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## **Housing : The Case for a New Philosophy**

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### **Introduction**

A great deal has been said and written about housing over the last fifteen years. A comprehensive review and critique of housing policy was produced by the late John Blackwell for the National Economic and Social Council in 1988 (NESC, 1988). Ten years later detailed overviews of the housing problem and an evaluation of housing policy were produced by Downey (1998) and O'Sullivan (1999). Three Reports commissioned by the Government were produced by Peter Bacon and Associates dealing almost exclusively with owner-occupied housing (Bacon, 1998, 1999 and 2000). A useful study on social housing and its management has been published (Fahey et al., 1999). The four Dublin Local Authorities published a set of recommendations relating to housing in the Dublin area. An independent Housing Commission (Drudy et al. 1999) and the National Economic and Social Forum (NESF, 2000) also published detailed assessments. A government-commissioned Report appeared on the privately rented sector (Commission on the Private Rented Residential Sector, 2000) as did an important study by McCashin (McCashin, 2000). Four voluntary agencies carried out a detailed study of housing access (Punch et al. 2002). Most recently, the National Economic and Social Council produced a further report examining the nature of the housing problem and suggesting policy changes (NESC, 2004). I could mention many other reports and monographs. During this period numerous other papers and reviews have appeared in books and academic journals.

## Progress for Some: Crisis for Others

What has been the result of all of this analysis of this central issue? There is no doubt that some progress has been made since the 1989 NESC Report, although many of the concerns raised by John Blackwell and the NESC Council remain unresolved (McCashin and Brooke, 2005). A considerable number of houses and apartments have been constructed for sale or for rent. Basic facilities which were lacking several decades ago are now generally available. Many people have benefited. Some individuals and families even own second homes in Ireland and in other countries. Some individuals and companies, whether as investors or speculators, own multiple properties. The construction industry is a significant employer. Despite this, a substantial minority of our population are no nearer to owning a home or renting one at an affordable price than they were ten years ago. Large numbers have no alternative but to resort to long-distance commuting from newly-built areas lacking basic requirements and amenities. Furthermore, there is a persistent problem of homelessness suffered by the most vulnerable people in our society, despite excellent work by agencies such as the Homeless Agency, the Simon Community and Focus Ireland. The high economic and employment growth rates during the 1990s and since then have done little to alleviate these difficulties; indeed they may have exacerbated them. This is a matter of great concern since a secure affordable home, appropriate to need, is surely one of the most basic human requirements. The current problem thus affects all housing tenures - public housing, privately rented and owner-occupied and, although there is a particular problem in the Dublin region, it affects all parts of the country. Although these various tenures can be examined separately, it is critical to recognise that the difficulties in these tenures are inter-linked and that they cannot be treated in isolation.

A number of policy initiatives in relation to owner-occupied housing have been taken by the government arising from the Bacon Reports (Government of Ireland, 1999). These included measures to fast-track

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water and sewage services to land, the removal of interest relief on loans to investors (later re-instated) and the imposition of stamp duty for new housing - these were intended to discourage speculation and price increases. However, a proposed anti-speculative tax was never put in place. Several “affordable housing” schemes were introduced with mixed results. The Planning Act of 2000 introduced a measure (commonly known as Part 5) to combat housing segregation, but this was amended under pressure from property interests in 2002. A Private Residential Tenancies Act was passed in 2004 with the aim of improving matters in the private rented sector. This was a compromise reached between landlord and tenant interests and whether it will make any real difference remains to be seen. In any case, serious policy changes have been lacking and it is widely acknowledged that the purchase of a home at an affordable price continues to represent a major problem, especially for first-time buyers. Furthermore, those attempting to rent in the privately rented sector continue to face particular difficulties, as do those who remain for many years on local authority waiting lists (See Drudy and Punch, 2005 for further details).

It should be emphasised that the shortage of affordable accommodation and the level of price and rent increases could have the overall effect of slowing down or seriously compromising the considerable economic progress achieved in Ireland over the last decade. Ireland could lose its attraction for foreign firms and their employees. Rising prices and rents inevitably feed into new wage demands. In particular, those who have managed to purchase homes in recent times have now taken on large loans. If interest rates were to increase significantly, the level of indebtedness could become unsustainable for many. Furthermore, our failure to date to provide adequate affordable housing appropriate to need for all our people is one of the key obstacles towards reducing the significant inequalities which persist in Irish society.

