The two housing finance crises in Hungary - lessons for the housing policy transition

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1. Introduction

This study tells the story of the two major housing market crises in the past 40 years of Hungary's housing system. The causes and the management of the two very distinct crises provide ample information about the nature of the transition from the socialist to a market-based housing system. The analysis also points out the differences and limitations of the two housing policy paradigms that prevailed during the two periods ("enabling markets to work" and "housing for all").

The first part of the paper provides an overview of the five periods of the transition process, the second part summarizes the two housing finance crises, and the third part lays out the conclusion.

2. The analysis of the two housing crises

2.1. Overview of the last four decades

Over the course of the last four decades, Hungary has undergone radical social, economic and political changes. Despite being a small country without significant natural resources, Hungary has always been strongly connected to the global economy. The country went through five main stages:

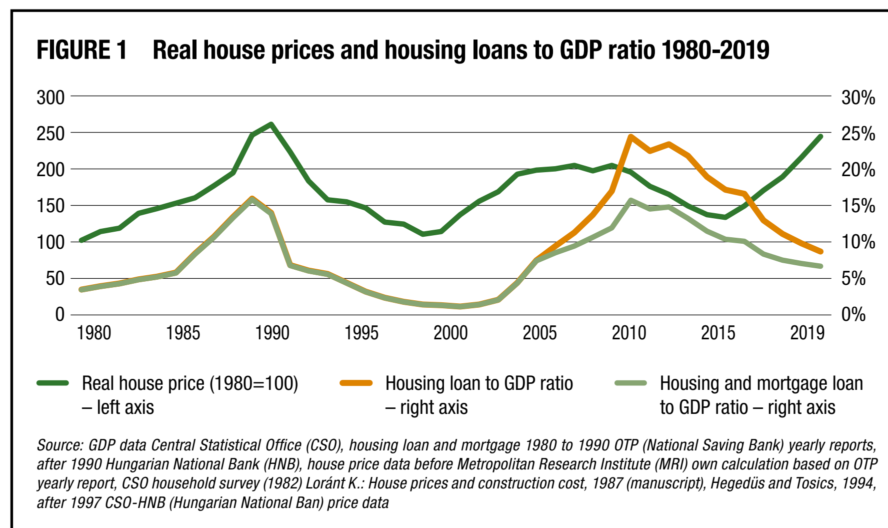
- 1979-1990: Introducing market elements into the state controlled system
- 1991-2000: Transition to market economy: recession and recovery
- 2001-2008: Dynamic growth fraught with state and market failures
- 2009-2014: Crisis management
- 2015 to date: Market boosting

Most of the former socialist countries in the Central and Eastern European region that went on to join the European Union went through similar periods. Hungary diverges from their shared development process at two points. First it opened up to controlled market mechanisms in the 1980s (Hegedüs and Somogyi, 2016). Second, the country adopted a so-called "unorthodox" governance following the 2008 crisis, accompanied by the gradual dismantling of democratic controls from 2010 onwards (Bohle, 2014; Csizmady et al., 2019).

Figures 1 and 2 show the main trends by basic housing system indicators.

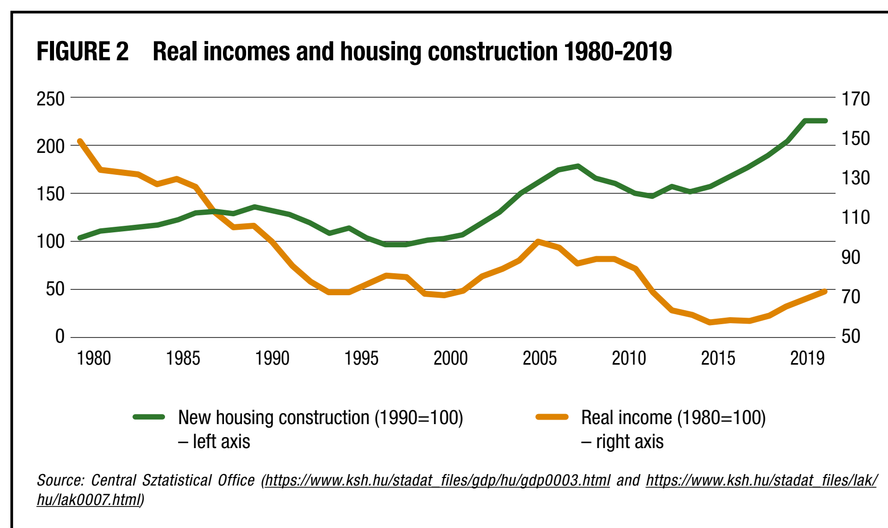
By the early 1980s, the socialist societies of Central and Eastern Europe were facing a serious economic crisis as the Soviet Union was losing out in its economic competition with the developed world (Matras, 1989, p.2). The Soviet Union was unable to support

