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József Hegedüs

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## “Limits of the Kemeny’s Housing Regime Theory” A Comment to Stephens’ Paper

József Hegedüs

Metropolitan Research Institute, Budapest

### ABSTRACT

The comments to Stephens’ crucial overview of Kemeny’s regime theory, discuss two issues. Firstly, the embeddedness of housing in the political and economic system and its narrowed interpretation. Secondly, the analysis of the socialist and the housing systems of the new EU member states based on Kemeny’s approach, which I consider to have low explanatory power and inadequate interpretation of the facts.

### ARTICLE HISTORY

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Housing regime; post-socialist housing systems; housing privatization

Comparative housing research over the past two decades has been dominated by Kemeny’s housing regime theory (Kemeny, 1995), as opposed to the “structures of housing provision” approach emphasizing the embeddedness of the housing sector in the capitalist society (Ball and Harloe 1992). Kemeny’s theory broke with the housing provision approach and analysed the housing systems of developed market economies based on the trajectory of the rental sector. Mark Stephens’s excellent study rethinks this theory and tests its validity based on the example of the housing systems of three countries, pointing out the critical aspects of the theory and making suggestions for its further development.

Esping-Andersen’s (1990) welfare regime theory gave a boost to comparative housing research. Researchers felt that the housing sector was at least as important an area of the welfare system as the pension system, education, or health care, and looked for the possibility of extending welfare regime theory to include a housing element. However, the research results of the last 20–30 years could not prove undoubtedly the relationship between the welfare regime typology (conservative, social democratic, neoliberal) and the housing system. (Hoekstra 2003, 2005) The basic reason for this is that housing is a special sector (a “wobbly pillar”) within (and outside) the welfare system. The close relationship between housing and the welfare system also called into question whether the welfare functions of the housing system could be examined in isolation from the social system (e.g. general income support is part of both the housing and the welfare system).

In my comments to Stephens’ crucial overview of Kemeny’s regime theory, I will discuss two issues. Firstly, the embeddedness of housing in the political and economic system and its narrowed interpretation. Secondly, the analysis of the socialist and the housing

systems of the new EU member states based on Kemeny's approach, which I consider to have low explanatory power and inadequate interpretation of the facts.

### **The Narrow Interpretation of Embeddedness**

Kemeny's theory goes beyond a simple interpretation of the welfare regime theory and set up the two (residual and unitary) basic types of housing regimes. Stephens' critical synthesis reconstructs the line of argument of Kemeny's theory.

The economic and social embeddedness of the housing sector posed a serious challenge to housing regime theories. My critical remarks are related to the way how embeddedness is handled by both Kemeny and, partly, by Stephens, as well.

One of the lessons of World War I was that rapid changes in market (supply-demand) conditions create politically intolerable, unmanageable conflicts, as larger social groups suddenly ended up in housing crises caused by a rent increase. The hard rent control was the political response to the crises, which had a long-lasting effect on the housing system in the developed European countries. The social conflicts associated with urbanization and the original accumulation of capital had already been present since the last decades of the 19th century, but they could be addressed with relatively less radical state interventions. The rent control after World War I practically took a significant part of private investors out of the housing sector, causing a housing crisis in European countries. Housing investment had not been able to keep pace with the demand for housing fuelled by urbanization and demographic trends. The great economic crisis of the 1930s followed by World War II sustained this persistent shortage. In the three decades after World War II, major state interventions in housing systems have taken place in each of the West-European developed countries, though institutional solutions have varied considerably from country to country.

A comparative analysis of housing policy should answer the question of why and how public funds are channelled into and used in the housing system and how their advantages (and disadvantages) are distributed among the different actors (including institutions and different social groups).

Kemeny's theory focuses on the use and regulation of public funds in the *rental housing sector*. To put it simply, it essentially classifies housing systems according to what they do with decades of invested community resources. This can be divided into two important questions. On the one hand, what happens to funds invested in the public rental sector in the longer term, whether they remain in or leave the social or non-profit system (through privatization or the subsidy maturation process). On the other hand, are there public resources for subsidizing the maintenance and expansion of the sector? The response to these issues had a decisive effect on the nature of the housing regime. This is a delicate point in Kemeny's theory. Stephens in his critical analysis argues that Kemeny did not realize that subsidy maturation was not enough for the rental sector in the unitary regime to compete with the private rental sector.

