

EUROPEAN HOUSING POLICY AND PRACTICE

ERNEST M. FISHER
AND
RICHARD U. RATCLIFF



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FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C.



FOREWORD

An obligation is imposed upon the Federal Housing Administrator by Section 209 of the National Housing Act to “* * * cause to be made such statistical surveys and legal and economic studies as he shall deem useful to guide the development of housing and the creation of a sound mortgage market in the United States * * *.”

In the development of housing policy and the improvement of mortgage practice in this country, we cannot afford to ignore the decades of practical experience of the European nations in meeting the problems of home financing through legislative and administrative action, and in the amelioration of housing conditions among the lower income groups. For some time the Federal Housing Administration has been engaged in the analysis of European housing policy and practice with a view to possible adaptations in the program of the Administration. In the furtherance of this study, two members of the Division of Economics and Statistics were dispatched to Europe in July 1936 to secure first-hand information on the latest developments in the field, and to discuss various aspects of the problems of housing and home financing with governmental officials and informed observers.

The following report is based upon their findings. The observations and opinions expressed are those of the authors, and are not to be construed as policies or objectives of the Federal Housing Administration, nor as proposals for a housing program for the United States. On the contrary, certain sections of the report indicate the difficulty involved in attempting to adapt European practices to conditions in this country.

It is hoped that the information and analysis presented in the report will be of interest to the fast-growing body of public officials and citizens who appreciate the wide social and economic implications of the problems of home financing and housing, and who are coming to recognize the difficulties and complexities which face the attempts at solution.

STEWART McDONALD,

Federal Housing Administrator.

WASHINGTON, D. C., *December 1, 1936.*

FEDERAL HOUSING ADMINISTRATION,
Washington, D. C., November 1, 1936.

MR. STEWART McDONALD,
Administrator,
Federal Housing Administration,
Washington, D. C.

DEAR MR. McDONALD: I transmit to you herewith a brief report of the investigations in England and certain continental European countries made this summer by Dr. Richard U. Ratcliff and myself.

During the 5 weeks we were in Europe we visited 21 cities in 10 countries, and had 150 interviews with officers of our own Government and those of the countries visited, with municipal officers, administrative officers of banks and mortgage institutions, and others concerned with the improvement of housing conditions within the framework of the existing economic and political traditions. We are greatly indebted to these individuals, not only for their courtesies, but also for many helpful suggestions received from them.

In addition, we visited modern housing developments and inspected some of the worst housing conditions in each city. In order to present a faithful picture of both, we have taken about 2,000 feet of moving-picture film. In addition, we have accumulated a considerable quantity of source material for more intensive study of conditions in the various countries.

While any report is likely to be biased by the predilections of its author, we have attempted to take a detached point of view and to check our conclusions with the ablest authorities with whom we have come in contact.

May I express my appreciation to you for this opportunity for the Division of Economics and Statistics to accumulate material which I am sure will be of great importance.

Special acknowledgment is due Mr. Allan F. Thornton for his considerable share in the preparation of the report.

Very respectfully submitted,

ERNEST M. FISHER, *Director,*
Division of Economics and Statistics.

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INTRODUCTION

This report on the housing policies and practices in Europe is the outgrowth of a field trip including the following countries: England, Holland, Denmark, Norway, Sweden, Germany, Austria, Switzerland, France, and Czechoslovakia. Only a brief time could be allotted to each country, but from more than 150 conferences with State and municipal housing officials, and with representatives of the private housing industry and home financing institutions, a survey of the trends in governmental policy and private activity was possible. This was facilitated by a general understanding of the problems secured through previous visits and about 10 years of study.

It will be the purpose to present here a brief summary of the general principles and conclusions which have been evolved from this survey. Each statement is supplemented by some statistical evidence where available, by illustrative description, or by both. There is no attempt to provide a comprehensive discussion of all aspects of the housing situation abroad, nor to summarize all the material collected during the survey. It is the aim simply to epitomize the most significant trends. Some of the material is presented in dogmatic form for the sake of brevity, but an effort has been made to avoid generalizations that cannot be supplemented by either statistical data or reliable and widespread opinion.

In the first section, Summary of Conclusions, will be found a brief statement of some conclusions and principles which appear to have justification in European experience. This will be followed by a series of sections in which these conclusions are stated in an expanded form and accompanied by a brief discussion presenting illustrative examples from the situation in certain of the countries, together with pertinent statistical summaries.

SUMMARY OF CONCLUSIONS

I. Governmental participation in housing is permanent, though its form is changeable. The complication of forces in this field has compelled European governments to adopt comprehensive programs.

II. Decentralized responsibility for the administration of housing policies, under the guidance and control of the central government, is universal.

III. Subsidies to stimulate house production have been generally abandoned. The present emphasis is on improvement of housing conditions by other means than outright subsidies, and the most widely adopted form of assistance is the extension of government credit.

IV. Differential renting, the fixing of rents in subsidized housing on the basis of individual ability to pay, is widely accepted as a sound procedure, and its application in varied form is spreading, particularly in England.

V. The problem of housing the working classes on an economic basis has not been solved, and, except for a few outstanding examples, the rate of improvement of housing conditions for the lowest-income groups has not been satisfactory.

VI. The ownership by municipalities of large areas of undeveloped land at the urban periphery has proved to be a major advantage in controlling land utilization and in providing sites for low-rent housing at low cost.

VII. The solution of the problem of improving housing conditions for the low-income groups involves a large measure of social rehabilitation of the tenants.

VIII. The collection of statistics on housing has long been a function of local and central governments. There is an increasing emphasis on this activity as a basis for the proper guidance of housing policy.

IX. The improvement of housing conditions among the lower-income groups through "filtering up" into better housing has not been effective in Europe.

X. No single remedy exists for the many coordinate problems of housing. The greatest progress is being made in those countries where governmental intervention in housing is accepted as an integral part of a broad program for social betterment, and where there has been a flexible application of a comprehensive and correlated complement of measures.

XI. Cooperative housing has reached its highest development in Scandinavia where it is part of a strong cooperative movement

embracing the production and distribution of both industrial and agricultural products.

XII. The organization of the building industry and the characteristics of the real estate market differ markedly in European countries from those familiar in the United States. The current building boom in England is reminiscent of that in America during the 1920's and has probably passed its peak.

XIII. European home mortgage markets are generally characterized by specialized lending agencies, and by varying degrees of governmental participation.

XIV. Although the application in America of the housing policies and practices adopted by European countries is limited by social, economic, and legal differences, it is possible to derive general principles and adaptations of method which might form the basis of a comprehensive program for this country.

PART I

FORMS OF GOVERNMENTAL PARTICIPATION IN HOUSING

Governmental participation in housing in European countries is of long standing and has progressively broadened in scope. In its earliest form in England it was the outgrowth of a general realization of the need for dealing with insanitary conditions in the crowded industrial areas. This situation had arisen from the rank and uncontrolled growth of these communities following the industrial revolution. The first legislation in England came during the first half of the nineteenth century,¹ and the evolution of the present comprehensive housing policy has continued steadily though slowly from that time. In other countries the concern of government in housing matters came later, for the most part, and assumed various forms.

The first important housing legislation in Belgium was in 1889,² although the Government had taken cognizance of the matter as early as 1837 when an inquiry was conducted into slum conditions. The 1889 Act was designed to encourage home ownership, and money at low interest rates was made available by the Government for housing purposes.

In the Scandinavian countries financial aids for low-rent housing were provided in the last two decades of the nineteenth century. In France, after some agitation and scattered activities during the middle decades of the century, the first general housing law was passed in 1894 similar to the Belgian Act of 1889.³

Holland is unique in that its broad and effective housing policy was born fully matured in 1901, providing powers of such broad scope and a policy so well conceived that no substantial changes in law have subsequently been made.⁴

The long history of governmental participation in housing in foreign countries is evidence of its permanence. Another important characteristic is its gradual expansion in scope. This has arisen from at least two causes. First, the increasing complexity of social and economic relationships and the dynamic changes in the structure of cities as they expand and mature have given rise to new problems, and have further complicated other problems of long standing. In the second place, the social conscience has steadily broadened. The improvement of housing conditions, through one device or another, has been accepted as a duty of organized society, and as an integral part of a broad program for social betterment.

¹ Public Health Act, 1848.

² Vinck, Emile, "The Dwelling House Reform Problem of Workers' Living Quarters in Belgium." *Town Planning and Housing Throughout the World*, compiled by Bruno Schwan. Ernest Wasmuth, Berlin, 1935, p. 96.

³ Schmidt, Fr. "Town Planning" and "Housing." Bruno Schwan, op. cit. note 2, pp. 198-202; and *International Survey of Social Services, 1933*. International Labour Office, Geneva, 1936, vol. I, p. 303.

⁴ Van der Kaa, H. "The Housing Policy in the Netherlands," League of Nations Health Organization, Geneva, 1935, p. 1 ff.

The original source of the interest of organized society in housing matters was the recognition of the need for the improvement of sanitary conditions. In the course of time, the basis of this interest has been broadened to cover a wider scope and to include economic considerations. Without tracing the evolution of the entire housing movement, it may be appropriate to indicate a number of reasons for this increasing scope of governmental participation in housing matters.



FIGURE 1.—THE LEGACY OF THE INDUSTRIAL REVOLUTION.

A typical slum area in Manchester marked for clearance under the 1930 act.

There is little need to discuss the widely accepted interrelations between insanitary housing and social welfare, nor the effect of crowded, squalid dwelling accommodations upon the social health of those who inhabit them. While there may be a tendency on the part of some social reformers to overemphasize these relationships and to ascribe all the evils solely to bad housing, it is none the less true that both sanitary and social conditions may be improved by the provision of decent housing and by the alleviation of overcrowding. It is probable that the social objectives are the most widely accepted in all quarters as the prime justification of public housing activities.

In recent years there has developed a wider recognition of the role of the housing and home financing industry in the national economy, and of the significance to the national economy of the huge capital investment in residential property. In England, for instance, house production has been one of the most important industries

since the war. House production in 1928 reached a peak of nearly 240,000 units. For the next 5 years the annual house production was in the neighborhood of 200,000 units. In the year 1934-35 construction activity increased sharply to a peak of 330,000 houses. The relative importance of the house-building industry can be visualized by comparing the 330,000 units produced in 1934-35 in England, with a population of approximately 40,500,000, with the estimated peak production of some 933,500 nonfarm dwellings in the United States in the year 1925, with a nonfarm population of about 83,000,000.

Another measure of the economic importance of the housing industry in England is the record of loans made by building societies on house property. Since the war the building societies have been the major source of funds for the financing of new construction. While there is no means of determining precisely the amount of mortgages held by other lending agencies, it is estimated by informed observers that from 80 to 90 percent of all new mortgage money comes from the building societies. The record of their total investment is contained in the following table (Table 1):

TABLE 1.—Amount advanced on mortgages during the year and amount of outstanding mortgage loans of building societies in England, 1919-35

Year	Amount advanced during the year	Amount outstanding	Year	Amount advanced during the year	Amount outstanding
1919.....	£15,840,961	£57,865,967	1928.....	£58,664,684	£227,532,832
1920.....	25,094,961	168,811,690	1929.....	74,718,748	268,141,456
1921.....	19,673,408	75,503,123	1930.....	88,767,426	316,313,559
1922.....	22,707,799	83,724,928	1931.....	90,253,133	360,176,859
1923.....	32,015,720	96,844,991	1932.....	82,142,116	388,377,535
1924.....	40,584,606	119,744,926	1933.....	103,195,663	423,512,027
1925.....	49,822,473	145,857,119	1934.....	124,558,507	476,205,394
1926.....	52,150,941	171,220,815	1935.....	130,676,119	529,279,825
1927.....	55,886,903	197,748,150			

NOTE.—Current rate of exchange for the pound, \$4.89125. All conversions and quotations of current rates of exchange which appear in the text are as of final quotations of Oct. 27, 1936, on the New York exchange as listed in New York Times, Oct. 28, 1936.

Source: *Seventy-eighth Statistical Abstract for the United Kingdom, 1935*, p. 234; *Building Societies' Year Book, 1936*, p. 59.

In Germany the record of investment in real-estate mortgages since the stabilization of the mark gives some idea of the importance of this form of investment. From 1925 to the end of 1930 it is estimated that about 14 billion marks (\$5,630,000,000) were invested in new construction, of which, 8 billion (\$3,217,000,000) were raised out of public funds.⁵

The importance of the housing industry in economic recovery has been widely recognized in England. The steady rise in general business activity from the low point in 1932 was accompanied by an increase in house production.⁶ This is shown on the accompanying chart (Chart I). Conversely, in Holland, which at present is in a state of general depression, house construction has practically ceased, and unemployment in the building trades is widespread. In Den-

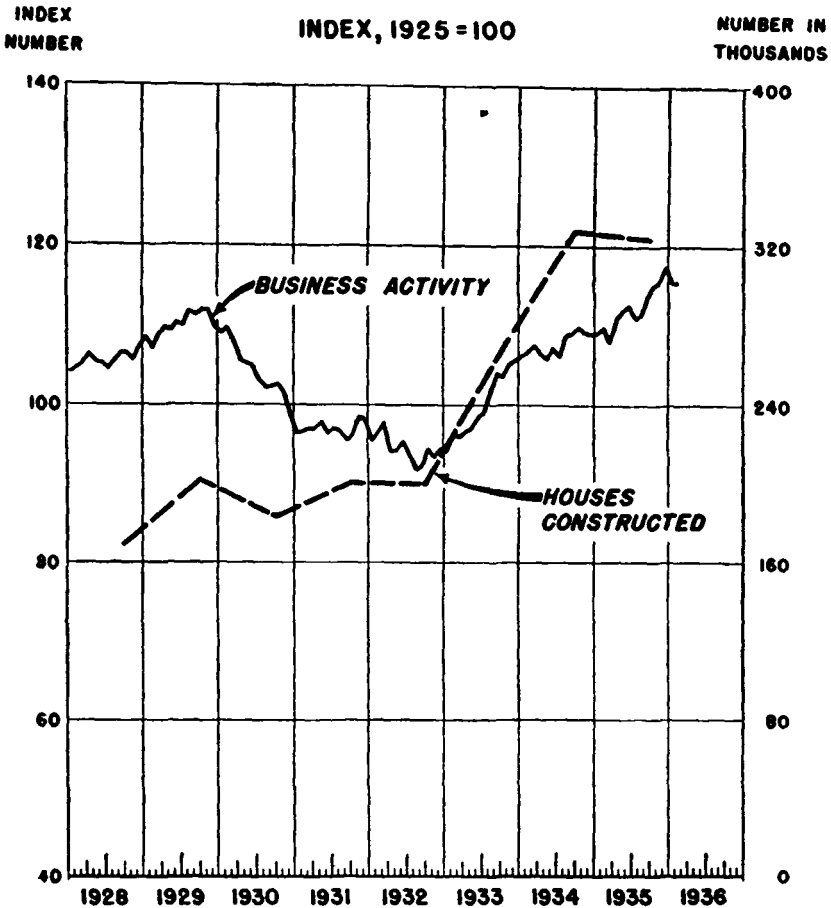
⁵ Cohen, Joseph L. *The Mortgage Bank*. Sir Isaac Pitman & Sons, Ltd., London, 1931, ch. IX, p. 152.

⁶ See "The Housing Boom", *The Economist* (London) Oct. 26, 1935, and Nov. 2, 1935, and "The Building Boom", *Westminster Bank Review* No. 266, April 1936, pp. 3-7.

mark and Norway, which are enjoying favorable economic conditions, the construction industry is busily engaged. In Austria, which is in a depressed state, construction is at a standstill except for scattered housing projects receiving aid from the State. However, this last situation is as much a result of the withdrawal of the municipalities from large-scale production and the existence of rent restrictions in Vienna as it is the result of general economic conditions.

Another important factor leading to widespread governmental participation in the field of housing is the growth of the realization that the various aspects of the housing problem are closely interrelated with each other and intimately bound up with the whole social and economic structure.

CHART I.
GENERAL BUSINESS ACTIVITY
AND HOUSE CONSTRUCTION IN ENGLAND
1928 TO 1936



SOURCE:— THE ECONOMIST (LONDON); AND
THE BUILDING INDUSTRIES SURVEY, JUNE 1936.

House construction, for example, is closely related to the various controls over land utilization and to considerations of town planning. Public housing programs should be coordinated with private construction; and the improvement of housing conditions through the elimination of slums and the abatement of overcrowding is dependent on the adequacy of the existing housing supply, both public and private. Conditions in the mortgage market are a controlling influence in the construction and sale of homes by private initiative. Housing as an outlet for investment funds is of significance to both large and small investors. The provisions for the security of this type of investment are of extreme importance to the general economic health.

Any program which affects one phase of the housing problem must be correlated with policies relating to all other phases. It would be impossible for any single private agency to deal with this complicated matter. Only government, supported by an informed and sympathetic public opinion, can successfully administer a comprehensive and correlated policy which is requisite to any substantial advance in this field. The point of view must be as broad as all society, and the powers available must be both general and specific.

Two outstanding examples of nations where comprehensive housing policies have been evolved are England and Holland. The passage of the 1935 Overcrowding Act⁷ in England provided the last of a full complement of weapons for the improvement of housing conditions. Methods are now available, or have been available during periods when they were needed, for the control of construction standards, for the control of land utilization, for the improvement of housing conditions through demolition or repair of individual dwellings and the clearance and redevelopment of insanitary areas, for the supply of funds for public housing, for the control of the mortgage market through the competition of direct lending by municipalities, for the assistance of limited-dividend housing societies and cooperatives, for the abatement of overcrowding, and for the stimulation of house production under conditions of shortage. This array of devices was evolved over a considerable period of time extending for nearly 100 years.

In Holland, on the other hand, virtually the same powers, though in somewhat different form, were provided in the comprehensive Housing Law of 1901 and have remained in force up to the present time. In their application the emphasis has been varied to meet changing conditions, and minor modifications have been made in the original act. However, the general high quality of the Dutch housing and the efficient organization of the home-building and home-financing industry are witness to the effectiveness of a well-conceived and comprehensive housing policy administered by the national and local governments.

An excellent example of the application of broad and coordinated powers in the solution of a particular problem is found in the provisions for the redevelopment of blighted areas. This is an important part of both the English and Dutch legislation. Provision is made for dealing with large areas as a whole and for the redevelopment

⁷ 25 and 26, Geo. V, ch. 40.

of blighted and insanitary districts to create economically productive areas coordinated with a basic city plan. This may require the demolition of groups of structures, the repair of others, the destruction of individual units which are either insanitary or obstructive, the opening of new streets, and, finally, the rebuilding of parts or all of the district into new housing accommodation or commercial and industrial structures, all in accordance with the functional pattern of the city and the established city plan.

European countries have found that the accomplishment of these ends may require the use of powers of expropriation, and usually involves the erection of housing by the municipality or by private interests. In some cases both the demolition of insanitary dwellings and the redevelopment of cleared sites may be left to the original owners. In most cases provision for rehousing of displaced inhabitants must be made, at least in part, in areas outside the limits of the redevelopment area. In general, this procedure is a complicated one, affecting many interests and requiring the application of a great number of separate powers vested in the municipality and the Central Government. Obviously, no private agency could accomplish these objectives.

Governmental participation in housing, while continuous and expanding, takes different forms as conditions change and as public opinion develops. The form has been altered from time to time in the various countries as a reflection of political and economic changes or to remedy conditions of long standing which only gradually became recognized as social evils.

For the most part, early governmental participation in Europe took the form of various controls over house building and occupancy. Building codes were adopted to control standards of new construction, and health regulations were made more stringent and enforced more strictly. City planning began to be accepted as necessary to the proper control of city growth. In general, during the pre-war era, the emphasis was on the sanitary aspects of housing, and the regulations enforced were based upon the police power of the State.

Post-war housing policy in Europe was founded on the need for stimulating building activity in order to make up the serious housing shortage resulting from the cessation of construction and the increases in urban population during and immediately after the war. As the shortage was overcome in the various countries, attention turned once more to the social and sanitary aspects of the problem. Private building became more active, and the various Governments withdrew from the field of middle-class housing. Emphasis was placed upon the improvement of housing conditions through slum clearance and the abatement of overcrowding. Assistance in the construction of houses for the working classes through the lending of credit on favorable terms became a more frequent practice. Guarantees by public authorities of loans to housing societies for the construction of working-class dwellings began to play a more important part. In several countries, the State and the municipalities gave assistance in the development of suburban homesteads for the unemployed and part-time workers.

The effect on housing policy of political change is well illustrated in England. The Coalition Government in 1926 put into effect a

reduction in the Exchequer subsidy for new construction,⁸ and provided for a further reduction to be effective in 1929.⁹ However, the Labour Party, which came into power in that year, repealed this order,¹⁰ and in 1930 passed a slum clearance act¹¹ which provided for even more liberal subventions in this connection. The new Coalition Government of 1931 modified this policy in 1933 by abolishing all Exchequer contributions for new construction¹² except that for rehousing persons displaced by slum clearance.



FIGURE 2.—REUMANN HOF, VIENNA.

One of the many huge flat complexes built by the city of Vienna under the Socialist regime.

In Vienna, the political repercussions which resulted in the ousting of the Socialist regime in 1934 led to a reversal of housing policy. The program of providing working-class accommodations by building huge flat complexes to be rented at nominal rates was discontinued. Municipal activity was restricted to the construction of a few projects for destitute families, and to the provision of financial aid for suburban homestead developments.

⁸ Housing Acts (Revision of Contributions) Order, 1926. S. R. & O. 1926, No. 1586.

⁹ Housing Acts (Revision of Contributions) Order, 1928. S. R. & O. 1928, No. 1039.

¹⁰ Housing (Revision of Contributions) Act, 1929. 20 Geo. V, ch. 6.

¹¹ Housing Act, 1930. 20 and 21 Geo. V, ch. 39.

¹² Housing (Financial Provisions) Act, 1933. 23 and 24 Geo. V, ch. 15.

PART II

DECENTRALIZED ADMINISTRATION

Throughout the long history of the housing movement in Europe, the improvement of housing conditions has been considered primarily as a local problem. Municipalities early recognized the peculiar characteristics of their own housing situations, the particular manifestations of blight within their limits, and the special housing needs of their working classes. These matters were deemed best dealt with through local action along lines appropriate to the unique conditions. In the early years of public housing activity, it was customary for the national government to pass special acts upon the request of individual cities. These enactments provided specific powers for dealing with housing conditions in definite areas. The major purpose of these legislative grants of power was to give authority to the local government for the expropriation of property necessary to the proposed scheme.

After a time, in many countries, certain aspects of housing became recognized as matters of national concern. In order to facilitate local action, laws were passed giving certain powers to all municipalities. In the first stages, these powers related to the establishment and enforcement of sanitary standards and building codes. Later they were extended, in England for instance, to include powers necessary to compulsory acquisition, to the treatment of individual insanitary dwellings, to slum clearance, to the provision of working-class houses, to the lending of money to persons of low income for the acquisition of homes, and to town planning.

It is significant that at this stage in the evolution of the housing program the national housing laws were permissive and were not accompanied by subsidies from the Central Government.

Permissive legislation has some advantages from the standpoint of the local governments. Where the local conscience has not been sufficiently aroused, or where the financial condition would make it difficult to take action in housing matters, there is no coercion on the part of the Central Government to force unwilling steps to be taken.

It is obvious, however, that the advantage of flexibility associated with permissive powers has an offsetting disadvantage. If, through inertia or failure to appreciate the problem, cities do not choose to exercise their powers, the bad housing conditions continue to exist in spite of the national policy expressed in the legislation which should lead to remedial action. Thus, in order to effect a real improvement in national housing conditions, it was found necessary to pass mandatory legislation and to make mandatory the powers which had been permissive. In effect, the Central Government ordered local authorities to mend their housing ways, under the threat that if they failed to perform their duty, the Central Government would perform it at their expense.

In many of the other countries the development of housing policy followed a course similar to that of England outlined above, and from the very start was decentralized in administration. In the smaller countries the most serious problems were in the capital cities, which contained a predominant share of all urban population. Often provisions of the housing legislation differed as between the capital city and other communities.¹³

In Holland, the Housing Law of 1901 established a scheme of operation under a national housing policy which has remained virtually unchanged. In this case, the mandatory provisions were included in the initial legislation, and the provision of satisfactory housing accommodation was made the duty of each commune.

It has been pointed out that from the very first the administration of housing legislation has been local. It has been the duty of each community to investigate the housing situation within its bounds, to analyze the problems which exist, and to devise remedial action. It is true that any plans developed locally are required to fall within the broad structure of national policy and to receive specific approval by the Central Government. Furthermore, technical advice is available to the local authorities, and, in many cases, financial aid is provided. The State recognizes that broad guiding principles must be laid down for local authorities in order to insure a consistent policy, and that technical assistance and financial aid may be necessary, particularly for the smaller and weaker cities. It is the custom, however, to allow considerable latitude in the local adaptation of national policies and to place the responsibility on the municipal governments for initiating the various attacks upon local housing problems. Even though loans, grants, or guarantees are made by the Central Government, some financial responsibility is generally placed on the local authorities. In many cases, each grant by the State must be matched by an equal grant on the part of the local government. Joint guarantees of private loans are occasionally used. It is customary for the municipalities to act as the distributing agents for credit advanced by the Central Government for housing purposes.

In most countries, a further decentralization in the administering of housing policy is characteristic. Public utility societies and housing cooperatives form this third step. The local authorities keep a guiding hand on the operations of the housing associations, lease public land for their development, provide them with funds either through direct loans or the guarantee of mortgages, and, in some countries, acquire their properties at the expiration of the lease or when their loan is paid off.

Only in a few cases has the Central Government attempted direct housing operations. In spite of the provision in the laws that the failure of any local authority to provide proper housing will lead to direct action by the State, this action is rarely, if ever, necessary. In the first place, sufficient guidance is available to the various localities in the analysis of their problems and the development of a practicable plan which conforms to existing policy. Furthermore.

¹³ Especially in countries like Austria and Denmark, where a major portion of the population is to be found in the metropolitan area of the capital city. See *Housing Policies in Europe*. International Labour Office, Geneva, 1930.

sufficient financial aids are provided where needed to induce voluntary action. Finally, the local authorities prefer to retain as much control as possible in the solution of local problems and the administration of local affairs in the field of housing as well as in all other fields.

As an example of the relationship between the State and the local governing bodies in the administration of housing matters, the administrative organization in England may be examined.¹⁴



Photograph from K. A. B.'s *Boligboj*.

FIGURE 3.—LIMITED-DIVIDEND HOUSING IN COPENHAGEN.

At the top is the Minister of Health, who is a cabinet member and head of a Government department whose functions embrace general supervision over all the activities of local authorities, all matters of public health, and the responsibility for the operations of all laws relating to housing and town planning. The powers and duties of the Ministry of Health as they relate to housing may be summarized as follows:

1. *General supervision.*—General supervision is exercised over all the housing activities of the local authorities. The Minister may require reports on local conditions and the preparation of proposals for dealing with the problems which are found to exist.

2. *Duty of making regulations.*—The Minister draws up the necessary forms and regulations for administering the various housing acts. Model bylaws establishing regulations and standards are prepared for adoption by the local authorities.

3. *Confirmation of action of local authorities.*—The Minister must sanction, approve, or confirm all important actions taken by the local

¹⁴ Swift, Stewart. *Housing Administration*. Butterworth & Co., London, 1935, pp. 16-29.

authorities under the housing acts. For example, clearance and compulsory purchase orders require confirmation. Sanction must be given for acquiring land or borrowing money for housing purposes. Approval must be given to the lay-out of housing estates developed by local authorities, to building plans, to specifications, and to proposals for rehousing displaced persons.

4. *Public local inquiries.*—Public inquiries, where appeals are lodged against clearance or compulsory purchase orders, must be held under the authority of the Minister.

5. *Action in case of default by local authority.*—When local authorities fail to carry out their duties under the housing acts, the Minister has the power to order the necessary action to be taken by the local authority. If the work is not performed, the Minister may exercise the powers of the local authority and may charge all expenses to it. Power is also given to withhold all State contributions from the defaulting authority.

It is the function of the various local authorities to initiate action under the housing acts, to prepare plans and programs for approval by the Minister, and actually to carry on the work. There are a number of different political subdivisions which have certain duties in relation to housing. These are county councils, county borough councils, non-county borough councils, urban district councils, and rural district councils. These are all called local authorities.

Local authorities are charged with the responsibilities relating to the inspection of houses, the enforcement of housing bylaws, the planning and execution of schemes involving redevelopment areas and rehousing, the treatment of individual unfit houses capable of repair or suitable for demolition, the making of housing surveys at the request of the Minister, and the keeping of housing records.

In the larger cities housing departments are set up in the local governments to deal with all matters relating to this activity. A typical organization is found in Manchester.¹⁵ The housing department is under the supervision of the housing committee of the city council. The department is headed by a housing director and divided into sections responsible for planning, construction, and management. The inspection of housing is under the direction of the medical officer of health who is appointed by the council, but cannot be dismissed without the consent of the Minister of Health.

In Birmingham there is no housing director. Activities are carried on under the control of the council's housing committee by the city engineer and surveyor, who is responsible for town planning and the design and execution of housing schemes, and the estates department, which manages all municipal housing estates. The medical officer of health conducts the housing inspections.

The almost universal application in Europe of the principle of local administration of national housing policy leads to the conclusion that it has proved to be the most effective method.

¹⁵ *How Manchester is Managed*. Pub. by the city of Manchester, 1935, pp. 133-44.

PART III

DEVELOPMENT OF FINANCIAL ASSISTANCE

Direct State subsidy for housing purposes is mainly a post-war phenomenon. During the early days of the housing movement there were some cases of indirect financial aid through the provision of mortgage money at low rates, and a few cases of State subventions for slum clearance schemes. In general, however, the widespread use of direct State aid was a part of the attempt to overcome the early post-war housing shortage.

