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Rental Paths from Postwar to Present: Canada Compared

Greg Suttor

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Executive Summary

This research paper seeks to put Canadian rental housing – its postwar peak and subsequent decline – in comparative historical perspective. How similar or different is Canada’s rental history from that of six other large affluent Western nations? Are there parallels, or tendencies to convergence, in the postwar years or since? What is distinctive about Canada?

Canada’s rental sector history has notable parallels with European social housing: in demand, supply and policy. In various ways it resembles Northwestern Europe more than the United States or Australia – the latter two being Anglo, new-world, “liberal welfare” nations generally most like Canada. In all countries, today’s rental stock is physically a product of the postwar era, and socio-economically a product of more recent changes which have downgraded the place of rental in the broader housing system.

Though homeownership dominated in postwar Canada, rental was 42 percent of net housing demand. This proportion of rental was fed by the highest growth and “catch-up urbanization” among affluent nations, and robust tenant incomes like postwar Europe. Canada’s postwar rental production was far higher per capita than the United States or Australia, and similar to that of Northwestern Europe. Apartments were integral in the development industry and in the postwar landscape. Policy gave moderate support to homeownership by liberal-welfare standards, and rising support to rental. Rising priority for social rental in 1965-75 paralleled Europe’s new low-income targeting.

But similar 1970s forces undermined production in Canada as in Europe: rising costs of production and of capital but weakening demand, the latter driven by similar declines in Canadian and European tenant incomes. Canada’s mid-Atlantic 1970s-80s policy prolonged the private production boom, and raised social production to levels approaching those seen in Europe after 1975. Our ill-timed shift to mixed-income social rental propelled targeting debates and higher subsidy requirements which, much as in Europe, undermined political support.

Unlike most affluent countries, 1970s–80s Canada did not embrace demand-side subsidy nor raise support for homeownership. In the 1990s it reverted to a liberal-welfare path, with extreme devolution propelling a near-end of social rental production.

Comparative rental history is approached here in terms of alternative “systems of housing provision,” associated with different regime types of welfare capitalism. But what emerges is a mix of path-dependent differences between regime types; converging or parallel trends which cut across regimes; and distinct national features.

Author

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Table of Contents

1. INTRODUCTION..... 1
 CONCEPTUAL FOUNDATIONS 2

2. HOUSING DEMAND FROM THE POSTWAR TO THE CONTEMPORARY ERA..... 5
 CONTRIBUTING FACTORS IN DEMAND GROWTH..... 5
 RENTING AND OWNERSHIP 8
 RENTER INCOME SHIFTS IN EUROPE AND CANADA 9
 A NEW INFLEXION POINT?..... 14

3. RENTAL SUPPLY FROM THE POSTWAR TO THE CONTEMPORARY ERA 15

4. POSTWAR RENTAL HOUSING POLICY..... 24
 THE WELFARE STATE CONSENSUS..... 24
 FINANCING HOUSING 26
 FINANCING HOMEOWNERSHIP 27
 FINANCING MARKET RENTAL IN POSTWAR CANADA 29
 POSTWAR CANADA’S URBAN DEVELOPMENT REGIME..... 30

5. THE 1970S POLICY TRANSITION 32
 PRIORITY FOR HOMEOWNERSHIP..... 33
 TARGETING AND MARKET RENT-SETTING 34
 RELIANCE ON PRIVATE FINANCING..... 35
 FROM SUPPLY-SIDE TO DEMAND-SIDE ASSISTANCE..... 35
 NEW CHALLENGES TO RENTAL PRODUCTION 38

6. POLICY IN THE CONTEMPORARY ERA 41
 DEREGULATION, MONETARISM, AND HOUSING FINANCE 41
 SPENDING ON THE DEMAND SIDE AND ON REPAIR 42
 DECLINING PRODUCTION AND SOCIAL RENTAL STOCK..... 44
 DEVOLUTION 45
 SHIFTING PUBLIC, PRIVATE, AND NON-PROFIT ROLES 45

7. CONCLUSIONS..... 48
 POSTWAR DEMAND AND SUPPLY 48
 THE CHANGING POLICY CONTEXT 49
 CONCLUDING THOUGHTS 51

REFERENCES 53

List of Tables

Table 1: Postwar Population Growth in Urban Centres of 100,000 or More	6
Table 2: Quintile Income Distribution Among Tenant Households.....	12
Table 3: Percent of Households Renting.....	13
Table 4: Rental Production by Country: Average Annual Units by Five-Year Period	21
Table 5: Detailed Estimates of Canadian Rental Production: Average Annual by Five-year Period	23

List of Figures

Figure 1: Percent of Households Renting, 1950–51 to 2000–01	8
Figure 2a: Percent of Tenants in Lowest Quintile	10
Figure 2b: Percent of Tenants in Lower Two Quintiles	10
Figure 3a: Rental Production per 1,000 Population: Canada and Europe	16
Figure 3b: Rental Production per 1,000 Population: Canada and New World Nations.....	16
Figure 4a: Rental Production per 1,000 Population Growth: Canada and Europe	18
Figure 4b: Rental Production per 1,000 Population Growth; Canada and New World Nations.....	18
Figure 5: Canadian Multi-unit Starts by Principal Source of Financing.....	29

1. Introduction

A visitor to postwar areas of Canadian cities finds many tall rental apartment buildings, like European social housing and quite unlike the United States or Australia. By the close of the postwar era in large Canadian cities, just under half of all housing was rented; high-rise rental comprised one in seven dwellings, and one-quarter in Toronto (Statistics Canada, 1981).¹ This aspect of Canadian urban development drew much comment at the time, and has recently been re-evaluated from an architecture and design angle (Stewart, 2007). But what of other, more structural foundations of Canada's rental sector history?

Within the rental sector, there are striking parallels in history between Northwest European countries, where social housing dominates, and "liberal welfare" Canada, where private rental housing dominates. This paper examines such parallels, through the postwar era of the latter 1940s to 1970s and the three decades since then. In brief, the story is as follows.

High postwar rental demand and supply in Canada were propelled by rapid growth and social change, as elsewhere. Canada's homeownership rates plateaued earlier and lower than in other liberal welfare countries. Postwar Canadian rental housing had an income profile similar to European social rental housing, and little different from society at large. Rental accounted for fully 42 percent of Canada's postwar growth, for several reasons. Canada had unmatched growth rates, the greatest relative shift from moderate to high levels of urbanization, an unsurpassed shift toward small households, no tax or program support for homeownership, and only middling levels of car ownership. Unlike the United States, rental housing was integral to Canada's postwar urban development regime, and to the business model of its large development firms.

1 That is, 1,821,965 rental units (47 percent) out of 3,845,980 dwellings in the nine CMAs with populations over 500,000; and 555,350 (14 percent) high-rise rental units. In Toronto, 453,035 rental units (44 percent) of 1,040,340 dwellings; and 353,265 (26 percent) high-rise rental units (Statistics Canada, 1981). Data for 1976, which are not available, would show slightly higher incidences of rental and of high-rises, given declining rental output in the later 1970s.

Canada's postwar rental housing production, taken as a ratio to population, was higher than in most of Northwestern Europe, and about double that of the United States or Australia. Compared to population growth, it was at the low end of the European range, and much higher than in the United States or Australia. Canada met net rental demand mostly by production, with far less competing rental supply from central-city down-filtering than the United States. Canada's peaking production between 1965 and 1975 follows a dominant international timing pattern. The emphasis on targeted low-income supply in those years was also a cross-national trend; so was the steep drop-off in production in the later 1970s and 1980s.

Canadian policy in the 1970s sailed a mid-Atlantic course, shifting to a European model of mixed-income social housing, but also countering the trend of declining private rental production with state subsidies. The decline in tenant income from the 1970s onward was parallel in Europe and Canada, following an earlier U.S. trend. The incomes of lower-income rental households were no longer rising with the tide, but insecure and declining. Largely the same forces of rising costs and declining demand undermined rental housing production in Canada's market-led production regime, and in Europe's state-led rental regimes.

Many Canadian rental policy shifts in the 1970s onward reflect trends seen across the affluent West. Within social housing, Canada's 1970s mixed-income model reflected what had just emerged in Europe; and similar debates about targeting took place. Declines in social rental funding, production, and its share of stock all reflected cross-national trends. Devolution is an international trend, but decentralized Canada has gone furthest. Among major Western countries, only Canada and Germany have had no substantial shift toward providing demand-side assistance, paid directly to tenants, as a replacement for subsidies to production.

Other threads of rental sector evolution are beyond the scope of this paper. It does not address how changes in the labour market, tenant incomes, rental supply, and public policy have affected rental prices, housing quality, and rent-to-income ratios. It does not examine how shifting rental-sector patterns are feeding rising spatial polarization along income lines. Nor does it address the disproportionate impact of negative rental trends on ethno-racial minority groups and recent immigrants – a rising share of tenant households across the affluent West. These are important issues, but are topics for other papers.

Conceptual Foundations

"Systems of housing provision" vary between nations and periods, ranging from more state-led to more market-led approaches. Markets, as social institutions, are significantly structured by policy. "Housing policy" is not just about non-market housing for the poor, but about the interaction of policy and market (Kleinman, 1996; Ball et al., 1988). These interactions shape the play of supply, demand, and investment, and determine how housing is built and paid for, and how it is owned and occupied.

Historical institutionalist theory in comparative policy studies is applied here to policy-and-market regimes. Institutions – the formal structures of law and the state, the practices and norms (Hall and Taylor, 1996, 938; also Pierson, 2000) – entrench certain approaches and certain ways of framing social needs and political issues. In housing, the institutional arrangements of policy-and-market entrench particular approaches to production and allocation; shape domi-

nant interests, practices and ideas; and create path-dependent influences and constraints on subsequent choices.

Rental sector history since the Second World War unfolded in the context of evolving welfare state capitalism. The postwar era brought shared economic and demographic forces of historic magnitude; so did economic restructuring and retrenchment in the 1970s to 1990s. There are large differences in the dominant political economy of those two periods (Mishra, 1990; Banting, 2001), greatly affecting housing policy, the fiscal environment, and capital markets. All countries' rental systems have responded to such shifts.

Interacting with this "force of epochs" are regime types and national particularities (Peter Gourevitch, cited in Harloe, 1995, 528, and Kleinman, 1996, 178). Canada is a "liberal welfare" regime (Esping-Andersen, 1990; Doling, 1997): its housing system has been market-led and its social housing residual from the outset. But regime typologies are rough guides, especially for housing (see Kleinman, 1996, 8-11); housing is a "wobbly pillar" of the welfare state, never strongly decommodified, and increasingly at its margin today (Harloe, 1995; Torgersen, 1987; Dalton, 2004). This paper maintains a general and useful distinction between "liberal welfare" states with "market-led" rental systems, and "state-led" rental systems of Northwestern Europe (the latter including the United Kingdom, despite its overall regime being a liberal-welfare one).

A comparative study must examine social and private rental housing together, not separately. Despite large differences between them – in household budgets, access, social segregation, and neighbourhood conditions – social rental housing in one country may serve the same household types and incomes as private rental in another. The line between social and private rental housing varies (Doling, 1997, 172). This paper documents many demand and production trends and policy shifts affecting both sub-tenures in parallel ways.

This paper draws from a substantial research literature on Canadian rental housing. Broad policy-and-market overviews include Hulchanski (1990) and Miron (1995); policy reviews include Fallis (1990) and Hulchanski (2006). Miron (1988) and the contributors to Miron (1993) provide multi-faceted analyses of postwar housing in Canada. An extensive literature emphasizing supply includes Crook (1998) and non-academic sources such as Lampert and Pomeroy (2002). Steele (e.g., 2007) has written extensively on demand-side policy; L.B. Smith (various dates) is the definitive source on postwar financing. Various sources examine social housing, notably Banting (1990) vis-à-vis the welfare state and federalism; and there is a patchy literature on the devolution period. Bourne's extensive work includes much on Canada. Recent Australian comparative work includes Dalton (2009) and Hulse (2003). But as the postwar Canadian housing experience fades into history, and the rental housing stock it created becomes viewed more negatively, perhaps the time is right to offer a retrospective view and some reinterpretation.

This paper seeks to compare the path of Canadian rental supply, demand and policy to that of selected other affluent Western nations. How similar or different is Canada's rental history? Are there parallels, or are there tendencies to convergence, either in the postwar years or since? What is distinctive about Canada in this matter? Though building on the Canadian research literature noted above, this paper is indebted to the European comparative housing literature for its spirit and approach. To put Canada in comparative context also requires a distillation here of cross-national themes and trends.

The review proceeds under three themes, for Canada and selected national comparators: housing demand, housing supply, and housing policy. Though utterly entwined, they are taken here in sequence, for clarity. Regarding policy, this paper seeks to characterize major policy patterns, divergences and changes, but not to explain the policy process. The periods are standard (e.g. Mishra, 1990; Jessop, 2002): the postwar era of strong growth and expanding welfare state, and the contemporary, post-industrial era with its plateaued welfare state. The comparators to Canada are the United Kingdom, France, (West) Germany, the United States, the Netherlands, and Australia. These are seven of the nine largest countries that by the 1970s had reached levels of affluence similar to today, they are well documented in housing, and have variants of a common welfare state history.²

2 The other two largest are Italy and Japan: Mediterranean and Asian outliers to postwar affluence. Also excluded are Denmark and Sweden (smaller, iconic social-democratic welfare states), and countries from Spain to East Asia with a later trajectory of affluence and welfare state development. Ireland, Belgium, Switzerland, and Norway – countries with dominant homeownership and private rental and about 5–10 percent social housing – are arguably more comparable to Canada, but I have chosen to focus on the larger and more documented nations.

2. Housing Demand from the Postwar to the Contemporary Era

Across all affluent Western nations, rapid urban growth and rising affluence propelled strongly rising housing demand for three decades after the Second World War – in population, households, and purchasing power. The strength and composition of housing demand changed significantly in the 1970s onward. In each period, the shared patterns outweigh national variations. Among the main contributing factors in housing demand, immigration and urbanization were as almost as important in Europe as in North America and Australia; reconstruction in Europe was part of large backlogs also present elsewhere; and about half of increased rental housing demand came from rising household formation, strongly rooted in the affluence, security, and ensuing social change within Keynesian capitalism. Nowhere were such forces of rising demand stronger than in Canada.

