

Neoliberalism's Home Front

A materialist examination of British housing policy as a manifestation of neoliberalism

Although it is true that neoliberalism conveys an ideology and a propaganda of its own, it is fundamentally a new social order in which the power and income of the upper fractions of the ruling classes – the wealthiest persons – was re-established in the wake of a setback.

(Duménil and Lévy 2005:9)

Worries about housing are becoming media staples, but the causes of those worries are too often treated as though they were natural forces over which there is no control. Policy makers and commentators are aware that they are acting within a neoliberal economy, but little attempt has been made to unpick what exactly this means with respect to housing. The first step towards addressing housing's inadequacies and inequalities is to attempt to understand the economic system that is creating them, and the key to this system is found in Duménil and Lévy's analysis of neoliberalism as a project for the restoration of the power of economic elites. Neoliberal theory is explained as having been conceived and promoted around the primary purpose of redistributing wealth from the poor to the rich. As Harvey (2005) has shown in his eloquent history of neoliberal development, neoliberalism is not an efficient solution to creating general economic growth. This redistribution, is put into practice by prioritising private property, and by promoting wealth accumulation through speculation and through what Harvey describes as the dispossession (or privatisation) of common rights. The role of government becomes the facilitation and protection of these processes. The aim of this short article is to use this understanding of the purpose and practice of neoliberalism to throw light on what is happening in housing. The references are all to Britain and to policies being pursued by the British and Scottish governments, but, although neoliberal formations vary with time and place, similar types of processes are taking place across the world.

Commodification and speculation

At the heart of today's housing crisis is the prioritisation of housing as real estate rather than as homes: of its exchange value over its use value. With an estimated 60% of Britain's wealth in property, housing forms a large proportion of the country's wealth, and property speculation plays an important part in wealth re-distribution. Deregulation, designed to set loose the forces of finance capital, has made mortgages available to a much wider range of people, but those who have benefited from the dramatic price rises that followed this increase of funds (and which were many times the rises in average income), have been those who already owned property; and the more they owned, the more they benefited. Their gains have been made at the expense of those excluded from the possibilities of the current bonanza by their inability to buy a home in the first place (especially those paying high rents to the new buy-to-let landlords), those whose lives are in harness to the need to repay ever more disproportionate mortgages, and the increasing numbers who have lost everything in the battle to pay back their mortgage debt.

The social significance of this realignment of wealth was spelt out in Thomas and Dorling's report for Shelter, where they point out:

A child will not easily be able to earn their way out of their social position in the future. A social position that will be increasingly determined by their parents' housing wealth (Thomas and Dorling 2004:6)

Even more important than individual winners, have been the gains made by the real estate business. This includes not only the developers of new homes, but also the huge financial services industry that supports and feeds off them, and off millions of heavily indebted individual borrowers. Private businesses are the primary vehicles for the development of elite wealth and power, and their needs form the core of neoliberal policy. (The priority given to the needs of the finance industry has recently been made evident in the nature of the government's response to the near collapse of Northern Rock.) From the point of view of wealth creation it does not matter whether money is made through building homes for people to live in or by speculation on land and buildings. That is why developers (who are more and more involved with finance capital than productive capital) may prefer to sit on large land banks rather than address immediate housing need, and why new flats may be left empty as their speculative purchasers have not found it financially worth their while to rent them out before reselling them. As in other areas of business, the housing industry (in all its different parts) is increasingly dominated by large firms. Just as ordinary overstretched borrowers can often find themselves the people most exposed to fluctuations in the housing market, those at the bottom of the production chain – exemplified by increasingly casualised building workers – are expected to carry the greatest risk

The priority given to exchange value is at the core of government housing policy, and this is perhaps most explicit in the policy of 'Housing Market Renewal' in the north of England. There is no pretence here that the aim behind the policy is anything other than boosting property values. Thousands of homes face demolition, even though they are used or potentially useable, in order that, with supply reduced, others may be made more valuable, and so that land may be made available for more high-yielding developments.