FIGURE 1 Real house prices and housing loans to GDP ratio 1980-2019



Source: GDP data Central Statistical Office (CSO), housing loan and mortgage 1980 to 1990 OTP (National Saving Bank) yearly reports, after 1990 Hungarian National Bank (HNB), house price data before Metropolitan Research Institute (MRI) own calculation based on OTP yearly report, CSO household survey (1982) Loránt K.: House prices and construction cost, 1987 (manuscript), Hegedüs and Tosics, 1994, after 1997 CSO-HNB (Hungarian National Ban) price data

FIGURE 2 Real incomes and housing construction 1980-2019



Source: Central Sztatistical Office (https://www.ksh.hu/stadat_files/gdp/hu/gdp0003.html and https://www.ksh.hu/stadat_files/lak/hu/lak0007.html)

the countries under its influence, and consequently its control over them had declined (illustrated, among other things, by unrest in Poland, and the "separate path" taken by Romania). Hungary came very close to state bankruptcy in the early 1980s, in part due to the 1973 oil price crisis. In order to prevent the economic downturn (with the tacit agreement of the Soviet Union), the country joined the IMF in 1982, gaining access to financial resources on the international capital market. The government introduced a series of economic measures that allowed quasi-market processes, resulting in the emergence and gradual growth of a "second economy". By the late 1980s, foreign debt and debt servicing had increased, and a worsening fiscal crisis led to rapid inflation. The economic and political collapse of the Soviet Union and the stagnation of Hungary's economy forced the political elite to finally accept the inevitability of a regime change.

Between 1990 and 2000, Hungary moved from a state-controlled planned economy to a liberal market system through the relevant economic strategies, such as price liberalisation, privatisation of state-owned enterprises, and the consolidation and privatisation of banks. As a result of the subsequent transitional recession, the GDP shrank by 15 percent in the first half of the 1990s. After a stringent austerity programme (the so-called "Bokros package") introduced in 1996, the economy started to recover, and the GDP had gradually returned to its pre-transition levels by the end of the decade. In general, demand for housing is falling, as shown by the fall in house prices and the decline in new construction (se Figure 2), with lower income groups' main priority being to coping the economic crises. The informal economy remained large, estimated at 25-33% of the GDP between 1990 and 1997 (Laczkó, 2000).

From 2000 onwards, economic policy became more optimistic, shifting from austerity to a demand-driven model, in which housing finance played an important role. Global economic prosperity and the boom on the financial markets further fueled some irresponsible government policies. Hungary joined the European Union in 2004, which further strengthened the trust in continued economic growth. Thanks to the growth driven by EU Structural Funds, the rapid economic decline could be halted. Loan funded household consumption continued to grow until autumn 2008, while industrial production, employment, and exports already began to decline. Irresponsible fiscal and monetary policies left Hungary's economy fragile and vulnerable, further weakened by the adverse effects of the 2008 Global Financial Crisis.

Between 2008 and 2010, the government pursued a traditional crisis management policy (IMF loan, austerity measures, tax increases). After 2010, the newly elected conservative government with a two-thirds majority introduced an "unorthodox" economic (and political) regime, which introduced populist measures to gradually move towards a more authoritarian political system. In its crisis management, public policy aimed to avoid direct austerity measures that were economically necessary, and instead used economic reserves (such as private pension funds) in addition to EU funds. The government imposed special taxes on foreign-owned companies (banks, energy companies and trading companies) and gradually introduced autocratic elements into the political system with the help of its two-thirds parliamentary majority (new constitution, restrictions on freedom of the press, control over prosecution, dismantling the independence of the Constitutional Court etc.).