Contributing Factors in Demand Growth

Population growth was considerable in most nations. Canada and Australia were highest at 69 and 67 percent, respectively, from 1950 to 1975, or over 2 percent annually (Table 4). But much of northwestern Europe saw about 1 percent annually, much higher than the rate today. Growth from 1950 to 1975 totalled 42 percent in the United States, 36 percent in the Netherlands, 26 percent in France, 23 percent in West Germany, and 11 percent in Britain. Like North America, there was a large baby boom in Australia and the Netherlands and a more moderate one in the other countries. Immigration was highest to Canada, at or near 1 percent of population annually in 1950–60 and 1965–75, but also high to Britain, France and the Netherlands from decolonizing territories, to West Germany from East Germany, Eastern Europe, and later the Near East, and to the United States and Australia from many different countries.

Canada and other less urbanized Western nations largely caught up with the more urbanized countries (Britain, the Netherlands, Australia, and Germany). Canada rose from less than 60 percent “urban” at the end of the Second World War to 76 percent by the mid-1970s. This level stayed slightly ahead of that of France, progressed from below to above U.S. levels, and

broadly matched Australia's earlier trajectory from circa 1890 to 1950.³ Population in Canada's "large urban" centres of over 100,000 people rose 130 percent to 12.8 million in from 1950 to 75 (Table 1). Among the nations reviewed here, all those with high growth or catch-up urbanization – Canada, Australia, France and the United States – had comparable trajectories. But Canada's 130 percent greatly exceeded the rates (80 percent \pm 4%) of the other cases. Canada's absolute growth in larger centres from 1950 to 1975 was almost as great as in France, a country three times as large at the outset. Postwar Canada, starting with a distinctly lower large-urban share of population, experienced growth in its large urban centres as great as that in Australia and much greater than in the United States, if viewed as a ratio to base-year population or to overall postwar growth.

Table 1: Postwar Population Growth in Urban Centres of 100,000 or More

	Large Urban Centres (100,000+)				National Population				Ratio of Large Urban Growth to:	
	1950 /1951	1975 /1976	Absolute Change	Relative Increase	1950 /1951	1975 /1976	Absolute Change	Relative Increase	1950/51 National Population	1950/71-1975/76 National Growth
	millions	millions	millions	%	millions	millions	millions	%	%	%
Canada	5.6	12.8	7.2	129	13.7	23.1	9.4	69	53	131
Australia	5.3	9.6	4.3	82	8.3	13.9	5.6	67	52	130
USA	86.0	156.0	70	82	152.3	216.0	63.7	42	46	91
France	9.8	17.2	7.4	76	41.8	52.7	10.9	26	18	147

Sources and Notes:

Canada: Census data per Kalbach & McVey (1979), Table 5:6.

Australia: Urban size class from Taniuchi (1999), projected on national census totals. The 1950/51 Australian data are interpolated as an average of 1947 and 1954 census values.

USA: Frey & Speare (1988), incorporating adjustment for New England SMSAs. 1975 is estimated here as the average of 1970 & 1980 values.

France: Total of Paris/Ile de France (5.9 => 9.9M per various sources) + centres 100,000-1 M from Flora, 1987, 259. This produces an overestimate of French large-urban growth, as the 100,000-1 M category includes a few Paris suburbs and uses 1946, not 1950/51. Note that 1950/51 data generally exclude areas that reached 100,000+ between then and 1975/76.

European postwar reconstruction only slightly modified the similar composition of postwar growth across the affluent West. All countries had severe backlogs from the 1930s Depression. Canada and Australia had been centres of Allied war production for six years, and had the world's highest economic growth in the period (Castles, 1998, 30). They had more severe housing backlogs than the United States, owing to the wartime combination of rapid growth and scant housing production. Even in the extreme case of reconstruction, postwar West Germany (1950–70), the replacement of wartime destruction and damage accounted for 4 to 5 million new dwellings; but declining household size for 6 million added households, and net population

3 Urbanization rates (by national definitions) in the mid-1970s were United Kingdom 89 percent, Netherlands 88 percent, Australia 86 percent, Germany, 80 percent, Canada 76 percent, United States 74 percent, France 73 percent (Castles, 1978, 45). The 1950 rates (found at <http://globalis.gvu.unu.edu>, consistent with Castles for 1970-75) were United States 64 percent, France 54 percent, Canada 61 percent, up from 55 percent in 1941 (Bourne 1993). For Australia ca. 1890-1950 see Meredith and Dyster (1999), 5.

growth for about 4 million households.⁴ In France the shortfall in 1945 was 1.8 million dwellings destroyed or damaged, and 0.7 million units needed to deal with problems such as overcrowding, but postwar production was 8.6 million homes (1950–75). In Britain, 0.5 million homes were needed as replacements for wartime destruction, but postwar production was 7.5 million. Australia's needs in 1948 were less severe than the Netherlands, yet its official shortfall of 350,000 dwellings for 8 million people surpassed the Dutch 300,000 shortfall for 10 million people (Badcock, 2000; cf. Priemus, 1981, 299). In Canada in 1951, 23 percent of urban dwellings lacked their own bath or shower and in 1956 some 285,000 families were still doubled up (CMHC, 1958, II-5, VII-8).

Other drivers of household formation arose across all affluent nations: the undoubling of families who had previously been sharing a home; longer lifespans and a larger population of elderly people; the rise in single-person and single-parent households. All these trends were especially important for rental housing demand. Average household size declined steadily through the postwar era, reflecting not only fewer children per family but less boarding and doubling-up. Before that period, it was common for non-family singles to live as boarders in a family home or rooming house. The “undoubling” of lower-income families into separate households often meant, at first, renting rather than owning a separate dwelling. The new non-family households mostly had income levels that enabled them to rent, but not buy, and their trade-offs favoured renting. Before mass homeownership and pensions, more elderly people meant more low-income renters.

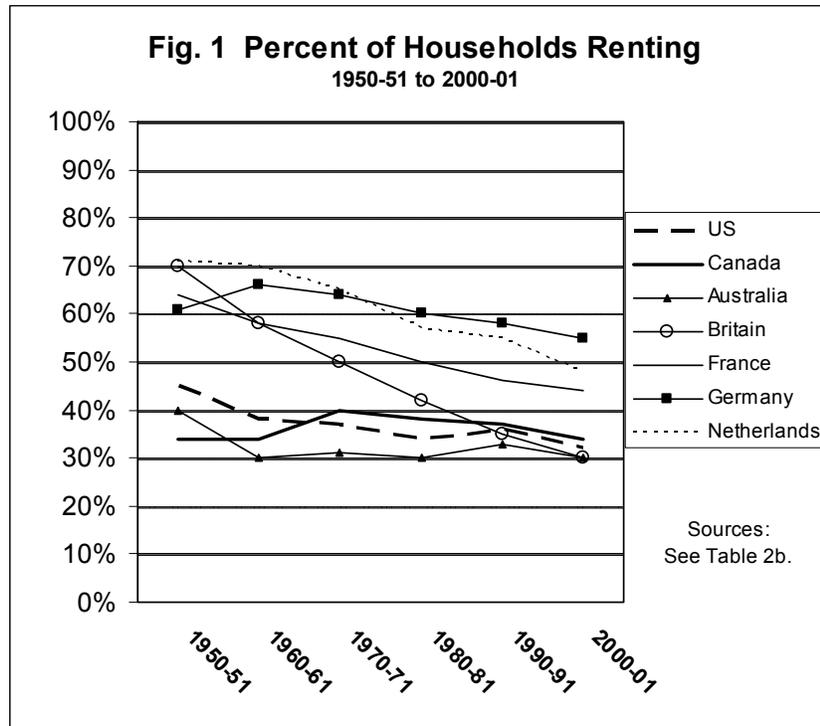
Canada's surge in small, non-family households was similar to that in other affluent nations, but at the upper rather than lower end of the range. Non-family household formation rates approximately doubled from 1960 to 1980 in the United States, Canada, the United Kingdom, and France, with the greatest change among young adults and the elderly – the fastest-growing groups (Smith et al., 1984; see also Miron, 1988, 69, 108–115). Between 1960–61 and 1980–81, single-person households rose from 13 to 22 percent of all households in Britain, from 21 to 31 percent in Germany, from 20 to 25 percent in France (Kirwan, 1996, 157), but from 9 to 20 percent in Canada (Miron, 1988, 69). During that period when small, non-family household formation ratcheted up to higher long-term rates, the absolute volumes of these new households surged.⁵ These were years of when rising affluence had its greatest impact on household formation rates, and when the baby boom entered young adulthood and the housing market. In these years too, household formation peaked among very-low-income renters, responding to targeted, subsidized supply (Miron, 1988, 173).

4 Wollmann cites 5 million for reconstruction, Harloe (1995, 256) 6 million, but this figure appears to include some doubling up. The 6 million from declining household size is inferred from average household size changes cited in the source. Increases due to population growth (from 50 to 60 million in the period) are inferred based on 1970 household sizes.

5 For example, in a scenario with an overall 20 percent increase in households during a given period, if subcategory “A” ratchets up from 20 percent to 30 percent of total households between the start and end of the period, that subcategory will account for 80 percent of net new households during the period.

Renting and Ownership

The history of renting is entwined with its obverse, homeownership. Among countries of the affluent West, liberal welfare regimes have had consistently higher homeownership rates and lower rental rates (Fig. 1) – and an earlier shift away from rental housing. The postwar surge in homeownership, from about one-half to two-thirds of households, was a historic change: U.S. homeownership rates had been in the range of 45 to 50 percent from about 1890 to 1930, and had tended to decline with urbanization (Harris and Hamnett, 1987).



In Europe's state-led systems, rising homeownership rates followed somewhat later (Fig. 1). Britain was earliest and strongest, with homeownership rising from the low end of the 30-to-40 percent European range in about 1950, to exceed the United States and Australia at 70 percent by 2000. Other European countries rose fairly steadily to somewhere in the range of 45 to 55 percent ownership; Germany started later, in the 1960s, and remains a majority-renter society.

Among liberal welfare nations there are differences to note. Homeownership recovered rapidly in Canada to 66 percent in 1950–51, stayed there through the 1950s, then fluctuated between 60 and 63 percent from the mid-1960s to mid-1990s (it has risen since then). U.S. homeownership levels had a similar strong late-1940s rise, but then continued to rise gradually until the early 1960s. Homeownership in Australia rose steadily to 71 percent by 1966, and has fluctuated since then between 67 and 69 percent; the rental sector declined absolutely to 1966.

The early plateau in homeownership rates meant much higher net rental demand in Canada in the 1950s and 1960s than in the United States or Australia. Rental amounted to 42 percent of postwar Canada's net housing demand (1950–75): at least 30 percent in all five-year periods, peaking at 57 percent in both the early and late 1960s (Miron, 1988, Table 48). Canadian post-

war rental growth as a ratio to population growth was markedly higher than the United States or Australia, and similar to rental growth in Europe.

Several factors probably contributed to Canada's stronger postwar rental demand. One set of factors relates to migration and urbanization. Canada had the highest per-capita postwar immigration, slightly ahead of Australia. Among the nations compared here, Canada and France had the greatest catch-up urbanization in the postwar years. These factors imply first, a relatively larger scale of urban growth, and second, large rural-to-urban migration, likely correlated with renting by new arrivals.⁶

Another likely contributing factor is the policy regime for homeownership. Home-buying in Canada faced recurring postwar liquidity issues, and benefited neither from U.S.-style mortgage interest deductibility, nor Australia's direct and extensive state support (see below).⁷ A further possible factor is car ownership. Postwar Canada's car ownership rates (reflecting GDP per capita) were midway between those of the United States and those of the most affluent West European nations – Britain, France, and Sweden – and comparable in the 1950s to the United States in the 1930s and 1940s (Jackson, 1985, 163; Dargay et al., 2007). Given the car-dependent character of postwar suburbs, lower car ownership rates may have placed a slightly greater damper on suburban house-buying in Canada than in the United States or even Australia, into the 1960s.⁸

One factor that did not unduly contribute to high postwar rental demand was the pattern of tenure in francophone Montreal and Quebec City, where (Harris and Choko, 1988) renting had dominated the early industrial period, circa 1880 to 1930. Postwar Quebec housing demand shifted rapidly toward ownership, and the rental share of net demand was similar to Ontario.⁹

Renter Income Shifts in Europe and Canada

Postwar Canadian and European rental sectors were broadly similar in tenant income profile (Fig. 2). In the mid-1960s, the Canadian rental sector (combined social and private rental) was not restricted to low-income households: the quintiles from lower to upper income levels accounted respectively for 20, 24, 22, 19 and 14 percent of tenant households, almost reflecting society at large. European rental households in the 1960s and 1970s had slightly higher incomes than Canada in terms of quintile distribution. Allowing for Canada's higher GDP per cap-

