhausted. Further flows of capital do not expand the basis for the production of surplus value. A crisis of any magnitude is registered within the financial and State structures, while the latter as we have already seen can be an independent source of crisis (the fiscal crisis of the State).

Financial Institutions and Residential Differentiation

As noted above the urban housing market is increasingly controlled by a network of public and private financial institutions that channel loans and investments to different segments of the housing market. These institutions can be viewed as forming a hierarchy extending from the national and regional levels down to the local levels, transmitting downwards the broad concerns of national policy to ensure (1) orderly relationships between construction, economic growth and household formation, (2) short-run stability and reduction of cyclical swings in the economy by using the construction sector as a Keynesian regulator and (3) social stability and the reproduction of capitalist social relations.

The policies and programme fashioned at the national level are transmitted to the local level and ultimately to individuals making choices with respect to housing services in different locations by a complex set of mechanisms.

(Harvey 1977a:126)

Thus these institutions interact at the urban level to create a geographical structure of housing submarkets with boundaries that are relatively stable over time.

In a study of Baltimore Harvey (1977a) identified no less than thirteen such submarkets each characterised by different income and house price levels, different forms of tenure, different social and ethnic patterns and the involvement of different combinations of financial institutions with their different lending and financing rules. This institutional and geographic structure of the urban housing market has important implications for the extraction of different forms of ground rent. This will be dealt with in the last section in this chapter: Housing and Land.

Suburbanisation and Crises

The sprawling growth of suburban housing estates has perhaps been the most striking aspect of post-war urban development. Suburbanisation has been more than the physical construction of new housing, it has been associated with rising car ownership, new roads, new social infrastructure and changes in modes of consumption and patterns of family life.

The points made earlier in relation to housing and the reproduction of labour power and housing and the reproduction of social relations are obviously of relevance to any discussion of suburbanisation. As industry has bought greenfield sites and employment has decentralised so suburban housing developments public and private, have played a vital role in the supply of necessary labour power.

Perhaps more importantly, suburban development has also been associated with the spread of single-family owner occupied dwellings - a pattern of living that has had important effects on commodity consumption.

The whole suburban social form became an extremely effective apparatus of individualized commodity consumption.

(Castells 1977:387)

Castells argues that the search by individual households for self-sufficiency in terms of a widening range of domestic goods and consumer durables has made the single family home in the suburbs 'the perfect design for maximising capitalist consumption'. In fact

The social relationships in the suburban neighbourhood also expressed the values of individualism, conformism and social integration, reducing the world to the nuclear family and social desires to the maximization of individual (family) consumption.

(Castells 1977:388)

Thus the accelerated suburbanisation process of the post war period has, among other things, served to artificially stimulate effective consumer demand for products.

In the post-war period the 'underconsumption' problems of the 1930's were largely to be resolved by forcing a rising effective demand *via* the suburbanisation process - a process that embraced the construction of highways and utilities, housing and public facilities, shopping centres and commercial functions as well as a rising demand for automobiles, energy and the like.

(Harvey 1977a:124)

So until recently the process of suburbanisation provided numerous opportunities for investment in the built environment and in the secondary circuit of capital. This process opened up the housing sector as a means of accumulation through commodity production. Thus the construction of new housing and the rapid expansion of the suburbs and suburban styles of consumption facilitated an opportunity for accumulation, and may have played a major part in offsetting tendencies towards overaccumulation and crisis in the primary circuit. Indeed in many countries this solution was so successful that the housing sector became a Keynesian 'contra-cyclical' regulator of the accumulation process as a whole.

However the pursuit of what was a relatively new and more productive form of capital investment driven by the search for relative surplus value has accelerated the devaluation of previous investment, represented in this case by older housing.

Capitalist development has to negotiate a knife edge path between preserving the values of the past capital investments in the built environment and destroying these investments in order to open up fresh room for accumulation.

(Harvey 1977b:273)

In this way it can be seen that under capitalism there is a struggle in which capital builds a physical landscape appropriate to its own condition at a particular time, only to have to destroy it, usually in the course of a crisis, at a subsequent point in time. The temporal and spatial ebb

and flow of investment in the built environment can only be understood in terms of such a process.

More recently two major mechanisms have evolved in an attempt to absorb the surplus - particularly at times of crisis in the secondary and tertiary circuits of capital. First there is what Baran and Sweezy (1966:114) term the 'sales effort'. This encompasses a variety of strategies - the creation of new needs and wants through advertising, the encouragement of mass consumption, planned obsolescence, and so on, which are all aimed at increasing demand. Second there is the increased role of the State - and in particular State expenditure. This has already been discussed in an earlier section (of this theoretical section) so it will suffice to note here that suburban expansion is tied up with various forms of State social investment and social consumption expenditures that are directly productive for capital. Suburban expansion therefore expresses the forces that simultaneously lead to the fiscal crisis of the State.

HOUSING AND LAND

Housing requires land: it is a spatially fixed asset in consumption, each house built implies a temporary use monopoly over a particular piece of land. The use-value of housing depends crucially on its location with respect to other urban activities, services and resources. These simple observations have raised some of the most problematic and contentious issues in the political economy of housing. The physical necessity of land for housing and other land uses is empirically associated with a relatively permanent pattern of payment from land user to land owner, a ground rent. Thus the land and housing questions are intertwined and require an understanding of the nature of urban ground rent and its influence on the price and distribution of housing or, more correctly, the house-land package.

In capitalist societies, the form and determination of ground rent must be related to the production and distribution of surplus value. Capitalist ground rent exists because of the private ownership of land. Rent is simply the payment made to landlords for the right to use land and its appurtenances (the resources embedded within it, the buildings and dwellings placed upon it etc.). The land then, conceived of in this broad sense, has both exchange value and use value. So land owners are able to deny direct producers access to a necessary

means of production, the land, unless a 'tribute' or rent is paid. Where landowners and capitalists form distinct social groups, ground rent exists as an actual payment, a deduction from total surplus value (potential profits) which flows from capitalist to landowner. Where these groups overlap, ground rent exists only as an analytic category, an element in the total 'profits' of the capitalist-landowner (Berry 1978:61). But in either situation it is the private ownership of land by a (non-productive) minority of the population which enables capitalist ground rent to be extracted.

The analysis of urban land use, as it applies to the housing question, used in this work is based largely upon extensions of Marx's account of agricultural rent by Berry (1978, 1981) and Harvey (1973, 1974, 1982). Both writers suggest that the effects of location on land use are explicable in terms of a theory of *differential rent*.

Urban differential rent arises primarily on the basis of the changing pattern of locational advantages and disadvantages entailed by urban development. At any point in time, land at different urban locations offers different levels of profit depending on whether it is put to industrial, commercial or residential use. Capitalists, including housebuilding interests, and landlords compete amongst themselves to obtain the use rights to urban land, bidding up land prices in the process until land at each particular location is, by this process of competition, turned to its most profitable use. Differential rent is therefore determined by the prospects of surplus profits attaching to urban land use, and land is allocated to varying uses according to the maximum profits beckoning at each site. By this process the landowner reaps a gain without any effort, simply by possessing legal title to a particular 'portion of the globe' (Berry 1981:4). The more advantageous the location of the land, the greater the gain.

The periodic payment, real or implicit, from land user to landowner represents a ground rent and when that payment rises, due to increasing locational advantage, it is capitalised into rising land prices, the major source of so-called 'capital gains'.

(Berry 1981:4)

The competitive market processes involved in the allocation of differential rents generate a number of important implications for the distribution of housing which were first raised by Engels in 1872.

The expansion of the big modern cities gives the land in certain sections of them, particularly in those which are centrally situated, an artificial and often enormously increasing value; the buildings erected in these areas depress this value, instead of increasing it, because they no longer correspond to the changed circumstances. They are pulled down and replaced by others. This takes place above all with centrally located workers' houses, whose rents, even with the greatest overcrowding, can never, or only very slowly, increase above a certain maximum. They are pulled down and in their stead shops, warehouses and public buildings are erected.

(Engels 1872, 1955edn.:559)

This process, Harvey argues (1973:142), is clearly apparent in every contemporary city and is a direct result of the necessity to realise a rate of return on a parcel of land consistent with its location rent.

However capitalist do not compete for land in a free market. Monopoly elements employ various techniques to structure the land market (Berry 1981:4). For example, large property developers can exert considerable influence over the 'naturally' emerging pattern of differential locational advantage by clustering certain developments (a point I shall return to) or by staggering the release of new residential, commercial or industrial land, effectively restricting supply and increasing rental and capital values. Effective demand can also be structured; financial institutions and conventional lending policies segregate the final consumers of land and housing into distinct and separate sub-markets which are tied to different residential sectors of the city, which gives rise to implications for the forced extradition of rental payments over and above considerations of locational advantage. Perhaps most importantly numerous State agencies impose arbitrary restrictions on land development use, notably by land zoning, building regulations and subdivision controls but also via indirect influences such as the siting or controlling of transportation networks. The example cited suggests the two major mechanisms through which absolute rent can be extracted: firstly, through shortages of land for particular purposes owing to State planning interventions (zoning, green-belts, conservation, infrastructural requirements etc.), and secondly, through the exertion of effective monopoly power by landowners.

Harvey (1974, 1977a) argues that widespread absolute rents exist in housing owing to the activities of finance capitalists, in particular their ability to carve up space into independent housing submarkets - so-called absolute space. However Berry (1979:82) argues that

'absolute space' is *not* a condition for the existence of absolute rent, nor a mechanism for its extraction. Rather he argues (after Encel 1976:17-18) Harvey's analysis is best viewed in the context of the generation and extraction of localised monopoly rents. Monopoly rents exist whenever particular use values supported by particular landuses are chronically undersupplied with respect to effective demand *and* those land uses are undersupplied due to State restriction or monopolistic control by landowners. Harvey (1974:241-2) argues that some people, *by virtue* of their income, social status, credit-worthiness and eligibility are trapped, by the policies of financial institutions, the practices of landlords, racial discrimination and the like, into housing subgroups which are effectively restricted to certain areas of the city where a situation of chronic excess demand allows monopoly rents to be extracted. Excess demand is heightened in such areas by the continual threat to 'cheap' housing there, posed by redevelopment pressures based on differential rent considerations (Berry 1979:82). Thus *both* differential rent and monopoly rent elements will be reflected in the high letting fees paid by the members of those housing subgroups. However the ability of landowning-landlords to extract both forms of rent will be limited by the low level of income and resources of trapped minorities. Apart from being forced to part with a high proportion of meagre family incomes for housing, such residents will often be required to pay a 'rent in kind' in the form of overcrowding, uncertainty, an absence of repairs, harassment and so on. Because the profit which can be extracted from the provision of housing to disadvantaged groups is strictly limited, such groups have only temporary control over their living space and may at any time find themselves homeless. Whenever greater profits can be extracted from some other use of 'their' land, considerations of differential rent will result in redevelopment and displacement. In this way 'slums' or 'areas of housing stress' are pushed about the city in the vanguard of capitals' search for profits.

Monopoly rents can also arise at the other end of the housing market. An example of this is the process known as *gentrification* whereby run down inner city areas, usually dominated by low income rental, are taken over by property developers or owner occupiers and through the rehabilitation of housing stock (often aided by State loans) are converted to single family housing. The use of the term commonly encompasses an associated change in the socio-economic status of the area; the original working class tenants are pushed out by the more wealthy moving into the inner city to be near central city employment and recreational facilities. Taken in this broader sense the process of gentrification in some respects represents an urban

equivalent of Marx's vineyard (Capital Volume III 1981:905). Houses of a particular vintage in a particular local 'environment' are highly valued by consumers who can afford to indulge their Victorian tastes. Excess demand can be transformed into monopoly rents as capitalised into rapidly inflating prices for such properties. To the extent that such areas had provided housing for disadvantaged subgroups prior to gentrification, monopoly rents at the high end of the market will reinforce monopoly rents at the low end as the newly displaced compete for a dwindling stock of 'cheap' housing elsewhere in the city.

As noted above, Larmarche (1976:85-118) argues the existence of a distinct fraction of specialised capital known as 'property capital' which are represented in the organisational form by property development firms, in the business of letting floor space for office and other commercial purposes. In this context Larmarche uses a somewhat different concept of absolute rent. New office and commercial centres reduce communication and transportation costs between enterprises and ultimately increase the rate of turnover of capital which contributes towards an increase in the rate of profit. This enables property capital to claim a share of the surplus value produced by the productive sector. However, landlords can also stake a claim to a share of surplus value by withholding their land from the market, basing their selling price on the anticipated profitability of property capital. This theory, as previously noted, has been criticised on a number of grounds (in the context of rent theory Berry 1979:73-76) and was conceived of mainly in relation to commercial, financial, and administrative enterprises; "the field of housing is only a sub-product, a sideline of property capitalism" and even then "the property developer will only invest in residential property if luxury dwellings are involved" (Larmarche 1976:97).

But the activities of such institutions, however they are theorised, will have considerable implications for the housing question, and Larmarche (1976:113) cites impacts of three orders. The expropriation of housing from workers in urban areas undergoing renewal due to the priorities of property capital which give office commercial and luxury residential developments preference over (relatively less profitable) middle and low income housing. Indeed in residential areas where demand for commercial redevelopment is high, if planning controls are weak or open to manipulation, conflict over land usage is common, and is normally resolved in favour of the redeveloper and landowner (Ambrose and Colenutt 1975). 'Insalubrious housing conditions' result from speculation by land owners on future developments; as surrounding

areas are developed, the properties they own become less valuable than the land they occupy, maintenance is neglected and occasionally excess rentals are charged until large scale redevelopment takes place. Finally, the shortage of housing at 'reasonable rentals' (that is; rents approximate to the buildings cost together with interest on the capital immobilised, not including an element of situational rent) is due to increased public investment (e.g. road widening, mall creation etc.) creating situational advantages throughout an urban area and the increased investment by 'property capital' which follows it, extracting increased rents based on previous investments while creating further advantages for new investments. What does this mean for the consumers of low income housing?

They are crowded together in dilapidated neighbourhoods, paying for dwellings which have no value apart from that of being conveniently located, but since these neighbourhoods will sooner or later be the object of new property investment, only one choice remains for them in the long term: to go into exile in the outer suburbs, cut off from the advantages of the city...

(Larmarche 1976:117)

Not all urban land is demanded for commercial and industrial development. The demand for sites for these purposes will be concentrated on transport modes, along transport arteries, and of course in and near the central business district. It is the effect of such processes that Engels described, in the direct and colourful manner for which he is well known:

...the practice, which has now become general, of making breaches in the working-class quarters of our big cities, particularly those which are centrally situated, irrespective of whether this practice is occasioned by considerations of public health and beautification or by demand for big centrally located business premises or by traffic requirements, such as the laying down of railways, streets etc. No matter how different the reasons may be, the result is everywhere the same: the most scandalous alleys and lanes disappear to the accompaniment of lavish self glorification by the bourgeoisie on account of this tremendous success, but - they appear again at once somewhere else, and often in the immediate neighbourhood.

(Engels 1872 in 1955 edn:607)

The fact that rental returns to landowners are generated by such factors has given rise to the application of the categories of *absolute rent* and *monopoly rent* to the urban context.

Absolute rent can exist wherever effective barriers to the flow of investment into land use exist. To illustrate the process whereby absolute rent is extracted let us take an extreme example

where all the land zoned for a particular use (be it residential, commercial or industrial) in a city is owned by a single land owning interest.⁹ Considerations of differential locational advantage will sort out which of the competing capitalists or developers successfully bids for each site. Under normal conditions differential rents will be appropriated from the surplus profits supported or obtainable at each site. But since one landowning interest owns all suitable sites they can demand an extra rent on all sites over and above differential rent which the tenants or builder-developers will pass on as higher commodity prices. The size of this absolute rent will depend on the market demand for the commodities produced on the land, which will dictate the extent to which cost increases can be passed on as price increases and finally on just how effective the landowners' monopoly is. The ability to extract monopoly rent is constrained by the extent to which prospective tenants can locate elsewhere. In the case of industrialists, many city authorities actively set out to attract such firms by offering incentives, commonly achieved by direct intervention in the land market to offer land prices lower than elsewhere. In other cases industrialists or developers may resort to threatening the local land owning monopoly by political means, particularly by inducing planning authorities to zone other land for the required use (Ambrose and Colenutt 1975).

Drawing together the points made earlier regarding the commodification of housing and elements of the land use aspects just discussed, enables an understanding of the real factors conditioning social exchange in the housing market. Following Berry (1981:4), the current price or market value of a house can be seen to represent:

- 1) The historic *price of production*, determined by the labour embodied in the initial construction and the average profit rate ruling at the time of production.
- 2) *Ground rent* - differential, monopoly, and absolute. A point to note here is that the prices of existing houses rise as the prices of production of new houses rise.

This phenomenon can be interpreted in at least two ways: Firstly, as a form of differential rent, not on the land but on the house itself; owners of existing housing reap a 'windfall gain' due to the lower historic price of production of their houses compared to the production price of new housing. Secondly, as a

9 Such an example is not necessarily very rare; in Palmerston North a single landowning interest (Fair Investments Ltd.) owns by far the greatest amount of vacant land available for future residential use.

form of temporary monopoly rent based on the inherent difficulty (e.g. the length of time involved in the process) of significantly increasing the *total* supply of houses in a short period. Whenever the rate of increase in demand for housing rises significantly above the rate of increase of supply, caused, for example, by an increase in building standards, slowing supply or by a freeing of mortgage funds or an increase in household formation increasing demand, the price of all housing will rise. Thus owners of existing houses enjoy a monopoly position.

A second point is that house prices in equally accessible and well located areas in respect to the central business district commonly display vast differences. Assuming that other factors, such as size, standard, other locational factors, the phenomenon of gentrification, are equal (a considerable assumption!) several explanations are possible. One may be the result of a differential rent based not on physical location but on 'social location'. Higher income earners may pay more to obtain a location in a homogeneous high income residential area consequently the land owner reaps a 'snob rent' to the extent that the effective demand of high income earners is reflected in rising property prices which ration socially scarce locations. "The sole advantage a resident could derive from his immediate neighbourhood, and for which he might be led to pay an excess in his 'rent', lies in the prestige or status of living in such an environment" (Larmarche 1976:102). Indeed, housing estates are built and marketed on the basis of status considerations. Prestige is literally engineered into an estate by the choice of designs, fittings, densities, and facilities which increase house prices and 'rents' (letting fees) and exclude low income, low status tenants.

In addition State intervention particularly in the form of planning regulations, effectively structures urban space creating, or merely reinforcing, pockets of social exclusivity. Landowners in exclusive areas may not necessarily reap a differential rent, based on the restriction of capital inflow to particular areas, from the activities of the State, but tend to be well aware of the benefits of continued exclusivity and may use their political influence to 'protect local property values'.

- 3) *Inflation*. As noted above land and housing serve as a speculative hedge against the effects of inflation in capitalist societies. As a result continually rising nominal house prices are partially due to the fall in the purchasing power of money and partially to the excess demand caused by speculation. Housing is not merely a commodity with a use value and an exchange value it also serves for many people as a *store of value*, a function which precious metals, works of art, and antiques have always served for a privileged few. This point underlines the attractiveness of owner occupation for those who can gain access. Owner occupiers generally face falling monetary and real costs while tenants in both the public and private sectors must usually bear rising costs. Houses are commonly resold or relet many times during their useful life at prices which generally bear little relationship to their historic price of production and only partial relationship to current production costs. Thus:

The mortgage payments endured by families in older buildings therefore reflect property values which prevailed the last time the buildings were sold or refinanced, not the original capital cost which may have been much lower and may have been paid off many years ago.

(Stone 1977:162)

In theory, the surplus value initially extracted from the construction of the house will be fully realised or 'exhausted' by the various capitalists (building, property, loan) involved; the historic price of production is paid in full by the consumer(s), either by rental or purchase. This point is normally reached well before the end of the useful life of the house. At this stage the house is devalorised or valueless in the Marxist sense, no longer a commodity but a bearer of remaining use value commanding a, normally appreciating, market price. Of course in reality, house prices reflect both historic production costs and the other market factors such as demand, current building costs, location, prospects etc., from the point of production on. Capital gains will normally accrue from the date of first sale or letting, although it is debatable whether they should be attributed to the house, land, or a relatively permanent land-house package. Thus land and housing serve as a speculative hedge against the effects of inflation in capitalist societies. As a result continually rising nominal house prices are partially due to the fall in the purchasing power of money and partially to the excess demand caused by speculation.

- 4) *Revalorisation.* This refers to the effect caused by extending the effect caused by extending the useful life of a house by periodic maintenance, renovation and building extension which in this context can account for price rises amongst established housing.
- 5) *Other market factors.* Finally, temporary and longer term supply and demand distortions can be caused by 'natural' factors, for example demographic patterns; a past 'baby boom' may have a dramatic effect on the rate of household formation. State intervention may also have considerable impact on the housing market, for example, a widespread State housing programme may influence house prices in the private sector, while monetary policies like a 'price freeze' can influence the rent levels set by private landlords.

This extended formulation illustrates the central role of housing in all spheres of capitalist society. Its own unique features, its treatment as a commodity, and its location with a system of contradictory forces effectively guarantee that the provision of housing in capitalist societies will not be unproblematic. The following essays within this thesis examine the provisions of housing in New Zealand. All the following chapters draw on various aspects of this theorisation to provide explanation of the New Zealand setting. Thus this first theoretical chapter stands on its own as unifying, abstract theorisation of housing in capitalism from a neo-Marxist viewpoint yet, at the same time serves as a theoretical framework for the analysis of housing provision in New Zealand society.

CHAPTER THREE

A HISTORY OF NEW ZEALAND HOUSING PROVISION FROM THE 1800'S TO 1980

This section analyses the provision of housing in New Zealand from the period of European settlement up until 1980 and examines the roles played by the private sector, the State, and other interests in the provision of housing. Housing issues and particular housing conditions for various groups are also discussed.

Hargreaves, Hearn and Little (1985:46) comment in a recent article *The State and Housing in New Zealand to 1919* that the history and historical geography of housing in New Zealand are themes that have attracted comparatively little research interest. The purpose of this chapter is an 'historical geography' of housing provision in New Zealand society by drawing together material from primary sources, from housing commentators who have analysed specific periods within New Zealand's housing history (e.g. Hargreaves *et al.* 1985; Ward 1977), and from broader social and economic histories of New Zealand (e.g. Sinclair 1969; Sutch 1966). It is a basic tenet of this work that any set of social, economic or geographical relationships in space must be treated as the result of processes of past historical development. The present patterns of housing distribution and access are the expression of a set of relationships embedded in the social and economic relations of society. These social structures are both the medium and outcome of social practices. To understand the problems of housing provision today we must first examine the changing structures, historical processes and particular practices which have given rise to these forms. There is a need to study how the structural becomes the particular. Just as it was important to begin with a theoretical framework to set an analysis of housing within some conceptualisation of social and economic relations so it is necessary to proceed by conceptually informed *historical* research.

Rather than merely linking events in time, an explanatory analysis needs to abstract and interpret what was crucial. For example, from its initial intervention in 1905 the State, as in most western societies (Bourne 1981:191) has played a major role in most aspects of housing production and consumption in New Zealand. For this reason discussion, informed by the

theoretical framework, of the nature, rationale and impact (intentional and unanticipated) of State intervention in housing provision features prominently in this chapter.

The period studied has been broken up into four sections, largely because of the distinctive characteristics of each in relation to the development of patterns of housing provision. Finally, the chapter is brought to a close by a summary of the major trends and events which have emerged from the study as important in shaping the housing patterns of today.

THE EARLY YEARS, TO 1914

The early period in New Zealand's (Pakeha) housing history (up to 1914) was almost completely dominated by private production for profit (Oliver 1977:5). The State was fundamentally concerned with setting up the conditions for exploitation and expansion of capital accumulation. It did not intervene in economic life to a large degree, rather the concern was to establish the conditions under which capitalism could develop by ensuring military security of the new settlements, by subjugating the indigenous Maori population and by developing a legal and court system which facilitated agricultural expansion and concomitantly the expropriation of Maori resources (Wilkes and Wood 1984:186).

The advent of State participation in the provision of housing in New Zealand can be traced to the Liberal Government package of land reform programmes of the 1890's with the 1894 Advances to Settlers Act. An Advances to Settlers Office was established to provide State loans of between 25 pounds and 2500 pounds for the erection of buildings or land improvements on rural land (freehold or Crown lease). In 1899 urban lands were included in the scheme but the Act was little used for building houses particularly in urban areas.

Apart from these measures, mainly aimed at establishing the pre-conditions for capital accumulation, the State's interest in housing up until the 1900's was predominantly confined to the sanitation aspects and health implications of slum housing (e.g. The Public Health Act of 1876).

Throughout the late nineteenth century in New Zealand housing had generally been supplied at a rate faster than the increase in population; the average number of (European) persons per inhabited dwelling was declining at every census from 1886 until 1916 when the ratio began to rise again.

(Hargreaves *et al.* 1985:46).

Yet within these apparently improving national housing standards, there is evidence to suggest that between 1901 and 1906 pressures were emerging in local housing markets, specifically in the districts of rapid population growth in the North Island (Hargreaves *et al.* 1985:47). At this time the North Island's share of the country's population was steadily increasing (from 44.9 per cent of non Maori population in 1891 to 55.9 per cent in 1911), while the rate of urban growth also accelerated. In addition while the period 1891-1920 was one of rising prosperity for New Zealand as a whole, based mainly on the returns from improving prices for primary products overseas, internally that prosperity was unevenly distributed. The real incomes of wage earners lagged behind those of the self employed and the farmers (Brooking 1981:226).

An implicit mal-distribution of houses in relation to population was accompanied by an uneven distribution of the gains of renewed economic growth.

(Hargreaves *et al.* 1985:48)

The centres of Auckland and Wellington experienced rapid rises in rents. Hargreaves, Hearn and Little (1985:47) attribute these rises not only to the rapid growth in population and the inevitable lag in the building industry's response but also to a movement of builders and landlords out of the low income housing market. Structural changes in the economy and the growth of a middle class with rising real incomes had resulted in a growing demand for housing to which builders and propertied interests readily responded. The result was the rapid expansion of suburbs in the country's main urban areas coupled with a scarcity of low income housing and rapidly rising rents in inner city locations. Builders had deserted low cost housing construction because of "the unprofitableness of that class of investment" (A.J.H.R., H18, 1912:xx), workers' wages were simply not sufficient to enable them to pay the rents sought. The rising rates made landlords reluctant to clear areas of poor housing and redevelop, rather the 'rational' strategy was to further divide properties. Even tenants began subletting, the consequences were overcrowding and a deteriorating housing stock in the inner cities. The private sector was failing to meet the housing needs of low income sectors of the community, the failure was apparent in the growth of slums.

The housing conditions of the poor in the urban centres at this time were very bad. John A. Lee's recollection is vivid:

"...we generally lived in obscure, worm eaten hovels down lanes, in houses that like their inhabitants, hesitated to parade their misery to the open air.

(1973:21)

Further State intervention in the provision of housing was to take place at a time when the consequences of not acting appeared likely to cause difficulties not only for dominant groups but for the continued viability of capital accumulation in the country. Thus as Ward notes self interest rather than altruism was the motivating factor:

The interests of the national war effort (when, unlike peace time, the health of the population is everyone's concern), fear of disease, or of social disorder, have encouraged State action faster than denunciations of poverty.

(Ward 1977:149)

Between 1900 and 1904 an epidemic of bubonic plague swept New Zealand. In fact only four people died of the disease but the resulting scare made even the most comfortable of the middle classes aware of the apparently inevitable links between the plague and poor and unsanitary housing. Thus as Engels, writing of similar scares in Europe, put it:

modern natural science has proved that the so called "poor districts" in which the workers are crowded together, are the breeding places of all those epidemics which from time to time afflict our towns. Cholera, typhus, typhoid fever, small pox and other ravaging diseases spread their germs in the pestilent air and the poisoned water of these working class quarters. Here the germs hardly ever die out completely, and as soon as the circumstances permit they develop into epidemics and then spread beyond their breeding places into the more airy and healthy parts of the town inhabited by the capitalists. Capitalists rule cannot allow itself the pleasure of generating epidemic diseases among the working class with impunity; the consequences fall back on it and the angel of death rages in its ranks as ruthlessly as in the ranks of the workers. As soon as this fact had been scientifically established the philanthropic bourgeois became inflamed with a noble spirit of competition in their solicitude for the health of their workers.

(Engels 1887, 1955ed:577)

So it was in New Zealand. The Chamber of Parliament echoed with high sounding speeches citing the 'interests of humanity' and the need for decent and moral dwellings for New Zealand citizens (Ward 1977:147). However political commitment did not extend far in terms of action.

The Municipal Corporations Act 1900 was enacted to empower boroughs to raise loans to erect houses for workers or to purchase buildings for conversion into workers dwellings. But the scheme was not popular, in fact some councils openly rejected the proposal on the grounds that it would bring the city corporation into conflict with some of its own ratepayers who "derived a considerable portion of their revenue from house rents" (from the Otago Daily

Times 27 June 1900, quoted in Hargreaves *et al.* 1985:49). The reluctance of local authorities to provide low cost housing prompted demands for Central Government intervention, for this scheme had been totally unsuccessful, not one local authority had made use of the provision. Richard Seddon himself was to admit in the house in 1905 that no houses were ever built under this Act (N.Z.P.D., Vol.135, 1905:86).

Pressure for change was mounting however, in 1904 the Secretary of Labour Edward Tregear wrote a memorandum to the Prime Minister Richard Seddon entitled "High Wages and Their Exploitation" it was an attack on "a greedy rack renting system, which takes gradually almost the whole earnings of the industrial and commercial classes to the pockets of the non-producer" (A.J.H.R. 1904 H11B), urging the government to act with urgency on the housing question.

In 1905 the Workers Dwellings Act was introduced largely in response to the disinclination of the municipalities to clear and redevelop slum areas and erect workers dwellings. The stated objectives of the bill were threefold: to reduce rents and thereby rising living costs (particularly affecting low income urban workers whose wages were lagging behind price increases); to relieve overcrowding and the 'indiscriminate mixing of the sexes'; and by reducing rents ease the pressure on employers for wage increases (Hargreaves *et al.* 1985:49). The main thrust of the Act was towards providing houses for rental to workers, who were defined as landless persons earning 156 pounds per annum or less. The houses could be purchased, but if a worker wished to sell it had to be back to the State.

The dwellings were to be located in semi rural settings with sections large enough to enable self sufficiency in vegetables and poultry! While this concept may seem a little quaint today it is significant in that the scheme was to represent an official endorsement of the notion that a rural lifestyle was superior to life in the city. This served to reinforce the dominance of an agricultural ideology which was based on the virtues of farming life and the private ownership of land, which while perhaps no longer politically effective is only fading slowly as a part of New Zealand's 'self image'.

But perhaps more significantly the scheme is clearly one of the first moves by the State in New Zealand to control, if not reduce, the impact that the cost of reproducing labour power was

having on capital interests, predominantly manifest at this time by mounting pressure for wage increases. In the House of Representatives concern was expressed regarding the social consequences of poor worker housing; J.C. Thomson (Member for Wallace) was convinced that, in view of the heavy costs to the taxpayer of combating disease and crime, the provision of housing made good economic sense (N.Z.P.D. Vol.135, 1905:225). Richard Seddon was even more direct concerning the anticipated long term benefits of the scheme. In introducing the Bill he claimed it would lessen strife in the community while the provision of low cost housing would render it unnecessary for workers to pursue higher wages and thus give 'relief to the capitalist' (N.Z.P.D. Vol.135, 1905:84).

But the Act was to achieve little; the houses were too expensive for the vast majority of workers. Consequently in the first five years of the scheme only 126 houses (confined to the four main centres) were built and none were sold. Under The Workers Dwellings Act Amendment Act of 1910 the scheme was reorganised, the income limits were raised further (they had been increased to 200 pounds in 1906 after the scheme's dismal start), and the right of purchase was made easier. Government policy had now shifted to actively encourage private home ownership, it was claimed that workers who took up homes on the 'freehold principle' were 'better citizens and better members of the community' (N.Z.P.D. Vol.153, 1910:692). Priority was now accorded to those who wished to purchase their houses. In fact it appears that the effect of this change was to exclude the lowest paid, who could only afford to rent, as few could raise the required 10 pounds to accompany an application for a house with the intention to purchase Hargreaves *et al.* 1985:50).

In 1914 the terms under which repayment of the principle were to be made were relaxed and the period extended. The State had begun what was to become a very long tradition of promulgation and support for the ideology of owner occupation and all its benefits.

"The Right Honourable Mr Massey firmly believed that the best means of resisting the oncoming tide of labour was to establish every worker in a home. A large mortgage debt as a personal responsibility was a steadying influence."
(Lee 1938:18)

Pressure from rural landowners, concerned at the continuing drift of people to the cities, saw houses erected in smaller towns and rural areas from 1912 (Hargreaves *et al.* 1985:50). It was

at this time, for example that Palmerston North received its 17 houses under the Act, which like the other 32 locations outside the main centres, were the first State houses in the area. The houses were of a good standard, easily the equal of much of the private housing built at the time.

In its first major foray into the field of housing provision, an initially reluctant Government had quickly manipulated the scheme to achieve benefits coinciding with the overall role of the State in society. The State was originally involved in reducing the demands of the cost of the production of labour power on capital accumulation and later, by promoting home ownership through the scheme, attempting to promote social cohesion and spread the private property ethic which had such beneficial effects in terms of legitimising the social relations of production in a newly industrialising country. Further, as Hargreaves *et al.* (1985:51) point out, while the Liberal Government endeavoured to provide low cost housing it was never conceded that the community generally should subsidise housing for those who could not otherwise afford accommodation of an acceptable standard. The tenants of such houses were expected to pay a rental, which at 5 per cent per annum of the capital value, was expected to cover all building and land costs. In addition the tenant was expected to meet the costs of rates and fire insurance.

However, during its 14 years of operation only 657 houses (New Zealand Official Yearbook 1919) were built under the 1905 Act and its 1910 revision. Given such numbers it appears unlikely the State's initiatives would have influenced either the housing market or the pattern of urban growth. Clearly if it were not for the perceived benefits from the ideological effects of the scheme the small number of houses built would have called into question the trouble and expense involved in administering the scheme.

In 1906 The Advances to Workers Act was introduced to further promote home ownership amongst the working class. It was aimed at those who earned less than 200 pounds per annum, and allowed them up to 350 pounds to build houses, providing the advance did not exceed 75 per cent of the dwelling cost. This measure had more impact, 5977 loans were advanced between 1913 and 1919 under the scheme. But, as workers' budgets of the era reveal (Bland 1942:30-6) the major difficulty of the Act was that the average worker could not

support mortgages of the size required under the scheme any more than they could afford the rentals of the private sector. As Ward (1977:152) notes:

"The basic contradiction the Government found itself in then was that, even given a strong desire to provide 'decent and moral' dwellings for workers, the very same workers could not afford decent and moral payments."

In 1912 the Reform Government, which Sinclair (1969:209) termed "a small farmers Government", took office. This was the time of the Waihi Miners strike (and other class based conflicts) and the sentiment, at least in government circles, had shifted from the socialistic impulses of the Liberals to place even greater emphasis on spreading property ownership as widely as possible.

Nevertheless Oliver (1977:5) claims early State attempts at housing provision amounted to a "very meagre and ineffectual response to the high urban rents and housing scarcity of the early 1900's". With the outbreak of World War One building materials rapidly escalated in price, the number of State loans advanced and the level of State building fell almost to zero; the housing shortage was to grow drastically worse.

This early period in New Zealand's housing history was characterised by gradually deteriorating housing conditions, marked by high housing costs in the private sphere and extremely unsanitary conditions for many in the urban areas. It was a period that set the patterns for the future of housing provision for many decades. Initially dominated by private production for profit, the failure of the private sector resulted in the precedent of State intervention in housing provision being established. Although characterised initially by a lack of success, State policies were gradually forced from relatively non-interventionist market regulation towards market supplementing policies as housing problems grew more severe.

There is little to suggest, however, that 'social conscience' prompted the State to begin intervening in the provision of housing. Rather self interest and fear appear to have been the motivation for early State involvement. In fact, workers for whom the State was purportedly trying to provide housing were unable to take advantage of the provisions because of the prohibitively high cost. Rather it was small business people and skilled workers who were the main beneficiaries of State action.

Initially, under the Liberal Government, the State had concentrated on building rental housing but the emphasis steadily shifted towards supporting property ownership either by State building for private purchase or, increasingly, by the provision of mortgage finance. Thus the pattern of a highly ideological involvement by the State was set with State action heavily weighted towards the promotion of owner occupation.

HOUSING PROVISION 1915-1935

The First World War was to change much in New Zealand; the class conscious industrial agitation of the workers movement had been crushed by the employers, farmers and the Reform Government (with the help of The Arbitration Court) and working class sentiment became intensely patriotic (Sutch 1966:103). Over 100,000 New Zealanders had served overseas, nearly 17,000 had been killed (Sinclair 1969:232-3).

In 1915 the government had enacted the Discharged Soldiers Settlement Act allocating mortgage money for rural and urban areas. The repayments were higher than those under the State Advances but more favourable than the private mortgage market. Despite this, 'heroes' returning from early in 1919 found that for many their grateful country had no housing (Rogerson 1976:14). The Royal Commission on Industries recorded in 1919 "an unprecedented shortage of suitable houses" (A.J.H.R. 1919 Vol.II:xxxii). It called for a National Housing Department, distinct from the existing bureaucracies with wide powers to push ahead the provision of housing. Although not adopted at the time much of the plan was to be embodied in the State Housing of later decades Rogerson (1976:25).

The war also revealed how bad housing conditions already were in New Zealand, illustrated by the state of health of army recruits with conscription. Of the 135,282 adult males examined by the Military Medical Boards (between November 1916 and November 1918) 88,895 were rejected as unfit, a staggering 65% of those recruited (A.S.H.R. 1919 H19A). While there is no direct link to housing conditions an examination of the breakdown of figures by occupation is revealing professional people and outdoor workers had low rejection rates (the medical profession 45.0%, shearers 51.8% farmers 62.6%). But inner city dwellers had much higher rates: unemployed 93.2%, wharf labourers 75.7%, tailors and boot and shoe makers 75.1% and 76.1% respectively.

The housing shortage, which was to concern the Industries Commission, was evidenced by rapidly rising rents and overcrowding (Hargreaves *et al.* 1985:52). The State responded by imposing rent controls under The Increase of Rent and Mortgage Interest (War Restrictions) Act of 1915 and The War Legislation Amendment Acts of 1916, 1917 and 1918. They were mainly intended to protect soldiers and their dependents from exploitation, by those whose properties and rights they were away defending, and to deter subletting in an attempt to prevent overcrowding. But as Hargreaves *et al.* (1985:52) note landlords devised various means of circumventing the regulations and passing on the increased Government charges and land and income taxes imposed during the war. But, again the long and unintended effect seems to have been to deter new rental construction after the war, worsening the shortage in the post-war years. The problems of rapidly rising rents were compounded for low income workers by more slowly rising real wages, at least until 1918.

In 1918 an influenza epidemic was introduced to New Zealand, most probably by infected passengers arriving aboard the ship 'Niagara'. The disease swept New Zealand killing 5559 people. As a result of this a Royal Commission was established to investigate the causes of the disease and possible measures for the prevention of a future recurrence.

The Report of the Influenza Commission (A.J.H.R. 1919 H31A) cites poor housing in the inner cities, particularly

"...the continued...habitation of old dilapidated, worm eaten, vermin infested, and in some instances really rotten structures; the economic factors of short supply of decent houses and excessively high rents..."

It was acknowledged that

"...in these congested areas...there is a very serious want of the ordinary requirements attached to really healthy dwelling houses, such as property placed water supply, flushed closets, proper ventilation, baths, washhouses and yard-space."

Also:

"...that there are hundreds of houses standing in the cities which might with advantage to the public health be demolished...but for the acute difficulty of rehousing displaced tenants."

The report concluded that:

"...considerable improvements are required in respect to the conditions in which large numbers of people in our cities are required to live."

Referring to the

"...great importance of proper housing and sanitary conditions...[and]...The lesson conveyed in the military returns showing the high proportion of unfits under medical examination of recruits...[the Commissioners urged for] the institution of complete national plans for dealing promptly with this most serious national and municipal problem."

(All A.J.H.R. 1919 H31A:31-32)

The gravity of the nation's housing situation became a matter of major public concern. The papers of the day began to write of the disgraceful housing conditions, although the emphasis seemed to be on the menace to the moral and physical health of the 'general' (i.e. middle-class) community and the side effects for industrial production (Ward 1977:154).

In 1919 a Town Planning Conference was called in Wellington to discuss the housing shortage and the ideals of future planning. The Minister of Internal Affairs, G.W. Russell set the tone of the conference with his opening address:

Revolution and anarchy are not bred in the houses of men who have happy homes and delightful gardens. Its spawn comes from the crowded tenement, the squalid environment and the slum.

(Proceedings Report of
the Town Planning Conference 1919:24)

Throughout the conference the theme of the political consequences of urban discontent (especially where manifest as industrial disputes) was to recur. A. Leigh Hunt, then the Vice-President of the Greater Wellington Town Planning Association, claimed:

...if a decent man is unable to secure a house for himself and his family he is likely to become a Bolshevik in his ideas and a menace to the community. There are two sections of the community [miners and returned servicemen] who must be housed at once or there would be trouble.

(Proceedings Report of
the Town Planning Conference 1919:219)

The politicians, planners and other representatives gathered at the conference spoke also for the industrial leaders and employers of the time when they called on the State to promote social cohesion, order and above all to protect the profitability of capital accumulation by intervening in the provision of housing. In doing so they had not been slow to recognise the powerful ideological effects associated with the ownership of housing.

The sole opposition to these prevailing sentiments was voiced by the Labour M.P.'s Fraser and Semple.

It is quite utopian to imagine that the unrest will vanish because the people have good houses. I deprecate the idea that we are going to give homes to the people to keep them quiet.

(Proceedings Report of
the Town Planning Conference 1919:230)

The Committees responsible¹ reported to Parliament that there was

"...ample evidence that a pronounced shortage of houses, numbering many thousands, exists throughout the Dominion...[and that]...many of the existing houses are not up to a standard of civilized comfort, a fact which intensifies the acuteness of the problem."

The recommendation was that

"the Government recognize the housing shortage as one of pressing national necessity...By financing and implementing housing schemes."

(Both A.J.H.R. 1919 H22A:2).

Public pressure for State action on the housing problem was mounting. But Massey's Government and the farmers and businessmen whom it represented were opposed to this kind of State intervention particularly as it would harm those land agents and speculators enjoying the boom created by post-war Government financial support for returned soldiers wishing to purchase homes or farms (Sinclair 1969:244). But in an atmosphere of sectarian tensions the wartime coalition broke up with the departure of Ward and the Liberals in 1919 and a General

1 Committee No.4 "The Housing Problem" and Committee No.10 "Town Planning as it affects the Returned Soldier and the Worker".

Election was called. Action on housing became a political necessity, even if only for the very poorest. Massey's government introduced a Housing Bill.

Rogerson (1976:25) notes that debate in the house cut across party lines; Labour members supporting 'State Socialism' in housing found themselves allied with members of The Coalition parties arguing for 'homes fit for heroes' and consequently more 'government in business'. There was considerable debate as to whether Massey's measures went far enough, many M.P.'s recognised that the new housing proposed would still be too expensive for most workers. However Labour Party proposals for State control of the building industry to ensure the effective use of resources and for lowering Government rates of interest by borrowing from the Post Office were rejected as taking State action too far. The 1919 Housing Act was passed and replaced the workers dwellings system.