Governmental participation in housing in pre-war Europe for the most part took the form of scattered legislation directed at special problems. In most countries, the emphasis was upon the improvement of housing conditions among the lower-income groups and related to the establishment of standards of construction and the elimination of insanitary conditions which had arisen as a result of uncontrolled building during the previous century.

Certain municipalities made progress in slum clearance operations. In some cases assistance was given to the working classes in order to aid them in attaining home ownership, or in procuring better housing accommodations through the medium of cooperative housing societies or public utility societies. Municipalities were empowered to adopt comprehensive city plans in order to control urban development. In some countries local governments made direct loans to persons of small means for the acquisition of homes. In general, the objectives of the various measures taken were to improve the conditions of those who were badly housed and to alleviate the ills which were beginning to be recognized as associated with inadequate and insanitary dwellings.

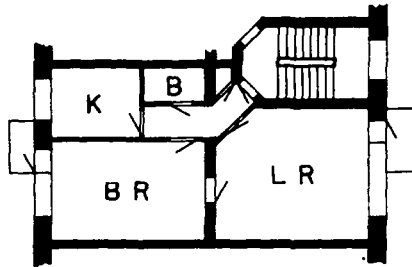


FIGURE 4.—PLAN OF FLAT IN LIMITED DIVIDEND PROJECT, COPENHAGEN.

This is in a walk-up building and rents for \$12 per week.

The war interrupted these activities in all the nations, in both the participating and the neutral countries; and at the cessation of hostilities, there existed throughout Europe a chaotic situation in

housing and an almost complete disorganization of the construction industry. In France and in the other nations actually within the arena of the war, the immediate problem was the reconstruction of the devastated areas. In England and Germany a confused condition existed in all private industry, including the building industry whose activities had completely lapsed during the war. In the non-combatant countries, such as Holland and the Scandinavian nations, all energies had been turned toward the production of war materials, and residential construction from 1915 to 1918 had come to a standstill. Consequently, the cessation of hostilities in 1918 found every nation in Europe facing a severe shortage of housing accommodation.

During the years of the war and immediately thereafter rent restriction regulations were made necessary in almost every country by the pressure of demand for the existing accommodations and by the fact that the disorganized state of the building industry greatly retarded the erection of new houses. The unfavorable conditions in the industry and a shortage of materials led to high building costs. This situation, together with the shortage of houses, would have caused the level of rents to mount at an alarming rate. In order to prevent the exploitation of tenants, it was necessary for the several governments to restrict rents.

Although these restrictions were gradually removed during the next few years in most countries, it was some time before there existed a sufficient inducement to private industry to undertake the construction of houses on a large scale. The high costs of construction and the restriction of rents following the war made it impossible to secure a reasonable return on new house construction. Since there was no inducement for private interests to effect a reorganization of the industry and expand operations to meet the need, every European government was forced to introduce artificial stimuli in the form of subsidy or other modes of assistance. Naturally this practice involved a heavy social cost, but this cost could not be avoided in the face of the lack of incentive and the helplessness of private industry.

In England, the major device for effecting a rapid increase in house production was direct subsidy by the Central Government through the agency of the local authorities. This form of assistance was first made available by the Acts of 1919¹⁶ and was changed in form by the subsequent Acts of 1923¹⁷ and 1924.¹⁸ The subventions were made available to municipalities, to public utility societies, and to private builders for the construction of housing.

The 1919 Acts provided for a subvention by the Exchequer which, in the case of buildings erected by local authorities, was equal to all losses assumed by the local authorities after deducting a contribution consisting of the proceeds of a local real-estate tax of 1 penny per pound of assessed valuation. A lump sum subsidy was offered to private builders. This scheme for subsidizing local authorities proved so costly to the Central Government it was dropped after 2 years, and in 1923 an act was passed changing the basis of contribution to a flat annual amount of £6 (\$29.35) per house for 20 years. The 1924 Act was designed to encourage the construction of houses

¹⁶ Housing, Town Planning, etc. Act, 1919. 9 and 10 Geo. V, ch. 35. Housing (Additional Powers) Act, 1919. 9 and 10 Geo. V, ch. 99.

¹⁷ The Housing, etc., Act, 1923. 13 and 14 Geo. V, ch. 24.

¹⁸ The Housing (Financial Provisions) Act, 1924. 14 and 15 Geo. V, ch. 35.

for rent and increased the State contribution for houses of this class to £9 (\$44) a year for 40 years.

The various schemes of subsidy in England were effective in stimulating the production of houses at a rate never before attained in the British Isles. Table 2 indicates the annual production of houses during the post-war period, and shows the number of these dwellings built with State assistance. It was not until 1933 that subsidies to encourage construction were finally withdrawn.

TABLE 2.—*Number of houses built in England and Wales by local authorities and private enterprise, with and without subsidy, 1920-36*

Year ending Mar. 31—	Total	Local authorities		Private enterprise	
		With subsidy	Without subsidy	With subsidy	Without subsidy
Total.....	2,981,417	836,461	24,587	422,926	1,697,443
1920.....	159,957	576	(¹)	139	230,000
1921.....		15,126	(¹)	12,964	
1922.....		80,864	(¹)	20,288	
1923.....	92,024	57,906	(¹)	10,318	23,800
1924.....	86,217	14,360	(¹)	4,311	67,546
1925.....	136,889	20,624	(¹)	47,045	69,220
1926.....	173,426	44,218	(¹)	62,769	66,439
1927.....	217,629	74,093	(¹)	79,686	63,850
1928.....	238,914	104,034	(¹)	74,548	60,332
1929.....	169,532	55,723	(¹)	49,069	64,740
1930.....	202,060	60,245	1,605	50,124	90,086
1931.....	183,807	52,514	3,360	2,565	125,368
1932.....	200,812	67,576	2,485	2,333	128,418
1933.....	200,496	54,566	1,425	2,493	142,012
1934.....	266,622	53,873	1,967	2,913	207,869
1935.....	329,106	34,423	7,170	1,139	286,374
1936.....	323,926	45,740	6,575	222	271,389

¹ Included in "Private enterprise without subsidy."

² Estimated for period Apr. 1, 1919, to Sept. 30, 1922.

³ For 6 months only.

Source: *Sixteenth Annual Report of the Ministry of Health, 1934-35*, p. 296. "Housing, Position at 31st Mar., 1936", Ministry of Health, p. 7.

In Germany the situation in the construction industry was further complicated by the currency difficulties. One of the most serious problems following the devaluation of the currency was the impossibility of securing second-mortgage loans. Furthermore, the proportion of the value of the house which could be borrowed on first mortgage was less than in pre-war times. Thus it became necessary for the Government to enter the field of home financing and to supply second-mortgage money at low rates. The rates actually offered were 1 percent interest with 1 percent per year amortization. In order to accumulate the necessary funds for this purpose a tax was placed upon the rent of existing houses. This had the effect of diverting to the national treasury a certain portion of the increased rent which accompanied the gradual relaxation of the rent-control measures, as well as a portion of the savings to tenants resulting from rent restrictions. It was the intention that the second-mortgage loans made from these funds should be directed particularly to the stimulation of the production of houses for the lower-income groups.¹⁹

¹⁹ See Fleischmann, Julius. "Financing of Low-Rent Housing in Germany." *The Journal of Land and Public Utility Economics*, vol. XII, no. 2, May, 1936, pp. 120-125.

Other forms of assistance to the building industry in Germany were the guarantee of loans, the supplying of direct subsidies, and the granting of temporary loans during the construction period. However, these measures were of small importance in comparison with the lending on second mortgages out of the funds accumulated from the rent tax. The granting of exemption from taxation was also utilized to some extent, particularly with respect to building by the public utility organizations. House production in Germany in the post-war period is shown in the following table (Table 3):

TABLE 3.—Number of dwelling units added in Germany, 1919 to 1935

Year	Total	New construction	Alterations	Year	Total	New construction	Alterations
Total..	3,621,815	3,016,883	604,932	1927.....	306,834	284,444	22,390
1919.....	60,861	35,596	25,265	1928.....	330,442	306,825	23,617
1920.....	108,307	75,928	32,379	1929.....	338,802	315,703	23,099
1921.....	141,498	108,596	32,902	1930.....	330,260	307,933	22,327
1922.....	154,970	124,273	30,697	1931.....	251,701	231,342	20,359
1923.....	125,940	100,401	25,539	1932.....	159,121	131,160	27,961
1924.....	115,376	94,807	20,569	1933.....	202,113	132,870	69,243
1925.....	191,812	164,437	27,375	1934.....	319,439	190,257	129,182
1926.....	220,529	199,084	21,445	1935.....	263,810	213,227	50,583

Source: "Leistungen und Aufgaben im Deutschen Wohnungs- und Siedlungsbau", by Walter Fey, p. 13. Published by Hanseatische Verlagsanstalt Hamburg, Berlin, 1936.

In Sweden the situation with respect to the construction industry was less serious than in many of the other countries. It is true that a shortage existed at the end of the war and that it was necessary to enforce rent restriction provisions for a few years. However, with the help of the subsidies introduced in 1917 and removed at the end of 1922, and with the provisions for second-mortgage loans by the Government beginning in 1919, it was possible to reestablish the building industry and partially to offset some of the effects of the increase in construction costs which characterized the situation. Another form of assistance was the provision of land at low cost by the municipalities. A summary of construction activity during this period in Sweden is given in the accompanying table (Table 4).

The various forms of assistance given by the European governments to house production during the early post-war years resulted in a reorganization of the construction industry and a rate of production which gradually overcame the existing housing shortage. However, the effect of these policies did not extend very far into other fields of housing reform. They did not result in any important alleviation of slum conditions, nor did they succeed in overcoming in most of the countries the serious overcrowding which existed among the lower-income groups. There was no appreciable reduction in the rent level by reason of an increase in the supply of housing. Furthermore, the houses which were constructed with government aid were not generally rented at rates which fell within the reach of the lower-paid working groups.²⁰ This is illustrated by the rents which were charged for public housing built with Government

²⁰ "A National Housing Policy", Report of the National Housing Committee, 1934; "Report of the Interdepartmental Committee on the Rent Restrictions Acts", Ministry of Health, July 1931 (cmd. 3911), pp. 22-23.

aid in England. Before 1930 rents in municipal housing estates ranged from 13 to 15 shillings (\$3.20 to \$3.70) per week, while the lower-income groups could not pay more than 7 to 9 shillings (\$1.70 to \$2.20).²¹

TABLE 4.—Number of dwelling units constructed in urban areas in Sweden, 1917 to 1934

Year	Agency					
	Total	State	Local authorities	Cooperative housing societies	Industrial undertakings	Private enterprise
Total.....	230,523	2,818	12,987	29,839	4,311	180,568
1917.....	6,818	18	1,157	1,529	772	3,342
1918.....	5,208	156	820	1,007	972	2,248
1919.....	4,915	211	883	1,074	434	2,313
1920.....	4,524	211	616	367	575	2,755
1921.....	6,365	686	1,518	368	330	3,463
1922.....	6,360	381	279	332	118	5,250
1923.....	9,461	155	693	563	159	7,891
1924.....	11,901	127	1,522	1,189	101	8,962
1925.....	13,068	62	1,166	1,935	114	9,791
1926.....	14,221	84	369	2,305	73	11,390
1927.....	15,095	25	673	2,452	76	11,869
1928.....	16,399	78	328	2,731	76	13,186
1929.....	16,598	64	208	1,832	144	14,350
1930.....	22,381	102	706	2,340	92	19,141
1931.....	22,620	76	340	3,169	92	18,943
1932.....	20,473	118	415	3,993	111	15,836
1933.....	14,958	129	512	1,341	28	12,948
1934.....	19,163	135	782	1,312	44	16,890

Source: "Sweden's Solution of the Urban Housing Problem", *Federal Home Loan Bank Review*, vol. 2, no. 12, September 1936, p. 431.

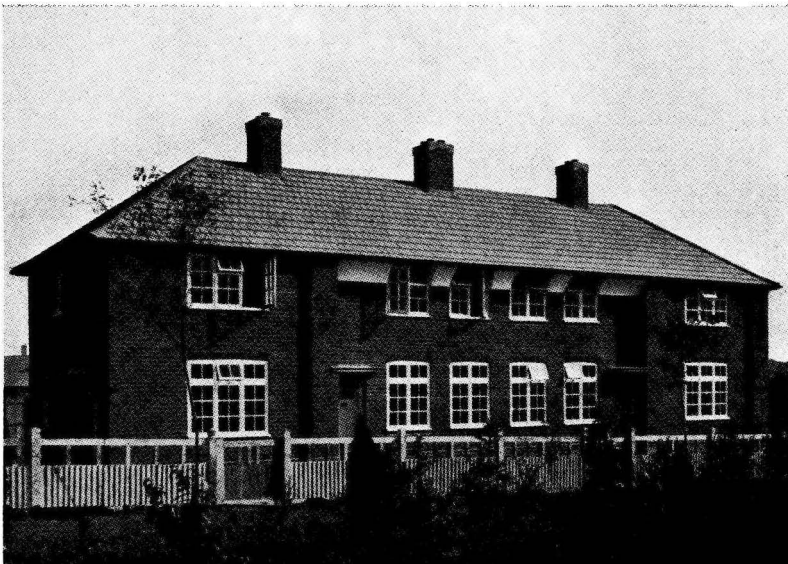


FIGURE 5.—BIRMINGHAM'S 40,000th MUNICIPAL HOUSE.

²¹ Simon, E. D., and Inman, J. *The Rebuilding of Manchester*. Longmans, Green & Co., London, 1935, p. 26.

Although it was expected in some quarters that the relief of the housing shortage would be accompanied by a filtering up process of the most badly housed families into better grades of accommodation, this was evidently not the case in most of the countries.²² At the end of the decade the slum conditions which were present at the end of the war were still in existence. In fact, the situation had become aggravated in many cities. Overcrowding was still rife, and most of the problems associated with inadequate housing remained unsolved.²³

At this time a gradual change in the emphasis in housing policy took place. The objectives which had actuated governmental participation in housing in the pre-war period regained prominence, and the social aspects of housing were given more consideration. As a result, greater emphasis was placed upon the improvement of housing conditions through the clearance of slums and the repair or demolition of individual insanitary houses. Furthermore, financial assistance of housing was directed mainly to the provision of houses for the lower-income groups. In many countries this was done primarily through the agency of public utility housing societies and cooperatives. The most common form of assistance was the guarantee of loans by municipalities or by the Central Government.

As has been suggested, the various provisions for stimulating house production designed to overcome the post-war housing shortage were gradually withdrawn. By the end of the 1920's sufficient housing accommodations existed in most countries for the middle- and upper-income groups at rents which reflected a reasonable return on the current cost of production. Rent restriction provisions were gradually withdrawn, and the several Governments no longer found it necessary to continue the measures designed to stimulate production.

Another cause of the withdrawal of direct subsidy was the heavy financial burden which it entailed. This is best illustrated by the English experience, where the greatest dependence was placed on this kind of aid in the stimulation of house production. It will be recalled that the subsidies established in 1923 and 1924 were discontinued in 1933. It was pointed out that private initiative was producing a large volume of housing accommodation without assistance—128,000 units out of a total production of 200,000 units in 1932—and that the price at which houses privately constructed could be sold or rented had been substantially reduced so that the working classes were being partially served. Finally, the high cost of subsidy was urged as a prime reason for its abandonment. It was, nevertheless, agreed on all sides that Exchequer contributions for slum clearance operations were well justified.

Those who opposed the discontinuance of subsidy for new construction denied that the working classes were being supplied with privately built houses at prices which they could afford. Furthermore, it was held that a shortage of sanitary and acceptable housing still existed; that with building costs at low levels, it was possible to provide for the working classes in public housing with the aid of a subsidy; and that overcrowding must be overcome by providing

²² See Part IX.

²³ See "A Policy for the Slums", report of a special committee of the National Housing and Town Planning Council. P. S. King & Son, Ltd., London, 1929.

enough new houses before a substantial share of the existing supply could be demolished through slum clearance.

While the results of the program of subsidization may be praiseworthy, it is necessary to inquire as to the cost of this program to the Nation. These costs comprise the expenditures of both the Central Government and the local authorities.

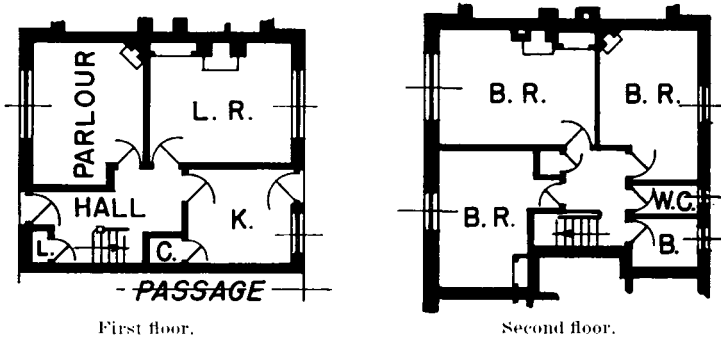


FIGURE 6.—TYPICAL PLAN IN ENGLISH MUNICIPAL HOUSING.

A 3-bedroom parlor house in Liverpool. Construction cost was \$2,200, and the rent is \$4.00 per week.

The annual payments of the Central Government under each of the acts since 1919, up to March 1936, are given in Table 5. The total sum paid out amounts to over £164,000,000 (\$802,165,000). These payments have risen from £20,455 (\$100,051) in 1919-20 to £13,997,553 (\$68,465,531) in 1935-36. Each year has seen an increase except 1923-24 and 1925-26, when there were slight decreases. The cause of the increases, of course, is that the number of houses subsidized has increased each year. The rate of increase, however, has declined since the refusal of new commitments under the Acts of 1923 and 1924. New commitments will arise only from the Acts of 1926, 1930, and 1935.

TABLE 5.—Amount of subsidies paid by the English Government each year from 1919 to 1936, on account of houses built under various post-war housing acts

Year	Act under which contribution was made						
	Total	1919	1919—Additional powers	1923	1924	1926 and 1931	1930
Total.....	£164, 489, 622	£102, 882, 564	£9, 498, 156	£22, 629, 096	£28, 288, 852	£77, 450	£1, 113, 504
1919-20.....	20, 455	20, 455					
1920-21.....	3, 097, 301	598, 749	2, 528, 552				
1921-22.....	9, 109, 366	4, 568, 942	4, 540, 424				
1922-23.....	9, 655, 398	7, 227, 911	2, 427, 487				
1923-24.....	7, 857, 815	7, 850, 014	1, 693	6, 108			
1924-25.....	8, 050, 132	7, 951, 582		96, 665	1, 885		
1925-26.....	7, 833, 756	7, 305, 432		439, 641	88, 683		
1926-27.....	8, 376, 044	6, 953, 157		948, 459	474, 428		
1927-28.....	9, 540, 976	6, 864, 817		1, 509, 129	1, 167, 030		
1928-29.....	10, 669, 974	6, 827, 364		1, 976, 897	1, 865, 713		
1929-30.....	11, 132, 803	6, 738, 118		2, 141, 089	2, 253, 087	509	
1930-31.....	11, 875, 806	6, 723, 699		2, 621, 250	2, 528, 263	2, 594	
1931-32.....	12, 731, 603	6, 742, 070		2, 731, 051	3, 245, 955	7, 427	
1932-33.....	13, 349, 758	6, 781, 395		2, 633, 567	3, 873, 297	11, 369	50, 130
1933-34.....	13, 432, 626	6, 589, 724		2, 523, 650	4, 178, 750	15, 358	125, 144
1934-35.....	13, 758, 256	6, 671, 006		2, 499, 822	4, 264, 145	19, 819	303, 464
1935-36.....	13, 997, 553	6, 498, 129		2, 501, 768	4, 347, 616	29, 374	629, 666

NOTE.—Current rate of exchange for the pound, \$4.89125.

Source: *Seventeenth Annual Report of the Ministry of Health, 1935-36*, p. 252.

No major decline in these annual payments may be expected until the period of subsidization has expired. The shortest period was established in the Act of 1923 and extended for 20 years. In 1943, therefore, the payments under this act will begin to decrease. The Act of 1924 established a period of 40 years. Payments under this act, therefore, will not materially decline until after 1964. The Act of 1919 established a period of 60 years. But payments under this act may decline as a result either of a rise in rents or a fall of interest rates, either of which would operate to reduce the loss to local authorities which built under the act. Further reductions may result from the sale of houses built under this act. Any decline from these causes, however, is likely to be small; no major decrease may be expected, therefore, until about 1980.

The costs of this program up to the present, then, represent only a small portion of the total liability of the Government. It is not possible to ascertain this liability accurately, but the results of estimates that are as accurate as can reasonably be made are given in Table 6.

Estimates for purposes of this table have been calculated as of the date of each commitment. Grants are, therefore, assumed to continue for 60 years under the Act of 1919, for 20 years under the Acts of 1923 and 1926, and for 40 years under the Acts of 1924 and 1930. The average of annual grants from 1929 to 1935 under the Act of 1919 was assumed to be the constant annual contribution of the Exchequer under that enactment. The Act of 1930 estimates assumed the minimum grant per person for the regular term of 40 years. Upon these bases a total of £663,887,936 (\$3,247,241,867) has been, or will be, paid as a result of commitments made under all acts before March 31, 1936. Of this sum, a total of £164,489,622 (\$804,559,863) had already been paid before that date. The total subsidy to be paid amounts to over £517 (\$2,529) for each of the 1,262,831 houses assisted by the Exchequer.

These payments extend, however, over a period varying from 20 to 60 years from their origin. They represent, therefore, future liabilities whose worth at the time of commitment is much less than the total of all the payments. This value is given also, in connection with the houses built under each of the acts, in Table 6. Assuming an interest rate of 3 percent,²⁴ the present value of those future payments is £348,684,962 (\$1,705,505,320). The total present values of all commitments amount to £276 (\$1,350) for each house subsidized, or only £17 (\$83) less than the average cost of ordinary non-parlor houses built by local authorities during 1934-35.

A very large part of this stupendous cost, however, is due to the abortive policies adopted in the Act of 1919. Although this act produced only 174,635 houses, it had cost the Government, up to March 1936, £102,882,564 (\$503,224,342), or an average of about £589 (\$2,881) a house. Since the act provided for the assumption of all loss except the product of a penny rate for 60 years, the payments have only begun. Total future payments under the act are estimated at £299,615,705 (\$1,465,495,317). The total obligation of the Government as of the date of commitment for these 174,000 houses

²⁴ If a lower interest rate is assumed, the present worth of the liability would be increased; and if a higher rate, it would be diminished.

is estimated at £185,638,520 (\$908,004,411), or £1,063 (\$5,199) per house. Whatever may be said regarding the necessity for adopting measures in 1919 that would produce houses regardless of cost, it is perfectly clear that the abandonment of the plan was necessary to prevent a major financial calamity to the Exchequer.

TABLE 6.—*Expenditures and estimated commitments of the Exchequer under various English housing acts, 1919 to 1935—Terms of grants, houses constructed, outlay to Mar. 31, 1936, total eventual outlay, and present value of eventual outlay as of the date of commitments*

Act	Term of grant	Houses completed before Mar. 31, 1936	Outlay to Mar. 31, 1936 ¹	Total eventual outlay under commitments ²	Present value of total eventual outlay at 3 per cent interest ³
Total.....	.....	1,262,831	£164,439,069	£663,887,936	£348,684,963
Act of 1919.....	Unlimited term, 60 years.	174,635	102,844,435	402,460,140	185,638,520
Act of 1919 (additional powers).	Lump sum, £242.....	39,186	9,498,156	9,498,156	9,498,156
Act of 1923.....	£6, 20 years.....	312,555	22,602,328	37,506,600	27,900,175
Do.....	£4, 20 years.....	125,492		10,039,360	7,468,016
Act of 1924.....	£12 10s., 40 years.....	9,360	28,181,236	4,680,000	2,704,429
Do.....	£11, 40 years.....	22,378		9,846,320	5,689,886
Do.....	£9, 40 years.....	144,093		51,873,480	29,976,092
Do.....	£7 10s., 40 years.....	344,467		103,340,100	59,717,071
Act of 1926.....	½ contribution of local authority, 20 years.	10,054	79,076	440,000	327,304
Act of 1930 ⁴	£2 5s. per person, 40 years.	80,611	1,233,838	34,203,780	19,765,314
Act of 1935 ⁵.....	.....	.....	.....	.....	.....

¹ Including estimates by National Housing and Town Planning Council of payments for 1935-36, in Facts and Figures, Apr. 1936, p. 5.

² Arbitrary estimates of distribution of houses eligible for £6 and £4 grants under Act of 1923 and for grants of £12 10s. and £9 or for £11 and £7 10s. under the Act of 1924 were made for the year 1927-28, when there were changes in the amounts of subsidies.

³ Based on estimated contributions in Facts and Figures, April, 1936, p. 5.

⁴ The Act of 1930 provided for increased contributions for rehousing in agricultural parishes or on urban sites of high value. Calculations, however, have been based on the minimum contributions, since no data about the distribution of these commitments are available.

⁵ 380,042 persons rehoused.

⁶ Only 18 houses had been provided under the Act of 1935 before Mar. 31, 1936. No contributions have been reported.

NOTE.—Current rate of exchange for the pound, \$4.89125.

The Acts of 1923 and 1924, on the other hand, have not brought an insupportable burden. The present value at the time of commitment of all grants promised by the Exchequer under these acts is estimated at £133,455,668 (\$652,765,036). Since over 950,000 houses were built under this legislation, the estimated value of the average commitment per house was less than £140 (\$685). This sum, however, represents more than a third of the present cost of building these houses. It is yet too soon to estimate the burden that may arise from the operation of the Act of 1930. Up to 1936 future commitments to the amount of £34,203,780 (\$167,299,239) had been made in respect of 80,611 houses. The Act of 1926 has not yet resulted in the building of many houses, and it probably will never result in a serious burden. No prediction is possible concerning the ultimate burden of subsidies under the provisions of the Housing Act of 1935.

To the sums expended by the Central Government for the construction and improvement of houses must be added the subsidies or deficits incurred by local authorities in promotion of housing or in actual construction. Table 7 presents figures for years from April

1, 1919, to March 31, 1934. During this period local authorities expended out of the local rates a total of £29,378,592 (\$143,598,040) either in subsidizing other builders or in sustaining losses on their own houses. Estimating these expenditures for the years 1934 to 1936, the total of local authority expenditures from the rates and the £164,489,622 (\$804,559,863) paid by the Central Government before March 31, 1936, represents a cost to the public of about £200,000,000 (\$978,250,000).

TABLE 7.—*Construction, receipts, and indebtedness of local authorities on account of housing in England and Wales, 1919-34*

Year	Number of houses built ¹	Receipts on account of housing				Outstanding loan debt on account of housing ²
		Total	From rents, interest, etc.	From rates	From Government grants	
Total.....	765,625	£378,993,272	£223,644,502	£29,378,592	£125,970,178	-----
1919-20.....	576	1,488,599	911,202	574,665	2,732	£19,219,636
1920-21.....	15,585	4,315,332	2,308,942	1,231,341	775,049	92,822,937
1921-22.....	80,783	10,214,212	4,374,091	1,106,836	4,733,285	171,988,583
1922-23.....	57,535	14,630,907	6,682,546	863,237	7,085,124	191,991,821
1923-24.....	14,353	16,326,992	8,041,042	536,485	7,449,465	199,451,481
1924-25.....	20,624	18,083,082	9,306,950	1,286,095	7,490,017	219,485,147
1925-26.....	44,218	21,281,646	11,696,575	1,715,267	7,869,804	260,619,212
1926-27.....	74,093	26,166,825	15,316,526	2,304,615	8,545,684	319,804,159
1927-28.....	104,034	32,186,422	19,977,279	2,334,221	9,874,922	382,703,076
1928-29.....	55,723	36,614,952	23,518,447	2,422,284	10,674,221	416,882,118
1929-30.....	66,245	35,109,556	21,131,915	2,638,061	11,339,590	444,693,787
1930-31.....	55,874	37,967,323	22,909,545	3,146,655	11,911,123	472,879,424
1931-32.....	70,061	40,076,406	24,660,715	3,075,940	12,339,753	497,373,052
1932-33.....	56,061	41,758,678	25,962,496	3,064,780	12,731,402	513,982,786
1933-34.....	55,840	42,772,358	26,846,231	2,778,120	13,148,007	515,818,469

¹ In years following 1933-34, local authority building was as follows: 1934-35, 41,593; 1935-36, 52,325. The respective percentages of houses built without Exchequer subsidy for these years were: 14.4 percent and 12.6 percent.

² Including debts for town planning and for Small Dwellings Acquisition loans.

³ This total includes unsubsidized building by local authorities after Oct. 1, 1929. No data are available for previous years.

⁴ Figures for 1928-29 and preceding years were calculated on a slightly different base from succeeding entries. No invalidating differences result.

NOTE.—Current rate of exchange for the pound, \$4.89125.

Source: *Seventy-eighth Statistical Abstract for the United Kingdom, 1933*, pp. 43, 184, 188, 190, 196, 198, and 199. *Annual Reports of the Ministry of Health, for 1932-33*, p. 300; for 1933-34, p. 348; for 1934-35, p. 314; for 1935-36, p. 270.

The volume of actual receipts and expenditures by local authorities for housing purposes is shown in Table 7. Receipts from rents, interest on Small Dwelling Acquisition loans, and other sources, not including Exchequer grants and contributions from rates, were £223,644,502 (\$1,093,901,170) between 1919 and 1934. This amount added to the Exchequer grants and rate contributions for the same period shows total receipts of £378,993,272 (\$1,853,750,842) prior to March 31, 1934. During this same time local authorities constructed 765,625 houses. Between October 1, 1929, and March 31, 1936, 25,000 units were built by local authorities without Exchequer assistance.