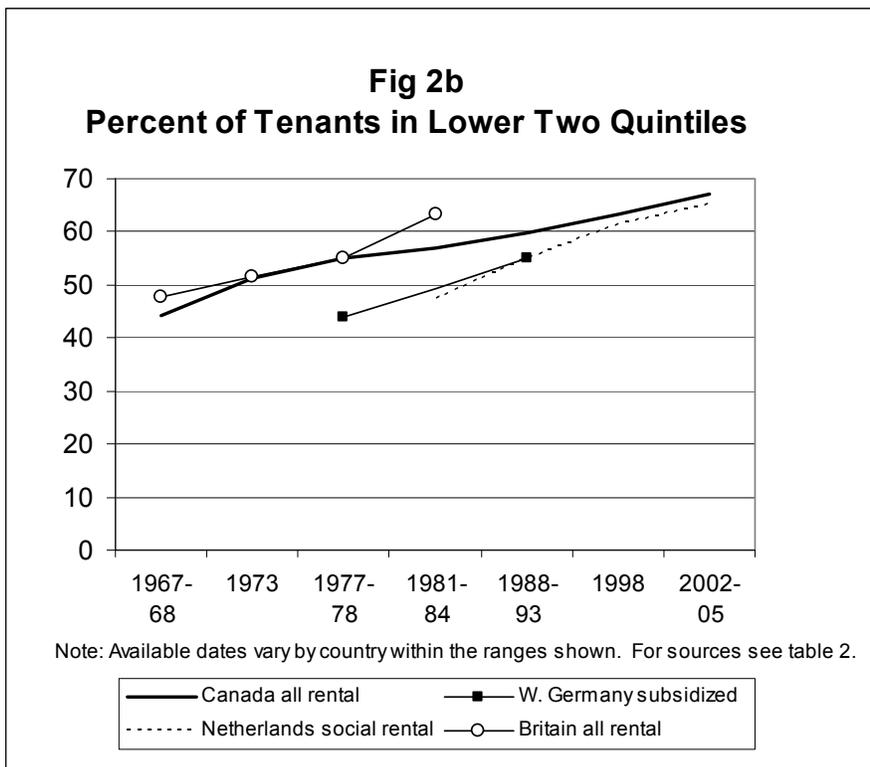
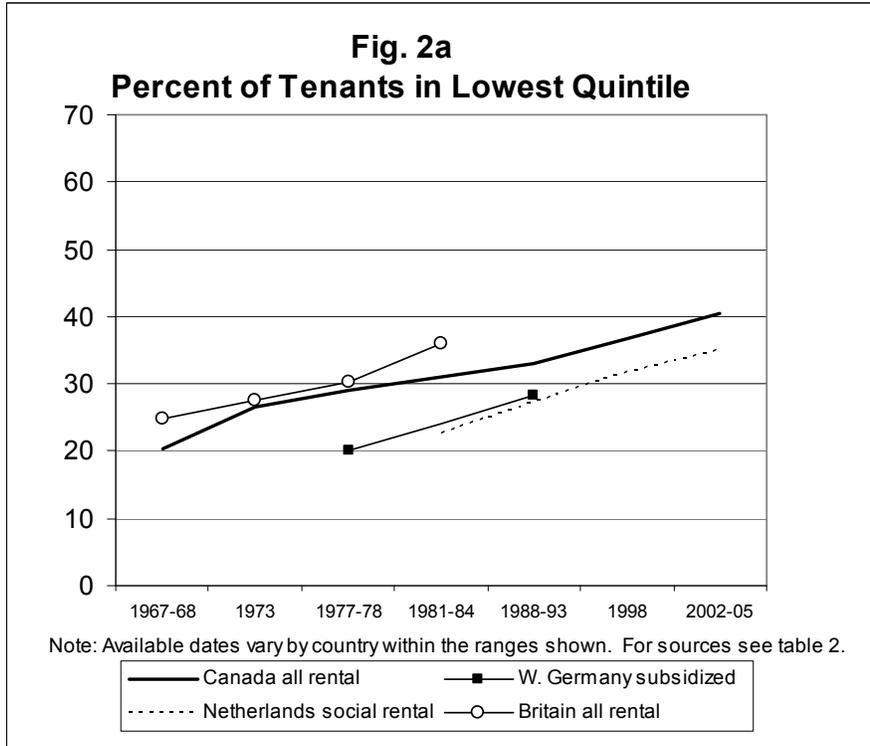
6 The correlation of renting with immigrant arrival is massively documented for the period since 1980s (e.g., CMHC, 2000), while for the earlier period a much less pronounced pattern is shown in sources such as Lithwick (1970, 90-92).

7 Although Bourassa and Yin (2006) argue that neither U.S. interest deductibility nor Australian state support has much affected ownership rates, this statistical analysis cannot be regarded as definitive.

8 This finding is not conclusive: Australia had postwar per-capita GDP and car ownership rates close to Canada's, and yet very low-density development. But given the ubiquity of rural vehicle ownership by the 1940s in both countries and Australia's higher urbanization levels until the 1960s, it is possible that Australia had higher *urban* car ownership rates. Moreover transit users in Sydney and Melbourne possibly had less constrained locational choices than transit users in Montreal or Toronto: their suburban railways had no real equivalent in Canada until the subway and commuter rail extensions of the mid-1960s onward.

9 The Montreal CMA (1951-81, net change) added 346,000 in each tenure (owner-occupied and rental alike), while added net rental in the Toronto CMA (373,000) was slightly ahead of this and just short of net owner (394,000).

ita relative to that of Western Europe countries until the 1970s, it appears that renter incomes were similar in broad terms. (This includes the full rental sector, not just the majority of it that was created in postwar apartment buildings.)



In most countries of the affluent West, the profile of rental demand shifted markedly from the postwar into the contemporary era. Seen first in the United States, then in Canada and Britain, and then elsewhere in Europe, this trend is rooted in three interrelated changes in the structure of demand by tenure. These were the shift to homeownership; wider disparities in labour force and income; and a shifting household composition of rental demand.

Ownership is not highly correlated with affluence across broader historical and cross-national comparisons, (Harris and Hamnett, 1987; Scanlon and Whitehead, 2004), but it has increasingly been so in the affluent West for the past half-century. Tenure has become more correlated with income: middle- and upper-income households are now more likely to own, and lower-income households are less so. The main reasons for this correlation appear to be the rising dependence of ownership on mortgage financing, the changing status of rental, and the expanding presence of single-earner, non-family households in the rental sector. The spread of condominium tenure also facilitated movement of non-family households into home-ownership.

Countries followed one another in this trend. In the United States in the 1940s, renters' incomes averaged 85 percent of homeowner income – suggesting a distribution rather like that of Canada in the 1960s. But U.S. renter incomes by 1970 averaged only 60 percent of owners'. Overall, U.S. real median incomes doubled in the postwar era, but those of tenants continued subsiding until they were half that of owners by the end of the century (Turk, 2004). Canada's tenant income distribution moved notably downscale from the mid-1960s to the later 1970s, and has continued to move downwards since. French and German social rental incomes started declining by the 1970s along a similar curve, as did those in the Netherlands by the 1980s (Fig. 2; Table 2). In general, the share of tenants in the lowest quintile rose from about 20 percent to about 30 or higher, and the share in the two lower quintiles from about 40 percent to 60 percent or higher. The change in British rental was dramatic in the 1970s, reflecting the extent of Britain's labour force polarization and shift to homeownership. In 1968, the lowest and lower-middle quintile accounted for 25 and 23 percent, respectively, of its tenant households; by 1983, the figures were 36 and 27 percent (Table 2).

Shifting household composition dominated Canada's tenant income decline in the peak postwar years (Miron, 1993, 222–31; Steele, 1993, 47), but general income polarization has become important since then. The rental sector accommodated most 1960s and 1970s growth in small households: singles, single parents, and the elderly. Most had a single income, often with the lower incomes typical of young adulthood and old age. Meanwhile the homeownership sector accommodated family households, averaging more than one earner, often people in their peak earning years. Among two-parent families there was no decline in homeownership rates. By the 1980s and 1990s there were signs that widening income disparities were being magnified by tenure. For example, in the Toronto CMA through the 1980s and 1990s, two-parent families with children accounted for a slightly disproportionate share of the growth of low and lower-middle quintile tenants.¹⁰

10 In the Toronto CMA, the 73,000 couples-with-children tenant households in the lower two quintiles comprised 26 percent of tenants in those quintiles in 1981, but 31 percent of net added households in those quintiles from 1981 to 2001 (Census data, unpublished data from same data set as used in Suttor, 2007).

Table 2: Quintile Income Distribution Among Tenant Households

	1967-68	1973	1977-78	1981-84	1988-93	1998	2002-5
Canada - All Rental							
5th (highest)	14.3	10.0	9.8	9.0	13.0		4.0
4th	19.2	16.1	14.8	13.6	20.6		9.8
3rd	22.2	22.6	20.4	20.3	26.6		19.0
2nd	23.9	24.7	25.9	26.0	33.0		26.8
1st (lowest)	20.4	26.6	29.1	31.1	0.0		40.3
Germany - Subsidized Rental							
5th (highest)			24.0		18.9		
4th			21.9		20.9		
3rd			19.3		20.2		
2nd			18.0		20.3		
1st (lowest)			16.7		19.7		
Germany - Unsubsidized Rental							
5th (highest)			13.6		7.3		
4th			20.0		15.5		
3rd			22.6		22.1		
2nd			23.8		26.9		
1st (lowest)			20.0		28.2		
Netherlands - Social Rental							
5th (highest)				11.0	7.6	6.1	4.6
4th				18.4	15.4	12.5	10.8
3rd				23.2	21.8	20.1	19.6
2nd				24.8	27.9	29.6	30.2
1st (lowest)				22.6	27.2	31.8	34.9
Netherlands - Private Rental							
5th (highest)				15.3	14.1	11.8	10.9
4th				16.6	15.0	15.1	12.8
3rd				18.7	18.0	19.0	20.6
2nd				22.0	21.7	22.8	24.3
1st (lowest)				27.4	31.2	31.3	31.4
Britain (United Kingdom)							
5th (highest)	13.8		10.5	6.1			
4th	17.9		14.4	12.2			
3rd	20.4		20.2	18.3			
2nd	23.0		24.6	27.3			
1st (lowest)	24.8		30.3	36.1			
France - Social Rental							
Top quartile		23.8	18.7	12.9	12.5		
3 rd		34.7	33.2	27.9	24.8		
2 nd		29.1	30.9	33.5	32.8		
Lower quartile		12.3	17.2	25.7	29.9		

Sources: Britain: Robinson and O'Sullivan (1983); Somerville (1986) [later U.K. data is not comparable, being "equalised" by household size]. Various countries from Kirchner (2005). Netherlands: Van Ham et al. (2006). Kleinman (1996). Canada: Hulchanski 1987 (replicated in Hulchanski, 1993); Verenka and Little (2007). Where the source states % renting within each quintile, this is converted here to quintile distribution among tenants.

The situation of lower-income households shifted both relatively and absolutely from the postwar to the contemporary era. Labour force disparities widened, in terms of type of employment, ensuing income level, and associated job and income security. The immediate postwar years, despite inequality and poverty, were marked by a diminishing gap between upper- and lower-income earners (Myles, 1996; Podoluk, 1968) and absolutely rising incomes for all income bands, including the lower two quintiles. The contemporary post-industrial era has been charac-

terized by a shift to the “two-thirds society,” in the German phrase. The dominant labour force trend is the growth of professional jobs, with incomes that have been pulling up and away from those of low-paid workers. The latter have flat or declining incomes, as lower-paid service jobs replace secure blue-collar jobs. Between 1975 and 1995, this trend in incomes was compounded by chronic unemployment well above postwar levels, and sharp recessions in 1974–75, 1980–82, and 1990–93. Earnings in the lower deciles in the 1980s fell relatively in all Western countries (Gottschalk and Smeeding, 1997). In Europe, the number of people in poverty increased to 50 million from 38 million between 1975 and 1985 (Harloe, 1995, 417). Job loss, insecurity, and income decline were greatest among lower-paid workers and new entrants to the labour force – who were disproportionately renters. Earnings in the lower deciles fell absolutely in Canada in the 1980s, as in other liberal welfare regimes, more strongly than the relative declines in continental Europe (Gottschalk and Smeeding, 1997; Picot and Myles, 2005, 27).

The shift in demand toward homeownership was rooted other economic and demographic factors too. In northwestern Europe, per-capita incomes rose from half of U.S. levels in 1960 to equal levels by about 1980 (Harloe, 1985, 51). By the 1980s, the maturing of most baby boomers into their thirties moved them heavily into homeownership. Europe and Canada followed the U.S. trend whereby a rising share of net job growth was in professional-managerial or other white-collar jobs, which favoured homeownership even in predominantly rental societies (Harloe, 1995, 318; Van Ham et al., 2006, 322).

Such shifts were parallel in European social rental and Canadian private rental sectors (see Table 3). Change in the United States occurred earlier. In Australia, the 1970s brought not just an income shift, but the first net rental demand after almost a generation. Beginning in the 1970s the poor (bottom decile) dominated social rental turnover and growth in Europe; the same occurred in Canadian rental at large. Most such relative income change in liberal welfare regimes was in the mainstream private rental sector, which middle-income families were leaving. But absolute decline in real incomes in social rental was also marked in the United States in the 1950s (Harloe, 1995, 441), and in Canada and Australia by the 1960s and 1970s (Burke et al., 1990; Murdie, 1994).

Table 3: Percent of Households Renting

	1950-51	1960-61	1970-71	1980-81	1990-91	2000-01
	%	%	%	%	%	%
US	45	38	37	34	36	32
Canada	34	34	40	38	37	34
Australia	40	30	31	30	33	30
Britain	70	58	50	42	35	30
France	64	58	55	50	46	44
Germany (W)	61	66	64	60	58	55
Netherlands	71	70	65	57	55	48

Sources: Scanlon & Whitehead (2004); Malpezzi (1998); Miron (1993); Hulchanski (1990); Crook (1998); Census of Canada; Wood (1990) [first year data for Australia are interpolated from 1947 & 1953]; Haffner (1993); Harris & Hamnett (1987); Power (1993) [1939 and 1953 data]; Kirchner (2007).

Rates of household formation tapered off by the 1980s or 1990s. This trend arose in part as social changes such as separation and divorce reached a plateau, and in part as flat or declining incomes dampened household formation or housing consumption. Not only was there an end to the postwar surge of demand arising from undoubling and more small households; there was some movement in the other direction, associated with income insecurity.

A New Inflexion Point?

In the past decade or so, the rental sector trend of slow growth appears to be approaching an inflexion point. The homeowner share of households appears to be stabilizing at between two-thirds and three-quarters of households across most of the West (Power 1993, 376, 379; Whitehead 1998; Whitehead et al., 2004). Such limits are not absolute – consider the high homeownership rates of upper-middle and lower-middle income countries from Greece to Mexico (Scanlon and Whitehead, 2004) – but are observed tendencies today in the affluent West.