However, I would argue that the way how public funds are integrated both short- and long-term into the rental sector cannot be traced back to simplified models of the power structure and political ideology. The way that the funds are integrated into the sector depends on various governmental interests, the interests and aspirations of public and private actors and political groups with their short- and long-term considerations, and

often on unforeseen, unintended processes. Comparative analyses that go beyond “mindless classification” reveal factors that are not directly related to elements of welfare regimes, varieties of capitalism, or dominant political ideologies, but are embedded in the historical/institutional structure of society. A good example of this is Kemp and Kofner’s (2010) comparative analysis, which starts from the welfare regime theory and alternative models of capitalist societies, but the main body of the argumentation is made up of historical, and institutional connections.

The most important feature of housing regimes is the way (that is, the form of housing provision) through which the public funds are integrated into the system including the rules of the possible withdrawal or leakage of the funds. Furthermore, in my opinion, the analysis cannot be limited to the rental housing sector. Thus, the analysis should cover, beyond the budgetary outlays, transfers (and redistribution of assets) due to off-budget expenditures and regulatory interventions (e.g. rent control, credit regulation, building regulation). In a broader definition, even the real estate price changes may cause a redistribution of the real assets (unequal development between territories and sectors). If we understand such a broader use and distribution of public resources by the comparative analysis of housing systems, we can arrive at a classification that will be independent of the political system. Thus, owner-occupied tenure under state-control or with deep state subsidy can be properly interpreted. (Hegedüs 2017, 2020)

It is obvious that globalization, and in connection with it the political and economic system of a country, influences the housing regime, but interventions within the housing system can only be understood in the context of interactions between different housing market actors. My concept is close to Clapham’s (2002) “housing pathway” approach, which describes typical housing provision forms essentially as a result of interactions among housing sector actors in the framework of legal regulation and the housing financing/support system.

## **Housing Regimes in New Member States**

In response to the Esping-Anderson welfare regime, housing research has been focusing on developed capitalist countries with democratic political-electoral systems, which, due to the impact of globalization (and other unique factors), has extended to Asian countries over the past 10–20 years. (Africa and South America are not included.) Housing regime theories are limited not only geographically but also historically. The validity of housing regime theories in non-democratic political systems is questionable. Housing systems in countries in the earlier stages of urbanization and economic development cannot be interpreted in the mainstream of the housing regime theories.

The analysis of housing systems in the former socialist countries of Eastern Europe poses a serious challenge to housing regime theory. There is a fundamental consensus among analysts about the general trend of the decline in the direct role of the state in the housing system since the 1980s. Interestingly, this supports Harloe’s theory (1995) criticized in the study of Kemeny and Lowe (1998), who essentially argue, similarly to Piketty (2014), that the two to three decades after World War II were a detour from the main direction of the development of capitalist economies caused by crises and wars. In this regard, I agree with Stephens’ statement that global processes play an important role in

the transformation of housing systems and that the explanatory power of mid-level theories is greatly diminished by this fact.

It is worth adding that, despite the end of rapid urban growth and declining demographic pressures, economic growth has apparently reduced the need for public intervention in the housing system, but unequal territorial development, growing income and wealth inequalities, accelerating migration and the appearance of a precarious middle class did increase the need for interventions.

Comparative housing policy research had difficulty analysing housing systems in Eastern Europe. In the neo-Marxist framework of analysis, the contradictions of the housing systems of existing socialism (restraint on housing consumption, housing shortage, inequalities, etc.) were difficult to interpret. Nor did Szelenyi's (1983) critical analysis receive a clear positive resonance in Marxist sociology. The real features of the existing socialist housing are difficult to fit into Kemeny's theory: how can the influence of the power structure (one-party system) and the dominant ideology (scientific socialism) be identified as the causal factors of the socialist housing system?