## **Towards a New Philosophy of Housing**

Why have we failed so far to resolve the housing problem for a considerable number of our people? Have central and local government policy initiatives been too weak? Are our people unwilling to accept the need for serious change and are our politicians fearful of initiating such change? I believe that policy initiatives have indeed been largely ad hoc and weak due to the (perhaps correct) perception that the voting public will punish any government proposing fundamental change. For example, those who currently own their homes – many after a considerable struggle - are in the majority, representing about 77 per cent of the total. The majority of these regard themselves as “asset rich” and are not particularly concerned about escalation of house prices – indeed many may uncritically applaud such inflation. Neither are they overly concerned by the level of rents charged by private landlords, by the conditions of much private rented accommodation or by lengthening local authority waiting lists.

I would like to suggest that a central part of our problem is that we have, over the years, accepted a type of philosophy that is not really appropriate for such a fundamental necessity as a home. In recent years, housing analysis and policy in Ireland has been under-pinned by a dominant paradigm and philosophy which sees “the market” as the ideal provider and allocator of housing. This approach seeks to minimise the direct provision of housing by the state; rather it asserts that the state’s role is to facilitate such provision by private developers, to fast-track planning permissions and re-zonings and to encourage private provision with tax and other incentives, while carrying the cost of essential services such as water, sewage, roads and amenities. While public housing is still provided by Local Authorities and other non-profit organisations, this is on a modest scale and the market approach to provision is now the dominant one in Ireland. Table 1 shows that market provision increased from 67 per cent of the total in 1975 to 93 per cent in 2004. Non-market provision now represents only 7 per cent of the total.

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		<b>“Market”</b>	<b>“Non-Market”</b>
1975	Units	18,000	8,800
	% of total	67	33
2004	Units	71,808	5,146
	% of total	93	7

In my view, this market dominance has created a range of serious difficulties, particularly for middle and low-income groups. The outcome is unaffordable house prices, over-priced and insecure private rental accommodation, lengthening waiting lists for public housing and homelessness. At least, this is a problem for a significant minority of our population. At the same time, Ireland has one of the highest rates of home ownership in Europe, significant numbers own second homes in Ireland and further afield, while increasing numbers view housing as yet another commodity for investment, speculation and capital gain. The end result is an increasing divide and inequality between those who have housing and those who have not, as well as inequality between the various housing tenures.

*Market Provision : Housing as a Commodity*

In a pure market system, the “market’ forces of supply and demand determine who gets housing as well as its price or rent. If there is excess supply (inadequate demand), developers, builders, landlords and estate agents will have empty houses for sale or rent and prices are likely to fall as a result. Those seeking homes will benefit from an increased choice and lower prices. On the other hand, inadequate supply (excess demand) will tend to push up prices and rents and put purchasers under pressure. Prices will tend to stabilise (or reach ‘equilibrium’) when supply equals demand. In theory, this is the way the ‘housing market’ should operate. In reality – and the period since 1995 was the reality – supply was insufficient to meet demand and therefore prices have not stabilised. They have continued to increase at a rate far greater than the rate of general inflation. The market has clearly failed.

Apart from the well-known market failure mentioned above there is a further fundamental problem with the market as a mechanism to allocate housing – that is that the market completely excludes those who have not the ability to pay. Those without resources simply cannot even participate in the game. The term demand refers to the willingness of consumers to purchase or rent products or services at certain prices but, most important of all, it also implies ability to pay those prices. Those involved in the production or sale of housing do so in order to earn incomes or profits. Housing will not be provided to those who cannot pay – to do so is beyond the logic of the market. The term demand should not therefore be confused with the term ‘need’ which indicates a need or requirement for housing, but does not necessarily mean that the person in need has the ability to pay. Given the income variations between different groups, it is obvious that the ‘market’ must exclude a whole range of individuals who have not the ability to pay. In this way of thinking, housing becomes a “product” or a “commodity” like televisions, motor cars, race horses or stocks and shares to be bought and sold “on the market”. Despite the fundamental inadequacies I have mentioned, the market is commonly applauded as an ‘ideal’ or ‘natural’ mechanism to allocate housing by many economists, developers, estate agents, landlords and those representing the building industry.