Private letting, which is being deliberately encouraged, provides a further method of regressive wealth distribution, with generally poorer tenants who are unable to purchase their own home contributing to the profits of those with property to spare. New developments especially designed to attract private investors include student housing that may look similar to traditional halls of residence but requires student rents to cover an element of private profit. And a new financial vehicle to facilitate property speculation is provided by Real Estate Investment Trusts, introduced into Britain under the 2006 Finance Act.

Accumulation by dispossession

Privatisation is the most blatant form of wealth transfer, but not all privatisation is immediately obvious. Dispossession of commonly owned property and rights is often a piecemeal process that avoids public attention.

The most dramatic privatisation in British housing began in 1980, when the Thatcher government gave council tenants the right to buy their homes, on which they were given a heavy discount. This was a popular policy among the many who personally

benefited from it, but it successfully decimated a public housing stock that represented decades of public investment and housed one third of the population. Its impact is increasingly being felt by today's council tenants and would-be tenants, who are left with a limited supply of, generally the least attractive, houses. Those who bought their homes under the right to buy are hardly the economic elites referred to by Duménil and Lévy, but a general increase in home ownership nevertheless serves elite interests well. Most immediately, it was used as a way to extract money back from local authorities (who were not allowed to reinvest the proceeds in housing), and it expanded the housing market as a potential source of speculative profit. It also had strategic importance for power and control.

As early as the 1880s, Tory landowners were arguing that the active promotion of many small property owners would build up a rampart of support for property interests more generally. As Lord Halsbury explained,

If there is to be an attack on property it will be resisted with much greater force if it is possible to say that it includes all property, not merely property which has any peculiar privilege, because then it can be said that an attack on property is an attack on property of all kinds. (Quoted in Forrest et al 1990:69)

The implications of home ownership for social control, were recognised early on by both sides of the political spectrum. Also in the 1880s, Engels warned,

Give [workers] their own houses... and you break their power of resistance to the wage cutting of the factory owners. The individual owner might be able to sell his house on occasion, but during a big strike or a general industrial crisis all the houses belonging to the affected workers would have to come on the market for sale and would therefore find no purchasers or be sold off far below their cost price. (Engels 1936: 46)

The problems, from the workers' perspective, of being tied to one locality through home ownership, and unable to move to new employment were still being discussed in 1919 (Forrest et al 1990:60). From a more conservative viewpoint Samuel Smiles had observed back in 1864 that 'the accumulation of property... weans [thrifty men] from revolutionary notions, and makes them conservative' (Cowan and McDermont 2006:165): a view that was later famously espoused by Neville Chamberlain, who actively promoted home ownership in the 1920s with the claim that 'Every spadeful of manure dug in, every fruit tree planted... converted a potential revolutionary into a citizen.' (Quoted in Forrest et al 1990:60) Today, workers committed to the repayment of large mortgages will be especially unwilling to risk losing their job and income through industrial action.

The transfer of council housing to housing associations demonstrates a more staggered form of privatisation, though it may take place on a massive scale (including the transfer of 81,000 homes in Glasgow in 2003). Housing associations are private not-for-profit organisations that receive considerable sums of public money. They are also heavily dependant on private funding and are expected to produce a surplus. They are made to compete for housing grant in a quasi market, and this, along with wider market pressures, increasingly favours large housing associations and encourages takeovers, so that the sector has become dominated by

larger and larger organisations. This finance-orientated approach is exemplified by the proposals in the Scottish Government's recent Green Paper (Scottish Government 2007) for channelling all of a region's housing grant subsidy through a single large developer, chosen through competitive bids.

Housing Associations have long been seen as vehicles for increasing home ownership and they are being encouraged to promote shared equity schemes and to tie themselves closer to wider business interests by getting involved in unsubsidised development for profit.

Housing stock transfer has removed homes from public ownership and control. This form of privatisation does not, however, actually decrease the total amount of welfare subsidy. Funding through housing associations is generally more expensive than through local authorities, and when some of this cost is passed on in higher rents, these are reflected in higher housing benefit costs. However, a higher proportion of this subsidy profits business interests, be they the private finance companies or housing association directors on private sector salaries.

The promotion of arms length management organisations as more palatable alternatives to stock transfer introduces another stage into the privatisation process, but the direction of travel remains the same.