This plateau is associated with income and job insecurity for the bottom third, and with cases of property price escalation or property downturns. Various countries have also reduced their policy support for homeownership in the past decade (see below). Income decline and instability has especially affected homeownership rates among young adults and recent immigrants, who, being new to the labour market, are most affected by change at the margin. This trend has been seen with varying intensity and timing in Britain, Canada, Australia, France, and the United States (Grigsby, 1990, 833; Scanlon and Whitehead, 2004, 18). In Canada between 1996 and 2006, low interest rates, robust income growth, and moderate price escalation have pushed homeownership to historically high levels. These levels appear unlikely to rise much further in the near future.

3. Rental Supply from the Postwar to the Contemporary Era

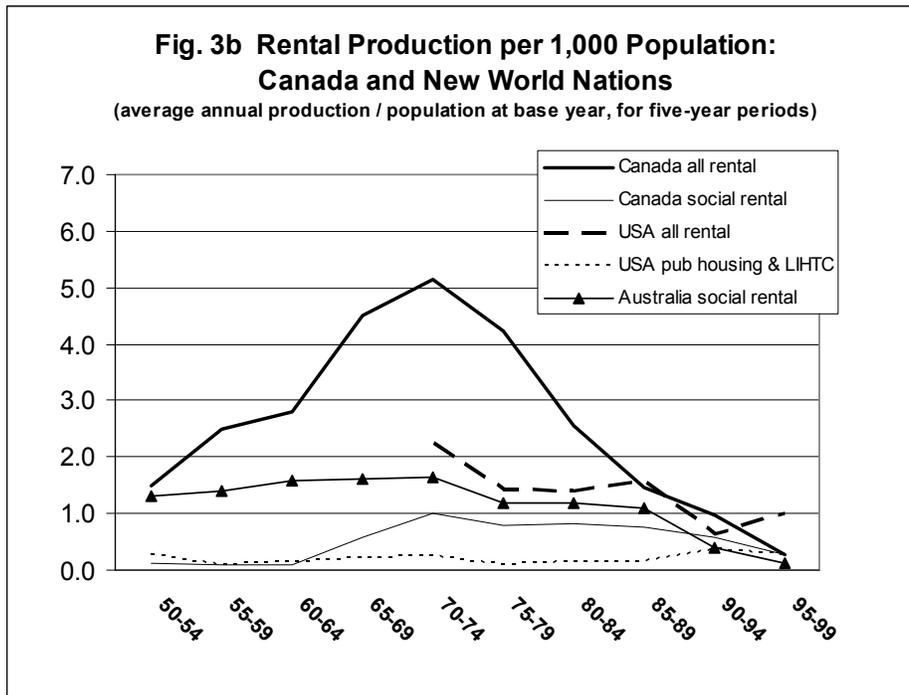
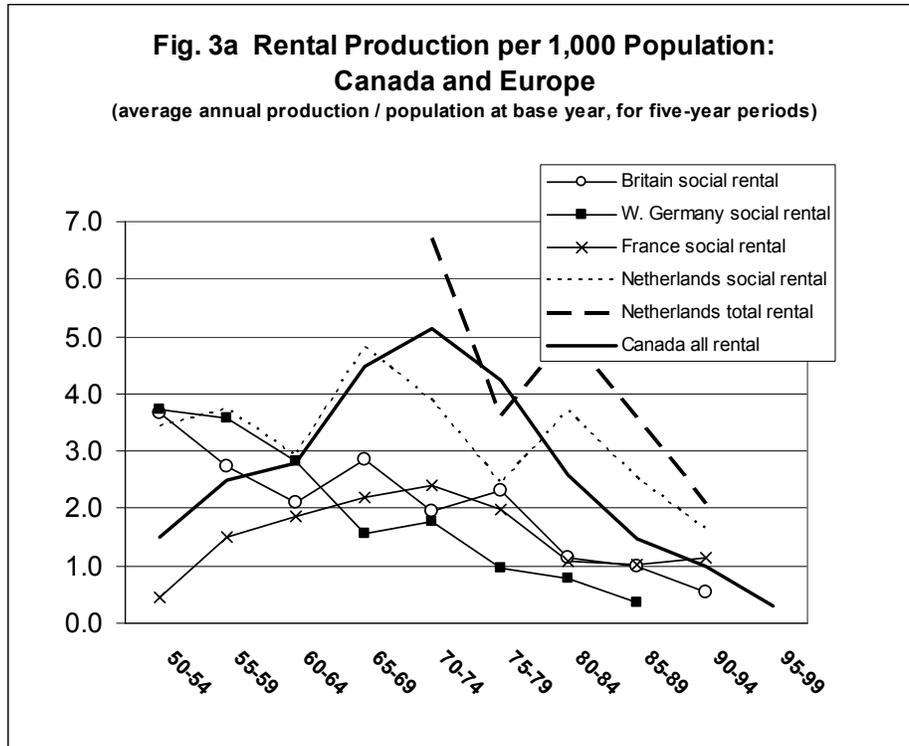
Countries of the affluent West created various postwar housing supply regimes to meet surging demand; these shifted as demand did. Replacement of slum housing was also a large objective, discussed in Chapter 4. Postwar policy regimes produced large volumes of new rental supply in all countries, with remarkable parallels between Europe and Canada, and to lesser extent the United States and Australia.

The result in all countries was, by the 1970s, a large rental stock of postwar vintage comprising one-third to half of all homes. Rental production in these countries of divergent size can be compared as a ratio to national population over time (Fig. 3; Table 4), or to national growth (Fig. 4; Table 4).¹¹ Data in the European case are social rental only, not all social housing (as in sources often cited).

Despite evidently diverse patterns, two general observations emerge, applicable to Canada. First, rental production, reflecting both demand and policy, was high in all countries in the postwar era, and declined to low levels in the contemporary era. Postwar Canadian rental production as a ratio to population was as high as in Europe; as a ratio to growth, it was comparable to the low end of the European range. Second, there are two patterns in timing. British, German, and (more modestly) Australian production declined gradually from early postwar highs; Canada fits the other timing pattern, in which production peaked in the later 1960s and early 1970s.

Postwar rental production (for five-year periods) was predominantly in the range of 2 to 4 units annually per 1,000 population. By the 1980s and 1990s, production in most countries had declined to less than half that level: 0.5 to 2 units per 1,000. But Germany was above this level in the 1950s, as was the Netherlands, fairly consistently. More specifically by country, peak British social rental production was 3.7 units per 1,000 (183,000 annually) in the early 1950s and remained above 2.0 until 1980, declining to 0.6 by the 1990s. West Germany's total rental production was 13 units per 1,000 (600,000 annually) in the 1950s. Its social rental production was

11 The various contributors to Van Vliet (1990) are the precedent for rates per 1,000. Rental production as a share of household growth is a useful measure, but less consistently available from secondary sources. Data in this section of the paper are five-year averages rather than five-year points in time as in Van Vliet (1990).



3.6 units per 1,000 in the 1950s (over 180,000 annually), declining to 0.4 by the later 1980s (but 1.0 in the early 1990s after reunification).¹² Netherlands social rental production started at moderate levels, but peaked at 4.8 in the latter 1960s and stayed above 2.0 until 1990. French Habitations à loyer modéré (HLM) rental started later and peaked lower, at 2.4 units per 1,000 (121,000 annually) in the early 1970s, declining less sharply to 1.0 by the 1990s. Available U.S. data start at the early-1970s peak, at about 2.2 total rental units per 1,000 (460,000 annually), declining to 0.8 by the 1990s.

Canada's total rental production started low by postwar standards, at 1.5 units per 1,000 population, but by the 1960s it had surpassed U.K. and German rental production as a ratio to population, peaking in the early 1970s at 5.1 units per 1,000: a higher per-capita rate than that of any other country at the time except the Netherlands. Canada's trendline of rising and subsidizing production is closest to France in its timing, but double the level per capita. By 1957 rental accounted for one-third of Canada's housing production, rising to over half through the mid-1960s. Average annual rental production rose steadily from 30,000 units in the 1950s, to 70,000 in the 1960s and 109,000 in 1970–74, declining after that on a curve mirroring its earlier rise.

Canadian rental production per capita was more than double the U.S. rate and well above the Australian rate. In Australia, the private rental sector shrank absolutely for two decades to 1966, and relatively from 43 to 21 percent of stock (Burke et al., 1990, 726–27). Australia too had a 1965–75 private apartment boom of about 25,000 to 40,000 units annually: in per-capita terms, this was slightly higher than U.S. levels and about two-thirds of Canadian levels.¹³ The boom was concentrated in Australia's central cities,¹⁴ and included many walk-ups, unlike Canada's large high-rises in postwar suburbs (Badcock, 1984, 144; Bourne, 1981, 46; Burke et al., 1990, 739).

U.S. multi-family housing starts were typically 30 to 40 percent of total 1965–75 production; volumes were 2.2 units per 1,000 population at the 1970–74 peak (Fig. 3 above; Malpezzi, 1998, Fig. 5). Whereas low Australian production reflected shrinking rental demand, low U.S. production reflected a competing source of supply, through down-filtering in central cities. Detached houses account for one-quarter of U.S. rental units, and properties of up to 4 units another quarter – even in big cities and in central cities. Only 8 percent of U.S. rental is in buildings of 50 or more units, and only half of that is outside central cities.¹⁵ The United States counterpart to postwar Canada's apartment boom had been in the 1920s, during which “multi-

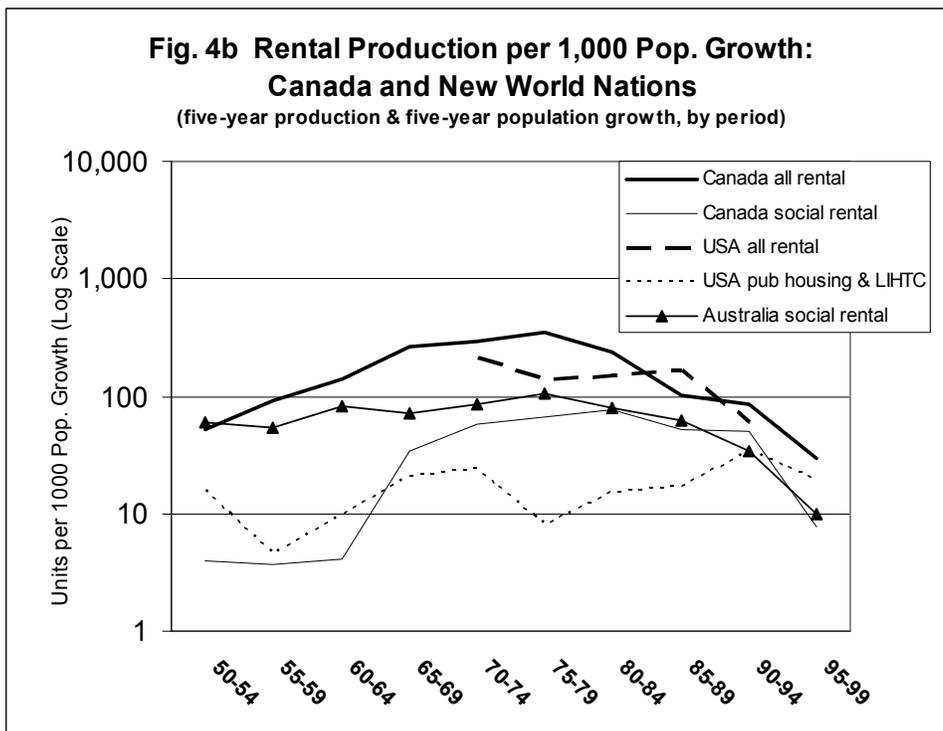
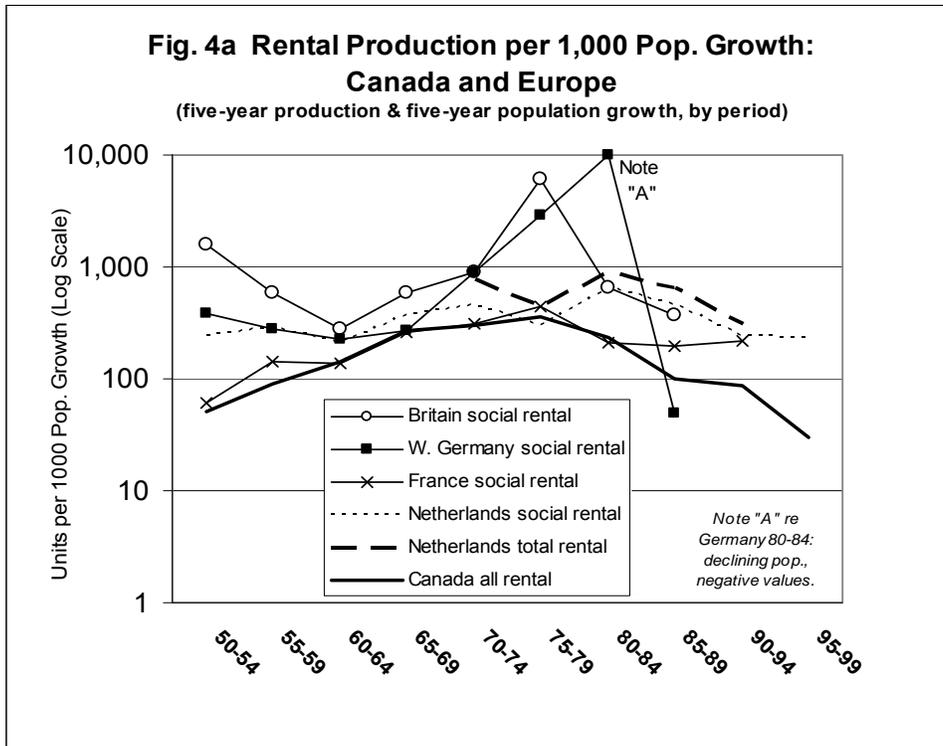
12 Figures often cited for total West German social housing production are higher, equating to between 7.0 and 5.0 units per 1,000 until the mid-1960s. It is difficult to determine how much state-assisted reconstruction should be considered social housing. As well, much of this was homeownership (Kirchner, 2005, 100). The 1950s production is inferred here from total increases in rental stock, not direct production figures.