From 2015, new elements were introduced in housing subsidies, while at the same time utility prices were frozen (effectively subsidizing all activities), a regressive flat income tax was introduced, the unemployment benefit system was restructured, a massive public works programme was launched, the targeting of social spending further was narrowed, and a number of resources and entitlements (e.g. major public contracts, or the rights distributing tobacco products) were redistributed to party-controlled business circles close to the government.

2.2. The Hungarian Housing Crisis in 1989/90 – the "old loan" problem

In the socialist housing finance model a significant proportion of housing construction (and purchase) was financed through centrally controlled state-owned banks, state budget contributions, and, as a supplement, the resources of state-owned enterprises. The typical loan product (low, fixed-rate loans with around 1.5-3% interest rate over 35 years) was effectively a state subsidy. The size of the loans and the terms varied according to the housing provision form (Hegedüs, 1988). There was no proper underwriting process; instead, selected households were automatically eligible for the subsidy and loan. There was a crucial difference between a state-developed financing scheme and an individually organised scheme (self-build housing). Public (state owned) real estate developer companies built both public rental and owner occupied housing, which were allocated by councils and state agencies. This was essentially part of state housing according my definition (Hegedüs, 2020). Between 1970 and 1990, 40-55% of all housing construction was organized by future owner, which can be categorized as self-build because there was no professional developer behind it. (Hegedüs, 1992, p 224) In 1973, for example, 35% of the total investment in the state-managed sector was financed by loans, 53% by budget support and 12% by household savings, while in the private sector the contributions were 24, 1 and 75% respectively (Hegedüs and Tosics 1996, p. 249). The schemes were designed in such a way that the typical official salary could be enough to pay the cost of the loan, the bank could get sufficient repayment to cover the risk of default, and thanks to the artificially maintained full employment, lending did not involve significant risk for the bank.

As macroeconomic conditions in Hungary deteriorated in the late 1980s, economic policy increasingly relied on the so-called second economy. The second economy became more extensive during the decade and included work outside formal working hours, from backyard farming to second jobs. The opening up to market processes

TABLE 1 Tenure structure, 1970-2011

	1970	1980	1990	2001	2011
Owner Occupied	66.5%	71.5%	72.3%	90.0%	88.0%
Council/Municipal housing	33.3%	28.3%	19.0%	3.7%	2.7%
Corporate housing	—	—	3.7%	1.0%	1.0%
Private rental and other	0.3%	0.2%	5.0%	5.3%	8.3%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Central Statistical Office

was also reflected in the housing policy: the government encouraged households to invest their own resources in housing in order to ease the fiscal burden, hoping that the volume of housing construction would not drop significantly. Yet new construction decreased by 22% between 1980 and 1986; the rapid decline could not be slowed, and output by 1990 was exactly half the 1980 figure (see Figure 2). The government increased support to the private sector by making households eligible for housing subsidies, raising the credit ceiling, permitting employer loans, and even opening up the possibility of municipal housing subsidies (e.g. by increasing the supply of state-owned land below market price, Hegedüs, 1992).

In the 1980s, the economy was under severe inflationary pressure, and house prices rose by 150% between 1980 and 1989 (see Figure 1). Households became more likely to finance their bank loans from their second economy incomes, which increased the risk of default. Inflation was steep and enduring, interest rates continued to rise, and by the end of the decade the state budget was under heavy pressure. The outstanding stock of housing loans grew rapidly between 1980 and 1989, from 3 to 16% of GDP. Long-term, fixed-rate (1-3%) housing loan holdings caused a huge budgetary outlay on the books of the state owned bank OTP and other savings banks, effectively bankrupting the system.

In January 1989, the government raised the interest rate on bank housing loans from 3 to 18.8 percent. This was still not the market rate, as inflation was already 17% that year. Interest rate increases on loans issued before January 1989 were not allowed by the courts, which meant the technical bankruptcy of state-backed housing lending.

From 1 January 1989, the loans were financed by a newly created “loan for bond” swap, the yield of which was linked to the cost of funds, i.e. indirectly to the interest on deposits, and the difference between the yield and the interest rate was covered by the government budget.