The emphasis was again on building houses, this was to be achieved by two means: direct State building, and State financial aid for private building. However the emphasis was quickly focused on market supplementation and very few houses were actually built by the State. Mooted as introducing a 'gigantic housing policy' the reality proved to be somewhat different. The Act failed to include the major points made by the Industries Commission, but embodied a number of broad principles raised by it and particularly at the Town Planning Conference. These were contained in the later parts of the Act and borrowed heavily from the ideals of the English Garden City Movement. However these provisions left the onus of initiative on others and were never used. It seems, as Rogerson suggests (1976:32), that the "Garden Suburbs" were intended as little more than a sop to progressive opinion.

The Act provided that the Department of Labour should administer housing policy, as had previously been the case, but under a separate Housing Division albeit controlled by the Secretary of Labour. The previous system of building for mortgage with a 10 pounds deposit was retained but income limits and house costs were raised and the term extended. Thus workers, defined as those earning less than 300 pounds, could borrow a maximum of 775 pounds (wooden) or 850 pounds (brick) for a new house to be repaid at 5 per cent over 30 or 36 years respectively (Ward 1977:157).

Interpreted by some commentators as little more than adjustments for heavy inflationary increases in costs since the 1910 Act (Rogerson 1976:31) the scheme quickly encountered serious difficulties. Yet again the repayment levels required under the scheme were well above what the average worker could afford. Hefty increases in the costs of producing houses necessitated increases in the maximum limits by 1921, but costs continued to soar as a result of acute shortages of Labour and materials. Only 430 houses were eventually built and in 1922 the scheme was dropped. The short lived Housing Department was absorbed by the State Advances Office the next year.

The 1915 Discharged Soldiers Act was to have a greater impact on housing development than the Housing Act itself, providing loans to returned soldiers on both rural and urban land. But not, however without some unanticipated negative consequences. In rural areas the massive injection of funds that resulted from the scheme (8 million pounds 1919-1921) led to small uneconomic holdings and fueled phenomenal rates of land inflation. Funds were also available for new housing construction by employers and local authorities. Neither were popular. Indeed even at this early stage in New Zealand's housing history the trend toward a reluctance on the part of local authorities to become involved in low cost public housing was firmly established.

In 1919, the Public Health Municipal Cooperation Act was introduced as was the Fair Rents Act, which specified that rents should not exceed 8 per cent of the capital value per year. However both Acts were relatively ineffectual, in fact the Fair Rents Legislation was attacked for interfering with market forces and restricting the number of landlords entering the housing market; it was removed in 1923. Government involvement in housing was however, to have much greater impact in another way. In 1923 the State Advances Amendment Act was passed which provided housing loans to workers on very generous terms. Any worker could receive a loan for up to 95 per cent of the total cost of a house up to a maximum of 1,250 pounds and the mortgage could be transferred to subsequent buyers of the building.

The scheme was the brainchild of Edward Tregar and has remained relatively unchanged as the State's main method of lending to finance private home ownership. It was to be social policy without parallel. The State became the nation's largest mortgage lender. From 1923 to 1929 the State Advances Office lent over 16,000,000 pounds to approximately 33,000 persons

(New Zealand Official Yearbook 1930:684, see also Table 3.2). Ward records (1977:166) that in the mid 1920's State aid amounted to over 70% of new urban dwelling values.

But this freedom of credit was to lead to an artificial building boom.

Private enterprise was encouraged to speculate by the money pumped in at the lowest levels of the industry.

(Rogerson, 1976:43)

Government loans for suburban houses were the foundation for widespread land speculation, not only by entrepreneurs but by soldiers selling properties bought under The Discharged Soldiers Settlement Scheme and by those subdividing family farms on the outskirts of the urban areas. In addition the State Advances Office had no control over the quality of the houses being built in these suburbs on what had become vastly overpriced sections. From 1905 onwards the quality of such housing deteriorated rapidly in the face of cost cutting measures. A.R.D. Fairburn described the scene:

"Dreadful little hovels, at once sordid and pretentious in style, began to spring up like toadstools throughout the suburbs. Jerry-building became one of our major industries. The hosts of small building contractors who were responsible for this outburst - men with itchy palms and vulgar minds - were finally driven out of business by the Depression."

(in Metge 1972:5)

From 1923 further State measures in the housing area were limited. The Town Planning Acts of 1926 and 1929 and the Public Workers Act of 1928 represented attempts to control the negative side effects of uncontrolled urban growth stimulated by Liberal Government lending policies. These Acts however stalled in the face of massive apathy on the part of local authorities and vested interests.

Gaining a clear impression of the actual levels of total State financial assistance to new housing throughout the early years is extremely difficult and virtually impossible before 1935.

As Ward (1977:159) observes

The Public Accounts for the inter-war years, at least as far as housing is concerned, are a complete shambles. Different accounts have different functions to do with housing, and clearly have recorded them in different ways or sometimes not at all.

Markedly different figures are given in various places in the Accounts and Yearbooks for the same accounts over the same time periods. The result is confusing and contradicting. In addition there are four different sources of State aid to housing:

- 1) Houses directly built by the State for workers and public employees.
- 2) Rehabilitation loans for discharged soldiers.
- 3) State Advances loans for housing; to workers, settlers, and local authorities.
- 4) Unemployment relief schemes.

Further, apart from the discrepancies already noted, none of the series published relating to aid from these sources (apart from a few years) distinguish between aid to new housing, or even aid to housing, and aid or loans for other purposes. For the statistician the waters are indeed murky!

Perhaps the clearest indication of the actual level of State involvement in housing provision over this period is revealed by the aggregate housing expenditure figures originally published in the 1924 and 1925 Financial Statements and reprinted in the 1925 and 1926 Yearbooks respectively. These figures showing the cumulative levels of State Aid to housing from 1919 to 1924 and 1919 to 1925 (years ending 31 March) are shown in Table 3.1 with the level of aid for the year ending 31 March 1925, obtained by deduction. However it does appear that direct State house construction under the Workers Dwellings Act is not included in these figures. Direct State house construction was undertaken in three categories; under the Workers Dwellings Act, for Railways employees (the Frankton Housing Factory), and for Public Works employees. However it appears that direct State house construction under the Workers Dwellings Act is not included in the figures shown in Table 3.1, the actual number of units constructed is displayed in Table 3.2.

The major form of housing assistance by the State after the first World War was in the form of loans, which are shown in Table 3.2. However all of the loan categories cover loans for purposes other than just towards new housing. In addition loans for Discharged Soldiers, which, as noted, had considerable impact in the years shortly after the war, are not included.

TABLE 3.1 STATE AID TO NEW HOUSING 1919-1925

CATEGORY	1919 - 1924		1919 - 1925		1925	
	NUMBER	VALUE 1	NUMBER	VALUE 1	NUMBER	VALUE 1
STATE ADVANCES	14,815	8,316,087	17,056	9,940,317	2,241	1,624,230
Discharged (Urban	11,341	8,253,311	11,456	8,345,311	115	92,000
Soldiers (rural	3,863	1,126,000	4,063	1,186,000	200	60,000
Railways	276	289,314	543	465,655	267	176,341
Public Works	164	158,099	247	227,640	83	69,541
Local Authorities	-	577,195	-	634,145	-	56,950
TOTAL		18,720,006		20,799,068		2,079,062

NOTES: 1. All value figures shown in £.

SOURCES: The New Zealand Official Yearbook 1925 and 1926.

The Advances to Workers category was primarily used for new house construction but encompassed loans for additions and improvements. Ward (1977:163) estimates that approximately 80 per cent of the funds allocated in this category would have been used for new house construction. The Advances for Settlers section was largely composed of rural loans and consequently would have had a much smaller proportion of its funds allocated to new housing. Again Ward (1977:163) estimates that some 60 per cent of this section would have found its way to new housing construction. But when this was checked for the eight years (1926-1933) where figures are available for the number and value of loans actually authorised for new dwelling construction it appears that the true proportion might be nearer 10 per cent. Nevertheless it is clear that loans made under both these categories peak in the mid-1920's only to fall to their lowest levels by the early 1930's.

State Advances Aid to local authorities to provide housing, introduced in 1919, appears in fact to have had very little impact on housing provision, only reaching the one million pound mark in 1920 and 1921 before tapering out completely in early 1930's. Further, noting that much of

TABLE 3.2 STATE AID WHICH INCLUDES AID TO NEW HOUSING 1915-1935.

MARCH YEAR	WORKERS NUMBER	DWELLINGS VALUE ¹	ADVANCES TO WORKERS NUMBER	ADVANCES TO WORKERS VALUE ¹	ADVANCES TO SETTLERS NUMBER	ADVANCES TO SETTLERS VALUE ¹	LOANS TO LOCAL AUTHORITIES ¹	UNEMPLOYED RELIEF ¹
1915	162		1,129	337,690	2100	749,040	254,430	
1916	82		953	297,630	2022	746,630	238,970	
1917	66		658	210,995	1412	515,270	127,135	
1918	21		411	129,710	984	353,465	158,055	
1919	14		372	119,555	986	363,875	225,988	
1920	34		1,083	420,465	2,219	1,031,855	1,041,380	
1921	159		1,556	718,630	2,085	1,107,430	1,865,460	
1922	223		987	449,220	1,524	773,375	573,805	
1923			1,748	871,805	2,140	1,209,035	478,035	
1924			3,243	2,198,310	6,204	5,416,987	444,805	
1925			1,873	1,362,370	3,321	4,289,875	227,330	
1926	3		3,299	2,759,400	4,747 ² (501)	5,409,310 (444,030)	157,520	
1927	2		1,911	1,638,490	1,853 (254)	1,980,795 (206,050)	45,890	
1928			1,373	1,215,590	1,132 (86)	1,680,465 (56,065)	20,615	
1929			2,224	1,903,185	2,349 (274)	2,957,450 (209,800)	720	
1930			4,239	3,555,220	3,470 (543)	4,158,090 (437,290)	5,580	
1931			1,695	1,268,715	2,395 (252)	2,594,870 (201,355)	4,000	
1932			316	200,145	929 (41)	788,505 (23,485)	1,900	
1933			93	70,870	367	333,805	180	50
1934			18	13,830	192	238,475	-	229
1935			72	38,485	234	161,590	-	183

- NOTES:
1. All figures for value shown in £.
 2. The figures in brackets under Advances to Settlers Between 1926 and 1933 refer to the actual amounts used for new dwelling construction.

For discussion of the limitations of this data see text.

these funds were used by local authorities for upgrading or purchasing old dwellings, Ward (1977:163) estimates only 21 per cent of these loans were spent on new house construction. Finally assistance was given to house building as part of Unemployed Relief Schemes during the Depression. These schemes operated by paying a subsidy to builders for keeping on labour, and were primarily designed to keep people in work rather than provide housing. The amount of money involved in this period is recorded in the final column of Table 3.2.

One further measure that merits mention is the Housing Branch of the Railways Department. Initially responsible for accommodating staff on transfer, in 1923 it was suggested that this organisation provide housing for public servants from a housing factory at Frankton. The State was to control all phases of the production and allocation process. The factory pre-fabricated entire houses using mass-production techniques, from felled logs to lots of 50 five-bedroomed houses stored for nation-wide distribution (a not dissimilar concept to the 'Manakau City House' scheme of the early 1980's). Mass production under State control did bring the unit cost (it averaged £675 compared to the average permit cost of the time £850). However the designs were rather monotonous and fuelled the growing reputation State constructed housing was gaining; one of inferiority. An attempt to expand the concept, by Prime Minister .G. Coates led to a subdivision of 306 such houses for large families on low incomes. Metge records the results:

"The people for whom they were built obviously preferred old houses in Newtown to pre-fabricated designs out on the bleak Tawa flats. Not only was the inner city area more convenient for workers dependent upon public transport but it also possessed a distinctive and necessary community life peculiarly its own."

(Metge 1972:4)

It may be that this somewhat ill conceived experiment provided a convenient excuse. There was undoubtedly strong pressure from those fractions of building capital threatened by the demonstration of greater efficiency (the factory had an output capacity of 300 houses per year) and cost saving (approximately 175 pounds on the average house) by the State. It appears that the Government acquiesced to the interests of private capital; after producing 1591 houses the factory was closed in 1929.

By the early 1920's the State's direct housing programme had foundered. State construction activity had virtually stopped (see Table 3.2); indeed Rogerson (1976:33-4) reveals that

according to government reports between 1923 and 1937 only two houses were built or purchased by the government throughout the whole of New Zealand² (although the figures used in Table 3.2 put the figure at five). State housing had become a fiction of government retrenchment in the face of a depression. Ward notes that by 1934 State aid as a percentage of new urban dwelling values had slumped to 20 per cent.

By 1929 the tide of credit was on the turn, the State was now the biggest single mortgagor in the country, but most of the money lent in New Zealand had been borrowed overseas. The State's role had become a highly inflationary one; only while overseas prices for New Zealand produce remained high could the inflationary tendencies of this policy be kept in check and the levels of rural and urban mortgage lending be sustained (Metge 1925:5). It was not to last.

Within a year a cold breeze blew from the direction of Wall Street; the green grass of the country's hopes rapidly withered in the worst economic crisis of the century.

(Sinclair 1969:254)

New Zealand was woefully unprepared. Unemployment was already bad and a weak and incompetent government (Forbes' Liberals) had only recently taken power, inheriting a national debt of truly awesome proportions (Sinclair 1969:255).

Then came the deluge. Between 1928 and 1931 export prices fell over 40 percent. New Zealand could no longer borrow abroad its usual six to seven million pounds a year, building was reduced by three quarters, industry slowed down, short-time work increased fivefold. The government had no policy based on an analysis of its problems, the country had no central bank nor, other than the usual method of deflation, financial technique for meeting depressions.

(Sutch 1966:129)

The policies adopted by the Liberal Government can be interpreted as a validation of the claim made in the theoretical framework; that the State does not (or can not) always implement the 'correct' policy from the viewpoint of accumulation. In the early 1930's the State's policies

2 The 1921-22 Report of A.J.H.R. 1921-2 Vol.III H11A:2 and the First State Advances Corporation Report A.J.H.R. 1977 Vol.1 B13A:25.

were largely those of retrenchment; and it cut spending in health, education, civil service salaries, public works and housing. State Advances was slashed by 85%.

The results were disastrous. In three years the national income was estimated to have dropped from 150,000,000 pounds to 90,000,000 pounds. By 1933 there were nearly 80,000 registered unemployed; including minors and those not registered it was probably nearer 100,000 and that does not count women out of work who were unable to register. For most, State Aid for housing took the form of Unemployment Relief. However, by 1930, Prime Minister Forbes established the principle of 'no pay without work' and the unemployed were put to work. Relief camps were established and while important public works were abandoned thousands were employed on unnecessary tasks, the merit of which was that they required little capital and much labour (Sinclair 1969:257)

For those renting their homes the slump reduced the housing problem to its bare essentials - the basic need for shelter was now dictated by the ability to pay the rent. Overcrowding was common and for the first time in a generation rents fell as competition for tenants emerged (Metge 1972:6). Rental housing was generally drawn from the old section of the housing stock - housing that had been decried in 1919 and was now twenty years older. At a 'No Wages Reduction Conference' called by the Alliance of Labour in 1931, proposals were put forward involving a rent strike and a general strike but no unity could be reached (Sutch 1966:131) and the plans were never implemented.

In fact it was a feature of the Great Depression that despite such widespread hardship there was surprisingly little violence, certainly nothing comparable to the depth of class feeling evident in the riots and strikes of 1913. Metge (1972:23) attributes this level of law and order to the ideological power of housing. In one generation the major proportion of New Zealanders had been transformed from tenants to home owners by the State. By the mid 1920's the majority of the population had a direct 'stake' in the country or expected to in the foreseeable future, and thus a certain amount of respect for a common law based on property relations.

The social services and particularly the social lending of the State Advances and Returned Servicemen Resettlement Schemes had managed to temper the existing socio economic order sufficiently to make it acceptable to the ordinary person, despite the hardships.

These existing home owners were severely hit by the Depression particularly the large numbers who had recently purchased homes under the State Advances Scheme. State activity had now to be directed towards rescuing those stranded on high mortgages in an attempt to ameliorate the hardship its own policies had imposed. The Mortgage Relief Act of 1933 and Rural Mortgages Relief Act of 1935 were all measures designed for the relief of mortgagors (and in 1933 tenants), although mainly intended to benefit farmers, who could apply to the court for relief; a moratorium on (or occasionally cancellation of) Debt Repayment Disposition was automatically suspended by such application. Despite this the State Advances Office and Lands Department foreclosed on nearly 4,000 mortgages. In total a staggering 54,000 dwelling mortgages (public and private) were foreclosed on in the years of the Depression (1926-36). Apart from the immense human suffering these figures conceal this widespread disaster must have eventually reversed the ideological effects previously so beneficial for the State creating the anti-government attitudes which swept Labour to power in 1935.

Between 1934 and 1935 State Advances was wound up in the Mortgage Corporation Act (1934). The new Mortgage Corporation of New Zealand, with joint State and private ownership, could do little in its eight months (500 loans, nationwide) of existence, apart from gaining a reputation for harsh terms and foreclosing on mortgages, before it was swept away by the 1935 Labour landslide.

By mid 1935 the Coates' Government was faced with a national situation in which tensions created by the Depression were beginning to surface. The housing situation, which had worsened considerably, was rapidly becoming a major political problem. Fears of demonstrations and riots were mounting and, in this an election year, the popularity of the Labour Party was soaring. It was in this atmosphere that Coates sought to demonstrate the Coalition Government's concern for the nation's housing problems (and for the maintenance of social order). The result was the Mortgage Corporation (noted above), the Maori Housing Act (1935), and the Housing Survey Act (1935).

The Maori Housing Act was a recognition of the appalling conditions in which most Maori families were forced to live. It sought to provide housing for Maori families under loan terms more generous than those applicable under State Advances. The Housing Survey Act was

designed to "ascertain the extent to which existing housing accommodation in New Zealand fell short of reasonable requirements" (The Official Yearbook 1951-52:652). The survey eventually covered every town with a population of over 1,000 people, and examined such factors as overcrowding, the standard of minimum accommodation, physical condition of dwellings, and the standard of domestic equipment. It should be stated that the standards were not harsh, a dwelling had to be seriously substandard on several points before they 'failed'. In addition Ward (1977:171-3) notes clear discrepancies are apparent in the application of standards in different areas.

Despite this the results were alarming. The severity of the nation's housing shortage is revealed by the results summarised in Table 3.2. Over 17% of the nation's housing stock was classified as physically unsatisfactory or worse and over 19% of dwellings had satisfactory or totally unsatisfactory equipment. In all a total of 24.2% of all dwellings in New Zealand were classified as substandard. Although Ward (1977:173) estimates the true figure was probably much higher, the Housing Survey results finished with an estimate which put the housing shortage at 20,000 houses nationwide (Ward's figure is nearer 90,000). Upon release these figures startled both politicians and public alike, and debate raged in the house and in the newspapers.

Coates had begun to work towards a housing programme to be based on the data supplied by the Housing Survey, the intention of which was revealed in an election pamphlet entitled *Housing in New Zealand* (Coates 1935:5); "to provide dwelling accommodation for the whole population, present and future, according to a certain recognised minimum standard". It was all in vain however, on November 27 1935 the public of New Zealand decided it was time to try a different remedy for the nation's ills.

HOUSING 1935-1949: THE LABOUR YEARS

At last in New Zealand we have the opportunity of putting into practice the principles which have been dear to us for most of our lives.

M.J. Savage
28 November 1935
(quoted in Metge 1972:13)

Despite a generally cautious approach, aiming for electoral acceptance by presenting the image of a dynamic alternative rather than a detailed policy package, the Labour Party had campaigned on a promise that once in government it was going to build 'houses that a Cabinet Minister and his wife would be proud to live in'. But as Metge (1972:13) points out this self assurance belied the almost complete lack of any policy relating to how these houses were actually to be provided. Originally the Labour Party's housing policy (established at the N.Z.L.P. Conference of 1920) emphasised complete State ownership and control, from sawmilling right through to the leasing of homes. However "...its 'socialism' gained in imprecision as it drew nearer to office" (Oliver 1977:18). By election time Labour had become for all practical purposes a reformist party, State housing was now conceived of as necessary to overcome the post-war housing shortage rather than as the means by which the private profit motive was to be eliminated from house building (Metge 1972:13).

The Labour Party in government was committed to 'reasonable housing accommodation for all classes...', the setting of rents for State houses in accordance with tenants' earnings and legislation to ensure reductions in existing rents. But...

The more spectacular aspect of the new policy was State construction of house for rental.

(Oliver 1977:23)

It had quickly become obvious to Labour after taking Office that houses were urgently needed. The problem was how to produce sufficient quickly enough without the necessary organisation or workforce. Into this practical policy vacuum stepped James Fletcher, a prominent leader in the construction industry, initially offering help "...with regard to the question of housing and the planning of Public Works generally" Fletcher to Nash 1935, quoted in Metge 1972:17). The government's immediate response was to request that Fletcher sell his business to the State and come over personally into the State's employ. The intention was to use his organisation, built up over many years, for providing housing and other public works. Fletcher, however refused. It was, as Metge documents (1972:17-25) the first move in what was to become a long and complicated game.

Eventually Cabinet wrote to Fletcher asking him to prepare a detailed national housing programme. Fletcher was to throw his considerable personal experience into the scheme with

enthusiasm. His aim was to utilise the latest planning and manufacturing techniques to utilise the full capacity of the building industry. The emphasis was to be on rental housing because Labour politicians were opposed to creating a situation where State assistance could be turned into capital gains on the property market by the unscrupulous. In addition:

"investigations have shown that the housing shortage is being experienced most severely by those who for various reasons are unable or unwilling to finance the purchase of a property.

(A.J.H.R. 1937 B.6:4)

As might be expected a major theme was State support for private enterprise; encouraging the local manufacture of building materials and enlisting the 'support' of all private builders in a 'national endeavour'.

Thus although the Labour Government was committed to market replacing policies in the sphere of housing provision, "Construction was through private contractors; the initial temptation to have the work actually carried out by State employees was quite easily resisted" (Oliver 1977:23).

At this time the spread of Keynesian doctrines had begun to influence the thinking of the policy makers in New Zealand. The Labour Government had come to believe that the building and construction industry was central to the recovery of a slumping economy and the reduction of unemployment. Housing was important economically as well as morally and socially. It was the adoption of Keynesian economic philosophy that was to accelerate the policy shift from notions of nationalising the building industry towards stimulation of production in such a way as to create a multiplier effect throughout the economy.

The type of social and economic programme that the Labour Government intended to implement was heavily dependent on the Government's ability to use the power of the State to regulate the economic vagaries of capitalism. The financial machinery needed to carry out Government programmes was installed with the introduction of the Reserve Bank of New Zealand Amendment Bill in April 1936. The Bill removed the Reserve Bank's existing private shareholders and redefined the function of the bank 'to give effect...to the monetary policy of the government, as communicated to it from time to time by the Minister of Finance...[so

that]...the economic and social welfare of New Zealand may be promoted and maintained" (quoted in Sutch 1966:188). Essentially the bank was empowered to regulate and control credit and currency in New Zealand, and the transfer of monies to and from New Zealand. It was also to finance housebuilding by the State; providing the 5 million pounds for housing, announced that August in the Budget, at the minimal rate of 1.25 per cent interest. The existence of a State owned Reserve Bank meant government policy need no longer be hamstrung by lack of banking funds, as it was in the Depression.

The State Advances Corporation Bill was introduced in May 1936, which, buying out the private shareholders of the Mortgage Corporation, consolidated existing State lending under one control (the State Advances Corporation) and in effect put the 1919 Housing Act, dormant for 13 years, into renewed action. The emphasis of these actions was towards the building of State houses for rental. To this end a Department of Housing Construction was established to buy land, meet the housing deficiency and improve the equipment and quality of the New Zealand house. Although affiliated to the State Advances Corporation the Department was to be independently controlled.

In mid 1936 Nash offered colourful Labour propagandist and M.P. John A. Lee the post of Under-Secretary in charge of Housing. Lee accepted on the understanding that he would represent housing in Parliament (and Cabinet) and that State Housing, at least initially would be financed from Reserve Bank credit. Shortly afterwards Arthur Tyndall, former Under-Secretary for Mines was appointed administrative head of the new Housing division. It was then an unlikely trio: Fletcher, Lee and Tyndall capitalist, socialist politician, and civil servant, who steered Fletcher's original housing scheme through the administrative and technical delays to fruition.

It has been suggested that perhaps Lee's major contribution to Labour housing programme was in the realm of public relations rather than policy (Oliver 1977:23; Metge 1972). The publicity and promotion aspects of Labour's housing programme were certainly adeptly handled: "State houses became the shop window of the new administration" (Oliver 1977:23). In a blaze of publicity the Prime Minister and members of the Cabinet completed the inauguration ceremony of the State's new housing programme by personally shifting the furniture into the first house to be completed and tenanted (Mirimar, 18 September 1937).

The building programme had begun in 1937 with the construction of 22 houses in Mirimar (Wellington) and grew rapidly from there with contracts being let for schemes in the Hutt Valley and Orakei (and soon other Auckland suburbs; Otahuhu Ponsonby Devenport etc.). The bulk of the early tenders were let, not surprisingly, to Fletcher Construction although later there was a shift in policy to allow the involvement of smaller builders.

However, the scheme soon began to encounter problems, largely generated by the financial strain of rising costs; the short supply of skilled labour drove up labour costs; delays in construction lengthened and houses took increasingly longer to complete. It appeared, as Tyndall had bluntly advised, that the Government's plans were beyond the capacity of the country's building industry. Nevertheless, Tyndall was still able to report to Nash shortly afterwards (28 February 1939) that: "This week my Department laid the foundations for its 5,000th house" (quoted in Metge 1972:43). The output of the State's building programme (including State services housing) reached a peak of almost 4,000 per annum for 1941 before dropping back again during the war years (see Figure 3.2).

Labour's housing construction programme also generated problems from an unexpected source; their traditional allies in the trade union movement, particularly the constituents of the Building Federation of Trade Unions. Initially incensed at the Government's refusal to accept the principle of 'worker control' on social works such as housing, certain sections of the union movement began to regard the Labour Government's entire industrial policy with suspicion. The heavy involvement of James Fletcher in the Government's Housing programme and the visible success and expansion of Fletcher Construction, a firm renowned for being hard on its workers, only exacerbated the conflict. To the Unions, worker control meant all housing works should be run on day labour under democratically elected foremen with the State supplying the necessary finance and administration. Prime Minister Savage's response was blunt: it was too much of a risk. Houses were desperately needed, the Government would have to spend millions, it was not prepared to be associated with bungling (Metge 1972:49). While there was some irony in the Union's criticism that the Labour Government was betraying workers by refusing to eliminate the profit motive from the building industry (originally Labour Party policy), the rift was becoming serious. It was Savage who shrewdly suggested an alternative: workers could form themselves into co-operative societies and tender for State house contracts, as long as Union conditions were kept they were free to operate on any principle they wished.

This was advantageous either way for the Government; if it succeeded the Government had fostered practical co-operation; if it failed the Union had no grounds on which to continue their criticism of the Government. In the meantime the Union's energies were diverted into less threatening activities.

Metge (1972:50-5) documents evidence that a serious attempt was made on the part of the Unions to make the scheme a success. However the major tenderer under the scheme, the Union Construction Company, virtually fell to pieces mid-way through construction of a group of 21 houses in inner Wellington. It appears that in this instance the failure was largely attributable to the unique process of production involved in house construction which, as noted in the theoretical section, requires the co-ordination of a number of specialised skills with the flow of materials on site in conditions far removed from ideal. A less ambitious co-operative was slightly more successful in Hamilton in 1938 but the co-operative movement was basically a short lived failure.

Meanwhile the increasing cost of house production, caused by shortages of skilled labour and materials, was exacerbated by a compulsory 10 per cent rise in wages and a carpenters strike at Orakei (over working conditions and wage rates). Further there was no escalation clause in State house contracts. Metge (1972:60-65) reveals that Fletcher's company, the main producer of State housing, was hard hit by the cost escalations and was threatening to get out of State Housing as quickly as they could. Not only was the success of Labour's housing scheme dependent on the company's viability, it was also one of the biggest employers in the country.

Thus in 1938 an agreement was negotiated whereby the State agreed to guarantee the account with an overdraft limit of 200,000 pounds at the Bank of New Zealand for the Fletcher subsidiary Residential Construction Co Ltd. The State got its houses built and the company the necessary working capital. For three years the subsidiary was run at a loss but by 1941 was returning a profit and, with State support, expanding (New Zealand Plywoods Ltd.).

In 1943 the Department of Housing Construction was completely separated from the State Advances corporation and linked to the newly established Ministry of Works where it was known as the Housing Division (of the Ministry of Works). Perhaps the major reason for this

shift was that the under supply of established or easily developed sections was beginning to hinder the development of the State's housing programme, to continue "the State would have to acquire and develop much raw land" (Commission of Inquiry 1971:9). Indeed for the next two decades the Ministry of Works played a major role in the choosing of locations, acquisition, development and production of State housing. "State housing began to take on an

TABLE 3.3 SUMMARY OF NATIONAL HOUSING SURVEY 1936-7

CATEGORY	RATING	NUMBER	% OF STOCK
Fitness of Building (Physical)	Unsatisfactory	32,702	14.4
	Totally Unsat.	7,503	3.3
Condition of Dwelling (Equipment)	Partly Satisfactory	24,063	10.6
	Totally Unsat.	20,962	9.2
Minimum Accommodation	Failed	30,537	13.4
Overcrowding		10,012	4.4
Total Dwellings Substandard		55,111	24.2
Total Urban Dwellings 1936 Census		227,775*	

SOURCE: From Ward 1977:173, originally taken from Ministry of Works 1943, *State Housing in New Zealand*, Government Printer, Wellington, p.22.

NOTES: * This figure is based on Non-Maori Permanent Private Inhabited Dwellings in the 115 Urban Centres in 1936.

Until 1951 Maori dwellings were excluded from the Dwellings Census, being collected.

The average dwelling failed (either partly or totally unsatisfactory) was failed on a total of 2.3 grounds.

engineering aspect and the era of large scale development had begun" (Trlin 1977:109). Trlin suggests two factors were common about those areas chosen for development (*op cit.*:109);

the areas were close to existing urban centres and large enough to allow development over a period of years. Typically the areas were those where development had previously been restricted by problems of topography and drainage but with the capital and skills commanded by the State, landscaping and mass earthworks enabled them to be utilised.

During the years of the Second World War, State house building was dramatically reduced (refer Table 3.3), reaching its lowest point in the year ended March 1944 when only 856 State rental units were built, due largely to the division of labour and materials for defence purposes. But the return to peace signalled a further period of government activity with housing at the forefront.

With the return of soldiers there was a heavy demand for State rental housing accentuated by a continuing shortage of houses, and high rentals in the private sector. The Housing Division responded with a return to house building in earnest, embarking on many projects prepared during the war, and in the year ended 31 March 1946, 2,856 State rental units were completed, a 49 per cent increase on the previous year (see Table 3.4). The programme was however, soon to run into problems of shortage again, this time of materials and land. Serviced sections were scarce and, as we have noted, the State was forced into developing and servicing larger blocks of land. With the conception of larger areas of State housing more than just the building of houses was required, some recognition of town planning principles was necessary. As a result some attempts at site planning were made, shop sites were introduced into subdivisions, and provision for reserve areas made.

The State housing developments in Palmerston North were typical of the era. The Savage Crescent block, developed between 1937 and 1941, was one of the early large State projects in New Zealand comprising approximately 200 house sections. In 1945 a large scale programme was begun near the Ross Block, adjacent to the urban area of Palmerston North and now contains some 740 houses. The district is comprised almost totally of State housing, apart from a few sections transferred to other Government departments, and is characterised by a distinctive street pattern utilising curves, crescents and culs-de-sac (Hunt 1970:10-11).

A feature of State housing during the 'Labour years' was the emphasis on a high standard of construction which reflected the desire not to construct 'workers dwellings' for the poor but

"homes for New Zealanders" to be inhabited by ordinary citizens. The houses were, as far as possible, to be built from New Zealand materials of a high quality. Although some standardisation of plans, construction methods and house parts were developed a number of architect designed styles were used and every attempt was made to avoid the label of "Government mass produced houses". The houses were generally of detached type (72 per cent of all dwellings completed by the State by 1937) with plenty of yard space and 'elbow room' and were frequently oriented on their site to make maximum use of the sun. Despite Fletcher's implementation of the latest planning and manufacturing techniques employing standardisation wherever possible, the insistence on high quality housing and private construction resulted in a higher unit cost for these houses than for a private new dwelling (Ward 1977:192). Despite State subsidies this was certainly not to be housing 'for the poor'.

During this period the nation began to become aware of the generally appalling conditions under which the Maori population was housed. The amenities data collected in the 1945 Census gives some impression; in that year 92.7 per cent of non-Maori dwellings had electricity, while only 35.4 per cent of Maori dwellings were serviced with electricity. The pattern is repeated for other amenities: baths and showers were in 89.0 per cent of non-Maori dwellings but in only 35.8 of Maori dwellings; there was no hot water in 80.1 per cent of Maori dwellings but only 24.8 per cent of non-Maori dwellings were without. The list went on, reflecting the very real poverty affecting the Maori population. The State had recognised the problem in 1935 with the Maori Housing Act, providing loans for housing for Maori families on easier terms than those of the State Advances Corporation. Ward notes that by 1951 2,943 houses were built under the scheme (1977:177), but for most Maori the price for even this housing was too high. The pattern of other State housing schemes was repeated; such housing was restricted to those who could pay for it.

It is worth noting that under the terms of the State Advances Corporation Act provision was made for lending to local authorities to provide housing but, although accurate figures are elusive, it appears that relatively little was actually loaned under the scheme (Ward 1977:179). It would seem a pattern, that was to persist for some time, was already firmly established; that of Central Government responsibility for housing assistance. Local authorities in New Zealand, unlike their counterparts overseas (notably Britain), have traditionally been very

reluctant to move into the field of public housing (particularly for low income groups), with the exception of pensioner housing.

As we have seen the emphasis of the State's activity over the period (see Table 3.4) was on new construction for rental and secondarily on State Advances loans for home ownership (roughly half the amount spent on rental construction in 1939, only 30 per cent in 1950). Indeed the level of State activity was so great that Ward (ibid.:180) suggests that it actually reduced private investment over the period. The third major form of State aid³ To housing came under the Rehabilitation Act of 1941 (and successive amendments) which was designed to establish returned soldiers in business, farming or housing. For housing it took two forms: loans for new dwellings, again on terms more favourable than those under State Advances; and half of the State's rental houses were reserved for returned soldiers. Of the total rehabilitation loans roughly half were for new housing (2.3 million pounds of the total 5.4 million pounds in 1946 and 2.8 million pounds of the total 5.2 million pounds in 1950).

From Table 3.4 it can be seen just how massive the State's involvement in the housing industry was over this period. However there is evidence that, while things were improving, there was still a marked need for more housing. In addition it should be recognised that there were a number of contributory factors placing stress on New Zealand's already scarce housing supply over this period; the marriage rate had dramatically increased and the population was rapidly rising, fueled by a high net increase from immigration and the 'post war baby boom' (Sutch 1966:192). For example there were 10,815 permanent arrivals in 1949 (New Zealand Official Yearbook 1950). Ward claims:

Within the wider framework of the housing situation, the progress had been small...things were improving, but more due to the development of the forces of production and the growth of incomes than to State aid per se.
(1977:180)

3 The three forms combined give the figure for total State aid in Table 3.4. It does not include monies loaned for housing under the Maori Housing Act.

TABLE 3.4 STATE AID FOR NEW HOUSING 1937-1950

YEAR (ending March 31)	STATE HOUSING		STATE ADVANCES LOANS		REHABILITATION	TOTAL STATE
	NUMBER	VALUE*	NUMBER	VALUE*	LOANS*	AID TO HOUSING
1937	22	43	2,935	790		833
1938	1,895	1,434	2,480	824		2,258
1939	3,445	3,969	3,690	2,063		6,032
1940	3,870	5,164	1,776	1,540		6,704
1941	3,570	5,668	1,101	889		6,557
1942	2,605	4,075	1,076	631		4,706
1943	368	1,826	407	90	23	1,939
1944	1,916	1,766	1,226	404	125	2,295
1945	3,255	4,446	2,605	1,255	793	6,494
1946	2,675	5,625	5,683	2,717	2,343	10,685
1947	2,769	6,104	7,334	4,396	4,767	15,267
1948	3,065	6,639	5,998	3,802	3,818	14,259
1949	4,111	8,887	5,590	3,469	3,422	15,778
1950	3,388	10,760	5,088	3,023	2,754	16,537

SOURCES: New Zealand Official Yearbooks, Ward 1977:177.

NOTE: *All figures for value shown in units of £1,000.

It appears that the State was still struggling to provide low cost houses to the poor. By 1948 there were nearly 52,186 unsatisfied applicants for State rental houses, 25,544 of whom were considered urgent cases (quoted in Piesse 1978:57). Firth writing in 1949 observed:

The housing shortage has meant that thousands of houses which either have been condemned or would by now have been condemned are still occupied. Demolition of these dwellings cannot be undertaken until alternative accommodation is available.

(1949:76)

"Labour's far-reaching vision was translated into a less glorious reality" (Oliver 1977:20).

Nevertheless, Labour's period in Office from 1935-1949 amounted to a welfare revolution and its range of social programmes..."altogether amount to the greatest output of social and political energy New Zealand had ever experienced" (ibid.:24). So much so that the history of housing provision over the period largely amounts to an account of State activity. Reflecting the dominated ideology of Labour politicians the construction of a large volume of State houses for rental replaced the previous emphasis on State loans for private building. Housing was regarded almost as a public utility and was allocated according to need in each case, without a formal income bar. The Government actively attempted to regulate for a humane economy, under the influence of Fletcher, Tyndall and Lee the housing ideal was the 'New Zealand House' combining local materials, labour and finance to provide jobs as well as high quality houses which people would be proud to live in; no more 'workers dwellings'. Despite the shortcomings, by the end of its period in office, Labour had created the Welfare State.

Yet Labour was as sensitive as any other government to the sensibilities of private industry. Although rationalised by Keynesian philosophies regarding aid to the building industry as a 'pump primer' for a stalling economy, the Labour Government provided considerable support for private interests, particularly those of James Fletcher:

James Fletcher was the first representative of a specific 'business-culture'; the most prominent of a small group of self-made industrialists who came to share a common set of attitudes about the meaning of government and the power organisation of society. They were manufacturers who felt that the [previous] governing merchant-farmer elite was totally unresponsive to the needs of industry.

(Metge 1972:9)

While the Labour Government was to some extent advancing the interests of the 'ordinary person' and the worker it was certainly handsomely compensating the interests of private capital. Indeed, following the theory of the capitalist State advanced in Chapter Two it can be seen that the effecting of major policy change by the Labour Government (amounting eventually to a virtual transformation of the State) involved the establishment of a power bloc from industrial forces, replacing the previously dominant merchant-farmer alliance.

The slump [had] taught that business could not function without the assistance of government to create and maintain a favourable economic climate. The values of regularity, stability and rationalisation were much heard in these years by individualist capitalists.

(Metge 1972:10)

Later the maintenance of power required that Government employ tactics of manipulation and coercion with traditional allies in the trade union movement.

With the adoption of Keynesian philosophies Labour had recognised the inter-dependence of the public and private sectors of the economy - and the inescapable corollary that a Welfare State has a direct interest in the expansion of the private sector. The provision of social services by the State requires an ever increasing share of the Gross National Product and so expanding production and the employment (and 'stability') it generates are socially 'beneficial'. Private capital interests are dependent on the State to create and maintain the conditions for capital accumulation yet increasingly class and popular forces have no way of controlling and moderating capitalist relations except through the State. Labour's achievement was the regulation of capitalism - but in doing so it was to create problems for the State in the future, as we shall see.

It was financial considerations that were eventually to curtail the greatest period of State intervention in the provision of housing in New Zealand's history to date. With the massive inflationary pressures released by the Government-inspired building boom after the war building costs had been sent skyward, yet State rents remained at the level set a decade previously. In such an inflationary environment State house tenants were favoured with secure tenancies at fixed rentals. This did not go unnoticed for long amongst the wider public, Labour's Housing programme was once more in controversy. Public resentment towards State house tenants and in fact the whole housing scheme began to grow. An oft repeated

accusation was that State house tenants were a privileged minority riding on the backs of other citizenry who subsidised their housing costs through rates and taxes. There were suggestions (not without some truth) that the rentals for State houses had become so artificially low that the waiting lists were cluttered with people who were already adequately housed but were hoping to be allocated a better house at a cheaper price (Oliver 1977:23; Metge 1972:65). The National Party (an amalgam of the conservative Democrats and the right wing of the defeated Coalition of Reform and United Parties, (Sutch 1966:307) and the conservative press wasted no time in capitalising on these sentiments; the *New Zealand Financial Times* (10 December 1948) ran the headline 'The Subsidised State Tenant or What it costs you to provide the other fellow's house'. The article beneath suggested that a fair rental for a State house estimated on the formula imposed under Labour's Fair Rent Legislation would be double the present rate. Complaining about the inaccessibility of accurate costings, the journal went on to estimate that for the 27,000 State rentals the community was providing an annual subsidy of over two million pounds (Metge 1972:65).

This general resentment towards Labour's State housing scheme was but a part of a wider reaction against the heavily interventionist role undertaken by the State. The National Party, appealing to human self interest, exploited these sentiments advocating free competition, tax exemptions, selling State houses to tenants and interest free capital for individual home owners (Sutch 1966:362)

In 1949 the National Party, led by Sidney Holland, won a majority of twelve seats. It offered fewer controls; more competition; and promised to 'make the pound go further'.

(Sinclair 1969:291)

HOUSING PROVISION: 1950-1980

If you want to condense our policy, you can say that we are against them and we stand for private ownership...If we could define a long-range policy, I would say that it is the private ownership of the means of production, distribution and exchange.

(Holland, National Party Conference 1948,
quoted in Sutch 1966:365)

A new power-bloc of commerce, finance and farming interests had now taken control of the State; much was to change, and the housing situation was among the first to be affected by

that change. As we noted in the last section the housing situation had been improving under Labour, but there was still a clear need for further State action. Indeed a Ministry of Works publication on housing still identified "one of the principle tasks for the next decade should be the provision of a decent home for every family in New Zealand" (Firth 1949:2).

The thrust of the new Government's housing policy was revealed in a White Paper on housing presented by Holland in 1950. Holland acknowledged that "New Zealand has a housing shortage which is causing great anxiety and disruption in those families who have to live in makeshift accommodation" but also recognised "the effect of home life on efficiency in industry" and for "harmonious living" (A.J.H.R. 1950, J.6:3).

Hunt (1970:6) points out that all changes of Government tend to result in changes in policies, reflecting the political interests the party represents (at the time of taking office) - so it was with the National Government of 1949.

Within the State framework, this difference on the class-outlook of the two parties was also reflected in the form of State intervention.

(Ward 1977:192)

The new policy emphasis was soon to be revealed:

The Government has great faith in the social value of home ownership. An important part of its policy is to encourage people to own their own homes, for it considers that home building and home ownership develop initiative, self reliance, thrift and other good qualities which go to make up the moral strength of the nation.

(A.J.H.R. 1950, J.6:3)

Consumer demands were to be met by a shift in emphasis away from rental housing to private ownership. The private building industry was once again to be supported 'in the public interest'. Holland's main emphasis was on the ideological benefits associated with housing, particularly if owner occupied: "Above all, home ownership promotes responsible citizenship".