Local authorities have been empowered to borrow from the Public Works Loan Commission or through the issue of local bonds for purposes of housing, town planning, and loaning under the Small Dwellings Acquisition Acts. The outstanding loan debt of local authorities for these purposes has increased from less than £20,000,000 (\$97,825,000) in 1919-20 to £515,818,469 (\$2,522,997,086) on March 31, 1934.

It is very difficult to estimate the probable future expenditures of local authorities for housing or even to estimate the extent of future costs of commitments already made. The burden on the local rates of dwellings constructed under the Housing Acts of 1919, 1923, and 1924 may vary appreciably with changes in the yield of a penny in the pound rate, with the current cost of money, and with the fluctuations in rent levels. The amounts of commitments under the Acts of 1930 and 1935 are fixed in both term and amount, but activity under both of these acts is still in initial stages.

It is pertinent to note that local authority expenditures for houses built under the Act of 1923 will decline to zero during the years 1943 to 1950. Expenses in connection with houses built under the Act of 1924 will probably not diminish appreciably before the 10-year period beginning in 1964. These expenses may continue for another 20 years or more after that time. Costs for Act of 1919 houses will



FIGURE 7.—TWO-BEDROOM MAISONNETTE FLATS.

Each unit in these public flats rents at about \$1.75 per week.

continue until after 1979, and those for houses built under the 1930 Act will continue until from 40 to 60 years after the completion of the subsidized dwellings. No material diminution of the cost of present commitments of local authorities, therefore, may be expected before 1965.⁷ At the same time expenses are increasing as a result of unassisted building for renting by local authorities and of commitments being made currently under the Acts of 1926, 1930, and 1935.

The general withdrawal of direct subsidies for encouraging construction has not meant an end to financial aid by the State. The Slum Clearance Act of 1930 is implemented with an Exchequer subvention based on the number of persons rehoused, and the 1935

Overcrowding Act likewise provides State aid on the basis of the number of dwellings constructed. In other countries, such as Holland, direct State aid is provided for slum clearance operations. On the Continent, however, indirect financial assistance for working-class housing is the currently predominating form of participation by both the central and local authorities.

Many of the current methods for aiding low-rent housing through the lending of governmental credit have been in use for some time. In almost every country aids of this kind were used to abet direct subsidy in overcoming the post-war shortage. With the withdrawal of subventions, the indirect methods have survived and additional devices have been introduced.

In Germany the guaranteeing by municipalities of advances made to housing societies of various kinds is becoming a more frequent practice. Under the policy of the present government, both municipalities and the Reich are making a practice of extending long-term loans at low interest rates or of guaranteeing loans from private sources to assist societies interested in the construction of low-rent housing. In many cases the Reich gives this form of assistance to municipalities.

In Sweden, in order to provide a permanent solution to the problem of second-mortgage loans, a bank was created for the purpose of making such loans under State supervision. This bank is organized on a cooperative basis with local associations established by individual borrowers. The bank borrows through the issue of debentures and is supported by a State grant of 30,000,000 kroner (\$7,566,000) for capital and reserve. Loans are granted up to 75 per cent of the building cost.

A growing practice in Denmark is the guarantee by the municipality of loans made by private lenders to cooperatives and limited-dividend companies. In most cases, a first and second mortgage will be secured in the usual way, with the city either guaranteeing the third mortgage, or advancing the funds on the security of a third mortgage.

In 1933, Denmark adopted legislation providing for the allocation of 30,000,000 kroner (\$6,552,000) for lending for house construction. The act expired in 1936, but up to January 1 of that year 25,000,000 kroner (\$5,460,000) had been advanced. The following table (Table 8) indicates the use of this fund:

TABLE 8.—Advances by the Danish State under the Act of 1933

Purpose	Copen- hagen and suburbs	Outside Copenhagen and suburbs
	Kroner	Kroner
To municipalities.....	2,340,900	975,800
To building societies.....	6,047,200	1,025,600
To persons building houses with 2 apartments.....	6,934,100	
To persons building 1-apartment houses for their own use.....	327,600	
To private persons building for others.....	3,812,200	3,297,100
For improvement of semipublic buildings.....	345,300	
	19,807,300	5,298,500

NOTE.—Current rate of exchange for Danish krone, \$0.2184.
Source: Unpublished report.

Financial assistance for low-rent housing in Norway is mainly through the guarantee of advances by the municipalities at the present. It is true that some second-mortgage loans are made. Furthermore, the Small Holdings & Dwellings Bank, a State institution, advances both first and second mortgages to persons of small means for the acquisition of homes. Second mortgages must have the guarantee of the municipality.

The balance sheet of this financial institution is given below for the year 1933. The total amount of loans granted in 1932-33 was 13,620,000 kroner.

TABLE 9.—*Small Holdings & Dwellings Bank balance sheet, 1933 (in kroner)*

ASSETS		LIABILITIES	
Loans granted in rural communes.....	180,712,000	Capital	23,000,000
Loans granted in towns..	24,953,000	Bonds issued.....	114,300,000
Interest due.....	8,075,000	Other liabilities.....	96,099,000
Deposits with other banks..	2,265,000		
Cash in hand.....	48,000		
Government securities....	15,000,000		
Other assets.....	2,346,000		
	233,399,000		233,399,000

NOTE.—Current rate of exchange for Norwegian krone, \$0.2459.
Source: *International Survey of Social Services, 1933*. International Labour Office, Geneva, 1936, p. 569.

The following table indicates the extent of financial assistance by public authorities in Norway from 1914 to 1928. The nonrepayable advances were mainly granted in connection with the early post-war measures. No such grants are now available.

TABLE 10.—*Extent of assistance by local authorities toward construction of dwellings by housing societies and private persons in Norway between 1914 and 1928*

Type of assistance	Amount of grants		Dwellings assisted	
	5 towns	56 communes	5 towns	56 communes
To joint stock companies:				
Credit guarantees.....	<i>Kroner</i> 61,100,000	<i>Kroner</i> 61,200,000	4,142	4,160
Nonrepayable advances.....	24,300,000	24,400,000		
To cooperative housing societies:				
Credit guarantees.....	5,500,000	6,200,000	653	791
Nonrepayable advances.....	2,500,000	3,200,000		
To private persons:				
Credit guarantees.....	1 3,100,000	1 17,300,000	2,268	5,449
Nonrepayable advances.....	1 16,000,000	1 25,000,000		
Nonrepayable advances.....	5,600,000	8,000,000		
Total:				
Credit guarantees.....	85,700,000	109,700,000	7,063	10,400
Nonrepayable advances.....	32,400,000	35,600,000		

1 Guarantees of loans made by Small Holdings & Dwellings Bank.

2 Guarantees of loans made by other banks.

NOTE.—Current rate of exchange for Norwegian krone, \$0.2459.
Source: *Housing Policy in Europe*. International Labour Office, Geneva, 1930, p. 162.

Because of the difficulty of securing second-mortgage money in Norway, an attempt is now being made to secure the adoption of an act establishing a State second-mortgage bank.

Although direct State subsidies have been abandoned in Holland, except for slum clearance, the State retains the power granted by the Housing Law of 1901 to make advances to the communes for house construction. It is customary for the municipalities to construct dwellings on their own account, or to re-lend the money to cooperative housing societies and public utility societies. The following table (Table 11) indicates the fact that while direct subventions are no longer being granted, State loans are of continuing importance:

TABLE 11.—Advances and grants in the Netherlands under the Housing Act, 1901, for new construction, by years, from 1905 to 1933

Year	Advances				Annual grants			
	Amount	Number of houses			Amount	Number of houses		
		Housing societies	Municipalities	Total		Housing societies	Municipalities	Total
Total.....	<i>Florins</i> 809,801,902			144,476	<i>Florins</i> 10,254,753	75,510	20,305	95,815
1905.....	46,500	0	31	31	105	0	11	11
1906.....	69,400	26	0	26	15	2	0	2
1907.....	1,445,109	752	37	789	1,774	319	7	326
1908.....	1,135,415	527	71	598	3,087	159	13	172
1909.....	1,318,377	709	40	749	2,255	306	18	324
1910.....	1,730,270	891	71	962	1,372	87	37	124
1911.....	2,838,351	1,276	127	1,403	2,054	208	37	245
1912.....	6,596,873	2,560	107	2,667	2,140	279	58	337
1913.....	8,872,191	3,535	51	3,586	24,695	899	35	934
1914.....	12,801,053	5,115	184	5,299	18,056	1,408	62	1,470
1915.....	17,928,817	4,711	827	5,538	108,474	1,465	395	1,860
1916.....	18,789,708	3,866	375	4,241	180,956	2,708	52	2,760
1917.....	49,888,162	5,330	5,658	10,988	771,307	5,135	5,632	10,767
1918.....	52,564,693	7,533	1,737	9,270	866,456	7,226	1,718	8,944
1919.....	96,471,067	12,081	2,987	16,068	1,756,001	12,352	3,068	15,420
1920.....	159,835,224	18,691	3,530	22,221	2,937,994	17,789	3,510	21,299
1921.....	199,357,961	19,213	3,595	22,808	3,058,065	18,382	3,509	21,891
1922.....	44,002,401	4,735	1,832	6,567	328,038	3,541	582	4,123
1923.....	24,839,224	3,698	2,828	6,526	134,106	2,485	1,561	4,046
1924.....	10,267,107	1,553	1,110	2,663	57,803	760	0	760
1925.....	8,945,845	1,032	1,173	2,205	0	0	0	0
1926.....	5,814,641	0	0	1,200	0	0	0	0
1927.....	12,436,319	0	0	2,341	0	0	0	0
1928.....	14,812,512	1,979	1,219	3,198	0	0	0	0
1929.....	16,963,480	0	0	4,639	0	0	0	0
1930.....	14,878,000	2,552	1,362	3,914	0	0	0	0
1931.....	12,387,543	1,963	909	2,872	0	0	0	0
1932.....	3,079,152	767	320	1,087	0	0	0	0
1933.....	9,616,587	0	0	0	0	0	0	0

¹ 1905 to 1932, only.

NOTE.—Current rate of exchange for Dutch florin, \$0.5404.

Source: "Housing in Holland under the Housing Act", by H. Van'der Kaa, pp. 6 and 13.

France has assisted the construction of inexpensive dwellings mainly through the provision of mortgage money at low interest rates. Under the Act of 1922, interest rates fluctuated from 2 to 3½ percent, and the contribution of the State took the form of the difference between the cost of money to it and the rate on the advances. A higher proportion of the value of properties could be loaned if the loan was guaranteed by the commune.

The "Loi Loucheur" of 1928 reduced the rate of interest on advances to public offices and building credit societies to 2 percent. Provision was likewise made for loans for the construction of medium-priced dwellings on somewhat less favorable terms. Further extensions were made in 1930.

Tax exemptions have been used to encourage low-cost housing; exemptions have been extended relating to both transfer fees and property taxes for a limited period.

Since the Small Dwellings Acquisition Act of 1899, British local authorities have been empowered to lend on first mortgage to members of the working classes desiring to acquire a home. Up to September 30, 1935, advances had been made in respect of 183,035 houses in the amount of £89,490,130 (\$437,718,598). The Act of



Photograph from *Bolig Arbeidet* Oslo Kommune.

FIGURE 8.—LARGE-SCALE HOUSING IN OSLO.

1933 introduced another scheme of financial aid which, while not much used, is an example of the interposition of governmental credit.

The local authorities and the Central Government were empowered to join in guaranteeing the advances made by building societies in excess of the usual proportion of value. It is true that local authorities had been authorized under an earlier act (1923) to guarantee loans made by building societies. However, the 1933 Act introduced the guarantee of excess advances, and added the participation of the State in the guarantee. Up to the end of December 1935, only 8,716 such guarantees had been made. In addition, commitments were effective for 6,274 additional loans.

Another interesting form of assistance has been afforded by certain Continental municipalities to aid in financing housing projects which are erected on sites leased from the city. Since difficulties arise in connection with the financing of such projects through

ordinary channels, special institutions have been created to provide mortgage money for leasehold properties. Bonds are issued under the guarantee of the municipality to secure necessary funds.

It should be noted that one of the causes of the increasing use of the guarantee of advances and the lending of credit to housing societies or other agencies is the present economic difficulty in which many of the nations and cities find themselves. This form of assistance does not create a heavy burden upon the Government or the municipality, but enables building for the working classes to be encouraged through the assumption of a contingent liability. It is thus possible for financial assistance to be continued on perhaps a more limited scale even in times when no funds are available for subventions or when it might be difficult for further governmental loans to be floated.

The evolution of housing policies in the several foreign nations and the present programs which have come out of the refining fire of long experimentation indicate that direct governmental subsidy is generally reserved for slum clearance and redevelopment operations. Subventions to stimulate house construction in times of shortage have been temporary measures. Apparently, it has been found that direct aid for purposes other than slum elimination creates an unbearable financial burden, and that indirect assistance in the form of loans and guarantees is the most practical type of assistance in improving housing conditions among the working groups.

PART IV

DIFFERENTIAL RENTING

Differential renting has been defined as an administrative procedure in publicly owned and operated properties for fixing the rent collected from each tenant family in relation to its need and ability to pay rather than on the basis of costs of production or the size and desirability of the dwelling unit.²⁵

In England various forms of differential renting are being employed in many of the public housing projects. In Holland the principle has also been applied in a few cases. It cannot be said that the practice has gained a general acceptance, but it is true that the principle of employing governmental subventions in such a manner as to provide the greatest relief to those families most in need of it is becoming more and more widely accepted.

The English legislation of 1923 and 1924 established a subsidy to local authorities for the erection of dwellings and provided for a contribution for each dwelling constructed. Local authorities were required to make additional contributions to cover the loss involved in the operation of the new units. Thus except for the short-lived Act of 1919, subsidy was definitely linked to the dwelling unit rather than to the occupant family. It became the custom for the housing management divisions of the various local authorities to establish rental rates in the housing estates under their control on the basis of a pro-rata cost of operation less the State and local contributions.

In some cases, differentiation in rents is made on a basis of desirability of the location. Each local authority is allowed considerable latitude in the administration of its housing estates, so that a variety of management policies is found in the various cities.²⁶ This fact is illustrated by the wide range of rentals for similar accommodations as shown in Table 15, Part V.

In the granting of subsidies by the State, it has always been the avowed intention of Parliament to provide assistance to those most in need of it. However, the local authorities found it easier and more expedient to spread the assistance equally over all of the houses and, accordingly, to spread the benefits of the subventions evenly over the tenant families.

Perhaps one reason why no serious question was raised to the method of establishing rents was the fact that during the post-war period up until nearly 1930, the emphasis was placed upon the production of houses in order to make up the shortage, with assistance for the low-income groups a secondary objective. Furthermore, it was

²⁵ Differential renting is used here as a general term. A distinction is recognized between differential rents, which are fixed rents at differing rates, and differential rent rebates (rent relief), which are differing allowances from standard rental rates.

²⁶ See Green, Marjorie E. "Rent Rebates." *The Family Endowment Society*, London, November, 1935; and Parry H. Lloyd. "Rent Rebates under the Housing Acts." *National Housing and Town Planning Council*, London, April 1936.

possible for the local authorities to find tenants for their houses who were capable of paying the established rents.

The Act of 1930 for the first time made it possible for local authorities to make rent rebates to those families unable to pay the standard rentals. Section 27 of the act provides that for houses built under the act local authorities may fix rents in any manner they see fit if the total amount of the rental income from all houses plus the contributions from the Exchequer and the local rates is sufficient to cover the expenses of operation.

In a circular issued by the Ministry of Health in connection with this provision, the following statement is made:

The new grant, together with the prescribed contribution from the rates, will enable local authorities to let a sufficient proportion of the new houses at rents which the displaced persons can afford. The grant, together with the prescribed rate charge, should be regarded as a pool out of which such abatements, or other special arrangements in regard to rent as the local authority proposes, are to be financed.²⁷

The 1930 Act was primarily a slum clearance act, and a new basis for subsidy was adopted. This act provided that the Exchequer grant should be based on the number of persons displaced and rehoused by clearance operations, in contrast with the former plan of determining the contribution on the basis of the number of new houses constructed. It should be noted that the provision for permitting local authorities to grant rebates applied only to houses constructed under this act. However, in 1931 the Ministry of Health authorized the application of differential rents to houses built under the 1924 Act. Although this order was later questioned in the courts,²⁸ the principle was established as falling within the powers granted by the act.

Local authorities for the most part were slow in adopting the principle of rent rebates. One reason was natural inertia and a general resistance to a change in the basis of operations which had become firmly established over a long period of time. Furthermore, there was wide objection to the inquiries into earnings and the revealing of the private family affairs which are necessary to the administration of any form of rent relief.

The Housing Act of 1935 gave a different complexion to the whole problem of rent rebates. Specific provisions were made in the act for the consolidation of all housing accounts under the various acts and for the pooling of all subsidies into a fund from which distribution might be made in any manner determined by the local authority. Thus, it is possible to grant rent relief to the occupants of any of the subsidized houses regardless of the act under which they were constructed. In conjunction with these provisions the conditions for the letting of all municipal houses were unified. It was required that in the selection of tenants reasonable preference should be given to families occupying insanitary or overcrowded houses and to families of large size. The fixing of rents is to be based upon the rents ordinarily payable by the working classes in the locality. Other provisions were made with respect to the rebate of rents and subletting.

²⁷ Circular 1138, "Housing Act, 1930". Ministry of Health, August 19, 1930, p. 9.

²⁸ *Leeds Corporation v. Jenkinson*, 1934. 1 K. B. 168.

Under the provisions of the 1935 Act, it is implied that standard rents will be established somewhere near the economic rents for similar houses now being provided by private enterprise, and that any rent relief will be in the form of a rebate from this standard rent. This form of administration will tend to avoid the assumption on the part of the tenant that the actual rent paid after the rebate is an established rate. The frequent review of the tenant's income and resources will permit the varying of the rebate in accordance with his needs.

Rent rebate schemes had been put into effect by some 43 local authorities up to July 1936. There is a great diversity in the application of the plans. The maximum rebate allowed ranges from 2s. to 8s. 5d. per week; the average rebate from 0.74d. to 3s. 6d. The methods of determining the rebate are varied in each community.²⁹

The rent rebate schemes in use in England have been classified as follows:

(a) Standard, or maximum, rent subject to rebates. The appropriate rebate may be ascertained in either of two ways:

(i) A fixed rebate on incomes between a certain upper and lower limit, e. g., rebate of xd on incomes between y and z shillings.

(ii) A rebate of xd for every y shillings by which the income falls below a fixed scale.

(b) Minimum rent, which is increased according to a fixed scale, until an upper limit is reached.

(c) Subsistence scale, balance available in whole or in part for payment of rent.

(d) Rent to be a fixed percentage of income, with deductions for children.

(e) Rebates for children only, i. e., a form of family allowance, or family endowment.

(f) Miscellaneous.³⁰

The most comprehensive scale of differential renting, one which has attracted even international attention, is found in the city of Leeds.³¹ It was adopted under the Socialist administration of that city in March of 1934. Under this plan, the various subsidies are completely divorced from the houses and attached to those families who are in need of assistance. A standard rate is established for every house on the basis of an economic rent considering the total costs of operation including loan charges. This rate is not related to rents for similar accommodations in the open market. Contributions from the Government and the municipality are pooled, and out of this fund rent relief is granted to all in need of it, but only as the occasion arises and for so long as the need exists. The amount of rent relief is determined on a basis of a subsistence scale, dependent upon the constitution of the family concerned. The balance of the family income remaining after the appropriate subsistence amount is deducted constitutes the margin from which rent is payable, and the relief is based upon this balance, taking into consideration the circumstances in each case.

It is significant that the principle of rent relief and differential renting is now an established part of British housing policy. This

²⁹ Wilson, Geoffrey. "Rent Rebates." No. 28, issued by The New Fabian Research Bureau, London, July 1936, p. 11.

³⁰ *Ibid.*, p. 12.

³¹ See Jenkinson, Rev. Charles, "Rehousing the People in Great Britain—The City of Leeds." *International Housing and Town Planning Congress, London, 1935*, part I, pp. 273-9.

fact alone is no inconsiderable argument in favor of this plan, since the British housing program has evolved from a long period of experimentation and careful consideration of housing problems on the part of both experienced public officials and intelligent and interested private citizens.

The difficulties of administration which have been anticipated by those opposed to the principle of rent relief have not appeared under its application in England. Actually, no unfamiliar problems are introduced. The examination into the composition of families, their requirements, and their income is a necessary part of any scheme of public relief. And it must be recognized that housing subsidies are but a form of public assistance, a form of aid applying specifically to one of the basic necessities of life in lieu of a cash contribution to be used at the discretion of the recipient. Reports from a number of communities where rent rebates are in effect indicate the



FIGURE 9.—COTTAGES IN VREEWIJK, ROTTERDAM.

A garden suburb developed by a limited-dividend company. There are 4,100 dwellings occupied mainly by working-class families. Rents range from \$2.16 to \$7.56 per week.

general practicability of the plan. In Leeds the cost of administration has been only 2s. 6d. per year per tenancy.²² The complaints and difficulties expected have not materialized where the administration has been intelligent and logical.²³

It is sometimes objected that in providing rent relief, local authorities are undertaking a social service more properly the function of the established social service agencies. This practice may lead to a situation wherein a family is receiving assistance from three sources and is subjected to three separate means tests—by the local authority housing committee, the Public Assistance Commission, and the Un-

²² Wilson, Geoffrey, *op. cit.* note 29, p. 36.

²³ Green, Marjorie E., *op. cit.* note 26.

employment Assistance Board. Such a situation is, of course, unsatisfactory, but does not constitute a basic deficiency in the scheme. Proper coordination of activities between the agencies would obviate most of the difficulties in this connection. Even if all relief were administered by one agency, the application of rent rebates would be basically the same.

The objection to the examination of income and resources, known as the means test, which is a necessary part of any rational relief scheme, cannot be recognized as valid. Persons accepting public aid either directly in the form of cash or indirectly through housing subsidies may not object to demonstrating their need for such aid. In fact, as a practical matter, the scheme could not otherwise proceed.

Another argument attempts to demonstrate that under a scheme of differential rent rebates the financially competent families are forced to pay part of the rent for the poorer tenants. This is true only to the extent of the contribution made by all citizens through the medium of taxation. It is furthermore true that the well-to-do tenant would no longer receive assistance which he does not need, and that thereby larger contributions are possible for the truly needy. However, nothing rightfully his is taken away, nor is his financial burden increased by any tax for the benefit of the less fortunate.

Perhaps the most difficult aspect of the administration of rent rebate schemes relates to the creation of an understanding of the plan on the part of the tenants. The tenant who pays a higher rent for his house than his neighbor pays for the same accommodation may well feel a sense of grievance if he fails to appreciate the justice of the arrangement. A feeling of hostility may be avoided by the gradual application of a scheme and by proper education of the tenants.

The fact that the principle of differential renting has not been extensively employed on the Continent is explained primarily by the fact that direct subsidies are not in general use. The early post-war subsidy schemes were short-lived and were designed to stimulate house production with slight regard to aiding the low-income groups. The usual form of State aid is indirect financial assistance through the extension of credit at favorable rates or the guarantee of loans. This form of assistance is less adaptable to differential rent relief than is the provision of direct subsidies which can be pooled and allocated according to need. Furthermore, it may be that the housing programs and policies in the Continental countries are in a less advanced stage than in England.

PART V

HOUSING THE POOR

In spite of the many years of public housing activity in Europe, the situation of the lower-income groups with respect to housing accommodation remains unsatisfactory for the most part. Although pre-war policy, as well as the more recent post-war programs, was directed at raising the standards of housing among the working groups, the aggregate accomplishments leave much to be desired. Rapid progress is being made under the present English policy, and in the Scandinavian countries a great share of the population is decently housed. However, much remains to be done in all of the European countries. The problem of providing new housing for the lower-income groups on an economic basis has nowhere been solved.

Pre-war housing programs and legislation were successful in many respects. Minimum standards of sanitation were established and enforced. In some cities demolition and closure of insanitary houses were effected to a significant extent. There were scattered examples of slum clearance and rehabilitation of blighted areas. Programs of repair of substandard dwellings were carried on, and regulation of overcrowding was effected in a few instances. The prevention of the creation of new slums was made possible by the adoption of building regulations and town planning schemes. Encouragement to limited-dividend and cooperative societies was given through various forms of financial assistance.

There is little doubt that pre-war housing activity was successful in effecting a general improvement in the quality of the housing supply. Certainly the proportion if not the absolute number of families living in substandard dwellings was reduced.

The outbreak of the war interrupted public activities in all countries. The post-war housing policies were founded on the pressing need for additional dwellings and consequently were not selective with respect to benefiting particular groups. Although the stated objective was to provide working-class housing, most of the construction fell in a price class considerably above the lower levels. Private builders and public authorities as well were able to dispose of new houses to persons with fairly substantial and steady incomes.

The encouragement of construction through direct loans or the guarantee of mortgages by the State or municipality for limited-dividend corporations and cooperatives was not much more successful in procuring better housing for the lower-income groups than was the practice of direct subsidy. In general, these housing societies provided for artisans and white-collar workers since, even with public assistance, building costs were so high as to prevent the reduction of rents to a point within the reach of the lower-income groups.

The various measures of the early post-war years taken to stimulate housing production and overcome the shortage were eventually successful in accomplishing this object in each country. In some coun-

tries, such as England, the shortage was mainly overcome in medium-priced houses before 1930, but the building industry did not go so far as to create an excess of supply. In other countries, such as Holland, the momentum of the high rate of activity during the early post-war years carried over into the early 1930's (Table 12). The result was that by the end of 1930 the post-war deficit of some 60,000 units had been transformed into a reserve of about 50,000 dwellings.

TABLE 12.—Number and percent of houses added to housing stock by various agencies in the Netherlands, by years from 1921 to 1934

Year	Number of houses added to the stock							
	Agency							
	Government, Provinces, water-boards, etc.		Municipalities		Housing societies		Private enterprise	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total.....	1,564	0.2	43,249	6.4	99,932	14.9	512,365	76.1
1921.....	636	1.5	5,687	14.1	19,298	47.8	14,743	36.6
1922.....	130	.6	6,808	14.6	13,622	30.0	24,936	54.8
1923.....	94	.2	5,449	12.6	9,590	22.2	27,999	65.0
1924.....	107	.2	3,574	7.6	8,736	18.7	34,295	73.5
1925.....	41	.1	4,059	8.6	8,538	18.1	34,552	73.2
1926.....	100	.2	2,916	5.7	4,749	9.3	41,068	81.0
1927.....	69	.1	2,759	5.3	4,801	9.3	42,617	82.6
1928.....	44	.1	1,191	2.4	5,542	11.3	40,558	82.5
1929.....	64	.1	2,242	4.6	5,221	10.7	39,820	81.5
1930.....	98	.2	2,329	4.4	5,050	9.6	44,024	83.7
1931.....	35	.1	3,358	6.4	5,961	11.4	41,227	79.2
1932.....	47	.1	1,444	3.4	3,718	8.7	36,139	84.4
1933.....	58	.1	685	1.5	979	2.0	42,703	89.8
1934.....	41	.1	748	1.4	4,127	7.5	47,684	86.1

Year	Number of houses added to the stock—Continued			Reduction of total supply by demolition, alteration, and withdrawal from use	Total increase in stock of houses
	Rebuilt, extended, renewed, and change of use ¹		Total new dwelling units		
	Number	Percent			
Total.....	15,875	2.4	672,985	77,360	595,625
1921.....			40,364	1,895	38,469
1922.....			45,496	2,035	43,461
1923.....			43,132	2,629	40,503
1924.....			46,712	3,616	43,096
1925.....			47,190	4,477	42,713
1926.....	1,865	3.1	50,098	6,335	44,363
1927.....	1,376	2.7	51,622	6,932	44,690
1928.....	1,803	3.7	49,138	8,446	40,692
1929.....	1,518	3.1	48,865	7,711	41,154
1930.....	1,087	2.1	52,588	8,057	44,531
1931.....	1,511	2.9	52,092	9,022	43,070
1932.....	1,479	3.4	42,827	5,520	37,307
1933.....	2,542	4.6	46,967	5,341	41,626
1934.....	2,694	4.9	55,294	5,344	49,950

¹ For 1921 to 1925 this figure has been included with the figure for houses completed by private enterprise.

The failure of the early post-war housing measures to provide for the lower-income groups is well illustrated by the experience of England. It will be recalled that substantial subsidies were provided for the erection of working-class dwellings in the Acts of 1919, 1923, and 1924. The stated intent was to make up the housing deficit in low-rent housing. Limitations were placed on the size of houses eligible for the subventions, and rents were to be within the reach of the working classes. In spite of this admirable intention, it appears that the objective was not accomplished. The houses produced with subsidy were not generally within the means of the lower-income groups.

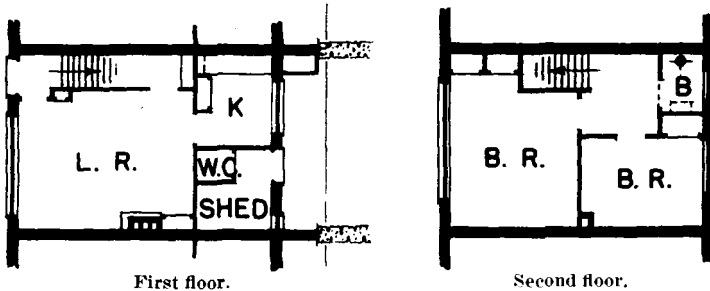


FIGURE 10.—PLAN OF ROW HOUSE IN VREEWIJK, ROTTERDAM.