Transfers do not reflect the market value of the vast amount of public assets involved. Houses may be sold for pennies or even given with a substantial dowry from public funds. The argument is that this is needed to cover running costs, but, as with other privatisations, financial arrangements are designed to shift maximum risk onto the public sector leaving private capital free to make a profit. This public asset stripping becomes most obvious when parts of the transferred property are subsequently sold off to private developers.

As Peter Malpass has pointed out,

...on the one hand, actively growing [housing] associations have been under pressure to become more businesslike and competitive, while on the other hand they have become ever more obviously and deeply entrenched within the structure of the state apparatus for meeting social needs. (Malpass 2000: 240)

While Malpass points to the conflicting pressures this puts onto the housing associations, it has also provided them, and the financial organisations that invest in them, with huge business opportunities. And though the associations are very much tied to government policy, this has been policy formulated around business interests. This arrangement is symptomatic of a general situation where structures of business and government are increasingly intertwined and, as will be discussed later, the public/private boundary has become blurred.

Dispossession is often facilitated by regeneration schemes that frequently involve the demolition of council housing - or even cheap private housing - and its replacement with developments that include a much higher proportion of more expensive private homes, and considerably less social housing than would be needed to house those displaced. City-centre housing schemes or those in other areas of prime real-estate are

particularly susceptible to such developments, which are openly conceived to attract richer incomers rather than improve conditions for existing residents. Yet again the main beneficiaries are the developers, the main losers, those with the least money to spend on housing.

Another form of privatisation that has had a knock on effect on housing is the attack on the value of pensions. Concerns about future financial security have been exploited to promote the sale of buy to let property as an alternative investment and source of income – which is, of course, only an option available to the better off.

The role of government

Although neoliberalism embraces individual entrepreneurial freedoms and free trade, as Peck and Tickell have observed, ‘Only rhetorically does neoliberalism mean “less state”’. (Peck and Tickell 2006:33) Rather than roll back the frontiers of the state, as claimed by the Thatcher government, the neoliberal programme ‘involves the *roll-out* of new state forms, new modes of regulation, new regimes of governance, with the aim of consolidating and managing both marketization and its consequences.’ (ibid) We are increasingly seeing the use of the term governance to include the ‘networks’ and ‘partnerships’ (interest groups, businesses, voluntary sector) that play an increasingly important role alongside political governmental structures. Policies and practices are geared towards facilitating financial accumulation and addressing and containing the contradictions and problems that this creates.

Government today is driven by the business principles of entrepreneurism and regulated by the priorities of financial audit, which are all about avoiding financial risk and take little account of less measurable social concerns. Cowan and McDermont (2006) have shown how this how financially-driven regulation has now become internalised by those involved. British government policy focuses on increasing private home ownership and facilitating private development and financial speculation. Although the need for some social housing is recognised, this is generally regarded as a minimal safety net, and, as we have seen, social housing provision is being made to conform to a business ethos. At the same time there has been a revival of policies aimed at boosting private landlordism, even though this requires heavy subsidy through housing benefit. Faced with a shortage of housing, the government would rather weaken planning controls designed to protect the countryside than consider a tax on land that would encourage development instead of speculation,

Where private property is king, taxation is kept low with a tendency to become increasingly regressive. The recent unseemly battle between Conservatives and Labour to claim credit for the proposal to raise the threshold for capital gains tax is just one example. The argument for this change was to allow people to pass on their increasingly valuable homes to their children (and so perpetuate wealth inequalities). As Lord Halsbury predicted, the growth of property ownership ensured wide support for legislation that favoured property interests.

Support for neoliberal housing policies has often involved the government in considerable extra expenditure, but this appears to be accepted without question. The financial costs of stock transfer and the rising costs of housing benefit provide two examples. As I found in Dundee, grants are available for council house demolitions and to subsidise very limited amounts of new social housing, but not for much more

cost-efficient improvements that would maintain council housing stocks. (Glynn 2007) Where policies have met resistance from outside, as with housing stock transfer (which requires tenant support), then government has been prepared to back expensive propaganda campaigns.