For the State to become too involved in housing would be to come into conflict with its ideal of 'private initiative'

In the past there has been a tendency for people to rely on the State to provide them with rental homes. The Government's aim is to correct this tendency, and induce people with sufficient means to invest their own funds in homes of their own.

(A.J.H.R. 1950, J.6:3)

Thus: "At all times the emphasis of Government policy will be on private building." Private effort was to be encouraged by the State preparing and selling building sites, relaxing controls, providing safeguards for home investment and tax concessions. This division of labour no doubt suited private building capital, engaged in house construction, well as it relieved them of the costly process of preparing and servicing sections.

In the early 1950's the State's housing policies were subject to a number of changes in order to bring them into line with the new Government's philosophy on the role of the State. This reorganisation, in many ways established the pattern for State intervention in housing provision for several decades. The changes were consolidated under the 1955 Housing Act, which established a Ministry of Housing to arrange for the purchase of land and the construction of housing.

One of the first branches of State activity to be affected was the State rental housing programme, initially by two major changes in policy; to further encourage private ownership, State house tenants were given an opportunity to purchase, at attractive terms of sale, the houses they occupied; and an upper income limit was imposed, as a qualification for State house applicants.

The policy of selling State houses (and land) placed wide discretionary powers with the State Advances Corporation as to the terms and conditions in each case. The only restriction under the scheme was the requirement that it be possible to obtain separate title to the dwelling. This was not possible for most flats and other dwellings comprising multi-unit buildings and the consequences have been considerable, as we shall see. The attitude of the Government was summed up by a comment made by a Government member, Mr Seath (Waitomo), to the effect that: "...those with a high income and sufficient capital to buy their own home should not be in a State house" (NZPD, Vol.307, Aug-Oct 1955:2902). The policy originally instituted in 1950 remained in effect until early 1975 by which time approximately 27,774 State houses had been sold, some 34 per cent of the total 81,629 State houses built at that stage.

While the sale of State houses may have provided some revenue return in the short term (although sale was usually financed by State loan), and gave tangible support to the ideological promotion of home ownership, in the medium and long terms the unanticipated consequence of the policy was to deny others in need access to housing. Once sold these houses were removed from the rental pool reducing the number of low income rental houses available for present and future generations. The practice quite explicitly favoured the promotion of home ownership and its associated benefits over the future housing needs of those who rent their homes, despite the fact that there are always families who can never afford to buy their own homes.

Renters, clearly were immoral. How easy to ensure that the nation prized owner occupation.

(Brannigan 1983:15)

The rationale behind the imposition of an upper income was that State rental housing (as a form of public assistance, if not charity) should be restricted to families who could neither afford to buy nor build their own homes, or indeed to rent in the private sector, in other words, the deserving poor. Apart from minor adjustments to the limit in relation to changing income levels the principle was rigorously adhered to from its inception in 1950 until early 1973. This income limit became so restrictive that during this time few found they were actually eligible for this form of State assistance. In 1971, when the maximum permissible income for the family breadwinner was \$42 for a 40-hour week, a Commission of Inquiry into housing heard that the effect was to exclude such applicants as: "...a typical clerical worker in his early twenties who has had a few years' experience in the public service; or some city council bus drivers" (The Commission of Inquiry 1971:13).

The 1955 Housing Act also introduced the principle of 'fair rents' to State rental housing and further encouraged State tenants to purchase their properties. In introducing the legislation the Minister of Housing, Sullivan stated:

Tenants should be given an opportunity to purchase, if they do not wish to they ought to pay an economic rent or vacate the premises.

(NZPD Vol.307, Aug-Oct 1955:2886)

Once again the image of State house tenants as a privileged class living at the expense of others was intentionally manipulated.

It means in effect that State house tenants on an uneconomic rent are in receipt of a gift from the taxpayer.

(Seath, NZPD Vol.307, Aug-Oct 1955:2904)

It appears that these changes were designed to reduce direct State housing provision to a residual role rather than to allow it to remain as a genuine alternative to owner occupation. State rental housing had become 'welfare housing'. The ideological commitment to owner occupation, as a means of ensuring social cohesion and encouraging capital accumulation remained high:

I am hoping that we will be able to sell still more houses because I believe the more extensively we can make it possible for people to own their own homes the better it is for the country.

(Sullivan, NZPD Vol.307, Aug-Oct 1955:2887)

Another member was less subtle about the reason for this enthusiastic support for the home ownership ideal:

I venture to say that communism will not spread in New Zealand as long as we have private home ownership.

(Seath, NZPD Vol.307, Aug-Oct 1955:2903)

In 1953 it was clear that the housing situation had not improved to any great extent and a National Housing Conference, held that year estimated that there was a shortfall of "...6,800 in respect of accumulated 'back log' and demolition of obsolete houses" (quoted in Ward 1977:181). The committee predicted that a total of 206,000 houses would be needed over the next ten years and accordingly called for a 25 per cent increase in the rate of house construction. The main response from the State was a further liberalisation in State advances lending policies.

These policies were contained in a Ministry of Housing booklet giving advice to consumers about 'build-your-own' methods, obtaining finance, building contractors, the role of building inspectors, and suitable building materials. This booklet was the first of several published under the first National Government, all of which aimed to assist and encourage home ownership and remove responsibility for provision from the State. The 1954 booklet: *Housing the Citizen - a Manual for Local Authorities* described the housing problem as a 'shared

responsibility' and suggested tasks for local authorities, the 1957 *Home Ownership - How to Achieve It* extolled the virtues of home ownership for security, welfare and the "initiative, self reliance, thrift and moral strength of the individual family and nation" (Ministry of Housing 1957).

Another measure designed to favour consumers of private housing was the 1953 Group Building Scheme. This scheme was of considerable benefit to private capital and its drive for capital accumulation, providing continuity of work and a guaranteed market. It was based around the construction of houses in groups of at least four by builders approved by the State Advances Corporation. The price of house and section had to be below a fixed maximum (set according to locality) and the plans, specifications and standard of construction had to meet the requirements of the State Advances Corporation. Sections were made available by the State and could be either leasehold or bought on a deferred payment basis; bringing down the initial purchase price (and effectively enabling builders to charge more for the house). If the builder was unable to find a purchaser for the house(s) upon completion, the State Advances undertook to buy the house(s) at the price agreed upon before building commenced. For a time the limits on construction costs played a significant boundary-setting function and greatly influenced private construction setting, patterns for what was to become the low cost, high volume, housing industry. The scheme was immediately popular and at its peak in the mid-1950's about 2,000 sections per year were sold to individuals and builders. Piesse (1978:62) characterises the scheme as illustrating the linking of private building and public lending policies in New Zealand. Later the scheme was operated by insurance companies and large building firms but diminished in importance as these interests found the demand for housing so great they could dispose of their output without building down to the State Advances Corporation's limits (Trlin 1977:111).

The year 1955 saw the inception of a development that was to have a marked impact upon the future of State housing. A number of factors persuaded the Housing Division to increase the proportion of multiple unit dwellings within its building programme. The factors were largely economic; the pressure for cost saving in an atmosphere of reduced political commitment to State rental housing; the shortage of developed sections; the need to make the most use of available land; and the stated aim of reducing urban sprawl.

While the term multiple unit refers to any dwelling, other than single detached houses, containing two or more dwelling units,⁴ In practice the State favoured five designs; single storey buildings of either two or four units; two storey buildings of two or four units; and three storey twelve unit buildings known as 'Star Flats'.

In 1957 a Labour Government was elected, and in the following years the proportion of multiple unit housing in the State rental programme was stepped up. In the year ended 31 March 1958 the proportion of multiple units was 21 per cent but during the year the policy was changed to set the future level at 33.5 per cent, only to be revised shortly afterwards and set at 50 per cent. Thus from 1960 to 1963 the proportion of multiple units in the State programme was maintained at over 50 per cent, but although multiple units have been incorporated in the State's building programme from 1955 the policy has received declining emphasis since 1964.

While the Labour administration's strategy in stepping up the production of multiple unit housing can be interpreted as an attempt to maximise the output of houses within a limited budget. The funds available for social expenditure by the State were increasingly restricted by a relatively fixed revenue base and "...the creeping inflation of the 1950's and 1960's" (Piesse 1978:107).

From Table 3.5 it can be seen that at the end of 1950 the average construction cost for a 92 square metre (976 square foot) standard State rental house was \$4,344 by 1970 the cost had inflated 72 per cent bringing the average cost for the same size house to \$7,450. The State's response to these spiralling costs was not only to cut the production of rental units, but also to institute a drive towards cost saving. The innovations of the early years, such as the competitions for architects designs, had gone, building standards were lowered and cheaper materials were used. This trend is also reflected in Table 3.5 where in 1950 the standard State rental is in fact slightly more expensive than the average house. In the later years, as the levels of State construction fall, the price (and standard) of State rental housing drops steadily below that for the average private dwelling (recovering slightly in 1980).

4 The term dwelling unit is used throughout this work as referring to any accommodation unit which is self contained at least in respect of sleeping, cooking and dining facilities, often one building may contain several separate dwelling units.

TABLE 3.5 SELECTIVE COSTS FOR STATE AND TOTAL HOUSE CONSTRUCTION

YEAR ¹	STATE HOUSING		TOTAL PERMITS	
	AVERAGE COST (\$)²	INCREASE	AVERAGE COST (\$)⁴	INCREASE
1950	4,344		3,667	
1960	5,528	27%	6,035	65%
1970	7,450	35%	10,394	72%
1980	33,3103	303%	38,657	272%

- NOTES: 1. The permit figures are taken from the year ended the following March.
 2. The State Housing figures refer to the standard 92m² (976 sq.ft.) State rental house.
 3. This figure relates to a 102m² State house, the figure for the percentage increase has been adjusted accordingly.
 4. The 1960, 1970 and 1980 figures are for new houses only, excluding new flats which would have biased the figures downward.

SOURCE: *The New Zealand Official Yearbooks* (after Ward 1977:185).

Perhaps the most alarming trend revealed in the Table (3.5) is the phenomenal increase in new housing costs in the 1970's, for new private dwellings an increase of 272 per cent on the 1970 figure. In part this may reflect the rising housing standards of the decade, but it is probably more reflective of the levels of inflation over the period. An even more dramatic increase is shown in the costs for State housing; building a slightly bigger house (10 square metres extra) in 1980 resulted in a 347 per cent increase over the 1970 costs; adjusting this to account for the size increase only, reduced the inflation figure to 303 per cent.

Generally however the election of the Labour Party for a single three year term (1957-60) had little impact on the State's policy in regard to housing over this period. Again elected towards the end of a recession all areas of State aid to housing were increased (see Table 3.6), the State's contribution to new housing increased from 38 per cent in 1957 to 41 per cent in 1961. But the emphasis remained firmly behind owner occupation and support for the building industry. The Family Benefit Capitalisation Scheme, established in 1958 but commencing in

TABLE 3.6 STATE AID TO NEW HOUSING 1951-1980

MARCH YEAR	STATE HOUSING NUMBER	HOUSING VALUE ¹	HOUSING NUMBER ¹	LOANS ³ VALUE ¹	MAORI AND ISLAND AFFAIRS ¹	LOCAL AUTHORITY LOANS ¹	TOTAL STATE AID TO NEW HOUSING
1951	3,365	19,708	4,644	26,708	1,599	133	49,950
1952	2,118	14,023	3,351	19,417	1,659	1,230	37,846
1953	2,124	19,508	3,323	17,765	2,251	3,595	45,447
1954	2,781	21,216	4,115	21,142	2,168	1,757	49,490
1955	2,892	18,702	5,462	28,229	2,131	1,628	52,735
1956	2,258	20,798	6,707	33,308	2,889	4,957	63,982
1957	2,746	19,910	6,685	33,225	2,827	1,538	60,958
1958	1,853	16,276	7,309	38,173	2,574	6,231	66,345
1959	1,647	17,204	9,861	42,184	2,978	1,075	67,130
1960	2,128	22,032	11,939	49,186	3,444	1,256	85,374
1961	2,148	20,228	12,263	60,232	4,076	1,564	101,546
1962	1,972	18,386	11,263	59,610	4,864	1,554	99,776
1963	1,948	16,652	9,635	53,802	5,540	2,218	91,088
1964	1,562	16,636	9,065	48,414	5,524	2,596	84,802
1965	1,622	15,340	8,906	47,820	7,294	3,358	85,884
1966	1,334	14,686	8,142	46,868	7,418	4,448	88,260
1967	1,469	15,918	7,237	44,116	5,770	5,864	84,554
1968	1,489	15,680	6,805	42,447	5,738	6,292	79,423
1969	1,534	15,121	8,285	48,560	5,072	6,006	83,535
1970	1,241	15,710	7,126	48,780	5,224	4,594	86,699
1971	1,194	13,302	7,043	47,923	5,193	4,851	85,530
1972	661	10,984	6,340	47,983	5,158	6,454	80,446
1973	765	12,925	10,319	79,387	6,827	7,739	119,652
1974	650	20,710	8,660	85,785	8,913	10,982	140,997
1975	1,463	71,475	9,040	120,976	20,197 ⁴	16,509	255,755
1976	3,017	103,771	11,659	178,819		13,637	303,265
1977	2,238	68,755	8,421	146,356		17,101	240,595
1978	1,611	62,092	7,063	138,926		11,109	220,604
1979	1,346	60,569	8,428	165,958		11,381	224,997
1980	1,394	55,541	5,983	129,697		8,100	198,812

- NOTES:**
1. All figures in units of \$1,000.
 2. Figures refer to number of loans issued for erection only.
 3. Loans initially made under the State Advances Corporation but after 1974 administered by the Housing Corporation, includes rehabilitation loans.
 4. Information no longer available after 1975.
 5. Figures in units of \$1,000, includes other Government Departments and extra Government loans.

SOURCES: *New Zealand Official Yearbooks : The Commission of Inquiry Into Housing 1971:281.*

late 1959, enabled low income families to capitalise the value of their children's family benefit to raise loans, and quickly came to be used almost universally to gain the initial deposit to build new homes (90% of capitalisations since 1963 have been used for this purpose), despite the fact that they were available for paying off mortgages, building additions and alterations as well as new house building (Piesse 1978:62). The scheme peaked, shortly after introduction, at \$12 million in 1963 (New Zealand Official Yearbooks) but declined through the 1960's for two reasons. The limit of the advance remained unchanged (between \$400 and \$2,000) from introduction. Further, the income limits for qualification rose 95 per cent 1960-1972 while incomes grew, on average, 133 per cent for the same period. The difference effectively cut out many of the prospective home buyers who could capitalise the benefits (Ward 1977:188).

The second Labour Administration left in force most of the policy changes instituted by the previous Government, notably the sale of State rental houses and the upper income limit for State house applicants and the prevailing philosophy regarding the desirability of home ownership remained fully supported by the State.

The Takaro block in Palmerston North, begun in 1957, is a fairly typical example of State housing developments of the era. It reflects the preference of the Ministry of Works Housing Division for large scale development on sites unattractive to private interests, in that it was a large area but one which posed substantial development problems. Flat and poorly drained it was prone to flooding by the Mangaone Stream and Kaway Drain (Hunt 1970:14). Takaro also represents an extreme result of the State's policy of increasing multiple unit housing; 62 per cent of the State rental units in the area are other than detached houses. By 1969 the policy of selling State houses had cut the proportion of single detached units administered by the State from 38 per cent down to 33.4 per cent. In addition Takaro was developed at a stage when the group building scheme, introduced in 1954, was proving relatively successful and the Housing Division allocated 175 sections for group houses; 22 per cent of the suburb's dwelling units (Hunt 1970:24). Although the main period of construction was from 1959-1965 the area reflected the national pattern of a steady decline with building tapering off in 1969 after three years of gradual infilling of vacant sections.

Discussing the uniformity of 'State housing landscapes', Hunt, in a study of the suburb, notes that "...in Takaro the same house plans have been placed side by side, in some cases with no

attempt to vary the external materials" (1970:26). Despite some relatively successful experiments she concludes:

too often there are relative failures, in the monotonous blocks of State housing, the unkempt multi units, the indistinguishable curved streets of group housing, the children's play areas which stand as 'green deserts', and the unbalanced layout in which almost half the suburb lacks provisions for any form of community amenities. There is an over-riding sense that the planning has been dominated by utilitarian and economic considerations at the expense of physical appearance and human and social values.

(Hunt 1970:27)

The combined effect of the Government's policy changes, initiated in the early 1950's and pursued since, have had a number of consequences for the provision of housing in this country which appear to be both intentional and unintentional outcomes of State activity. Perhaps the most dramatic examples were the outcomes of policy changes in relation to State rental housing. The imposition of an upper income limit coupled with other eligibility criteria concerning age, family size and housing circumstances, sharply restricted access to State rental housing. The result was a significant trend towards the development of State housing districts as low income residential areas (Trlin 1977:110). The boundary between State housing and other categories of tenure became marked; segregated 'housing classes' had emerged. The emphasis on the desirability and moral virtues of private ownership and the deliberate attempt to reduce State housing provisions to a residential role created a type of 'Welfare Housing' which reinforced the existing determinants of class fragmentation; hardening the divisions in the housing market between rich and poor. A new housing morality was gaining ascendancy, which divided dwellers into the respectable and inadequate.

This social segregation of State tenants was further exacerbated as the policy of selling State houses coincided with a shift in emphasis towards the building of multiple unit structures. The result was a change in the composition of the housing stock held by the State, as fewer and fewer single detached dwellings remained. The multiple unit, which could not be sold, was built in an atmosphere of reduced commitment to State rental housing under building policies orientated towards cost saving and was consequently constructed in lower quality materials at a much smaller size per unit than housing produced under earlier administrations. Under the practice of the Housing Division over the period these units were commonly isolated from other private housing on large State housing estates "...as virtually impregnable State rental islands

in a sea of changing residential administration" (Trlin 1977:110). This trend served to 'ghettoise' the poor (now the vast majority in this type of housing), separating them from the rest of the housing market in a way that had not happened before. Residential differentiation began to reflect starkly the reproduction of social relations under capitalism. "Residential zones in certain cities, e.g. Otara and Porirua, became 'notorious' as sites of working class habitation, and stigmatised because of it" (Mahar 1984:268).

Another disturbing trend was the State's refusal to accept any responsibility for the creation of communities. As previously mentioned in the 1950's and 1960's the innovation and standards of State house construction dropped, little planning was undertaken prior to development and the result was "...massive, ill planned State housing suburbs in Porirua, Otara and Mangere" (Ward 1977:186). These and other State housing areas have been heavily criticised because of the dearth of community facilities and services (for example: halls, swimming pools, hospitals and health services, child care facilities) provided (Trlin 1977:119). The absence of such provisions is probably more acute because of the 'instantaneous' nature of such settlements, usually peopled almost entirely of people on low incomes, ill equipped to provide such amenities for themselves. This contrasts with communities which develop gradually and are able to gradually provide facilities and services as the need is felt and finance found. The wording of the 1955 Housing Act, however, appears to deny any responsibility for the provision of such facilities; State housing is defined in technical and physical terms only. As the Commission of Inquiry into Housing (1971:20) was to note: "The concept of creating a total community was evidently not in Parliament's mind when the Act was passed."

At a more general level the State's policies over the period can be seen to have an impact on the housing market as a whole. The rapid decline in State construction for rental combined with the sale of State rental units, the imposition of income limits for eligibility, and the stress on 'private initiative' in housing all served to change people's ideas about housing. They pushed back the initiatives that the first Labour Government had made towards involving the State in subsidised low cost housing for all New Zealanders. It has been dubbed by many commentators (e.g. Mahar 1984:264; Harloe 1981) as the 'recommodification of housing. Once more the market was reimposed as the allocative mechanism for distributing housing. An individual's access to housing was once again determined by 'demand and supply' or the

profitability of housing provision and their ability to pay. The State was now only prepared to intervene on behalf of those too poor to secure any adequate housing in the marketplace.

Holland had also seen the Government's function as assisting groups with special housing problems: "people in lower income groups; those in rural areas; returned servicemen; Maoris; State employees", which Ward (1977:182) points out collectively cover almost the majority of the population. In the case of Maori housing, now covered by the Department of Maori and Island Affairs, Table 3.6 reflects the expansion of the Department's activities into the mid-sixties. We have mentioned the extremely poor housing conditions endured by most, particularly rural, Maori in 1945; these were gradually improved. The Department offered loans at favourable rates (most Maori because of their low incomes were eligible for the base loan rate of 3 per cent) and allocated State rental houses to Maori families, between 1938 and 1959 a total of 6,888 houses were built under the Department's scheme. However, others suggest that perhaps the primary factor improving Maori housing standards was the massive migration of Maori to the towns in the fifties and sixties and consequent increases in income (Ward 1977:182).

But in the early 1960's needs were still far in excess of supply. In a 1961 report (based on the 1956 census findings) the Department of Maori Affairs estimated 30 per cent of Maori lived in grossly overcrowded conditions; that 14 per cent of Maori houses were substandard; and that by 1960 there was a shortfall of 6,400 houses (A.J.H.R. 1961:G10). As a result of these alarming circumstances the Housing Division was directed to provide assistance in 1962. The houses transferred from the Housing Division for sale by the Department of Maori Affairs were all single dwellings and were "...sited in relation to other housing in such a way as to implement as far as possible the policy of integration of Maori families into the community as a whole" (A.J.H.R. 1962 H38:15). This policy, known as 'pepper potting', became a regular feature of State housing areas throughout the country. It reflected the dominant (Pakeha) view of race relations; Maori and Pakeha should integrate 'to form one united nation'. Indeed urbanisation should be welcomed as "the quickest and surest way of integrating the two species of New Zealander" (Hunn, J.K. 1961:14). Maori critics were quick to observe that integration appeared to be the old policy of assimilation under a new label, offering nothing but further loss of Maori culture. The resurgence of Maori identity in recent years is shattering some racist myths (that New Zealand enjoys complete racial harmony, for example) and is gradually shifting

consensus on racial issues towards an acceptance of pluralism and the recognition of the need for more Maori autonomy.

In the housing field, however, the effects of such a move are yet to be felt. At the end of the period Maori housing still appears to be of a lower standard than the rest of the population. A comparison of the Census data for 1981 reveals that Maori dwellings (particularly in rural areas) are still worse of in relation to household amenities than the total population, for example: 97.9 per cent of the total dwellings had either electric or gas cooking, for Maori dwellings the figure was 90.6 per cent; only 2.5 per cent of total dwellings had no means of heating, for Maori dwellings the figure was 7.9 per cent; 95.3 per cent of total dwellings had either fully automatic (51.3 per cent) or ordinary (43.9 per cent) washing machines while for Maori dwellings the figures were, respectively, 90.1 per cent; 25.8 per cent, and 64.4 per cent. Clearly Maori dwellings still lag behind the total population in terms of being less well serviced with amenities. In addition there are also some major pockets of severely depressed Maori housing in rural areas such as Northland and the East Cape. These are often aggravated by return flows of migration as unemployment rises in the cities (Crothers 1984:240).

Not surprisingly there is also an over representation of Maoris and Pacific Islanders (the programme was extended to include Pacific Islanders in 1969) in State rental housing throughout the country (Trlin 1977:124). In the case of Otara for example, the Commission of Inquiry into Housing warned: "care will have to be taken to ensure that the concentrations of this size are exceptional, if the policy of integration is to be preserved" (1971:21). The opposite view, represented by Ranganui Walker, is that the "build up of a brown proletariat" in such suburbs is not necessarily detrimental. Such concentrations enable ethnic sub-communities to develop:

their own social organisations to ensure continuance of their own cultural patterns and adequate socialisation of their children. This formation of Maori cultural clubs, family clubs, benevolent societies, Maori committees, women's welfare leagues, and warden's associations have all proved to be integrative rather than separatist mechanisms. They give the Maori his identity, ensure cultural transmission and help members to adjust to the wider society.

(1971:23)

Trlin (1977:125) points out that such goals benefits are consistent with the principles upon which New Zealand's Welfare State is supposedly based.

In 1970 a Commission of Inquiry was established to examine all matters relating to 'the proper housing of the people of New Zealand'. The Commission heard evidence and submissions from over 100 individuals, organisations, statutory bodies and Government departments on a range of housing related issues. The terms of reference were broad and they involved the Commission initially in a review of the housing scene, covering: changes in housing policy, State housing, the State Advances Corporation, the role of local and regional authorities, housing finance and housing administration. The Commission then dealt specifically with seven specialised topics; the older residential areas or urban renewal; the housing environment; the supply of residential land; subdivisional questions; the building industry; Polynesian housing; and financial and demographic trends.

In 1971 the Commission's findings were published (*The Commission of Inquiry into Housing, 1971*) along with a raft of recommendations relating to each of the subjects considered. Many recommendations referred to a national housing authority, to be established to advise Government on housing policy, implement Government policies and co-ordinate the housing activities of all public and private agencies. At this time housing policy was divided between the State Advances Corporation, the Ministry of Works and the Housing Division. The provision of some rental housing was seen as a central Government responsibility but low income rental accommodation was also recognised as a local authority responsibility. The Commission also made a number of recommendations regarding State housing and State Advances Corporation policy, broadly aimed at liberalising access to housing (i.e. relaxing eligibility criteria, income testing, and loan limits). Based on forecasts of a 600,000 rise in population in the decade to 1980 the Commission predicted a need for 300,000 new dwellings over the period.

Unfortunately, few of the recommendations made in the report were implemented. The ruling National Government continued to wind down the State Rental programme (building only 661 new State rental units in 1972 while selling the same number that year), and emphasise home ownership, although housing loans were at their lowest since 1956 (only 6,340 housing loans were made by the State Advances Corporation in 1972).

At the end of 1972 the Labour Party won the national election; but were to govern for a single three year term only. During this short period a number of the Commission of Inquiry's

recommendations were implemented, notably an increased building programme for State rental housing; reflected in its highest output level since 1951 at 3,017 new units completed in 1976 (see Table 3.6). In 1974 the Housing Corporation of New Zealand was established, representing what some commentators describe as "a long overdue integration of responsibilities" (Trlin 1977:125). All housing related matters (housing finance; the design and erection of State rental and other Government department dwellings; housing schemes for the elderly; and the post-completion administration of State housing) were now the responsibility of the new Corporation. In addition the income limits on Housing Corporation loans were increased (to \$60 per week plus \$4 per dependent child), the terms of the loans were extended (from 30 to 40 years), mortgage refinancing was introduced and a point system replaced the \$7,000 income bar for determining the eligibility of applicants for State rental housing.

In 1972 a national housing body similar to that envisaged by the Commission of Inquiry was established under the National Housing Commission Act, although it did not meet until 1974. The Commission functions "to advise the Minister on all matters relating to the provision of dwellings in New Zealand " and to "keep under review the housing needs of people in New Zealand" National Housing Commission 1983:9). With a very small staff and part-time members who meet only once a month the Commission has focused on research (mostly contracted out) and the provision of advice and comment on housing issues. Yet the research findings and most of the policy proposals of the National Housing Commission have gone largely unheeded, and with no power to implement policy the Commission remains impotent.

Early in 1975 the policy of selling State rental houses was ceased. Criticism of 'State housing ghettos' and accelerating house sales in the face of a waiting list of 16,427 applicants for State housing led the Minister of Housing (R. Douglas) to conclude that it was "socially undesirable to concentrate all Corporation tenants in the newer areas by selling off dwellings in more settled areas" (quoted in Trlin 1977:110).

Interestingly, of the 16,427 applicants at this time, 55.2 per cent were married couples with children, 34.5 per cent were solo parents and 29.5 per cent were Social Welfare beneficiaries. The high proportion of solo parents applying for State housing may reflect the prejudice they face in the private sector, where landlords regard solo parents as a risk, claiming they neglect properties and are likely to be short of money and if behind in the rent are difficult to evict

(Evening Standard 1976, 23 and 24 February both page 1). It may also reflect the impact of changing household formation patterns on housing demand, resulting from changes in family form and function which were not catered for in the structure of the housing stock.

The time available for Labour to initiate changes in the housing situation which suited their perspective on the position of housing was, however, to be cut short. In the run up to the 1975 elections the National Party responded to Labour's housing initiatives with a policy statement which restated its traditional policies of encouraging individual home ownership and Government-private sector partnership to finance and build homes. It promised changes in State house tenancies including rental rates related to the ability of tenants to pay the market rentals, and a new six year tenancy period. Finally National promised to reinstate the policy of selling State houses, curtailed by Labour in the face of increasing demand for rental units (Mahar 1984:270-1). The policy was to be given particular impetus because at the end of their six year term the tenant would be given the option of purchasing their State house, with a Housing Corporation mortgage, or moving out. Only if the tenants could prove themselves unable to purchase the house would another term be granted.

The National Party won the 1975 elections and implemented its pre-election housing policies. As a result State investment in housing was considerably reduced both as a proportion of total Government spending (see Figure 3.3) and in relation to the activities of the private building sector (see Figure 3.2). The levels of State house construction continued to fall into the 1980's and with the imposition of increased rentals, shorter tenancies, and the pressure to sell rental housing stock the State was reducing its involvement to the very minimum, even in a residual role. The emphasis of the State's housing policy remained on private home ownership but increasingly the support was more ideological than financial. Interest rates on loans had been increased (from 5.5 per cent to 7.5 per cent) and eligibility for loans was reduced so that an applicant now had to have a weekly income of less than \$160 (plus \$10 for each dependent child) to qualify. When coupled with the Housing Corporation requirement that only a certain percentage of an applicant's total income was to be devoted to mortgage repayment the net effect was to drastically reduce the number of people able to qualify for such loans. "By 1979, housing had irrefutably become recommodified" (Mahar 1984:272). In the year ended March 31st 1981 only 5,983 housing loans were authorised by the Housing Corporation, the lowest number since 1955.

At this time the private building industry was undergoing a severe recession, brought about largely by the Government's policy of reducing demand in the building and construction industry in order to shift resources into the export sphere, which was further encouraged by the reduced State support for housing just described. It appeared as if the Government's economic policy was re-orientating to reflect the interest of those whom it had traditionally represented; manufacturing, exporters and financial capital. In Parliament Government members made much of the lack of population growth in justifying their reduced activity in the housing arena. Yet, as we shall see, population is not the only reliable indicator of housing demand, and their measures were to have repercussions into the eighties. The Government's philosophy in regard to housing provision was succinctly expressed during a debate in Parliament, by the then Minister for Housing, Derek Quigley: "The Government was interested in home ownership and free choice" but "the National Government believed that home ownership should be worked for. People should earn their homes - it was not the State's role to provide people with housing, unless they were prepared to make some contribution themselves" (N.Z.P.D. 25 September 1979:3142).

In May of 1964 the State altered its home loan policy, beginning to authorise loans for the purchase of existing houses. From Table 3.7 it can be seen that at the outset this policy had

TABLE 3.7 STATE LOAN AUTHORISATIONS FOR HOUSING BY CATEGORY FOR SELECTED YEARS

YEAR	1965 ¹		1970 ¹		1975 ²		1980 ²	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
New Houses	8,906	77.8	7,126	66.9	9,040	56.8	5,983	34.5
Existing Houses	2,064	18.0	3,042	28.6	5,140	32.3	8,804	50.7
Other	485	4.2	478	4.5	1,724 ³	10.9	2,580 ³	14.8
TOTAL	11,455	100.0	10,646	100.0	15,904	100.0	17,367	100.0

- NOTES:**
1. Loans administered by the State Advances Corporation.
 2. Loans administered by the Housing Corporation of New Zealand.
 3. Includes Loans for Refinancing.

SOURCE: *New Zealand Official Yearbooks.*

relatively little impact on the pattern of State Advances lending, in 1965 loans on existing houses made up only 18 per cent of total loan authorisations. Initially justified as a reaction to the decreasing birth rate, the policy was given increased emphasis in the late 1970's. In this context it can be interpreted as the State's response to rising costs for building materials, labour, and credit which were rapidly inflating the costs of new house construction (see Table 3.5).

Because of the price rises, consumer demand for new housing was falling and fiscal pressures were making it increasingly difficult for the State to keep up with an inflation rate that was steadily reducing the buying power of its loans. At this time it was becoming increasingly commonplace for home purchasers to require a second mortgage to bridge the gap between Housing Corporation loan and the full purchase price of a new dwelling. Inflation was rapidly constricting access to home ownership for many New Zealand families, as less and less could afford to service the increasingly heavy burden of mortgage repayments required. By 1980 loans for existing homes had become the largest category of Housing Corporation loan authorisations, accounting for 50.7 per cent of total authorisations for that year.

This trend can be seen both as a reaction to changing public demand and as an expedient short term response to rising housing costs from a Welfare State under increasing fiscal pressure. However the long term consequences of this policy reveal it to be a flawed response for future housing consumers. The allocation of State funds for the purchase of existing dwellings is a relatively unproductive use of social capital because it does not add to the total stock of dwellings, it has severe implications for the viability of the residential construction industry. While it is fair to say that "...the country has enough dwelling units to accommodate everyone" (Derek Quigley N.Z.P.D. 25 September 1979:3142) there is certainly not enough at affordable prices at a number of specific locations. In these areas the effect of the State's loan policy is to compound the housing problem for future home purchasers forcing them to compete for affordable housing from a reduced supply, with the inevitable result of rising housing prices.

As a result of the abdication of responsibility for housing by the State the private sector had played a much greater role in the provision of housing in the period from 1950 to 1980. In fact despite the State's reducing input over half of the estimated total of 1,056,000 private dwellings

in 1980 were built in the twenty-five years after 1955 (New Zealand Official Yearbooks, see also Figure 3.2).

The private house building industry in New Zealand is composed of many small firms and only a few large concerns. In 1951 there were 2,948 firms involved in residential construction employing a total workforce of 20,896 people (New Zealand Official Yearbook), so the average firm was comprised of about seven people. For most of the period these building and developing firms customarily operated with a small stock of new houses ("spec houses") in hand in anticipation of demand. But the combined effect of Government economic policies, reduced State support for new housing and inflation caused large fluctuations in activity superimposed on a generally steep downward trend in demand for the latter half of the 1970's, which made conditions very difficult for builders. Many firms were forced into addition and rehabilitation work to survive while the larger firms shifted to the upper end of the market which remained more buoyant. The National Housing Commission's Five Yearly Report (1983:26) noted that: "Demand at the lower end is being met largely from existing houses." The effect of this recession is recorded in the very low new dwelling permit figures issued in the late 1970's (see Figure 3.2). High interest rates now made it impossible for builders to hold stocks of unsold houses. But losing this buffer was to pave the way for hefty price increases to be sparked off by even small increases in the overall demand for housing.

As the recession deepened a number of residential construction firms went bankrupt and more significantly far fewer building staff remained employed. By 1979 there were 2,941 firms involved in residential construction with a total workforce of only 9,740 people. The average firm now consisted of just over three people (New Zealand Official Yearbook). Many skilled trades people were to leave the country in search of employment overseas (New Zealand Housing Commission 1983:26). By the end of the 1970's the private building industry was producing very little new residential housing and was in imminent danger of total collapse.

SOME CONCLUDING COMMENTS

Perhaps the most outstanding feature of this history is the dominant influence of the State on housing provision throughout the majority of the period covered by this chapter. This dominance is expressed not only in the huge impact made on access and patterns of provision

by direct State rental construction and finance to build and purchase privately constructed housing but also in terms of its managerial role in the economy which largely dictated the pattern of private activity.

The patterns of both State and private activity in the provision of housing from 1937-1980 are illustrated in the figures accompanying this text. Figure 3.1 provides a general indication of the levels of total State aid for new housing when compared to the value of total new dwelling permits over the period. Figure 3.2 compares the number of new State rental units built each year with the number of permits issued for privately constructed dwellings. Finally Figure 3.3 illustrates State investment in housing as a percentage of total Government expenditure.

However, because of the limitations of the data consistently available throughout the period from 1937 to 1980 these graphs particularly 3.1 and 3.2 should be interpreted with care. The first application in relation to Figures 3.1 and 3.2 is that building permit figures only measure *intentions* to build, not actual construction. The second is that although the permits system was extended in 1938 to cover rural counties the information gathered was still not comprehensive. For rural areas only the total number of new dwelling permits are available. Thus until 1950 only the values of new urban dwellings are used to calculate the ratio shown in Figure 3.1. In addition total State aid to housing taken from Tables 3.4 and 3.6 encompasses far more than the permit value of the houses constructed including, for example; the administration costs in the various departments concerned; and in relation to State housing, the cost of purchasing, developing and servicing the land used.

The net effect of these inadequacies in the available data for the period is, in Figure 3.1, to inflate the importance of the State's role in relation to the value of new dwellings. Nevertheless it does graphically illustrate the trends apparent in the raw data (Tables 3.1, 3.2, 3.3, 3.6) with State activity peaking under the first Labour Government with levels of total State aid to housing almost matching the value of all new houses and flats. The abnormally high figure recorded in 1943 can be largely accounted for by the almost total absence of private construction during the war (c.f. Figure 3.2). After this period the picture is generally one of declining aid in comparison to the value of new dwellings with a particularly steep fall in the ratio from 1963 to 1974 largely as a result of the second National Government's (1960-1972) policy of reducing the State's role in housing provision. This fall is partially mitigated by a rise



Source New Zealand Official Yearbooks

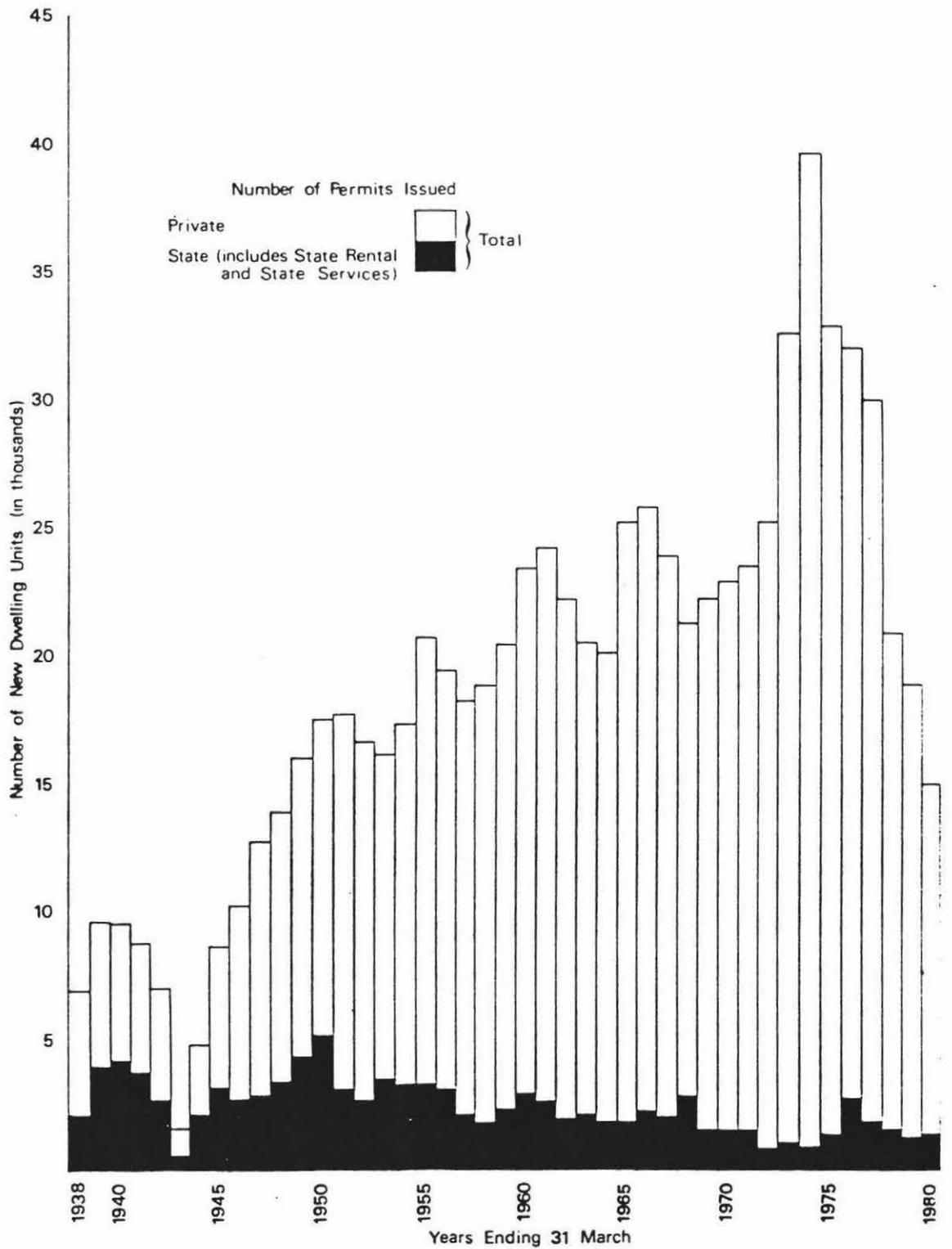
in the ratio in 1974 and 1975, attributable both to the then Labour Government's policy of increased State support, and the falling levels of private construction at the time (c.f. Figure 3.2).

Between March 1937 and April 1980 a total of 86,937 dwelling units were completed and handed over for rental purposes. The annual rate of construction during this period, as depicted in Figure 3.2, was far from constant, the chief determinants being the availability of resources, particularly during the Second World War, to a lesser extent the demand, measured by applications lodged with the State Advances Corporation (later the Housing Corporation) and above all else the effects of policy changes by successive Governments.

Approximately 50 per cent of all State rental units were completed during the fifteen years ending 31 March 1952, while the remainder of the period (with some exceptions, notably under Labour administrations) has been marked by a progressive decline in the annual rate of construction. In 1950 State rental units comprised approximately 20 per cent of all houses and flats completed but by the early 1970's the proportion of annual completions had dropped to around 5 per cent. The 59,533 State rental units administered by the Housing Corporation in the year ended March 1980 accounted for about 5.6 per cent of New Zealand's existing housing stock.

The early years shown in Figure 3.2 mark the beginning of the building industry's recovery after the depression, during which private building permit figures had fallen below one thousand (in 1932 and 1933). This recovery was accelerated by the programme of State house construction, begun between 1937 and 1938, until both were interrupted by the war, after which State house construction exceeds private building only to drop markedly behind after the change of policy regarding the State housing programme in the early 1950's. From this time the private dwelling permit figures show an overall trend of steady increase into the early 1970's, commensurate with the increasing population, standard of living and household formation rate. Within trend, however there is an almost cyclical pattern of slight booms in construction approximately every five years, with noticeably slower rates of increase in the intervening years. In the four years following 1973 Figure 3.2 records relatively high levels of dwelling construction (as measured in the house construction industry, only to be followed by a severe recession in the industry, caused largely by Government economic policies designed to

Figure 3:2: Number of Permits Issued for New State and Private Dwelling Units 1938-1980



Source New Zealand Official Yearbooks

favour the export sector, and reflected in extremely low permit figures for 1978 and 1979. Clearly both public and private construction of new dwellings was at an extremely low ebb by the end of the period studied.

Returning to the material presented in the theoretical section relating to housing and capital, we can also interpret the collapse of the house building industry as a manifestation of a crisis of accumulation. The process of suburbanisation in this country has, until recently, provided numerous opportunities for accumulation via investment in the secondary circuit of capital. But with the onset on economic decline surplus capital had switched from the primary circuit to the secondary circuit in search of profit in the face of declining returns. However it now appears that there has been an over-investment in suburban housing, the rates of return on investment in this sphere having dropped (Crawley 1982:12). The inherent tendency to over-accumulate in the capitalist system has manifest itself in a rapid decline in the construction of new dwellings and a recession within the house building industry.

From Figure 3.3 it is clear that housing enjoyed a high proportion of State expenditure under the first Labour administration and for a decade, from the early 1950's to the early 1960's, under both National and Labour Governments (although the target for this spending differed). This contrasts with the steep decline in the proportion of housing expenditure authorised under the second National administration, which continued up to 1972 and amounted to a drop of some thirteen per cent in housing's share of total Government expenditure.