This rents at about \$4 per week.

A report issued in 1931 by the Ministry of Health contained the following statements in this connection:

In England and Wales since the war, from public and private resources, more than £1,000,000,000 has been spent in the building of more than 1½ million new houses. This represents a housing effort which has probably never elsewhere been equaled. It is clear, however, from the evidence, that this large number of new houses has not had the effect of improving the conditions of the poorest workers to the extent which might have been anticipated. For this we think that there are two principal reasons; in the first place the increase in the number of houses, though large in itself, must be considered in relation to other relevant factors, such as the probable increase in the number of working-class families; and, secondly, the general moving or "filtering up" process, on which reliance was placed to improve the conditions of the poorest, has, * * *, not taken place to the extent which was hoped.

About 1 million of the new houses which have been built have been built for sale, and the rest, owing to the increased cost of building and the higher standard now required, are let at rents which are higher than the poorer members of the working classes can afford.

At present the provision of working-class houses to let is undertaken on a large scale only by the local authorities, the rents of whose houses, as we have pointed out, are often higher than the poorer workers can afford. The fact that building costs are now much lower than in the earlier years after the war has not yet been effective in altering this general position, presumably because local authorities feel difficulty in charging different rents for the same type of houses, and so the effect of the recent reductions in cost is weakened by being spread over all the houses previously built.⁴⁴

In 1929 it was calculated by a committee of the National Housing and Town Planning Council that adequate accommodation provided by local authorities with the aid of Exchequer subsidies must rent for a minimum of 11 shillings per week. With respect to the ability of working-class families to pay this rate, the committee states:

⁴⁴ "Report of the Inter-Departmental Committee on the Rent Restrictions Acts", July 1931. (Cmd. 3911) pp. 21-23.

Broadly speaking, the skilled labourer in urban areas is generally prepared to pay something between 10s. and 15s. a week, inclusive rent; the unskilled labourer, something between 6s. and 10s. The 11s. family house will, therefore, if built in such a position as to allow cheap and ready access to the place of work, substantially meet the need of the skilled worker. It would, on the other hand, do almost nothing to meet the need of the labourer's family at the time when he has several dependent children. A large proportion of these poorer families are living today in unsatisfactory housing conditions. The greatest service that housing reform can do to the health of the nation will be to enable these families, which include well over a million children, to move from the slums into good houses. This can only be achieved by building a large number of new houses to be let at rents which the poor families are able and willing to afford. For this purpose it would be necessary, in our opinion, to let these houses at about the rents which these people are now paying—that is to say, round about 7s. or 8s. a week, inclusive.³⁵

As the need for housing space was relieved, the attention of various governments turned to the improvement of housing conditions in existing structures and to the betterment of the situation of the lower-income groups. In almost all of the countries the clearance of slum areas began to receive a greater emphasis. Extensive plans were drawn up, and in many cases actual operations were undertaken. In England the Act of 1930 was directed particularly at this problem, but here as in other countries the results were not easily achieved. It was not until 1933 that programs were adopted and actual operations commenced in most of the English cities. In other countries many of the ambitious plans were laid aside because of unfavorable economic conditions and lack of funds. However, some improvement in the conditions of the working groups was effected, particularly under the vigorous policy pursued in England.

Since 1930 there has been a gradual reduction in both the cost of money and the cost of construction in England (Chart II). The following table illustrates this fact (Table 13):

TABLE 13.—*Cost per square foot of local authority non-parlor houses and interest rates of building society loans, 1929 to 1935*

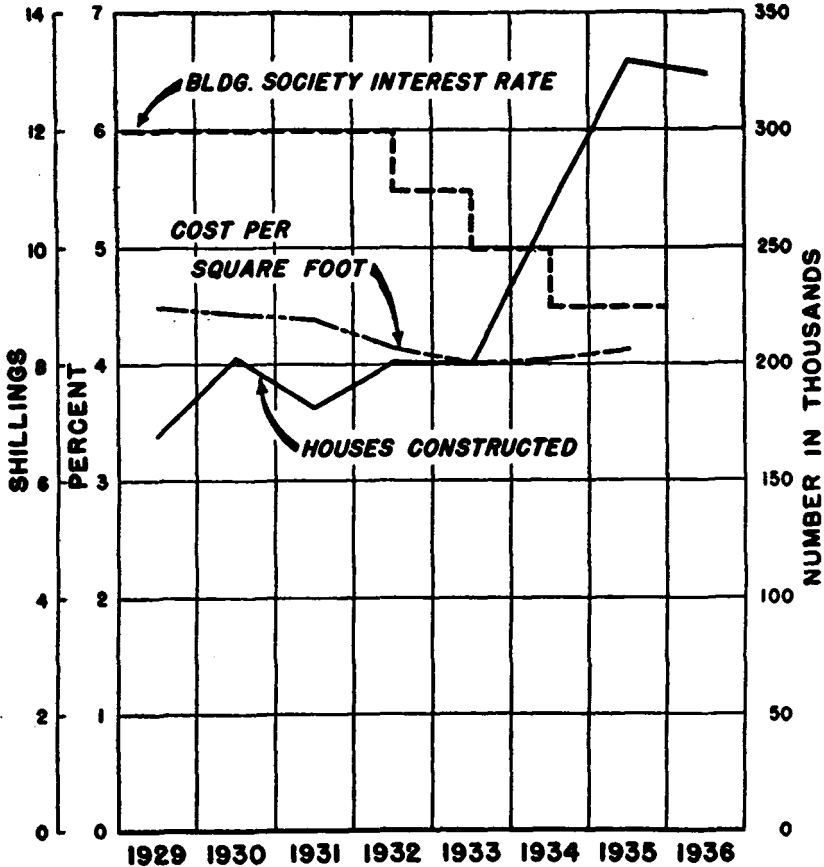
Year	Cost per square foot of non-parlour houses	Building society mortgage interest rate	Year	Cost per square foot of non-parlour houses	Building society mortgage interest rate
	<i>s. d.</i>	<i>Percent</i>		<i>s. d.</i>	<i>Percent</i>
1929.....	8 11½	6	1933.....	8 0	5-5½
1930.....	8 10½	6	1934.....	8 1	4½-5
1931.....	8 9½	6	1935.....	8 4	4½
1932.....	8 3½	5½-6			

NOTE.—Current rate of exchange for the pound, \$4.89125.
Sources: *The Economist* (London), Oct. 26, 1935; *Facts and Figures*, National Housing and Town Planning Council (April 1936), p. 9.

As a result of this decline, private initiative has been able to produce houses for sale and rent at progressively lower prices. Table 14 shows the increasing proportion of unassisted dwellings constructed in the lower-rental ranges.

³⁵ "A Policy for the Slums", op. cit. note 23, p. 53.

CHART II.
INTEREST RATE, CONSTRUCTION COSTS,
AND BUILDING ACTIVITY IN ENGLAND,
1929 TO 1936



SOURCE:- THE ECONOMIST LONDON
OCTOBER 26, 1935.

TABLE 14.—Percentage distribution, by value, of houses constructed in England and Wales without Exchequer assistance, 1930 to 1936

Dwellings		Year ending Mar. 31—						
Ratable values	Estimated sale price equivalent	1930	1931	1932	1933	1934	1935 ¹	1936 ¹
		Percent 100.0	Percent 100.0	Percent 100.0	Percent 100.0	Percent 100.0	Percent 100.0	Percent 100.0
Total.....								
£13 or less.....	\$1,800	73.7	81.5	83.7	85.0	87.7	36.8	26.5
More than £13 to £26.....	\$1,800-3,600							
More than £26 to £78.....	3,600-10,900							
		26.3	18.5	16.3	15.0	12.3	61.3	51.2
							11.9	12.3

¹ A slightly different base was used for percentages in these years.

¹ Source: *Tenth to Sixteenth Annual Reports of the Ministry of Health, 1929-35.* "Housing—Position at 31st March 1936", p. 7.

Houses are now being offered for sale at prices within the reach of the skilled artisan. For instance, in the London area, one large-scale operator sells a three-bedroom house at £460 (\$2,250). This can be purchased for as little as 10 percent down, and calls for weekly payments of about 16 shillings (\$3.90) including rates (local real-estate taxes).

It is asserted in some quarters that private initiative is able to produce houses for rent at about 10 shillings (\$2.45) per week. However, not many such houses are being produced, since the building of houses for sale is a much more profitable operation under the current boom conditions. Furthermore, the rent of 10 shillings (\$2.45) per week is considerably above the reach of the really poor people, although it can be supported by many of the more favored working-class families.

The costs of construction for local authority house building have likewise been reduced since 1930. Another feature which permits further reductions in rents in public housing is the more favorable subsidy provided under the 1930 Act. The actual current situation with respect to rentals is shown in Table 15 giving data from various cities on current rentals in municipal housing.

Considering the fact that in England many slum dwellers and other persons who are crowded into lodgings are paying rents in the neighborhood of 5 to 6 shillings (\$1.25 to \$1.50) per week for housing, it is evident that a large portion of this group is not being served by public housing.³⁶

There is some evidence that the local authorities are to a greater extent than before 1933 providing for the lowest-income groups. In the first place, the operations under the 1930 Act, which have increased steadily since 1933, result in the displacing of slum dwellers and, in most cases, their rehousing in municipal dwellings. In this manner the needy are actually being served.

TABLE 15.—Rents charged in municipal houses and flats in various cities in England

Type of unit	Birmingham		Liverpool		Manchester		London	
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Bed-living room cottage or flat.....			3 6 to 4 0					
Maisonnette:								
1 bedroom.....		6 5						
2 bedrooms.....	6 5 to 7 6		14 8					
3 bedrooms.....	8 0							
Small non-parlor cottages:								
1 bedroom.....			5 9	6 9 to 7 1	6 7 to 15 1			
2 bedrooms.....	8 0 to 8 9		8 1	9 2 to 9 5	8 7 to 20 6			
3 bedrooms.....	9 0 to 10 8		8 7		10 3 to 22 5			
Non-parlor cottages:								
3 bedrooms.....	10 6 to 11 8		10 0 to 12 6	10 10 to 11 8	10 3 to 22 5			
4 bedrooms.....			11 0	14 4				
Parlor houses:								
3 bedrooms.....	13 6 to 16 3		16 6	13 11 to 14 8	12 4 to 21 11			
4 bedrooms.....	15 6 to 16 10			14 8 to 15 6	13 0 to 27 11			
Flats:								
1 bedroom.....			5 0 to 5 6			4 0 to 15 1		
2 bedrooms.....		9 0	6 7 to 7 1	9 0 to 9 5	6 2 to 20 2			
3 bedrooms.....		10 6	8 1 to 8 7		7 10 to 22 2			
4 bedrooms.....			9 1 to 9 8		12 9 to 24 4			

NOTE.—Current rate of exchange for the pound, \$4.89125.

Sources: Birmingham, "Opening of 40,000th Municipal House," July 1936, p. 8; Liverpool, "Housing, 1934" (with addendum to May 1936), p. 39; Manchester, "Housing," July 1936, pp. 25 and 29; London County Council, "Housing Estates Statistics, 1934-35," July 1935, p. 2.

* See Simon, E. D., and Inman, J. Op. cit. note 21, p. 114 ff.

Another encouraging indication is the increasing use of rent rebates. The 1935 Act provides for the consolidation of all housing accounts, the pooling of subsidies, and the encouragement of differential renting. Under this arrangement for pooling all subsidies, the rents charged for given groups of houses will not reflect the act under which they were built, nor the current costs of construction and money. The basic rents will be fixed by the quality of accommodation offered, and rebates made from this standard in accordance with the need of the tenant. This scheme is not in general operation as yet, although modified forms of rent rebate are used in many cities.³⁷ As the adoption of this form of renting policy spreads, greater benefit will accrue to the more needy.

In Holland, the provision of new housing within the reach of the lowest-income group remains a problem unsolved by private initiative and by the communes. The slum clearance operations have secured the rehousing of some slum dwellers in new housing. However, the greatest share of governmental assistance has been to housing societies, who have served skilled artisans and white-collar workers.³⁸

The situation may be illustrated by the plight of the textile workers in the Rotterdam district. It is accepted that the proper rent-income ratio for Dutch workers is approximately 15 percent. Under present conditions, this indicates a rent of Fl 3.00 (\$1.62) per week. Workers are actually paying Fl 4.50 (\$2.43) per week. It has been estimated that new housing suitable for working-group families would have to rent for 6 to 7 florins (\$3.24 to \$3.78).

The prospects for the provision of housing for the most needy group in the near future are not so encouraging in Holland as in England. The unsettled economic conditions and the straitened circumstances of the State and the communes have stopped slum clearance operations and restricted other forms of governmental housing activities. Furthermore, the level of wages has declined faster than the level of rents, thus adding to the burden of housing costs for the working classes.

Although it is evident that the problem of improved housing for the lower-income groups is far from solved in Europe, there are several outstanding examples of successful attempts in this direction. One of the most promising plans, and perhaps the most widely utilized scheme, is the reconditioning of unfit dwellings. At some time during the legislative history of housing in almost every country provision was made for the improvement of existing structures through repair and remodeling. Since 1868³⁹ in England it has been within the power of local authorities to require the repair of structures which were unfit for human habitation and to perform the work at the owner's expense if he failed to do it. Under this power in several of England's Midland cities, such as Liverpool and Manchester, large numbers of crowded substandard back-to-back structures were improved in the years before the war. The Dutch Housing Law of 1901 provided similar powers, and these have been consistently exercised for many years. In Germany and in Vienna

³⁷ See Part IV.

³⁸ See Table 11, Part IV.

³⁹ The Artisans and Labourers Dwellings Act, 1868. 31 & 32 Vict., ch. 130.

following the war, large-scale operations were carried on resulting in the improvement and the remodeling of existing structures in order to increase the number of units available at reasonable rents and to improve housing conditions generally.

Since that part of the existing housing supply which was built up in pre-war times constitutes a substantial proportion, probably from 75 to 90 percent, of the total supply, its treatment is of great importance. The rehabilitation of existing structures which are structurally sound and capable of rendering continued service makes possible the preservation of a huge investment and the production of adequate housing at a cost substantially less than that for new housing. Whether or not the improvement of existing structures reaches the most needy income groups on an economic basis, it is true that whatever State assistance is necessary constitutes a lesser burden than is involved in the rehousing of these groups in new dwellings.

In many European nations attention is being turned to the possibilities of this type of work. Under the comprehensive policies in England and Holland, the repair of structures is used in connection with the other devices provided. The extent of this work in England is indicated in the following table (Table 16) :

TABLE 16.—*Repair of houses as a result of housing inspections under the Public Health Acts and the Housing Acts in England and Wales, 1920 to 1934*

Year	Total houses inspected under Public Health and Housing Acts	Houses repaired		
		Total	Without formal notice	After formal notice
Total.....	14, 129, 611	7, 517, 130	4, 035, 380	3, 481, 750
1920.....	1, 084, 864	421, 935	180, 699	241, 236
1921.....	1, 174, 334	544, 635	250, 702	293, 933
1922.....	1, 115, 394	542, 834	268, 571	274, 263
1923.....	1, 112, 228	562, 517	280, 430	282, 087
1924.....	1, 138, 389	537, 202	272, 509	264, 693
1925.....	1, 114, 504	528, 496	279, 407	249, 089
1926.....	1, 164, 875	583, 609	302, 739	280, 870
1927.....	1, 227, 663	579, 288	298, 301	280, 987
1928.....	1, 165, 551	553, 629	302, 373	251, 256
1929.....	1, 182, 895	558, 981	308, 036	250, 945
1930.....	1, 127, 394	530, 336	331, 213	199, 123
1931.....	(¹)	(²)	(³)	(³)
1932.....	1, 521, 520	559, 129	332, 520	226, 609
1933.....	(¹)	520, 972	318, 261	202, 711
1934.....	(¹)	493, 567	309, 619	183, 948

¹ Not including data for 1931, 1933, and 1934.

² Not including 1931.

³ Data not available.

NOTE.—As a result of action under the Housing Act of 1930, a total of 454,063 houses were repaired before Mar. 31, 1936; 122,071 of these repairs were effected after formal notice under the act. An undeterminable number of these are included in the 1932, 1933, and 1934 figures in the table.

Source: *Third to Seventeenth Annual Reports of Ministry of Health, 1921-36.*

The reconditioning of dwellings has been put on an economic basis by some private management firms in England. The outstanding example is the Metropolitan Housing Corporation, Ltd., operating in London.⁴⁰ This organization was founded in 1926 and operates

⁴⁰ See "Departmental Committee on Housing—Proof of Evidence submitted by Claude M. Leigh." Blades, East & Blades, London, May 1933.

buildings containing a total of 10,000 families. Every year since its beginning, this company has reported earnings of at least 12 percent on its investment, and it has paid dividends of 8 percent on the common stock.⁴¹

The method of operation is as follows: The company buys up houses, flats, and tenements in the low-rental range, selecting buildings that are structurally sound and in fairly good locations. Legal control of rents is still operative in England for low-rent dwellings. As the houses above £20 (\$98) ratable value in London become vacant, they are decontrolled. All decontrolled dwellings are immediately reconditioned by the firm at a cost of about £130 (\$636) per unit. These are rented at economic rents which, according to the firm, provide in unassisted dwellings a quality of housing equivalent to that available in subsidized public housing, and at equivalent rents.

The controlled dwellings cannot be reconditioned until they become vacant since rents could not be raised to cover the added investment. However, for the controlled flats, arrangement is made through a subsidiary company for the tenants to rent various pieces of new equipment in accordance with their desires and ability to pay. This rent is paid separately, and thus effects partial reconditioning without technically increasing the rent of the controlled unit.

The weekly rents of dwellings managed by the Metropolitan Housing Corporation range from 8 to 21 shillings (\$1.95 to \$5.15) with an average of 13s.5d. (\$3.30), including rates.

Another outstanding exception to the general failure in providing housing for the lower-income groups is found in the city of Vienna. Under the Socialist regime an extensive housing program was undertaken involving the construction of huge blocks of flats designed for the most needy people and available at nominal rents which covered only the cost of repair and management. This program was continued up to the fall of the Socialist Government in 1933, and resulted in the construction of some 63,000 dwellings. However, this scheme was made possible only through the imposition of heavy taxes of many varieties, one of the most important of which was a tax on pay rolls.

In both Germany and Austria, the present emphasis in housing policy is on the development of suburban homesteads.⁴² In both cases, the original object was to provide for the unemployed and to effect a solution of many problems which are associated with widespread unemployment in the larger communities. This type of operation, therefore, falls in the category of provision for the lowest-income groups and is an outstanding example of recent developments in connection with this problem.

The policy was first put into general effect in Germany in 1931. The homesteads were to be built primarily for the unemployed with the assistance of loans from the Reich. It is significant that there has been a gradual change in policy until at the present time part-time workers are admitted to the settlements. Unemployed are selected only under circumstances where there is a good chance for

⁴¹ See Part VII.

⁴² See "Subsistence Homesteads." International Housing Association, Frankfort/Main, 1935.

them to find employment. Full-time employed workers are also admitted provided that their income is less than RM 200 (\$80) per month.

There is also a tendency to reduce the size of the State loans, and to increase the upper limits to the area of the land connected with each house, as well as the cost of the house. The maximum area of land has been raised from 600 to 1,000 square meters, and the limits to the cost of improvements from RM3,000 to RM4,000 (\$1,200 to \$1,600). It is also a recent policy to attract private money into this field with the aid of Government guarantee. At the present time, it is usual for 60 percent of the total costs to be secured on first mortgage from the private money market. One-third of this advance is guaranteed by the Government. A second-mortgage loan of 20 percent is provided by the Reich at 4 percent interest with 1 percent per year amortization. The balance of the necessary funds



FIGURE 11.—SUBURBAN HOMESTEADS NEAR BERLIN.

These dwellings are a part of the Siemensstadt project, developed by a large manufacturing concern.

must come from the settler in the form of cash or labor. Another form of assistance is tax exemption, sometimes granted by municipalities.

The management of the German suburban developments is usually in the hands of the municipalities, but it may be transferred to cooperatives. Tenants are selected from people of small means who may be unemployed or who may have either part-time or full-time jobs, provided that their income is within the limit of RM200 per month. Many of these people are artisans or white-collar workers, but it is said that the majority are industrial laborers. In 1935, it was reported that 80,000 homesteads had been completed with Government aid.

The dwellings constructed in the settlements are of the simplest design and may be either single-family or semi-detached houses. In

many cases, much of the construction labor is provided by the settlers. This may reach a value of from RM500 to RM1,000 (\$200 to \$400). Sometimes land is supplied by the municipalities at very favorable rates, or an industrial plant may supply the land in case the development is to be settled by its employees. Building materials are occasionally provided by municipalities at reduced prices.

The average cost of the improvements on suburban homesteads in Germany is approximately RM2,400 (\$965). The land cost averages RM500 (\$200), and the expenses of development are in the neighborhood of RM100 (\$40). Other expenses, such as those for digging wells, making electric connections, and providing sanitary facilities range from RM200 to RM300 (\$80 to \$120), while about the same amount is invested in seeds, fruit trees, livestock, and other items necessary for the cultivation of the plot.

In a typical case, the total cash outlay per month is about RM18 (\$7.25) and may range to a maximum of RM25 (\$10). This sum includes interest and amortization on money advanced, charges for the land, and management and upkeep costs. This monthly charge is limited to one-fourth of the settler's income.

A program for the development of suburban homesteads has been instituted in Austria along the same lines as in Germany. In 1935 the Government allotted \$10,000,000 (\$1,872,000) for loans on 2,000 homesteads. Up to that time 3,200 dwellings had been completed.⁴³

One of the first projects was developed in Vienna. This was sponsored by a public utility society controlled by the Government and the city of Vienna. The first unit consisted of 80 dwellings, each with five-eighths of an acre of land. It was designed for the unemployed whose dole had expired. The size of the plot was estimated to be sufficient to produce foodstuff equivalent to the dole and not too large to be kept in cultivation if the settler secured employment. This project was financed by a grant of \$100,000 (\$18,720) by the city, mainly for land development, and by a loan from the public utility society of \$121,000 (\$22,651). The settlers raised \$75,000 (\$14,040), so that the total cost in addition to the land, which was leased by the city, amounted to \$296,000 (\$53,411). This amount is equivalent to \$693 for each homestead.⁴⁴

The houses were constructed on a minimum basis with one living room-kitchen combination, one bedroom, a loft, and a stable. They were built as semi-detached structures and were arranged so that enlargements could be made in the future. Water supply is from wells; neither electricity nor gas is available. There is no sewer connection, for this would be expensive; and furthermore, all the refuse is carefully preserved and used for fertilizer.

The tenants for this project were selected from unemployed persons with no dole. It was required that they have some experience in farming, and a certain number of skilled building artisans were included in order to facilitate the construction of the improvements by the settlers themselves. Furthermore, each settler was required to raise a certain amount of money to finance the equity. This project was completed in 1933 with 90 percent of the construction work done by the settlers. A second colony was finished in 1935, composed of

⁴³ "Austria Is Helping Her Unemployed to Help Themselves." *Die Randsiedlungsaktionen der Bundesregierung und der Stadt Wien*, 1935, p. 14.

⁴⁴ *Ibid.*, pp. 4-6.

345 units. The city of Vienna has recently started to develop 439 more homesteads in several different settlements.

Under the most recent policy the homesteads are more commodious and provided with better facilities; they are financed through a loan of \$4,500 (\$842) by the Government and one of \$500 (\$94) by the city, both for a term of 40 years. The settler holds his property on a lease until the year 2000, but must serve a 3-year probationary period. In a typical case the all-inclusive charge for a homestead is in the neighborhood of \$25 per month. This is equivalent to \$4.75.

An interesting feature which has just been introduced into the plan is that of inducing full-time workers to agree to a reduction of hours and wages coincident with moving onto a suburban homestead. The object of this policy is to create new jobs for the unemployed settlers.

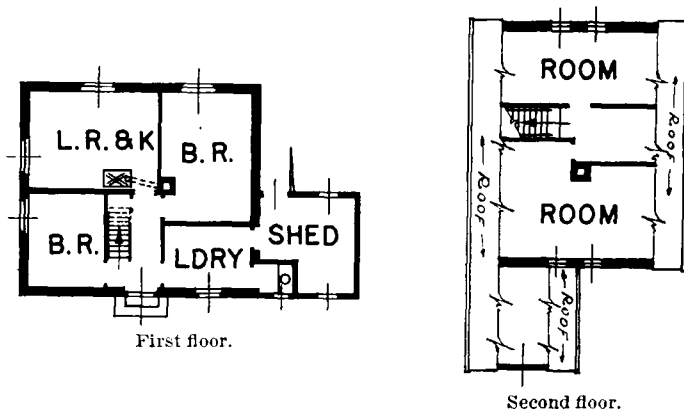


FIGURE 12.—SUBURBAN HOMESTEAD, GERMANY.

These siedlung dwellings are sold with one-sixth acre of land for \$120 down and \$12 per month.

It is evident that the suburban homestead schemes in Germany and Austria and in other countries where they have been exploited actually do serve the lowest-income groups. The aggregate number of families who are participating in this plan is small, but the movement is spreading and may assume considerable importance in the future. This policy is not purely a housing policy. It is part of a plan to relieve the burden of unemployment, to induce a back-to-the-land movement in order to offset the past tendencies for population concentration in urban areas and, finally, to assist in making each country more self-sufficient with respect to its foodstuffs. Furthermore, there is a socio-political aspect, for it is recognized that a class of contented property owners wedded to the soil is less likely to create political disturbances than a restless, dissatisfied industrial population.

The city of Stockholm, Sweden, has adopted a progressive policy of cooperation between city government and prospective owners of small homes which has been signally successful both economically and socially.⁴⁵ Since 1904 the city has from time to time purchased outlying farm lands which would eventually be desirable building sites. Before 1936, 21,170 acres of land within 8½ miles of the center

⁴⁵ See Dahlberg, A. "The Garden Suburbs of Stockholm and the Suburban Small Cottage Scheme." Stockholm, 1936.

of the city had been purchased at a cost of 24,300,000 kronor (\$6,128,460). Until 1926 parts of this land were sold or leased for the development of garden cities. In 1926 the municipal authorities initiated a program for the development of working-class residential areas. Initial plans to develop orderly "shanty towns" at the most economical cost possible were wisely abandoned in favor of the policy of planning and building areas having all houses equipped with gas, electricity, water, sewer, and central heating. Areas are plotted as a unit, are built around a square, and have provisions for parks, playgrounds, streets, and a small business center. Provision is made for about 200 dwellings in each development. Prior to 1936 more than 2,000 single-family houses had thus been built. No area so far developed is farther from the city than 30 minutes by tramway.

The planning and development of small-cottage areas is a function of the municipal real-estate board. Through a specially appointed committee, the board attends to the preparation of plans for each area, the selection of suitable home builders, the provisions for financing, the purchase and delivery of building material, the arrangements for licensed contractors to perform highly skilled operations, and the instruction and supervision of builders during the actual construction of the homes.

Plans for five types of standard houses are available for the selection of the builder. There are one- and two-story dwellings with from one to three bedrooms, a living room, kitchen, hall, bath, and toilet. The estimated costs of these standard dwellings range from 9,200 kronor to 13,000 kronor (\$2,320 to \$3,279). Total estimated annual charges vary from 802 kronor to 1,059 kronor (\$202 to \$267) per dwelling.

The use of standard plans permits the standardization of many elements of the building. Considerable economy of labor, time, equipment, and expense for materials results from partial assembling of walls, roofs, and floors before shipment from the factory. All rough labor and some of the skilled labor is provided by the future owner under the supervision of an instructor provided by the city. Certain parts of the construction, such as the connecting of gas and water mains, the installation of electric wiring, and the installing of the central heating plant, must be done by licensed contractors. Contracts for such labor for a whole area are arranged by the city representatives. The owner usually digs the basement, constructs foundations, and at least assists with the carpentry labor of assembling the parts of the house.

Land for each dwelling is leased to the house builder for a term of 60 years. At the end of this time the city may renew the lease at not more than 50 percent increase in rent, or, in accordance with special provisions, purchase the improvements on the land from the owner. The annual ground rent for an average plot of 525 square meters is about 172 kronor (\$43.38).

In addition to obtaining the lease, the builder arranges with the city for a temporary building credit and contracts for the supply of materials. Under this arrangement the city provides all materials, instruction, special contracting, and financing. At the completion of the structure, the credit is converted to a loan with a mortgage on the dwelling and leasehold estate as security. Repayment is provided over a period of 30 years.

The credit advanced under this contract is estimated to cover 90 percent of the total construction cost. The remaining 10 percent is provided by the builder himself in the form of labor. From the 90 percent advance come the payments for all materials, for special contractors' work, and for administration and instruction by representatives of the city. There is a sum of about 1,000 kronor (\$252) which the builder is permitted to use for labor to assist him or for special equipment or minor additions to the structure. This money is usually used to provide special amenities such as an enclosed porch, a garage, or a water-heating system. Considerable competition is developed in each area to see which householder can build quickest, best, and most economically.

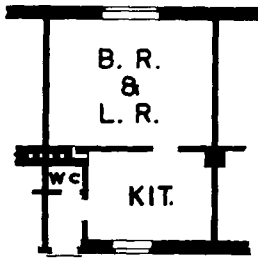


FIGURE 13.—PLAN OF FLAT FOR DESTITUTE FAMILIES, VIENNA.

No family with less than three children is admitted to the ten developments, each containing from 200 to 300 units like this. Public baths are provided.