Business friendliness extends to the nature and structure of government itself, with business leaders playing an active role in both strategic planning and policy implementation. The big developers can be sure of a ready ear for their concerns, and are always consulted as key 'stakeholders', and private organisations are increasingly taking on the management of housing-related functions. Some of these organisations, such as the housing associations, are not profit-making, but there is growing use of private contractors at all levels, from security to repairs.

One aspect of the new partnership arrangements has been the decreasing power of local democracy, with local government reduced to the strategic management of the private companies employed to carry out a centrally set agenda. The reduction of council housing has itself made a considerable dent in local authority power. It is not incidental to this that the municipal town halls are commonly regarded as impediments to neoliberal reform and are remembered as a traditional base of more left-wing influence.

Manufacturing consent

In creating a climate for financial accumulation, a significant proportion of people (including politicians) have to believe that what is happening is for the general good. Government also has to contain the social consequences of an increasingly unequal society.

As David Harvey has shown, (Harvey 2005) a carefully orchestrated campaign over decades, carried out through policy groups and the academy and later through powerful political leaders and organisations, has led to a general acceptance of neoliberal ideas as good common sense. Many of those now pushing forward neoliberal policies probably generally believe that they are acting in the wider public interest, or at the very least that there is no possible alternative. Harvey explains that the fundamental idea that has allowed neoliberalism to be portrayed as a system based on core civilisational values, is that of individual freedom. Despite the contradictory nature of freedom (which Polanyi points out includes bad freedoms such as 'the freedom to exploit ones fellows' (quoted in Harvey 2005:36)), it remains a hugely emotive concept. It is the idea of individual freedom that generated the neoliberal rhetoric of 'housing choice' and 'aspiration', allowed individual home ownership to be increasingly portrayed as natural, and prompted the Scottish Executive to re-brand housing stock transfer as 'community ownership'.

People are portrayed as free to succeed and also free to fail – and lack of success is attributed to personal failure, which should not be rewarded. Such arguments are used to prevent those who have done better under the system (and perhaps bought their own home) from identifying with those less well off, and to reduce the concept of welfare to a minimal safety-net – as is increasingly the case with social housing. Tenants have been rebranded as consumers in an attempt to make them take on more of the responsibility for their situation. (Cowan and McDermont 2006)

Belief in the value of the welfare state is hard to shift, but there are plenty of attempts to blame the 'nanny state' for current problems. These arguments are exemplified in *The New East End* (2006), where Dench et al attempt to blame the current housing crisis not on under-investment in social housing but on welfare-state dependency. The huge achievements of council housing (despite chronic under-funding) have been generally ignored in favour of the view that it was a failed experiment. Of course bad news has always made headlines, but this view has been reinforced by the residualisation of social housing as the poorest homes for the poorest people, and the tendency then to attribute the poverty and its attendant problems to the nature of the tenure. The image of the 'failed estate' has been encouraged to develop a firm place in popular mythology that is reflected in and reinforced by government thinking. (So, for example, when the new Scottish housing minister was asked on Radio Scotland about the possibility of building more council housing, his immediate response was that we do not want more sink estates. (Interview with Lesley Riddoch, 20th July 2007) The safety-net approach to social housing can be compared to the shift to workfare approaches for the unemployed.

It is not just freedom that has been given a new definition. Language plays an important part in neoliberal spin, with growing numbers of positive or neutral words acquiring additional meanings. Thus seemingly beneficial 'regeneration' has been made to stand in for gentrification, the term 'social housing' is used to blur the distinction between public council housing and housing provided through private housing associations, and 'affordable housing' hides the shift from subsidising renting to subsidising private ownership.

Spin also infects government interaction with academia. Research critical of government policy tends to be ignored, and increasingly commercialised funding methods encourage the practice of limited policy-based research that cannot question the underlying premise. (Glynn 2007) Thus, examinations of stock transfer tend to use government definitions of success, and the growing body of evidence questioning the value of tenure mix is simply disregarded. (The pursuit of tenure mix is a common pretext for replacing social housing with housing for sale, especially in more desirable areas.)