13 Fig. 24.2 in Burke et al. (1990) shows approximately 25,000 to 40,000 private-sector apartment starts in 1965–75, appearing to average in the mid-30,000s. State-sector apartment starts are shown at about 10 percent of this level. This is 2.8 per 1,000 as a ratio to 1971 population and broadly corresponds with the 3.2 and 2.3 apartment starts per 1,000 population for 1971 and 1976, respectively (Table 24.5). It is not clear how many starts were rental versus strata-titled (equivalent to condominium). Canada in 1965–74 averaged 84,500 apartment completions each year, of which about 10 percent were condos, and 99,000 rental completions, including row housing: respectively 4.0 and 4.6 units per 1,000 of the 1971 population.

14 Australian literature and usage refers to such prewar residential areas outside the CBD as “inner suburbs,” not to be misunderstood as meaning postwar suburbs.

15 See Malpezzi (1998). As well, see U.S. Census Bureau (2005), for the profile cited here.

family” construction quadrupled and accounted for about one-third of urban new units overall (Woodbury, 1930). The 1920s in the United States and the 1950s in Canada were arguably similar periods in each nation’s trajectory of industrialization and urbanization.



Postwar Canada's production levels seem less extraordinary if measured against its high growth rates, but they were still at the low end of the European range (Fig. 4; log scale used for visual clarity). Overall the 1950–75 rental production per 1,000 population increase was 750 units (total) in Germany, 123 (social) in Britain,¹⁶ 60 (social) in the Netherlands, 37 (social) in France and 33 (total) in Canada. In the heyday of the 1970s, Canadian rental production peaked at about 350 units per 1,000 population increase, well short of France (440), the Netherlands (800-900), Britain or Germany (much higher) in that period. But Canada's peak production of 350 units per 1,000 was much higher than the United States (210) or Australia (about 160).¹⁷

As for social rental production, it was low in all three liberal welfare countries, but ultimately twice as significant in Canada and Australia as in the United States. The decades unfolded quite differently in each country. Canadian public housing production 1950–64 was 0.1 units per 1,000 population (1,500 annually), slightly lower than the rate in the United States. Canada peaked in 1965–75 at four times the level in the United States (1.0 units versus 0.25 units per 1,000 population), and Canada sustained production levels of about 0.8 units per 1,000 through the 1980s with its mixed-income non-profit model.

Australian social housing production levels were lower than those in Europe, but higher than those in North America, at 1.5 units per 1,000 population fairly consistently through the postwar years, declining to about 1.2 by the 1980s – still ahead of Canada – and even further in the 1990s. As in Europe, this was fixed low-rent stock for the working class – but built as bungalows. But Australia's ongoing sales produced the same result as in Canada by the 1980s: social rental housing was about 4 to 6 percent of the total stock (Burke et al., 1990, 726–727; Hayward, 1996; Wood, 1990, 849, 868). About three-quarters of Canada's social housing is apartments, including 40 percent or more high-rise – unlike Australia – and this contributes substantially to the moderate built densities of this country's postwar suburbs.¹⁸

By the 1980s (except in the Netherlands), production levels in state-led and market-led rental systems converged remarkably. As private rental production declined, Canadian social rental by then accounted for almost half of rental production. Canadian and Australian social rental production held fairly steady through the 1970s and 1980s, in contrast to sharp U.S. curtailment and sharp European declines from much higher starting levels (Burke et al., 1990, 731). Contrary to the narratives of policy neglect by market-minded Canadian governments (Bacher, 1993, ch. 8), per-capita Canadian social rental production in 1975–89 was similar to Europe's, as the latter now became low-income targeted. Canada's production of 0.8 units per 1,000 population in that period was about the same as Germany's, moderately lower than France's or Britain's (1.4 to 1.5), and well ahead of that of the United States (0.1 units per 1,000, including early Low Income Housing Tax Credit units). Production everywhere declined to lower levels in the 1990s: social rental output by then was at or below 1.0 units per 1,000 population, except in the Netherlands.

16 This estimate includes all net rental increase for 1950-60 and social rental production for 1960-75.

17 The 160 for Australia (not in Table 1) is rounded from an estimated 40,000 x 10 years / 2.5 M increase.

18 CMHC, *Canadian Housing Statistics* (1990, Table 2) shows public housing (pre-1974 for families, pre-1979 for seniors) at 39 percent high-rise and 76 percent in projects other than all single/semi/row. For the mixed-income non-profit projects built later, densities were generally higher – reflecting rising costs as well as the central city and inner-suburb locations of the more active municipal and non-profit sponsors.

In all countries the peak production years of 1960–75 relied on high-rise construction using steel and concrete technology, modernist design, and industrialized on-site production systems. This approach met the logic and demands of mass scale housing, and was strongly shaped by professionals in housing finance, policy, architecture, and city planning. In Europe the trend was led by the state, in liberal welfare regimes by private firms. This technology was rapidly adopted in Canada from the mid-1950s, by firms that built for private and social rental owners alike. Just as Canada's production history parallels that of Europe more closely than those of the United States or Australia, so too the resulting stock consists mostly of large high-rises on the European model.

Overall, this is a striking picture of shared trends of high postwar supply, subsiding to present levels. The stock produced in this postwar era of high rental production will continue to meet most rental demand for the next generation. Canada is as much like Europe as it is like Australia or the United States. Postwar Canada had higher net rental demand than Australia; it had less alternative supply from down-filtering than the United States. But Canada had far more home-buyer supply compared with postwar Europe. The reasons relate not only to demand factors, but also to policy and market structuring.

Table 4: Rental Production by Country: Average Annual Units by Five-Year Period

	1950-54	1955-59	1960-64	1965-69	1970-74	1975-79	1980-84	1985-89	1990-94	1995-99
Canada										
Population (M) base year	13.71	15.70	17.9	19.6	21.3	23.1	24.5	25.8	27.7	29.3
Population increase	1.99	2.17	1.77	1.65	1.85	1.37	1.33	1.86	1.60	1.40
Social rental completions	1,500	1,600	1,400	11,400	21,200	18,400	20,000	19,600	16,100	2,200
Total rental completions	20,600	39,100	50,000	88,200	109,400	97,800	63,000	37,800	27,300	8,400
Social/1,000 population	0.1	0.1	0.1	0.6	1.0	0.8	0.8	0.8	0.6	0.3
Total/1,000 population	1.5	2.5	2.8	4.5	5.1	4.2	2.6	1.5	1.0	0.3
5-yr Social/1,000 increase	4	4	4	34	57	67	75	53	50	8
5-yr Total/1,000 increase	52	90	141	267	296	356	238	102	85	30
Australia										
Population (M) base year	8.3	9.2	10.4	11.4	12.7	13.9	14.7	15.8	17.2	18.2
Population increase	0.9	1.2	1.0	1.3	1.2	0.8	1.1	1.4	1.0	1.0
Social rental completions	10,800	12,800	16,500	18,400	20,800	16,600	17,300	17,300	6,900	2,000
Social/1,000 population	1.3	1.4	1.6	1.6	1.6	1.2	1.2	1.1	0.4	0.1
5-yr Social/1,000 increase	60	53	83	71	87	104	79	62	35	10
United States										
Population (M) base year	152.3	165.9	180.7	194.3	205.1	216.0	227.2	237.9	249.4	262.8
Population increase	13.7	14.7	13.6	10.7	10.9	11.3	10.7	11.5	13.3	18.7
Social rental completions	42,253	13,364	25,947	43,960	51,635	18,139	32,148	38,577	91,850	73,515
Total rental completions					460,000	310,000	320,000	380,000	160,000	260,000
Social/1,000 population	0.3	0.1	0.1	0.2	0.3	0.1	0.1	0.2	0.4	0.3
Total/1,000 population					2.2	1.4	1.4	1.6	0.6	1.0
5-yr Social/1,000 increase	15	5	10	20	24	8	15	17	34	20
5-yr Total/1,000 increase					211	138	150	165	60	70
United Kingdom										
Population (M) base year	49.8	50.4	51.6	53.6	54.8	55.4	55.5	56.0	56.8	
Population increase	0.6	1.2	2.0	1.3	0.6	0.1	0.5	0.8	0.9	
Social rental completions	182,600	137,800	109,200	152,200	107,400	128,200	63,200	55,400	31,000	
Social/1,000 population	3.7	2.7	2.1	2.8	2.0	2.3	1.1	1.0	0.5	
5-yr Social/1,000 increase	1566	587	276	594	904	6163	661	368	171	
Germany (West only)										
Population (M) base year	50.0	52.4	55.8	59.3	61.0	61.6	61.7	61.0		
Population increase	2.4	3.4	3.5	1.7	0.6	0.1	-0.7	2.3		
Social rental completions	186,900	186,900	158,382	93,018	108,290	58,310	48,416	22,784		
Social/1,000 population	3.7	3.6	2.8	1.6	1.8	0.9	0.8	0.4		
5-yr Social/1,000 increase	389	275	226	274	902	2915	(-346)	50		
France										
Population (M) base year	41.8	43.4	45.6	48.8	50.8	52.7	53.9	55.3	56.7	58.2
Population increase	1.60	2.26	3.07	2.01	1.93	1.18	1.40	1.45	1.47	1.08
Social rental completions	19,400	64,800	85,600	106,280	121,340	104,800	58,600	56,600	64,000	50,000
Social/1,000 population	0.5	1.5	1.9	2.2	2.4	2.0	1.1	1.0	1.1	0.9
5-yr Social /1,000 increase	61	144	139	264	315	444	209	195	218	233
Netherlands										
Population (M) base year	10.0	10.7	11.4	12.2	13.0	13.6	14.1	14.5	14.9	15.4
Population increase	0.70	0.70	0.80	0.80	0.55	0.55	0.40	0.40	0.50	0.50
Social rental completions	34,344	39,835	33,267	58,487	50,570	32,938	52,259	36,478	24,164	23,000
Total rental completions					86,918	48,750	71,017	51,683	30,917	
Social/1,000 population	3.4	3.7	2.9	4.8	3.9	2.4	3.7	2.5	1.6	1.5
Total/1,000 population					6.7	3.6	5.0	3.6	2.1	
5-yr Social /1,000 increase	245	285	208	366	460	299	653	456	242	230
5-yr Total/1,000 increase					790	443	888	646	309	

Table 4 (continued) : Rental Production by Country: Average Annual Units by Five-Year Period

Notes: (1) Production data are from varied sources (see below) and some data are incomplete, depending on the source. (2) Some data are starts or commitments rather than completions; this makes little difference on a five-year basis. (3) Population is from census and other standard sources.

Sources for production data:

Canada: See Table 5.

Australia: Pugh (1976) for 1950-74; Hayward (1996) for 1975-89; Wilkinson (2005) for 1990-99; broadly consistent with Vamp-
lew (1987) and graphs in Wulff (2000) & Dalton (2004). Australian 1950-75 data include many units subsequently sold.

USA: Social rental data = public housing + Low Income Housing Tax Credit units. Total rental = rental apartments of 5+ units.
Turk (2004); Malpezzi (1998); LIHTC from Malpezzi and Vandell (2002); Marcuse (1990). Total multifamily from U.S. Census
Bureau, "1195. New Privately-Owned Housing Units Started -- Selected Characteristics" (online). Data used here (unlike Mal-
pezzi) conservatively net out condos from multifamily data, assuming half of non-detached condos are in multi-family (4+ unit)
properties.

Britain: Power (1993).

Germany: Jaedicke & Wollmann (1990); 1980-92 from Kleinman (1996) ch. 4

France: Best estimates from slightly different data in Power (1993) and Kirchner (2005).

Netherlands: 1950-69 social rental are total social housing from Priemus (1981); 1970-94 social rental from Kirchner (2005);
1995-99 projected from Boelhouwer (1997).

**Table 5: Detailed Estimates of Canadian Rental Production:
Average Annual by Five-year Period**

	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-99
A. Total Rental Completions										
Rental completions per "Housing in Canada" (a)		39,083	49,999							
Rental completions per Canadian Housing Statistics								37,773	27,254	8,404
Rental completions inferred from CHS Apt & Other (b)	20,600	39,100	49,400	88,200	109,400	97,800	63,000			
Selby (1985) data, stated CHS rental completions	26,496	41,315	58,142	83,600	96,455	77,545				
Best Estimate of 5-year average rental completions	20,600	39,100	50,000	88,200	109,400	97,800	63,000	37,800	27,300	8,400
Social Rental completions (below, rounded)	1,500	1,600	1,400	11,400	21,200	18,400	20,000	19,600	16,100	2,200
Private Rental Completions (by subtraction)	19,100	37,500	48,600	76,800	88,200	79,400	43,000	18,200	11,200	6,200
B. Social Housing Commitments or Completions										
Public Housing per Canadian Housing Statistics	847	928	740	8,747	16,785	8,672	0	0	0	0
Estimated Additional Public & Early Non-profit LD (c)	192	723	1,037	800	800	800	0	0	0	0
Non-Profit and Co-operative per CMHC data (d)	0	0	0	1,920	3,729	9,034	20,048	18,823	10,022	229
Ontario Unilateral Programs (e)	0	0	0	0	0	0	0	700	6,300	700
Quebec & BC Unilateral Programs (est.) & Misc.	0	0	0	0	0	0	0	0	200	1,200
Total	1,547	1,628	1,440	11,367	21,215	18,406	20,048	19,580	16,077	2,186

Sources and notes:

a) Data in this line are for starts; completion is inferred with 1-year lag.

b) Estimated from Canadian Housing Statistics at (apt. completions + half of row completions), less condos 1967 onwards. (Known condo completions equate to 9.5% of 1967-79 Apt+Row; the estimate rounds this to 10 percent of Apt+Row and deducts it pro rata from total Apt+Row totals by year.)

c) The 1950-64 data here are actual municipal + charitable limited dividend (LD) loan approvals (completions are estimated at year-prior loans); 1965-79 are est. at 800/year. The sum of this line (5 X average annual) is approximately 22,000 over 1950-79; i.e. the difference between the CHS public housing starts/completions tally & the 1995 portfolio. This line comprises early municipal LD, etc., such as Metro Toronto Housing Company Ltd. in Toronto and counterparts in Windsor etc. cf. Rose, 1980, 37.

d) Data in this line vary by source etc: some commitments, some completions. Acquisition units are excluded except in Section 95 data (1985 onward, acquisition not disaggregated).

e) 37,800 Ontario unilateral is attributed 80 percent to 1990-94 production, 10 percent to each adjacent period.

f) Quebec, BC & misc. unilateral yields are estimated at 1,200/year (12,000 circa 1993-2003). Together with ongoing s.95 on-reserve commitments, this produces an estimate total national portfolio of 680,000+ by circa 2003. rather than the 1995 CMHC count of 664,235

4. Postwar Rental Housing Policy

Postwar production volumes were enabled by policy, including the structuring of market institutions. Although state-led and market-led regimes differed in their guiding concepts and in consequences, it is instructive to examine common themes, and view divergences through that prism. The major differences were in two areas: the strength and basis of the welfare state consensus, and the financing system. Canada fits the liberal welfare model, yet in the 1960s and 1970s it showed notable convergence towards European rental trends.¹⁹

The Welfare State Consensus

The postwar welfare state consensus was strongest in Europe. The “Keynesian welfare state” has acquired various layers of meaning, from the strict sense of macroeconomic management, to the overall political economy and “social contract” of the postwar period (Hall, 1989; Jessop, 2002). Mishra (1990) has referred to dual dimensions of the welfare state: Keynesian and “Beveridgian.” Keynesianism was about macroeconomic management, intended to moderate the business cycle and promote full employment, with a larger public sector having the same effect. Counter-cyclical public spending, a carefully managed foreign exchange system, and largely national control of capital markets were all part of this regime. The Beveridgian dimension was about using the state to reduce market inequalities, through social security income and socializing (decommodifying) the costs of health, education, and other services. Rental supply policy was, in varying degrees, part of both dimensions.