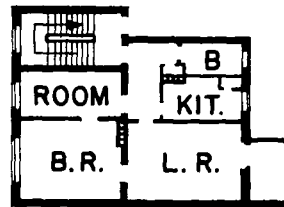


FIGURE 14.—UNIT IN LIMITED-DIVIDEND PROJECT, GERMANY.

Although the ratio of the advance to construction cost is 90 percent, it is calculated that the actual ratio of the loan to the value of the dwelling is only 72 percent. About 15 percent of the normal cost of materials is saved by quantity purchases in standard sizes through city representatives. Further saving is effected through the low rates of interest at which the city can borrow. Another source of saving is the provision of land by the city. These savings make the small cottages the cheapest kind of housing accommodation now available in Stockholm.

Although there are some examples of successful devices for improving the housing conditions of the low-income groups, such as the cases given here, no country can boast of having solved the problem. No single method can effect a complete cure, and a long period of constant application of a variety of remedies is required. From the experience of Stockholm it appears that new accommodation may be provided at low cost with a minimum of governmental assistance. The suburban homestead schemes of Germany and Austria hold some hope, but even these require State aid. The benefits of such plans are limited, for a large portion of the population must live near the center of the city because of employment opportunities.

The repair and reconditioning of existing structures by public and private agencies seem to be a practicable and economical device. The application of this device is limited by the fact that a large proportion of existing structures were erected before construction standards were enforced by municipalities and are of such design and condition that they are fit only for demolition. In order to rehouse all those displaced by such treatment, new housing is required.

PART VI

MUNICIPAL OWNERSHIP OF LAND

For many years it has been the policy of municipalities in Scandinavia, Holland, and Germany to acquire large areas of land at the urban periphery by purchase in the open market at favorable times and prices. This land policy, carried on in many cases since the last half of the nineteenth century, has resulted in the accumulation of great tracts by many cities. In Stockholm, for instance, in 1934 the city owned 8,140 hectares of land located from $2\frac{1}{2}$ to $8\frac{1}{2}$ miles from the center of the city. This is more than five times the area of the city proper.⁴⁶ The first purchase took place in 1904, and the total cost of the land has been about \$6,000,000. Five other Swedish towns own from 47 to 80 percent of their administrative areas.

The land policy of the city of Copenhagen is illustrative of Continental procedure. Since 1890, the municipality has purchased large tracts of land both within and without the city limits. From 1923 to 1932, the city purchased land valued at a total of 17.4 million kroner (\$3,800,160). In addition, various properties were expropriated for street widenings and other improvement schemes to a value of 21.3 million kroner (\$4,651,920). During the same period, 18.2 million kroner (\$3,974,880) was received through the sale of public property.

In 1933, the total area of undeveloped land owned by the city was 2,890 hectares, of which 1,665 hectares were in outlying districts. About three-quarters of this peripheral land and two-thirds of the land within the city were considered suitable for residential use. The municipally owned land was carried on the books at a value of 47 million kroner (\$10,264,800).

To a considerable extent, public land has been used for residential purposes either by the city itself or through sale for private use. Since the war, about 1,300 parcels have been disposed of for use as sites for small private residences. To a considerable extent, the city has been able to keep land values at low levels through the disposition of its building land at low prices. In the early post-war period, this control of prices was strengthened by the provision that land values must be low in order to receive subsidy in connection with new construction. Building sites are still relatively cheap in spite of a substantial increase in private activity.

Lots are sold by the city under specific regulations pertaining to their use. The price is determined by the intensity of the intended utilization, and has no definite relation to the cost of the property. In general, however, the proceeds have equalled the cost of acquisition.

⁴⁶ "Garden Suburbs of the City of Stockholm—Some Official Data." issued by City of Stockholm Real Estate Office, 1934.

The sale of property by the municipality is usually made conditional upon the right to repurchase the land in 70 to 100 years at the original sales price with an additional payment to cover the value of the existing improvements. This plan was used from 1900 to 1931, when the basis of compensation was altered by eliminating the award for the improvements.

Since 1932 an interesting arrangement has been used in connection with the sale of public lands in large blocks for private apartment-house construction. The city takes back a purchase-money mortgage for the land. A stipulation is made that the dividends of the proprietary corporation shall be limited to 6 percent per year. Any excess earnings are used to purchase stock in the corporation in the name of the municipality. When all the equity stock has been acquired by the city in this manner, title in the property is transferred to the municipality.

The municipal purchase of land for building purposes in Austria⁴⁷ was not common before the war, although some peripheral public land did exist. Since that time, the cities have been able to acquire land at exceedingly low prices because of the low rate of private building activity and the consequently restricted market for building plots. Vienna owned 4,690 hectares in 1918 and by 1928 was in possession of 6,411 hectares, or a total area equal to one-fourth the area of the city. Most of the land was purchased by agreement, since the procedure of expropriation is complicated and slow. Land is leased by the city for building purposes for 80 years with reversion to public ownership upon payment of compensation for the improvements.

The larger cities of the Netherlands have pursued for some time the policy of acquiring outlying acreage. Since compulsory purchase is often unduly costly, the predominant practice is to buy the land in the open market. The land is leased or sold to private interests and to housing societies.⁴⁸

In Norway land is acquired by agreement only, since there are no legal provisions for compulsory purchase in this connection. Leases are made with low ground rents, or the land is sold on exceptionally easy terms. In some cases the city installs the utilities and streets free of charge.⁴⁹

The absence of a far-sighted policy of land purchase on the part of the local authorities has been a handicap to the British housing program. The extensive construction of housing estates by the local authorities has required the acquisition of large tracts of land. These have been purchased very little in advance of need and at current market prices. In many cases the dictates of economy have led to the purchase of lands well beyond the fringe of urban development with consequent inconvenience to the tenants of the housing estates subsequently built there. Land conveniently located can be acquired only at relatively high prices either by agreement or by compulsory purchase. The result of this situation has been to add substantially to the costs of public housing in England.

⁴⁷ *Housing Policy in Europe*. International Labour Office, Geneva, 1930, pp. 311-12.

⁴⁸ *Ibid.*, p. 112.

⁴⁹ *Ibid.*, pp. 163-4.

In Germany most of the municipalities have accumulated large tracts of land over a long period of time. In 1924 it was reported that 53 towns were known to own one-fifth of all the property contiguous to the city and in some cases as much as one-half or three-fourths. The extent of land holdings by German cities may be seen from Table 17, based on the situation in 1914, and showing the relationship of the public lands to the area of the city.

TABLE 17.—*Municipal lands of certain German cities as a percentage of the city's administrative area, 1914*

City	Public land within the city	Public land outside the city	City	Public land within the city	Public land outside the city
	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>
Berlin.....	9.2	240.8	Strasbourg.....	33.3	281.0
Munich.....	23.7	37.8	Hanover.....	37.7	20.4
Leipzig.....	32.3	27.4	Spandau.....	3.0	42.9

Source: "Some Economic Aspects of Municipal Land Policies of American Cities"; Masters Thesis, Northwestern University, George J. Stigler.

The situation in 1934 with respect to land ownership in the 10 largest German cities is shown in Table 18.

TABLE 18.—*Land owned by the 10 largest German cities in 1933-34, classified by present use (in hectares)*

City	Total area of municipality	Total municipal holdings ¹		Buildings, parks, miscellaneous, etc.		Forests ²		Open space and agricultural land ³	
		In city	Outside of city	In city	Outside of city	In city	Outside of city	In city	Outside of city
Berlin.....	88,357	30,898	30,329	3,959	572	14,066	9,477	12,873	20,280
Hamburg.....	13,566	5,384		2,102		38		3,244	
Cologne.....	25,108	8,170	2,429	2,171	63	643	79	5,356	2,287
Munich.....	18,828	2,499	5,398	887	392	180	1,621	1,432	3,385
Leipzig.....	12,854	4,077	2,911	855	189	1,048	332	2,174	2,390
Essen.....	18,845	2,161	118	1,154	29			1,007	89
Dresden.....	11,920	1,915	927	591	93	121	299	1,203	535
Breslau.....	17,470	3,115	5,154	1,494	168		2,037	1,621	2,949
Frankfort.....	19,460	7,070	950	801	355	4,220	510	2,049	85
Dortmund.....	27,143	2,978	2,881	956	352	695	435	1,327	2,094

¹ Exclusive of streets, railways, etc.

² This land may be used for building only under special circumstances.

³ This land is held primarily for building purposes.

Source: *Statistische Jahrbuch Deutscher Gemeinden, 1935*, p. 36 ff.

Peripheral land is the raw commodity from which the future city is made, and the control by the municipality of its exploitation affords many advantages. In the first place, its development can be made to conform to the city plan. Utilities and arterial highways can easily be laid out to provide the most efficient pattern, and land uses may be controlled for the most effective development. Furthermore, antisocial exploitation and speculation can be prevented, the overcrowding of structures avoided, and excessive land prices in developing areas controlled by making the public lands available for improvement in competition with privately owned property.

As the area of the city expands and the outlying districts are absorbed, under municipal ownership the coordination of public services is easily effected, and economic waste arising from extension into remote areas beyond belts of open land is avoided by extending utilities only as the immediate need demands. This is in contrast to the costly practice of private initiative in the overdevelopment of subdivision property far in advance of actual requirements. It permits planned, compact development instead of the usual spotty, haphazard development. Finally, any increment in land value created by the extension of the community is preserved for the municipality.

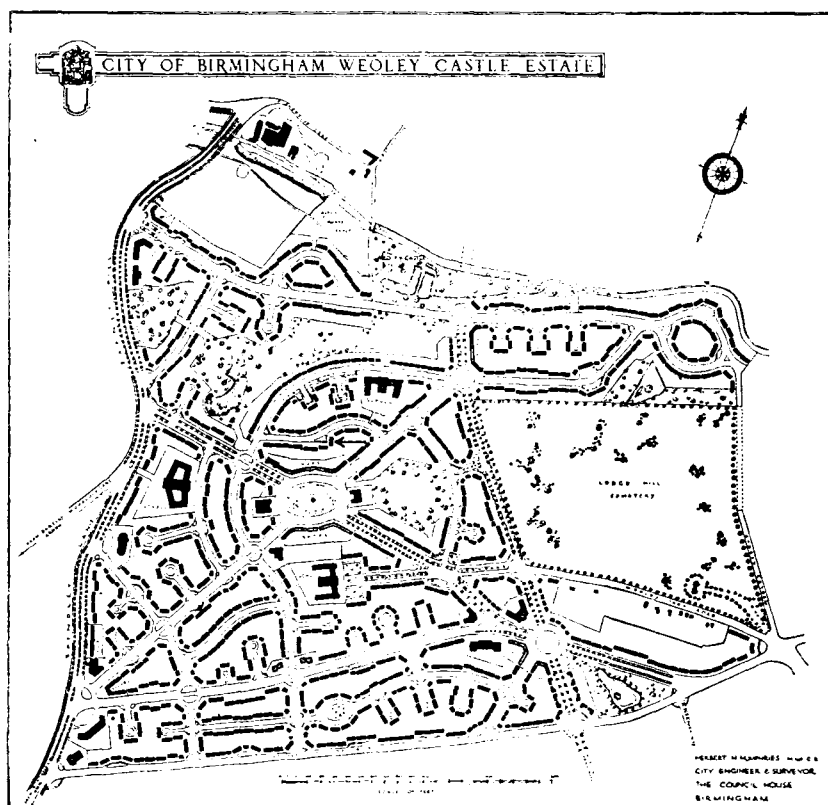


FIGURE 15.—PLAN OF THE WEOLEY CASTLE PUBLIC HOUSING ESTATE IN BIRMINGHAM.

Another important advantage of the ownership of raw land by public authority lies in its utilization in the provision of housing for low-income groups. Since under a long-range program the land can usually be acquired at low prices, it is possible for the city to provide public housing at lower rents than would be the case if the land were bought in the open market when needed for building.

In the city of Stockholm, it has long been the practice to lease the public land for the production of low-rent housing, mainly by public utility societies and cooperatives. Because of the original low cost of the land, these leases are on very favorable terms and

enable rents to be substantially lower than where land must be acquired from private interests at speculative prices. It is usually provided in the lease that at its expiration the city may acquire the land and its improvements upon the payment of a reasonable sum to cover the remaining value of the buildings. Leases of public lands are frequently made to private interests at rentals which are below the current market rate. However, such conditions of tenure are imposed as to give the municipality unusual controls over the use of the land as well as favorable reversion rights.

In Germany, a large share of building is done on public land. For instance, between 1901 and 1913, in a group of 92 towns, approximately two-thirds of the total land employed for housing construction was leased or sold by the municipalities. In 70 towns of over 50,000 inhabitants, 45 percent of the municipal land ceded during this same period was utilized by public utility societies, 32 percent by private builders, and 23 percent for the erection of municipal housing. The terms of transfer in Germany are either in the form of leases or sales with a right to repurchase. The German communities have steadily increased their holdings as illustrated by the fact that a group of 173 municipalities acquired 6,756 hectares of building land between 1919 and 1926. In most cases the land was purchased in the open market, but of this total 151 hectares were acquired through compulsory purchase.⁵⁰

A further advantage of the semimonopolistic control of building sites by municipalities is the opportunity which it affords for influencing the extent of fluctuation in local building cycles. In times of inactivity it is sometimes possible to encourage construction through the provision of building land on favorable terms. In times of great activity, when overbuilding is threatened and prices are rising, the city may withdraw its property from the market and thus tend to reduce the amount of new construction.

⁵⁰ *Ibid.*, 364-7.

PART VII

FAMILY REHABILITATION

Bad housing is in some degree a matter of bad housekeeping on the part of tenants as well as of the physical deficiencies of dwellings. The improvement of housing conditions can be effected through the training and encouragement of the tenants as well as through the provision of new accommodations. This fact has been widely recognized in European countries, with the result that considerable attention is given to the social aspects of housing management.

It is recognized that there is a tendency for occupants who have been accustomed to slum conditions to recreate slum conditions in any new housing in spite of the physical improvements. Families who for generations have lived in squalid, crowded tenements require active measures by way of education and training in an appreciation of cleanliness and orderly living.

Although bad housekeeping on the part of tenants may make good housing bad, it is also possible for good tenants in some measure to make bad housing good. Much of the unhealthy and untidy conditions existing in areas where the dwelling structures are still in sound condition and are of a reasonably good design is the result of bad housekeeping by the tenants and a general social demoralization which destroys all pride in the home. Bad housekeeping by public authorities in the neglect or inadequacy of public services likewise contributes to unsatisfactory housing conditions.

There are cases of extreme poverty which make any attempt at social rehabilitation without financial aid next to impossible. On the other hand, there are many cases in which squalid and unhealthy living conditions are not the result of poverty nor of hopeless ignorance, but are the reflection of a warped sense of values which prefers radios, the cinema, or flashy clothes to improved housing.

Several observers of English housing conditions have discovered that a substantial proportion of slum occupants could easily afford better housing. In Ancoats, a poor district of Manchester, a survey revealed that 35 percent of the families had the capacity to pay rents of £1 or more per week, which is sufficient to secure decent accommodations. Such families remain in squalid quarters either because of ignorance and apathy; because of the convenience of the location to places of employment, or to social centers or shopping districts; or because, as already suggested, of a preference for a wider margin above the expenditure for the basic necessities. It is in point to report that in an unpublished study of the relation between rents and incomes in the United States, the findings indicate that certain racial groups having a notoriously low standard of living consistently paid a lower proportion of income for rent than the general average for equivalent income groups of other races.

One of the first to recognize the importance of the social rehabilitation of tenants was Octavia Hill of London. In 1865, she established a system of property management by trained women which has grown to great proportions and has resulted in the establishment of the Society of Women Housing Estate Managers.⁵¹ At the present time, women managers trained in her principles are in control of more than 33,000 dwelling units.

The basis of the Octavia Hill system is a close personal relationship between the women managers and the tenants. The managers are trained in social work and are constantly engaged in assisting each family with its personal problems and raising the standards of housekeeping and sanitation as rapidly as possible. Not only does the woman manager collect the rents, supervise repairs, select the new tenants, keep books, and even go to court when necessary, but also she constantly encourages the tenants in a new sense of responsibility for the proper upkeep of their homes and for maintaining proper relationships with their neighbors.

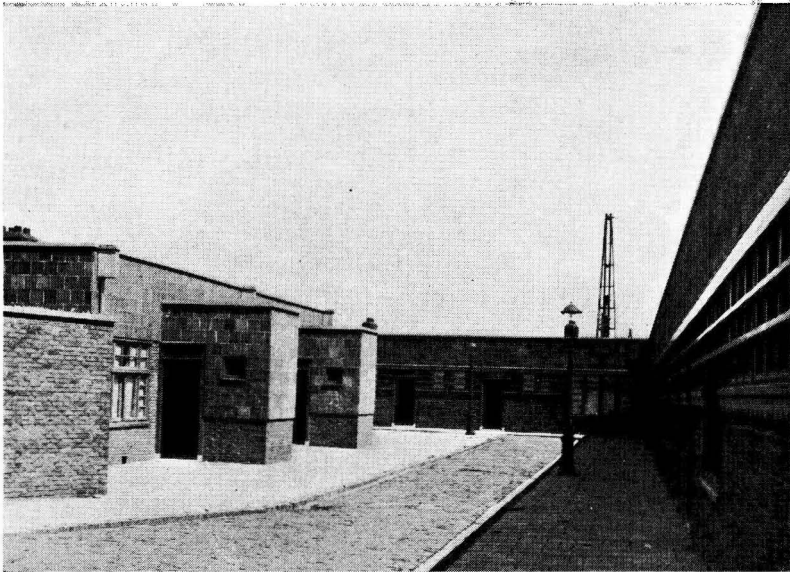


FIGURE 16.—THE ASTERDORP COMPOUND FOR A-SOCIAL FAMILIES, AMSTERDAM
Here the municipality attempts the social rehabilitation of "problem" families.

Private property owners are coming to realize the importance of good management and of social work among their tenants. The Metropolitan Housing Corporation in London,⁵² which owns properties housing more than 30,000 persons, has clearly demonstrated the economic justification of providing social services for the benefit of artisan tenants. This corporation makes a practice of purchasing old properties, still in sound condition, and of reconditioning the houses for rent to working-group tenants.

⁵¹ "House Property Management (Women)," Choice of Career Series No. 4A. His Majesty's Stationery Office, London, 1932.

⁵² See Part V and note 40.

The management of the Metropolitan Housing Corporation recognizes the importance of educating tenants to an appreciation of and a better use of the facilities which are offered. It considers enlightened management to be a prime requisite in the successful operation of its properties. The Octavia Hill system is not utilized in full, since it is the policy of the corporation to provide that rents shall be paid at the estate office rather than collected in person by women managers. It believes in the separation of social services rendered by women workers and the purely business aspects of management.

In each of its large estates the corporation has established, in addition to the estate office in the charge of the superintendent, a social center in charge of one or two skilled women social workers. This building provides facilities for all manner of social activity and is the center for various educational efforts designed to improve the living standards of the tenants. In addition, the matrons make visits to each family on the estate and are at the disposal of any tenant who cares to ask for advice. The result has been a steady increase in the standards of cleanliness and in the general social health of the majority of their tenants.

Another function of the matrons is to call on each new family applying for a house in order to inspect the conditions under which the family lives. If these conditions are bad, the application is refused, and the tenant is urged to improve his home up to a point where he will be acceptable.

Another device for raising the standards in the company's estates is the "ideal flat" which is set up on the property and opened to inspection. This model flat is furnished tastefully on a standard which the tenants can afford in their own homes. The corporation does not sell furniture, but the ideal flat forms a standard toward which many of the tenants are encouraged to work.

It may be said that the corporation has found its management policies to be profitable. For 4 years the corporation has earned a 12 percent dividend on its common stock and has paid an 8 percent dividend since its organization. Its operations are described more fully elsewhere (Part V).

An interesting example of a procedure for the social rehabilitation of special groups of families is found in Holland. In several cities special arrangements have been made for the housing of "a-social" families. These families are found among the very lowest-income group and can best be described as antisocial. The particular manifestation of this characteristic differs. It may consist of the neglect and damage of property, the chronic nonpayment of rent, quarrelsomeness, drunkenness, neglect of children, or physical disability.

In Amsterdam, two housing schemes have been developed for the segregation of this kind of family in order to prevent the spread of its bad influence. The selected families are placed in these housing compounds on a temporary basis for the purpose of effecting a rehabilitation and making them into clean, dependable, and peaceable families. A great deal of attention is given to educating the families in the proper use of their facilities and in showing them the error of their ways. Particular attention is given to the children, for more hope is placed in their future than in that of the parents.

When a family has demonstrated that it has become a normal family, it is moved into one of the regular municipal housing estates. The time required for this rehabilitation varies from 6 months to 2 or 3 years. If it is finally demonstrated that the family is incurable, it is evicted.

Considerable criticism has been levelled at this scheme on the ground that it definitely labels the families as inferior, a reputation which follows them even if a cure has been effected. However, the plan seems to be operating satisfactorily in Holland. It is an interesting experiment and will be better tested by a few more years of operation.

In response to perhaps the most frequent question raised in connection with public housing, it may be said with some assurance that former slum dwellers do not generally recreate their previous environment when moved into new housing. In every country the problem of educating such tenants is attacked with intelligence and restraint. Compulsion is avoided and incentives employed. In the English public housing estates, prizes are offered for the most attractive gardens, for both the front and rear gardens. Since the English of all classes are garden lovers, only a modicum of encouragement is required. Within a few months after the occupation of a group of new houses by families taken directly from the slums, the areas at the front are neatly cultivated in lawn or flower gardens, while the rear plots are planted with thriving vegetables and flowering shrubs.

It must be admitted that the interiors of the dwellings are not so attractive as the exteriors. In large part this is explained by the cheap, worn furnishings and inadequate household equipment, which are the best that the tenants can afford.

However, the pride of the occupants in their new dwellings is to a considerable extent translated into better housekeeping, and although this effect eventually wears off to some extent, it is doubtful if the former slum dwellers ever completely revert to an attitude of indifference.

It is true that the degree of improvement is less in the flat dwellings than in the cottage estates. This may be partially explained by the smaller dwelling units, which give less opportunity for comfortable living. Furthermore there is probably a process of both natural and controlled selection which results in the gravitation of the more amenable class of tenants to the cottage estates. However, even in the multifamily structures, housekeeping standards are generally well above those maintained in the former homes of the tenants.

PART VIII

HOUSING STATISTICS

The collection of comprehensive housing data with respect to both public and private activity has long been recognized abroad as necessary to the formulation and administration of a national housing policy. An interesting example of an early housing survey is reported in Austria as early as the seventeenth century. In connection with the practice of "court quartering" at that time, all Viennese householders were required by decree to make available at nominal rents to members of the court all the space in their homes above the minimum required by the family. In keeping records of the available space, "quarterbooks" were maintained, and it was for making the original entries that a complete housing census was taken.⁵³

Some of the earliest surveys on record in England are those of local authorities who wished to measure the extent of residential blight and the need for proper housing. Even the earliest housing legislation in England in the nineteenth century and in Holland in 1901 provided for the periodic inspection of working-class dwellings and for the making of surveys of various kinds by the local authorities. In 1919, all local authorities in England were required to make a housing survey in order to estimate the extent of the shortage of dwelling accommodation.

The decennial census of population in England contains a large number of items relating to housing. These data cover such items as the number of dwellings classified by size, number of vacant dwellings by size, number of families by size, size of family by number of rooms occupied, number of families by persons per room, persons per room by size of family, shared dwellings by size of dwelling, sharing families by number of persons and by size of dwelling occupied.⁵⁴ The Act of 1935, which provided for the abatement of overcrowding, required local authorities to make special overcrowding surveys covering all working-class dwellings. This survey has now been completed and a national summary prepared.⁵⁵

In connection with slum clearance and redevelopment schemes in English cities, it has been necessary to make detailed surveys of the areas to be dealt with. Frequent inspections of all working-class housing are made in each district by the medical officer of health in order to disclose undesirable conditions in need of remedy. Complete records of each inspection are kept.

In Continental cities, increasing emphasis is being placed on the securing of adequate data on housing. All communities of any importance in all the principal countries keep a close check on vacancies and rent levels, new construction and demolitions, and on the general condition of the housing supply.

⁵³ Jaenicke, Albrecht, "Housing" Bruno Schwan, op. cit. note 2, pp. 301-2.

⁵⁴ "Census of England and Wales, 1931, Housing." His Majesty's Stationery Office, London, 1935.

⁵⁵ "Report on the Overcrowding Survey in England and Wales, 1936." His Majesty's Stationery Office, London, 1936.

In connection with the Dutch decennial census of population, considerable housing information is secured. These data include such items as dwellings classified by number of rooms, number of occupants of dwellings classified by size of dwelling, number of dwellings occupied by families classified by number of children, number of rooms in dwellings classified by number of persons per room, dwelling units classified by number of bedrooms, and number of dwellings according to location in the structure.

Other statistical series which are available for certain principal cities on an annual or quarterly basis are the distribution of new construction by annual rentals, the vacancies in different rental groups, and the ratios of rent to income by income classes. Vacancies in municipal and cooperative dwellings are also recorded. These tabulations are all classified by size of city.⁵⁶

In addition to the census data, the Central Statistical Bureau collects monthly reports from all municipalities covering construction and demolition. Information is secured on number of dwelling units added by new construction, additions or enlargement, and conversion of use. The amount of alteration and repair work is also tabulated. These facts on construction are reported in some detail, giving the status of the operations, the class of construction, and the agency responsible for the work.

Data on decreases in the housing supply are tabulated under the following heads: Demolitions of Unfit Houses, Demolitions to Make Room for New Construction, Decreases Through Remodeling, and Decreases Through Changes in Use.

Current records of housing construction and demolitions are maintained in Germany.⁵⁷ Relative to construction of new units, data are reported showing the amount of construction by different agencies in major cities and in provinces; the size of units classified by type of structure, building agency, and city; and the amount of construction effected with the assistance of State or local subsidy. Building-permit data published include the number of permits for new construction, for additions, repairs, and reconditioning, and the amount of construction proposed. Monthly indexes of building costs, costs of living, costs of building materials, and unemployment in construction industries are kept. The Statistical Yearbook of German Municipalities publishes the amount of land holdings of various municipalities and the uses to which these holdings are committed.

The regular census of France records numerous housing data, showing the number of families and the number of dwelling units for all administrative areas. The number of dwelling units is classified according to the number of rooms in the unit. The extent of vacancies and the number of unfit dwellings that are in use are recorded. The occurrence of overcrowding is presented, showing number of persons classified by number of rooms occupied.

Since 1790 France has maintained complete real-estate records by means of a cadastral survey. The primary purpose is in connection with real-estate taxation. In addition, the survey provides bases for land registration, the recording of title, and mortgage registration.

⁵⁶ "Volkstelling, 31 December 1930," Deel IV. Centraal Bureau voor de Statistiek, 's Gravenhage, 1933.

⁵⁷ *Deutscher Bauvereins Kalender*. Carl Heymanns, Berlin (publisher).

A complete description of each parcel of land is kept, showing location and area, owners of various interests, assessed valuation of the land, land use, and encumbrances on the property.

In Italy housing statistics are collected regularly in each principal city and published quarterly in summary form for the whole country.⁵⁸ Data on the following items relating to housing are presented: population changes; marriages; migratory movements of families; building activity; employment in the building trades; wages and hours of work; costs of construction; permits to occupy a dwelling classified by location, type of construction, and ownership; permits for reconditioning and demolition; data on each type of lending institution, prices of securities of mortgage institutions, total of mortgages held; transfers of vacant and improved properties; foreclosures; prices of real estate by type and location; vacancy; changes in domicile; dispossessions and evictions by legal action; rents; and prices of complementary services such as gas, electricity, and water.

The widespread recognition of the vital importance of comprehensive data with respect to the housing supply and its utilization arises from several considerations. In the first place, conditions in the housing and mortgage market and the status of the construction industry are recognized as important factors in the national economy. Governments are awake to the need for preserving healthy conditions and vitality in these fields in order to avoid serious repercussions in other economic activities. In times of depression, the revival of residential construction and of activity in housing is accepted as basic to recovery. Remedial measures in this direction can be taken only on the basis of an adequate knowledge of conditions and an analysis of the difficulties based upon a factual foundation.

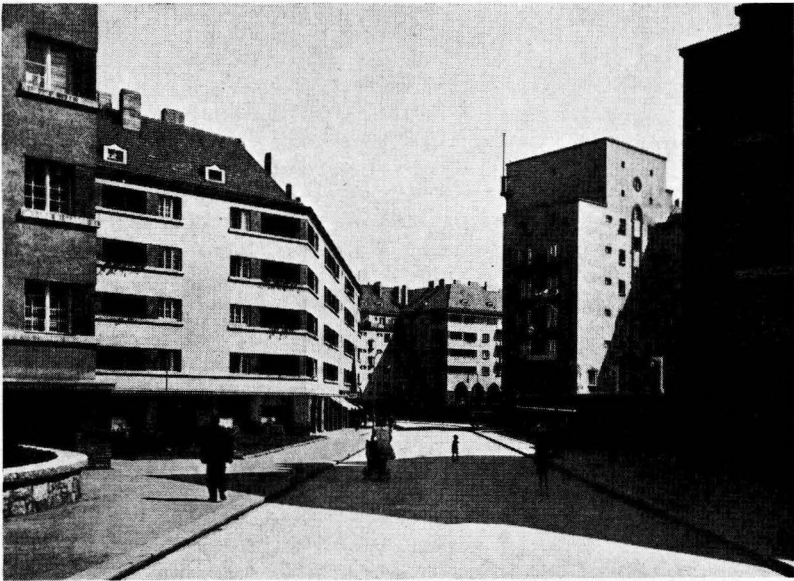
The active participation of government in the provision of housing accommodation through financial aid and in the improvement of housing conditions requires an intimate knowledge of the housing situation on the part of national and local governments. No rational housing policy can be evolved without adequate statistics, nor can the administration of such a policy be successful without continual contact with the situation in the housing market. Under certain conditions, Government activity must be curtailed, while in other circumstances, an energetic course of stimulation is needed. National and local programs must be reconstructed and altered from time to time to meet special conditions. Thus a comprehensive and flexible housing policy can be founded only on specific information kept up to date.