Sagarai and Chiquire (1992) estimated that the present value of the subsidy of the old loans (HUF 274 billion in December 1988) could represent 13% of the 1988 GDP. The subsidy was financed with a 30% tax on interest income earned on the deposits of the banks, amounting to HUF 7.1 billion and budget appropriation of HUF 43.7 billion in 1990.

To decrease the budget burden, the new government in 1990 levied a “special tax” on persons who borrowed in the 1980s. The policy offered two options to borrowers: either

(1) half of the loan would be waived and the remaining part would be paid back at market rate; or

(2) the total outstanding loan would henceforth carry a fixed 15% interest rate. By 1997, 83% of the loans were repaid by the first option, amounting to 6% of the average annual GDP between 1989 and 1996.

Even with this reduced burden subsidies related to these old loans represented a huge share of the housing budget: 49 and 29% of the housing subsidies in 1992 and 1994 respectively (Hegedüs et al., 1996, p. 88).

Families who took out mortgages in the 1980s were therefore beneficiaries of the crisis, as inflation reduced the real value of their repayments (and thus their debt), the burden of which was borne by the state, and through the tax system, on people who did not take out loans. The “settlement” imposed by the state affected different groups of borrowers differently. Middle-gclass borrowers with a strong economic position were able to pay off the loan through their own and their family's savings, while the those in a weaker economic position, who were unable to buy a house with a loan in the 1980s, were exposed to the risks of high interest rates.

The economic crisis of the 1990s left one million people unemployed in a country of roughly ten million. Housing costs (especially the utility and energy costs) increased significantly, which led to the accumulation of massive arrears. By the end of the 1990s this became a major social problem. 13.2% of households had electricity arrears; 5.5% had gas arrears, and 21.1% of households had arrears in district heating costs (König,2006). According to the Central Statistical Office’s representative household survey of 2004, 13% of households had some form of housing cost arrears (Farkas et al. 2005, p. 23).

From 1998, OTP bank released information about arrears (See Table 2). From its HUF 289 billion loan portfolio only 31 billion remained, with 74,000 households at risk of defaulting. However, arrears on mortgage loans were the most problematic, as the foreclosure process could lead to evictions. The government started a programme to help the borrowers in financial duress.[1]

TABLE 2 The defaulted loan portfolio from the stock on 31 December 1997 – loans issued before 1989[2]

	Loans taken before 1989
Number of loan contracts	251,353
Number of contracts with arrears	74,062
Of which	
In arrears for over one year	50,570
Terminated	23,492
Share of contracts with arrears (%)	29.5
Total volume of loans by 1997 (billion HUF)	31,436
Total volume of the loan with arrears (billion HUF)	12,184
more than one year	7,185
terminated loan	4,999
Share of contracts with arrears (%)	38.8
Average amount of arrears per contract (HUF)	164,649

Source: OTP

[1] The program consisted of two parts, one dealing with loans taken out before 31 December 1988 and the other with loans taken out between 1 January 1989 and 31 December 1993. In the second period, a subsidized loan restructuring was implemented without a State guarantee. For loans before 1989, the loans were guaranteed by the State. This study deals with the first period.

[2] Quoted by König (2006)

In 2001, the government launched a programme to deal with overdue loans, which reduced the number of old loans, but still left 135,000 debtors with old loans (15-18%) of borrowers at the end of 1989). 32,000 of these remained in arrears for more than a year, a significant proportion of which were already in bailiff proceedings (König, 2006). In sum, the housing loan consolidation program after 1990 basically left behind a lower middle class, the majority of whom lost their homes and had to make do with in a worse housing situation.

2.3. The foreign currency denominated (FX) housing loan crisis and rescue programmes

The 2008 economic crisis was a major hit on Hungary's economy, largely due to the country's irresponsible fiscal policy during the previous economic boom, in which the housing subsidy scheme and foreign currency loans played a significant part. The share of the foreign currency denominated (FX) loans increased to 76% of all housing loans (including untied, mortgaged consumer loans).[3] As a result of the crisis, and especially the deterioration of the HUF exchange rate, the housing market and housing lending virtually collapsed, with real house prices falling below 2000 levels by 2010, in line with house construction and sales (Székely, 2011). No significant improvement was seen until 2015. The crisis hit housing lending the hardest, with the number of new loan contracts halving. Unemployment and falling household incomes led to a rapid increase in the number of loans in arrears, with the non-performing loan ratio rising from 3.6% in 2008 to 20% in 2014 (HNB, 2018). The emerging credit crisis hit foreign currency borrowers harder, as they had to bear not only the significant increase in interest rates due to the portfolio being classified as higher risk by banks, but also the consequences of the depreciation of the forint.