Wealth accumulation depends on the promotion and normalisation of consumerism: the freedom to express our individuality through our purse. A consumerist culture has become embedded into the heart of government and reflected in the media. Occasional concerns about the growing burden of personal debt are vastly outweighed by a vision that sees consumer spending as the main driving force of the economy. Politicians, with their obsession with image, seem happy to endorse the idea that we are to be judged not by our lives, but by our lifestyles, and central to these lifestyles is our private home. Even better than consuming goods, is selling them at a healthy mark up. In the television schedules, home improvements for the creation of new lifestyles are increasingly giving way to improvements aimed at realising profit. And, as Peter Ambrose points out, 'Housing is the only ubiquitously used commodity where price rises are universally and uncritically welcomed as a good sign.' (Ambrose 2005:19) A battery of advertising is designed to distract attention from the poor quality of the built environments so often resulting from speculative development.

At the same time as adopting and transforming words and concepts, neoliberal governance incorporates and reforms independent and opposition movements to bring them into the project. A prime example of what Harvey calls ‘privatization by NGO’ is provided by the housing associations. A movement largely conceived in the spirit of community self-help has been turned into a vast industry and ‘the main vehicle for the break up of the local authority sector’. (Malpass 2000:183) Housing associations are also being encouraged to move into other areas of service delivery that were once the sole preserve of the elected local authorities. In Scotland, tenants’ organisations are being enticed with funding and practical assistance to become part of a registered network, where government bureaucrats set the agenda, and Chik Collins (2007) has shown how years of frustration and anger at the running down of public services are being deliberately harnessed and redirected at the local authorities in order to help break down their resistance to the new changes.

The very nature of neoliberalism sets the individual up in opposition to the old sources of solidarity in the community; and its implementation breaks down the older sites of community building and shared experience. It appeals to individual self-interest over wider community interests – and the right to buy was a very popular policy among those who gained from it. It is no accident that it is harder for homeowners and tenants to make common cause, and that the revival of Victorian concepts of deserving and undeserving poor creates resentment rather than unity. More visibly, large-scale regeneration schemes are leading to the physical dispersal of existing communities.

Other consequences of neoliberalism, rather than feed back into its development, have the potential to threaten its stability. This is where government begins to develop new strategies of containment that may seem to sit less easily with neo-liberalism’s ostensible ideology of freedom, and Harvey describes how neo-conservative authoritarianism and moral nationalism have emerged in response to the contradictions thrown up by neoliberalism. Growing inequalities and the breakdown of older communities and forms of organised resistance, have encouraged a growing black economy and destructive anti-social behaviour. Rather than address the structural conditions that have made this happen, the state and authorities at all levels have introduced a growing network of surveillance and control designed to hold it in check and, specifically, to prevent damage to elite interests. This has been well documented in the now extensive literature on what Neil Smith has called the revanchist city. ‘Social mix’ may be a useful concept for justifying the gentrification of poorer areas occupying prime sites, but we are also witnessing a new geographical marginalisation of the poor, who are kept out of sight and out of mind. Gentrifiers, like colonial settlers, are protected by gates and security systems, and surveillance of public spaces pushes anti-social behaviour into areas where it will not impact on those who are better off. Another outlet for frustration – and especially frustration around the lack of good genuinely affordable housing – is in xenophobia and racism, and politicians, such as Margaret Hodge, (*The Observer* 20th May 2007) have found it easier to encourage these views than address the housing crisis that encourages them.

In conclusion

It would be wrong, of course, to suggest that in pursuing and supporting neoliberal policies – or even accepting them as inevitable - most people are deliberately aiming to promote an increasingly unequal society. Many are genuinely concerned by what is

happening, but the hegemony of neoliberal understanding is now such that solutions are looked for within a neoliberal interpretation of the world, and without upsetting the neoliberal system. The results are not merely unsuccessful, they can often make the situation worse – such as increasing dependence on housing benefit – and lead to the imposition of new, distinctly illiberal, social controls. What is needed instead is to question and resist the neoliberal interpretation itself: and the first step in this is to understand what is happening. This short essay attempts to aid such understanding in the field of housing studies. A similar analysis could equally be carried out in other fields, and the fight for better housing cannot be viewed in isolation from the wider fight against neoliberalism.

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