Behind the one-party system are various power lobbies related to the positions of the institutional system, where the fundamental conflict was not between capital and labour, but between the state/bureaucracy and society. The way how the state organized its control over the sector varied among the socialist countries. The factors explaining the different variations were related to the structure of the statebureaucracy and their social/political experiences in the exercise of their power (formal and informal interactions of the actors). These differences led to the varieties of the East-European housing model. Political ideology and rhetoric are very difficult to separate, but this problem is also a problem for analysts of today's populist systems.

Finally, the importance of the informal sector cannot be neglected either. The "private rental" sector serves as a perfect illustration, which was a provision very far from the socialist ideal housing form. (Hegedüs, Lux, and Horváth 2018) The use of Kemeny's typology in the socialist countries is very questionable because the rental-housing sector is embedded in an autocratic economic-political system.

The typical approach of the early 1990s, "transition from planned to market economy" (Renaud 1996) has been severely criticized (Kemeny and Lowe 1998) However, alternative explanations are not convincing. The "policy collapse" by Pichler-Milanovich (2001) and the "lost transition" by Tsenkova (2009) simply register the disappearance of the state rental sector during the transition. But "housing regime by default" by Stephens, Lux, and Sunega (2015) raises doubt whether we know enough about the processes to generalize. At the same time, more and more important analyses are being published, but they are not yet conclusive enough to set up a general model of post-socialist housing systems. The basic starting point of the analyses is that the new European member states have been in a similar position in the global economy and global political system and have been facing very similar challenges. Thus with a more or less common past of 30 to 40 years, their housing system will likely develop in a similar direction. At the same time, however, there are important differences in individual institutional solutions, which are influenced by several specific circumstances that are difficult to relate to a general power structure or ideology.

According to my research and experiences, the practical political/power considerations after the transition were more important than ideology, whose role is often overestimated

by analysts (e.g. the World Bank, the IMF, etc.) In Hungary, the socialist-liberal government in its rhetoric supported social housing policy, but the practical programmes were weak. On the other hand, in their rhetoric, the right-wing government supported the middle class, but they launched a more serious social housing programme in 2000, and after 2010 as well (though the latter was under the social pressure of the foreign currency mortgage crisis). Between 2015 and 2020, however, housing policy supported the upper-middle class as expected from a right-wing party. Interestingly, the current populist government seems to be forced to support the urban rental housing programme. It is, for the time being, rhetorical, for simple practical political reasons (due to its losses in the municipal elections). The dynamics of housing programmes are reinforced by competition between parties, which shows a loose connection with political ideology, but is much more closely linked to power engineering considerations (Hegedüs, 2013).

The favourite and most popular research topic among housing researchers of the transitional housing policy is housing privatization and restitution (“in-kind” compensation of original owners). Privatization had important consequences in the housing systems of the new member states, but analysts often ignore the fact that state-owned, typically urban, dwellings were quasi-owned, so due to broad ownership rights, households had discretion over the majority of the community sources invested. Consequently, the real change is not the transfer of the formal ownership right of the stock, but the withdrawal of the state from the housing finance system (support to the owner-occupied sector). There is extensive research about the small social rental sector after privatization, and less structured knowledge about the private rental sector based partly on anecdotal information. (Hegedüs, Lux, and Teller 2013; Hegedüs, Lux, and Horváth 2018). But we only have a sporadic picture of the owner-occupied sector, which makes up the larger part of the housing system.

The processes taking place in the owner-occupied sector cannot be explained by the abstract logic of the power structure or the “dominant ideology”, but rather by the social consequences of housing solutions crystallized in specific social interactions. (The inter-generational transfers, self-build, self-help, cash-based transactions, mortgage products, housing as asset-based welfare are not properly researched.) Housing indicators and other statistics published by the EU Statistical Office are not suitable for drawing in-depth conclusions.

Whether a transitional housing regime model can be constructed is a matter of choice. The data shows some important similarities (Hegedüs 2017; Stephens, Lux, and Sunega 2015), but a relatively new study by Soaita and Dewilde (2019) indicated, however, that the analysis based on the housing indicator covers major differences between post-socialist housing systems. These two approaches do not necessarily contradict each other, as the research question and the level of analysis are different. The elements of convergence and divergence can be present simultaneously in the comparative analyses, but valid explanations can only be given by analysing the country-specific institutional solutions determining the forms of housing.

## Disclosure Statement

No potential conflict of interest was reported by the author.

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