Certain characteristics follow from this ‘commodification’ of housing. Thus, it is produced in order to make a profit. The main contribution of housing is then measured in *quantitative* terms (levels of profit, return on investment, capital gain), while its real *qualitative* essence (as shelter, home, place in community development) receives much less attention. It follows, therefore, that the acquisition of a house depends above all on ability to pay. In the case of housing for purchase, this normally means the ability to borrow a substantial sum of money from a building society or bank. A number of factors will determine the ability to borrow, including well-paid and steady employment, the ownership of other property, or access to relations who are prepared to protect the lender by acting as guarantor or by providing informal ‘loans’ to cover deposits or other costs. In effect, those on low incomes

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normally fail to fulfill these 'requirements' and are therefore excluded from competing for housing in the market. On the other hand, those on high incomes will be the main participants and beneficiaries in the market.

Furthermore, in line with market 'ideologies', those producing or selling tend to urge purchase on the grounds that 'it is a good investment' and 'will appreciate in value', particularly if it is located in a 'good area'. When property prices are rising rapidly, aspiring purchasers are urged to 'buy now before prices rise further'. Those who already own property are advised (and think) that they are 'sitting on a goldmine', and they may be encouraged to further improve their position by becoming multiple home-owners in the expectation of a secure return on such investment. As with stocks and shares, 'profit-taking' is an inevitable and much-sought element in the process.

A further critical element in the commodification process is the acquisition of land by private individuals or developers, sometimes over a long period of years, enabling them to exert considerable control over the production and prices of housing. The availability of land is a prerequisite for the provision of housing and therefore those who own or control it can exercise what has been called a 'double monopoly'. First, there is obviously a relatively fixed supply of land. Second, land for housing depends on the willingness of landowners to release and sell for such purposes. When there is an insufficient supply of housing, the inevitable outcome is an upward pressure on the price of land. The 're-zoning' or granting of planning permission by the state can often exacerbate this price escalation further, resulting in large 'unearned' gains derived from land ownership. If this occurs, it invariably feeds into the eventual price of housing for sale or rent.

It can also be argued that this 'market approach' to housing market encourages the 'segregation' of housing types and particular social groups. As mentioned above, those providing and selling houses rely on a standard formula which suggests that, apart from being a home, a house is good value for money, a sensible and secure investment and

an appreciating asset which can be ‘traded up’ or from which ‘profit-taking’ can occur at any time. In order to protect these suggested attributes as well as the all-important ‘location’, it becomes important to avoid dilution of the product with low-priced homes or those from lower socio-economic or otherwise ‘undesirable’ groups. The market can play a central role in such segregation, particularly at a time of rising prices. Thus, those from the lower social classes are excluded or displaced from the highly valued areas through the prohibitive cost of housing, rapidly escalating land prices and the lack of non-market options. These elite residential areas are thereby ring-fenced from invasion by the poor or other ‘undesirable’ social groups, who must then seek accommodation elsewhere. Thus, the commodification of housing is also a central force in what can be called “residential differentiation”, that is, the creation of socially distinct areas.

We can identify a range of “winners” and “losers” in market-dominant systems. See Table 2.

<b>Winners</b>	<b>Losers</b>
Speculators and investors	Property-less
Developers and Land owners	Homeless
Financiers (e.g. banks, building societies)	Low income/temporary employed
Estate agents	Unemployed
Solicitors	Ethnic minorities, those with disabilities
Landlords	Others in housing need
Home owners	Tenants
Government finances	First-time buyers
Newspaper Property Supplements	

The list is not exhaustive, but it illustrates the clear division which emerges between those who gain from the market and those who do not. It includes not just speculators who invariably gain. The list also

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includes a whole range of lending agencies, auctioneers, solicitors, architects and those who gain from the massive advertising accompanying property booms such as newspaper Property Supplements. Although home owners may be depicted as winners in the context of escalating prices, which may suggest that they are becoming increasingly ‘asset rich’, this view is not unproblematic. The gains are notional until they sell and ‘trade down’, which may involve significant displacement or relocation. Furthermore, there is a critical problem of intergenerational inequality, in that the gains to individual owners must be offset against the problems and pressures encountered by their children in seeking to establish a home. The main losers include a range of social groups disadvantaged in market-dominated systems, including the homeless, those on low incomes, unemployed, ethnic minorities, those with disabilities and others. In the case of first-time buyers, it may be noted too that some of those in relatively well-paid jobs who manage to purchase housing at a time of significant price increases may, in fact, find that they have taken on unsustainable debt, particularly if interest rates were to increase significantly.