Housing subsidies were suspended almost instantly as the crisis broke, and the leftist government began to develop programmes to help the growing number of defaulters. However, these programmes were small scale and largely ineffective, as the government significantly underestimated the impact and prolonged nature of the crisis, and the willingness of banks to bear part of the costs of the crisis was minimal. From 2010, the second Fidesz government launched several programmes to consolidate the situation of families in difficulty. The most significant of these was the early repayment scheme, which allowed for lump-sum repayments of foreign currency loans at a preferential rate between September 2011 and February 2012. Under this programme, mortgage loans worth HUF 984 billion (calculated at the preferential exchange rate of 180 HUF/CHF) were repaid, 70% of which was covered by household savings. The final repayment covered 170,000 contracts, 15-20% of the borrowers. But again, the bulk of the programmes, including the early repayment scheme, provided real help only to higher status groups, who had sufficient resources to enter the scheme at all.

It is interesting to compare this scheme with the 1990 credit crisis management programme. In the 1980s, lending reached a broader social group, with about twice as many borrowers, but the average loan amount was much smaller (HUF 2.4 million, compared to 6.1 million at 2011 prices). In 2011, 20% of the outstanding loans were repaid (see Table 3).

For lower income or unemployed households, the real solution was a programme administered by the National Asset Management Company (NET), whereby the state, through its asset management company, bought the homes of distressed borrowers, who could then stay in the home as tenants in exchange for a (very) low rent. Under the NET scheme, some 35,000 homes were taken into public ownership.

The lower middle class, which had neither sufficient resources to enter the early

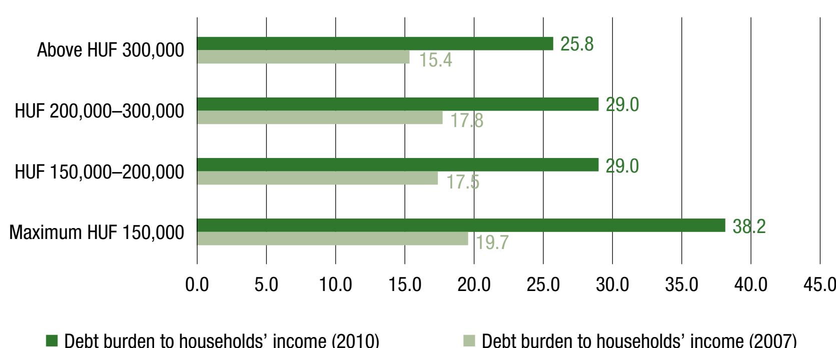
TABLE 3 The total (aggregate) housing loans before repayment discounts and the amount of repayments in 1991/1990 and 2010/2011 schemes

	1990	2010
Total outstanding housing and mortgage loans (in billion HUF, at 2011 value)	3,597	4,863
Number of loans (thousand)	1,500	796
Average loan amount (million HUF)	2.4	6.1

	1991	2011
Total repaid amount (in billion HUF, at 2011 value)	1,692	776
As a % of the GDP	6%	3%
Share of repaid loans	42%	20%

Source: MRI estimates based on Hegedüs et al. (1996) and Hungarian Financial Supervisory Authority (PSZAF) study

FIGURE 3 Change of the share of debt service to income after the FX crises by income goups



Source: HNB

[3] Mortgage backed consumer loans were preferred by both the banks and the borrowers, because of their simpler underwriting process. This untied loan could be used for any purpose, although most of it was in fact used for housing. If housing mortgage loans alone are taken into account, the share of FX loans is 64 percent.

repayment scheme, nor met the strict conditions of the NET programme, did not receive effective assistance, and many of them faced losing their homes. According to the analysis of the Hungarian National Bank, the repayment burden of lower income borrowers almost doubled, from 19.7% to 38.2% percent of their disposable income (see Figure 3). Only 15-20% of this group could enter the NET programme, estimated at around 250,000-300,000 households.