⁵⁸ "Il Mercato Edilizio", Federazione Nazionale Fascista, Roma.

PART IX

FILTERING UP

A very plausible theory, widely held among those interested in housing, is that improvement of housing conditions among the lower-income groups will be obtained as a result of a "filtering up" process made possible by the provision of new houses for the middle- and upper-income groups. This is thought to operate through market forces resulting in a reduction of rents in those houses left vacant by families moving into the new housing. Thus, if new dwellings are provided for one of the higher-income groups, the houses which these families leave vacant will be offered at a somewhat lower rent. Thus those in the next lower income group can secure better accommodations at about the same price which they have been paying.



Photograph by Martin Gerlach, Vienna.

FIGURE 17.—MUNICIPAL HOUSING IN VIENNA.

This process is assumed to continue through successively lower economic groups until the final result is a vacancy in the lowest class of housing.

In an effort to test the validity of this theory, and to determine in a general way the extent to which the filtering up process may be depended upon to improve the housing conditions of the lower-income groups, the experience of certain foreign countries has been examined.

In the early post-war period in England, the emphasis in housing policy was upon the augmentation of the housing supply. Although

it was recognized that housing conditions for the working classes were badly in need of remedy, the failure to take specific action in this direction was justified in many quarters by the assumption that the filtering up process would ultimately result in improved conditions for these families.

The high rate of building activity in England between 1920 and 1930 has been described elsewhere in this report (Part III). It has likewise been pointed out that the new houses produced were not occupied by members of the low-income groups (Part V). As the proportion of private building increased, the ratio of houses built for sale at prices well beyond the reach of the working classes likewise increased. Thus, from the standpoint of the quality characteristics of the increment in housing supply added from 1920 to 1930, the situation was well adapted to the operation of the filtering up effect.

The extent to which the housing conditions in the lower grades were improved by this process is very difficult to determine. There are some indications that an improvement was made, but several conflicting forces were operative. It is probable, for instance, there was some horizontal movement from slum housing into the new public housing on the part of families who could afford the higher rents. Again, from 25,000 to 30,000 unfit houses were demolished, resulting in at least a slight pressure from the bottom toward better grades of accommodation. Finally, a total of 5,943,462 dwellings were repaired from 1920 to 1930, which must have been of considerable effect in bettering living conditions.

The 1931 census indicates a definite improvement in the extent of overcrowding in the preceding decade. The average number of persons per occupied house dropped from 4.85 in 1921 to 4.38 in 1931.⁵⁰ The measures of overcrowding in terms of persons per room show a similar trend as indicated in the following table:

TABLE 19.—Private families in England and Wales, 1921 and 1931, classified by persons per room

Density (persons per room)	Number of families (in thousands)		Percentage	
	1921	1931	1921	1931
Total	8, 739	10, 233	100. 0	100. 0
Over 4	20	24	. 23	. 23
Under 4 and over 3	33	32	. 38	. 31
3	37	29	. 42	. 28
Under 3 and over 2½	120	98	1. 37	. 96
2½	53	34	. 61	. 33
Under 2½ and over 2	99	85	1. 13	. 83
2	136	95	1. 56	. 93
Under 2 and over 1½	454	395	5. 2	3. 9
1½	471	352	5. 4	3. 7
Under 1½ and over 1	466	462	5. 3	4. 5
1	1, 077	1, 036	12. 3	10. 1
Under 1 and over ½	1, 608	1, 896	18. 4	18. 6
½	2, 279	2, 988	26. 1	29. 3
Under ½	787	1, 108	9. 0	10. 8
	1, 099	1, 569	12. 6	15. 3

Source: "Census of England and Wales, 1931—Housing", His Majesty's Stationery Office, London, 1935, p. xxiii.

⁵⁰ "A National Housing Policy," Report by National Housing Committee. P. S. King & Son, Ltd., London, 1934, p. 57.

On the other hand, the data indicate that doubling up continued unabated. In both 1921 and 1931 the average number of families per occupied house was 1.12.⁶⁰ This situation is mainly explainable on the basis of the decrease in the average size of family from 4.33 to 3.91. While the population increased by 5.6 percent, the number of families increased 17.1 percent.⁶¹

These facts on occupancy point to the conclusion that the deficiency in housing accommodation had not been made up by 1930. This inference is supported by the data on uninhabited dwellings, which indicate that the proportion in 1921 was 2.7 percent and in 1931, 2.9 percent. These figures may be compared with those for 1911, when a 5.6 percent vacancy existed, and 1901, when the percentage was 6.7.⁶²

It is interesting that the lowest vacancy ratios in 1931 obtained in 4- and 5-room units (1.5 and 1.4 percent, respectively) in spite of the fact that the greatest increase in occupied dwellings from 1921 to 1931 occurred in this category.⁶³

Thus it appears that in the decade covered by the facts just quoted the housing situation among the working classes in England was improved to only a small degree, and that the filtering up process was largely prevented by the apparent failure to produce an excess of supply in any value category. While the available data do not disprove that some small upward movement may have occurred, it may be concluded that the aggregate effect on the lower-income groups was slight and that no vacuum was created at the bottom of the housing scale.⁶⁴

Contemporary opinion on whether the filtering up process had been effective by 1930 supports the conclusion that little had been accomplished. In a report of the National Housing and Town Planning Council in 1929, the following statement is made with respect to existing conditions among the working classes:

We have carefully studied the reports of medical officers of health, and both from these reports and from the opinions of workers in the poorer districts, we have been forced to the conclusion that the pressure of overcrowding in the slums is hardly less than it was 10 years ago.⁶⁵

The opinion on filtering up is expressed as follows:

When post-war building began, it was hoped that there would be a gradual movement of the working-class population out of the slums into better houses. This might occur in two ways, either the slum dweller might go direct into a new house or a process of "filtering up" might occur under which the slum dweller would move from the slum into a better pre-war house, the tenant of which would, in his turn, move into a new house. Both these processes have, of course, occurred, but on a disappointingly small scale.⁶⁶

In a report issued by the Ministry of Health in 1931, the following statement refers to this process:

About 1,000,000 of the new houses which have been built have been built for sale, and the rest, owing to the increased cost of building and the higher

⁶⁰ Ibid.

⁶¹ Ibid., p. 55.

⁶² "Census of England and Wales, 1931, Housing." Op. cit. note 54, ch. 3, p. xii.

⁶³ Ibid., p. xi.

⁶⁴ There is no method of determining to what extent a surplus may have existed in the various value groups of housing. Thus it is possible, though not probable, that during the decade a surplus appeared in certain of the value groups which was absorbed through an upward movement, but which was not sufficient to offset the great increase in families in the lower groups. Thus the terminal cross-section statistics on vacancy would not reflect this earlier movement.

⁶⁵ "A Policy for the Slums." Op. cit. note 23, p. 16.

⁶⁶ Ibid., p. 15.

standard now required, are let at rents which are higher than the poorer members of the working classes can afford; but it was assumed 10 years ago that under these conditions a filtering up process would take place, those who could afford it moving to the new houses and so relieving the pressure on the lower-rented accommodation.

Unfortunately, the evidence before us shows that this process of filtering up has not yet occurred on any substantial scale. It is clear that this indirect approach to the problem depends for its success on a sufficient degree of mobility in the working classes, and the evidence which we have received suggests that the movement of working-class tenants has been less than might have been expected* * * * *

There are a number of explanations which may be offered to show cause for the failure of the filtering up process to effect any substantial improvement in the housing conditions of the English working



FIGURE 18.—PUBLIC HOUSING IN ENGLAND.

Walk-up flats located in a central area on the site of a former slum.

groups. Some of these inhibiting influences reflect the conditions existing in England during this period; others are of more general application.

Without much doubt the basic difficulty lay in not building enough houses. The difficulty of substantially improving the living conditions in the lower-income groups by adding to the supply in the upper strata may better be appreciated from an analysis of the quality distribution of the total housing supply. From this standpoint, the existing housing may be likened to a pyramid. The high-

* "Report of the Interdepartmental Committee on Rent Restrictions Acts, 1931." Op. cit. note 34.

quality houses are relatively few in number, while the great mass of housing lies in the lower grades. The following table reveals the situation in England on the basis of an estimate by a recognized authority (Table 20):

TABLE 20.—*Distribution of dwelling units in England and Wales, classified by rent, based on estimates as of Sept. 30, 1932*

Weekly rental		Number	Percent
Outside London	London		
Total.....		9,355,000	100.0
Less than 10s. 5d. (\$2.55).....	Less than 15s. 2d. (\$3.70).....	5,700,000	60.9
10s. 5d. to 24s. (\$2.55 to \$5.90).....	15s. 2d. to 32s. 1d. (\$3.70 to \$7.85).....	2,385,000	25.5
More than 24s. (\$5.90).....	More than 32s. 1d. (\$7.85).....	1,270,000	13.6

NOTE.—These rentals (including rates at 10s. in the pound) are the approximate equivalents of the following rentable values: £13 (£20 in London) and £35 (£45 in London). Dwellings of rentable values over £78 (£105 in London) are not included in this table.

Source: "The Housing Problem—A Concise Survey," by Sir Francis Fremantle, p. 27.

It appears from these data that 60 percent of all dwelling units rent at less than 10s. 5d. (\$2.55) (15s. 2d. (\$3.70) in London).⁶⁸

The dwellings of those in need of relief fall in this group. It is obvious, then, that to make a proportionately important improvement in their condition a huge proportionate increase would have to be made in some upper group. For instance, an improvement for only 10 percent of the families in the lowest group would require a 45 percent addition to the highest group, assuming that filtering up would be effective.

The vacancy and occupancy statistics for England fairly well demonstrate that new building in the aggregate barely kept pace with the total increase in families from 1921 to 1931. Filtering up had little chance to operate under these circumstances.

The rent restrictions acts which were enforced during the post-war period were a hindrance to the free operation of filtering up. Under their provisions when a dwelling fell vacant it became decontrolled. This situation slowed up the rate of turn-over of houses to a considerable degree, since landlords raised the rental of vacant units above the controlled level for occupied units. This effect might have been counteracted provided that there had been added an increment of supply sufficient to force rents down to the controlled level, but such was not the case.

There are a number of generally applicable reasons why filtering up can never be particularly effective. The argument that a small proportionate improvement among the lower-income groups can result only from a great proportionate increase in the supply at some higher level applies in any situation. Furthermore, there are a number of influences which lead the working classes to remain in their original environment, even though better accommodation might be offered at the same rent. In addition to general inertia and a

⁶⁸ These rents are inclusive of rates. Thus the rents used as class limits will vary in accordance with the rate of taxation in the various communities. A rate of 10 shillings in the pound is assumed for the rent equivalents used here.

desire to remain near friends and relatives, there is the matter of convenience to places of occupation. Filtering up from a quality standpoint ordinarily implies filtering outward from the center of the city to points less convenient to the centers of employment of the working groups. Another point sometimes raised is the reluctance of the landlords of intermediate dwellings to accept former slum dwellers as tenants.

The general rigidity of rents also militates against the filtering up process. Even though vacancies may be created in some classes of housing as a result of new construction, prices and rents are slow to move. Often this inertia is the result of the fact that the surplus of housing is built up during good times and rents in vacant properties are held up in anticipation of continued prosperity. It is a recognized characteristic of rents that in the price cycle there is a tendency for changes in the rent level to lag behind changes in other prices.

It might be said that if the housing market were perfectly organized, filtering up could not occur; and conversely, that only to the extent that the building industry fails to control production in accordance with demand can the process operate at all. Thus, if the producers of housing are well informed of the demand situation, there will be no overproduction in any grade of housing, and no surplus will be created. When demand is satisfied, the building of new units will cease. Actually, of course, surpluses do appear from time to time as a result of the lack of organization in the building industry and the absence of adequate statistics on the current demand and supply situation. However, these imperfections are gradually being overcome, and filtering up may become of decreasing importance as a possibility for improving housing conditions.

At the present time in England there are some indications that the housing conditions among the working classes have been improving at a faster rate since 1930 than during the previous decade. This improvement has been facilitated, no doubt, by the great expansion of private construction of houses for sale. A significant outward movement to the suburbs has occurred in many of the great cities in connection with the creation of a great new class of home owners in response to the effective merchandising activities of the operative builders. The mutation of thousands of families from tenants to home owners has undoubtedly left a vacuum among rental properties which was filled up from below.

Another movement which gained momentum after 1930 was the horizontal flow of working-group families from slums to public housing. The slum clearance program assumed substantial proportions, particularly after 1933, and resulted in the displacement of thousands of families from unfit quarters directly into new housing. The decline in construction costs and the more generous subsidy provided by the 1930 Act permitted rents in local authority housing to be reduced within the reach of a greater share of working-group families.

Another facilitating force was the change in the rent restriction acts which brought an end to the decontrolling of the lowest-rent houses upon their becoming vacant. This change tended to make

the occupants more mobile and removed one of the restrictions to the operations of the filtering up process.

From the English experience, it is impossible to judge the validity of the filtering up theory. Certainly, from 1920 to 1930 it was ineffective, perhaps because of obstructive influences. Since that time the improvement in housing conditions might lead one to place more faith in the process, but so many other factors were operative that it is impossible to dissociate the various forces. At best, filtering up can be credited with only a minor influence.

There are some aspects of the housing situation in the Netherlands which suggest that filtering up may have occurred to some degree. By 1930 the shortage in housing accommodation which existed at the



Figure 19.—PRIVATE GARDENS IN WYTHENSHAW, MANCHESTER.

The former slum dwellers occupying public housing take great pride in their new quarters

end of the war had been more than made up. The momentum of the construction industry, stimulated by Government aid in the early 1920's, continued unabated through 1934. By that time a large surplus had accumulated, and the rental level had been affected. The following statement by the leading housing authority of Holland suggests that an upward movement may have occurred and that a vacuum at the bottom of the housing scale had been created:

Owing to the numerous unoccupied dwellings and the general fall in rents, many flats of inferior standard have fallen empty and will be difficult to let.*

It is known, however, that during the last few years of depression there has been a substantial emigration from the cities on the part of those seeking lower living costs into the rural areas and the villages. Thus the excess supply of low-rent dwellings may have resulted from the removal of a part of the demand, in addition to the upward movement of working-group families into better quarters at the same rents. With incomes falling during the same period as the decline in rents, it is doubtful that rents fell proportionately

* Van der Kaa, H. Op. cit. note 4, p. 24.

faster, a condition precedent to the operation of the filtering up process.

It is patently impossible to analyze accurately this situation on the basis of such inadequate data. It is significant, however, that in spite of the high over-all vacancy, from 7 to 8 percent in the larger cities, there still exists an acute need for houses at rentals within the reach of the lower-income groups.

This analysis of the effectiveness of the filtering up process in European countries is admittedly inconclusive. It may be said with assurance, however, that no evidence has been adduced in England and Holland, nor in any other country, that dependence can be placed on this procedure for a substantial improvement in the housing conditions of the lower-income group. Cures of a more positive nature are demanded.

PART X

THE NEED FOR COMPREHENSIVE ACTION

European experience indicates that significant advances in the improvement of housing conditions and the guidance of the private housing and home-financing industry require a comprehensive and flexible program utilizing a variety of devices, and that the housing policy must be administered with a broad, social viewpoint. No single remedy has been found for the many interrelated problems comprehending such different aspects as the provision of housing, its financing, the control of land utilization, the establishment of construction standards, and the improvement of conditions in existing housing accommodations.

At the present time the housing activities of the several European governments are a part of the broad program for social betterment, affecting many types of social and economic activity. The improvement of housing conditions is considered to be a function of organized society in much the same way as the provision of educational facilities. The broad program of which housing is a part embraces public health measures, social security, city planning, and the provision of recreational facilities. The social costs of bad housing are accepted as of equal effect with the social costs of sickness, illiteracy, unemployment, and poverty.

This view has gained wide acceptance among all groups and interests, as is well illustrated by the fact that in England several successive Governments, whether conservative or liberal, have urged housing reform in one way or another. Legislation passed by one Government has been enforced and administered by another of different political views.

Little general protest is now being raised to the activities of the Government in housing, in spite of the fact that heavy costs are involved for both the central and local authorities. It is typical that the secretary of a strong and active taxpayers' association in one of the large English cities states that his organization has no objection to the costs of the housing program and, on the contrary, feels that the improvement of housing conditions is an economy measure in its long-term effects.

Because of the intimate connection between housing programs and other measures for social betterment, there is a tendency to confuse the costs directly chargeable to housing and those which arise from the other related activities. Thus such social services as kindergartens, parks, and recreational facilities, which are frequently found in connection with housing developments, give rise to costs ordinarily charged against housing. It would appear more reasonable to ascribe to housing only those services which are rendered indispensable by the form of housing itself. Other public services should be charged to the wider program of social betterment.

The most effective housing programs are found in those nations where not only is housing considered from a broad social viewpoint, but also a comprehensive variety of measures have been taken. The

need for a versatile and flexible attack becomes clear upon consideration of the multiform and interrelated aspects of housing problems. House production by private and semipublic agencies is intimately affected by governmental activities in this direction. Problems of home financing are complicated by the variety of lending institutions and by a multitudinous set of forces affecting the real-estate situation. The effect of changing social customs and fluctuating economic conditions must be considered in establishing remedial measures. Each of the various manifestations of blight requires special treatment. Control of land utilization and the enforcement of building standards must be correlated with the other aspects of housing policy.

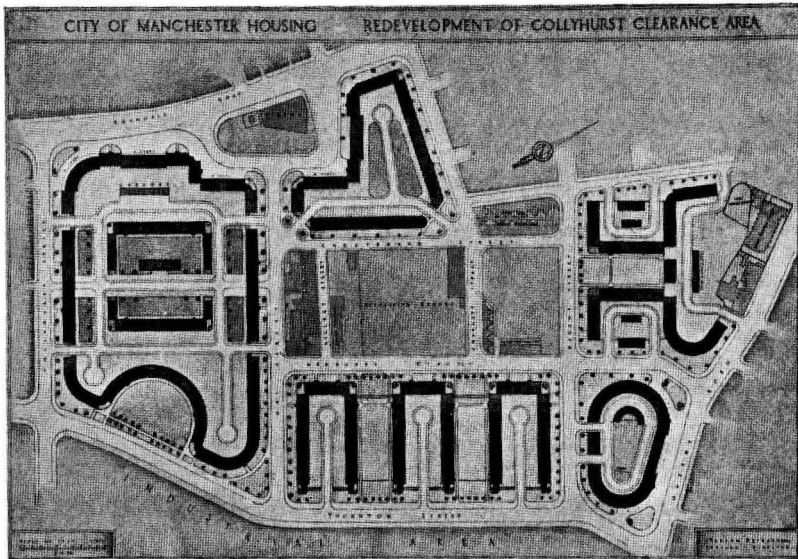


FIGURE 20.—REDEVELOPMENT SCHEME IN MANCHESTER.

This project covers 27 acres. 2,019 families were displaced by clearance operations, and 1,008 families will be rehoused on the site in new flats.

To illustrate the need for comprehensive and correlated treatment of a situation characterized by complicated and inconstant forces, the experience of England in dealing with slums and residential blight will be considered in some detail. While this is only one phase of the housing problem, the success of the varied attacks employed in Great Britain demonstrates the effectiveness of a well-rounded program.

Insanitary and substandard housing appears in various forms, each requiring its special treatment. Thus one of the first powers provided to English local authorities was for the demolition or repair of individual insanitary structures. After inspection by the health officer, a structure might be declared unfit for habitation and the owner required either to make the necessary repairs or to demolish the structure if it was beyond redemption. In the event of his failure to perform this work, the local authority was authorized to make the repairs or destroy the building at the expense of the owner. Later provision was made for similar treatment of obstruc-

tive dwellings which, because of their physical relationship to other structures, were the cause of insanitary housing conditions.

Because of the fact that unfit houses frequently exist in large groups commonly termed "slums", it was provided in the Act of 1890 that local authorities could treat such areas as a whole through wholesale demolition and the redevelopment of the district in accordance with a coordinated plan. It was not until post-war times that an Exchequer subsidy was provided to assist local authorities in the prosecution of slum clearance operations. This subsidy was increased by the Act of 1930, and some of the existing but inadequate powers of local authorities were expanded. It was made possible not only to deal with slum areas as a whole but also to execute schemes for the redevelopment of large areas wherein not all of the housing was subject to either repair or destruction. In such areas various methods could be employed in accordance with the particular circumstances. Certain of the structures might be fit only for demolition, while others could be made into satisfactory housing through remodeling and repair. Obstructive dwellings might be removed, and in some cases even sound and adequate dwellings would require removal in order to provide for a better street plan or for open spaces.

Another device employed in the improvement of housing conditions is the enforcement of standards of occupancy. For many years it was within the powers of local authorities to establish and enforce bylaws relative to the overcrowding of dwellings. In 1935 it became a part of national policy to enforce such restrictions in all communities. The Overcrowding Act of 1935 made it illegal for either the landlord or the tenant to permit working-class dwellings to be occupied by more than the number of persons prescribed by the act as the maximum for the space available. By the abatement of overcrowding it is possible to create satisfactory housing conditions in structures of proper design and in sound condition where, because of overcrowding, the situation was unhealthy and unwholesome.

The final set of powers which relate to the quality of housing accommodation provides for the prevention of residential blight. In order to forestall the formation of slums and the creation of substandard accommodation, various powers have been provided the English local authorities. Powers were early given for the adoption and enforcement of building bylaws controlling construction standards for new buildings. This power prevented the erection of dwellings which were badly designed and which would be substandard from the moment of their completion. The adoption of a town plan was another method of controlling this evil. By the proper allocation of land uses in form of adequate zoning the development and spread of residential blight can be held in check.

One of the most important factors contributing to the success of slum clearance programs in both England and Holland has been the favorable basis of awards in connection with compulsory acquisition. The most favorable law is found in England, where the compensation for unfit dwellings which are condemned for housing purposes is based upon the value of the cleared site with no compensation whatever for the structure. The theory of this basis of award is that, since the exploitation of an unfit house is in itself illegal, there is no obligation on the part of society to compensate the owner of contraband goods in case the land beneath is required for public purposes.

In Holland the basis of compensation is somewhat less favorable but operates on the same general theory.

The English law of condemnation has undoubtedly been largely responsible for the fact that the burden undertaken by English municipalities in connection with their extensive slum clearance operations has not proved to be unbearable; in fact, it is estimated that the program to be undertaken by the city of Leeds, involving the demolition of 30,000 houses and the rehousing of 110,000 displaced persons, will ultimately increase the property taxes by approximately 7 percent, i. e., 1s. 1d. per pound sterling of assessed value.⁷⁰



Photograph by Clifford Stelfox, Manchester.

FIGURE 21.—NEW CONSTRUCTION IN THE COLLYHURST REDEVELOPMENT AREA OF MANCHESTER.

Some idea of the extensiveness of the operations going on in England may be gained from the following facts: In 1933, at the request of the Ministry of Health, all local authorities presented programs for proposed slum clearance operations for the succeeding 5 years. These plans called for the demolition of 268,500 houses and the erection of 286,400 new dwellings.⁷¹ At the present time, 3 years later, satisfactory progress is being made under these plans, and it seems likely that the objectives will be attained very nearly within the period specified.⁷²

⁷⁰ Dobbs, A. J. "The Manchester Guardian", Thursday, May 2, 1935.

⁷¹ *Fifteenth Annual Report of Ministry of Health, 1933-34*. His Majesty's Printing Office, London, 1934 (cmd. 4664), p. 143.

⁷² As of March 31, 1936, 80,611 dwellings had been constructed to rehouse persons displaced by slum clearance operations. A total of nearly 90,000 houses had been closed or demolished under the Act of 1930. Of these, more than 44,000 had been demolished in clearance and improvement areas. At the same date 41,598 houses were under construction for rehousing displaced slum dwellers.

PART XI

COOPERATIVE HOUSING

Cooperation in housing is widespread in Europe and has come to its highest development in Scandinavian countries, particularly Sweden, where it is part of a strong cooperative movement embracing the production and distribution of both industrial and agricultural products. The cooperative societies in Stockholm are credited with having built 29,839 dwelling units since 1916.

Activity in Stockholm centers in two cooperative housing societies familiarly known as the S. K. B. (Stockholms Kooperativa Bostadsforening) and the H. S. B. (Hyresgasternas Sparkasse-och Byggnadsforening).

The first was organized in 1916 and has built 1,785 dwelling units. The second, organized in 1923, has had a most spectacular development and has been responsible for the construction of 8,716 dwelling units since that time. This organization is not only a cooperative housing society but also a cooperative savings bank.⁷³

Through decades of experience which reaches back as far as the 1870's, the cooperative housing societies have developed an experience which is valuable not only from the point of view of their housing operations but also from that of the organization of cooperative effort. The latest move is to create a national cooperative housing organization to facilitate exchange of experience between cooperative housing societies in different cities in Sweden, to strengthen each other financially, and to develop a further appreciation of the significance of cooperation in Stockholm.

The rapid progress of cooperation in Stockholm and other Swedish cities is largely due to the close relationship which is maintained between the governmental agencies and the cooperative societies. On the board of directors of the H. S. B., for example, one member is appointed by the municipality of Stockholm. The most recent proposal made is that the city relinquish this right of appointment of a member of the board of directors and assume in its stead the privilege of auditing the accounts and otherwise increasing the supervision of the society exercised by the municipality.

The H. S. B. acts as a parent society for the small local groups which desire to secure the benefits of cooperative effort. In the typical case the H. S. B. prepares plans, secures contracts, supervises construction, secures temporary construction loans, and then refinances this advance with a permanent loan secured from the usual first-mortgage sources. In addition, the city or the State second-mortgage financing agency will advance permanent funds on second mortgage. The city also frequently gives concessions by way of low ground rents to the H. S. B.

⁷³ Julin, Intendent Henning, a lecture given Aug. 8, 1936, in Stockholm. Housing Index-Digest of Central Housing Committee, Washington, Sept. 1-15, 1936, pp. 26ff.

When the property has been completed and is ready for occupancy with the permanent financing arranged, the H. S. B. sells the property to the group of cooperators, who then assume responsibility for determining management policies.

The management function itself is exercised by the H. S. B. Through purchases of supplies in large quantities for all the properties which it operates and uniform accounting and controls it is able to reduce operating expenses for all the properties to a point well below that which could be attained by the individual societies operating separately.



FIGURE 22.—COOPERATIVE HOUSING IN STOCKHOLM.

Built by the H. S. B., parent society, and owned and operated by one of the subsidiary cooperatives.

On taking over the responsibility for the property the members of the local group subscribe to stock in their own society in an amount which represents the equity of the H. S. B. in the property plus 5 percent. This premium is in the nature of a contribution to the H. S. B. designed to increase its operating funds and thus expand its operations.

Very small cash down payments are required from the cooperating tenants. The equity is paid in monthly installments on notes given by the members of the local group. These notes are in turn transferred to the H. S. B., the parent society, as security for its advance to cover the equity in the property.

The housing cooperative known as the S. K. B. owns and operates directly a number of projects, and is continuing to build new developments from time to time. Policy is determined by the vote of all cooperating tenant-members, and the administration is in the hands of a directorate which includes representatives of the municipality.

At the time of securing an apartment each tenant makes a deposit which is proportionate to the rent of the unit. However, he is free to vacate at any time, and the deposit is refunded in full.

Through the device of cooperation the cost of occupancy in the cooperative property is reduced considerably below the current rate for comparable properties produced by private enterprise on a commercial basis.

It is a basic principle, however, of the whole cooperative movement in Sweden to promote the cooperative idea not through price appeal alone but through the development of a real cooperative spirit. The attempt is not made, therefore, to furnish houses at the lowest possible rents, but at rents which represent a fair return on the investment made in the property and which will stimulate rather than stifle the competition of private initiative.

The contribution of cooperation in Stockholm consists not alone in the reduction of rents in cooperative houses and throughout the competitive rental market, but also in the development of higher housing standards throughout the whole market. The technical contributions of cooperative housing architects and engineers to the improvement of design and to the efficiency of plan have been outstanding. It is reported that a plan efficiency of 85 percent has been attained in cooperative apartments designed and built through the H. S. B. and other cooperative societies in Stockholm. This standard, once achieved by the cooperative societies, sets a goal of attainment for private enterprise and thus tends to raise the technical standards of the whole industry.

Cooperative enterprise in nations other than Sweden varies in importance. In England, it has never played a significant part in the housing movement, though the British cooperatives have led the way in other fields. In Holland, limited-dividend societies and cooperatives, both eligible for financial assistance from the State or communes, provided 15 percent of the new dwellings built from 1921 to 1934. In Germany, laws in furtherance of cooperatives were passed in 1868 and in 1889. In this latter year, 38 housing cooperatives were in existence, but by 1914, this number had increased to 1,402. In 1935, the Union for German Cooperative Building Societies had a membership of nearly 2,700 groups.

In Denmark, cooperatives have been active for some time, particularly in Copenhagen. The first association was created in 1865, and has built almost 5,000 dwelling units. Another society, founded in 1912, has constructed 3,600 units. From 1920 to 1934, cooperatives and limited-dividend societies were responsible for almost one-third of the new dwelling construction in Copenhagen.