In the mid-1970's the then Labour Government initiated an increase in the proportion of Government expenditure on housing, contributing to the growth in dwelling permit figures noticeable in Figure 3.2. This was, however, followed once more by a rapid decrease in the percentage of State spending on housing, again under a National administration but this time reaching the point, in 1980, where housing was receiving its lowest share of Government spending since the beginning of the period.

The events of New Zealand's housing history have shown that the objective existence of a housing shortage does not necessarily lead to the presentation or acknowledgement of that shortage at a political level. Not until it presents a threat to social cohesion and capital accumulation, particularly if by class based action, will the housing problem become a political

Figure 3.3: State Expenditure on Housing as a Per Centage of Total Government Expenditure



Source: New Zealand Official Yearbooks

problem. During the years after widespread Pakeha colonisation of New Zealand housing provision was largely undertaken by private producers for profit, while the State was fundamentally concerned with setting up the conditions for exploitation and capital accumulation. Despite the generally poor housing conditions for many in the population the State did not intervene effectively in housing provision until the threat of disease and social unrest virtually forced some action to preserve the conditions necessary for capital accumulation. The State was, however, quick to recognise the benefits of owner occupation and established early a tradition of a highly ideological promotion of this tenure form.

When the private sector had proved itself unable to adequately house all of the population (and particularly not the poorer section), as evidenced by the findings of the Military Medical Boards, Commissions of Inquiry, and the Town Planning Conference, the resulting State action took two forms which were, in varying degrees, to characterise the State's role in the provision of housing for the majority of New Zealand's recent history. The first stressed private ownership of housing and was to bring the State heavily into the arena of mortgage finance and building schemes to help those families who could meet the criteria and the mortgage repayment levels, while also supporting the interests of private building capital.

The second form of State intervention in the provision of housing aimed to provide support for the poor and needy by the direct building of rental housing for low income people which again, in effect, was to support the interest of private building capital and, later, finance capital.

It has been suggested that political parties differ on rhetoric, but not on substantive policy (Webley 1978:38) and indeed the need to gain electoral support every three years to remain in power certainly has the effect of limiting the range of acceptable policy options. In the New Zealand scene these constraints have apparently caused those in power to restrict themselves to varying blends of only two major forms of intervention in the provision of housing. The two main political parties of the recent period represented the interests of different power bases, which was, accordingly reflected in the different emphasis placed on these forms of State aid to housing. Yet, while to a certain extent dictated by social pressures, and the need for electoral acceptance the State's housing policies have at the most fundamental level performed the same basic function.

State intervention in the provision of housing has set standards for most people that could never have been provided by private capitalists operating alone in this area. But in the long term these policies have also been designed to function towards the creation and maintenance of the conditions for capital accumulation. Thus intervention in housing can be seen to be a State function, rather than the domain of a particular political party, which has gradually evolved to provide housing within the parameters of the capitalist system in order to guarantee the efficient functioning of that system.

Returning to the rationale for State intervention in housing, advanced in the theoretical framework, the history of housing provision in New Zealand is characterised by the role the State performs in sustaining the profitable accumulation of capital, not by intervening directly in the relations of production but, by organising, legislating and orchestrating the diverse relations of civil society. To this end, in the case of housing, the State is forced into particular relations with the agents of exchange and the sphere of circulation, in particular with processes involved in reproduction, and with social classes and with diverse other social forces within the sphere of struggle.

The period of the first Labour Government was to change significantly the role of the State in New Zealand society, and to set the pattern of Government for the future Labour administrations of the period. It was also to establish the partnership of State lending and private industry which was to characterise future State housing provision in New Zealand.

The Labour Party, usually representing more working class interests emphasised urban ideologies and collective consumption which were, in the main, represented by direct provision of State rental housing. In fact Ward (1977:199) goes so far as to state that the "...two periods of massive State intervention in housing can both be seen to stem from the strength of the working class, whether as a threat in 1919 or as the Government in 1935."

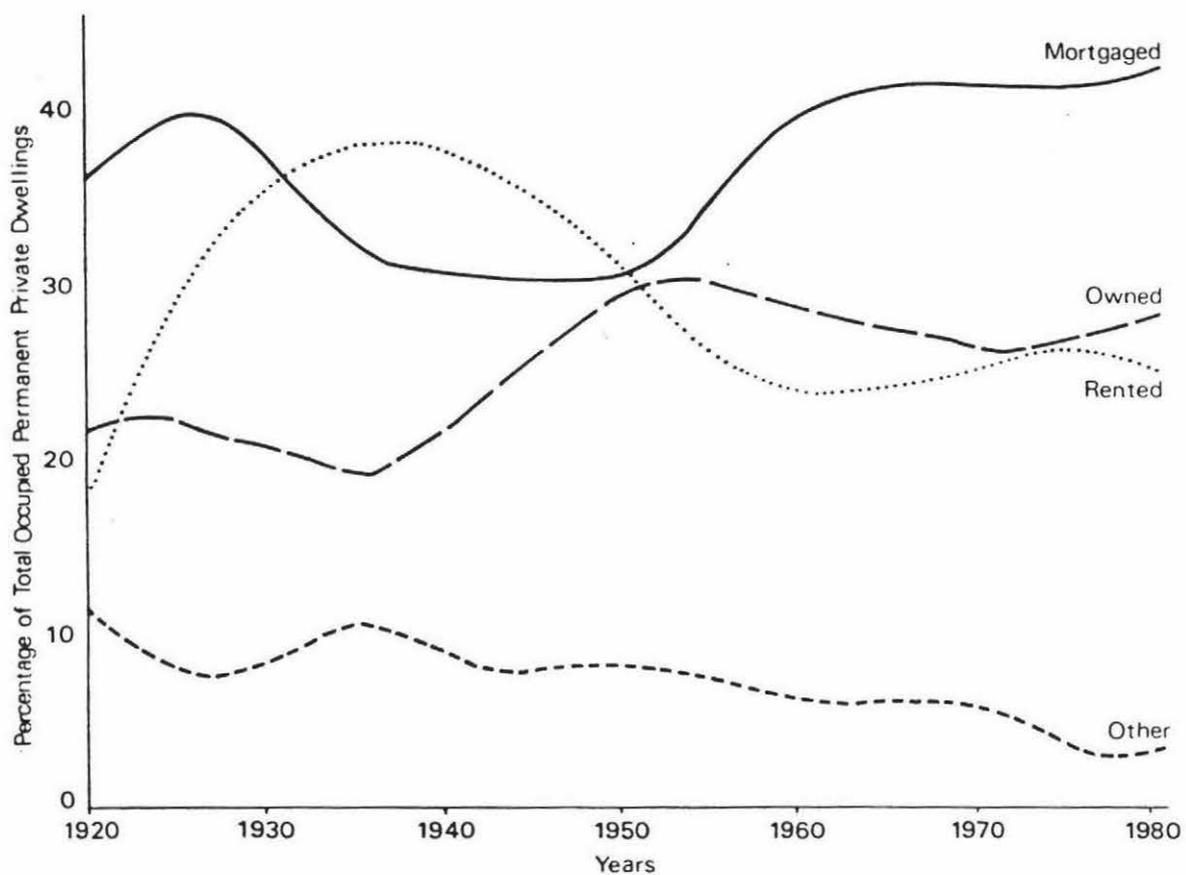
Before the advent of a Labour Government, State activities had reflected a relatively *laissez-faire* ideology, functioning mainly to uphold the legal basis for capitalist social relations, State intervention in housing provision was reluctantly undertaken in the face of appalling conditions and mainly restricted to policies of market supplementation (in particular State Advances mortgages) to promote home ownership with the (largely successful) aim of averting political

and industrial unrest to ensure the security of continued capital accumulation. After the depression the Labour administration, despite the initial socialist rhetoric, were informed by Keynesian 'pump priming' policies and moved rapidly towards increased State intervention in the economy: regulating demand, smoothing out the business cycle and formulating general economic goals, which essentially amounted to efforts to preserve the capitalist system. A massive programme of social spending by the State, with the aid of Reserve Bank credit and import controls, effectively spent New Zealand back into prosperity (Piesse 1978:100). The particular Labour Party philosophy in regard to housing resulted in market replacing policies and also served to give broader support for capital accumulation by taking a major responsibility for the costs involved in the reproduction of labour power. The Welfare State was to be the means of 'humanising' capitalism although many have pointed out that in New Zealand it has largely amounted to the tools of Keynesian economics functioning primarily to supply a healthy, trained and passive workforce while maintaining a high level of consumption (Bedgood, quoted in Piesse 1978:103).

The National Party, which largely dominated Government for most of the period after first taking office in 1949, had few links to those most affected by poor housing, rather it was more closely aligned to property owners and the interest of larger fractions, stressing the ideologies of private initiative and the values of rural life. Consequently its housing philosophy represented a return to the ideological promotion of home ownership particularly where it encouraged social cohesion, stimulated consumerism and by spreading the concept of private property served to legitimise capital accumulation.

It is interesting to examine the pattern of housing tenure over New Zealand's recent history in the light of the quite different philosophies about housing held by the two main political groups. In the 1920's Massey's desire to quell potential social unrest and revolution 'for the good of the nation' by massive mortgage lending, largely through the State Advances Corporation is reflected in Figure 3.4 by the fact that most permanent private housing was owned and the majority with a mortgage. By 1940 the first Labour Government's emphasis on low cost rental housing has lifted rented dwellings to the predominant tenure form. At the same time mortgaged owner occupation seems to have decreased to a stable plateau (of 30 per cent) while freehold owner occupation begins to rise, perhaps as earlier mortgages are paid off. After 1950 in a period of large scale house building a distinct pattern emerges under the

Figure 3.4: Patterns of Housing Tenure from 1920-1980



Source: Department of Statistics

predominantly National Party stewardship of the State. Rented dwellings have decreased to a fairly stable 25 per cent of the total permanent privated dwelling stock (see Table 3.8), slightly below freehold home ownership (28.6 per cent). The main effect of the National Government's ideological and financial emphasis on home ownership is to make mortgaged owner occupation rather than freehold) the most common form of tenure by 1981, constituting 42.2 per cent of all permanent private occupied dwellings. This trend perhaps reflects the more beneficial effects of 'a hefty mortgage' as a 'steadying influence' and also the gains for capital accumulation by promoting the relatively low income to the 'bottom rung of the consumption ladder'. The slight decline in rental housing compared to upswings in mortgaged and freehold owner occupation is perhaps the first signal of the rental housing shortage of the eighties. The fall in mortgaged housing to about 1936 is due to the large number of foreclosures during the depression when many of these 'home owners' could not manage to maintain the necessary payments.

The pattern of State rental housing provision is reflected by a general trend illustrated in Figure 3.1, from a high level of construction under the first Labour Government, interrupted only briefly by the second World War, towards a generally decreasing level of new unit construction reducing the State's role under successive National Governments to a residual one. This downward trend, exacerbated by a policy of selling State units to their occupants which, although interrupted by short bursts of activity marking the periods in office of the second and third Labour administrations, continued right up to 1980. Relating this to the theme of the unanticipated consequences of social policy, it was clear that in the case of State rental housing the consequences were wide ranging and negative particularly in terms of access to housing for low income people and for the quality of housing environment provided for those 'lucky' enough to be housed.

The pattern of State lending home construction was also to change, initially total State aid to new housing declined (in relation to total new dwelling permits - see Figure 3.1) in the same manner as State rental housing but Figure 3.1 reveals a peak under the third National Government, in the early 1960's which illustrates the marked shift in the emphasis of housing policies after the election, with the incoming National Government rapidly curtailing housing construction but because of its high degree of financial support for home ownership the ratio of total State aid to new housing actually increases in relation to the total value of new

TABLE 3.8 TENURE PATTERNS FOR SELECTED YEARS

CENSUS YEAR	1945		1951		1961		1971		1981	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Owned	102,358	25.4	150,985	30.6	181,793	28.7	212,374	26.5	287,343	28.6
Mortgaged	126,482	31.3	151,200	30.6	253,428	40.0	329,733	41.1	423,459	42.2
Rented	142,717	35.4	148,679	30.1	153,728	24.2	206,465	25.8	253,383	25.3
Other	31,777	7.9	43,148	8.7	44,758	7.1	53,112	6.6	38,919	3.9
TOTALS	403,334	100.0	494,012	100.0	633,707	100.0	801,686	100.0	1,003,104	100.0

NOTES: Figures relate to permanent private occupied dwellings only.

1. For 1945, 1951, 1961 owned with a mortgage combines: buying on time payment; and with flat mortgage.
2. For 1945, 1951, 1961 other includes free dwelling with job; loaned without payment; and not specified. In 1981 other includes: provided free not with job; provided free with job; and not specified.

SOURCE: New Zealand Census of Population and Dwellings.

construction. This may also reflect a tendency (also in evidence up until the mid-1950's see Figures 3.1 and 3.2) for State spending to increase during periods of low private investment representing "...official efforts to maintain consumers' demand at stable and rising prices, and to maintain capital values by 'easy money' policies (particularly in the field of building and construction) thus trying to defeat the effects of the law of the tendency of the rate of profit to fall" (Rosenberg 1978:31). From this time on, however, Figure 1.3 reveals housing receiving a steadily decreasing share of total Government expenditure, broken only by a short reversal under the third Labour Government, only to fall again into the eighties. While initially the increased level of affluence of the early 1960's enabled the private sector to take up the production dropped by the State to meet the housing needs of the majority of the population, trouble was on its way. The accelerating inflation of the 1970's combined with a decline in the rate of accumulation and economic growth has had major implications. Figure 1.1 reveals a rapidly falling level of private building permits in the late seventies. Attributed by some (e.g. Piesse 1977; Bedggood 1977) to Keynesian based policies of expanding the money supply and credit to finance State expenditure and maintain prosperity (see Chapter 4) inflation rapidly increased the costs of new housing (see Table 3.5) and undermined the buying power of Government assistance. Under an increasing fiscal squeeze the State's response has been to divert funding to cheaper existing housing, a short term measure, likely to cause further problems in the future, and as Figures 3.2 and 3.3 graphically illustrate, to reduce markedly all State spending on housing. The combined effect of these factors has been to severely restrict access to housing and to set the scene for the housing crisis of the early 1980's.

CHAPTER FOUR

THE STATE OF THE EIGHTIES

This section is intended to provide a 'window' on the contemporary provision of housing at a national level in New Zealand. As such it links back to the work of the previous sections by drawing on them for explanative purposes while at the same time providing a 'real life' illustration of the effect of the general and structural conditions theorised in Chapter Two, and a demonstration of the impact of the historical developments on the patterns of the present. In turn it provides the setting within which a view of the local scene, provided in Chapter Four, is situated.

In Chapter Three we traced the development of the Welfare State in New Zealand as it was mirrored in the provision of housing. Initiated by the policies of the 1935 Labour Government the Welfare State came to play a crucial role in regulating economic and social relationships in New Zealand. Its fluctuating success in executing this role is clearly manifest in the swings in employment, inflation, taxation, industrial harmony, social policies, and even foreign relations (after Encel 1976:149).

The Welfare State was seen as a way to 'civilise' capitalism and ever since has been popularly portrayed as the mechanism by which the harsher excesses of capitalism are ameliorated through the redistribution of the nation's wealth. It was to ensure "capitalism with a human face" (Trlin 1977:v). After the depression of the 1930's the Keynesian 'pump priming' policies of increasing State expenditure and stimulating credit adopted by the first Labour Government essentially spent the nation back into prosperity.

But the boom did not last forever. The once successful Keynesian policies led over time to increasing inflationary pressures. During the 1970's economic growth slowed considerably in the face of increased competition for markets and scarce raw materials, the impact of the 'oil shock', accumulated debt problems, and trade union militancy. Attempts to reduce wage costs had the unintended effect of reducing consumer demand. Under the contemporary capitalism of New Zealand moving into the 1980's (the age of concentrated production, trusts and

monopolies) the economic and social costs of accumulation created growing demands from both capital and labour for ever increasing State intervention. But the gap between revenue and expenditure and the huge budget deficit it has generated (financed by massive overseas borrowing) and the steadily falling economic performance of New Zealand by world standards, from third highest living standard in the world to sixteenth - excluding the oil States - in three decades (Collins 1987:22), has left the State in an extremely difficult position.

Yet as Offe (1972:484) argues given the existence of the Welfare State, political decision-making within the framework of that State is necessarily 'quite narrow'. Entering the 1980's the State in New Zealand was faced with a mounting crisis, and, at the risk of simplification, in broad terms the situation appeared to present only two basic alternatives within the existing system: It could increase expenditure and continue to finance growing budgetary deficits, a path likely to exacerbate inflation, or public expenditure and credit could be contracted with the aim of creating a budget surplus, which would appear to necessitate abandoning the objective of full employment.

This chapter seeks to explain this dilemma and focuses on the varying responses of the State to the problem as it has been reflected in the provision of housing in New Zealand in the early 1980's. Finally the changed patterns of access to housing that have been created are addressed by reference to three areas where they have had a major impact; homelessness, rental housing and home ownership.

FISCAL CRISIS IN THE WELFARE STATE.

The Welfare State apparatus is the most sophisticated array of institutions yet devised to counter the tendency to crisis. Its key is the role of the State in manipulating consent on the pretext that its purpose is to promote social security, equality and welfare. But it is not the purpose of the Welfare State to pursue these goals except as a means to further accumulation and legitimation.

(Bedggood 1977:207)

Recalling the material on the role of the State, particularly that relating to the work of O'Connor (1973), in the theoretical section it is evident that in a capitalist economy high State expenditure is aimed at creating and maintaining the conditions necessary for profitable capital

accumulation. In short, it encourages a buoyant home market for the products of private enterprise; it subsidises the private sector through a multitude of incentives, allowances, tax concessions and credit provisions while providing it (essentially either free of or below cost) with a healthy trained supply of labour, scientific research and development facilities and an infrastructure (transportation, communications etc.), and health welfare and other facilities conducive to the maintenance of social peace and harmony. Thus Miliband (1969:78) writes:

Capitalist enterprise...*depends* to an ever greater extent on the bounties and direct support of the State, and can only preserve its 'private' character on the basis of such public help. State intervention in economic life in fact largely *means* intervention for the purpose of helping capitalist enterprise. In no field has the notion of the 'Welfare State' had a more precise and apposite meaning than here: there are no more persistent and successful applicants for public assistance than the proud giants of the private enterprise system.

The problem of inflation can be seen as largely attributable to the Keynesian objective of 'pumping up' purchasing power with the aim of ensuring producers (or employers) buyers for their goods and services. It is evident that this is also achieved through the systematic expansion of credit, an increasingly popular alternative to increased State spending. But given the 'coercive laws of capitalism', mentioned earlier, it is considered normal business practice for an individual capitalist to attempt to maximise profits by charging what the market will bear. In this way if Keynesian policies are pursued by a nation State over a long period the ultimate result is the effective creation of a permanent 'sellers' market which will 'bear' constantly rising prices (Mason 1978).

In addition, this inflationary pressure is aggravated by what has become known as the 'wage-price spiral'. Briefly, this refers to the situation where the successful demands of workers for an increase in wages to compensate for the increasing prices of commodities induces capitalists to further increase the prices of the commodities they produce to cover the increased cost of labour, this in turn stimulates renewed demands for wage increases... In this way inflationary expectations set in and are likely to remain as long as governments are committed to the policy of (reasonably) full employment.

In New Zealand this has even been taken to the extent of bailing out financially shaky companies (for example Rata Industries on the West Coast). Once the spiral is triggered the

potential co-existence of inflation and recession is readily explained. If the State does try and cut demand, capital interests in monopoly positions cut their production, not their prices; even more competitive companies still have to attempt to recover their costs with higher prices. But Mason (1978) suggests that such inflationary processes are dependent on 'permissive' monetary policies. In the long term inflation is only likely to continue if a steadily expanding money supply *allows* rising prices to be paid. Yet, after 1945 most Western governments (including New Zealand) committed to full employment policies increasingly found themselves locked into just such 'permissive' monetary policies. Indeed Titmus (1967:103) claims that no Western democracy,

...whatever its political colour, is today publicly committed to an official policy of more unemployment, less education, no social security provisions for the needy and no tax deductions for the needs of dependents.

In fact the development of capitalist production in New Zealand over recent decades can be seen as reinforcing such 'permissive' monetary policies. The development of the monopoly sector (O'Connor 1973) by large scale private capital, increasingly dominated by multi-national companies while resulting in an overall contraction of the workforce, has required increasing numbers of well trained technical and administrative workers and a growing demand for infrastructures. The costs of these social investments have not been borne by monopoly capital but have been socialised and taken up by the 'Welfare State'. This process has occurred partly because such collective goods and services are not profitable for any individual capitalist to supply - in addition the benefits are collective, competitors are equally able to derive benefits from such provision. It has also been forced on to the State by the effects (and threat) of social and class struggle. Social services have increasingly been viewed by labour as an integral part of its wages to be defended and increased in the same way as money wages (Piesse 1978:105), either by pressure at the workplace or action within the sphere of struggle. In New Zealand's case further social spending was increasingly necessary after 1977 to mitigate the effects of increasing unemployment (Collins 1987:26) brought on both by the slow down in economic growth, and the contraction of labour requirements as a result of the increasing development of monopolies within the economy.

O'Connor argues that "the fiscal crisis is exacerbated by the private appropriation of State power for particularistic ends" (1973:9). A whole range of 'special interest groups make

demands upon State for various kinds of social investment. Organised labour, and workers in general make claims for various types of social investment spending which is usually represented in different forms of class struggle. But the unemployed, poor, homeless and even business people in financial trouble also stake their claims for expanded social expenses commonly by exerting pressure within civil society. "Most are processed by the political system and are won or lost as a result of political struggle" (O'Connor 1973:9). The outcome and degree of State intervention is likely to reflect the balance of class forces at any one time. In his more recent work, *Accumulation Crisis*, O'Connor (1984) takes this point further arguing that the new 'ideologies of individualism', while apparently concordant with the capitalist social order, have legitimated social struggles for 'more' and for the 'self' to an extent that is feeling increasing costs of social and economic reproduction. As a consequence still further State intervention is necessitated as inflation free surplus value and profits become more difficult for capital to realise. This is, he argues, reflected in high interest rates, inflation, budget deficits, upward spirals of credit and growing unemployment.

The higher and higher budget deficits created by this 'permissive' State expenditure have had to be financed in ways that almost guaranteed inflation (Mason 1978). In New Zealand this has taken the form of borrowing from the Reserve Bank and overseas, and by selling Government securities to the trading banks. In this way it can be seen that the role of the Welfare State in New Zealand has not only exacerbated inflationary tendencies in the economy but has created a situation where ever increasing State expenditure is institutionalised. Given the inability of the State in a capitalist society such as New Zealand to match revenue to the ever increasing expenditure, fiscal crisis seems inevitable.

The logic of the Welfare State appears to be the prevention of potentially disastrous social problems in order to endure the continued profitability of capital accumulation. However the somewhat ad-hoc manner of reaction to emerging social pressures has led the Welfare State into what seems to be a cycle of endless adaptations which almost inevitably involves increased expenditure and the expansion of the State.

Thus monopoly sector growth indirectly leads to the expansion of the State sector, particularly social expenses of production.

(O'Connor 1973:27)

Yet it is the inherent institutional constraints of the capitalist economy which appear to confound every effort of the Welfare State to solve its internal difficulties.

Very simply, the Welfare State tends to generate as many problems as it is able to solve.

(Offe 1972:484)

The truth of this statement can be seen, particularly in the New Zealand context, in the way in which Welfare State spending and intervention, designed to stave off the threat of crisis for capital accumulation has in fact generated a host of other problems which further exacerbate the tendency to crisis within the State and in the economy as a whole.

The following explanation is necessarily brief and generalised, given the considerations of space (and time!) and the central objectives of this study. The analysis draws on the well known cycles of business profitability of 9-10 years duration which are reflected in fluctuations in business activity caused by minor crises in the capitalist system and response to crises, either by private capital in the form of innovation or monopoly or by the State via policies of market stabilisation, price support, wage restraints and so on; the characteristic policies of Keynesian demand regulation. It is based around the concept of the tendency towards crisis in capitalist accumulation, largely drawn from the work of Castells (1980), which is reinforced by the "large and increasingly plausible body of evidence (that) suggests that market economics expand and contract in 40-50 years cycles" (Harris 1986:9).

Castells claims that what defines a structural crisis, as opposed to the minor crisis which seem to trigger the fluctuations of the 'business cycle', is

that it becomes impossible to expand or reproduce the system without a transformation or reorganisation of the basic characteristics of production, distribution and management and their expression in terms of social organisation.

(1980:8)

It is important to view contemporary capitalism in various countries and globally, as a total entity in which key historical events are interrelated. In this way it is necessary to start analysis of the present slump with the long preceding boom of the post war years. The system that now appears to be approaching crisis is the modern world capitalism that was cobbled

together in the 1940's as a response to the last crisis of the depression of the 1930's, the breakdown of world trade that resulted and the war that followed.

In New Zealand the Welfare State's pursuit of increased spending and Keynesian policies of intervention in the economy can be seen as designed to manage the level of demand for products to avoid periodic crises of over production. Such measures can be interpreted as attempts to flatten out the 'business cycles' of boom and slump. Indeed Castells argues:

The intervention of the State in the economy is a countertendency essential to keeping monopoly capitalism out of crisis.

(1980:71)

Piessé (1978:109) suggests that public spending in New Zealand supported the 'long boom' after the Second World War (with the aid of rich export markets), but it appears that such policies have not succeeded in preventing the effects of the world wide recession reaching New Zealand. In fact the attempts to counter the effects of the recession in New Zealand effectively blocked what Mason (1978/79:42) interprets as a potential mechanism by which profitability could be restored to capital accumulation within the capitalist system.

Under this approach the business cycle of boom and slump over production followed by cuts in production, falling profits followed by the temporary restoration of profitability, reflects the long term tendency for the rate of profit to fall as employment is progressively reduced in relation to the total capital needed to finance increased production. It must be stated however that this theory of the tendency to falling rate of profit is far from unproblematic (see Castells 1980:15-26) and there is in addition a heated debate in relation to the strength and operation of certain counter tendencies to the falling rate of profit. Nevertheless Castells (1980:41) claims that the theory of the falling rate of profit is the only one linking a theory of crisis with an explanation of the determinants of the rate of accumulation.

It is the only *general theory* of capitalist development that has tried to explain the historical contradictions of the system.

(Castells 1980:41)

In the later stages of the post-war boom, essentially the position of the New Zealand economy entering the 1970's, the State, as we have noted, pursued 'demand management' policies of

high spending and credit stimulation to boost demand in the economy and 'socialise' the cost of production with the general intention of ensuring the profitability of capital accumulation in the face of the impending international recession. However Mason (1978/79:33) argues that the expansionary policies followed by the State in New Zealand only succeeded in effectively prolonging the period where profits fell as a result of inflation driven cost rises. The actions of the State prevented the profit restoring mechanisms coming into play, thus reflecting the point made in Chapter Two regarding the possibility for the State to pursue economic policy which may not be in the long term interests of capital.

A clearer understanding of New Zealand's situation can probably be gained if we consider what would happen in the absence of State 'counter-cyclical action'. In the latter stages of a boom resources are strained by the increased expansion and inflation sets in. Mason (1978/79:41) suggests that capitalists' profits are squeezed by a host of factors, mainly rising costs and 'over optimistic expansion of production'. The search for efficiency through such things as new labour saving machinery results in a restriction of consumer demand. That means unsold goods, reduced production and investment, lay offs and a further slump in demand. There follows a forced sale of stocks, bankruptcies and greater unemployment. In the absence of State intervention a period of full scale slump ensues - which can be interpreted as *necessary* under the capitalist system as an avenue to restore profits to 'satisfactory' levels. These are achieved as a result of reduced prices, interest rates, and at the expense of the labour force, many of whom are demoralised by the reality of unemployment and are thus 'disciplined' towards the interests of capital. Larger and stronger firms, able to survive the slump, may seize the opportunity to take over smaller businesses and self employed people by buying up their assets at bargain prices.

Clearly though, while New Zealand might have needed a recession economically in the 1970's, the Governments of the day could not afford it socially or politically. Indeed the social unrest such a recession would have generated may have cut short many political careers. The response was instead to further increase spending, particularly during the second Labour administration which was forced to undertake inflationary policies in order to maintain high levels of economic activity and employment (Mason 1977:12).

Historically through this working out of the long term cycle, each depression has set the stage for a new round of profit making. But in New Zealand, and in the major markets for New Zealand's exports, Keynesian attempts to flatten out the business cycle have only succeeded in extending what Mason (1978) calls 'the period of squeezed profits'. In this way State spending has had to grow larger and larger to try and maintain profitable capital accumulation and to ensure social cohesion. The result of these processes and the actions of the State has been not only persistent inflation within the New Zealand economy but an increasing fiscal crisis. State expenditures have grown consistently faster than State revenues (Collins 1987:80). Returning to the material presented on State expenditure in Chapter Two, it can be seen that this gap has occurred for two main reasons, the benefits of State spending policies (greater profits or reduced losses for private capital) have been only partially returned to the State in the form of company taxation; in addition the desire for political stability within civil society puts limits on the tax burden that can be imposed on salary and wage earners. In addition to this growing fiscal crisis the potential of profit restoration by the reorganisation of the social relations of production during a depression is prevented by the heavy intervention of the State aimed at preventing just this collapse. In this way:

The crisis of accumulation of capital and the crisis of the capitalist State are increasingly linked.

(Castells 1980:58)

The contradictory role of State expenditure in the New Zealand economy is thus revealed. On the one hand its attempts to resolve the heightening fiscal crisis represents an increasing drain on the profits of productive capital because of the corporate tax burden (such as it is), the increased militancy of wage earners being expected to pay higher taxes, the way government borrowing 'crowds out' private enterprise in the capital market and above all because of the inflationary impact of deficit financing which has taken place. On the other hand, the major categories of state spending (see Chapter Two) have been instrumental in creating and maintaining the conditions necessary for capital accumulation to take place at all.

Mason (1978) argues that the situation has now reached a point where it appears that only a full scale slump with its attendant bankruptcies and unemployment can break entrenched inflation. Thus, he predicts that the consequence is a shift within the State from attempted crisis prevention to crisis justification. "If the State cannot prevent slump, it will try and control

the way it develops..." (Mason 1978). Piesse (1978:115) suggests that in crisis, the option most likely to be pursued by the State is that of reducing its expenditure. But the viability of this strategy, particularly in relation to cuts in spending in Social Welfare and housing, is to a large degree dependent on the level of resistance generated by these moves. This resistance or social struggles waged by consumers in the sphere of civil society around, for example, housing consumption issues (see Chapter Five).

So much for predictions. The Welfare State in New Zealand entering the 1980's is faced with increased fiscal crisis and there is a threat that the economy as a whole may be faced with a widespread crisis of capital accumulation. The next section of this chapter examines the various responses of the State to this problem as they have been reflected in the housing policies adopted by the two different Governments that have held office for the first half of the 1980's.

THE NATIONAL GOVERNMENT

The new Prime Minister and Ministers of Finance, R.D. Muldoon, stated in March 1976 that on assuming office some three months earlier the Government had been faced by five major problems: (i) 'an intolerable - indeed - disastrous - rate of inflation of nearly 16 percent; (ii) an unacceptable large balance of payments deficit; (iii) an unacceptable large budget deficit; (iv) a decline in the savings rate; and (v) rising unemployment.

(Gould 1982:216)

Given the analysis of fiscal crisis and the 'crisis of capitalism' presented above it should be pointed out that virtually every country in the world performed worse in the second half of the seventies and into the eighties than through the post war period, obviously New Zealand could not hope to escape this recession, particularly as it is a trade dependent economy. New Zealand cannot thrive if its markets are depressed. Yet while acknowledging the interdependence of the capitalist system and the importance of the world wide crisis within capitalism as a factor in New Zealand's situation, an examination of New Zealand's relative economic performance suggests there is more at work. In a number of key factors, notably the balance of payments and rate of inflation, New Zealand has performed poorly in comparison with its seven major trading partners (U.S., U.K., Australia, Canada, Japan, West Germany, France) (Collins 1987:22-27). As noted earlier New Zealand has slipped in three decades

from the third highest living standard in the world to the sixteenth (and that excludes the rapid growth of the Arab oil exporting states). Clearly New Zealand faced a crisis both with the State and within the economy that cannot be attributed solely to external factors.

The National Party, lead by Finance Minister Robert Muldoon, came to power in 1975, defeating the third Labour Government. By the end of his period in Government, terminated by the 'Snap Election' of 1984, Robert Muldoon was associated with perhaps the most extreme level of State intervention in the economy and society ever witnessed in New Zealand (Easton quoted in Collins 1987:160)

He may not have been a good one, but the last New Zealand Keynesian with the finance portfolio was Sir Robert Muldoon, whose commitment to employment and welfare is largely unhailed.

(Collins 1987:30)

But, facing increasing fiscal pressure as it entered the 1980's the response of the National Government was, in broad terms, to increase regulation and intervention in the economy while attempting to reduce State spending notably, in the welfare sector. The evolution of the National Party's housing policy, particularly in relation to philosophical and ideological preferences has been traced in Chapter Three.

In 1980 the policy still reflected an ideological commitment to home ownership but this did not extend far in terms of financial commitment. In fact the State's housing policy under National represented a direct attempt to combat inflation and reduce State spending. The National Party manifesto announced the philosophy that the State should have as little involvement in housing as possible.

Initially the most direct attack on inflation was in the field of policy relating to home ownership, where the State action was aimed at winding down the house building industry. Fewer funds were available for State assistance and proportionally more was diverted into existing house purchase.

Housing construction inevitably lost its dominance given the resource shortages in the depressed economy...

(Easton 1980:131)

In 1981 the Report of the Housing Corporation admitted:

In the debate of recent years, concerned with the best use of a relatively declining pool of public resources, housing has not been immune. While preference for assistance remains with first home seeker, it is to a lesser degree than has been possible in the past.

(H.C.N.Z. 1981:5)

This contradiction in State assistance for home ownership reached an all time low in 1983 when only 2064 loans for new housing were authorised nationwide while 7,308 loans were authorised for the purchase of existing housing.

The effects of these policies were graphically illustrated in the fall in new dwelling permits issued (shown in Figure 3.2), the fall in new house construction continued into the 1980's, reaching its lowest point in 1981 when only 14,200 new houses were completed (see Figure 4.2). The figures have shown a slow and fluctuating rise in construction reaching a point where 23,014 building permits were issued for new dwellings in 1986. Yet the New Zealand Institute of Economic Research predicts that building permits will drop to 19,000 during the 1986/87 year (Report of the Housing Corporation 1986:6). The gravity of this trend is more apparent when some future demand possibilities are considered:

The movement of a disproportionately large cohort into the prime reproductive ages from 25-44 years is a demographic change with profound ramifications not only for demand, but also for need. Its passage into those ages could bring pressure on the supply of ordinary private dwellings.

(National Housing Commission 1986:150)

It would seem that the housing shortage is only likely to get more acute.

There were a number of other outcomes attributable to these policies, some of which will be covered in the next section, but they did not have a noticeable impact on inflation. In fact in 1981 the price of the average existing house rose by 40 per cent (Gordon 1982). This level of price rise put increasing pressure on the rental market as many could no longer afford to purchase their own home. This increasing demand was, in turn, creating an unprecedented rise in the price of rental housing (30 per cent in 1981 - House This Spring 1983:16). In addition the State encouraged wind down of the building industry, largely a result of 'overinvestment' in the built environment (the secondary circuit of capital) - a manifestation of

the crisis of accumulation at the onset of recession, exacerbated rising levels of unemployment already generated by falling economic growth. Indeed Gordon (1982:25) points out that in the early 1980's numbers of new houses decreased in an almost direct inverse proportion to the rise in unemployment.

A feature of the National Government's housing policies in the 1980's was the emphasis on urban renewal which reached its peak in the Community Home Improvement Programme (CHIP) initiated on the 1st of September 1979. The CHIP scheme was basically intended to improve the condition and utilisation of the existing housing stock and to ensure that residential renewal activity was controlled by integration into urban development and management plans at the local and national level. At its launch a number of additional advantages were claimed for the scheme, notably the social advantages of housing young families on relatively low incomes close to employment and commercial, educational and social facilities.

However, Crawley (1982:14) suggests another reason for State involvement in the process of rehabilitation of older housing stock. She suggests schemes such as the CHIP are directed more towards the needs of capital rather than the needs of people. Returning to the points made in Chapters Two and Three, the situation in New Zealand cities at the beginning of the 1980's was one where the production of new housing and the process of suburbanisation no longer provided lucrative opportunities for capital accumulation. In just such a circumstance the process of rehabilitation opens up new opportunities for accumulation in what Harvey (1978:113) refers to as a 'geographical switching crisis'; the switching of flows of capital from one place to another. Thus although capital still flows through the commodity circuit of housing, as a component of the built environment, an accumulation crisis had necessitated a major reconstructing of the mediating institutions to open this new channel for productive investment and the realisation of surplus value. It is for this reason that Crawley suggests:

The process of rehabilitation is therefore inextricably tied to its ability to present sufficient opportunities for the accumulation of capital.

(1982:15)

In this light changes in State policy relating to mortgage finance and the future of older housing stock appear to be a response to the demands of capital for sites for profitable accumulation rather than the demands of consumers for housing.

The CHIP scheme, in operation, was focused on specific areas within cities, designated Neighbourhood Improvement Areas (NIA's), which were dominated by older housing stock. Within these areas State assistance was available under the programme via local authorities and the Housing Corporation of New Zealand to builders and developers, private home owners, landlords, and first home buyers. Assistance was predominantly provided in the form of low interest State loans for house purchase and home improvement and from the local State in the form of advisory services and area improvements.

In practice the CHIP scheme generated such a high level of negative and, ostensibly, unintended consequences that the alternative rationale, presented above, for the scheme seems particularly apposite. The establishment of NIA's in many areas set up the pre-conditions for the extraction of monopoly rents. By restricting the supply of housing eligible for special loan assistance an 'artificial' scarcity was created. The establishment of NIA's thus bid up the price of the land and housing concerned, even prior to any rehabilitation work being undertaken. Indeed in many areas (see Chapter Five) this expected capital gain was to attract the operations of speculators, estate agents and developers whose main interest in housing was to obtain capital gain. The result was a severe restriction of the number of people who could afford to participate in the scheme.

In addition the CHIP scheme was, not surprisingly, designed to encourage investment in owner occupation. Given that many of the NIA's established under the scheme were previously areas of low income rental housing (Crawley 1982) the effect was to decrease the supply of rental accommodation in the inner city and increase competition - and prices - for that which remained.

Finally the scheme was much criticised for encouraging gentrification as the process already described and the outcome of the home improvement efforts of home owners was thought to result in the creation of high priced housing neighbourhoods within the inner city at the expense of the previous occupants of such areas and indeed rental housing consumers as a whole within the cities concerned. Thus it is clear that while the CHIP scheme may have improved the condition of the housing stock the social and economic consequences of the policy were not only contradictory to the stated aims of the policy but detrimental to the interests of housing consumers within the cities concerned, particularly those in the low income

rental market. It would seem that the real aims of the policy were not orientated towards satisfying the needs of housing consumers but the needs of capital. If this was not the case the results of the policy "point out the contradictions between the intentions of policy set in a capitalist system and the outcomes of the implementation of such policy" (Crawley 1982:75)

The demise of the scheme was to reinforce the impression that the intended benefactors were not housing consumers and provide a clear illustration of a National Government struggling in the face of increasing fiscal crisis. In September 1983, after many NIA's had been established in centres throughout the country, and some local authorities had begun to use the scheme for funding the provision of community rental housing the scheme was abruptly axed. No detailed reasoning for the cancellation was given, it appeared that the cost of the scheme had simply outweighed its perceived benefits. Despite claims that existing commitments would be met many hundreds of CHIP home owners throughout the country, who had purchased dilapidated properties under the impression that low interest loans would be available to renovate them, found themselves left with the option of raising funds on the private market (at prevailing market rates) or simply living in a run down house. For many of the later participants in the scheme the inflated prices paid for houses within the NIA's meant that after the cancellation of the scheme they could not even afford to sell their 'unrenovated' houses. Such realities contradicted claims made at the scheme's inception, for example:

Financial pressures on these families would be further reduced by their being able to purchase existing homes which are cheaper and already developed.
(CHIP Seminar Paper H.C.N.Z. 1982:4)

The State's policies in the rental housing sphere under the National Government's stewardship also represented a response to increasing fiscal pressure. In fact State rental housing was an area where the National Government, in line with its previous philosophy, made perhaps its most concerted effort to remove State involvement from the provision of housing. Not only was considerable State spending cut but there was even an attempt to recoup previous State spending by the sale of assets to generate revenue. The net result of fiscal pressure and a history of ideological and philosophical opposition to the provision of rental housing was a decline in the stock of State rentals.

Essentially the stock of State rental houses was being run down by the combined effect of two policies. There was a significant increase in the sale of State rental houses, particularly after

1980 (see Figure 4.1), under the National Government, providing much needed capital gain for the Housing Corporation. This increasing emphasis on sales was fueled by a policy limiting Housing Corporation tenancies to six years, after which tenants judged capable of finding other housing were given 12 months' notice. In addition a tenancy savings scheme was introduced, with the corporation contributing towards the purchase of either the State house being tenanted or another house. This policy represented, yet again, a strong endorsement for the ideologies of private property and home ownership. When a person's six year tenancy elapsed they were given the choice of moving on or buying the house they were in. Not surprisingly the result, as shown in Figure 4.1 was a massive increase in the sales of State rental houses. At the same time as sales were being actively encouraged, very little spending occurred to provide new housing to replace that being lost. The emphasis of State housing policy was on urban renewal and the traditional ideological (rather than financial) support for home ownership. The decrease in acquisitions by either construction or purchase, also shown in Figure 4.1, reached its lowest in 1982 when the corporation acquired only 414 new housing units, of which only 263 were new units built by the corporation, the rest were purchased from the private sector. In the same year the Corporation sold off 1465 State rental units. The combination of increased sales and decreased acquisitions resulted in a considerable reduction during the early 1980's in the total size of Housing Corporation rental stock, which is shown in Figure 4.3. This decline in State support in the housing sphere was, as we shall see, having a dramatic effect on housing consumers, placing, in particular, increasing demand on the low income private rental market. It coincided with the worst effects of the collapse in the house building industry, reflected in a dramatic decline in the number produced the Economic Stabilisation Act. The prime constituent of this legislation was the Wage-Price Freeze introduced on June 22 1982

The wage price freeze, imposed in June 1982, led to attempts to regulate an increasing variety of interest rates until it seemed there was hardly anything left that was not controlled. The government budget veered widely out of balance...