No data are available on the aggregate number of households with mortgage arrears beyond 90 days, but we assume that in 2009, 20-25 percent of those with accumulated mortgage arrears lost their houses, i.e. were forced to move out of their dwelling and into worse housing conditions (either voluntarily or due to eviction). According to 2015 Hungarian Central Statistical Office representative housing survey data, 32% of households faced affordability problems (Hegedüs and Somogyi, 2018).

Meanwhile, the welfare system has also undergone significant changes: the central government has abolished central housing allowance and support for local debt management services. If the debt exceeded the value of the dwelling, the debtors were made long-term insolvent (the Hungarian system did not have a 'right to walk away'). The institution of the private insolvency was only introduced in 2013 for a very limited range of people. The problem was exacerbated by the fact that families in arrears also had other debts (arrears on house purchase loans, personal loans, public utility charges).

TABLE 3 Comparing the two basic housing paradigms

	"Enabling markets" approach	"Housing for all" approach
The challenge	State failures: overregulation, inefficient public solutions	Market failures: volatile housing market, vacant homes and homelessness
Economic and social structure	Stable social structure with a small fraction of low-income people	A fluid income structure with a broad middle class (precariat) in volatile position besides the very poor
Housing policy priorities	Housing is an economic good; policy must ensure efficient market, reduce regulations, separate social programmes from the market	Housing is a human right; policy must support regulations (housing finance, rent control, environmental framework) to integrate market and public solutions (PPP, etc.)
Weak/critical elements	Market failures: perverse incentives, weak institutional background (rule of law, etc.)	Regulations undermine markets; no viable financial/economic incentivization, conflicts between different income groups
Representative Institutions	World Bank, EU (partly), IMF	UN-Habitat, Housing Europe, EU (partly), Feantsa, OECD

3. What we learn from the two crises? Two competing housing policy strategies

The emergence and management of the two crises demonstrates that the housing policy strategy prevailing early into the transition did not work. The events of 1989/1990 brought about the establishment of a democratic political system, which removed the political constraints on the introduction of market mechanisms. The introduction of a multi-party political system, radical privatisation, and rapid decentralisation characterised the transition from planned to market based economy. Liberal economic approaches (promoted, among others, by technical assistance agencies) dominated the transition literature (Mykhenko, 2004; Kornai 1998, 2000). They focused on the process of overcoming the economic and institutional constraints that hindered the development of the market economy. The mainstream approach proposed that all aspects of housing policy (legal, financial, etc.) should undergo systematic reform, thus freeing up the housing market from the control of the socialist state. The housing policy equivalent of this concept was the World Bank's „Housing: Enabling Markets to Work" approach (World Bank, 1993; Renaud, 1995). This approach aimed to identify and describe well-defined legal institutions (property rights, building regulations, flexible planning structure, targeted subsidy schemes etc.) and market institutions (housing finance systems, property management etc.), and introduce targeted social programmes (see, for example, Pichler-Milanovich, 2001; Buckley and Tsenkova, 2003). The ideal housing model was envisioned as a system in which market mechanisms dominate the production, allocation and consumption of housing, with sufficient competition among agents and institutions in the interrelated markets for housing finance, resources and services, while governments provide subsidies that are relatively transparent, progressively targeted and budgeted in sustainable ways.

The competing approach is "Housing for all", which originates from the social democratic welfare regime, and gained traction after 2008 crisis. The justification for the approach is rooted in market failures (and variants of these, such as the very popular financialisation theory, also assigned among the ills of a poorly regulated market). The argument is that the commodification of housing is largely responsible for the housing crisis; therefore, the housing market should be strictly regulated.

Exclusively blaming market failures raises the question of whether the market logic itself is at failure, or a specific, ill-designed application of it. After the 2008 crisis, followers of the "enabling markets" approach also became more open to the idea of tighter regulation of housing markets.

"Housing for All" is based on the idea that decent housing should be accessible for all sections of society. Of course, there is a debate about the extent to which this should be codified, or whether codification alone is a solution. In my view, the key to both approaches is the nature of the social stratification and structure of society, namely how housing policy deals with the middle

class. Both approaches take for granted that housing for low-income families should be supported. For this reason, the real issue is the position of the middle class in society. If the middle class has a stable position in the labour market, with strong trade unions or political parties protecting the employment and incomes of middle-class families, then effective market solutions will work. However, if the middle class is weak and its position is precarious (the emergence of precariats), then the market needs to be very carefully regulated, and a significant proportion of tax revenues should be used to ensure the stability of the housing market and the affordability of housing.