In the Beveridgian dimension, the consensus in Europe was that it was not feasible by market means to create a new supply of housing that would be affordable to the working class (Harloe, 1995, 262; Jaedicke and Wollmann, 1990, 132, 135, 143). Market ideology and the presence of private investor interests were notable in policy making in the United States and Canada (Bacher, 1993; Marcuse, 1990; Orlebeke, 2000). Britain’s 1942 Beveridge report led directly to the postwar welfare state; Canada’s parallel Marsh report on social welfare and Curtis report on

19 Bourne (1981, 67) cites five main reasons why postwar Canada had more multi-residential development than the United States: tax laws that provided more generous depreciation allowances; the lack of mortgage interest deductibility; higher urban land costs; municipal urban planning policies; and the distinct tenure patterns of Quebec. This section probes such matters in more detail.

housing and reconstruction instead became a reference point for advocacy and 30 years of gradualism (Jenson, 1989; Mishra, 1990, 83–84).

In the Keynesian dimension of macroeconomic management, the state lead in European rental reflected three postwar imperatives and constraints: the exigencies of reconstruction; wage strategies in aid of economic growth; and the limited scope of early postwar mortgage systems to finance the needed volume of production. Europe assessed reconstruction requirements and found that it would take two decades at prewar building rates to fill the backlog; there was a manifest need for a mass-scale, coordinated approach (Harloe, 1995, 260; Power, 1993). The strong state lead in housing in 1945–60 Britain, Germany, and the Netherlands went hand-in-hand with tight exchange controls, extensive state-directed allocation of credit, and state-controlled allocation of urban land.

The institutional legacy in social rental endured, even as land and capital controls were relaxed in the late 1950s and early 1960s. Economic strategies also underpinned state-led rental regimes: early postwar French, German, and Dutch policy explicitly sought to keep wages moderate to make exports competitive; low rents could directly moderate wage demands in the context of corporatist wage negotiation (Harloe, 1995, 260, 304, 318; Wollmann, 1985, 138). Financing is discussed more fully below. Keynesian premises permeated this approach: a different model from the unmanaged markets, underinvestment, or poor-quality self-build supply that prevailed in the interwar years in the West and that dominate global urbanization today. But Harloe (1995) and others persuasively argue that the extent of the state lead in rental housing in postwar Northwestern Europe reflected a unique conjuncture, departing from long-run tendencies of welfare capitalism.

Such systemic constraints were weaker in Canada and other liberal welfare regimes, where the working class could indeed afford market rents and even homeownership. In Canada, Keynesian macroeconomic management became entrenched, but less strongly than in Europe and Australia, and with a weaker “Beveridgian” social equity dimension (Dalton, 2004; Jenson, 1989). The Central Mortgage and Housing Corporation (CMHC) assiduously managed housing investment as part of countercyclical strategies in the housing sector, and by the 1960s this management emphatically included rental housing. Ensuring sufficient volumes of public and private rental supply became integral to urban development policy at federal, provincial, and municipal levels in cities such as Toronto.

Slum clearance was also a large postwar policy objective in most countries: the replacement of low-quality, low-cost housing with modern apartment blocks. Though not explicitly Keynesian, it can be viewed as a cousin of postwar Keynesian management and Beveridgian social policy. Slum clearance discourse and policy were most notable in the United States and the United Kingdom, reflecting their large stocks of late-19th and early-20th century rental housing (Harloe, 1995). In Germany and the Netherlands, slum clearance was subsumed in the broader social task of postwar reconstruction. Partly for such reasons, U.S. and U.K. postwar social housing is more concentrated in central cities than it is in most other countries. (Other reasons include the one-for-one replacement requirement in U.S. public housing policy and the fact that, in regimes of suburban autonomy, U.S. central cities and the United Kingdom’s more “urban” boroughs set a higher priority on housing than suburban governments.) France, Australia, and especially Canada had less prewar rental stock compared to postwar growth. In Canada, slum

clearance was an important part of early public housing discourse and projects (Rose, 1980), but by the 1960s social housing production became much more a matter of postwar suburb-building.

The 1960s saw expanded policy objectives in every country of the affluent West: not just general social security, but ensuring that the poor received a better share of general affluence. In housing, this policy meant according a higher priority to low-income households; state-led and market-led rental systems shared this trend. Low-income households had not been the main target group or beneficiaries of early postwar European social rental production (except in the United Kingdom), and this was mirrored in the low priority given to public housing in liberal welfare regimes. In the 1960s, a stronger priority for the poor was implemented within social rental in the state-led systems, and in liberal welfare regimes through the new emphasis on social rental.

In Canada, this period created first a substantial provincially owned “public housing” sector on the U.S. model (1964–73 policy regime), and then (1973–93) a European-style mixed-income non-profit housing sector, owned and operated by a mix of non-profit corporations, co-operatives, and municipalities. Among liberal welfare regimes, Canada’s path showed the most convergence toward the European model. Two decades of non-profit housing production commenced just at the point Nixon terminated U.S. supply programs (see below). Advocates’ vision for non-profit housing was to create a non-market sector on the European model as a better alternative to residual public housing (Bacher, 1993). But the sector achieved only modest scale before contrary policy and demand conditions largely curtailed its growth.

Financing Housing

Housing is a capital good that, for most, can be paid for from household incomes if it can be debt-financed. Different housing regimes can be understood as different institutional strategies for financing the production of housing. Four main aspects of these differences are reviewed here: (1) the presence of separate national housing finance circuits; (2) the system of financing homeownership; (3) the system of financing rental housing; and (4) the extent of direct state lending.

Liberal welfare financing regimes differed from state-led systems in two main ways: they orchestrated financing to serve home purchase by households in preference to rental; and they had less direct state lending. All had variations of separate housing finance circuits. Canadian and U.S. emphasis on structuring the mortgage market for home purchase also benefited rental financing. Compared to the United States, direct state lending was more important in Canada, as was a dirigiste policy on bank mortgage lending in Australia (see below). The institutional structure of Canada’s development sector was distinctive.

Most countries’ capital markets had dedicated housing circuits. This feature was part of regimes which, following Keynes’ advice, kept capital markets largely national in the postwar era, unlike the preceding or succeeding periods. Housing circuits were strongly entwined in Europe with direct state lending. In most countries at mid-century, policy enhanced the existing scale and institutional structure of housing circuits to serve the required postwar scale of housing investment.

Europe financed housing production until the 1960s mostly through state borrowing, using the state's clout and creditworthiness to borrow on the capital markets at greater scale and lower rates than was possible for private borrowers. The state then provided housing loans for development, supplemented by capital grants. Housing circuits channelled household savings into housing lending. Thus in early postwar Britain, housing capital was provided through the Public Works Loan Board, which funded various forms of infrastructure. In 1955, this system shifted to a system of financing obtained by the state, at somewhat higher cost, on the capital markets (Harloe, 1995, 285). In Germany, government loans were the financing vehicle until 1966 (Jaedicke and Wollmann, 1990, 133, 144), although with increasing flows of private capital over time. France had a complex state-led housing circuit, including long-term state loans at 2 to 3 percent interest (dominant in the early years); capital grants (important by the 1960s); and a 1 percent "patronal" payroll tax (greater than direct state subsidies by the 1970s). Household savings were channelled toward housing through building societies in Britain, the parastatal bank *Crédit Foncier* in France, and *Bausparkassen* (building savings banks) in Germany (Jaedicke and Wollmann, 1990, 133, 144; Pomeroy et al., A36).

All liberal welfare nations likewise in the latter 1940s established financing systems for social rental production, as the keystone of social rental policies. The United States provided loans through the United States Housing Authority, and later the Department of Housing and Urban Development (HUD). In Australia, financing for state governments' housing was part of federal borrowing coordinated through the joint Commonwealth-State Australian Loan Council (Dalton, 2004; Johnson, 2007; Wood, 1990, 851). Canada under its National Housing Act (NHA) at first used federal-provincial loans for public housing (1949–64); then direct CMHC loans to provincial housing agencies, covering 90 percent of costs, supplemented by provincial debentures (1964–78)²⁰; and for non-profit housing from 1973–78, direct federal lending by Canada Mortgage and Housing Corporation. CMHC loans were generally sourced from federal treasury borrowing on the capital markets, still being repaid today to the treasury by CMHC.

Financing Homeownership

In liberal welfare countries, the dominant approach was state guarantees for private lending institutions' loans to individual households. Social rental was a sideshow (Bacher, 1993; Hulchanski, 1990). This difference created a self-reinforcing path-dependency: social rental housing had lower political priority, but as demand was being met in the ownership and private rental sectors, there was less need for social rental housing. It took two to three decades for demand factors and fiscal constraints (below) to push Europe's state-led systems in the same direction. The three liberal welfare regimes financed postwar production in varying ways.

After U.S. New Deal policies created the Federal Housing Administration in 1934, FHA mortgage insurance to lenders enabled long-term, high loan-to-value, fixed-rate mortgages to home purchasers, in contrast to risk-averse pre-Depression lending. The Federal National Mortgage Association (FNMA or "Fannie Mae"), created in 1938 to purchase FHA mortgages, further decreased lender risk and increased liquidity. The result was a quasi-separate housing finance

20 In the case of the 12,000 Metropolitan Toronto Housing Company (MTHCL) seniors' public housing units, the 10 percent was from mortgage loans from the metropolitan government, not OHC debentures.

circuit, with lending dominated by both Savings and Loan societies (“thrifts”) and by FHA-insured lending by savings banks and life insurance companies. This system achieved the streamlined large volumes needed to underpin postwar growth (Downs 1983, 136ff; Grigsby 1990, 836–37).

Australia achieved higher levels of homeownership through a different sort of housing circuit, in combination with income policies. Lending by U.K.–style building societies and “savings banks” (mostly subsidiaries of general banks) dominated financing, supplemented from the mid-1960s to mid-1980s by state funding incentives and direct state loans to new purchasers (see below). Until the 1980s, federal regulations set specified ratios of bank assets to be held in mortgages, and mandated below-market interest rates (Wood, 1990, Fig. 3). Australia’s income policies were utterly unlike those in North America. Fully one-third of workers were unionized by the Second World War, rising to 60 percent by 1960; a system of government wage arbitration through the Conciliation and Arbitration Commission and similar state-level bodies covered over 85 percent of workers until the 1990s and ensured high minimum wages and relatively equal incomes across the working class (Castles, 1998; Schwartz, 1998, 259–62).

Canada soon followed the lead of the United States. But Canada, a smaller economy more affected by shortages of capital, had a less separate housing circuit than the United States, moved earlier towards integrated financial markets, and gave a larger role to direct government lending. The early postwar system used “joint loans,” whereby the Central Mortgage and Housing Corporation, borrowing from the federal treasury, provided 25 percent of required capital to mortgage lending institutions at government borrowing rates. This arrangement involved an implicit interest subsidy, plus a capital guarantee. Lacking the large capital markets of the United States or United Kingdom and their thrifts or building societies,²¹ Canada faced a scarcity of housing finance as the postwar boom accelerated. Therefore 1954 NHA amendments adopted the U.S. model by way of CMHC mortgage insurance for homeowner lending. Canada likewise enabled banks to enter NHA lending, alongside the then-dominant life insurance companies; these loans became the banks’ main asset as the economy expanded, replacing wartime public debt. Mortgage interest rates were fixed by regulation until 1966, then tied to the government bond rate, and from 1969 floated with the market. Permitted loan-to-value ratios rose in steps to 75 percent by 1964. To overcome capital shortages, banks were empowered in 1966 to do conventional (not just NHA) mortgage lending. In sum, the policy priority was to ensure liquidity in the mortgage market, reduce lender risk, and thereby support widening homeownership (Smith, 1974).