The cooperative housing movement in Switzerland did not attain full momentum until after the war. At present there are about 230 housing cooperatives, of which 130 are organized as public utility cooperatives.

Apparently, successful cooperation in housing is based upon the following prerequisites:

1. A group of convinced and zealous cooperators who will not become alarmed and abandon cooperation in the face of a temporary decline in general price levels in the field in which they are operating, which may offer a temporary advantage to those

who desert the cooperative groups. Coherence and homogeneity of the group cooperating, based upon a common background of culture, objectives, and point of view, appear to be quite essential features of successful cooperation.

2. Trained leadership is one of the essential features of successful cooperation in housing. Through decades of experience in cooperation the Scandinavian countries have developed a body of leaders who constitute one of the major assets of the cooperative movement. Such leaders cannot be developed quickly. They must become imbued with the ideals of cooperation, and they must, above all, subordinate selfish interests to the interests of the group.

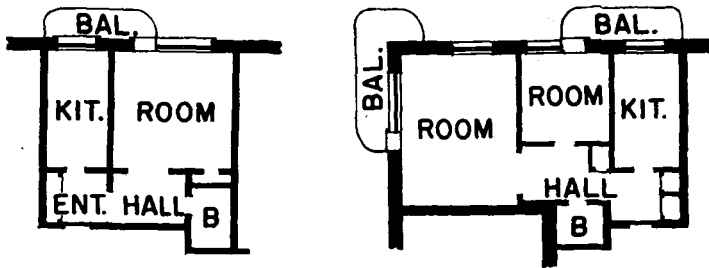


FIGURE 23.—TYPICAL UNITS IN A COOPERATIVE PROJECT, STOCKHOLM.

Monthly payments range from \$25 to \$35.

3. The remarkable success of cooperation in Scandinavia can, in large measure, be attributed to the ability of cooperating groups to secure an advance of funds sufficient to enable projects to proceed without large down payments being required of the members of the cooperating group. The H. S. B. is now attacking the problem of arranging to finance cooperators who are forced by circumstances beyond their control to separate from the cooperative group. No cooperator is permitted to make speculative profits from his participation in an enterprise, and it is felt by the leaders that they should not be made to suffer in case they are obliged to withdraw from the enterprise.

4. Cooperation in housing in Scandinavian countries is supported by a background of experience and a spirit of mutual assistance which permeate the whole social structure. This makes it difficult for unfriendly interests to block or sabotage a cooperative housing project, since cooperative groups in all fields stand ready to lend their assistance and support whenever needed.

PART XII

ORGANIZATION OF THE BUILDING INDUSTRY

In no other country, apparently, does the speculative element play as important a part in the real-estate market as in America. There are a number of influences that may account for this fact.

In Continental countries the widespread ownership of peripheral land by communities acts as a partial control on speculation in building sites. The fact that a goodly proportion of all construction is done by housing societies under governmental supervision and by public authorities without the profit motive leaves a more restricted field for private initiative. Furthermore, the wide use of multiple-family structures and the predominance of tenancy even among the middle classes further limit the possibility for speculative profit. Finally, the basic stability of the real-estate market and the absence of wide fluctuations in values and in activity tend to discourage speculation.

In the Scandinavian countries, the major part of housing construction is carried on through direct contract with the owner, which, in many cases, is a housing society. The erection of individual houses is mainly limited to suburban villas for the upper-income groups. These are ordinarily custom-built under architectural supervision and by direct contract.

The large English operative builders use only land which they have subdivided and developed. Lots are not sold off except under contract to build on them.

In France, speculation in vacant lands was formerly rife, particularly in the suburbs of Paris, but this has been largely curbed. Private building has nearly ceased, except with government assistance in the form of credit extensions.

In Germany and Austria, construction for the lower middle-income groups, which constitute a major portion of the market, is mainly carried on by housing societies with Government assistance or by municipalities. The present emphasis on construction of suburban homesteads leads to home ownership by members of the lower-income groups, but since the developments are created by public agencies or under direct public control, no speculative element is present.

The organization of the housing market in England is most nearly parallel to that in this country. However, even here the speculative element is of minor importance. It is estimated that at least 75 per cent of all new houses are sold before they are built, for owner occupancy rather than for speculation. The American custom of purchasing building lots or new houses to be held for a rise in prices is of infrequent occurrence. There does exist in connection with the present building boom some speculation in agricultural land on the outskirts of the large cities. However, speculation in subdivision lots is infrequent because of the fact that operative builders make the prac-

tice of purchasing large estates and of carrying through their development from raw land, installing streets and utilities, constructing the houses, and selling them directly to owner occupants.

In general, large building firms dominate the market in England. A great many of these are well-established organizations with a long history of sound operation. It is true, however, that a large number of new firms have grown up in connection with the current building boom. Many of these are small and of uncertain reputation, but there are some cases of extremely rapid expansion on a sound basis. For instance, one large concern, operating in the London territory, has developed 26 large housing estates in the past 10 years and has erected and marketed a total of 30,000 houses.

It is the custom for the large operative builders to purchase extensive tracts of land on the outskirts of the city. This land is made available in such large units through the breaking up of the great estates of the landed gentry. These subdivisions are developed on a large scale by the builders, and in many cases the houses are built on the order of the purchasers, who select the design from exhibition houses which are kept open for inspection.

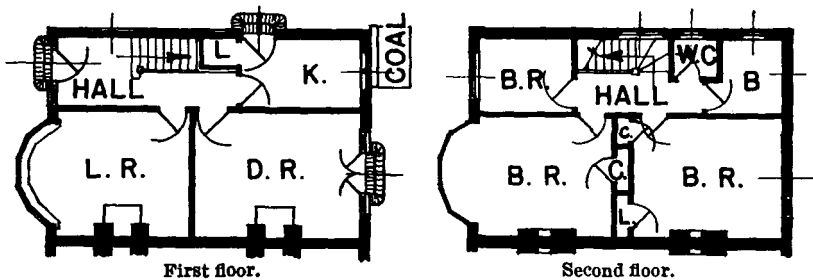


FIGURE 24.—PRIVATE HOUSING, ENGLAND.

A semi-detached dwelling selling for \$3,545; \$200 down and \$4.50 per week.

In England, the architect occupies a stronger position than in America. His services are widely used, both by operative builders and by individuals constructing their own homes. The relationship of the architect to the sources of building materials and supplies gives him a strategic advantage which he does not possess in this country. He is in a position to secure discounts in the purchase of building materials for his client which are not otherwise available.

The profits of operative builders are generally modest in comparison with the margins characteristic of American real-estate developments. A mark-up of 10 percent after all costs including selling expenses is not uncommon, although in some cases it ranges from 15 to 20 percent. There are some instances of houses built for rent and, when the present building boom subsides, this will probably become more common. In one instance, a builder reports a net return of 10 percent on houses built for rent.

The large-scale operation of the operative builders undoubtedly results in substantial savings. The purchase of great tracts of land and the purchase of building materials in large quantities through the agency of the architect result in substantial economies. Another source of saving lies in the standardization of units. Although several variations in design are offered to the purchaser, the basic plan

of all the houses is well standardized, and standard units can be used in all the construction.

The actual building operations are executed on a large scale with houses built in groups of 50 or 100. It requires 8 to 10 weeks from the time the foundation is laid until a house is ready for occupancy. At the present time selling costs are low. For instance, in a rather exceptional case, the cost in one subdivision was as low as 1 percent. It is estimated that on the average selling costs range from 7½ to 10 percent.

As a result of large-scale land purchase and large-scale development, a low land cost per house is attained. For instance, one operator reports that for a house selling at £460 (\$2,250), the cost of the land, including roads and utilities, was £55 (\$269).

Another important element in the market is the availability of almost unlimited funds from the building societies for the financing of construction. These building societies are directly parallel to the American building and loan associations in basic organization. However, an important difference lies in the fact that the English building societies are of much greater size and resources and operate branch offices in different parts of the country. The money is supplied on first mortgages at low rates, at the present time reported to be ranging from 4 to 4½ percent. Commitments are made in advance of construction. The temporary funds for construction are supplied by the operative builder.

The majority of private-enterprise houses built for sale are of the two-family side-by-side type. These structures are usually of two stories with no basement, although some one-story bungalow types are being built. Each half of the structure is sold off into separate ownership. A few single-family free-standing houses are offered for sale, both two-story and bungalow types, but these are somewhat higher priced than the standard variety.

The three-bedroom house is the most popular. Two-bedroom dwellings are offered in both bungalow and two-story design, and some four-bedroom units are sold. In most cases a living room and a dining room of about equal dimensions are provided. A kitchen with a larder and an entry hall complete the first-floor facilities. On the second floor are the bedrooms, a bath with lavatory, and a toilet in a separate room. In some of the less expensive houses the bathroom is on the first floor and the toilet on the second floor. Storage closets in the bedrooms are rare.

The facilities offered in the low- and medium-priced British houses are not up to American standards. Central heating is virtually non-existent except in apartments, each room being provided with a fireplace, either coal-burning or equipped with an electric or gas grate. Both the bathroom and the kitchen are usually tiled to dado height. Hot water is provided in the kitchen by a small coal stove which is also used for cooking purposes and for heating the room. In some cases a gas water heater is installed, but even then the coal heater is retained. Additional cooking facilities are provided in the form of gas plates. No refrigeration of any kind is deemed necessary.

Structurally the houses are soundly built. A shallow foundation trench is dug, concrete footings poured, and solid brick walls laid on this base with a dampproof course of lead-core bitumen laid near the base of the wall to prevent dampness from creeping up the wall.

Exterior walls are of 9 to 10 inches of solid brickwork. Interior walls are either of brick or of a form of cinder slab. In some cases the outer walls are finished in stucco. Roofs are universally of slate or tile.

Water, sewer, gas, and electricity are always installed. Interior electric wiring and lighting fixtures would be considered inadequate in America. Typically, only one electric outlet is provided in each room.

The houses are built with a maximum density of about 12 to the acre. Individual plots average 30 by 150 feet. Front and rear gardens are fenced off and cultivated with great diligence by the householders.

At the present time the majority of houses built by the large operators fall in the price range from £500 to £1,000 (\$2,445 to \$4,890). In many housing estates two purchase plans are offered, freehold and leasehold. In a typical case the following terms are offered:

	Freehold	Leasehold		Freehold	Leasehold
	£	£		s. d.	s. d.
Purchase price.....	775	665	Weekly payments.....	18 3	15 6
Down payment.....	80	70	Weekly taxes.....	5 1	5 1
Mortgage.....	695	595	Ground rent.....	-- --	2 4
			Total weekly outlay.	23 4	22 11

In the case illustrated by this table, the weekly payment figure includes an amount to apply on the prepayment of a premium for an insurance policy issued to the mortgagee to cover the risk of loss on 15 percent of the advance.

A significant forward step was made by the British building industry in 1933 in the formation of the Building Industries National Council. This is, in effect, an industrial or trade association of the vertical type, bringing together all the elements of the construction industry. The objective of the council is stated as follows:

To initiate, supervise, and provide a medium for cooperative action and common effort on the part of appropriate bodies and organizations, which is likely to conduce to the advancement and welfare of the Building and Constructional Group of Industries * * *.⁷⁴

The nucleus of the council was formed in 1929, and during the depression years of 1931 and 1932, it performed its first important function in protesting against the wave of governmental economy measures which it believed to be inimical both to the building industry and to the economic recovery of the country. When this crisis had passed, the objectives of the group were broadened to include active measures for promoting wider cooperation among all the factors in the industry.

The membership of the Building Industries National Council is composed of associated bodies, with full voting rights, and allied members, who cooperate but have no vote. The first category includes organizations representing building-materials manufacturers, chartered surveyors, building-trades employers, building-trades oper-

⁷⁴ "Year Book for 1936", Building Industries National Council, February 1936, p. 19.

atives, architects, electrical manufacturers, civil-engineering contractors, and concrete dealers. The allied members are various trade associations connected with the industry.

The functions of the council include the providing of a place for the collection and coordination of views and opinions on various subjects, technical or otherwise, which concern the industry. It provides the machinery for consultation between the associated bodies.

Another function is the collection and presentation of statistical information pertinent to the problems of the industry.

Some of the matters with which the council has concerned itself through its various committees are: Delays by governmental bodies in the approval of proposed construction, local shortages of brick, standardization of measurements for sand and ballast, jerry-building, craft training, revisions in building laws, the encouragement of a national code of building regulations, standardization of plumbing materials and other equipment, and the desirability of lessening the violent fluctuations in the activities of the construction industry.

The Building Industries National Council is a vigorous organization, rapidly growing in strength and in the scope of its activities. It seems destined to play a major role in the rationalization of the construction industry in England.

The general description of the organization of the residential building industry in England has been presented as essential to a true picture of the current building boom. Looking across the sea from a country where home building has been in a state of prostration for more than 5 years, it is difficult to comprehend the scope of activity in the British Isles. The London area is humming with construction activity, with the metropolis encircled with a wide band of newly developed subdivisions. Houses are sold as fast as they can be built, and the penumbral agricultural land is being brought into residential use at an unprecedented rate.

The same situation exists in the provinces. Almost without exception, each urban area is dotted with new construction, mostly at the periphery. Since both local authorities and private initiative are building at a rapid rate, there has arisen a general shortage of skilled labor in the building trades. This shortage has resulted in some cases in the payment of premium wages to carpenters and bricklayers. Some of the local authorities are experimenting with new building materials in order to prevent the shortage of bricklayers from hindering their housing operations.

To understand the present building boom it will be well to trace its development and to point out some of the factors which bear upon the situation. It will be recalled that early post-war building was stimulated by a system of subsidy which resulted in the construction by local authorities and to some extent by private interests of a large number of working-class houses. (See Table 2, Part III.) These dwellings were neither for the lowest-income groups, nor were they available to the middle and upper middle classes. By 1930 the shortage of accommodations for skilled workers and white-collar workers was probably overcome, but neither the poor nor the well-to-do were adequately supplied. The resources of the gradually recuperating building industry had been almost completely absorbed in the construction of assisted housing; furthermore, the restriction of rents made it unprofitable to build on a commercial basis.

With the gradual relaxation of rent restrictions and the withdrawal of subsidies, except for slum clearance operations, private-initiative building began to increase. Whereas in 1925 private building without subsidy accounted for only 38 percent of house construction, by 1930 this proportion had increased to 68 percent. In 1935, private building reached a peak of activity, accounting for 286,374 houses, or 87 percent of all house construction. (See Table 2, Part III.)

A comparison of the relative rates of building activity in England and in the United States indicates that residential construction proceeded at a somewhat more rapid pace in this country at the top of the cycle than has yet been attained in Great Britain (Table 21).

TABLE 21.—*House construction in relation to population, England, 1926 to 1935, United States, 1920 to 1929*

England				United States			
Year	Population ¹ (in thousands)	Dwelling units constructed ²	Dwelling units per 10,000 population	Year	Nonfarm population ³ (in thousands)	Nonfarm dwelling units constructed ⁴	Dwelling units per 10,000 population
1926.....	39,067	217,629	55.7	1920.....	74,352	203,500	27.4
1927.....	39,290	238,914	60.8	1921.....	76,134	414,100	54.4
1928.....	39,482	169,532	42.9	1922.....	77,916	694,800	89.2
1929.....	39,607	202,060	51.0	1923.....	79,698	856,300	107.4
1930.....	39,806	183,807	46.2	1924.....	81,480	877,400	107.7
1931.....	39,988	200,812	50.2	1925.....	83,262	933,500	112.1
1932.....	40,201	200,496	49.9	1926.....	85,044	877,400	103.2
1933.....	40,350	266,622	66.1	1927.....	86,826	835,200	96.2
1934.....	40,467	327,517	80.9	1928.....	88,608	758,000	85.6
1935.....	40,645	323,926	79.7	1929.....	90,390	505,300	55.9

¹ Total population.

² Based on houses of £78 ratable value or less (£105 in London area). Houses of higher value are numerically unimportant. Construction in rural areas cannot be separated but probably does not constitute a significant proportion of the total.

³ Nonfarm population prorated by years as of Jan. 1. Census of population for 1920 and 1930.

⁴ Nonfarm dwelling units based on estimate.

There are a number of tendencies which accompanied this great increase in private building which have been offered as partial explanations of it. In the first place, there probably existed a backlog of demand, carrying over from the early post-war period, for middle- and upper middle-class housing. Further, the high standards of housing built by the local authorities and the wide public interest in the public housing program tended to induce a general dissatisfaction with the obsolete dwellings which had long been accepted as hygienically and socially adequate. Home ownership became more and more popular through one of those infectious and relentless trends of fashion in the nature of a fad. The purchase of a house was made easy through the almost unlimited reservoir of funds in the hands of the building societies, which had become the most popular depository of the savings of the small investor. Various devices were developed in the form of mortgage-risk insurance and builders' guarantees to facilitate purchase on easy terms. (See Part XIII.)

There were two factors which tended to increase the total demand for housing, particularly in some of the large cities. The first was

the increase in the number of families in proportion to the increase in population. In 1921 the average size of family was 4.14 persons. By 1931 this had decreased to 3.72 persons, indicating an increase in demand for housing out of proportion to the increase in population. Furthermore, in the same decade the aggregate increase in the number of families in England and Wales was 1,494,000, or 698,000 greater than the increase of the previous censal period.⁷⁵

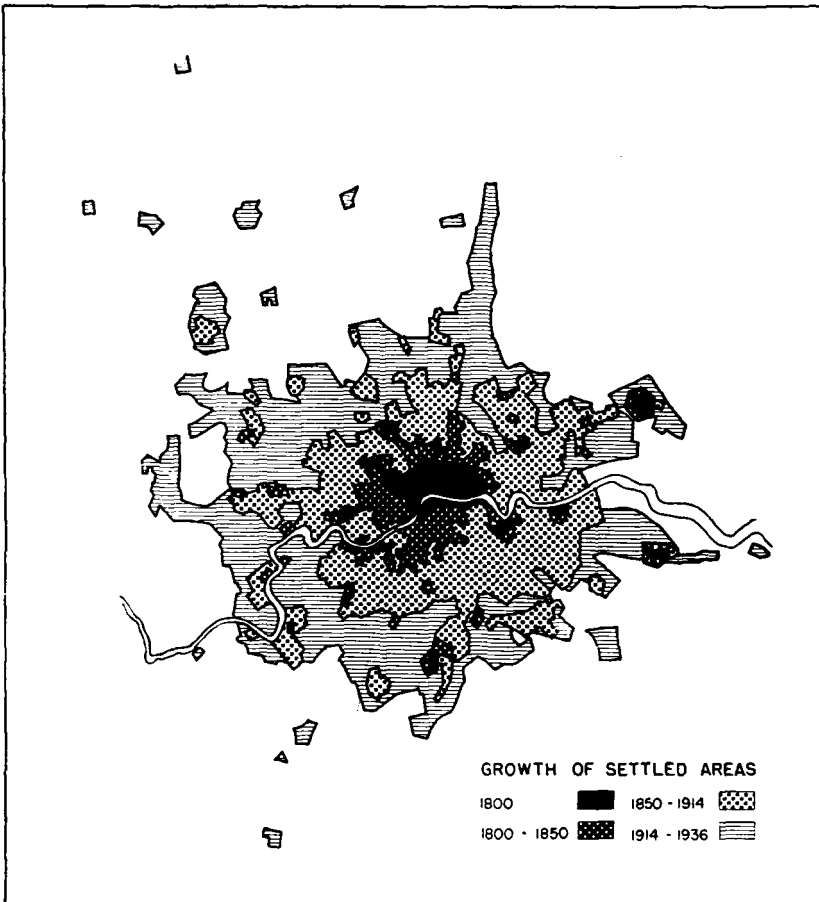


CHART III.—GROWTH OF SETTLED AREAS IN THE LONDON METROPOLITAN REGION.

The second factor influencing demand in the large cities was the internal migration away from certain districts. For instance, there was a great influx of population to the London area, particularly at the expense of the northern coal-mining and shipbuilding districts. The rise of industrial activity in the Midland cities tended to draw population to them and thus to increase the pressure of demand for housing.

⁷⁵ "Census of England and Wales, 1931, Housing." *Op. cit.* note 54, pp. xiv and xviii.

There is definite evidence in the English cities of the same kind of suburban trend which accompanied the rapid rate of urbanization in the United States in the 1920's. The growth map of London (Chart III) illustrates the rapid expansion of the metropolitan area at the periphery in late years. Here, as in other cities, this is partially explained by several factors, including the improvement of roads, the extension of transportation facilities, and the increased use of the automobile. This last item is shown by the following table:

TABLE 22.—*Number of cars licensed in Great Britain, 1926 to 1935, and number of new-car sales, 1931 to 1935*

Year (quarter ended Aug. 31)	Cars (taxed on horse- power)	New-car sales	Year (quarter ended Aug. 31)	Cars (taxed on horse- power)	New-car sales
1926.....	676, 207	.....	1931.....	1, 076, 128	139, 403
1927.....	778, 056	.....	1932.....	1, 118, 521	152, 950
1928.....	877, 277	.....	1933.....	1, 195, 882	183, 069
1929.....	970, 275	.....	1934.....	1, 298, 440	226, 631
1930.....	1, 042, 258	.....	1935.....	1, 477, 378	276, 001

Source: Ministry of Transport, as reported in *Seventy-ninth Statistical Abstract of the United Kingdom*, pp. 312-13, and "Road Notes—Great Britain", 1935-36, issued by the British Road Federation, Ltd., London.

Finally, there have been a number of changes in the field of prices which are frequently pointed to as explanatory of the current building boom in England. The decrease in mortgage interest rates is one of these changes. Building society rates have fallen from 6 per cent in 1930 to 4½ per cent at the present. It is, of course, impossible to determine to what extent this factor has been operative, but there is no doubt that it has had some influence in stimulating construction.

The reduction in the cost of construction has likewise been an incentive to build. From the post-war peak in 1920, costs declined until 1923, and rose again to a higher point in 1925 and 1926. In 1923, the average cost of construction of three-bedroom houses built by local authorities was about £350 (\$1,712). This increased to £448 (\$2,191) in 1926, and then steadily declined until June 1933, when it reached £285 (\$1,394). Since then, there has been a slight increase.⁷⁴

An interesting explanation of the building boom appeared in the *London Economist* of October 26 and November 2, 1935. It was suggested that the great increase in house purchasing was the result of a release of effective purchasing power occasioned by the coincidental increase in earnings and decrease in the cost of food and clothing. The rise in the number of cars purchased which paralleled the increase in house construction was adduced as further evidence of this expansion of purchasing power.

The explanations of Britain's building boom which have been offered indicate that it is not, by any means, totally unsound in its origins. On the other hand, there are certain evidences which give rise to a reasonable question of its continuance. Many features of

⁷⁴ *Seventh to Sixteenth Annual Reports of the Ministry of Health, 1925 to 1935*. His Majesty's Stationery Office, London.

the current real-estate market are parallel to the situation in America during the period of intense real-estate activity which culminated so disastrously in 1930. For instance, there exists the same high pressure selling with low down payments, sometimes as low as 5 percent, and easy terms. There is an increasing intensity of competition among sellers. The competition for loans by lending institutions has brought more and more favorable terms for the borrowers. While it is true that certain safeguards have been introduced, such as a more careful examination of the personal credit of the borrower and more rigid limitations of the amount advanced in relation to the borrowers' income, it is difficult to determine how effective or universal these measures are. There are persistent rumors that credit is being extended unwisely in many cases, and that purchasers are undertaking obligations which may prove too heavy for them to discharge.

The further rumor is prevalent that there is at least some "jerry-building" that is being marketed at exorbitant profits to the builder. It is, of course, impossible to secure any statistical measure of this factor, but the fact that a member of the housing committee of the London County Council openly condemned it recently in a statement to the press and urged the prompt adoption of measures to prevent or further restrict it indicates that it is more than rumor.⁷⁷

Signs advertising flats or houses "to let" are appearing. There are no vacancy surveys from which an accurate measure of the percentage of vacancies can be computed, but the consensus appears to be that a normal vacancy has not yet been reached. But one who has been absent from the country for a period of time cannot help being impressed by the increase in the number of these signs and by the apparent greater ease of finding a place to rent.

Neither is there available any dependable index of rents, so that it is impossible to say with confidence whether the rent level is changing. But one would suspect from increases in vacancies that among certain types of property there is a tendency for rents to soften. The opinion has been expressed by careful observers that certain types of accommodation in certain kinds of location have already been overbuilt.

There appears to be a tendency in the direction of abandonment of the large and old-fashioned single-family houses for the smaller, less labor-making apartment. Apparently, it is reported, the demand for the smart, efficient "luxury flat" is insatiable. These are even appearing "in the country", that is, at the fringes of the built-up area, near to golf courses and the open country. Londoners have broken away from traditional conservatism, are renting luxury flats in buildings of ultra-modern design with central heating, mechanical refrigeration, and "snack bars", and with a number of incidentals like swimming pools, clubrooms, and squash courts thrown in for good measure. Many who are not going into "flats" and who 10 years ago would probably not have dreamed of living in a home of their own are paying their £25 (\$122) down, contracting to pay

⁷⁷ Silkin, Mr. Lewis, M. P., chairman of the London County Council Housing Committee, as reported in the "News Chronicle" (London), July 9, 1936. The Minister of Health, Sir Kingsley Wood, also emphasized the need for the elimination of the jerry-builder in a speech before the House of Commons, July 16, 1936. (Reported in the "Telegraph" (Sheffield) July 17, 1936.)

15 to 30 or more shillings a week (\$3.70 to \$7.35 or more) until their hair has grown gray, and are moving into their own bungalows or "estates" on the installment plan ("hire-purchase plan", in England).

It is said that a fundamental difference between conditions in the two countries, England and America, is found in the complete absence of speculation in the purchase of homes in England. It is, of course, impossible to check the literal accuracy of this assertion, but it is quite generally made by careful observers. Those who are buying homes are doing so, it is said, with the sole purpose of occupying them, and not in the hope of selling sooner or later at a profit. The market is therefore more stable, so the story goes, than it is in boom periods in the United States.

If this premise is sound, the conclusion follows quite inevitably. But one is sometimes tempted to question the premise. For instance, an advertisement which has appeared a number of times in London newspapers reads:

In a few years land will be worth more than bungalow at the present bargain price of £295 (\$1,443) leasehold, or £395 (\$1,932) freehold.

If this sort of appeal occurs in the advertising, it is not difficult to imagine what form it may take in the salesman's presentation.

There is no definite agreement among informed observers in England as to whether or not building and real-estate activity have reached a climax. The decline in the number of houses built by private initiative without governmental assistance from 286,374 in 1934-35 to 271,369 in 1935-36 may be of some significance. Some believe that the pace may be maintained for a period—"we are bumping along on the height of a plateau", is a common expression. Other opinion indicates that the decline has already set in.

The Building Industry Survey of the Building Industries National Council for June 1936, says:

Official figures * * * show that the number of houses built in England and Wales during the year ended March 31, 1936, did not attain the record level of the previous year in spite of an increase in house building by local authorities. * * * On the longer view, a gradual change in the type of (building) material demanded will commence, those for which the main demand arises from new housing construction tending to decline, and those used in larger structures to increase.

There appears to be agreement among close observers that decline in house construction lies definitely ahead, but there is no agreement about when the decline will set in or whether it has already set in, nor as to how precipitous the decline may be.

PART XIII

THE HOME MORTGAGE MARKET

A variety of home financing institutions has grown up in Europe as a reflection of the varied conditions existing in the social and economic structures of various nations. The parallels of many of these institutions may be found in America, but the conditions under which they operate and their techniques of lending vary markedly. Furthermore, the control which is exercised by public authority over the mortgage market is of long standing in most of these countries and contributes to a stability and restraint which has not been characteristic in America.

The direct lending operations of many of the Governments in the early post-war period and the various other forms of government participation in the real-estate and mortgage market occasioned by the post-war building crisis have created a permanent interest in this field and resulted in a certain degree of dependence upon Government assistance and control. Another characteristic of the foreign mortgage markets is the high degree of specialization by institutions providing capital for the financing of housing. Because of these basic differences between the situation abroad and in America, it is difficult to make comparisons, and the application of the experience of Government in this field is hazardous.

In order to understand the variety of practices and conditions which exist in the various countries, it may be well to examine some of the characteristic lending practices.

In England it is estimated that 80 to 90 percent of the first-mortgage money for housing is supplied by the building societies. These organizations operate on essentially the same plan as the building and loan associations in this country. Their growth since the war has been remarkable. In 1920 the total loans outstanding amounted to £68,811,690 (\$336,575,179), but by the end of 1935 this had increased to £529,279,825 (\$2,588,839,944).⁷⁸ The building societies are considerably larger institutions than the average building and loan association in America. The two outstanding societies, the Halifax and the Abbey Road, have loans outstanding of £85,942,300 (\$420,365,275) and £40,273,300 (\$196,986,779), respectively.⁷⁹ These organizations and many of the other large societies operate in various parts of England through branch offices. Of the 1,007 societies in Great Britain in 1934, 100 societies possessed 86 percent of the total mortgage assets.⁸⁰ It is a common opinion that the building boom in Great Britain could never have attained its present proportions without the almost unlimited supply of funds available from this source.

⁷⁸ *Building Societies Yearbook, 1936*, p. 59.

⁷⁹ *The Economist*, "Building Societies Special Survey", Apr. 11, 1936, pp. 14-15.

⁸⁰ *Ibid.*

Building societies normally lend from 70 to 75 percent of the appraised value of the property. In the past few years, interest rates have declined until they now are reported to range from 4 to 4½ percent. The term of the loan is from 20 to 25 years in most cases. As explained elsewhere in this section, advances in excess of the normal 70 percent are made by the building societies if arrangements for guaranteeing the excess advance by means of a deposit are made by the builder, or if insurance is issued to cover the excess advance, with the premium paid by the borrower.