For both crises in Hungary, the critical point is the financing difficulties of the middle class, which is exposed to market risks. The first crisis was rooted in the fact that housing finance was essentially based on the second economy, which represented an unstable situation in the functioning of the economy as a whole, as after the transition the income earned in the second economy became precarious, and the situation of the workforce deteriorated overall. In the second crisis, the financing of a precarious lower middle class also became intractable. In both cases, the lack of a well-functioning social sector exacerbated the severity of the crisis.

An interesting difference is that in the first case the risk was borne by the state, which forced the borrowing public to share the gains from inflation, but did so by providing very modest support to the low income population. In the second case, the risk was borne by the borrowers, and the state essentially forced the banks to bear part of the losses of the families. However, the loan rescue programme was very unfair, as it gave a favourable deal to the top 20% of earners, but did not really support the broader middle class. Both schemes included an element to help the most deprived families, but this reached only a small proportion of those who needed help (and in the case of the first scheme, with a 10-year delay).

4. Epilogue

In 2014, the government decided to give a major boost to the housing market. The Family Housing Subsidy (CSOK) programme, a former form of subsidy, was introduced in a new form. The programme was mainly targeted at new housing construction and families with children. The scheme was generous from the beginning, especially for families with three or more children (offering up to HUF 10 million, or around EUR 30,000, in non-repayable grants), but was very restrictive because of its strict (upper) middle-class friendly conditions. A VAT allowance on housing construction was also introduced in January 2016. VAT decreased from 27% to 5 % up to HUF 5 million per dwelling, although only for a limited period of three years. However, it was extended due to the COVID crisis and the currently ongoing economic crisis. The programmes were aimed at boosting housing construction, but were also an integral part of the government's family policy. This injection of support has also helped to re-launch mortgage lending, despite tighter post-crisis lending rules and low interest rates (in line with general European trends).

However, the impact of the subsidy programmes was largely absorbed by the rise in house prices, most likely due to a reallocation of upper-middle class portfolio choices. Credit growth has not outpaced GDP growth, so the housing loan to GDP ratio remains low. Housing construction did increase, although from a very low baseline. After 2015, Hungarian housing construction data are much weaker than in most of the new EU Member States in the region. House price growth was followed by a rent hike (apart from a temporary slowdown in the COVID lockdowns period), but at a slower pace than house prices. This is also contributed to the increase of private rental housing supply.

The CSOK scheme has not significantly increased the number of child births. Between 2015 and 2019, the conditions of the scheme were amended nine times to relax the conditions and attract more young families with middle and upper-middle incomes with (or planning) children. As part of its family policy programme, the government also introduced a "Baby Loan", which is a consumer loan of HUF 10 million. This is a significant amount of support, which a large share of the families use to invest in housing.

A village version of the CSOK has also been introduced, combining a down-payment grant and a subsidised loan, allowing the purchase of second-hand housing. This has led to a significant increase in demand for housing in some rural areas.

Analyses so far suggest that the housing subsidy schemes have had a strong inflationary impact, while the number of dwellings built has not met the programme's expectations due to rising housing construction costs, and inflation and rising housing interest rates starting in 2021 are expected to dampen moderate growth in the current year. Housing policy has not been able to rid itself of the bias in favour of private, owner occupied housing, and a significant share of the subsidies has been targeted at the (upper) middle class, ignoring the broader and the lower middle classes, let alone the most disadvantaged groups.

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Decarbonising tenants

By Simone Abram

1. Introduction

The Housing Finance Corporation (THFC) Symposium in July 2022[1] asked who pays when housing goes green but stays social. All the housing associations represented at the symposium were well aware of the urgency of lowering the carbon emissions of their estates, and the multiple benefits of 'going green' in the short and long term. But the question of how to get there posed a number of problems, beyond the headline question of how to finance decarbonisation works. Between the lines, there were some questions lurking that could be characterised as category-crossing. What exactly is it that should go green? Is it enough to improve the insulation quality of dwellings? Is it the energy source that should be decarbonised? How much will tenants and residents need to change their way of living to really create ecologically sustainable housing? That is, is it the tenants who need to be decarbonised as well as their homes?