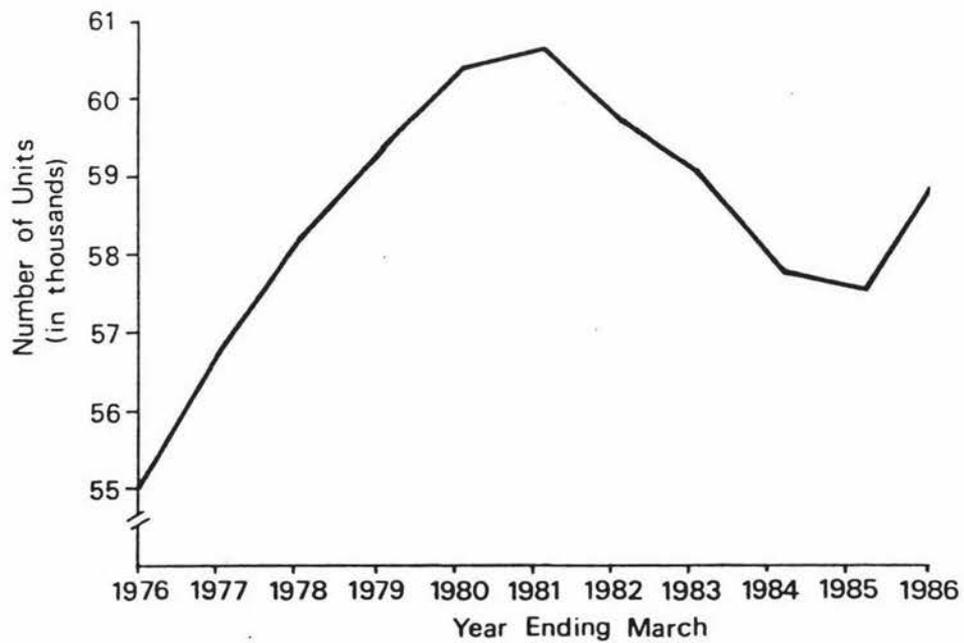
(Collins 1987:15)

It began to appear that the Government was becoming increasingly desperate in its attempts to break the vicious cycle of inflation and alleviate the crisis now clearly evident not only within the State but also within the economy. This desperation was nowhere more clearly illustrated than in the financial sector; interest rate policy had see-sawed bewilderingly from greater

Figure 4.2: Total Number of New Dwelling Permits Issued 1976-1986

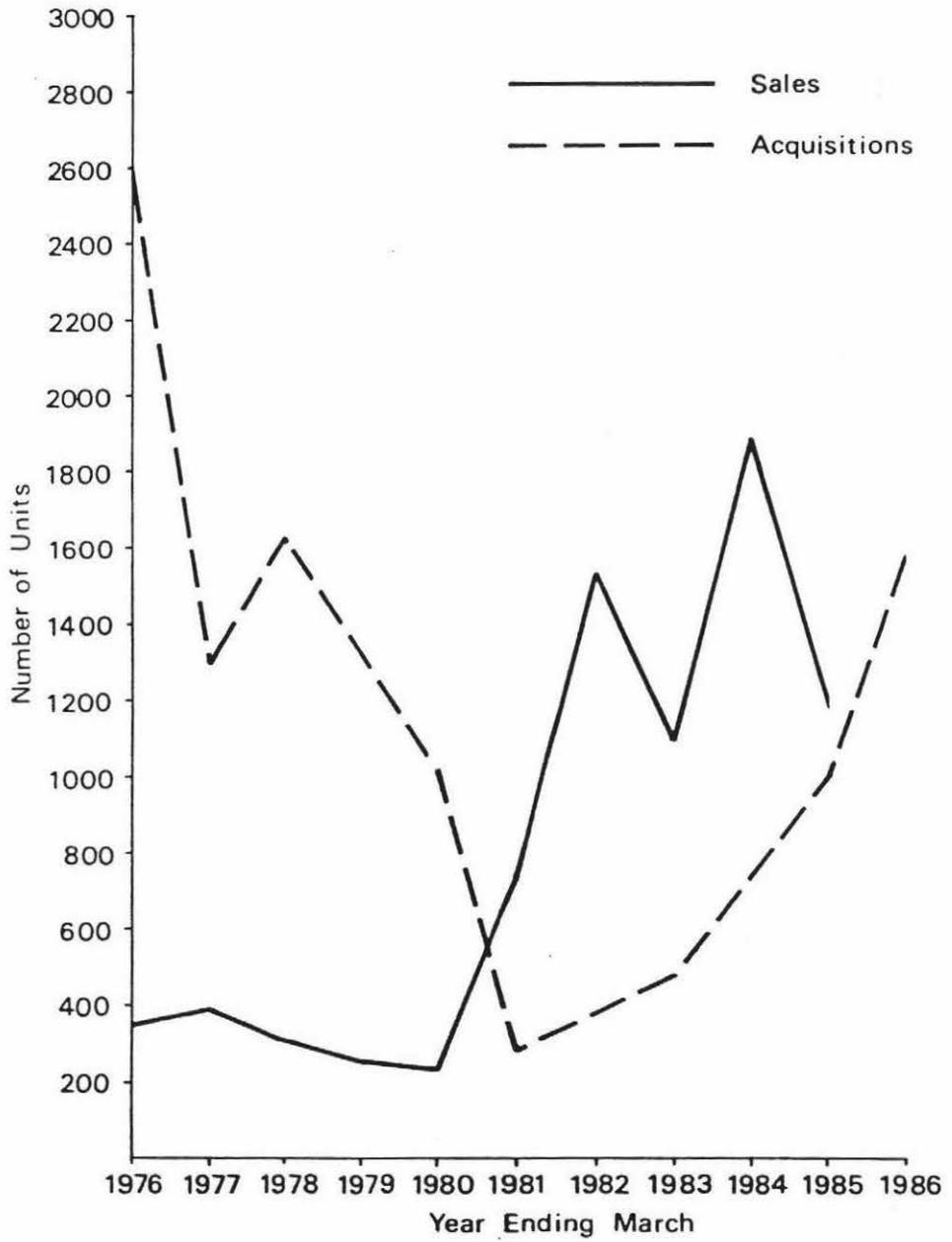


Figure 4.3: State Rental Housing Stock, Total Number of Units 1976-1986



Source: Report of the Housing Corporation 1985, 1986

Figure 4.1: State Rental Housing Stock; Acquisitions and Sales 1976-1986



Source Report of the Housing Corporation 1985, 1986

freedom to greater control and then back again through a similar arc in 1969, 1972, 1976, and from late 1981 onwards (Gould 1985:66). In 1982 it was back to control with a vengeance!

The financial sector was enveloped in a set of very restrictive controls which did not, however, stop it growing, a wage/price freeze of unparalleled severity was introduced in July 1982 and ran for a period of 20 months; a fierce war was waged to drive down interest rates by fair means or foul, partly to reduce the burden of debt servicing on the budget and partly, according to Sir Robert, to 'cement in' the lower inflation rate which the freeze had achieved - though most economists say that depressing interest rates artificially has the opposite effect.

(Gould 1985:74)

The Rent Freeze introduced with the Wage-Price Freeze was to prove equally as unsuccessful. Landlords were forbidden by law to increase the rents on their properties, yet right from the outset the measure seemed to be so fraught with loop-holes that it appeared that it was merely a cosmetic partner to the freeze on wages. The responsibility for enforcing the Rent Freeze was legally the duty of the Housing Corporation. However that agency's record was not encouraging; the corporation had never prosecuted a landlord under the Rent Appeal Act, an avenue for tenants attempting to rectify excessive rentals, since it had been placed under their administration in 1977. It had no statutory power to investigate complaints of a breach of either the Rent Appeal Act or the Rent Freeze Regulations, unless the subject of the complaint (the landlord) freely provided the information necessary to secure a conviction. Unlike the Departments of Labour or Trade and Industry, empowered under the same legislation, the Housing Corporation could not require people to provide information, or financial records (e.g. Receipts, rent books etc.). In addition at the same time they were given the responsibility for enforcing the 'Rent Freeze' the Housing Corporation had no investigative staff on the payroll and no funding was provided for any. It is difficult to disagree with the observation of Tenants' Protection Associations at the time; that the National Government, mindful of the powerful landlord lobby within its support, never seriously intended the Rent Freeze measure as anything more than window dressing (House This Spring 1983:16). Essentially, abuses of the 'Rent Freeze' took three forms, a simple, blatant increase in rent; a more subtle increase in rent after the sitting tenants had left, or in some cases had been persuaded to leave, prior to reletting; demanding illegal payments over and above rent, for example 'key money'; and finally simply keeping the bond money paid by tenants, regardless of whether damage to the property in question had occurred or not. Such abuses appeared to

be widespread, for example, the Wellington Tenants' Union had been receiving an average of 25 tenancy complaints per week. The week after the Rent Freeze was announced of 150 complaints were received from tenants, the number dropped gradually to about 50 per week by September. In addition the union claimed that tenants coming to their agency had reported the Housing Corporation disinterested in their complaints (House This Spring 1983:16).

Perhaps the most serious criticism levelled at the 'Rent Freeze' relates to its long term effect on the size of the rental housing stock. Many critics suggest that the artificial restriction of rent levels over a long period actually discourages capital interests or even small scale property owners from investing in rental housing. The restriction of rents makes, or is perceived to make, rental housing an unprofitable investment. For this reason the long term effect of a Rent Freeze is to discourage new investment in housing and to encourage those landlords already involved to sell their houses and invest elsewhere. There is some evidence that this is exactly the effect that the Muldoon Rent Freeze had on the rental housing stock in New Zealand. Before the freeze private rental housing accounted for 19 per cent of all accommodation, during the freeze this proportion had dropped to 12 per cent. Between 1981 and 1984 it is estimated that private rental stock had declined by an estimated 12 per cent or 20,000 homes (H.C.N.Z. 1985:25).

The Government, particularly the two Ministers of Housing over the period (1980-1984) Derek Quigley and Tony Friedlander adopted a number of different positions to defend the erosion of State support for housing. At the beginning of the 1980's it was claimed that the nation had enough housing for its needs and thus State involvement was unnecessary. The Report of the Housing Corporation in 1980 stated:

...the corporation is of the view that the country has in number of units sufficient accommodation

yet catiously added:

although not necessarily of sufficient variety or in locations that people may now seek.

(H.C.N.Z. 1980:5)

It was suggested that the demand for housing had dropped. Apart from the obvious point, acknowledged even by the Housing Corporation, that the nation's surplus houses were not in

the same location or of the same type as the need, this argument conveniently ignored two further important factors.

One of the main determinants of new housing demand is the availability and cost of credit. Easton (1980:129) notes that in New Zealand

Since there was always a shortage of funds...there was always a suppressed demand in the housing market, from those who would purchase a house...if funds were available.

In addition in the late 1970's, as already noted New Zealand was experiencing not only increasing unemployment but rampant inflation. This inflation was soon reflected in interest rates; the cost of credit. People could no longer afford to purchase housing

The higher interest rates appear to have had a major effect in choking back demand, presumably because initial outgoings became high.

(Easton 1980:131)

What is being suggested is that a downturn in demand for new housing is a result of a number of factors, and not least the effect of State policies. It does not necessarily reflect the level need amongst a society for adequate housing. Another factor ignored by justifications for decreasing State support for housing were the demographic trends mentioned earlier; the emigration of the mid-1970's had slowed and predictions based on the age distribution of the population revealed an imminent explosion in the demand for housing as a 'disproportionately large cohort' moved into the 'prime reproductive ages from 25-44 years' (National Housing Commission 1986:150)

Clearly this has important implications for housing demand since it is the 20-40 age group who are most likely to purchase homes.

(National Housing Commission 1987:15-16)

Later, when the effects of the nations housing shortage became clearly manifest in homelessness, overcrowding, and inadequate housing in virtually all the major centres, the Government began to adopt a new line. Constrained by increasing fiscal crisis the State had adopted a strategy of 'recommodification'; the responsibility for housing, it was suggested, was a private concern. Increasingly the role of the State in the provision of housing (as in other

forms of welfare provision) was being questioned by National Party politicians. Eventually the Minister of Housing announced:

The Government's policy is not designed to put everyone under a roof.

(Tony Friedlander 16 July 1982,
Quoted in Mahar 1984:254)

Yet the State, as measures such as the 'Rent Freeze' demonstrated, was not prepared to refrain from intervention in the housing sphere, and inadequate housing in virtually all the major centres, the Government began to adopt a new line. Constrained by increasing fiscal crisis the State had adopted a strategy of 'recommodification'; the responsibility for housing, it was suggested, was a private concern. Increasingly the role of the State in the provision of housing (as in other forms of welfare provision) was being questioned by National Party politicians. Eventually the Minister of Housing announced:

The Government's policy is not designed to put everyone under a roof.

(Tony Friedlander 16 July 1982,
Quoted in Mahar 1984:254)

Yet the State, as measures such as the 'Rent Freeze' demonstrated, was not prepared to refrain from intervention in the housing sphere, to allow a complete return to the unregulated market as a means of allocation. It is suggested here that the real driving force behind the State's diminishing role in the provision of housing was not a change in philosophy (while acknowledging the National Government's ideological preferences in the housing sphere) but the stark reality of fiscal crisis and the resultant dictates on 'unproductive' State spending. However, presented the opportunity by the announcement of a snap election on July 14 1984 the public of New Zealand delivered their verdict on the National Government's responses to the crisis besetting the economy and the State.

In a moment of rare modesty Sir Robert Muldoon once said, when asked by an interviewer what was his highest ambition, that he would like when he finally left office to be able to leave the New Zealand economy in no worse shape than he had inherited it. His wish was not granted. When the election of July 1984 ousted him from power the New Zealand economy was in worse shape than in 1967 when he became Finance Minister...or even than in 1975 when he became Prime Minister following the defeat of the Labour Government.

(Gould 1985:7)

THE LABOUR GOVERNMENT

To many people, the economic policies we have put in place appear to be quite radical, but what we are doing is really only radical by comparison with New Zealand's recent past. We are following an orthodox economic strategy; it is in line with what the OECD and the IMF recommended for the New Zealand economy.

(Roger Douglas January 1987
Quoted in Collins 1987:28)

At the same time of taking office in 1984 the policies of the Labour Government, as articulated by their Minister of Finance Roger Douglas, were indeed within the orthodox economic tradition preached by the International Monetary Fund. Douglas made no secret of the fiscal problems facing the State and the economy:

The basic problem is that New Zealand has not adjusted fast enough to the changes going on in the outside world. Instead, we have spent 10 years using other people's money to carry on as we have in the past. New Zealand's overseas debt, not counting private sector debt, has grown from 5 per cent to 33 per cent of gross domestic product in 10 years. Servicing this debt - that is, paying back interest and the loans as they fall due - will take almost \$1 in \$5 of our export receipts.

(Roger Douglas addressing the Economic
Summer Conference September 1984,
from the Proceedings p.71-72)

Initially his recipe for recovery was to encourage exports by devaluation, and the abolition of import and exchange controls. To control the inflationary rise in import prices caused by devaluation, he advocated the tight control of the money supply and of Government spending. To increase savings and investment he proposed lifting interest rate controls and reforming the financial system. In addition, to further help cut State spending he supported raising the prices of subsidised goods (Collins 1987:35). This was not, by international standards, a novel policy or a controversial one.

But, once in office the economic and social policy stance of the Labour Government became increasingly dominated by the logic of the 'free market'.

The ultimate goals of social equality have been almost lost in sight of the immediate Treasury-inspired task of making the free market mechanism work as it should.

(Collins 1987:35)

Once the Labour Government accepted that the market rather than the State should dictate the economy an entire philosophy followed.

In line with the world wide disillusionment with 'Keynesian' economics the Government embarked on 'an orgy of deregulation' (Collins 1987)

With the demise in popularity of Keynes's theories went the *economic* justification for government intervention and the Welfare State, and throughout the Western world governments came to power blaming State intervention itself for the mess.

(Collins 1987:30)

The new creed was a form of monetarism. This philosophy was to dictate the Labour Government's response to a fiscal crisis within the State and an economy sliding deeper into a crisis of accumulation. In office, the party that had once identified itself as socialist began what was to amount to a consistent application of the free-market doctrine to almost every aspect of New Zealand life.

The principles of the 'free market' have resulted in a fundamental change in the role of the Welfare State. In a speech made in September 1986 Roger Douglas (quoted in Collins 1987:97) outlined the new principles of the Welfare State. Essentially they spelt the end of the traditional concept of equality of access to social services. Where once everybody was (officially) entitled to State welfare assistance, as of right, now benefits were to be *targeted* to help only individuals in need. In addition beneficiaries were to be given *incentives* to get off welfare, these 'incentives' basically amount to ensuring that the support provided by the State is considerably below that delivered by the market. Thus for the unemployed, for example, incentives involve financial rewards for working to supplement the unemployment benefit and ensuring that the standard welfare benefit is significantly below the guaranteed minimum wage received by working people. Finally assistance should be *efficient*. It has been suggested that the best way to achieve efficiency might be to allow competition between, for example different schools or health services, paying those receiving assistance in cash so that they can choose where they get their social services.

The advantage of the State of this new form of social service delivery is chiefly that it saves money; helping to reduce State expenditure and therefore the amount needed to be raised by

taxation. If the theory of competing social services proves effective it could reduce the overall cost of social services.

The dangers of this policy are numerous and severe. If, for example, the theory of competing social services is discredited by the development of monopolies the result may be considerably more costly social services. If the new 'economic orthodoxy' does not result in significantly reduced unemployment the long term results could be extremely deleterious; it may accentuate the already widening gap within society between those who 'have' and those who 'have not'.

In 1984, just before the election of the Labour Government, the Heylen Research Centre carried out a national wealth and poverty survey. The results exposed significant distinctions between rich and poor. It was estimated that 19,000 people regularly missed a meal because they couldn't afford it, yet 88,000 families dined at a licensed restaurant at least once a week. The survey also estimated that 90,000 families postponed doctor's visits because of lack of money, while 103,000 put up with feeling cold to keep down heating costs, 44,000 went without correct dentures or glasses and 37,000 lived in accommodation badly needing repair. In contrast 460,000 households carried private health insurance, 124,000 had wine with their meals at least three times a week, 90,000 bought mainly fashion-designed or tailor made clothes and 67,000 owned a swimming pool or Spa pool.

Information provided by the Household Income and Expenditure 1984-85, carried out by the Department of Statistics reinforces this picture, the pattern revealed shows the crowding of households into very low income categories below \$10,000 per annum. Nearly 30 per cent of New Zealand households can afford to spend only about half as much as the average household, this involves more than 300,000 households - as many as a million people (both surveys quoted in Waldegrave and Coventry 1987:35-36) (see also Figure 4.5). It would seem that the concept of New Zealand as an egalitarian society is fast becoming an outdated myth.

The problem is that the 'neo-classical' free market philosophy adopted by the State in New Zealand, since these figures were gathered, does not actually promote social justice. The general assertion of this philosophy is the supremacy of market forces over public agencies to produce goods and services and the preference for individual action over collective action.

Indeed one of the leading theorists of this position, Milton Friedman, argues that material equality and freedom are incompatible. The monetarist proposition argues that the value of freedom and individualism had priority over social justice. After all,

Life is not fair. It is tempting to believe that government can rectify what nature has spawned. But it is also important to recognize how much we benefit from the very unfairness we deplore.

(Friedman and Friedman 1980:137)

From this viewpoint the Welfare State is perceived as a threat to freedom, therefore, social policy should be aimed at dismantling the State and stopping Welfare programmes (Friedman and Friedman 1980:119).

While Roger Douglas and his supporters might not identify themselves as monetarists there is no doubt that they (and their economic policies) are strongly influenced by the international monetarist climate. Indeed Douglas supports, and has implemented, many of the policies advocated by the Friedmans. The economic and social philosophy adopted by the State in New Zealand, popularly dubbed 'Rogernomics', is part of a world wide trend back to free market economics - a trend led by the monetarists. In addition, Collins (1987:36) in a recent commentary on the 'economic revolution' led by Roger Douglas, suggests the application of these doctrines in New Zealand has been more 'pure' than anywhere else in the world. The result, Collins argues, is perhaps the nearest thing the world has seen recently to a test of the monetarist 'free market' doctrines.

The danger inherent in the application of this philosophy, regardless of whether or not economic growth occurs, is that it may simply encourage an individualistic, selfish society based upon aggressive competition. Such a society is likely to heighten the divisions which already exist in New Zealand, creating more wealth for some while generating a class of alienated beneficiaries living on the survival line, permanently caught in the poverty trap. Perhaps the real test for 'Rogernomics' will be the extent to which traditional Labour Party goals of social justice can be obtained via the 'free', unregulated market.

Labour and Housing

The operation of social policy in New Zealand is a classic case of everybody subsidising each other and those really needing help not getting it at all. For

instance, housing subsidies through the tax system and Housing Corporation lending activities often seem to go to the better off rather than to those who are facing a housing crisis.

(Roger Douglas, addressing the Economic Summit Conference, September 12 1984, Proceedings Vol.1 1984:75)

In the housing field Labour's policy has been unusual, and somewhat unique among the welfare portfolios - most of which have experienced a 'restructuring in philosophy' and cuts in spending coupled with a drive for efficiency in line with the application of the Douglas philosophy to the Welfare State. Their housing policy has been somewhat contradictory, combining: an expansion in spending and a narrowed targeting of that spending designed to aid the poor, with the application of a 'more market' orientated philosophy incurring increased costs for consumers, and deregulation with the introduction of new regulatory legislation.

One of the major developments in regard to the administration of the Housing Corporation under the Labour Government of the 1980's relates to its source of funding. In line with Roger Douglas' drive to apply the doctrines of the free market and to encourage efficiency within the State, the Housing Corporation has been put on a more commercial footing. It is being 'weaned off' cheap State credit, raising much of its lending money in the commercial market, largely overseas. For example, for the year ending March 31 1986 the corporation raised \$104 million of its capital requirements on the private market and publicly acknowledged that a much greater proportion of its funding requirements would be raised from that source during 1987 (H.C.N.Z. 1986:8). The problem with this, however, is that while the Housing Corporation may indeed become more efficient and even cost the State less to run, the services it provides are going to become much more expensive to consumers, who will now have to also pay for the profits expected by the financial capital interests who lend to the Housing Corporation. Thus rather than State subsidised housing the situation is gradually evolving where poor housing consumers are not only expected to meet the operating costs of the Housing Corporation, in order to relieve the State of its fiscal crisis, but they are also being expected to subsidise the profits of overseas financiers.

Given Douglas' belief that the State's role is merely to wet the conditions under which the market provides the highest standard of living, deregulation of the finance market was inevitable. In fact, one of his first moves, made at the same time as the devaluation, was to

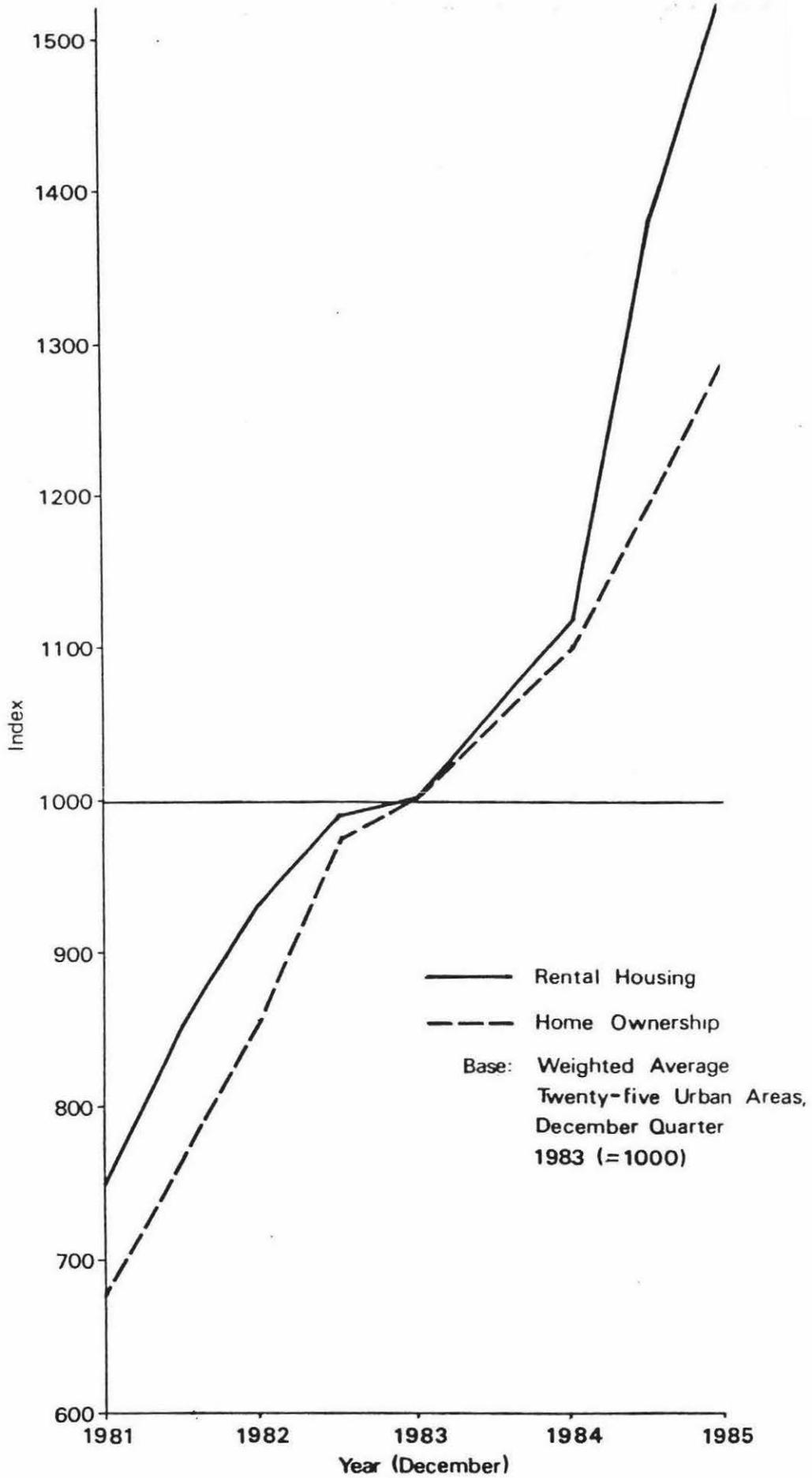
abolish interest rate controls. The deregulation of the finance industry had a considerable impact on the housing market. The structure and function of financial organisations changed as institutions competed for funds and market share. This competition for funds, combined with the State's tight monetary policy resulted in a rapid escalation of interest rate levels. This escalation flowed through to lending rates for residential mortgages and has significantly restricted access to home ownership for those on lower incomes. A survey of mortgage interest rates in March 1986 (H.C.N.Z. 1986:7) indicated that *first* mortgage interest rates were between 19 and 22 per cent per annum and at that time many institutions had plans for further increases (see also Figure 4.4). These higher interest rates significantly increase the number of people unable to afford private sector housing finance and add to the pressure on Housing Corporation loans; the 1986 Report of the Housing Corporation (H.C.N.Z. 1986:8) noted "an upsurge in demand for corporation home finance" to the extent that a "close monitoring of lending activities was necessary to ensure the funds available were not prematurely exhausted.

In the home lending sphere the Minister of Housing Phil Goff combined an increase in State spending with an emphasis on the targeting of resources and cost increases for many consumers.

In the March 1985 housing package there was provided an additional \$43 million for lending over the previous year's budget to low income families purchasing their first home. In addition the corporation introduced new 'flexible loan guidelines' designed to take account of regional cost variations in housing as well as family circumstances. The new guidelines allowed the authorisation of between \$28,000 to \$35,000 for existing homes and \$33,000 to \$40,000 for new homes and made some provision for families with 'special needs' (H.C.N.Z. 1985:20). The aim of these 'flexible loans' was to try and reduce the need on the part of home purchasers for secondary borrowing to meet the full price of a house. Unfortunately, as later discussion will demonstrate, the rapid escalation in house prices in many centres would appear to have already outstripped these measures.

In addition a partial attempt was made to relax the '30 per cent of outgoings to income rule'. This rule, long a contentious clause with corporation clients, stipulated that the outgoings required to meet the repayment obligations of a prospective purchaser could not exceed 30

Figure 4.4: Consumers Price Index for Housing 1981-1985



Source: New Zealand Official Yearbooks

per cent of his or her household income. With the rapid inflation fueled rise in house prices during the late 1970's and early 1980's this clause set up a 'Catch 22' situation where, because of the cost of housing, in most cases a person whose income was sufficient to meet the '30 per cent rule' fell outside the corporation's income limit restricting those eligible for assistance.

The combined effect of these two regulations was to heavily reduce the number of people who were actually eligible for Housing Corporation funding; most either earned too little to meet the 30 per cent rule or earned too much to qualify as sufficiently deserving for State assistance. Under the revision of this regulation the income eligibility limit was not changed but the '30 per cent rule' was relaxed - but only to the extent that:

Loans could be approved with higher out goings if the applicant *satisfied* the corporation of ability to meet the repayments involved.

(H.C.N.Z. 1985:21 - author's emphasis)

However at the same time a new increased scale of 'more market related' interest rates were introduced to apply to all new loans approved on or after April 1 1985 with existing loans adjusted on review (held yearly). The scale of interest rates by 1987 ranged from a lower limit of 7 per cent per annum up to an upper limit of 17 per cent per annum (in 1985 it was 5-15 per cent). The new interest rates, part of the State's 'more market' approach, were described as 'income related' (H.C.N.Z. 1986:10) but in practice all existing mortgages were increased to 17 per cent, leaving the onus on the mortgagor to approach the corporation and present a case for a reduced rate.

In addition to these changes Housing Minister Phil Goff scrapped a series of housing programmes he considered were insufficiently targeted to the poor, and thus wasteful of State resources. These included the old home ownership saving scheme that gave low-interest loans and tax concessions to people who had saved through a home ownership account for three years. Another scheme to go was the family benefit capitalisation, which allowed families to receive their children's future family benefit payments in advance as a lump sum to use as a deposit for a house.

These 'non targeted' schemes were replaced with a number of schemes which aimed to 'target' those people most in need of State assistance. One such scheme was 'Homestart', a

recognition of the growing difficulty for families trying to save the deposit required to buy their first home. The scheme provides a loan of up to \$14,000 (by 1987, initially \$10,000) at 3 per cent interest with no repayments required for five years. This scheme has proved very popular with 7,650 loans made in 1986 and almost double that number predicted for 1987 (Minister of Housing Phil Goff quoted in *The Dominion* May 18 1987:1).

Another is the Equity sharing scheme, allowing low income earners to participate in a ballot for a number of new houses (176 nationwide as at March 31 1986). The successful applicants must contribute 10 per cent of the purchase price as their equity. The loan term is indefinite and repayments are based on 25 per cent of the borrower's gross income (to be reviewed and reset yearly) ((H.C.N.Z. 1986:11). A similar concept is employed in the 'Sweat Equity' scheme a pilot project (consisting of 40 houses nationwide) where older houses requiring 'varying degrees of renovation' are offered to tenants willing and able to perform the necessary upgrading. Subject to satisfactory completion of renovations the corporation will offer loan finance to the tenants without the necessity of a deposit.

These schemes are all innovative in comparison with the traditional mode of operation employed by the Housing Corporation, and indeed recognise real problems confronting those trying to attain home ownership. But unfortunately as yet they do not amount to a very substantial commitment in terms of financial support and remain too small in scale to have much impact on the patterns of access to home ownership.

A feature of the fourth Labour Government's housing policies, particularly when viewed in terms of the Labour Party's traditional ideological preference for public rental housing, is the emphasis on home ownership pervading most of the new policies. Indeed the 1986 Report of the Housing Corporation stated "the corporation's major objective of housing modest income first home seekers" (H.C.N.Z. 1986:7). Yet the corporation has acknowledged the effects of the deregulation of the finance sector and the tight monetary policy on the housing costs of low income families. However in policy terms this took the form of direct income supplements to lower income families faced with excessive housing costs, provided to those eligible upon application to the Department of Social Welfare. While this approach was consistent with the free market philosophy - providing cash supplements to allow individuals to choose how to spend them, in practice it was widely regarded as a failure. Very few of the 15,000 poor

families in need and believed to be eligible actually applied for the benefit (Collins 1987:98), this was partly because it was very poorly published and as a result many were not aware of its existence. In addition such 'targeted' benefits stigmatise the poor. Many people were too ashamed to queue at the Social Welfare for what was perceived as charity, others simply did not understand the bureaucratic procedures necessary simply to register and still others simply lacked faith in the system. However, as Collins (1987:98) points out, the advantage for an increasingly beleaguered State is that such benefits are much cheaper than the old universal ones. For example, it would cost \$1,700 million a year to pay family benefit for all children at the rate of \$36 a week paid for the first child in a low income family and family support. But it actually costs only \$500 million per year to pay family benefit at \$6 a week to everyone and family support to those who are judged 'needy'.

Another such targeted housing scheme, more in keeping with the emphasis on home ownership provides funds for *refinance*. This programme was designed to help families suffering severe hardship as a result of high interest rates or other factors placing the family home in imminent danger of a forced sale and could take the form of a 'second chance' loan or the refinance of existing mortgages. In the year ended March 31 1986 some 1,924 such loans were authorised.

In the rental sphere the Labour Government's first move was to remove the previous administration's rent controls in February 1985. Predictably, rents immediately soared; rising 21 per cent in 1985 (Collins 1987:51). Roger Douglas believes that, rather than requiring State intervention, the housing shortage will only be alleviated by making residential rentals more profitable for property owners and developers, thus encouraging further investment. While being consistent with the 'free market' philosophy this approach ignores the evidence that the market is not a particularly equitable means of allocating housing, those with the least resources to pay market (or profitable) rates tend to miss out.

Perhaps as a recognition of this a moratorium was placed on the sale of State rental houses in August 1984, except where a commitment to sell had already been given. In addition there was an increase in acquisitions, by construction and purchase, in the State rental housing programme by the following amounts for the year ending March 31: 750 in 1985, 1,000 in 1986, and 1,500 in 1987 which it appears may be the peak (Report of the Housing Corporation

1986:24). The combined effect of these measures (see Figure 4.1) has been to reverse the decline in the Housing Corporation's rental stock (see Figure 4.3). But, as Waldegrave and Coventry (1987:27) point out, while this is a vast improvement after the early 1980's, it is quite inadequate to solve the homelessness problem that now exists.

Apart from schemes designed to free up corporation rental stock by encouraging tenants to either take advantage of corporation finance to purchase a house in the private sector, or move to (smaller) corporation 'houses more suitable to their needs', the major change in the management of the rental stock was the introduction of 'market related rentals'. The 1986 Report of the Housing Corporation announced that

It is the corporation's intention to achieve a rent policy which will provide a reasonable return on its substantial investment in properties while still recognising the primary objective of providing affordable housing for low or modest income families. This revenue will be used to offset the cost of new houses and the maintenance of existing properties and to reduce the taxpayer subsidy.

(H.C.N.Z. 1986:25)

Unless State tenants could prove they were unable to afford them State housing rents would be increased to a level comparable with the rates prevailing in the private housing market.

Coupled with the changes in home purchase lending policies it appeared that the Housing Corporation was being included in the drive, under the Labour Government, to make the State more efficient, by making its departments more profit orientated by charging 'users' the full cost of services and, in some cases, transforming departments into fully commercially based corporation.

Collins (1987:65) argues that the corporatisation of the State, unheard of before the 1984 election, shows the force of free-market logic once unleashed; each policy leading to another in ways that even the Minister of Finance may not have predicted.

Start with the idea that prices should reflect the full cost of producing things. Then the State must not only remove all regulations and subsidies for production in the private sector, but it must also ensure that it charges for its own services on the same basis.

(Collins 1987:67)

Yet the free market logic may be driven in this case by an additional force; the fiscal crisis of the State. Apart from the drive to make the State more efficient the major impetus for corporatisation and 'user pays' is the urgent need to bring the State budget under control.

Although the State's housing operations were already controlled by a corporation, it too was being placed on a more commercial footing. In 1985 a conference of Housing Corporation branch managers and head office directors identified its primary functions, which included:

As a major financial institution and property developer we operate on a commercial basis, without losing sight of our social purpose.

We complement the private sector and where appropriate provide a competitive influence.

It was also acknowledged that,

The corporation is currently investigating options which could result in an even more commercial approach to its activities, without losing sight of its social objectives.

(H.C.N.Z. 19868-9)

This increasing drive towards the recommodification of housing, even within the State, prompted the Director General of the Housing Corporation Ron Kelly to worry publicly that the policies of Roger Douglas were taking the corporation towards an entirely profit-making role, in competition with other housing lenders such as building societies (quoted in Collins 1987:103). Kelly opposed this because, as he claimed, there are some people who would always have trouble in getting mortgage finance or rental housing from anyone other than the State. Nevertheless it is increasingly apparent that under the policies advocated by Roger Douglas, himself a former Minister of Housing in the 1972 Labour Government, the Housing Corporation will become more like the other profit-making State Corporations albeit, with a larger level of explicit State subsidy - at present.

The other major State action in relation to rental housing was the 1986 Residential Tenancies Bill. The Bill replaced the existing law relating to tenancy, previously fragmented throughout a number of Acts and as a consequence neither coherent nor comprehensive, and established the Tenancy Bond Division of the Housing Corporation, to set up offices in each branch. The

main functions of the Tenancy Bond Division will be to carry out the requirements of the new legislation which are:

1. To act as the bond holding authority for all residential tenancy agreements in New Zealand. It is intended that the interest from bonds held will eventually finance the running of the Tenancy Bond Division. One of the aims of the legislation is that the holding of bonds by the division will reduce the incidence of bond theft, and where disputes over the refund of bond do occur these will be settled by mediation facilitated by the tenancy bond division or by tribunal.
2. To provide a mediation service to landlords and tenants for resolving tenancy disputes. Tenancy Bond staff and independent mediators are being trained in the skills of mediation for this purpose.
3. To act as office of the Tenancy Tribunal. Tenancy Bond officers will receive applications concerning tenancy dispute cases which could not be solved by mediation, and will be required to work with the Justice Department to arrange Tribunal hearings to resolve such dispute by recourse to the law.
4. To provide advice to the public about the rental market and to assist people in understanding their rights and obligations as landlords or tenants.
5. To generally enhance and promote good relations between tenants and landlords (H.C.N.Z. 1986:16).

The Residential Tenancies Legislation is largely drawn from tenancy legislation enacted in South Australia in the late 1970's. As yet it has had no noticeable effect on the provision of rental housing in New Zealand, although it is likely that it is still too early to make an assessment of its impact. It is worth noting that at the outset of the scheme landlord representatives suggested that the bureaucracy now involved in administering residential tenancies would discourage landlords from investing in rental properties, other allegations suggested that landlords who previously regarded tenant's bond payments as part of their income would simply increase the rental on their properties to compensate. As yet neither allegation has been substantiated, in addition recent reports (H.C.N.Z., The Evening Standard 25 July 1987) suggest the vast majority of mediations and tribunal cases have found in favour of the landlord.

The response of the fourth Labour Government to the crisis within the State and the economy has seen it abandon the traditional ideologies of the past and has taken the form of a consistent application of a relatively pure strain of monetarism. In the housing sphere this has

effectively resulted in the burden of alleviating the crisis being transferred on to the backs of the poor. While taking a number of positive measures such as an increase in home lending levels and in the number of rental units held, these have to a considerable extent been outweighed by the overall results of applying the Douglas 'free market' ideology in the sphere of housing. The effect has been to increase costs for those consumers who can least afford it. The interest rates for home loans have gone up, rentals for State units have increased to become 'market related' and the overall cost of housing provision by the State has been made more expensive by the decision to increasingly fund the operations of the Housing Corporation on the private finance market, an expense that will inevitably be borne by the consumers. The results of these and other trends in housing provision during the 1980's will now be examined as they affect consumers in three different spheres.

ACCESS TO HOUSING

This final section examines the impact of the economic recession and the crisis generated State policies, analysed above, on housing consumers. Particular attention is given to those people who are to a large degree the powerless recipients of the effects of State intervention and economic trends; housing consumers at the lower end of the economic scale, who have the least choice within any housing system.

Access to Home Ownership in New Zealand - Rhetoric or Reality?

In New Zealand, we are told, it is the right of every family to purchase their own home. Indeed this belief is one of the most pervasive and universally accepted values in New Zealand; home ownership is considered an inherently superior form of tenure. Since the mid-1930's owner occupancy has been the dominant form of tenure when just over 50 per cent of people owned their homes. This percentage climbed to 69% in 1961 and has remained at approximately that level ever since (Department of Statistics, New Zealand Census). Yet the value attached to home ownership is even stronger than these figures indicate. In 1977 a survey commissioned by the National Housing Commission on the housing preferences of New Zealanders revealed that 94.6 per cent of those surveyed preferred home ownership to any other form of tenure. This result was confirmed by a second survey (National Housing Commission 1980/15) where 94.5 per cent of the sample questioned preferred home ownership.

That such a strong belief in home ownership exists in New Zealand is hardly surprising, given the strong ideological and practical emphasis placed on the promotion of home ownership by the State, particularly under a National administration, throughout New Zealand's history, traced in Chapter Three. Indeed Bell (1977:10) claims that housing values should really be understood as reflecting the effects of housing ideologies. Ideologies do not exist in a vacuum but are socially situated and as we noted in Chapters Two and Three serve various purposes and can be manipulated.

In general terms there are two main aspects to ideology (Bell 1977:11). Firstly ideology serves to obscure or mystify reality. In New Zealand the effects of the mystification function of ideology is nowhere more clearly demonstrated than by the emphasis and widespread belief in the benefits of individual private home ownership. In reality most of the 'privately owned' housing in New Zealand is in fact not owned but mortgaged. The percentage of mortgaged houses has been increasing in recent times (see Figure 3.4), in 1981 59.5 per cent of 'owned' houses in New Zealand were actually mortgaged. These so called owner occupiers do not in fact own a house but a debt!

The second general aspect of the effect of ideology is that they are intended to serve the interests of the dominant groups within society. Thus, as we have already discussed, home ownership ideologies commonly have a close affinity to a number of conservative concepts such as, for example, Prime Minister Holland's (1950) 'initiative, self reliance, and thrift' and that central tenet of capitalism - the private ownership of property. For this reason:

...those who are most interested in encouraging a wider distribution of home ownership tend to be associated with more conservative political parties.

Kemeny 1977:48)

Thus in New Zealand private home ownership has always been a particular favourite of the National Party and its various conservative predecessors.

At a more general level it has been suggested that the State's housing policies in New Zealand's recent past (see Chapter Three) have had the additional function of stimulating the development of a consumerist ideology. In relation to the stimulation of consumerism Harvey (1973:271) argues: "contemporary metropolitanism apparently functions in part as a field for

the necessary disposal of surplus product and as a manipulable source of effective demand". Therefore it is necessary for urbanism, largely through the process of suburbanisation, to generate expanding consumption to maintain the capitalist economy (see also Chapter Two). In the case of the early expansion of Auckland for example, Crothers (1984:235-6) documents the involvement of entrepreneurs in the subdivision and building operations, as the process continues it generates "...a much broader spectrum of local business activity". Harvey (1973:272) argues that urban expansion, particularly through suburbanisation is an extremely effective way of creating, maintaining and expanding the effective demand for consumer goods. Beyond house construction and all the associated forms of consumption that accompany it suburbanism creates the effective demand for other goods, once considered luxuries, for example, cars are now considered necessary for 'normal' social life in today's suburban landscape.

Picking up a theme running through this work relating to the unintentional or secondary consequences of State housing policies, we have already examined the negative impact on access to housing for low income people associated with the home ownership ideal as it coincided with changes in State rental housing philosophies and policies in the 1950's and 1960's (see Chapter Three). It is suggested here that the events of the late 1970's and early 1980's have demonstrated that much of the recent public and political rhetoric about home ownership has had more to do with the conditions necessary to promote capital accumulation than genuine desire to improve access to housing.