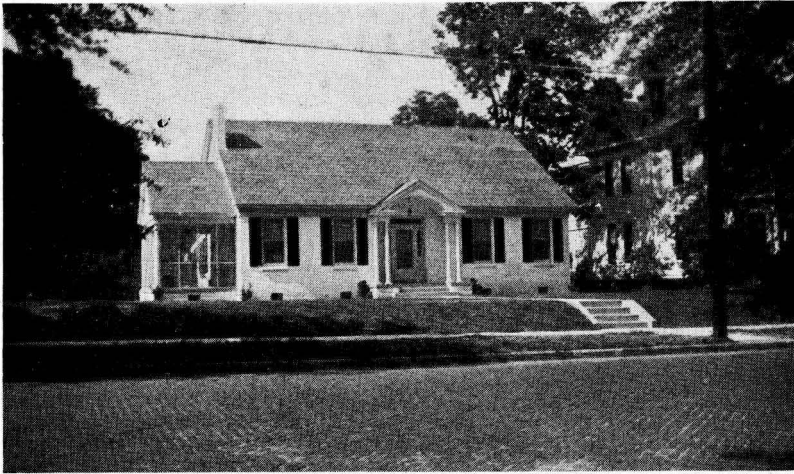
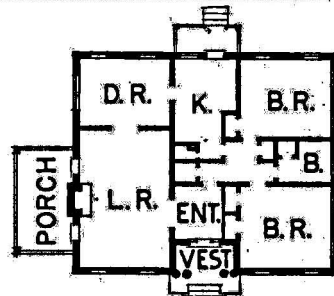


FIGURE 25.—PRIVATE HOUSING IN AMERICA.

A typical small house financed under the FHA plan. The cost of construction was \$4,000, the land cost, \$1,000. Monthly payments are \$40.37 including debt service, taxes, and insurance.



Before the expansion of building societies into the leading position in the mortgage market, the common source of mortgage money was the funds of private investors administered through solicitors. This device was well organized, with a cooperative exchange which brought together those who had money to lend and those who wished to borrow.

Other sources of mortgage money in England are insurance companies, who lend mainly on multiple-family structures, and commercial banks, who occasionally advance funds for short terms or accept real-estate security for commercial or private loans.

At the present time, the life-insurance companies are attempting to popularize a plan which has much merit. Under this scheme the borrower wishing to build or purchase a home borrows on first mortgage from an insurance company and at the same time sub-

scribes to an endowment policy whose maturity date is the same as that of the loan. The face value of the insurance policy and of the mortgage are equal, and it is so arranged that if the borrower dies before the maturity date, the proceeds of the insurance will retire the debt. If he lives, the proceeds of the endowment policy are used for this purpose.

Junior financing is not common in England, particularly for new construction. This is the result of the high proportion of the value of the property which may be borrowed from the building societies, which are now doing the greater share of the business. Even when excess advances are made up to 85 or even 90 percent of the value of the property under the arrangements previously described, this total advance is secured by one instrument, and all the funds are supplied from a single source.

While the majority of real-estate loans made in England provide for a relatively long term, from 20 to 25 years, it is generally possible to call the loan upon 3 or 6 months' notice. Section 103 of the Law of Property Act of 1925⁸¹ requires that the mortgagee give the mortgagor 3 months' notice of calling the loan. In some cases special provisions are inserted in the mortgage deed covering this point. The indenture used by the Halifax Building Society contains the following:

That if the society shall cause to be given to the mortgagor or left at the mortgagor's usual or last-known place of abode in England or upon any part of the mortgaged property 6 months' previous notice in writing, under the hand of an officer of the society authorized in that behalf, requiring payment of the redemption money, he will pay such money forthwith upon the expiration of such notice.

In many cases no specific provision is inserted in the mortgage. A representative of one of the largest societies makes the following statement:

It is more usual for a mortgagee to place reliance on the statute than to insert any provision empowering him to call in his loan, for the reason that by statute he can call it in at any time by 3 months' notice. It is, however, occasionally provided in a mortgage that the mortgagee shall give 6 months' notice before calling in.

In recent years, because of the general low level of interest rates, it has become increasingly customary for lenders to insert a clause in the mortgages providing for an interest rate which fluctuates in proportion to the Bank of England interest rate. A typical clause is as follows:

And also that, if at any time or times during the continuance of this security, bank rate shall be in excess of 3½ percent per annum, the mortgagor will in respect of such period or periods pay to the society interest (hereinafter called additional interest) at a rate equal to the amount by which bank rate exceeds 3½ percent.

While this provision is not in general use, it is becoming increasingly popular as a protection to the lender against a general rise in the price of investment funds. The effect of the call provision is to offset to a degree the advantages to the borrower of long-term borrowing, since in time of financial stress he may be required to pay off his debt when he is least able to do so.

⁸¹ 15 Geo. V. ch. 20.

In Holland⁸² first-mortgage money is provided by private mortgage banks specializing in this field. There are 48 institutions of this type, the majority of which were established before 1900.⁸³ These institutions secure funds through the sale of debenture bonds, with a difference of about three-fourths of 1 percent between the interest rate on the bonds and the mortgage interest rate. The loans are usually made for a 10-year term, renewable upon reappraisal of the property. The proportion of the loan to the value of the property ranges from 60 to 70 percent, and the interest rate from 5 to 5½ percent. The amortization rate is 1 to 2 percent per year.



FIGURE 26.—MODERN FLATS IN STOCKHOLM.

These are typical of the hundreds of cooperative and limited-dividend company flats in Sweden. Note the individual balconies.

An interesting feature of the operations of one first-mortgage company is the treatment of foreclosed properties. These properties are turned over to a subsidiary company at the cost of acquisition. The subsidiary then disposes of the properties if conditions are right, or manages them until a more propitious time for disposal.

Second-mortgage money is secured from institutions specializing in this type of lending, and the interest rate has been in the neighborhood of 6 to 7 percent. At the period of disorganization in the mortgage market following the war, the State found it necessary to provide second-mortgage money by direct loans to builders. These loans were issued up to 20 percent of the building cost and were repayable in 10 years. The rate of interest was progressively reduced from 6 percent until it reached 4.75 percent in 1927. Only a small amount

⁸² See H. Van der Kaa, *op cit.* note 4, pp. 92-96; H. Van der Kaa, "Housing in Holland under the Housing Act"; *Housing Policy in Europe*, *op cit.* note 47, pp. 104-09.

⁸³ *Jaarboekje van de Vereniging van Directeuren van Hypotheekbanken*, 22nd annual number, 1936.

has been loaned by the State, but the existence of this source of funds has been an effective control on private lending.

A considerable amount of housing construction is done by limited-dividend corporations and cooperatives in Holland. Funds for these operations are often secured from the communities. In other cases loans are made by savings institutions or by the several social-insurance funds controlled by the State. Many of these loans are made under municipal guarantees.

In Denmark⁸⁴ a peculiar type of lending institution has grown up and has been adopted in other Scandinavian countries. First-mortgage money is supplied by so-called credit societies. These are mutual organizations and provide for the pooling of the credit of a group of borrowers. An individual or housing society which wishes to secure first-mortgage money is required to join the credit society and to put up its property as security for the money which it wishes to borrow. The credit society issues debenture bonds based upon the pool of credit to its members. Instead of receiving cash as the proceeds of the loan, the borrower receives credit society debentures whose total face value is approximately equal to the face value of the mortgage. To secure the necessary cash the borrower then markets these bonds on the open market at the current rate.

This same type of organization exists in the second-mortgage field as well and is called a mortgage society.

The debentures of the first-mortgage societies carry a coupon rate of 4 to 4½ percent interest and are currently quoted at a price which makes the yield about 4.78 percent. The second-mortgage organizations issue securities at 4½ to 5 percent interest which sell at prices which yield 5.10 percent.

In Norway⁸⁵ the credit associations make first-mortgage loans at 4½ percent interest. The annual debt service payment is the sum of the interest charge on the face value of the loan, an additional charge of 0.2 percent for administration, and an annual amortization requirement of 0.3 percent of the face value. For masonry houses the term of the loan is 62½ years, but for frame houses it is reduced to 52 years and the amortization requirement increased to 0.5 percent.

The debenture bonds carry an interest rate of 4½ percent and are currently selling at 97. Loans are made up to 60 percent of the value of the property, but the average loan ranges from 45 to 50 percent. At the time of making the loan a bonus of 2 percent of the face value is charged. This is kept as a deposit and repaid without interest when the loan is finally retired. The largest credit association in Norway operates in all the important cities of the country through branch offices.

Second-mortgage associations have not been particularly successful in Norway because of the difficulty in marketing their securities. At the present time legislation is being considered for the establishment of a State second-mortgage institution.

Other lenders in Norway are the savings banks and the insurance companies. These institutions lend for shorter terms, in most cases

⁸⁴ See Cohen, Joseph L., *op. cit.* note 5, pp. 190-1; and Boldsen, F. C. "Housing." See Bruno Schwan, *op. cit.* note 2, pp. 106-108.

⁸⁵ See Cohen, Joseph L., *op. cit.* note 5, pp. 191-192; *Housing Policy in Europe*, *op. cit.* note 47, pp. 157-162; *International Survey of Social Services, 1933*, *op. cit.* note 3; and Kieland, J. C., "Norway." See Bruno Schwan, *op. cit.* note 2, pp. 280-283.

with a provision for termination on 6 months' notice, although it is customary to let the loan run for 5 years. Some of the savings banks also lend on second mortgage. These banks are operated on a non-profit basis, and any profits which do accrue are used for the benefit of the community, as in one case for the erection of a public art gallery.

A life-insurance company⁸⁶ operating in Oslo reports that first-mortgage loans are made on first-class apartment houses and villas up to 50 percent of the value, at 4½ percent interest. These loans are not amortized and are callable on 6-months' notice. In some instances 60 percent loans are granted, but these must be amortized gradually until they are reduced to 50 percent of the value of the property. Loans made for periods of 5 or 10 years are at 5 percent interest.

In some cases second-mortgage loans are made by this insurance company under the guarantee of the city of Oslo. In this case the first-mortgage loan is made on the regular terms of 4½ percent interest and 6 months' notice of termination. The junior mortgage carries a rate of 5 percent and has a term of 5 years, after which it can be called on 6 months' notice. Amortization requirements are 1 percent per annum of the total of the face amounts of both loans.

Another important lending agency in Norway is the Norwegian Small Holdings and Dwellings Bank, established by the State in 1903. The purpose of this institution is to supply funds on easy terms to persons of low income who desire to purchase or to erect one- or two-family houses. Loans are made on first and second mortgages up to 90 percent of the value of the property. A municipal guarantee is ordinarily required in connection with these loans. The interest rate varies from 4 to 4½ percent, and the period of repayment may be up to 30 years. The Government pays the cost of administration.

The most important of several sources of credit for financing real estate in France⁸⁷ is the *Crédit Foncier*, which has the exclusive right to issue real-estate bonds. Insurance companies are another source of mortgage money. Under laws designed to encourage the construction of cheap and moderate-priced housing, the State lends directly or authorizes this type of lending by savings banks and certain semipublic institutions. There is, of course, an uncalculated amount of credit extended by private individuals on real-estate security.

Since its founding, in 1852, the *Crédit Foncier* has had a legal monopoly in the issue of mortgage bonds. In return for this privilege the State exercises a close control over the operations of the mortgage bank so that it is, in effect, a governmental institution.

The *Crédit Foncier* secures funds for lending from the proceeds of the sale of mortgage bonds and from deposits. In 1935 the capital stock was 375,000,000 francs (\$17,446,875), which is invested in readily shiftable securities. The maximum bond issue is fixed at 50 times the nominal capital. On December 31, 1935, the total of the

⁸⁶ Idun, a life-insurance company closely related to Christiania Almindelige Forsikrings-—Aktieselskap (Storebrand).

⁸⁷ See Cohen, Joseph L., op. cit., note 5 pp. 157-164; *Housing Policy in Europe*, op. cit., note 47, pp. 205-221; and *International Survey of Social Services, 1933*, op. cit., note 3, pp. 303-306.

bond issues outstanding was 6,244,992,700 francs (\$290,548,285) in mortgage bonds, 262,820,000 francs (\$12,227,701) in maritime bonds, and 10,824,615,350 francs (\$503,615,229) in communal bonds.⁸⁸ Deposits are limited by law to 100,000,000 francs (\$4,652,500). These funds from deposits may be used in short-term lending and for other commercial banking purposes.

Bonds are usually issued at a premium and in connection with a lottery in which large prizes are offered. The securities in circulation on December 31, 1935, carry coupon rates of 2.6 to 7.0 percent. The last issue of bonds, in 1934, carried 5.5 percent interest.⁸⁹ The *Crédit Foncier* makes loans on both urban and rural real estate, as well as extending credit to communes. Loans on the security of houses and farms are made up to 50 percent of the value, based upon the appraisal of the bank. The maximum term of loans is 75 years on the land and 30 years on buildings or other property subject to depreciation. Short-term loans are also made. The rate of interest on mortgage loans on December 31, 1935, was 8.05 percent.⁹⁰

Loans to cities and other political subdivisions are usually for terms of 30 years. Since the war this type of loan has surpassed in volume the loans to individuals on real-estate security. Long-term loans of all kinds are regularly amortized. The rate of interest is limited to 3 percent in excess of the rate on the bonds in circulation. At the present time the rate on bonds is in the neighborhood of 6.8 percent.

Arrangements are made for construction loans to contractors covering the period of construction. These loans, however, are made by the *Sous-Comptoir des Entrepreneurs*, which is an associated company to which the *Crédit Foncier* may make advances. Upon the completion of the structure, the mortgage is transferred to the *Crédit Foncier* on a permanent basis.

Since the war, a number of enactments have been passed for the encouragement of the construction of cheap and moderate-priced housing. In order to provide cheap credit for this purpose, loans are granted by the State to credit societies and mutual-aid associations whose functions are to retail these funds to the builders of houses in this class. These funds may be loaned not only for construction but also for alteration and repair and for the equipping of low-rent houses.

The interest rate on the funds supplied by the State to the credit societies was fixed at 2 percent in 1922, but was revised at various times. In 1928 it was reestablished at 2 percent. The maximum term of the loans is 40 years.

The advances by the credit societies and mutual-aid associations for the construction of cheap houses are at an interest rate of not more than 2½ percent if the loan is to a housing society, and up to 3½ percent for loans to private individuals. The advance may be up to 80 percent of the value of the property.

The terms of mortgages on moderate-priced houses are somewhat less favorable than those for loans on cheap houses. The Act of 1928

⁸⁸ "Compte Rendu du *Crédit Foncier de France—Exercice 1935.*" Imprimerie et Librairie Paul Dupont, Paris, 1936. Appendix 4.

⁸⁹ *Ibid.*

⁹⁰ *Ibid.*, p. 7.

(Loi Loucheur) was designed to encourage the construction of moderate-priced houses, and provided that loans might be advanced by the State to building and credit societies at not more than 4 percent interest and for a term up to 40 years. The amount to be advanced is limited to 40 percent of the appraised value of the mortgaged properties. No payment for the retirement of such advances is required within the first 20 years.

In addition to advances by the State to building and credit societies to encourage the construction of cheap housing, departments and local authorities are empowered to make advances. Such loans may be up to two-thirds of the share capital of the society. It is also possible for similar loans to be made by savings banks, hospitals, or other semipublic institutions. These organizations may lend up to one-half of their assets for this purpose. Little use of this power has been made except by savings banks, which before 1928 had invested 44,370,000 francs (\$2,064,314) in cheap housing and in bath-house and gardening societies.

There are three major sources of first-mortgage money in Germany,⁹¹ mortgage banks, savings banks, and insurance companies. Mortgage banks are of two general classes, the private stock companies and the public or cooperative banks. The private banks are operated for profit, while the cooperatives are nonprofit making.

Mortgage bank funds are obtained through the issue of mortgage bonds secured primarily by the mortgages held by the banks. Special reserve funds are often required, and in some instances a special guarantee fund is built up from payments by borrowers from the bank. The guarantee of the State and the personal liability of members of the bank constitute additional security for the bonds.

In general, the total of all mortgage bonds outstanding must not exceed the face value of outstanding mortgages of the bank. Their total amount may not exceed 20 times the capital of the bank plus reserves. A survey of 22 banks revealed that the total bond issues varied from 7.5 to 17 times the capital of the banks, averaging 12.

The cooperative mortgage banks originally issued debentures to the borrower to be sold by him in the open market. Beginning as early as 1873, however, groups of these banks offered their bonds on the market through a central agency. This procedure facilitated the disposition of the bonds and tended toward making the bonds of various banks uniform in value. Since the war, private stock companies have consolidated their issues in order to increase their salability. By such organization the bonds of each member are backed by the credit of the whole system.

Loans by mortgage banks may not exceed 60 percent of the value established by the bank's appraiser. Loans are made on first-mortgage security only. Rates of interest fluctuate according to the cost of issuing mortgage bonds. Most loans are made for long terms. Repayment is frequently provided through regular semiannual payments of a fixed amount. Table 23 shows the sources of first-mortgage loans for new construction from 1924 to 1930.

⁹¹ See Cohen, Joseph L., op. cit., note 5, pp. 142-56; *Housing Policy in Europe*, op. cit., note 47, pp. 351-63; Fleischmann, Julius, op. cit., note 19.

TABLE 23.—Percentage distribution of and total amount of mortgage loans on new construction made by various agencies in Germany, 1924 to 1930

Lending agency	Years						
	1924	1925	1926	1927	1928	1929	1930
Mortgage banks.....	20.5	25.8	21.6	22.4	25.3	21.6	34.9
Public credit agencies.....	9.6	15.8	13.8	11.4	18.7	10.2	16.5
Savings banks.....	69.9	58.4	50.9	53.7	42.7	45.8	24.1
Insurance companies.....			13.7	12.5	13.3	22.4	24.2
Total loans (in millions of RM).....	83	240	601	1,080	1,500	1,250	1,200-1,250

NOTE.—Current rate of exchange for the German mark, \$0.4021.

Source: *Der Deutsche Wohnungsbau*, 1931, p. 14.

State supervision of mortgage banks is maintained through a trustee who is attached to each bank. He reviews all appraisals, and acts as sole trustee of all mortgages given to the bank.

The mortgage loans of public savings banks, which were formerly the most important source of mortgage money, are less subject to governmental supervision than those of mortgage banks, and they have a wider choice of legal investments. The funds for lending are obtained through the deposit of savings by small investors. This source is not so sensitive to fluctuations in the general money market as the sale of mortgage bank bonds, and the activity of such agencies is therefore less liable to be curtailed than that of mortgage banks in periods of high interest rates.

Insurance companies constitute the third major source of mortgage money. Before the war, about 92 percent of all insurance money available for lending came from life-insurance companies.

Second-mortgage money is obtained from private sources or from the Government. Since the revalorization of the mark after the war, a rent tax on houses has been collected. From the proceeds of this tax, funds have been made available for second mortgages up to 40 or 50 percent of the value of the building, at an interest rate of 1 percent with 1 percent per year amortization after the first 5 years. Such loans are available for new construction only.

Nowhere in the European mortgage markets is found the precise device of mortgage insurance in the form provided in this country by the Federal Housing Administration. The closest approach to this type of protection from mortgage risk is found in Norway where a private insurance company has recently undertaken to protect lenders against loss on advances secured by real estate.⁹²

In this case mortgage insurance is written on both first mortgages and junior liens where the total indebtedness on the property ranges from 60 to 80 percent of the value. The premium rate is 1 percent of the outstanding balance of the loan in ordinary cases. Where the debt is greater than 80 percent of the value of the property, a higher premium rate is charged, from 1½ to 2 percent. Construction loans are insured up to a 1-year period at a premium of 1½ percent. Premiums are paid by the mortgagor.

If the interest or principal due to the mortgagee is not paid within 1 month after it is due, the holder of the mortgage must

⁹² Christiania Almindelige Forsikrings—Aktieselskap (Storebrand) (Christiania General Insurance Co., Storebrand).

notify the insurance company. The company may forestall default by covering the unpaid amount. The lender is protected against all losses of principal and interest, as well as any other costs.

In placing the insurance, the company places primary dependence on the relation between the debt and the value of the property rather than upon the credit standing of the borrower.

In England insurance companies make a practice of writing a form of policy which protects the lender against the loss of an advance in excess of the normal proportion of value. Thus where it is the custom for building societies to lend up to 75 percent of the value of residential property, an excess advance of 15 percent may be secured from this same source in connection with a policy written to cover the risk involved in the excess advance. The premium charge for this policy is ordinarily 10 percent, payable at the time the mortgage is written. This amount is added to the face value of the loan and repaid over its term in regular installments.

Various other devices are current in Europe for the interposing of additional credit or security between the borrower and the lender. For instance, in England a device has grown up by use of which the speculative builders may bridge the gap between the 10 or 15 percent down payment by the buyer and 75 percent advance normally procurable from the building societies. The builder makes a deposit with the building society to cover this excess advance to the borrower, and this deposit is impounded until the loan is reduced to a normal proportion of the value of the property. The building society pays interest on the deposit at the current rate. In the case of large-scale house-building companies possessed of a sound credit rating, it is not necessary that the deposit be 100 percent of the excess advance, although a guarantee of the full excess advance is required. In some cases the builder's guarantee fund is as low as 25 or 30 percent of the total excess advances covered. One large-scale operator in London has a total of £500,000 (\$2,445,625) on deposit with building societies for this purpose.

The guarantee of advances by public authorities has been widely practiced for many years in both England and on the Continent. In England, the local authorities may guarantee the advances made to public utility societies. They may likewise guarantee loans made by building societies to members for the acquisition of houses. A variation of this form of guarantee was provided by the Act of 1933, which made it possible for building societies to make advances in excess of the normal amount, with two-thirds of this excess advance guaranteed jointly by the Ministry of Health and the local authorities. This plan has not been widely used.

In the Continental countries, the guarantee by local governments of individual loans to housing societies has been an essential factor in their widespread activities. Guarantees may be made in connection with either first or second mortgages. The problems encountered by the local governments in this form of guarantee are very similar to those of the Federal Housing Administration in its large-scale housing division. The method of analysis and the insistence upon minimum standards form a direct parallel with the operations of the Federal Housing Administration. In one large municipality, the real-estate department refuses to publish its standards and require-



FIGURE 27.—SCENES IN COLONIAL VILLAGE, WASHINGTON, D. C.

A large-scale housing project developed by a limited-dividend corporation under the FHA plan.

ments, finding it more effective to deal with each case on its merits and to negotiate for improvement of standards whenever feasible. This practice makes for maximum flexibility in standards and avoids the need for making constant exceptions to established and stated requirements.

In order to summarize the general points of differentiation between the European mortgage system and that in America, the following distinguishing features of the foreign situation may be listed:

1. A higher degree of institutional specialization. The predominating mortgage lending agencies deal exclusively in real-estate loans.
2. Terms of real-estate lending more favorable to the borrower. In most countries mortgage loans carry a low rate of interest, a high ratio of loan to value, a long term of years, and provision for regular amortization.
3. A more general use of the mortgage bond.
4. Wider governmental participation in the mortgage market.

PART XIV

APPLICATIONS IN AMERICA

It is sometimes carelessly assumed by overenthusiastic observers that the various methods and devices which have been successful in Europe may be applied directly to the housing problems which exist in America. It can easily be demonstrated, however, that the success of a given device in England, for instance, does not, per se, demonstrate its usefulness in this country. In most cases, individual methods or policies are but a part of a comprehensive and correlated program of remedial action.

The several components of the housing policy of any nation are reflections of peculiar circumstances giving rise to need for remedy. They likewise reflect the various institutions which have grown up to perform special functions, as well as the social and political traditions of the people. In Scandinavian countries, much of the housing legislation has related to the activities of limited-dividend corporations and cooperative housing societies which play a leading role in the provision of housing. The importance of these housing societies is, in part, a reflection of the social characteristics of the people and in part a matter of chance developments. The different situation in America is illustrated by the fact that only in recent years have limited-dividend housing corporations and cooperative housing societies become of even small importance.

In most countries there is a much wider acceptance of the intervention of government in all forms of economic activity than has been the case in America. An extreme example is found in the city of Vienna, where the Socialist administration followed a policy of providing housing for the working classes at a purely nominal rent. This was accomplished by means of heavy progressive taxes levied on a variety of goods but particularly on luxuries and pay rolls. It was accompanied also by very rigid rent restrictions and a tax on dwellings, from which approximately one-third of its funds for building was raised.

In England, in connection with slum clearance operations, unfit houses may be compulsorily acquired by the local authority upon payment of only the site value of the property, with no compensation for the improvements. This procedure frequently results in serious hardship to property owners who have been securing a substantial rent from property in clearance areas. It is safe to say that the temper of the people in America would not, at the present time, countenance such a procedure in the blighted areas of our cities.

Another basic difference which would limit the effectiveness of many European housing policies in America lies in the relationships between the Central Government and the municipalities. In our country, the cities are the creatures of the States, which grant them

certain definite but limited powers. On the other hand, the Federal Government is founded on a Constitution consisting of powers delegated by the sovereign States. Thus, the relationship between our Federal Government and the municipal authorities is indirect, and means are lacking by which cities could be compelled by Federal authority to deal with their own housing problems.

In contrast, European cities typically receive all powers from the central government. All their activities are under the supervision and control of a central authority. It is frequently the case that housing legislation is mandatory and requires specific action by the local authorities. Thus, in both English and Dutch law, it is provided that in case the municipal government does not take action to provide sanitary and adequate housing for its citizens, the Central Government may step in and do the work at the expense of the community. It is true that these powers are rarely, if ever, exercised; but this constant threat, supported by the prestige and broad powers of the Central Government, is sufficient to induce communities to perform the necessary work.

There are many other differences between the situations in Europe and America which might be cited. For instance, the agencies which have grown up for financing real-estate activity are quite differently constituted. Furthermore, the overwhelming proportion of tenancy leads to special problems which do not exist in quite the same form under the conditions of widespread home ownership which obtain in America.⁹³

Some of the policies in effect with regard to slum clearance would be inapplicable to American conditions because of the differences in the origin of slums and in the manifestations of blight. Many of the European slum areas are found in the congested centers of large cities where centuries ago the nuclear village was crowded in behind protective walls. In other places special types of undesirable housing exist as a result of the circumstances which surrounded the development of particular sections of the city. For instance, in the Midland cities of England the great influx of population to the factory towns following the industrial revolution resulted in the erection of long, congested rows of two-story back-to-back structures which were slums from the very first. In The Hague the most char-

⁹³ For instance in 1926, the average percentage of rental dwelling units was more than 80 in 53 cities in Sweden. For Italy, the following table indicates the proportion of owner occupancy:

Owner-occupied dwellings in cities over 20,000 inhabitants in Italy, 1931

Cities by population	Total dwelling units	Owner occupied	
		Number	Percent
100,000 and over.....	1,567,137	282,812	16.8
50,000 to 99,999.....	594,997	173,017	29.1
20,000 to 49,999.....	1,100,337	430,795	39.2
All cities over 20,000.....	3,262,471	866,624	26.6

Source: "Report sur Les Habitations Populaires et Economiques in Italie," League of Nations, Geneva 1936, p. 72.

acteristic slum conditions are found in the "hofjes", small single-family dwellings crowded together in a disorderly grouping and accessible from the main streets only through tortuous alleys and dark passageways. Obviously, special conditions require measures of special design, and adaptations can be effective only with proper modifications and adjustments to meet the new circumstances.

It is not intended to imply that European experience is valueless in guiding the formulation of housing policy in this country. On the contrary, there is much of direct value. The widespread collection and utilization of housing statistics in nearly all of the European nations suggests that these are essentials of a sound housing program. In America the collection of housing statistics is only just being recognized as essential to both public and private activities in this field. Present data are scattered and inadequate, and are collected partly by private agencies and partly by public authorities. There is little standardization or coordination in the recording of information so that summaries and comparisons are difficult. The present lack of adequate statistics of housing is a serious handicap to the successful administration of any public program in this field.

There are several basic principles which may be drawn from English experience in dealing with problems of residential blight. In the first place, it has been demonstrated that a substantial advance can be made, although it is not true that foreign methods may be applied unchanged under conditions obtaining in America. It appears, furthermore, that the greatest progress is possible under a national policy of integrated attack through a variety of devices, each appropriate to a particular manifestation of substandard housing. The program must be flexible, under competent leadership, and administered through local channels. Both the incentive for action and the provision of technical assistance are best provided by the central government. It has been demonstrated that the passage of legislation and the setting up of machinery is futile unless the program has the support of an informed public opinion.

Many of the mistakes which are apparent from a study of the evolution of European policy may be avoided in this country. Many of the same problems found in Europe exist in somewhat varied form in this country and will require remedies similar to those which have been employed abroad. With the long history of European experience available for analysis, it should be possible for the United States to develop a more comprehensive and effective program than any European nation possessed in its early attacks upon housing problems.

The experience of all European countries should be carefully studied and the methods analyzed. It might be possible to combine adaptations of the English slum clearance program, the suburban-settlement procedure in Stockholm, the widespread system of municipal guarantees, and others from among the sound and tested measures as the components of a comprehensive policy which, in a short period, might make more significant advances than have yet been made in any nation abroad.

It is not necessary for this country to restrict its efforts in improving housing conditions to the same patterns which have been

utilized in Europe. Other devices may be evolved as refinements of European methods, or entirely new procedures developed to meet the special conditions here.

From the long history of housing policy in Europe, its mistakes and its accomplishments, may be derived general principles and adaptations of method which might form the basis of a comprehensive program for this country, and which might succeed in shortening the period of experimentation which usually accompanies the evolution of a sound and effective social policy.