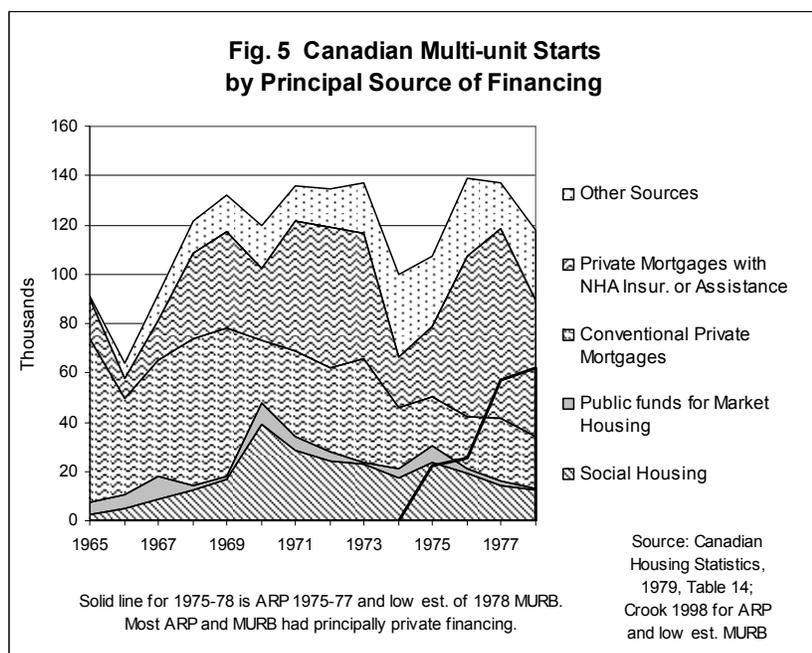
Direct state lending was more important in Canada than it was in the United States, especially when financing became scarce in adverse capital market conditions. The 1949–54 system of joint loans was revived in 1957–64; and in 1969–70 CMHC loans were 40 percent of new-build mortgages. From 1957 to 1969, CMHC financed 420,000 new housing units or 19 percent of total production (very little of it social housing). Its share of outstanding mortgage debt doubled from 11 percent to 21 percent between 1945 and 1969; all governments’ share rose from 20 percent to 24 percent (Hulchanski, 1990, 299).

21 Canadian trust companies did specialize in consumer deposits and mortgage lending, but they accounted for a small part of mortgage lending until the 1970s (Hulchanski, 1990, 299) and lacked special tax status.

Financing Market Rental in Postwar Canada

How did Canada finance a postwar rental construction volume akin to that of European social housing? Its rental financing system resembled that in the United States, although the large literature on postwar lending and related matters says remarkably little about it (e.g., Poapst, 1993; Saywell, 1975; Smith, 1968; Smith, 1974). In Australia, private rental financing was of little consequence from circa 1945 to 1965 as the sector shrank and social rental housing production far exceeded private rental. U.S. financing of apartment production came mainly from thrifts as well as banks, life insurance companies, and other institutions, with syndication to other investors through participating mortgages. FHA mortgage insurance for multi-unit rental buildings was in place from 1954 onwards, and increasingly important over time; as of circa 1980 about 30 percent of multi-unit rental buildings had FHA insurance (Pomeroy et al., 1998, A50).

In Canada, most private rental apartments were financed privately. Following the U.S. lead, Canada in 1959 introduced NHA insurance for rental apartments (Fallis, 1990, 885). Until the mid-1960s, conventional private mortgages were the main source of financing; NHA-insured private mortgages became prevalent after that, with more capital coming from “other” non-mortgage sources as well (Fig. 5). By then, the large scale of development corporations enabled them to obtain much of their financing by debenture issues rather than by bank loans or mortgages; and there was some equity participation by lenders (Smith, 1974, 66; also Maclelland and Stewart, 2007, 214).²² CMHC in 1968 instituted quite high NHA loan maximums



22 See Doling (1997, 122), Eichler and Kaplan (1967, 172), and McKenzie (1994, 99, 217) on the parallel in 1960s–70s United States and Britain, i.e., large development firms being financed in part through issuance of share equity and bonds, and by financial or other non-developer corporations taking direct equity positions; also the role of the new GNMA (“Ginnie Mac”) in helping such firms tap the capital markets.

for apartments (Smith, 1974, 66), and “mortgaging out” was not uncommon: that is, financing would cover 100 percent of project development costs, with no equity needed.²³ Multiple-unit properties (mostly, though not entirely, rental) rose during the 1960s from about 30 to 70 percent of units built with NHA loans (Spurr, 1976, 32).

Direct CMHC lending supported production of 103,000 private rental units, a modest part of postwar rental production, through the Limited Dividend (LD) program. This program provided long-term 95 percent loan-to-value (LTV) loans at about 2 percentage points below market levels. Most of the production was in a brief 17,000-unit burst as part of the 1957–59 market stimulus, and a surge of 66,000 units in 1968–75 induced by looser program rules, which helped sustain the apartment boom as investment conditions deteriorated (Crook, 1998; Dennis and Fish, 1972, 226, 229–37). There followed an array of loan and grant programs during the waning years of the boom, part of the 1970s policy transition (below).

Postwar Canada’s Urban Development Regime

Rental production was integral in postwar Canada’s urban development regime. Federal policy-makers until the mid-1960s considered rental supply, not assisted ownership, the suitable and prudent option for lower-income households (Steele, 1993, 46). There was extensive and direct influence of British ideas in urban planning and modernist ideas in architecture and design (Maclelland and Stewart, 2007, 212-219; August, 2008). Rental in Canada lacked the negative association of inner-city down-filtering that it had in the United States. In the postwar period, over 40 percent of Canada’s household growth was in Toronto, Montreal, and Vancouver, where development regulations were tighter than in U.S. suburbia (Miron, 1988, 258) or postwar Australia, and multi-residential sites were amply pre-zoned. Social housing agencies were integral to Toronto’s governance and development regime from 1954 through the 1970s, and there was ongoing policy discourse about rental supply (Friskin, 2007; McMahan, 1990; Rose, 1980).

Canadian rental investment was shaped by the institutional history of the developer-landlord sector in major cities, above all in Toronto. In various countries, large, integrated firms came to dominate urban development in the 1960s (Badcock, 1984, 147). Australia lagged in this trend, with small builders still dominant in the 1980s (Burke et al., 1990, 750). America’s large development firms in the 1960s built overwhelmingly for the suburban house-buyer market, with few “multifamily” buildings (Eichler and Kaplan, 1967, 50, 84, 126, 172). In Canada, rental housing was over half of total 1960s production. Various Toronto-based firms adopted high-rise technology by the mid-1950s, and “system-building” methods by the later 1960s (Maclelland and Stewart, 2007, 220). “The majority of new apartment units in the Toronto market were built by some half dozen developers, companies which were fully integrated in land, construction, sales, and property management, and often with annual volumes in excess of 1,000 units” (McKellar, 1993, 148). The volumes were supplemented by the surge of public housing projects (1964–73) built by the same firms under contract. By the later 1960s (Spurr, 1976, 194–201, 225–36), Canadian urban development was dominated by large firms with a five-part business

23 This trend is alluded to but not documented in Smith (1974, 226, 236) and has been mentioned in later comments by persons active in the industry in the period. Downs (1983, 50) refers to mortgaging-out in the United States in that period.

model: capital gain from land development, profits on house-building, profits from building social rental, income on rental operations, and anticipated long-term appreciation of rental properties.

This model was a capitalist version of mass-scale European production (Burke et al., 1990). It emerged in a context – unlike that in most of the United States and Australia – of European-style legal rights and protections for tenants in the provinces of Ontario and Quebec (which then comprised two-thirds of Canadian population and of growth). But unlike Europe there was no rent control until 1974.

This supply regime helped foster strong demand. System-building apparently lowered the cost of production relative to incomes (Miron, 1988, 85). Tenants had a wide choice of new and spacious rental housing, without the poor housing quality or the down-market neighbourhood conditions that applied to much private rental in U.S. cities then or in Canadian cities today.

Although robust rental production from the mid-1950s to the early 1970s rested on strong demand, the peak of 1965–75 can be understood as a short-term boom, or even bubble. The property boom of the period was international (Badcock, 1984, 142–150). Like other booms in real estate (or railroads or fibre-optic cable), unsustainable “fundamentals” nonetheless left an important long-term built legacy. As inflation accelerated in the later 1960s, the long-term real cost of capital for developers fell, and moreover made it prudent to accelerate projects “in the pipeline” as the main risk was rising costs. In the context of the demand levels and industry structure, the international property boom of 1965–75 bequeathed Canada a large rental housing stock.

5. The 1970s Policy Transition

In the 1970s, just as rental production crested, the conditions underpinning the postwar regime crumbled, in state-led and market led systems alike. The end of the postwar economic boom led to profound changes in housing market structure and rental policy. The great housing policy shifts were: (1) rising priority for homeownership; (2) targeting and market rent-setting in social housing; (3) reliance on capital market financing rather than state loans; (4) a fundamental shift from supply-side to demand-side assistance; and (5) varied responses to the new financial challenges to rental production. Other trends, such as limits on public spending and borrowing, also date from this period, but became far more significant in the 1980s and are left to the next chapter. The changes of the 1970s either occurred in parallel in state-led and market-led regimes, or pushed them towards convergence. Canada in the 1970s was only modestly affected.

The end of the postwar boom and the ensuing changes in the welfare state included the crumbling of the Bretton Woods exchange regime (with U.S. devaluation, the Eurodollar bond market, and floating exchange rates); slower growth; the oil price shock of 1973–74; high interest rates; falling profits; slowing household income growth; rising unemployment; and, in several nations, the first significant postwar recession. State revenue growth declined at the same time as demand for social benefits surged due to changing norms, changing family patterns, aging, and increased unemployment. Shifts in all spheres of policy ensued, propelled by a mix of fiscal necessity and criticism from both Left and Right of the “social contract” of the welfare state.

By the 1970s, the postwar rental production regime no longer met mass needs or imperatives in Europe. Market systems of production were thriving. Workforce composition shifted toward professional and service jobs and even centre-left governments embraced homeownership to retain voter loyalty. A shift to market-led strategies was always a latent possibility: for Germany’s Christian Democrats who remained in power until 1969, social housing was an expedient of reconstruction (Jaedicke and Wollmann, 1990); for France’s Gaullists, a product of the state’s dirigiste premises and an expedient of urbanization and modernization. Starting in the 1970s, Europe’s housing regimes drifted toward convergence with liberal welfare regimes in housing finance, homeownership, and the residualization of social rental housing.

Priority for Homeownership

And so arose the first great policy shift: the promotion of homeownership. Starting earlier in Britain, it was a strong thrust of European housing policy by the 1970s and accelerated in the 1980s. Europe promoted homeownership through tax incentives; direct subsidies to households; production of housing for homeownership within social housing programs; and structuring of the mortgage finance system. Homeownership played politically to the desires of the expanding professional class, and its fiscal program logic was irresistible, because it meant less subsidy per unit.

In Germany, home purchasers received direct production subsidies, a reduced property tax rate for the first 10 years, and an income tax rebate of 5 percent of the purchase price for eight years, up to a limit. Housing production for homeownership accounted for 43 percent of new social housing in 1971, rising fairly steadily to 71 percent by 1980 (Wollmann, 1985, 135, 145, 148). In France after 1969, homeownership became the priority in social housing production, subsidized by loans at 6 to 7 percent interest rates from *Crédit Foncier* (Blanc and Bertrand, 1996). By the first half of the 1980s, subsidized ownership accounted for 30 to 40 percent of starts if measured by supply-side assistance, and for two-thirds if demand-side assistance is counted (Blanc and Bertrand, 1996, 127, 131). Dutch subsidy rules of the 1970s encouraged housing associations to build for purchasers; “premium” homeownership social housing rose from one-quarter of social housing production in the mid-1950s to half of production in the mid-1970s (Harloe, 1995, 306–8). In the United Kingdom, council lending to home-buyers was extensive in the 1970s; and the “right to buy” sales of social housing to tenants accounted for one-third of the massive expansion of homeownership in the 1980s (Harloe, 1995, 429).

Ultimately, the most important policy measures involved the structuring of the mortgage market, the road taken by liberal welfare regimes two or more decades earlier. European homeownership has gradually, since the 1970s, relied less on direct state assistance and more on market instruments to mitigate risk, notably mortgage insurance. Countries such as Germany that still have relatively low homeownership rates are those with high barriers to financing (Pomeroy et al., A28; Toman, 1996, 57–59). This “revolution” in housing finance (Martens, 1988; Whitehead, 1998) has led to the convergence of tenure patterns within liberal welfare regimes, supported by vast international liquidity in the deregulated financial era. More recently, as homeownership reaches higher levels, various countries have reduced their fiscal support for it. France in 1997 abolished tax relief on homeowner mortgages and Britain tightened eligibility before ending homeowner tax relief in 2000 (Scanlon and Whitehead, 2004, 25).

In liberal welfare regimes too, the 1970s and early 1980s were the heyday of program support for homeownership. In the United States, the Section 235 program of 1968–80 subsidized moderate-income homeownership with 1 percent mortgages (Orlebeke, 2000, 495ff). In Canada, Ontario’s Home Ownership Made Easy program (HOME) of 1967–76 supported 24,500 households with sales on favourable terms (Fallis, 1980, 90–92). CMHC’s Assisted Home Ownership Program (AHOP) of 1973–78 benefited 95,000 purchasers (Hulchanski, 1990, 306–309). After AHOP defaults soared in the early 1980s because of the recession and the global oil-sector downturn, CMHC’s Mortgage Insurance Fund became technically insolvent, leading to great wariness thereafter about direct assistance for homeownership. Support in Australia was far stronger, including purchase and deposit assistance from 1983, plus direct

mortgage interest subsidies until 1986, and generous tax benefits (Burke et al., 1990, 736–738; Wood, 1990, 851). By the mid-1980s, direct public expenditure was almost as great for homeowners as for rental housing (A\$1.1 annual versus A\$1.2 billion). But these Canadian and Australian programs, unlike their European counterparts, were efforts to sustain already-high ownership rates in the face of rising costs facing younger buyers. In Canada they were modest in the broader scheme; in Australia they perhaps forestalled for a few years a decline in homeownership rates to North American levels.

Targeting and Market Rent-setting

The second great policy shift of the 1970s was the advent of income targeting and market rent-setting in European social rental housing. Targeting and market rent-setting tended toward convergence of state-led and market-led regimes. European and Australian social rental moved closer to North American private rental in its business model, and closer to residual public housing in its access rules.

Postwar European social rental housing set rents based on production costs: not low rents affordable to the poor, but moderate rents for households with middle and lower-middle incomes. Income limits applied to new tenancies only and excluded the affluent. Likewise, Australian public housing provided fixed low-rent houses for workers and new immigrants. (Although U.S. and Canadian public housing programs had started the same way, as break-even working-class housing, they moved rapidly to a low-income RGI model by the time of their greatest expansion in 1950s America and 1960s Canada, and housed only a tiny fraction of the working class.)