The late 1970's and early 1980's have seen a collapse in the house building industry due to State policies and a crisis of over-investment in that particular aspect of the built environment. At the same time the nation was sliding into recession as the State grappled with increasing fiscal crisis. The results of these trends can be clearly seen in Figures 4.4 and 4.5; a rapid decline in the level of access to housing, particularly for those on lower (and even middle) incomes. The consumer price index for the costs of home ownership, illustrated in Figure 4.4, has shown a rapid rise throughout the 1980's, and has been consistently above the consumer price index for all goods and services over the same period (New Zealand Official Yearbooks). Indeed the dramatic 15.5 per cent rise in the consumer price index between 1984 and 1985 has been attributed, in part, to the rapid increases in both the home ownership and dwelling rentals subgroups (New Zealand Official Yearbook 1986/87). At the same time as these

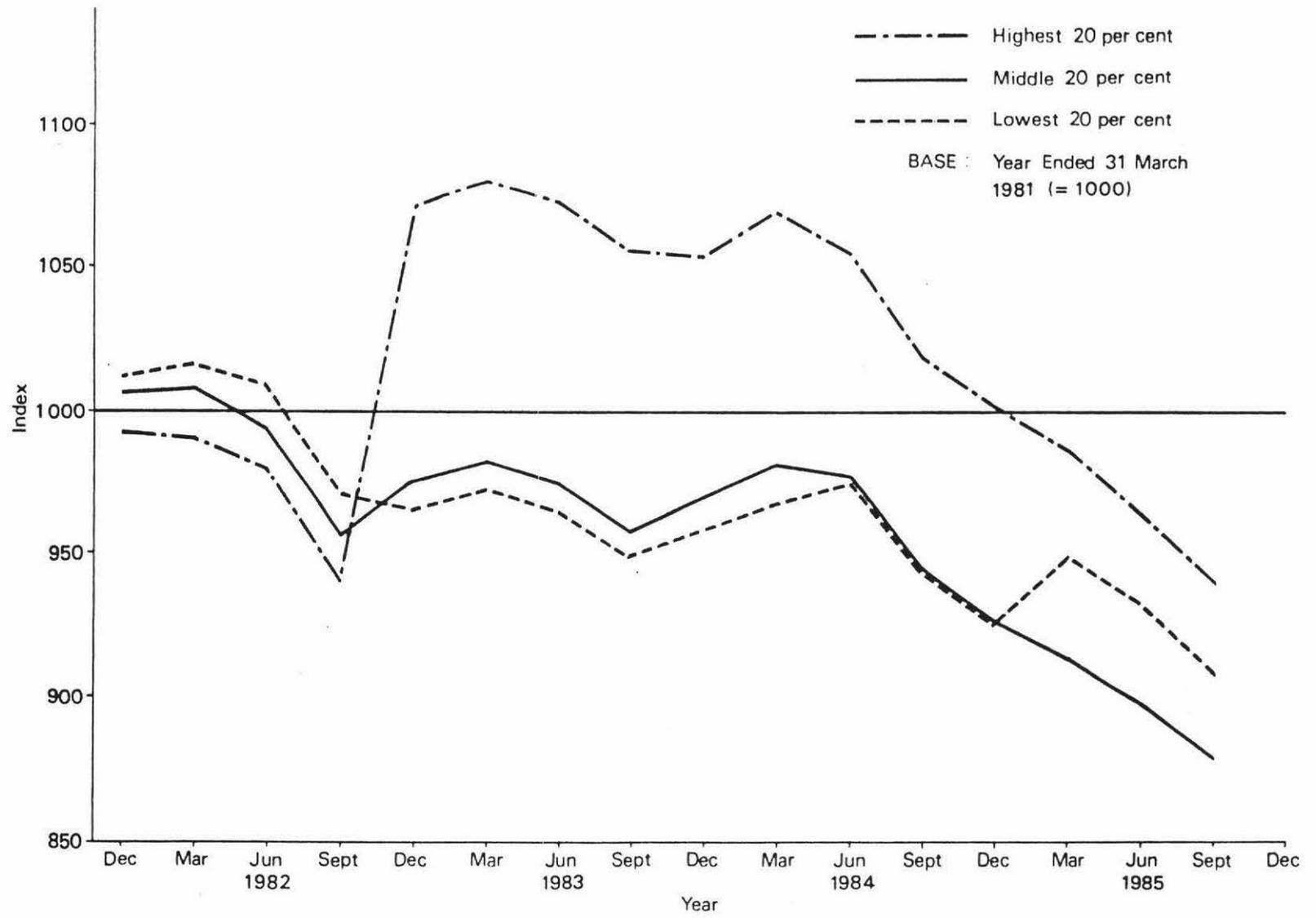


Figure 4.5: Real Disposable Income Indexes for Full-time Wage and Salary Earners by Income Groups - Quarterly 1981-1985

Source: New Zealand Official Yearbooks

housing costs were rising Figure 4.5 demonstrates that people's purchasing power was falling over the same period. This is measured in the Real Disposable Income Index (graphed in Figure 4.5) for full time wage and salary workers. These indexes measure the after tax purchasing power of high, middle, and low income earners by adjusting their gross incomes for taxation, and inflation as measured by the Consumer Price Index, thus Figure 4.5 traces the trends in falling buying power of these groups. The graph also illustrates the increasing inequalities in New Zealand society, referred to earlier. Those in the top 20 per cent income bracket lost the least in comparison with those in lower and middle income groups. Noting that this index does not include the relative incomes of beneficiaries it is immediately apparent that the falling purchasing power of low (and to a lesser extent middle) income groups have further disadvantaged them in an increasingly expensive housing market.

Let us examine the same problem at a more individual level. In 1981 a study commissioned by the National Housing Commission (Snively 1981:23) concluded that a new house meeting standard modal requirements would have cost 311 per cent more in June 1981 than in June 1970. In addition an average priced existing house cost 260 per cent more in June 1981 than in June 1970. The report observed:

It is the cost of servicing a mortgage which now makes housing 'unaffordable' to many individuals' households.

and that

...it is hard to argue that housing is really 'affordable' to average individuals or average households. Given the other problems of financing housing - competition for funds, saving for a deposit, and the costs of home maintenance and renovation, these figures may be conservative.

(Snively 1981:23-24)

In 1982, a year when the Housing Corporation's share of the national first mortgage market had dropped by 17 per cent from 1980 (Davey 1982:13), Janet Brannigan and Diane Piesse set out the realities of purchasing an average house (price \$50,000) in Auckland - if you were lucky enough to get Housing Corporation finance.

Existing House Price: \$50,000

(1) **Difficulty of Paying Outgoings**

Household (1 income earner)

Limit of \$300 per week (gross) which is equivalent to approximately \$230 (disposable income).

Deposit 12 % required = \$3125, but probably need \$5,000.

H.C.N.Z. 1st mortgage \$25,000 at 9% over 30 years = \$46.85 per week.

Need 2nd mortgage of \$21,875.

2nd mortgage \$20,000 at 16% (Solicitor) for 5 years = \$138 weekly outgoings. Assume found an additional \$1,875.

Total Outgoings 1st/2nd mortgage = \$185 per week.

But need to keep within 30% of gross income (\$300) which is 90 per week, to be eligible for H.C.N.Z. 1st mortgage.

Total outgoings on 1st/2nd mortgage are therefore *\$95 over the limit permitted.*

(2) **Difficulty of Saving for Deposit**

Given: \$230 disposable income

Say: \$100+ for rent
 \$ 60+ for food

—————
\$160
—————

Which leaves a maximum of \$70 for all other household outgoings, as well as trying to save for a deposit.

(Brannigan and Piesse 1982:19)

Clearly a household receiving an average wage would find it virtually impossible to meet their savings goal.

This example also raises two major obstacles facing prospective home purchasers, over the 1970's and 1980's the escalation in house prices has been such that first mortgages from the State or private sources have not kept pace to the extent that a considerable gap now exists

between the maximum first mortgages available and the full purchase price of an average new house. For example the percentage of the cost of an average new house and section covered by the standard Housing Corporation loan fell from 43 per cent in 1971 to 38 per cent in 1976 (Report of the Housing Commission 1978:77). As this trend has continued it necessitated increasing numbers of borrowers, purchasing a new house, to raise second and third mortgages. For example in 1975 67 per cent of all Housing Corporation mortgages required at least a second mortgage and by 1982 this figure had risen to over 75 per cent (Report of the Housing Commission 1983:50). The second point arising from the example is the fact that continuing inflation has made the accumulation of a deposit increasingly difficult, for many impossible. Thus the 'deposit gap' means for many that home ownership is simply unattainable or that third and fourth mortgages are required to fill the gap. Finance for these additional mortgages has become increasingly difficult to find and exorbitant in price as the money supply situation has tightened and larger mortgages have been required.

Although the Housing Corporation has taken several measures to counter these trends in the mid 1980's (under the Labour Government) they have, to a large extent, been outstripped by continuing inflation. For example the Homestart scheme, a recognition of the 'deposit gap' and the 'flexible loans' up to \$28,000 to \$33,000 for existing homes and \$33,000 to \$40,000 for new houses are an improvement on the previous position but they have coincided with falling disposable incomes for all income groups but particularly for those in the bottom 20 per cent income group. In addition they have been introduced at the same time as increased interest rates (up to 17 per cent per annum) for Housing Corporation loans, thus severely reducing the chance of a household on the average wage being able to meet their mortgage repayments and other outgoings.

However, perhaps the greatest blow to most low income earners', and many in the middle income groups' chance of gaining access to the much valued prize of home ownership is the rapidly escalating price of houses and cost of finance (in the private sector) particularly in the main centres. For example by the winter of 1987 houses in Wellington city had increased in some cases by over 900 per cent since 1979. House sales of between \$400,000 and even up to several million have become relatively common place. Even smaller houses in relatively unfashionable areas have experienced massive price rises. For example:

In Mt Victoria, a pleasant little two bedroom house would have cost \$27,000 in 1979. By the beginning of this year (1987), you would have had to pay \$125,000 for the same house - a hike of more than 350 per cent.

(City Magazine Winter 1987:72)

The average house price in Wellington has more than trebled in the last seven years. As at December 31 1986 it stood at \$110,925. This situation is not unique to Wellington it is replicated in all the major centres in the North Island (New Zealand Official Yearbook 1987:538-539). Indeed the average sale price for residential houses throughout New Zealand rose some 220 per cent between 1980 and 1985 (to a nationwide average residential sale of \$75,630 in 1985). At the same time interest rates for first mortgage finance in the private sector have hovered between the 18 to 21 per cent marks since 1985, while second mortgage finance has reached 28 per cent per annum and beyond.

It is quite clear that for an increasing number of New Zealanders the dream of access to home ownership has become nothing more than empty rhetoric. The reality is that for many 'ordinary' families home ownership is simply beyond their reach. Thus while still emphasising the value of home ownership the State is in practice encouraging the private sector, via an unregulated market place, to assume an even greater responsibility for housing provision even though the actual number of houses being built in the private sector is increasing at a very slow rate. Thus while those on above average incomes are paid enough to compete in the private sector and provide housing for themselves. This leaves an increasingly large group on single and below average incomes who cannot afford the repayments even for State 'concessional' rate mortgages. A few of them will be eligible for a State rental house although it is likely that most will remain on the waiting list for a long time and many will miss out altogether.

Rental Housing

The pattern of access to rental housing in New Zealand is, if anything deteriorating more rapidly than that of home ownership. From Figure 4.4 it is obvious that the Consumers Price Index for rental housing has remained consistently higher than that of home ownership. Interestingly the graph reveals that increases in prices for rental housing were only slightly stalled throughout the rent freeze, supporting many of the claims made by Tenants Protection

Agencies at the time; that the Rent Freeze was not checking price increases (for example *The Dominion* June 22 1983; and *House* This Spring 1983). After the Rent Freeze, as Figure 4.4 clearly shows rentals soared some 400 index points from 1984 and 1985 and indeed were still escalating at the end of 1985 (over 21 per cent for that year) (Collins 1987:51). These increasing costs reflected a number of factors; the end of the Rent Freeze, the increased pressure generated by rising costs of home ownership, and the effects of a very slowly growing supply of rental houses exacerbated by a continuing loss of rental stock in inner city areas.

Indeed in many centres the rising prices for housing and the effect of State urban renewal schemes has heavily reduced the number of low income rental areas once found in the inner cities. For example in Wellington the city's students and low income earners have been forced into the outer suburbs, to the Hutt Valley and Porirua. Rents for the rental accommodation that remains in the city has sky rocketed. Between \$70 and \$100 a week for just a room has become the norm (*City Magazine*, Winter 1987:76). The result has been to increase pressure on the available rental stock in the more distant suburbs and to force low income tenants to pay high prices for transportation costs.

Yet even provided that a prospective tenant can find accommodation at an affordable price in a location that does not involve prohibitive transportation costs, the actual cost incurred in moving into rented accommodation can be crippling. A landlord can legally ask the tenant for two weeks rent in advance, four weeks rent as a bond, the real estate agents fee, and the solicitor's fee - all at one time. The combined effect of all these factors is obvious - extreme financial pressure on those who can least afford it: low income tenants.

As well as the obvious, and increasing economic pressure, tenants suffer from severe social disadvantages - insecurity of tenure, lack of privacy, and, although partially resolved by the Residential Tenancies Act, a legally sanctioned absence of basic rights, and social stigma. In New Zealand where, as we have just noted, home ownership is the national dream, home owners tend to be viewed as the model citizen. As a minority group in a property owning society tenants are often stigmatised, as transitory, shiftless or people who have little commitment to property or community. This is particularly true of State tenants whose landlord, the Housing Corporation, has generally been particularly adept at clearly labelling

their clients 'inferior' through a combination of means test, distinctive building styles, physical concentration and centralised, paternalistic management and attitudes.

The deprived (and worsening) position of tenants rests not only on the internal dynamics of the housing market and the 'tyranny of home ownership' in New Zealand, but also on the institutional distribution of power constraining its operation. Tenants as a group are politically powerless. The New Zealand political system is objectively 'impenetrable to tenancy issues; the perpetual 'non decision' to ignore tenancy as a public issue reinforces the subjective acceptance of powerlessness (Sandercock and Berry 1983).

In a parliamentary democracy based on geographic electorates, where a large majority of votes either own or aspire to own their homes, public policy will 'naturally' discriminate in favour of home owners, regardless of which party is in power. At the local State level the emphasis in terms of decision making is consistently placed on 'ratepayers'. Although tenants pay rates through their rentals their voice is ignored, and indeed, while eligible to vote in local body elections the often enforced, transient nature of renting one's home means that many tenants are in fact rendered ineligible by the operation of the Roll System.

Although tenants' unions are now widespread tenants are not a homogeneous group; geographic dispersion and isolation are reinforced by deeper class and ethnic divisions creating many differentials as to the likelihood of ever owning property, and general life chances and life styles. Nevertheless tenants, particularly those on low incomes, are increasingly unified by escalating access to accommodation.

Homelessness

Homelessness is the direct result of extremely limited access to housing. In the New Zealand situation it can be clearly seen as a result of a number of factors outlined in this work; the inadequacy of the market system in capitalist societies to fairly allocate a basic need such as housing; the historical processes that have resulted in a sharp drop in the supply of housing in the 1980's; the averse and unhelpful actions of a State reeling under fiscal crisis; the rapidly increasing costs of both rental housing and home ownership and the steadily decreasing level

of people's purchasing power, as measured in real disposable incomes, particularly for those people already on low incomes.

The incidence of homelessness in New Zealand, once denied by many, is now increasingly well documented. An Auckland study, commissioned by the National Housing Commission (Percy, 1982), estimated, under the stringent interpretation of the British Housing (Homeless Persons) Act 1977, that between 1981 and 1982, 3680 households in the Auckland region would have been homeless. This figure was based on the analysis of four one-week periods during 1981-82 where the 22 agencies participating in the study saw a total of 559 homeless cases. Included in this definition of homelessness, using the Housing (Homeless Persons) Act 1977, are those people who may have access to shelter but who live in seriously overcrowded conditions because of lack of funds. It also includes those who sleep three or more people per bedroom, and it includes those people who are forced to sleep in cars and those who would be homeless in 28 days - i.e. who had been evicted but had nowhere else to go. The study reveals that even by 1980 there was clear evidence that significant numbers of people did not have access to adequate housing and that housing problems were escalating:

there were rapid increases in the number of mortgage sales; applications for Auckland City, Council rental housing increased by 917% between 1978 and 1980; and the Auckland branch of the Housing Corporation had a waiting list of 2,600 households in June 1980. Auckland emergency housing agencies were increasingly concerned by the numbers of people with severe housing problems that they were unable to accommodate.

(Percy 1982:1)

The study illustrates the fact that the households which tend to be most affected are those who have: been evicted from rental accommodation, commonly because of sale; suffered a marital breakdown, and those with incomes too low to pay for rapidly escalating private rentals often young people.

A study in Christchurch, employed a similar methodology, over two two-week periods in November 1982 and February 1983. The participating agencies dealt with a total of 787 homeless people, of which 49 (14.5%) were young people, twelve under the age of 17 (Lea and Cole 1983). In Taranaki, the United Council conservatively estimated 141 people seriously affected by the rental shortage in their area. In addition land agents in New

Plymouth, Stratford, Hawera and Waitara were receiving a total of 153 enquiries a week for rental properties at a time when they had only two rental properties available between them (cited in Waldegrave and Coventry 1987:23-24). Currently the New Zealand Housing Network estimates that there are 20,000 homeless families in New Zealand with the greater proportion of these in the Auckland area. This figure is 7000 above the numbers on Housing Corporation waiting lists, which, the Housing Network argues, reflects the fact that many homeless families never register with the Housing Corporation, largely because they don't believe it will do them any good (in *The Dominion*, January 7 and 8 1987).

One group particularly over-represented amongst the homeless are the young. They are also the group most affected by growing unemployment; many young people lack the resources and the skills to compete for housing in a climate of scarcity and rapidly rising prices. A national survey, conducted by the Department of Social Welfare in August 1982, identified some 1292 young people who were thought to be homeless or unsuitably housed. Of these 70 per cent (915) were 16 and under, 60 per cent (776) were Maori or Pacific Islanders and 52 per cent (667) were unemployed (quoted in Department of Internal Affairs 1983:25).

Once on the streets homelessness quickly becomes just one aspect of 'social 'maladjustment' (Department of Internal Affairs 1983:10). Some of the young homeless are simply unemployed school leavers but many amongst the pool of young homeless in New Zealand's major centres have run away from violent or disturbed home situations or are former inmates released from youth prisons and institutions who have little hope of access to housing. These people are regarded by health and welfare agencies as being very much at risk (e.g. Department of Internal Affairs 1983), many, largely as a result of appalling living conditions, soon resort to crime and glue sniffing. In addition their total lack of housing tends to quickly bring them into conflict with the Police, usually for petty theft or breaking entry charges. For those unemployed homeless under fifteen, trouble with the law is virtually inevitable as they are not eligible for any form of financial assistance from the State.

As a response to the growing awareness that many young people were homeless, in 1983 a Working Group was set up under the auspices of the Department of Internal Affairs (1983) to study the issue of youth homelessness in New Zealand. In the course of this study the group examined the homelessness situation in the regions. Their assessment provides a good

illustration of the nature of the homelessness problem and its associated difficulties faced by increasing numbers of young people. For example:

Christchurch: this city has a group of up to 200 young people 'floating' and 'squatting'. They were unemployed so could not afford housing as the cost was beyond their means. The particular 'crisis' age group in Christchurch was considered to be the 15 and 16 year olds. They cannot meet the initial expenses (e.g. bond, power deposits etc.) of flats and consequently miss out on that experience.

(Department of Internal Affairs 1983:10).

For many young people this cyclical trap triggered by unemployment homelessness extends even further. Many young people, particular those who have run away from violent, broken or incestual home situations, in fact have very few living skills. While they may become very wise in the ways of survival on the streets, such young people often have no knowledge of the skills required to co-exist with others in, for example, a flatting situation. Consequently, even when some homeless young people do manage to secure a flat or place to live their tenure is often short lived as other find them totally inadequate as tenants or flatmates. Very often these people require training in basic living skills before they can even begin to compete in the accommodation market.

It is clear from the analysis presented in this thesis that the causes of homelessness amongst young people are structural. Contrary to many reactionary assumptions, the explanations for homelessness are not to be found in pathological failures of individuals but in a housing system which limits access to satisfactory secure housing, especially for people on low incomes. These difficulties are compounded for those who experience additional handicaps, such as recent discharge from prison or psychiatric institutions.

Pressure to develop progressive initiatives is constantly hindered by the use of labels which stigmatise. Terms such as 'street kid', 'vagrant', 'drifter', 'no hoper' carry the implication that people have brought their homelessness on themselves. This stereotyping is aggravated by the media images derived from the most visible homeless people, such as the 'Bridge Kids' in Palmerston North (see Chapter Five). Yet most homelessness is invisible and unmeasured. The extent is unknown because there is no statutory responsibility to ensure that all homeless people have somewhere to live. It is hidden because most homeless people are not on the

streets - or even in large institutional hostels - but sleeping on floors or sofas of friends, living in insecure bed and breakfast or squatting in empty properties.

These observations reveal the connection commonly found between homelessness and unemployment.

Poor housing is a symptom of poverty. Housing is a key indicator of poverty, because it reflects the choices people have about where and how they can make themselves a home. Poverty limits these choices.

(Waldegrave and Coventry 1987)

Indeed the process appears to be cyclical; unemployment or poverty severely restricts housing chances while at the same time poor or non-existent housing limits employment opportunities:

Young people who are sleeping rough under buildings or beside river banks can hardly be expected to attend regularly or contribute effectively to opportunities for work experience.

(Department of Internal Affairs 1983:17)

This is one of the major obstacles for moves towards alleviating the problem of homelessness now increasing revolves around the debate not of whether homelessness exists but on how it is defined. Some would argue that homelessness exists only where an individual has no shelter while others employ a definition that encompasses unhappiness about the standard of current accommodation. Waldegrave and Coventry (1987:29) suggest a definition that falls somewhere between the two extremes:

Homelessness refers to those in situations where no accommodation exists, or the accommodation is inadequate in meeting the physical, economic, social and emotional needs of the entire chosen household.

The New Zealand Housing Network argue that housing must be legally recognised as a basic human right to ensure that homelessness in New Zealand is to be eliminated. Thus they advocate that a statutory obligation to provide adequate housing for all New Zealanders be established in law. This is the case in England, where the 1977 Housing (Homeless Persons) Act makes it a legal requirement for local councils to house the homeless. However this legislation is recognised as flawed in that it provides a loophole whereby if a council deems an individual 'intentionally homeless', it is not obliged to provide accommodation, only 'advice and

appropriate assistance'. In Britain under increasing housing pressures many local councils are classifying the homeless as 'intentionally homeless' to avoid the responsibility of having to find them somewhere to live (Waldegrave and Coventry 1987:28).

To avoid this situation circumventing any statutory obligation to provide adequate housing in New Zealand, the New Zealand Housing Network suggest the following definition be officially recognised, to avoid both abuses of the legislation and people remaining, or becoming, homeless. Thus homelessness exists if:

- 1) People are already evicted or a court order exists;
- 2) They cannot secure entry to accommodation;
- 3) Domestic violence makes it impossible to occupy accommodation;
- 4) People are living with unwilling friends or relatives;
- 5) They are in a movable structure and have nowhere to park it;
- 6) They are threatened with homelessness (no shelter);
- 7) They are squatting;
- 8) They are homeless or threatened with homelessness because of flood, fire or other disaster;
- 9) They are occupying emergency accommodation.

(New Zealand Housing Network 1986)

However even without the achievement of law reform, attempts to respond to the problem of homelessness, must be based on an accurate assessment of the actual number of people in need and so on a clear and acceptable definition of homelessness. One of the biggest problems facing housing workers and others struggling for even a partial resolution of the housing question is the lack, both of research and theoretical analysis of housing problems but most importantly of a satisfactory means of establishing a true indication of just how many people are adversely affected by the shortage (and associated problems) of affordable housing.

CHAPTER FIVE

HOUSING CONSUMERS AND HOUSING ACTION

Geographers cannot remain neutral. But they can strive towards scientific rigor, integrity and honesty...There are many windows from which to view the same world, but scientific integrity demands that we faithfully record and analyze what we see from any one of them.

(Harvey 1984:7)

This chapter examines the role and importance of housing consumers, and in particular the responses of people to their consumption experiences. It is appropriate that it should be the final empirical chapter in this work because the process of housing consumption (how housing is occupied and used by the people who live in it) is the end point of the various aspects of the housing question examined in the preceding chapters.

Marx (1973:91) expresses the importance of consumption for production this way

Consumption produces production...because a product becomes a real product only by being consumed. For example, a garment becomes a real garment only in the act of being worn; a house where no one lives is in fact not a real house; thus the product, unlike a mere natural object, proves itself to be, becomes a product only through consumption.

(Marx 1973:91)

However, housing consumption is an increasingly complex and multi faceted process. As already discussed, it has social, economic and political significance and is an essential component in the reproduction of capitalism. Within capitalist societies people's identities and status as individuals and members of social groups are, in part, conferred and maintained in the home and in the process of housing consumption.

The relationships between type of housing, form of housing consumption and the social relations and everyday lives of people are also complex. I have already discussed the relationship between housing tenure and patterns of housing consumption and in particular the

'advantages' of owner occupation over other tenure forms for individuals, the State, and capital.

It should be noted at the outset that housing consumption is neither a passive nor an independent act; it involves choice and decision about the use that is to be made of a dwelling but, above all, housing consumption is bound up with social relations between people. Housing consumption is a question of the social relations which exist in and relate to housing. Without them the physical structure, the dwelling unit, the neighbourhood and the community or locality have very little meaning.

The rights associated with various tenure forms are no more than the rights of the occupier (or owner) over other people. A State house is a State house for the occupier because of the specific relations between her or him as a tenant and the State (via the Housing Corporation) as landlord. Owner occupation also entails sets of social relations. The occupier, as the owner of private property has legally defined rights, obligations and duties. The various tenure forms encompass more subtle connotations about the social relations enjoyed (or endured) by the occupier, nevertheless legal definitions and rules underpin most of what is understood by tenure. These legal definitions and rules are, of course, societal creations. The legal system is a principal mechanism through which the State attempts to achieve, maintain and legitimate their intervention in housing consumption. Yet to be successful the use of law must ultimately be socially accepted (enter ideology!) as well as feasible and practical. The mere existence of legal rules and definitions will not, in themselves, guarantee that a particular housing consumption relationship will occur. Despite the frequent recourse to the power and sanction of law to determine tenure form and its consequences for people, law has not always been a successful means of achieving the aims of State intervention in housing consumption.

My own experience in the area of tenancy disputes supports this claim. For example many of the difficulties and tensions associated with rental housing result from the mismatch between legal expectations and the actual social relations which occur in everyday practice between tenant and landlord. These difficulties and tensions are heightened by the unworkable nature of many legal rules when applied in practice, and the inability of legal definitions to be easily imposed on the 'real world' if the parties to the relationship fundamentally disagree and conflict with each other.

A further illustration can be found by examining the rights accompanying particular tenure forms; Saunders (1982, cited in Dickens *et al.* 1985:195) argues that owner occupation endows the rights of control, benefit and disposal to the occupier, while local authority housing allows only the right of benefit and not control or disposal. These rights may be sanctioned by law yet may be unobtainable in practice. For example an unattractive or badly maintained owner occupied house in a depressed area with little demand for house purchase may be impossible to dispose of. In the case of local authority housing in New Zealand there is considerable geographical variation not only in relation to the standard, age, and concentration of units provided but also in relation to the definitions of the landlord-tenant relationship imposed by various councils. Consequently there are considerable differences in how tenants have responded to the relations local authorities attempt to impose on them and in how various housing blocks are treated by their tenants.

HOUSING ACTION

Housing consumption is, therefore, a social act with social implications and housing consumers will not always passively accept or conform to legal definitions and rules regarding their social relations with others in the process of consuming housing. It is also apparent that they will be even less inclined to do so if those rules are disadvantageous to their interests. In fact it appears that housing consumers are likely to attempt to improve or at least maintain their existing pattern of housing consumption.

Action over housing consumption also involves social relations, between consumers (either as individuals or collectively) and other individuals, social groups, and institutions. These relations revolve around questions of power, control, and access to and use of scarce resources and, as such, are relations which are manifestly conflicting.

For consumers of housing, dissatisfaction with one or more aspects of the consumption process can take a wide variety of forms. This can range from conflict between members of a single household which may eventually lead to the all too familiar household breakup and ritual conflict over material possession and legal rights to the home in the courts. At another extreme groups of housing consumers may form and conflict with developers, landlords, the State, courts or housing authorities, or with other sets of consumers. In response to various

housing consumption issues different types of *action* follow. Dickens *et al.* (1985:200) suggest that most housing consumption actions are reactive and defensive, emerging as responses to some present or future (perceived) threat to housing consumption.

I have already alluded to perhaps the most fundamental distinction to be made about different housing actions; that between individual and collective action. However, there are a number of other points which are distinctive about the range of actions which may be undertaken by housing consumers seeking to defend or improve their housing consumption experiences. Much of the action relating to housing consumption is tenure based, for example; actions relating to rental housing such as the activities of tenants' associations, rent strikes, taking landlords to court or tenancy tribunals, etc.; or actions relating to owner occupation such as mortgage strikes, the lobbying of local authorities carried out by ratepayers groups, the withholding of rates, the actions of vigilante groups etc. Housing actions may also reflect the actions of people in a particular locality who, whatever their tenure, share common interests and take common action on that basis. For example, this type of action is commonly associated with the response of residents in an area threatened by demolition or redevelopment. The work of Lambert *et al.* (1980) provides a good illustration of this kind of housing action around specific locally based consumption issues. Yet it should be noted that, conversely, people within a single tenure in a specific locality may have dissimilar interests and work towards different goals. For example, an area of owner occupation may be divided and conflicting along religious or ethnic lines.

Finally we should be aware that housing action is commonly the action of last resort, taken after other measures have failed. Many housing consumption issues may be resolved without recourse to action, for example a rent increase may be followed by a general wage order before action is contemplated. But for many legitimate or legal remedies may prove ineffectual and illegal action like withholding rates may be perceived as the only option available. In this context it is clear that not all housing consumers have all forms of action open to them and some may resort to lawlessness more often than others - for example tenants as opposed to owner occupiers - simply because they have few legally defined rights (Dickens *et al.* 1985:201).

The Significance of Housing Action

The nature of the social groups which emerge in social struggles, in this case housing consumption actions, is the subject of some debate (see Saunders 1979:79). Returning to the points made in Chapter Two, the position adopted in this work is that the nature and significance of housing action relate not only to the specific housing issue and the form of response to it but also to the 'vertical' and 'horizontal' organisation of the specific capitalist society and the particular locality. In certain instances housing struggle and class struggle have merged but in other situations housing consumption actions are not, in a direct sense, class actions between capital and labour - which, in such contexts, are relatively crude analytical terms.

Returning to the history of housing provision in New Zealand, for example, it is clear that the sporadic rent strikes of the early 1900's was action by class conscious workers reacting to the heightening contradictions between capital and labour (see Chapter Three and Sutch 1966:102). Yet more often throughout the history of housing provision in New Zealand tenants (individually and collectively) as housing consumers have withheld their rent in conflicts over dwelling 'rights' and consumption practices in a variety of schisms largely unrelated to class struggle.

The form and eventual significance of housing action can also be spatially specific. The strength and impact of housing action over one issue may vary from place to place for such reasons as the nature of local social relations, the degree of unity and consciousness of the issue, and could conceivably be reflected by totally different responses - targeted in one place at the individuals or processes creating the specific housing problems and in another a reactionary response may attack those disadvantaged groups most affected by the problem. Thus historical and geographical variation is an important aspect of housing consumption issues and action.

...part of the reason why some people do certain things at certain places in certain periods while other people at other places in other or the same periods do not, or why different forms of protest and patterns of organisation arise in apparently similar conditions, is quite specific to particular contexts, to particular places.

(Thrift 1983:36)

In the light of this it may be tempting for the critic to suggest that housing actions are so specific as to be without wider application. Dickens *et al.* (1985:203) highlight the error in such an assumption by reference to perhaps the most specific and apparently trivial example of a dispute over the boundaries of two suburban gardens. Yet, they point out, even this is symptomatic of much more than an argument between two individual households as it involves definitions of property rights and a struggle over housing consumption. If such a dispute continues it will probably be channelled into the courts and resolved through the use of law.

The apparatus of the State will be brought to bear on what appear as very personal, immediate and insignificant housing consumption issues and actions. This illustration re-emphasises the point that housing consumption has, over a long period of time, attracted considerable State intervention and attempted management and regulation.

(Dickens *et al.* 1985:203)

The question then, is: how completely does the State, in the New Zealand context, dominate and regulate housing consumption? Can the actions of housing consumers sway the State or influence the pattern of housing provision? Obviously many housing consumption actions are limited to very immediate and local issues. Many will have no impact on State intervention and action, will remain very localised and individual concerns and will be 'managed' within legitimate channels of protest and action. However, it is the suggestion here that collective action, particularly that which is taken outside legitimate channels, can have a wider significance in terms of a demonstrable effect on the national State and on the evolution of the housing question.

The assertions advanced by Saunders (1981:274-6) would suggest that housing action has no such wider significance. Initially making the point that urban based consumption conflicts have no necessary relation to class struggles, Saunders goes on to make three specific claims about the nature of urban struggles, which presumably pertain also to collective actions over housing consumption issues. He argues that urban struggles develop around questions of social consumption but then asserts that the corollary of this is that they are typically isolated from the labour movement and strategically limited in their objectives. Further, he claims they are generally orientated towards the competitive rather than the corporate spheres of politics and so are typically fragmented between themselves. Finally, they are mainly locally based and tend to be both issue specific and locality specific.

In short urban struggles are typically fragmented (for instance different groups in different areas compete against each other for the same resources), localized (different groups with common interests find it very difficult to combine at a national level), strategically limited (the basis for mobilization is highly specific and any attempt to extend the scope of political activity into broader political issues often results in fractional disintegration), and politically isolated (links with more enduring political movements such as the Labour Party or trade union movement are at best tenuous and more often non-existent).

(Saunders 1981:276)

A number of points need to be made in regard to the validity of this characterisation in the context of this study. Firstly, to reiterate a point made at the beginning of this work, the arguments and 'evidence' on which Saunders bases his hypotheses (1979:127-136) are constructed in relation to a specific time and place, Britain in the late 1970's and are not necessarily generalisable to other historical and geographic situations. Indeed Saunders himself concedes they are not applicable to social struggles elsewhere in Europe (1979:132), while there appears to be some debate as to whether they hold true for Britain (c.f. Lambert *et al.* 1978; Dickens *et al.* 1985).

Secondly, Saunders' work on urban struggles is constructed mainly in relation to Castells' theory of 'urban social movements' (Castells 1977; Saunders 1979:113) and in particular evaluates urban political mobilisation as political class struggles, that is, solely as manifestations of the basic contradiction between wage-labour and capital (Saunders 1979:103).

Urban social movements are, to employ a simple definition, organisations that consciously and materially alter the balance of class forces in society. Castells, arguing initially from within formal structuralism, conceives of the dominant 'level' in society as the economic and the primary contradiction as that between capital and labour at the point of production. Urban social movements can only be generated if they can be linked to the dominant level, drawn into the advanced sections of the working class movements (Lowe 1986:17-18). Urban social movements in Castells' (early) writings have significance because they generate new areas of confrontation in the anti-capitalist struggle.

At the risk of being repetitive, it is worth pointing out that no such claims are made in relation to the significance of housing action in this work. Once again, drawing on the material presented

in the theoretical framework relating to the anatomy of capitalist societies, the position adopted here is that there are a diversity of bases on which individuals mobilise in social struggle. Such struggles are the means by which individuals struggle to maintain and expand their material conditions resulting from the overall capitalist economy. However, although capitalist relations are dominant it does not follow that class relations or class struggle are primary. The bases upon which struggles are mobilised will depend on the particular structuration of a given civil society - there is no necessary reason why class struggle dominates other forms of struggle.

Thus, although housing action *may* be a manifestation of class struggle its significance here is conceived of in relation to its impact on the material conditions of life for housing consumers and, specifically, in terms of the patterns of housing provision and the nature and form of State intervention in housing.

Although this is not the place for a critique of Castells or his critics it is interesting to note that Castells has in fact responded to many of the criticisms and inadequacies of his work and that as a result there is a detectable change in the manner in which he theorises urban social movements and their strategic importance (notably in Castells 1978 and 1983) which has in effect brought elements of his analysis closer to the approach used here. Perhaps the most notable development in the evolution of Castells' reading of the urban system and process, as documented by Lowe (1986:66), is the recognition of distinct 'consumption cleavages' as social bases (which are effectively autonomous material interests based on the public or private access to consumption provision) that cut across the social class system. Thus he identifies 'sectoral consumption cleavages' (for example housing actions) that are not determined by class action but by people's position in the consumption process itself, and as such relate to 'civil society' (Lowe 1986:35,49) - rather than the political or economic 'levels' (c.f. Duncan 1981). In *The City and the Grassroots* Castells draws attention to the significance of local communities as focal points of urban movement activity. But perhaps more importantly he gives recognition to "...the realm of 'personal experience' as a crucial factor in any 'meaningful structure of historical action'" (Lowe 1986:52). So it is that we find Castells asserting:

...only by analysing the relationship between people and urbanisation will we be able to understand cities and citizens at the same time. Such a relationship is most evident when people mobilize to change the city in order to change society.

(1983:xvi)

From Theory to Method

Housing consumption struggles are...likely to be hidden from history. The task of rescuing them, even at the level of describing events and actions, is considerable.

(Dickens *et al.* 1985:205)

This is normally the case because of the scarcity of comprehensive and balanced source materials, 'official' accounts and orthodox descriptions, particularly if intended for public consumption, tend to be of little value. Where struggles over housing consumption have indeed been important in creating change in the housing system, State, local authority and housing constitutions generally have little to gain from making the most of protest. Rather than provide any information about the nature and extent of housing consumption struggles, such institutions tend to rewrite history. Housing change then becomes the result of the benevolence and foresight of politicians, administrators, managers or planners on behalf of 'the people'. Otherwise it appears as a logical or evolutionary policy development, possibly responding to a particular problem; some variant of unmet housing need versus the ability of new and existing consumers to pay for more housing (Dickens *et al.* 1985:206). Such an approach, common in most explanations of the evolution of housing tenures or policies, may tend to underplay the extent and effectiveness of housing struggles.

Finally, those individuals and social groups involved in housing struggles rarely record *their* history of events. Dickens *et al.* (1985:205) suggest that identifying whether action is locality based is a first step which may suggest the importance of local social relations and local State institutions as factors determining the potential and limitations of housing consumption issues and actions. Yet even assuming an adequate description of the relations within which a particular housing action occurs, other problems remain. How do you measure and assess the significance of a particular struggle?

Although, it must be conceded, successful housing consumption actions are relatively rare, many actions may not appear to be significant in a clearly demonstrable empirical way because often consumers, capital interests or State institutions, concede before a pitched battle is reached. Such actions, taken singularly, may seem relatively unimportant and remain relatively obscure but viewed collectively such actions have a cumulative effect on the pattern of housing provision and can constitute a formative context and pressure on a national State. Obviously much will depend on the theoretical perspective of the researcher involved but an already considerable task becomes more complicated when one begins to consider whether subsequent events might have been substantially different if a specific housing consumption episode had not occurred.

The three studies of housing struggles documented here have been chosen largely because, to varying extents, I was personally involved in all of them and had the resources and opportunity to record the events as they happened and to remain in the community to assess their 'significance'. In this sense the methodology was that of 'research-action' (Lambert *et al.* 1978:25), I was involved in a direct and active way in the relationships and processes which I have tried to interpret and understand. I do not pose as a neutral researcher. There are no interviews or surveys of representatives of 'each side' about contacts and relationships, for it is this writer's belief that they can never be the same as actual observations and experiences of those contacts. In presenting these studies I have drawn primarily on the records I made at the time, but also on other materials such as correspondence between the parties involved, minutes of meetings etc. and local and national newspaper and other media accounts of the action.

It is not the purpose of this chapter to provide a simple chronology of events. While I have employed a basically chronological framework to describe the action I have tried to draw out of these events those things that can help us understand the processes at work in each case. My concern is with housing action, specifically actions in response to differential access to housing and the activities of those with the power to influence housing opportunities. I have also tried to convey the impact of the processes of allocation, the implementation of rules and bylaws, and the varying activities of the State on housing consumers and particularly those at the lower end of the housing market. In doing so my own direct participation and involvement has provided a rich source of experience, the mind of base upon which a true 'peoples

geography' depends (Harvey 1984:7). In Palmerston North the CHIP (Community and Housing Improvement Programme) scheme had some impact in terms of reducing rental accommodation but perhaps its main effect was to rapidly increase housing prices within the city's two NIA's (Neighbourhood Improvement Areas). In Palmerston North the major outcome of the CHIP scheme in the short term was to attract the activities of speculators. For example an inner city house, eligible for renewal under the CHIP scheme and valued at approximately \$15,000 was advertised, shortly after the area was declared an NIA, in May 1982 for \$35,000 with no improvements having been undertaken (Gordon 1982:25). The mere possibility of a low interest loan to renovate the property caused the value to soar.

PALMERSTON NORTH: THE CONTEXT

Obviously the housing situation experienced in the early 1980's in Palmerston North was located within the national trends described in Chapters Three and Four, but there were a number of features which served to make Palmerston North's situation unique, particularly for rental housing consumers. Apart from nationally evident patterns Palmerston North faced two major housing trends.

The first was generated by the fact that the rate of household formation in the city was outstripping the population growth rate and more significantly the growth in the supply of housing. This trend is reflected in the fact that recent declines in population growth have not been accompanied by similar declines in household formation. The increasing demand for housing in the face of falling population growth has highlighted the confusion that appears to exist at the national (and local) policy level over the relationship between population growth household formation and housing demand.

Research undertaken within the local State (Wheeler 1984:4) revealed that over the twenty years from 1961 to 1981 the growth in the number of households formed in Palmerston North (52.37%) had been considerably greater than the growth in population (34.83%) while over the same period there was a significant drop in the average household occupancy rate. Predictions from the same report produced estimates indicating that household formation rates would continue to outstrip population growth in the city through the 1980's and into the 1990's.

If the current household formation rates continue unabated some 1,400 new households would be formed each year in the city.

Bringing together this projected need for housing with the likely supply of housing reveals a significant and increasing shortfall between supply and demand. In 1984 it was estimated that the shortfall between supply and demand was in the region of 300 households and that by 1986 this will have risen to in excess of 600 and in the region of 1200 by 1991 (Wheeler 1984:47). The report noted that its estimates were conservative, since then there is evidence that construction rates for new housing have fallen (Housing Working Party Report 1985:15).

Obviously a shortage of the magnitude demonstrated by these figures, which did not take into account the cumulative effect of past shortfalls between supply and demand, has numerous social implications. Community welfare organisations were already dealing regularly with cases of extreme homelessness. Stories of people, often families, living in cars were common (see for example 'City offers homeless slender last resort' *The Evening Standard* February 15 1985, p.1). The impact of the housing shortage was hardest on those on low income and unemployed people, but not merely because of their lower bidding power.

Submissions to a Housing Conference held in Palmerston North in 1984 confirmed two facts. Firstly, that there was and would continue to be a severe shortage of housing in the City and secondly, that the most pressing shortage was of rental housing, and especially of rental housing at reasonable rentals (Housing Conference December 5th 1984, Palmerston North). The second major trend affecting housing in Palmerston North in the early 1980's was the continuing decline in rental housing provision. In 1985 the report of the Palmerston North City Council Housing Working Party, established to examine the provision of housing in the city, stated:

For at least half a century there has been a decline in the provision of private rental accommodation. This has accelerated in recent years.

(1985:4)

A comparison between the population size and rate of household formation with the stock of rental units reveals the decline in the number of rental units available since 1976.

1976-1981 Population Growth = 3.75%
 1976-1981 Growth in Household Formation = 8.89%
 1976-1981 Rental Growth = 1.45%

Source: Housing Working Party 1985:14 and Wheeler 1984:4).