### **Housing as a Home – a Development Perspective**

There are other ways to view housing. One alternative is to place the emphasis on housing as a home – shelter, a place to stay, to feel secure, to build a base, find an identity and participate in a community and society. Housing thus becomes a central feature of ‘development’ – a process not simply comprising increases in economic growth, but containing positive actions to improve the quality of life and well-being for all (Todaro and Smith, 2005). In this approach housing would thus be treated primarily as a ‘social’ requirement like education or public health and would be produced mainly in response to need as well as the ability to pay. In line with this perspective, housing has been given the status of a ‘right’ in the Constitution or legislation in various countries. Because provision is not for speculative profit in such non-market approaches, housing is normally allocated by central or local government or by voluntary and charitable bodies. In some countries, there is also an important tradition of individual or community self-build models, and the co-operative housing movement

is also strong in some cases. This approach does not of course rule out profit. The provision of homes would still be dominated by builders who make a profit from construction. Although there will in this case be a 'construction profit', the speculative gains characteristic of commodified systems are reduced or even eliminated (Barlow and Duncan, 1994).

It is important therefore to re-instate housing as a home as opposed to a commodity solely for profit, investment, speculation and wealth creation for an elite group. In addition to this, however, it is essential to place housing in a broader 'development' framework. The basic point is that people need homes, but their needs (and their demands) will not be met by the provision of housing alone. A better quality of life and well-being for all are the real measures of whether or not real development takes place in any society. These will be achieved only when, in addition to a secure affordable dwelling appropriate to needs, a more comprehensive set of related needs and requirements are satisfied. These include access to appropriate employment opportunities, better education and lifelong learning, a high standard of health and nutrition, less poverty, greater equality, a cleaner environment as well as sufficient social and cultural amenities (Todaro and Smith, 2005). This development perspective is a prerequisite for good housing policy. It places the emphasis on human development, human rights, quality of life, inclusiveness and sustainability.

Table 3 attempts to illustrate the implications of the two opposing philosophies outlined in this paper – one which sees housing as yet another commodity and one which views housing as a home. Obviously, the different approaches would lead to significantly different policy changes.

<b>Table 3. Housing as a Commodity or Housing as a Home</b>	
<i>Housing as a Commodity</i>	<i>Housing as a home</i>
Market Provision	Non-market provision
Commodity for sale	Housing as a right for shelter
Housing as an economic good	Housing as a merit good
Housing linked to ability to pay	Housing linked to needs
Developer/Speculator profits	Non profit or construction profit only
Personal investment/profit taking, wealth generation	Home, community, shelter, etc.
Speculative acquisition of land & capital gains; monopolies	Public land banking for building and provision
Segregation	Integration

## Conclusion and Some Principles

This paper raises a fundamental philosophical question: is it the purpose of a housing system to provide investment, speculative or capital gains for those with the necessary resources or should the critical aim be to provide a home as a right for all citizens? The former view sees housing as a commodity to be traded on the market like any other tradable commodity; the latter views housing as a social requirement like health services or education. In my view, Ireland has gone much too far down the market-driven route with serious and adverse consequences. The current system is a further contributor to an increasingly unequal society.

Rather than suggest yet again a range of policy changes, I give below a small number of principles which I believe, are worthy of consideration if we are to put a more equal and more appropriate

housing system in place. If these principles were accepted, a range of obvious policy measures would follow from them.

- Housing should no longer be treated primarily as a market commodity or as an investment for wealth accumulation. Rather it should be seen as a fundamental social requirement.
- Every person should have a right to good quality affordable housing appropriate to need. This right should be enshrined in legislation in line with various international covenants and agreements.
- Land is one of the critical resources required for housing. The state should, in the interests of social justice and the common good, have a long-term strategy to acquire sufficient land for both public and private housing.
- Actions of the state on behalf of the community (e.g. via re-zoning, planning permission or provision of infrastructure) should not result in significant untaxed and unearned gains to landowners.
- The stated aim of housing and related policy must be to achieve integration between housing types and tenures in order to counteract social segregation. Housing policy should be tenure neutral, giving equal status and support to the various tenures.
- A comprehensive regional, urban and rural strategy must be put in place for the country as a whole as a matter of urgency in order to reduce the pressure of demand in the east of the country and to actively encourage appropriate development in all parts of the country.

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