That might sound like a joke, but like most jokes, it has a serious issue at its core. Who do we really think is responsible for decarbonising housing? Is it the developers, builders, managers, residents? Is it the tenants' behaviour that's the problem, or the managers' decisions? How do housing managers think about tenants? How do housing association managers communicate with their housing managers to account for the preferences, interests and habits of tenants? Are the tenants an object of policy, whose behaviours must be changed to adapt to climate demands, or are the tenants members of a multi-expert community that works together to improve the quality of life for everyone, both within their estate and beyond? How much do you actually know about what motivates tenants and residents, and what it might take to empower them to be participants in an 'infrastructural community'[2]?

2. Who remembers the new deal?

Looking back now on the era of urban regeneration that launched in the UK in the 1990s, Single Regeneration Budgets, New Deal for Communities and the like feel like part of a distant era. At the time, it felt like a breakthrough to begin to address the condition of social housing with the involvement of tenants themselves. The start of one major regeneration scheme under SRB in Sheffield in 2000 was marked by a broad stakeholder-conference, where a crowd of young mothers made vociferous demands: they wanted prompt responses to requests for repairs, recycling stations on every corner, clean, safe playgrounds for their children and solar panels on every roof, roughly in that order[3]. Tenants had clear ambitions for low-energy truly social housing estates, and they wanted to be part of the regeneration process.

After the housing clearances of the 1960s and 70s, the lessons about the dangers of moving people around like pawns, breaking up communities and splitting support networks were still fresh enough to be intrinsic to the design of the new regeneration projects. Then London Assembly member Nicky Gavron travelled around the country to champion the role of the tenant in rethinking social housing, and subsequent New Labour schemes insisted that every funded regeneration scheme should have tenant representation on the management board[4]. Despite enthusiastic and often very optimistic rounds of participatory planning, local authorities soon found themselves without the powers needed to bend housebuilders' actions to the needs that had been prioritised, and very many plans fell victim to land-banking and profiteering, with government investment used purely to clear the land – and the tenants – to make way for private investors to build so-called 'mixed developments'. These had much reduced levels of social housing and, in many places, significant numbers of dwellings were soon sold to private landlords. Only through the protections offered to social housing, though, was this actually built to higher specifications than private housing.

3. What have we learned?

That era is now twenty years behind us in the UK, although social-housing regeneration continues apace in other European countries. Some clear lessons have emerged, even so, in the two decades of ups and downs (or, more correctly, downs and ups) of urban regeneration in the UK and elsewhere.

First, it is relatively easy to ask people for their opinions, but it is easier to lose their trust when those opinions are ignored. Tenants who participated in the regeneration scheme in Sheffield that I followed over several years attended so many meetings that they lost count, and began to realise that each meeting seemed to start with the site managers explaining why the tenants' ideals had not been fulfilled. On the other hand, local regeneration managers complained that it was always the same tenants who came along and ended up complaining about dog dirt and broken street lights when the regen-managers wanted to have strategic discussions. Yet it was clear that tenants used the meetings to make petty complaints because there were no other forums for these to be addressed. Working out who to address which complaint to is work – how far should tenants be expected to do this labour rather than landowners, developers or housing managers?

Second, local regeneration managers had few powers and were sometimes aligned with the received prejudices of councillors – those who felt it was prestigious to

[1] THFC Cambridge Symposium 11-13 July 2022

[2] See Charlotte Johnson, Sarah Bell, Aiduan Borrion and Rob Comber, Working with Infrastructural Communities: A Material Participation Approach to Urban Retrofit. *Science, Technology, & Human Values* 2021, Vol. 46(2) 320-345

[3] See https://www.dhi.ac.uk/books/matshef/rebuilding-recycling/materializing-identities/

[4] See https://www.lgcplus.com/archive/londons-deputy-mayor-aims-to-increase-public-participation-in-local-government-19-05-2000/, and a critique by Barnes and Knop 2003: 'Constituting 'the public' in public participation' Public Administration 81(2):379-99.