Clearly the growth in rental housing stock had not matched population growth, let alone the growth in household formation rates. In 1976 there were 102.19 rental units per 1000 population in the city. By 1981 this had dropped to 91.93. To have merely maintained the 1976 level of rental housing provision some 222 rental units would have had to have been created over the period 1976-1981. In fact only 86 units were created (Housing Working Party 1985:14).

If we are prepared to assume that the 1976 level of rental housing provision was adequate (which may not be a reasonable assumption given what has already been noted regarding the household formation rates within the city), and taking account of the rate of rental unit creation, Palmerston North was 'in arrears' some 400 rental units in 1985. In addition there was a shortfall in production, at that time of some 44 units annually to *maintain* the levels of provision experienced in 1976 (Housing Working Party 1985:14). Thus in 1985 the city of Palmerston North was continuing to fall well behind the level of rental housing provision that had existed some ten years previously, despite the fact that all evidence suggested that demand was increasing.

Apart from the considerable social costs such a rental housing shortage was causing, particularly on low income earners, it had also created a rapid increase in rental rates. In 1981 the average price for a three bedroomed flat was between \$35-\$45 per week, by April 1982 the average price had reached \$90 (Mahar 1984:274). Although this was temporarily checked by the 'wage price freeze', prices soared again as soon as controls were released on the 28th February 1985. In addition, as in other centres, there was considerable evidence that the 'wage-price freeze' had in fact acted as a disincentive for landlords to invest in rental housing, thus further reducing the supply of rental housing. There was a 12 per cent drop in the number of rental units available in Palmerston North during the course of the 'freeze' (Phil Goff, Minister of Housing quoted in *The Evening Standard* 8 February 1985, p.1). The shortage of rental housing also provided undesirable incentives for landlords to retain, often at

considerable rentals, poorly maintained and substandard housing, particularly for those who, by virtue of their income, were relegated to a housing sub-market that offered them little choice.

There were a number of other factors affecting access to housing in Palmerston North over the period in which the following three studies occurred, from early in 1982 to late in 1985. Mahar (1984:274) notes that in 1981 the average price of purchase for houses rose 45.69 per cent. This rise may have been caused by a number of factors, the national rise in the cost for new housing and the high building costs for new housing for example, but was almost certainly influenced by the high demand for housing in the city.

At the beginning of the 1980's approximately 40 per cent of the rental units in Palmerston North were owned by the State, through the Housing Corporation of New Zealand but there were very few units available for the city's homeseekers. In 1981 the Housing Corporation administered 1929 rental units of which 70 were sold. In 1982 only three units were replaced, despite the fact that the waiting list was increasing amid growing pressure on the city's rental supply. It was not until 1984 that the State's building programme reached double figures; 20 units planned for 1985 (The Branch Manager Housing Corporation (P.N.), submission to Palmerston North Housing Conference 1985).

Two important dimensions of the locality are local social relations and local State institutions (Dickens *et al.* 1985:207). In considering housing consumption actions the influence of these can be either positive or negative; they may either help or hinder housing consumers in their response to housing consumption issues. In Palmerston North, paradoxically, the dominant status quo social relations and the (initially) unproductive local State institution both functioned to push the responses of housing consumers, notably in the first study, in a particular direction, barring some forms of action and leaving, in that instance, only illegal actions as a worthwhile tactic. In the second study the local State institution had become more receptive and housing consumers were able to pursue their action through more legitimate channels.

For some time local class relations in Palmerston North had been dominated by status quo interests favouring a range of groups including, at different times, property and landowners (reflecting perhaps the values of its rural economic base), landlords, estate agents, local

commercial and retail interests, hoteliers and wealthy home owners. These local social relations have been reflected in the control and actions of the local State. For example, until recently electoral politics have generally put conservative politicians, many of them landlords, in control of the City Council. This was certainly the case over the bulk of the period with which we are concerned.

At the beginning of the 1980's the predominant view of the majority in Palmerston North and particularly the dominant groups was that the city was untroubled by any housing shortages. This was a view that the majority seemed particularly keen to maintain. In the face of mounting evidence to the contrary local politicians and community leaders stated with increasing insistence that the city did not have a housing crisis.

In 1981, the beginning of the period spanned by the following studies, the Mayor, later to stand as a National Party candidate for the city in the general elections, was prone to stating categorically that there was no housing shortage in the city. Later, when forced by the weight of evidence and the increasingly popular mobilisations of housing consumers, he was prepared to admit that there was a housing shortage but not that it was the Council's responsibility.

...local government has always had a responsibility to provide its ratepayers with certain services - things like drains and rubbish collection. But it has never been responsible for providing cheap rental accommodation.

(The Mayor in *The Evening Standard*
February 21 1985, p.3)

The Mayor, or his Councillors, conscious perhaps of an electoral backlash or unwilling to upset locally dominant groups, have never been prepared to commit revenue raised from rates to the provision of housing.

In fact Palmerston North City Corporation has a rental construction policy which states that 25 new community rental units will be built each year but, the phrase 'finance permitting' is appended to that policy. Essentially this means low interest finance. The local State actually controlled, apart from pensioner housing, 40 community rental units in Rakaia Place (built on a 5% State loan) and was considering, with some reluctance in 1981, the construction of a further 44 units (on a 3 percent loan from the State) to be named, ironically, Achilles Court.

However the local State still operates each housing development as a financially separate unit, each development is expected to break even within 3-5 years of construction, there is no provision for established units such as Rakaia Place to be used to subsidise either further new construction or the rents on some existing units.

The Council's clearly stated policy is that ratepayers will not have to subsidise those who can't afford to pay market rents. Council properties must stand alone.

(The Mayor in *The Evening Standard*
February 21 1985, p.3)

Thus those community rental units that are controlled by the local State are let at 'market rentals'. Indeed, when price control regulations were relaxed on February 28 1985, the end of the 'wage-price-freeze City Corporation rents were increased by up to 150 per cent (quoted in *The Evening Standard* February 8 1985, p.1).

This then, was the context in which the following examples of housing action took place. The three studies report how various housing consumers were, by collective action, able to influence the housing opportunities available to groups of consumers within the city. In a sense what can be discerned from each study is the working out of central and local State housing policy and practice in a particular locality and the impact on and responses of consumers in that locality, so from each can be gleaned a better understanding of the city's and the nation's housing question.

HOMELESSNESS AND SQUATTING

In the early months of 1982 the shortage of low cost rental housing in Palmerston North had reached the point where a number of young single people found themselves homeless. Some had lost their jobs and had been unable to maintain the high rents now charged in the city while others had been evicted from flats to make way for the large numbers of tertiary students returning to the city - many of whom were also to find themselves homeless.

After meeting up on the streets or at the local unemployment centre, where many went during the day to sleep after roaming the city's streets at night, a small number banded together for mutual support and protection. This group was predominantly young, single Maori people,

most of whom were unemployed and homeless. A few of the group's younger members had run away from violent home situations and were only (if at all) eligible for the youth rate unemployment benefit. It should be mentioned at this point that the problems faced by beneficiaries who were without housing were considerably magnified if they could not provide a permanent address as it was Department of Social Welfare practice not to pay out benefits if a permanent contact address was not supplied.

In an attempt to avoid police harassment and reduce the likelihood of trespass charges arising from sleeping rough in the inner city, the group of about ten homeless began to spend the nights under one of the spans on the far side of the city's Fitzherbert Bridge. The bridge did afford some protection from the elements and their relative concealment enabled them to light driftwood fires to keep warm.

It was here that local radio and newspaper reporters 'discovered' the group - and the extent of the housing shortage. Dubbed the 'Bridge Kids' by the print media the ensuing publicity surprised many, who had not been personally affected by the shortage, as to the severity of the problem. Nevertheless a common response was one of disbelief, many felt that the members of the group were not truly homeless but simply courting publicity, others felt that the group should be able to return to their parental homes. These sentiments were fueled by the Mayor's public claim that the homeless were simply young unemployed who had been drawn by Palmerston North's prosperous reputation in search of work and as such were not the city's responsibility. Contrary to the Mayor's assertions very few of those presenting themselves as homeless at agencies such as Community Volunteers came from outside the city. The resentment of the City Council and Corporation against such outsiders is an illustration of the political nature of the local authority boundary. That some of the homeless were not native to the city was in no way unique to them. The city's population as a whole was, demographically speaking, highly mobile; particularly the thousands of tertiary students who arrive in the city each year (later to be blamed, by the Mayor and Council for the housing shortage).

Meanwhile the homeless group were not enjoying the attention brought by the publicity, coming as it did, now that their whereabouts were well known, from passing patrol cars, opinionated citizens and occasionally curious patrons returning from local hotels. However it did enable local youth and housing workers to raise funds and hire tents from a scout group so

the homeless could stay in the city's motor camp and later to negotiate the use of a scout hall owned by the Catholic Church.

In March, in response to the city's worsening housing crisis and the reluctance of State or local institutions to take any action or indeed acknowledge the extent of the shortage, the Palmerston North Housing Action Committee was formed. The Committee was based at the local Unemployed Rights Centre and consisted of six people, three representing the homeless and three drawn from the housing activist and community workers involved. The stated aims of the committee were:

1. To expose the plight of homeless people in Palmerston North;
2. To put pressure on the City Council and government institutions to face up to their responsibilities to provide adequate housing for those in need;
3. To expose the unscrupulous practices of many landlords.

An implicit goal in these stated aims was to find housing for the homeless represented by the committee. At the outset some felt the Committee should immediately take some form of drastic action but it was decided that all legal avenues should be exhausted before such action was contemplated. So the Committee began anew trying to obtain flats for the homeless, which now numbered over fifteen and included a solo parent with a two year old child, through newspapers and real estate agents as well as the City Corporation and the local branch of the Housing Corporation. The Committee put together a detailed submission, one of several from the community, for the use of a Department of Social Welfare Girls' Home, suggesting that the home be used for emergency housing for the homeless. The submission was followed up by deputations to Social Welfare Department officials by a number of groups including the Committee but the ex-Girls' Home was eventually sold to entrepreneurs wishing to establish an exclusive wedding reception and conference centre.

The Committee sent deputations of homeless to meet the Mayor (several times), the Town Clerk and senior officers of the Housing Corporation, all were suitably sympathetic but claimed either that they were unable to do anything to help, or that the issue was not their responsibility. By May the number of homeless the Palmerston North Housing Action Committee represented had increased and they made little progress in achieving their aims.

By this time the strain of the cramped and inadequate conditions in which the increased numbers of the homeless group (now over 20) were living at the scout hall was beginning to tell. In addition the noise of the group, accustomed to being awake at night and having to catch up on sleep during the day was disturbing the sleep of priests living nearby. On the 31st of May the group were evicted from the hall. They were given the use of a nearby Presbyterian Church hall but only during the day, meaning that the group were once more forced onto the streets at night.

In June the Palmerston North Housing Action Committee decided it was time for direct action. A number of alternatives were considered but squatting was soon decided on, for a number of reasons:

Squatting is not only a practical solution to individual housing need, it is a statement about property and ownership. As such it is a political movement.
(Cockburn 1977:80)

Squatting was chosen as the appropriate housing action because it was seen as a form of protest which focuses on and confronts a crucial political and ideological issue; that of private property rights versus housing for need. It was an issue that was keenly felt by the homeless members of the Committee, whose political awareness had been honed by many cold nights wandering the streets!

The notion of a publicly accountable local authority was a crucial factor in choosing a Palmerston North City Corporation house as the target for the squat. An empty City Corporation house had been spotted in Manuwaroa Street some weeks before (it was *en route* to the bridge). It was felt that the City Council, particularly in light of the Mayor's public statements, were basically unconcerned with the issue of homelessness in their city.

So on the night of June 8th 1982 the group commandeered the City Council house. It had been decided that only eight homeless and one youth worker should stay in the house while the rest of those involved would remain outside to provide support. In addition a telephone tree of supporters had been organised in case of attempts to carry out a surprise eviction.

Ironically on the same night that the group had moved into the house the City Council's Housing and Property Sub-Committee was considering cancelling proposals to construct a 44 unit rental housing development (to be financed by the State) because of high building costs.

Once the group was established in the house, their supporters erected a banner, reading 'We Demand Adequate Housing and Accommodation, Not Bridges and Streets', across the building's street frontage and alerted the local radio and newspapers. The response was electric, within a day news items about the squat were to feature on radio and television and in newspapers throughout the country.

Throughout this news coverage it was argued explicitly by the squatters, that because local councils have duties to provide housing on the basis of need and because of their unwillingness to recognise the housing shortage, let alone do anything about it, squatting in empty local public sector property was a justifiable response. The squatters demanded that the City Council make the provision of low-cost housing in the city a top priority and that they establish a 'commission of inquiry', involving Council representatives as well as Palmerston North Housing Action Committee members, to investigate the housing situation in the city.

The local authority's reaction was swift - the Town Clerk visited the house and gave the squatters an ultimatum: leave by noon the same day and, providing the property was undamaged, no legal charges would be laid or 'the Council would take any option open to it, including calling in the police to remove the squatters'. In offering this choice the Town Clerk may have been hoping for an early and convenient resolution to his problem, if not totally successful such a strategy still offered the potential of weakening and dividing the group while presenting the City Corporation as benevolent and reasonable. The Town Clerk was later to reveal that he had decided to employ police intervention, rather than negotiation or any other tactic, at the very beginning of the group's occupation. In keeping with such a strategy the Mayor issued a press statement at the same time accusing the squatters of deliberate lawlessness and of generating publicity simply to obtain for themselves priority treatment in terms of getting access to the Corporation's sole block of public rental flats, Rakaia Place. The group responded by asserting that the fundamental issues at stake in the squatting movement were the responsibilities of the local authority (and the State) towards housing their citizens, and the right of landlords (and in particular the local authority) to keep their property empty for

reasons of personal profit or convenience at a time of homelessness. The Mayor had initially maintained that the house had been kept empty to 'enable major renovations to take place as part of the Council's programme to upgrade staff housing'. But the next day the Mayor claimed the house had been left empty as it was up for sale.

At this point a representative of the squatters tried to present the P.N.C.C. With a bond for the property and arrange for the squatters to pay rent for the house until it was sold, however the own Clerk refused to meet or negotiate with any representatives of the squatters. The Mayor and a Councillor (also a prominent city landlord) declared publicly that they 'would not give in to the squatters'.

The 'high-noon at Manawaroa Street' came and went and both sides seemed to be locked into a confrontational impasse. The squatters were firmly entrenched in the house and vowing publicly that they would not leave voluntarily until the City Council acceded to some of their demands. While the City Council representatives were becoming increasingly hostile and suspicious, refusing to speak to anyone, including the press and local Social Welfare Department officials, until the squatters left the house. Throughout this period public and journalistic interest in the squatters remained high. The group had encountered some opposition from those representing property interests who, it would seem, had the most to fear from an attack on private property rights. But despite the Council's efforts the group was, on the whole, enjoying an unexpected level of support from the public. A group of between thirty and fifty supporters was maintained outside the house day and night throughout the squat by the Committee, with the help of many unsolicited members of the public, to provide support for those inside and to prevent any attempt at a clandestine eviction. Many people were spontaneously visiting the house offering support and donating food, clothing, bedding, and gas powered lighting and cooking facilities. Other groups such as the Manawatu Trades Council, local social workers, community, church and student groups were publicly pledging their support for the homeless group and their aims, condemning central and local government inaction over the homelessness issue.

In the face of growing public support for the squatters' cause the City Council took action. The mechanisms for this action were, predictably, police intervention and judicial enforcement. The police converged on the house at about mid-day, broke in and dragged the group, who offered

only passive resistance, out one by one. The squatters were arrested and charged under the Trespass Act, bailed later in the day the squatters were still homeless. Representatives of the City Council would say little more than that the house seemed to have been left in good order.

But public support for the squatters continued in the wake of the eviction. In the local newspapers contemporary comment seemed to follow the squatters' case, for example; a group of city social workers issued a statement that claimed the city's housing problem had reached crisis proportions and admitted they were only 'barely able' to cope with the demands for help. The group felt

The accommodation problem is usually individualised and seen as part of a personal deficit but we believe that those who are more economically well off are given preference to resources.

(Evening Standard, Saturday June 19 1982)

The group cited cases of extreme stress caused by the lack of adequate housing in the city and urged the public to be aware of the issue and 'demand political, economic and social action by those who control the resources'. The Manawatu Trades Council, featured on the same page, were more direct, accusing the Council of 'clumsy ill founded attempts to discredit the group' and trying to shift the responsibility for the housing problem to the Government, parents and community charities. The tone of such articles appeared, to many, to reflect the public sentiment of the time.

The homeless group were offered short term accommodation by the local branch of the Labour Party and shortly after were given the lease of a house owned by a local joinery firm.

It remains to assess the success of this housing action. As suggested above, there is no certain empirical means of demonstrating the full impact of the squatting action on the local State and housing consumption. The squatting movement focused its activity in the public arena, where empty property was more visible, the squat easier to lay, and the owners publicly accountable and vulnerable to political campaigns. In terms of public awareness the action made a distinct impact, the squat had ensured that the city's housing shortage and the plight of the homeless were exposed by the enormous publicity that had been generated. As a result of the Housing Action Committee's mobilisation of the public and homeless around the housing

issue an ongoing body of community groups and individuals was formed to keep up the pressure for more accommodation and provide a base for future action.

Although the Mayor still maintained that, except in the area of pensioner housing, local authorities had no responsibility for low cost housing, the squatting action did indirectly win a range of concessions from the local authority. Shortly after the eviction of the squatters, the Mayor reversed an earlier decision and requested 'urgent consideration' for a Council application for funding from the State for an emergency house for the homeless. At the City Council meeting held a few weeks later the Council defended its position regarding the evictions and its record in the area of housing but announced that the 44 unit community housing complex was now to go ahead. At the same meeting loans of \$332,000 for pensioner housing were also approved.

In terms of the Housing Action Committee's original aims the squat may be interpreted as more than a partial success. Yet it must be admitted that this success was achieved without posing any fundamental threat to dominant economic and political interests. Nevertheless, at the conceptual level, the squatting action may be viewed as one instance of action by housing consumers exerting pressure on the local State to positively reform housing consumption.

EDENDALE AND PENROSE FLATS - THE FIGHT FOR A 'FAIR' DEAL

On Monday December 13th 1982 the tenants of Edendale and Penrose Flats, both two storey blocks containing a total of 16 two bedroomed flats, were given eviction notices to take effect from January 13 1983. The tenants were told in the hand delivered notices that 'excessive requirements of the Palmerston North City Corporation' had forced the owners Fair Investments to evict the tenants. The tenants were told a contract had been signed to demolish the buildings on February 1 1983.

The Penrose and Edendale Flats, part of the city's scarce low cost rental housing stock, were located side by side in the centre of a light commercial district increasingly dominated by used car sales yards. The units, approximately 30 years old, faced onto busy Rangitikei Street which linked directly to the main State highway north.

The 40 tenants of the flats, who were completely surprised by the evictions were predominantly young and working class, a number newly wed couples with very young children. Gathering at a meeting called by one of the residents to discuss their future, the tenants were embittered and despondent. Some had moved into the flats only two weeks before while others had lived there for two years. All were well aware of the shortage of similar priced accommodation elsewhere in the city. The timing of the eviction notices meant that the tenants would be entering the accommodation market at the time of the Christmas break, after which they would find themselves contesting for the available supply of accommodation with the returning tertiary students - who by their ability to share flats were in a better position to meet high rental demands than low income families.

It was probably the very bleakness of their alternatives that resolved the tenants to fight the eviction orders. At this first meeting they formed themselves into an Anti-demolition Action Committee to decide on action to save the flats. Their first step was to publicise the eviction order and impending demolition, highlighting the harsh impact of the sudden decision on the residents coming as it did in the Christmas season, 'supposedly a time of giving, sharing and caring'.

The response was rapid, the night after the news broke a City Councillor visited the flats and pledged, somewhat melodramatically, 'no one would be evicted...while I'm still around', the local paper, while defending the owners' right to demolish, ran an editorial condemning the harshness of the eviction and questioning the reasoning behind the move. In the same edition, the Mayor, pleased to be on the right side of a housing dispute, also deplored the timing of the evictions and promised to 'make representations to the owners to withdraw the notices quit'.

In fact the strong response to the proposed eviction and demolition of flats from local city councillors was associated with Fair Investments' claim that the evictions were forced by City Corporation fire safety and town planning regulations. This was strenuously denied by the Council, and the Mayor, on numerous occasions. As Corporation staff were quick to point out these requirements were not onerous, involving some minor upgrading to comply with fire regulations (basically the installation of fire alarms), laundry requirements and the provision of some identifiable parking spaces. The need for parking spaces (11 more were required) was generated by the landlords' application for planning permission to establish a used car sales

yard in front of the flats, displacing the existing car parking provisions. At the time of the planning hearing the landlords/landowners had accepted the conditions, there was plenty of land available on the site, and had, under those conditions installed the car sales yard. Further in respect of the fire safety and laundry requirements Fair Investments had been given some four years to attend to these matters.

Coupled with strong, but unsubstantiated, rumours that the motivation behind the proposed demolition was to free the land for an extension of the afore-mentioned car sales yard, it appeared that considerations of differential rent, if not monopoly rent given the shortage of such land located on arterial routes, were behind the eviction notices. It seemed that, given the location of the flats, more return was to be made from leasing the bare land than employing the buildings in their present use. In fact the buildings may have been serving to depress what were rapidly increasing land values, particularly given potential monopoly rent considerations, because...

...they no longer correspond to the changed circumstances...This takes place above all with centrally located workers' houses, whose rents, even with the greatest overcrowding, can never, or only very slowly, increase above a certain maximum.

(Engels 1872, 1955 edn.:559)

The flats, and their tenants, were casualties of changing landuse patterns within the city and the drive for profit on the part of an individual capitalist.

Settling for a fight the Anti Demolition Action Group turned the flats' central (and highly visible) location to their advantage hanging huge banners across the buildings which read "Unfair Fair Investments" and "We Shall Not be Moved". The group also made efforts to enlist the support of groups and organisations who might be sympathetic to their cause or potentially influential in saving the flats, for example the Manawatu Trades Council gave their total support and were later to make donations to the expenses of the campaign. At the same time the group launched a petition calling for the proposed demolition to be abandoned, revocation of the eviction notices and reinstatement of the tenants. After a meeting between the Mayor and the tenants the petition was tabled at the City Council meeting and signed by all Councillors, amid widespread support for the tenants' case. Local Members of Parliament were less forthcoming with their support, acknowledging the 'rights of owners in respect of their own property', but

were nevertheless sympathetic to the plight of the tenants and acknowledged that the flats were 16 rental units the city could ill afford to lose.

Taking to the streets with their petition the tenants and supporters were surprised by the supportive response they received from the majority of those approached, in five days they had collected approximately 2,800 signatures. The petition was then publicly presented to the solicitor acting for the owners of the flats, Fair Investments. The petition was accepted with some bad grace, the solicitor concerned ordered a reporter and photographer out of the foyer of his office, accusing their paper of victimising his client. The solicitor concerned had already stated publicly that it was unlikely that the notices would be withdrawn.

It was at this stage that personalities began to have some bearing on the dispute. The Anti Demolition Action Committee, comprising 40 tenants and assisted by a small group of supporters and community workers had elected a spokesperson to act on behalf of the group and handle all dealings with the media. This person, a hospital orderly, proved to be an extremely skillful negotiator and very competent at managing the group's coverage in the press, skills that were to prove very important in maintaining public support for the preservation of the flats. The director of Fair Investments however, avoided meeting or speaking to either the news reporters covering the issue, or representatives from the tenants group, all dealings regarding the flats were handled *via* the company's solicitor. Despite a claim by this solicitor that the owners were not averse to meeting the tenants, all the group's attempts to arrange such a meeting, including invitations delivered by registered mail, came to nothing.

Essentially then the solicitor became the sole representative for Fair Investments Ltd., shielding the company's major shareholder from public scrutiny. This may have been rather unfortunate for their interests as the solicitor concerned was an excitable person, unused to dealing with news reporters, who quite obviously did not relish finding himself in such an unusual situation. At home in small one to one, business like situations the solicitor was manifestly uncomfortable when meeting with the assembled tenants' group despite the generally reasonable tone of such meetings. He began to adopt the practice of frequently calling the group's spokesperson directly, attempting to defend the company's position, often making quite exaggerated claims, the more spectacular of which were duly reported to the press. For example; "the rates on the property run into thousands and thousands of dollars".

As the local newspaper observed the rates for the 1982-83 year were recorded by the City Corporation at \$5,772.90. As the dispute dragged on the solicitor's regular telephone calls to the tenants' group spokesperson were to take a more belligerent and threatening tone.

Once it became clear that an early retraction of the eviction notices was indeed unlikely the group announced publicly that they intended to stay in the flats, ignoring the eviction notices. Tenants in 12 of the 16 flats had decided to remain, this included five babies two of whom were three week old twins, many because there appeared to be nowhere else to go. Making the announcement the group's spokesperson refuted the company's claim that they had taken the tenants' interests into consideration when notice to quit was given the previous December.

In a defiant gesture, designed to boost the moral of the remaining tenants the Anti Demolition Action Committee invited its supporters to a hangi on the day the eviction notices expired (January 13 1983). Realising that public support was still vital the group were careful to point out that they were not breaking the law until Fair Investments had obtained a court order to have them evicted. If this happened the group made it clear they intended to fight the action in court. Realising that the issue was likely to go to court the Committee sought legal advice and began a number of tactical moves designed to strengthen their case. From the day the eviction notice was to have taken effect the remaining tenants, at this stage numbering thirty-seven, continued to pay their normal rent installments into a special trust account. The owners solicitor and agents, a local real estate firm, were careful not to accept any rental payments after the eviction date as this would have legally constituted a new tenancy and effectively negate the eviction notices. The tenants also began looking after the grounds and carried out a few minor repairs as the previous contractors had been dismissed by the owners. The idea behind the tenants' actions was to further the impression, both for the benefit of public support and any proposed court, that they were honest reasonable people with good intentions who merely wished to be allowed to remain in their homes.

Less publicly the group began a number of other actions designed to complicate any eviction proceedings and prolong their stay. To this end the group lodged a complaint with the local office of the Housing Corporation of New Zealand regarding a breach of the rent freeze regulations. Shortly before the eviction notices had been given the rent on a flat vacated had been increased before it was relet. At the time this practice was illegal and had only been

discovered because the previous tenants had revisited their flat in the wake of the publicity regarding the eviction. The advantage of lodging the complaint lay in the fact that if, under the 'Rent Freeze' regulations, the Housing Corporation assessed that there was a case for the landlord to answer, the tenants were protected from eviction (for up to six months) until the matter was resolved.

However all these measures were in vain, in a civil hearing in the Palmerston North District Court on the 18th of March 1983 a judgement was entered in favour of the owners of the flats, Fair Investments. Further, the complaint laid with the Housing Corporation, despite the tenants' attempts to stall the court's decision by requesting adjournments, had not proceeded far enough to allow them any protection from eviction. Such 'rent freeze' complaints, even in the most clear cut cases were notoriously slow bureaucratic procedures, the 'political' overtones of his case had not helped. The court's judgement amounted to an order to vacate, and was to lie in the court until May 31 1983 when, if not complied with, it would allow any tenants remaining on the property to be legally evicted. A new phase in the campaign to preserve Edendale and Penrose Flats from demolition began. The battle was now to be waged by 'behind the scenes lobbying' and in Planning Tribunals rather than in the newspapers or by direct action.

Up until this stage the Anti Demolition Committee had been in one respect very successful, the weight of public support had remained firmly behind preserving the flats from demolition. But now the eviction orders had been issued by the court morale amongst the tenants deteriorated, and many decided that their part in the fight was over and resolved to leave. After much deliberation about the merits of staying and fighting the eviction and demolition to the end the remaining core of the Anti Demolition Action Committee and their supporters realised that an alternative strategy to save the flats was both necessary and urgent.

The majority of the group had felt that it was unimportant to retain the original objective of saving the flats from demolition and it was felt that the tenants did not have the unity and support to successfully fight the forces of the law. Despite the opinions of some supporters the group acknowledged that the tenants, completely unused to being involved in any form of housing action, had already been through a period of considerable pressure, a pressure that is

acutely felt when it is centred on your home. To expect these people to remain unified in defiance of the law with all the implications that this involved, was asking too much.

Thus the group confronted an issue that, to varying degrees, "confronts all those engaged in urban protest: whether to pursue a limited strategy of reformism within the system, or to pose a direct challenge from outside it" (Saunders 1979:131). Indeed as Darke and Walker (1977:80) point out there are a number of incentives towards modifying and moderating the approach, the group's agenda was more likely to be considered by the local State, who in this case seemed to hold the key to obtaining the desired result, and such a strategy appeared more likely to provide a pay off for the many people who had invested their time and effort in the campaign. Several of the community workers involved with the group realised that changing strategies could effectively let the owners of the property 'off the hook' when they, perhaps rightfully, should have been made accountable for their actions. Against this, there was the more pragmatic goal of preserving 16 rental units. In addition, after the Alinsky tradition of community organisation (1969), the preservation of the flats presented an achievable goal around which people could be mobilised and organised. If victory was achieved, the people involved would feel their effort worthwhile, an organisation would be established, new issues could be selected that, if solved for the benefit of the community would broaden the audience on a self-spiralling process. This was the process by which the 'Alinsky Model' sought to empower the grassroots, improve the living conditions of the poor, and obtain more democracy and greater social justice.

So it came about that representatives of the group that now constituted the Anti Demolition Action Committee began lobbying Council officers, employees of the local State, to consider the possibility of preserving the flats by moving them onto another site safe from rapidly changing landuse patterns. Many of the City Council officers approached had become very sensitive to the shortage of rental accommodation in the city, to a large degree because of the effect of previous housing action (see above) and the work of groups that had evolved out of that action, and had been instrumental in involving the Council and Corporation in relocating detached houses that were threatened on their present site. The Edendale and Penrose Flats were, however, quite a different proposition; they were much larger than anything the Corporation had previously relocated; there was some doubt from the more conservative

Engineers section as to whether their construction would enable them to survive a shift; and finally there was the question of where to move them to!

Nevertheless, after some deliberation, the proposal was considered. A report was prepared and negotiations were held between Council officers and the owner of the buildings. It appeared, after investigations, that the buildings were sound and movable and that it was in fact economically very feasible; on initial costings it appeared that the flats could be moved, reinstated and renovated for less than half the cost of building new units. The town's City Planner was reported in the local newspaper claiming there was a serious housing shortage and that his department could be seen as negligent if it didn't investigate the proposal. While recognising the difficult position in which the proposal had placed the local State, particularly after the very vocal support for preserving the flats given by the members of the City Council, his comments revealed the slightly ambivalent attitude of the local State officers involved:

It is not a lunatic fringe thinking thing, it costs a bomb, but it makes good economic sense.

(City Planner in *the Evening Standard*,
Saturday March 26 1983:1)

The City Planner went on to point out that as the 'Council' was adding 44 units to the housing stock in its Amesbury Street development it made little sense to lose 16 units somewhere else.

A small triangle of land belonging to the Department of Education was found near the existing site, and apart from zoning complications appeared to be suitable. At this point, after some prompting from Anti Demolition Action Committee members, a local Member of Parliament came out in support of the proposal and agreed to champion proposals to the Minister of Education for the use of the land and the Minister of Housing for financial support in the form of a loan to cover the costs of relocating the flats.

The proposal was presented to the City Council who, under the circumstances, found they had little grounds on which to oppose the proposal, the project was given approval. Although some councillors, many major landlords themselves, criticised the way in which the project had been handled; it had been prepared by Council officers rather than being approved by the City Council's Housing Committee. This had in fact been a deliberate strategy, for although the

Council officers had decided to support the project it had been recognised that the delays involved in going through the 'proper channels' within the local State bureaucracy could be used by some councillors to squash the project by stalling until demolition had already begun. Negotiations were undertaken with the owners of the flats towards purchasing the buildings and a settlement was reached. The Housing Corporation approved a loan of \$435,000 for the moving, relocation and reinstatement of the flats. This loan was to be repaid by the revenue generated by the flats and did not involve a subsidy from rates revenue. Shortly afterwards the Minister of Education announced the transfer of the proposed site for the flats to the Ministry of Works for disposal, thus enabling the move to take place. It appeared as if things were set for the preservation of the Edendale and Penrose Flats to proceed smoothly. Unfortunately this was not to be the case.

The first obstacle was presented by the Palmerston North High Schools Board of Governors who strenuously opposed the shifting of the flats. This was because the proposed site for relocation had originally belonged to the adjacent Queen Elizabeth College who had long term plans to develop a social centre on the site. In addition a school caretaker's house was currently located on the site and would also have to be relocated as part of the flat preservation proposal. Although the Minister of Education's decision to relinquish the site had rather cut the ground from under them, the High Schools Board Governors announced it would object to the landuse rezoning required to enable the flats to be relocated on the site.

In this way the groups involved in trying to push the preservation project into a reality got a thorough grounding in pursuing protest and consumer action through 'legitimate' channels. This involved appearances and submissions to a local City Council Planning hearing which found in favour of the proposal, granting a departure from the local zoning requirements for the site in question which had been zoned industrial to be used for public rental housing, and at a Planning Tribunal where the original decision was appealed. This hearing also found in favour of the proposal. However, the lengthy delays caused by these procedures also generated further problems as the deadline for 'relocation or demolition' given by the owners had passed and a new agreement had to be negotiated between Fair Investments and the City Corporation.

The next hurdle for the campaign was presented by the State who reneged on the promise of a \$443,000 loan to enable the shifting of the flats. The Minister of Housing, Tony Friedlander, had promised the funding in April 1983 but in October advised the Council that the money was no longer available owing to the winding down of the Community Housing Improvement Programme under which the money was to have been lent. There was some deliberation but the Council resolved to seek funding on the 'open market'. To some extent the Council had no choice as it was already committed to the shift, both publicly and in terms of the contract negotiated with Fair Investments which provided for substantial payments if the deal fell through, to cover 'loss of income'. In addition throughout this period seven of the 16 flats in the Edendale and Penrose complex had remained occupied. While providing the group lobbying for the preservation of the flats with a form of leverage if proceedings broke down, the main reason for the continued occupation of the flats was the lack of alternative accommodation for the tenants.

Finally on the 27th of February 1984 the Council let the contract to shift the flats and work began on moving the buildings. After successful relocation the flats were refurbished and relet, some 20 months after the local State became involved in the project and nearly two years after the eviction notices were first issued. Despite the fact that this housing action was eventually successful there are some more disquieting aspects to the issue than the delay involved in getting the flats shifted. Most of these centred on the consequences of the Anti Demolition Action Committee's pragmatic decision to shift the focus of the dispute from the owners, Fair Investments Ltd., to the local State. This eventually saved the flats but left unchallenged the issue of a landlord's right to dispose of perfectly adequate housing at a time of shortage, simply to pursue greater profit; that is the responsibility of landlords towards those whom they have profited from.

In fact the owners of the flats eventually did very well out of the dispute. Besides receiving a generous settlement from the City Corporation for the buildings the company had also been receiving \$3,000 per month from June 1 1983 until March 1984, some \$27,000 as an option fee, to cover any loss of income. At the end of the period the company had vacant land to dispose of as it wished. All this had been paid for by the City Council from ratepayers' funds to be recouped from the tenants of the relocated property.

In addition with the relocation of the Edendale and Penrose Flats the local State took the opportunity to reduce its proposed building programme by 16 units for that year. So although these units would be built at a later date the immediate effect of saving the flats was to create a position where the total housing stock was the same size as it would have been if the flats had not been saved.

So although the flats were saved, none of the underlying relations between landlord and tenant were changed nor were the responsibilities of the local State or landlords towards the provision of rental housing in a period of scarcity.

Indeed, this was graphically illustrated when on February 28th 1985 the tenants of Fairview Flats, also owned by Fair Investments and also located on the city's Rangitikei Street (although on the opposite side from Edendale and Penrose Flats), were given eviction notices of one month to enable 'an extensive refurbishing programme' to be carried out. Several tenants were told by the owners' agent that they would be entitled to first option to move back in when refurbishment was completed in six to eight months time. To the tenants' shock and dismay the eight units of Fairview Flats were demolished on the 10th of April 1985 barely two weeks after they had moved out. At least one family of the tenants had moved into a caravan to wait until the refurbishing was completed. The director of Fair Investments was quoted afterwards in the local newspaper, again blaming the City Council requirements for the demolition:

The cost of what the city Council required us to do to bring them up to standard was too great to get an economic return on it.

(Director, Fair Investments, in
The Evening Standard 11 April 1985:1)

Denying that the demolition was underhand, the Director said:

I certainly didn't want a repeat of the Edendale and Penrose performance again.

(Director, Fair Investments, in
The Evening Standard 11 April 1985:1)

Perhaps in this case the more beneficial aspects of the organisation around the Edendale and Penrose Flats was not only the preservation of the flats but also the organisation itself (Alinsky 1969). The Community Housing Group was a broad based group formed after a workshop on

housing issues was run to co-ordinate all those individuals and organisations, many of whom had become involved during the Edendale and Penrose campaign and who were working in issues and problems relating to housing difficulties in Palmerston North. One of its first actions was to take advantage of the heightened receptivity of the City Council by presenting a detailed report entitled *House Palmerston North* (Community Housing Group 1983) on the nature and extent of the city's housing problem which also made recommendations for dealing with those problems. The main focus of these recommendations was towards the establishment of a Housing Advice Centre, the release of City Council sections for lease and ways of increasing the 'Community Rental Housing Stock' (as the local State referred to its public housing). Although this report was not immediately successful (some leasehold sections were provided) the Community Housing Group remained active and, as we see, was to have some influence on the provision of housing in Palmerston North. Thus this housing action finally achieved its goal, in the long term 16 units, which would otherwise have been demolished, remained in the city's housing stock. Because of the length of time involved in the campaign many of the original Edendale and Penrose tenants had moved on but for those who stayed a lot was learnt in the process, several of these people moved into community and housing work full time after the campaign had been resolved. In addition a permanent ongoing organisation had taken over from the original Anti Demolition Action Committee.

THE RENT MART RIP OFF

On October 30 1984 an office of Rent Mart Ltd. Opened in Palmerston North. Essentially this flat letting agency, and others like it, were private, profit oriented organisations working in the area of rental accommodation. Such agencies operate by collecting lists of available accommodation in the city, providing a free advertising service to lessors (landlords). The agency charges prospective tenants a flat fee (in this case \$50) to gain access to view a list of available accommodation which corresponds to their previously stated requirements (or limitations); lists are kept of accommodation in various price ranges, numbers of bedrooms and so on. The crucial point is that unlike the services of conventional Real Estate agencies prospective tenants must pay the \$50 before they are referred to any flats and regardless of whether they eventually find accommodation through the service or not. Thus the principle behind these flat letting agencies is that tenants pay for a service provided to landlords. The advertising of properties, agency running costs *and profits* are all extracted from tenants.

As the service is provided free to landlords many are attracted to it. When this factor is combined with the aggressive, competitive approach of such agencies the outcome is that most of the residential premises advertised in the 'To Let' columns become controlled by flat listing agencies. In a climate of severe (and growing) shortage of rental accommodation tenants searching the newspapers for housing are confronted with a monopoly held by the flat letting agencies and are soon forced by the need for shelter to use such agencies.

The legality of flat listing agencies was uncertain. They appeared to be in breach of Section 22(3) of the Rent Appeal Act 1973 which stated that only registered Real Estate agents could charge a fee for

Obtaining or offering to obtain or doing anything for the purpose of obtaining any dwelling house or property for the occupation of any other person.

As letting agents were not Real Estate agents they seemed to be in breach of the law. Despite this, the Housing Corporation, which was responsible for the enforcement of the Act, had not prosecuted any agency under the above section.

Because of objections to flat listing agencies in principle and also because of growing concern over the local Rent Mart's practices, a group of people, including a number of dissatisfied Rent Mart customers met under the banner of the Community Housing Group (C.H.G.) to discuss the existence of Rent Mart in the city. The group was predominantly made up of rental housing consumers in the city. A number of serious concerns about the agency and its practices emerged during the course of the meeting which revolved around three basic issues,

1. That the \$50 charge to tenants was non refundable, with no guarantee of satisfaction. It was felt that in effect the tenants were being expected to pay for a free advertising service for landlords. Previously flat listings could be obtained for the price of 30 cents in the 'To Let' column of the local newspaper, now Rent Mart had swamped the column with their own advertisements (aimed at both tenants and landlords), and rang offering their free service to any landlord who happened to advertise independently.
2. That there was considerable evidence of dishonesty in the advertising techniques of the agency. Apart from what could only be described as misleading or excessively flattering advertising Rent Mart customers all spoke of repeatedly seeing attractive sounding properties advertised in the newspaper as being held by Rent Mart, on application at the office the properties appeared not to exist, persistent inquirers were told that the

property in question had already been taken. In addition there appeared to be considerable use made of the technique of double-listing properties; a particular flat or house could be described in a number of ways and so would appear on a number of different lists and often more than once on a single list. Another common Rent Mart practice, revealed by customers, was their habit of leaving properties on their lists of vacant accommodation after they had in fact been filled. Following up suitable listings only to find them already taken, often some time previously, was to emerge as perhaps the most common experience amongst Rent Mart customers consulted by the group. All these practices served to swell the apparent quantity of Rent Mart's rental listings but in fact were the source of the greatest dissatisfaction amongst the customers who had actually decided to use Rent Mart's 'service'.

3. That Rent Mart appeared willing to apply lessor's possibly illegal discriminations against particular categories of tenants. At this first meeting it was suspected that Rent Mart were, at least, selective about the listings that were shown to some groups, particularly Pacific Island or unemployed clients. While happy to accept the \$50 fee from these people it appeared that there were a lot fewer listings available to these people once they were enrolled.

Initially these allegations were, although grave, unsubstantiated. Later, more concrete proof was obtained from two separate sources. The group arranged for two couples, one Pakeha and one Maori, to join Rent Mart and supply identical details about themselves and request the same type of accommodation in the same price range. Confirming the group's suspicions the Pakeha couple were offered a far more comprehensive selection of listings (although possibly not all genuine) than the Maori couple. Considering legal action under the Race Relations Act the group consulted legal advice but were told that a conviction was unlikely as the method used to prove that discrimination had been practiced amounted to entrapment and might not be admissible in a court case. The Community Housing Group decided to settle for lodging a complaint with the Office of the Race Relations Conciliator instead. Independently of this action the group was put in contact with a former Rent Mart worker¹ who confirmed that the agency in fact kept separate sets of listings for accommodation owned by landlords who did not wish to have Maoris or unemployed people in their properties, these lists were only shown to 'appropriate' customers.

1 Indeed at one stage it seemed as if dissatisfied ex-workers might become as numerous as dissatisfied ex-clients, it appeared that Rent Mart were not generous or benevolent employers. However such people provided a valuable supply of information to the campaign about the operating techniques of the company and later, the degree of damage the action was effecting.

Apart from these three specific areas of concern it was the general consensus of the group that flat listing agencies were not in fact providing a worthwhile service. Rent Mart merely kept lists of accommodation that were previously more freely and cheaply available in the newspapers. If a client found a suitable listing they were simply given a phone number, no further effort was made and no follow up was made to see if the accommodation had been taken or not. Tenants were being required to pay extra, in an already expensive process, for something that did not in any way serve to improve the supply of rental housing and did not even provide a useful service.

Given the serious shortage of accommodation in the city it was hard to see Rent Mart as anything other than parasitic opportunists prepared to profit from the plight of desperate tenants.

Given these sentiments the Community Housing Group and dissatisfied consumers resolved to take collective action to fight the arrival of Rent Mart in Palmerston North. Accordingly the group adopted the following aims:

1. To close Rent Mart down in Palmerston North, *or*
2. To force them to adopt a 'Code of Ethics' including at the minimum a fee refund for unsatisfied customers.
3. To force Rent Mart to allow Manawatu Tenants Union staff to check their 'books' to avoid double listings etc.

It should be made clear at this point that the majority in the Community Housing Group felt that Rent Mart's 'service' was so unsatisfactory that achieving aims 2 and 3 would, in practice, achieve the first aim. In this way the consensus amongst the group was that the paramount aim was to close Rent Mart in Palmerston North.

The first move in the campaign took the form of a letter to Rent Mart's Palmerston North branch outlining the group's concerns and requesting that the organisation investigate and advertise two changes; a refund policy and scrutiny of all property listings by a representative of the Manawatu Tenants Union. A deadline was set for a response from Rent Mart after

which 'further action' was promised. Copies of this letter were sent to the news desks of local newspapers and radio stations.

At the same time the group wrote to the Minister of Housing Phil Goff who, in opposition as the Labour Party spokesperson on housing had publicly denounced the practices and dishonesty of flat letting agencies. It was the understanding of the Community Housing Group that the advertising techniques and operating practices of flat letting agencies like Rent Mart were very close to being in breach of Section 22 of the Rent Appeal Act. Yet, on consultation with the Housing Corporation the C.H.G. had found them reluctant to prosecute because of "the uncertainty of a successful prosecution". Thus in this letter the C.H.G. requested that the Minister introduce amendments to the Rent Appeal Act to clarify the legality or obligations of flat letting agencies and also the status of newspaper 'To Let' columns which, because of their slightly ambiguous position in terms of the Act, were providing a shelter for the advertising techniques of the flat listing agencies.

On February 14th 1985, the deadline date, the C.H.G. had still received no response from Rent Mart so a picket was established outside their Palmerston North branch. The picket was to become one of the Community Housing Group's main weapons in their campaign against Rent Mart. The aim of the picket was twofold:

- a) To inform the public of the C.H.G.'s displeasure and of the activities of Rent Mart.
- b) To inform potential customers how Rent Mart operated and to attempt to convince them not to use the agency.

The picket was very successful in achieving both these aims. In particular it provided a focus for media attention. The C.H.G. were careful to maintain strict guidelines to ensure the picket remained within the law - the group felt it important to present a good face to the public and to ensure only positive news media coverage. The operation of the picket involved considerable commitment on the part of C.H.G. members as it was maintained every day from its inception. The picket usually consisted of two or three people but on the first day, to coincide with press releases to local newspapers and radio, it involved all members of the C.H.G. and its supporters. At other selected times the group would organise large gatherings with chanting and speakers, both as a morale boost for picketers and to engender the opposite response in

those working inside the agency by creating the impression that opposition to the agency was growing rather than fading. The picketers distributed leaflets to the passing public and attempted to talk any prospective Rent Mart customers out of using the agency. The orderly reasonable approach adopted by C.H.G. picketers was accepted well by the public and served to considerably widen the group's support. It provided its own steady stream of recruits as people, often those talked out of using the service, volunteered to help once they were made aware of how the agency operated.

This was perhaps the most telling aspect of the picket; very few people were now using Rent Mart in Palmerston North. It was this situation that eventually elicited a response from the agency. The local office appeared to have no power to negotiate with C.H.G. and refused to make any public statements. However once the picket began to curtail trade, the New Zealand Operations Manager for Rent Mart (originally a Canadian company) arrived. Again personalities were to play a part in the initial success achieved by housing action. Rent Mart's Operations Manager did not behave sensibly; confronted by the picket she began loudly threatening individual picketers with \$500 fines and court action, taking photographs of picketers and 'confiscating' placards used by the picket, upon calling in the police she was told the picket was within the law and advised to return the placards. Such theatrics only served to renew media interest in the campaign which had been waning due to the lack of response from the company to date.

At this point the New Zealand Operations Manager claimed that Rent Mart had always had a refund policy for dissatisfied customers.

If someone is not satisfied with the service we ask that they put it in writing to us and state their case. We then refund their money. This has been in operation since we opened. We have refunded money to every client that has written in.

(NZ Operations Manager, Rent Mart (NZ) Inc.,
The Evening Standard 19 February 1985:1)

This claim contradicted the fact that the words 'No Refunds' were printed on the contracts between Rent Mart and consumers seeking housing through the agency. In addition no client contacted by the C.H.G. could recall being advised of the refund policy when registering with the agency. In addition some 20 ex-clients associated with the C.H.G. had at this stage

already written to Rent Mart requesting a refund, none had even had their requests acknowledged. Nevertheless as a result of this claim the C.H.G. began organising as many of the unsatisfied Rent Mart customers as possible to write stating their case and requesting a refund. Some of these claims were eventually honoured after action in the Small Claims Court.

Despite persistent requests Rent Mart's New Zealand Operations Manager refused to meet or negotiate with the C.H.G. or any of its representatives. Shortly afterwards a person described by the local newspaper as the International President of Rent Mart from Canada arrived and staged a virtual repeat of his local Manager's performance, this time using a video camera and threatening civil law suits, again nothing eventuated and the company refused to meet the C.H.G. A week of contradictory statements from various Rent Mart 'representatives' followed which included allegations that the picketers were all paid by the local Unemployed Rights Centre. At one stage the company announced that it had complied with the C.H.G.'s demands, however, on investigation it was apparent that the words 'No Refunds' had simply been scribbled off several contracts. At the end of the week the 'International President' announced

As far as I'm concerned they can stand out there for the next three years.
We'll just live off the international and other city business.

(The Evening Standard, March 2 1985:3)

Shortly afterwards Rent Mart's staff in Palmerston North was reduced from four to two.

By this time the C.H.G. and other housing consumers involved in the campaign realised that although Rent Mart was providing no service to tenants it was still receiving support from landlords. Prospective tenants, turned away from Rent Mart on the advice of picketers, had very few other sources to approach in search of housing. Indeed it appeared that Rent Mart was counting on the return of tertiary students to the city to create such a pressure for housing that the powers of the picket would be broken. It was this that made the group aware that to break the agency's strangle hold on the city's rental accommodation supply and prevent home seekers being forced by desperation to use Rent Mart, an alternative service had to be established.

So, after some organisation, two local community groups pooled resources to offer a free flat listing service, in the same street as Rent Mart's operation. The service was run by volunteers and required an even higher level of organisation than the campaign had previously employed. Initially flat listings were simply obtained from Rent Mart's listings by dissatisfied Rent Mart clients who still had valid registrations. But the C.H.G. was determined not to simply repeat the failings of Rent Mart further down the street, and set about trying to establish a viable alternative.

There was no difficulty getting tenants to use the service, the challenge was to attract landlords to a service which was not prepared to offer any form of 'pre-selection' or discrimination in its referrals. After initial advertising however, some sympathetic landlords began to use the service. The numbers increased as the service proved successful and when it also became known that the 'Free Alternative' service removed flat listings after they had been filled, a practice much appreciated by landlords who had been receiving hundreds of calls a week for accommodation vacancies already filled yet still listed under the Rent Mart system. In addition volunteers would obtain listings from sympathetic Rent Mart clients and ring the landlords to advise them of the existence of a second flat listing service, the same technique used by Rent Mart to gain monopoly of the 'To Let' column in local newspapers.

However, operating the service with volunteer labour at the standard required to maintain credibility with lessors, necessitated a level of organisation and funding support (for advertising) that severely stretched the resources of the groups involved. It was soon obvious that the 'Free Alternative' could only be an interim measure. After some discussion a meeting of the Community Housing Group, dissatisfied Rent Mart customers and supporters of the campaign settled on two strategies which it was hoped might make the aims a reality.

The first strategy was to broaden the base of the campaign and increase the (financial) pressure on Rent Mart by spreading the Campaign to other centres where Rent Mart operated, thus making the agency more amenable to considering the C.H.G.'s demands. The second strategy was to try and persuade some organisation or institution with the necessary resources to take responsibility for running the Free Alternative Listing Agency on a permanent basis.

Establishing a Permanent Alternative

The initial planning for a permanent flat listing agency had been based around the concept of reviving and expanding the proposal for a Housing Advice Centre initially put to the Palmerston North City Council in the C.H.G.'s *House Palmerston North* submission. The original proposal was based around two functions; the provision of information, advisory and advocacy services concerning housing and housing options; and monitoring and research of the housing situation identifying problems, changes, needs and options both on a day to day basis but also in the form of projections for the future. The C.H.G. felt that adding a free flat listing service to these roles was not incongruous with the aims of the original proposal, particularly when the listing service was viewed as a form of consumer protection.

However hopes of floating this scheme were somewhat dashed after initial negotiations between the C.H.G. and Palmerston North City Corporation officers who advised that given the financial and political climate within the local State, acceptance for such a proposal would be extremely difficult to achieve. This gloomy prediction inspired the C.H.G. to negotiate with a local community organisation to put in an application for funding to employ a project worker, under a subsidised Department of Labour employment scheme, to co-ordinate the activities involved in running the Free Alternative Listing Agency. Surprisingly the application was approved, allowing the C.H.G. some breathing space to investigate other options for the future of the free listing service.

At this time the C.H.G. discovered that the Housing Corporation of New Zealand had just opened a Housing Advice Bureau in Auckland as a pilot project, to be reviewed after six months. The Auckland scheme was predominantly concerned with providing legal advice to tenants and landlords and information on Housing Corporation policy, yet it appeared that there could be room for some form of flat listing service in the future. Encouraged, the C.H.G. approached the local manager of the Housing Corporation regarding the possibility of establishing a slightly modified scheme in Palmerston North.

The representatives of the C.H.G. were pleasantly surprised to find the local Branch Manager of the Housing Corporation familiar with the previous work of the C.H.G. and in particular the details of the group's earlier Housing Advice Centre proposal (Community Housing Group

1983). More importantly, he appeared quite amenable to establishing a similar scheme, encompassing a free flat listing agency, under the auspices of his branch. This perhaps reflects the point made in Chapter Two that local agencies, even of central State institutions, are much more keenly aware of the needs of local communities and the balance of local class and other social forces. It appeared as if the previous work of the C.H.G. and the current action of dissatisfied consumers had created a situation where the local manager was aware of the need to respond to the local social relations of consumption. At a further meeting details of a proposal were worked out and both sides agreed to make representations to the Minister of Housing in support of the scheme.

The Palmerston North Housing Advice Centre/Rent Contact Service was essentially an enlargement of the C.H.G.'s original proposal, it would offer a *free* flat listing service, advice on mortgage finance and home purchase, and the previously neglected area of collecting data on housing needs within the city and monitoring housing supply to provide a basis for submissions or research either by the Centre or other agencies within the city. The Centre was to be an independent community organisation supported by government funds through the Housing Corporation to operate from its own separate offices. It was proposed that the Centre be run by a co-ordinating committee made up of representatives from the Housing Corporation, local Landlords Association, Manawatu Tenants Union, Community Volunteers (a local Community work agency) and the two proposed Centre workers (one to be selected by the Housing Corporation and one by the Community Housing Group).

It was in support of this proposal and also to discuss the practices of flat letting agencies that representatives of Community Housing Group formed a delegation to the Minister of Housing in Wellington. The visit provided a clear illustration that housing action at a local level, taken together does have a cumulative effect constituting a formative context for State intervention by pressure on the national State. The Minister of Housing by his own admission acknowledged that the previous efforts of the C.H.G. and other housing action within the city had made his office well aware of the extent of the housing problem in Palmerston North, and of the potential within the community for housing consumers to mobilise in taking sustained and effective action. Nevertheless, the Minister gave no firm commitment regarding the proposal, undertaking only to inform the C.H.G. of his decision.

But within a fortnight the Community Housing Group were informed that the scheme was to be approved, but with two provisos; that the opening of the Palmerston North Centre be dependent on a favourable review of the similar pilot scheme in Auckland, which had now added a free flat listing service; and that the Palmerston North Centre be subject to a review after twelve months of operation. The review of the Auckland project deemed it a success and the Palmerston North project was given the 'go ahead'. After initial organisational and administrative details had been sorted out the Palmerston North Housing Advice/Rent Contact Service opened on the 19th of August 1985.

Seven months later, at the end of March 1986, a review of the service revealed 651 houses, flats, caravans or rooms had been listed with the agency and 605 of these listings had been filled. Over the same period 5,300 accommodation inquiries had been received by the agency. Commenting in a local newspaper article about the success of the service the Centre Co-ordinator pointed out that each inquiry was counted only as one person although they were often made on behalf of a family or a group of people. It was clear

We have certainly tapped in on a real need in the community...There are many, many people in this city with real housing problems.

The Centre's Co-ordinator went on to state that most of those using the service would qualify under the local City Council Housing Working Party's criteria as in need of emergency accommodation (although only three emergency houses were available).

There are literally hundreds of people in that category. The main problem is that there is just not enough rental accommodation available in Palmerston North.

(Housing Advice Centre/Rent Contact
Co-ordinator, *The Tribune*, April 6 1986:1)

Spreading the Campaign

After contacting various housing tenants and community groups in the four other centres the C.H.G. was not surprised to discover that in most centres there was a high level of dissatisfaction amongst tenants about the 'service' provided by the agency. However a number of groups were doubtful whether they had the organisational capabilities to stage successful action against the company.

In response to these concerns the C.H.G. put together a 'Mart Buster Kit' which in 22 pages provided a brief history of the C.H.G. campaign, outlined strategies, hints for picketing, dealing with Rent Mart, the media, establishing a telephone group and setting up an alternative listing agency. Appended to the kit were copies of C.H.G. correspondence with Rent Mart and the Minister of Housing, the group's leaflets and handouts, an outline of the principles and business practices of flat letting agencies, and finally a copy of a 'sample' refund application. The whole kit was based on the C.H.G.'s experience in running a campaign against Rent Mart in Palmerston North and was designed to inspire groups in other centres to take moves against flat-listing agencies, and in particular Rent Mart. The technique proved very successful and members of the C.H.G. were soon following up these efforts by travelling to Napier and Hastings where they spoke to local community and trade union groups while helping locals to organise their campaigns and to Wellington to support the launch of a picket outside the local Rent Mart office. At the same time housing consumers in Christchurch began a campaign against the Head Office of Rent Mart New Zealand located in the city.

Apart from the successful response from consumers in other centres the wisdom of spreading the campaign soon became evident when Rent Mart closed its Palmerston North office. Far from seeing this as a victory the Community Housing Group interpreted it as an attempt to defuse the mounting protest. If there was no local office to protest at or picket, Rent Mart may have believed the opposition would wane, leaving them free to operate in other centres and possibly even to reopen in Palmerston North after the issue had died. It was not to be the case, the Community Housing Group, sensing perhaps, a potential victory, resolved to broaden its initial aims to include the whole nation. This was collective housing action on an unprecedented scale.

Having gained the ear of the Minister of Housing in relation to the possibility of the State accepting responsibility for providing a free flat listing agency on a permanent basis, the C.H.G. took the opportunity to raise again the issue of the legality of flat listing agencies. In addition with protests against Rent Mart in operation in all its centres of operation the C.H.G. had collected copies of nearly 70 unanswered refund applications from Palmerston North alone, despite Rent Mart's claims that it operated an automatic refund policy. Interviewed in a local paper before the meeting with the Minister a spokesperson for the group was quoted as saying:

We'd like to get some support for our campaign. There's a real housing crisis all over the country. No one has shown that listing agencies are the answer to the problems people on low incomes are facing.

(spokesperson, Community Housing Group
In *The Evening Standard*, April 2 1985:3)

At the meeting the C.H.G. undertook to pursue the issue of the legality of flat listing agencies in the form of a detailed submission on the proposed new Residential Tenancies Bill. The C.H.G. was fairly happy with the response of the Minister:

We talked about legislation regarding preventing discrimination being practices, and curtailing any double listing or false listing. We brought up the issue of refunds because we believe it is at least as important. If a service charges a fee to people who can least afford to pay it, with no guarantee of satisfaction, it's not good enough. We want that cleared up for all listing agencies. We also want a guarantee that any refund policy is being communicated to clients.

(Spokesperson, Community Housing Group,
The Evening Standard, April 4 1985:1)

Shortly after the inception of protest at all Rent Mart offices the New Zealand Operations Manager requested a meeting with the Community Housing Group but then postponed the meeting just before it was due to take place. In defence of the action the company's Operations Manager claimed they had met the group's demands and were now intending to re-open their Palmerston North office. However the office remained closed and Rent Mart were soon requesting a new meeting date. But because of the size of the campaign nationally the C.H.G. now felt they no longer had the right to speak for consumers in other centres. Beginning to get desperate in the face of a major fall off in trade at every branch, Rent Mart requested assistance from the Housing Corporation.

As a result a rather unusual deal was worked out; Rent Mart would meet representatives from the consumer action groups throughout the country at a meeting held in the Palmerston North offices of the Housing Corporation and chaired by a senior Housing Corporation lawyer who would mediate between the parties. Although the Housing Corporation had no jurisdiction over the parties Rent Mart pledged to adhere to any advice or suggestions from the Corporation and to honour any settlement negotiated at the meeting.

The meeting lasted for seven hours but thrashed out an agreement acceptable to all parties. The agreement included provision for refunds from Rent Mart if the agency could not find its clients acceptable accommodation within 28 days. This was qualified however to the extent that people listed with the agency must contact the office at least 18 times during the period. Rent Mart also agreed to open its books periodically to allow tenant organisations and the Housing Corporation to check the accuracy of listings. At the meeting the Housing Corporation agreed to draw up a final draft of the agreement to be ratified by all parties at a meeting to be held in a fortnight's time.

Meeting to Discuss the Negotiations

Community Housing Group were reasonably happy with the agreement in that it essentially represented the group's original aims 2 and 3. There was, however, considerable mistrust of Rent Mart's ability to honour the agreement given their often less than honest stances during the campaign. But the meeting resolved to sign the agreement when it was pointed out that if the agreement was not honoured, pickets could be reinstated. It did not, however, get that far.

At the meeting to ratify the agreement Rent Mart's New Zealand Operations Manager reneged on all her previous undertakings in what amounted to a complete turnaround. Claiming she had been over ruled by her 'head office in Canada', despite previous indications that she had full authority to negotiate an agreement, she was only prepared to offer unsatisfied customers the compensation of an extra four months free use of the 'service'. The negotiations broke down as consumer representatives walked out of the meeting.

The consumer groups were now left with little option but to return to picketing the company's offices throughout the country, not a welcome task given that the picket organisation (which had been operating for several months in Palmerston North) had been dropped in anticipation of an amicable settlement. The Community Housing Group wrote again to the Minister of Housing requesting that he enforce the May 2 agreement as drafted by the Housing Corporation. The Minister, however, declined claiming he did not have the authority to take such action. However the pickets did not have to be maintained for long, within a few weeks the company closed down its entire New Zealand operation. Rent Mart offices in five centres, many of which had effectively done no business for months, closed and staff were dismissed.

Some months later a person describing himself as the Acting Operations Manager claimed that the company would be re-opening 'in the spring - possibly in October', in addition the company would adhere to the May agreement. But the company has not re-opened in New Zealand nor has it honoured the bulk of the refund claims from dissatisfied customers. Some, as previously mentioned, were able to get satisfaction through the Small Claims Court but most including many others filed through the Small Claims Court have never been honoured by the company.

However, despite the drawback of not obtaining refunds the Rent Mart campaign was a remarkable achievement. It represents possibly the most well organised and widespread, successful housing action in, at least, New Zealand's recent housing history and yet of the three actions documented it received by far the least publicity. Part of the success of the campaign no doubt reflects the fact that the clearly identifiable opposition, although serving the interests of some minor fractions of capital, were not aligned either with the State or any major capital interests. Nevertheless, the Community Housing Group was able to achieve results far beyond its original goals, tangibly improving equitable access to rental housing. Rent Mart, essentially profiteering from a housing shortage, was effectively shut out of the country and in its place the State was persuaded to provide a free service, now being established in other cities throughout the country, which benefits homeseekers (both tenants and prospective home purchasers) and landlords. So, in other terms, a group of housing consumers were able, as a result of widespread collective housing action, to permanently change the social relations of exchange in the field of housing provision throughout New Zealand. The action also demonstrates that housing action initially mobilised around a localised and specific issue can be extended in scope (c.f. Saunders 1981:276). In addition much of the success of this action must be attributed to the cumulative effect of previous more specific and localised housing actions. This can be seen in a number of ways, the Community Housing Group were able to build on the organisational base, skills and experience acquired from earlier action. But most of all dissatisfied consumers were able to 'capitalise' on a favourable climate of heightened awareness amongst the public, of the problems facing housing consumers, and an increased receptiveness on the part of some who controlled the power and resources to influence the provision of housing which had been brought about as a result of the efforts of other housing consumers mobilised in earlier housing actions.

SOME CONCLUDING COMMENTS

...on variation, social processes and the locality

This chapter has switched the focus of study from the national to the local level. This switch should not be interpreted as an implication that a sharp break exists between the two. On the contrary the switch reinforces the linkages between the two levels of analysis. To concentrate on the national level of housing provision only provides an aggregated picture which may fail to correspond to any of its constituent parts. The local studies demonstrate the importance of specifically local processes. The national origins of housing consumption problems were, in Palmerston North, aggravated by a series of local factors. The three studies demonstrate that there were definite local processes operating which shaped the local patterns of housing distribution. The particular nature of social and class relations in Palmerston North is one obvious process by which national policy and patterns are mediated.

These local outcomes in terms of housing provision are also important for future change. The people affected do not suddenly become passive, the interaction between already created structure and agency continues. The existing form of housing provision helps determine future practices and action around the same issue.

...and on the significance of housing action

The three housing actions described above have a number of features in common. In all three cases the local social relations and the nature of local and central State institutions were of crucial importance in influencing the form and course of the housing action. To a certain extent, for example, an important reason why all three actions took the form they did was the inability (or unwillingness) of the local State to adequately respond to or meet local demands. Housing consumers had little option but to address much of their action either outside or against the local State, with the notable exception of the eventual resolution of the Edendale and Penrose saga. In addition local social relations were significant in fostering collective action in all cases.

Although occurring in the same locality each episode needs to be understood as something with a relatively complex pre-history and with wider implications for both housing consumers and for the shape of housing consumption. Interestingly, however, the course of the later two actions can be seen as building upon the changed social relations created by the previous action(s) particularly in terms of heightened public awareness and support and the receptiveness of those within local and central State institutions to compromise. In this way also, each action gives the appearance of being more successful than the last.

On the surface at least, all three collective actions appear to have succeeded, to varying degrees, in their immediate objectives: the Manawaroa Street squatters were housed and successfully publicised the existence of a housing crisis in the city as well as the plight of those affected by it; the Edendale and Penrose Flats were not demolished; Rent Mart was closed down. However, such a superficial assessment ignores a number of deeper implications of each of the actions. Possibly then, 'success' and 'failure' are in this case too crude as measures of assessment.

A related point here concerns Saunders' (1981:276) view of urban struggles as "typically fragmented, localised, strategically limited, and politically isolated". Obviously not all of these descriptive characteristics are relevant to the three collective actions described above but, in acknowledging the partial relevance of some of Saunders' observations we touch on a number of important issues relating to the obstacles facing housing action in capitalist society, and the implications for the long term consequences of such action. In this respect the studies presented have served to illustrate some of the themes treated in a more general way in the opening sections of this chapter.

Essentially the most problematic aspect of any assessment of the broader significance of housing consumption struggles, in the manner of Castells for example, lies in the fact that although such community action campaigns can be successful in their own terms and may, as the studies demonstrate, represent a positive improvement in the housing situation, they often do little to alter the determinants and life chances of the consumers involved. While social struggle mobilised around housing consumption issues may be an effective and successful means of improving the material conditions of life for housing consumers, the prospect of such actions transcending the specific issue related nature of the mobilisation and overcome the

domination of the State to become successful anti capitalist struggles seems more remote. This is partly because as Holland (1975:156) suggests, such housing actions do not pose a fundamental political threat as they are not aimed at achieving 'revolutionary reforms'.

In general, such reforms within the prevailing social and economic systems are ineffective *because* [they are] only partial.

(Holland 1975:156)

Indeed there is a danger for any housing action, whether aimed simply at reform or making a deeper challenge, in the ability of local State's and even central State institutions to co-opt or institutionalise such struggles. This can occur in a number of ways, Hain (1980) provides the example of the dangers of 'neighbourhood participation' in Covent Garden but there are examples closer to home. The local State expanded its Community Development Section and appointed more community and youth workers in response to the development of social struggles in Palmerston North. Indeed the participation of activists in local State initiatives, like the Housing Working Party, ensures an input for the voice of the homeless into potential policy formation but at the same time is an effective means of tying up resources and energy, and can sometimes have the effect of co-opting groups or individuals into outcomes (or lack of them) they did not necessarily have any control over.

If one wants to nullify troublesome opposition, then the rhetoric of participation can be a useful guide for co-opting radical leaders and diminishing their stature in their supporters' eyes by giving them no real say.

(Sandercock and Berry 1983:84)

This is not to deny that institutionalised political strategies can have results, aspects of both the Edendale and Penrose and Rent Mart studies demonstrate that they can. But such strategies are necessarily accommodative and facilitative rather than oppositional. It is important in any assessment of the potential of housing action to recognise what Saunders (1979:130) terms the amazingly absorbent quality of liberal democratic regimes. Indeed Habermas (1976:129) argues:

The degree of tolerance has increased...there arises a grey area in which the social system can live with the non- (or not yet-) institutionalized opposition it calls forth without having to solve the problems that are the occasion, ground or cause of the protests.

Another problem is the lack of resources available to community groups. The 'political clout' they possess depends ultimately on action. While this can be effective in the short term, it neglects the question of resources and organisation that are necessary for a permanently effective presence.

The lack of tangible resources has posed insuperable problems to many community groups and accounts for the tendency for many of them to have a short life span and collapse after a period of frenetic activity with their activists completely exhausted.

(Hain 1976:16)

So it is that while many community actions have achieved victories, some appear to do so without the opposition losing (Dickens in Saunders 1979:131). Many urban social struggles may have been no more than a source of considerable inconvenience to dominant groups but, worse than ineffectivity, some urban struggles may actually aid the efficient 'management' of the urban system by challenging opposition into controllable forms.

These dangers confront any social struggle whether class or consumption based. Possibly one of the major obstacles to building a specific consumption issue based struggle into a broader challenge to the structure and inequality of capitalist societies is that effectively the two different forms of struggle have incompatible objectives. This point relates to the 'fundamental political dilemma', noted earlier, which faces those engaged in urban protest; to pursue a limited and achievable reform within the system or to pose a more ideologically sound, confrontational challenge to the system from outside it. Thus, the problem regularly confronting groups involved in housing action:

To maintain views which are unpopular with power holders in local government ensures that members and officers will largely disregard the group, while a moderation of views to help bring the voluntary group's agenda forward for debate with the local authority may mean relinquishing some basic principles or beliefs. Given that most voluntary organisations are composed of people who want to see some pay off from their time and effort it is only the strong willed and idealistic who will continue in the face of non communication from local government if the latter hold the key to action.

(Darke and Walker 1977:80)

The objectives of a group mobilised around a consumption based issue will generally dictate that, within reason, the group will chose an option likely to achieve their original and most basic

aim, although this may mean they have to sacrifice a number of deeper or broader concerns in the process. The example of the action mobilised around the potential demolition of Edendale and Penrose Flats is a good illustration, the group were essentially confronted with the choice of preserving the flats or pursuing a challenge to the social relations of exchange between landlords and tenant, but because of the very nature of the group and the local balance of social forces they were left with little option but to adopt the former strategy.

Indeed, at the risk of being overly simplistic, it could be suggested that one factor in the relative success of each of the three actions could be attributed to the degree to which each posed a direct challenge to more fundamental structures within the local system. The arguably least successful campaign, the Manawaroa Street squat was the most oppositional in nature, posing a direct challenge to the local State and potentially threatening such basic ideological structures as the right of private property. The more successful Rent Mart campaign posed no such threat to central or local institutions or dominant capital interests and in fact the Central State was able to gain considerable political mileage from its participation in certain aspects of the campaign and to a certain degree was able to co-opt members of local voluntary organisations into participation. Perhaps then, the most successful housing actions are likely to be those which can most easily be resolved within the system and as such do not upset the existing balance of social forces.

Nevertheless, despite the problematic nature of assessing the 'success' and long term significance of a particular housing action, it is not intended to suggest that such actions are without their effect. Housing actions such as the ones described in this chapter are clearly a viable means for consumers to maintain or expand their material conditions of life. The studies demonstrate that housing action does have the potential to change the nature and form of State intervention. In this way action by housing consumers can, contrary to Saunders' (1981:276) assertions, have considerable wider significance, and may play an important role in shaping the provision of housing both at the local and national levels. The ability for such actions to be transformed into more fundamental and widespread challenges to the social structure of the New Zealand capitalist society is, however, much more uncertain. It is argued though, that consequences will be geographically and historically variable.

Indeed attempts to resolve or ameliorate housing consumption problems sometimes throw up new sources of tension, new housing consumption issues and new housing consumption actions. While it may not always be possible to demonstrate empirically that housing consumers, through their actions, are able to change the present compromise over the housing question, it has been argued that the social relations of housing consumption both exert considerable pressure on the national State, drawing boundaries around its actions, and are essentially outside any easy sublimation by the State. Housing consumers may not acquiesce to their housing consumption experience unless it is to their satisfaction. Whether or not, of course, action by consumers does have an effect, hinges not only on the strength of their social relations and the nature of the local State institution, but ultimately on the balance of social forces within the nation. But it is possible that through housing action that this balance may be realigned and with it the housing question. In any event it is clear that it is partly in response to pressure from housing consumers that the housing question, in particular via State activity, evolves. This evolution however, opens up new forms of action by consumers and redirected pressure on the State. In this sense the housing question, as a consumption problem, may be unanswerable,

In reality the bourgeoisie has only one method of settling the housing question after *its* fashion - that is to say, in settling it in such a way that the solution continually poses the question anew.

(Engels 1972, 1955 edn.:606)

CHAPTER SIX

AFTERWORD

Studies of this nature do not allow a final conclusion in the conventional sense. The choice of a dialectical mode of enquiry for this work precluded the possibility of finally closing the argument at any particular point. This work is already large yet, the complex configuration of internal and external contradictions and interrelationships associated with the housing question in capitalist societies, theorised in Chapter Two and woven throughout the later analysis, continues to generate new questions, new contradictions to be resolved which, in turn, are reflected in new and changing realities for housing consumers. These continuing transformations may force other inquiries into the nature of housing into totally different areas of enquiry but will, I hope, continue to provoke the re-evaluation of basic concepts and the re-casting of the conceptual apparatus used to describe the world.

Social enquiry is not a closed system,

Though potentially endless, it is not, however, a seamless web of argument we seek to spin. Dim forms emerge from initial shadows of mystification, take firmer shape as different features are illuminated from new vantage points, studied from new conceptual 'windows' opened up.

(Harvey 1982:446)

If each end is a new beginning, then the purpose of this Afterword is a clarification of some of the main 'features' of housing provision in New Zealand, as viewed through the particular 'windows' opened in preceding pages.

It is clear that housing occupies an important position in all spheres of capitalist societies. It plays a vital role in various aspects of the reproduction of capitalism itself. Yet housing is a social good and one with a number of unique features. In addition in the processes of production, distribution and exchange housing is treated as a commodity, providing the opportunity for capital accumulation. These factors interact in such a way as to set housing at

the locus of a number of contradictory forces generating considerable ramifications throughout the capitalist system, affecting in particular the patterns of access to housing for various groups of consumers.

To simplify the more substantive discussion of Chapter Two the treatment of housing in capitalist societies like New Zealand means that it is allocated to consumers via the market mechanism which, because of its very nature and mode of operation is not an adequate means of achieving an equitable distribution of a socially necessary resource. At the most obvious level there is a conflict between the desire for profit and the need for shelter. At another level the attempt to distribute housing as a commodity represents a contradiction between the competing requirements of the labour market and the housing market .

Given the importance of housing to the continued viability of capital accumulation, particularly in respect to its role in the reproduction of labour power, these contradictions and the social conflict they generate necessitate the intervention of the State in an increasing variety of attempts to resolve the burgeoning conflicts perpetually arising from the housing question. These State strategies aim also to manipulate the provision of the good so as to enhance the conditions for profitable capital accumulation and in so doing unintentionally set off renewed contradictions. Thus State sphere mirrors its role throughout the economy and civil society.

The State, in short, plays a vital role in almost every aspect of the reproduction of capital. Furthermore when government intervenes to stabilize accumulation in the face of multiple contradictions, it succeeds only at the price of internalising these contradictions.

(Harvey 1982:449)

The history of housing provision in New Zealand illustrates this dominant role of the State which is reflected both in the changing patterns of access made by direct State intervention in the housing sphere, by public rental housing construction and financial support for private ownership and also in attempts to manage the economy which have a significant impact on the patterns of private activity. State intervention began from an early date but was initially confined largely to market supporting roles with the main focus being towards establishing the conditions for profitable capital accumulation. However the threat of disease and social unrest prompted the State to increase intervention to one of the highest levels in the nation's history,

largely via attempts to supplement and regulate the private sector in an effort to provide a fairer allocation of housing, essentially to preserve the profitability of capital accumulation.

From the outset there was a strong ideological aspect to State involvement. Thus while direct State involvement in the provision of housing was essentially restricted to differing blends of two main policy initiatives (finance for owner occupation or housing for public rental) which at the most fundamental level performed the basic State function of enhancing the conditions for capital accumulation, considerable use was made of the ideological effects of State housing policy. This was particularly the case with conservative governments who almost uniformly emphasised the virtues of private home ownership. While this is without doubt a reflection of the belief that home ownership has a conservatising influence (encompassing a number of values such as thrift self help, independence and the private ownership of property), two other trends can be discerned. In the early years the State, facing increasing social struggle and industrial unrest were particularly attracted to the perceived effects of legitimation and social cohesion that home ownership created amongst those recently elevated to property ownership. Later, after the depression, the ideological promotion of home ownership offered the State a means to stimulate consumerism and thus capital accumulation. Intervention in the provision of housing has, then, provided the State with a strong ideological tool which it has not been reticent to use throughout New Zealand's housing history.

With the advent of the 1935 Labour Government the provision of housing was also recognised as an economic tool and became an important component in the general adoption of Keynesian policies designed to stimulate the economy by State spending. The Labour Government which, on taking office represented a power bloc closely aligned with the interests of the working class, was to initiate the second highpoint of State spending on housing, this time oriented ideologically and practically towards collective consumption by the provision of State housing for subsidised public rental. Initially the pursuit of Keynesian policies proved very successful. The building and construction industry was an important sector of the national economy, contributing significantly to Gross Domestic Product as well as employing a large section of the workforce. Because of its multiplier effects throughout the economy the industry was used as a 'Keynesian regulator' to iron out cyclical swings in business activity - both 'pumping up' and repressing demand

The human demand for shelter is turned...into a process of accumulation through housing production.

(Harvey 1976:277)

Profiting from the world-wide post-war boom both National and Labour governments pursued similar policies, albeit shifting the ideological emphases to suit political preferences, although after the late 1950's elements within the ruling National Party began to achieve a decrease in State financial support, reflecting their belief in private enterprise - and private profit. The emphasis was on individual ownership and individual responsibility for housing. Thus in a situation where only some workers were able to achieve the New Zealand ideal of owner occupation (thus becoming concerned with preserving and if possible enhancing their property values), then the fragmentation of the more working class opposition to dominant groups is effectively achieved. Over this period the decisive element in this social spatial and economic strategy was the State. New Zealand's State housing policies have gradually evolved as a comprehensive system which attempted to provide housing within the constraints imposed by the capitalist system. There is little doubt that for most periods of New Zealand's history expenditure on housing has assisted the State in stabilising and integrating society as well as creating and maintaining the conditions for profitable private capital accumulation. The present situation of the 1980's, however, is turning out to be remarkably different.

The advent of a world-wide recession in the late 1960's prompted the New Zealand State to pursue more vigorously the Keynesian policies of increased State spending to stimulate the economy. This was particularly the case under the 1972-75 Labour Government which, faced with a limited revenue base, borrowed heavily overseas to finance levels of spending that were to increase New Zealand's external deficit to policies, continued by later administrations virtually guaranteed inflation and when coupled with the effect of international events, particularly the rapid rise in the price of oil and declining demand for New Zealand's exports, the results were far reaching.

By the late 1970's New Zealand was locked into spiralling inflationary trends and economic recession, this was reflected in a State that, vainly trying to stimulate a stalled economy, found itself debilitated by an increasingly severe fiscal crisis. It appeared that in New Zealand, as indeed internationally, capitalism had reached a point of major crisis

"in which the 'Welfare State' form has reached its limits in guaranteeing accumulation since the operation of its crisis-management counter tendencies have created the complication of stagflation and fiscal crisis signifying that capital is headed for a prolonged crisis."

(Bedggood 1977b:8)

The response of both National and Labour Governments from the late 1970's was to largely dictate their housing policies throughout this period. The response of the National Government was to cut back and redirect State spending while initiating numerous regulatory measures designed to curb inflation. The burden of this reduced expenditure tended to fall on the 'unproductive areas such as social services and welfare provisions, for example housing, as resources are moved towards more 'productive' sectors of the economy and in particular the export sector. At the same time the house building industry was suffering from the after effects of a period of 'over-investment' resulting from capital switching finance from the primary circuit of capital into the secondary circuit in an attempt to avoid the effects of the worsening recession. The result of these factors was the collapse of the house building industry and a severe reduction in job opportunities. The National Government's attempts to regulate various markets, particularly the financial sector but also wages and rentals to dampen inflation may, in hindsight, have done more damage than State spending cuts. The unintended effect of State regulatory policy implemented within a capitalist economy, created more new problems than they resolved, notably in the housing sphere.

In reality the bourgeoisie has only one method of setting the housing question after its fashion - that is to say setting it in such a way that the solution continually poses the question anew.

(Engels 1887, 1955 edn.:606)

With the discrediting of Keynesian economic strategies members of the incoming 1984 Labour Government took the opportunity of promoting a markedly different philosophy to that of the previous administration which was essentially a variation on the doctrine of monetarism. This did initially result in a number of benefits for housing consumers; an increase in overall State spending on housing provision and new strategies designed to 'target' that spending more directly towards those most in need. But a number of other aspects of the new philosophy were to outweigh these benefits. The drive towards efficiency and profitability within the State, coupled with the emphasis on the desirability of the free and unregulated market have not only increased the housing costs for many Housing Corporation clients, those who have already

been unable to afford the costs in the private sector, but the entire approach of the State to housing has been designed to recommodify the provision of housing. The emphasis is towards allowing the unregulated market mechanism to distribute housing to consumers.

Essentially both these differing responses on the part of the two administrations has effectively had the same result, coupled with other social and economic processes associated with an economy, there is a worsening housing crisis. In the two major tenure forms available to most New Zealanders there has been a dramatic escalation in the cost of housing and considerable decrease in the quantity available. In reality owner occupation has been removed from ordinary people's expectations. Further, those lucky enough to obtain the necessary finance are likely to find that much of their total household income is 'eaten up' by mortgage repayments. In the rental sphere affordable housing is increasingly scarce with rents escalating and large sums of money required even before prospective tenants can gain entry to accommodation.

As a consequence, the increasingly inequitable and inefficient utilisation of the country's housing resources has resulted in severely restricted access to housing for those groups whose lack of resources mean that they fall at the bottom of the competitive, bidding hierarchy. This situation has had a very real effect on the way of life of many New Zealanders who are forced to endure sub-standard housing, overcrowding and high, market driven rents. For an increasingly significant minority, particularly amongst the young, it has resulted in homelessness, perhaps the ultimate outcome of New Zealand's deteriorating housing situation.

Homelessness, then, is about chaos, disorder and insecurity, about ill health and tension, about a gnawing away of life energy, about a lack of motivation to participate in, and enjoy life...

(Waldegrave and Coventry 1987:20)

Given the complex contradictions inherent within the capitalist system, in particular with respect to the commodity housing, and the numerous unintentional effects of State policies designed to regulate or manage the allocation of housing, it is increasingly apparent that there is no easy resolution of the housing question.

How is the housing question to be solved, then? In present day society just as any other social question is solved: by the gradual economic adjustment of supply and demand, a solution which ever produces the question itself anew and therefore is no solution. How a social revolution would solve this question not only depends on the particular circumstances in each case, but is also connected with much more far-reaching questions...

(Engels 1887, 1955 edn.:570)

In the last chapter we examined the interaction of national processes and patterns determining access to housing as they interact with local social relations and other local factors to affect on housing consumers in Palmerston North. Apart from recognising the interdependent importance of both national structure and local variation the studies demonstrated the significance of effective housing action on the part of dissatisfied consumers. Although housing actions mobilised around consumption issues may face a number of internal and external barriers to success and do not appear to provide fertile ground for the generation of broader urban social movements, they do have the potential to affect and/or initiate State intervention in the housing sphere. Well organised housing actions do provide a viable mechanism to change the pattern of housing provision and positively transform the material consumption experiences on the part of housing consumers.

Finally it is necessary to return to the notion of housing problems themselves. The original title for this work was to refer to the housing crisis. But it gradually became apparent that the proliferation of housing problems for individuals and families does not necessarily amount to a crisis from the point of view of the Government. Previous Ministers of Housing may have indeed been speaking the truth when they claimed there was no housing crisis. To identify disturbing tendencies in housing conditions and to expose the deficiencies of the housing system, as this work has done, is ultimately irrelevant if the State is not listening.

This thesis has shown that it is important to set developments in housing in a wider context of social and economic change. There are, for instance, chilling similarities between recent housing problems and policies in New Zealand and Britain and the United States as right wing governments there have responded in similar ways in attempting to manage the economics of recession. A growing body of literature testifies to the fact that throughout the Western World governments have used housing as a prime target for achieving the cuts in public expenditure that have become the new economic orthodoxy in the post Keynesian era. These cuts fall most heavily on groups who are on the fringes of the economy; the unemployed, school leavers, single women with children, the elderly and so on. At the same time the living standards of those already well off are increasing. The worsening housing problem is,

therefore, like unemployment, a by-product of conscious policies, and to recognise and respond to these problems would involve changes in the central planks of economic policy. Yet a crisis is a turning point, a time when changes have to be made in response to pressures and tensions building up to a peak. The private crises of individuals and households do not amount to a public crisis requiring a change in policy unless those personal experiences are translated into political pressure.

As I write it has been confirmed that the Labour Government has been more than comfortably returned to office after the 1987 General Election, with still stronger conviction in the rightness of its economic path. Yet the polling results reveal a swing in many traditional Labour strongholds and in the Maori seats, away from the Labour Party. The people in these areas are those on low incomes, they have suffered under the new economic order. In the wake of the election many party spokespeople have acknowledged this and claimed that social issues are high on the agenda for the future. But ultimately the extent to which the issues raised in this study are addressed by the government will depend on the actions and pressure generated by housing consumers.

Given that it is apparent that no satisfactory, permanent resolution to the housing question is likely without without a major social transformation it is important that those housing consumers increasingly alienated under the current economic regime mobilise in various forms of housing action to bring about the pressure on the Government for changes in policy. It is clear that moral indignation about the plight of the homeless or families living in squalid conditions is not an effective lever, given a Government that is willing to 'tough it out' in pursuit of its economic ideal.

Perhaps in this sense then, the housing crisis has not yet arrived. However its approach is made closer by growing contradictions in policy which will become increasingly obvious and more difficult to avoid as the decade continues. Until then the housing question in New Zealand remains: ideology, access or action?

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