Targeting issues arose in the context of reduced production imperatives, new fiscal constraints, and higher production subsidies per unit. By then, cost-based rents fed an inequity between older lower-rent projects with long-sitting middle-income tenants, and costlier newer projects with lower-income intake and “degressive” step-down subsidies and consequent built-in rent increases (Salet, 1999, 551; Jaedicke and Wollmann, 1990, 143–144, 147–149). “Left” critiques – that social housing should serve the needy – converged with economic rationalist advice. And so France from 1977 onward gradually equalized rents in new and old buildings; Britain in 1972 imposed central government rules and market principles (Harloe, 1995, 290); Germany and its Länder shifted toward market-based rents in the late 1970s and early 1980s (Harloe, 1995, 461). Australia’s 1981 Commonwealth-State Housing Agreement (CSHA) shifted toward low-end-of-market rents and income-based access, carrying further the targeting emphasis of the 1973 CSHA (Wood, 1990, 851, 869; Burke et al., 1990, 730–731).

In this period, program accountability in public expenditure became a large policy concern. With economic growth and public revenues rising much more slowly than in the postwar era, efficiency in public spending became more important. Moreover, with rental housing supply no longer conceived implicitly as a public good, but conceived instead as targeted assistance to remedy market imperfections, it came to be seen as important to ensure that benefits went only to those who needed them and did not create broader market distortions. Economic rationalist advice was that market-based rents and income-targeted access would serve both equity and efficiency, and reduce subsidy.

Higher rents for buildings of higher quality or amenity or status tended – subject to specific intake rules – to foster in the years that followed the sorting of households by income (i.e. ability to pay rent). The middle-income shift to homeownership received added impetus as rents in social rental housing rose. Europe saw “the beginning of a redefinition of the role of social housing, back to the more limited conception as a source of housing for economically marginal groups” (Harloe, 1995, 359).

In Canadian social housing, which shifted in 1974–78 to a European-style mixed-income model, similar targeting debates soon played out. Viewed ahistorically, the shift was ill-timed, because it coincided with the time when production ceased to be feasible at average rents and middle-income rental demand was flagging. The new system was criticized for subsidizing middle-income tenants. Ontario in 1975–85 consistently provided extra subsidies to ensure that federal programs served mainly lower-income households. From 1986 onward, targeting and cost-efficiency became major preoccupations of federal policy (Fallis, 1994), and social housing subsidy was limited to units targeted to low-income households in “core need.”

Reliance on Private Financing

The third large policy shift of the 1970s was obtaining social housing financing in the capital markets at market rates, rather than through state borrowing. This trend started in the 1950s and progressed through the 1980s, always with concerns about high public borrowing requirements for rental production. German legislation in 1966 replaced state loans with private finance, supported by interest subsidy to the social rental agency or firm (Jaedicke and Wollmann, 1990, 133; Wollmann, 1985, 144); the private share of total housing finance rose to 77 percent by 1975 (Harloe, 1995, 338). The Netherlands shifted to market sources in 1966–68, with interest subsidized down to an effective 6 percent (Harloe, 1995, 312; 485–486; Priemus, 1981); by 1986 it ended reliance on direct state loans. France in the mid-1960s shifted from low-interest state loans, to loans from the state infrastructure financing body, the Caisse des dépôts et consignations (CDC), which sourced its funds from pension funds and household savings in the state savings banks (Boelhouwer, 1997, 77; Harloe, 1995, 332; Kirchner, 2005, 133); in 1977 this became today’s system of Prêts locatifs aidés (PLAs). These changes manifest a modest convergence with market-led systems, where private financing had long dominated. Australia remained an exception until the early 1990s, relying on federal loans at well below market rates (Matthews and Grewal, 1997, 23, 348, 350, 671, 673).

In social housing, Canada replaced state borrowing (above) with market financing in 1978. Lenders financed 100 percent of project development costs, their risks minimized for each project by the dual pillars of CMHC mortgage insurance and federal-provincial subsidy flow. By the early 1990s this was replaced by state-coordinated wholesale financing on the capital markets, through CMHC’s mortgage-backed securities or Ontario’s system of tranche financing for bundled social housing mortgages.

From Supply-side to Demand-side Assistance

The fourth and largest rental housing policy shift of the 1970s was a change in priority from supply-side to demand-side assistance, progressing further since then. This change meant that

the state provided assistance to low-income households rather than subsidizing housing production. The change occurred across the affluent West, but with profound differences in spirit and scope in the U.S. liberal welfare regime versus the European (and Australian) systems. The notable exception to this trend was Canada. Demand-side assistance shows superficial elements of convergence but more fundamental path-dependent divergence.

In state-led rental regimes, the shift from demand-side assistance was directly tied to the shift from a mass-needs cost-rent regime to a targeted market-rent one. Demand-side assistance was expected to stabilize expenditures on blanket supply subsidies, since market rents would reduce unneeded benefit to middle-income tenants by way of low rents, and redirect such benefits to the needy (Harloe, 1995, 262, 422). This outcome was undermined by rising costs and rapidly declining tenant incomes in the 1970s and 1980s. But the expansion of these programs was also driven by social policy goals (see below).

Britain first introduced a rent rebate scheme in council housing in 1972 in tandem with market rent-setting. The current Housing Benefit started in 1988 and by 2006 was received by half of all tenants: 3.1 million in social rental and 0.8 million in private rental. France introduced *Aide personnalisée au logement* (APL) in 1977; rental recipients rose from 47,000 households in 1980 to 1.9 million by 1993 and 2.3 million by 2000. The Netherlands' modest 1970 program became an entitlement in 1975; in the period 1980–87, recipients doubled from 14 to 30 percent of tenants and from 456,000 to 837,000 tenant households, and to 1 million since then. In Germany housing allowances (*Wohngeld*) originated with rent decontrol in 1965 and expanded from 395,000 household then to 1.6 million by 1986–88, remaining fairly stable thereafter; these are still income targeted to only 12 percent of tenants (Harloe, 1995, 451, 476; Hubert, 1998, 218; Kemp, 1990; Kirchner, 2005, 123, 158; Oxley, 1987).

The United States also shifted to demand-side assistance. The Nixon administration terminated public housing production in 1973 and introduced Section 8, mostly in the form of rent supplements paid to landlords for designated units. Expenditures for Section 8 rose as it increased by nearly 250,000 households a year in the Carter administration of 1977–80. This rise continued under President Reagan, although Section 8 vouchers, paid to tenants, became the preferred form of subsidy from the mid-1980s onward (Grigsby, 1990, 841; Harloe, 1995, 438–39; Orlebeke, 2000, 505). In the United States by 1989, the 2.7 million households receiving Section 8 (vouchers or supplements tied to units) far exceeded the 1.4 million households in public housing.

Australia fits the European pattern. Demand-side assistance arrived in tandem with the shift to market rent-setting in public housing. Rent Assistance was then extended in 1987 to all working families and private renters as part of a new income supplement (Wood, 1990, 851–852, 870) and subsequently broadly in the private rental sector. This was part of a modest but purposeful expansion of the welfare state under the 1983–97 Hawke-Keating Labor government to offset the social impacts of their dramatic deregulation (see Schwartz 1998, 2006). Half of Australian tenants are publicly assisted: 18 percent in social housing and 33 percent through Rent Assistance (Hulse, 2003, 37; Johnson, 2007, 43).

Alone among these countries, Canada offers relatively little demand-side rental assistance. What exists is in three forms. Since 1969, there is a U.S.-style rent supplement, whereby designated private rental units are filled through state referrals, and the landlord is subsidized for

the difference between RGI and market rents; but this program involves just a few thousand units and less than 2 percent of tenants²⁴ – unlike the United States, where Section 8 has dominated for 35 years. Housing allowances have been moderately expanded in two provinces, and now cover about 6 percent of tenants in British Columbia and 11 percent in Quebec. Social assistance includes a shelter component, but this assistance has very restricted eligibility, is unrelated to urban market rents, and rarely reduces rent-to-income ratios below 60 percent.²⁵

The policy option of broader demand-side assistance to private rental tenants has been much debated in Canada, but became a tug-of-war between the corporate landlord-developer sector which supported it and the non-profit third sector which opposed it. Canada's politics of private rental – especially in Ontario – focused largely on rent control, which does not address affordability issues for lower-income tenants. Canada's hybrid of a large corporate landlord sector and a large non-profit sector has created distinctive institutional barriers to demand-side assistance, at the same time as its rising social housing spending in the 1980s pushed up against the limits of its welfare state consensus. There is little prospect of large European- or Australian-style programs.

All this suggests three competing interpretive themes in the shift to demand-side assistance. There is convergence in parallel program responses to shared social trends. But there are more fundamental path-dependent differences in two respects. The first is in whether demand-side assistance targets private or social rental – depending on whether the postwar production regime created a mostly social or private rental sector. The second is in the fundamental path-dependent difference in the goals and scale of housing programs between market-led and state-led rental systems. Clearly, this interpretation captures the high-level results, not the twists and turns of policy-making.

Regimes converged in a common policy-rational response in program strategies. At a high level, the shift from supply-side to demand-side priorities responded to a profound change in the housing system: income decline within existing rental stock (the rise in low-income tenancies and the concentration of poverty) had become far larger in scale and social impact than incremental net rental demand. At a more specific level, programs converged in their business model. The funding of European and Australian social rental model now resembles North American rent-gear-to-income (RGI) programs. A majority of social rental housing tenants in all regimes pay rents net of income-gear-to-income subsidy; in Europe they are the majority of recipients in demand-side programs (Balchin and Rhoden, 2002, 101; Harloe, 1995, 451; Wulff, 2000). Also similar are the contracts and funding flows: the U.K. Housing Benefit flows like RGI to social housing landlords, but differently in private rental. The French APL is much like “rent supplement” contracts, with virtually all HLM agencies opting in, but only a few private landlords (Blanc and Bertrand, 1996, 141).

24 Rent supplement data in Steele's excellent overview (2007) equates to 2.3 percent of rental outside Quebec; but this includes the “stacked” rent supplement in non-profit and co-op buildings where this is part of the program design, which comprises the majority of her Ontario rent supplement counts.

25 Hulse (2003) includes social assistance in her comparison of allowances in liberal welfare regimes. Canadian federal data (Canada, Human Resources and Skills Development, 2006) for 2004–05 tally to 1.08 million social assistance cases. In general, not all cases are separate households, but the vast majority that are, are renters. If 70 percent of the 1.08 million form separate households, this would equate to 7 percent of Canadian households, but 20 percent of tenants.

The first path-dependent difference is in where the demand-side subsidies were targeted. In European rental systems, the rising numbers of poor were in social rental, and the new demand-side subsidies were mostly targeted there. In the U.S. market-led system, the rising numbers of new poor were in private rental, and the new demand-side subsidies were targeted there. Postwar supply regimes had created either a state-led or a market-led rental sector; the 1970s policy response grappled with changing needs within it. Australia and Canada are divergent exceptions. Australia made a controversial shift from state-led, supply-side strategies to market-led, demand-side ones while Canada had virtually no demand-side policy response.

The more fundamental path-dependent difference is in the scale of state involvement and policy response. In Europe by the 1970s, most low-income tenants were in the large social rental housing sector, and thereby state clients and an acknowledged concern of policy-makers. The shift to demand-side subsidy was one of means, not ends. The European welfare state and political culture meant a larger policy concern for social rights and economic equity; housing benefits mitigated the impact of adverse labour market and housing market conditions on living conditions. In liberal welfare regimes, most low-income tenants are in private rental and represent a marginal policy concern (Hulse, 2003). And so, for example, Britain, with similar levels of affluence to Canada and a similar tenure split, spends three times as much per capita on social rental subsidies, which benefit proportionately four times as many rental households.²⁶ Most poor households receive housing assistance in Europe or Australia; but only a distinct minority in the United States or Canada do so.

New Challenges to Rental Production

The fifth, inconclusive policy shift of the 1970s was varying adaptations to new challenges in rental production. Much the same forces undermined European state-led rental production systems and North American market-led ones. Declining renter incomes on the demand side converged with the supply-side increases in the cost of construction labour, land, and materials, and above all the cost of capital. For example, in the Netherlands, development costs per unit less than doubled during the 1950s, but doubled in the 1960s and tripled in the 1970s (Priemus, 1981). In Canada, land costs almost doubled in the 1960s and again from 1971 to 1976, and labour costs outpaced this increase (Fallis, 1993, 88; Spurr, 1976, 20). Interest rates were pushed up by inflation in the later 1960s, accelerating after the 1973 oil price shock. Rising interest rates contributed greatly to the declining viability of rental production from about 1967 to 1975 (McMahon, 1990, 73). Briefly in the 1970s, inflation produced negative real interest rates which favoured production, but soon the consequences were high real interest rates and lender wariness of risk.

In state-led regimes, the main 1970s response to this challenge to production was an uneven combination of higher per-unit subsidies and the capping of production levels. In market-led

26 About 4 million U.K. social housing tenants receive Housing Benefit out of 25.7 million total households; Canada has 0.5 million subsidized social rental tenants (i.e., excluding some market tenants in older non-profit projects) out of 13.5 million total households. Housing benefit expenditure reached £13.9 billion by 2005/06, of which some 80 percent was for social rental tenants: equivalent to C\$22 billion. U.K. population of 60.5 million (2006) was just under twice Canada's; therefore U.K. social rental levels translated to Canadian population would be about \$11 billion expenditure and 2 million beneficiaries. It should be noted that U.K. income disparity is wider than in Canada, and prices in London and the Southeast much higher.

systems, the main response was initially state support to private rental. This stronger state role could not endure long in the face of declining investment conditions (for private rental) and competing fiscal priorities (for social rental).

State support to private rental production took various forms. Reconstruction-era German policy had supported both private firms and non-profits; the quid pro quo of subsidy was limits on size and equipment for funded units, regulated rents or prices, and income limits at intake (Jaedicke and Wollmann, 1990, 133, 139). France followed suit from the mid-1960s, enabling private firms to build HLM with the same state funding and conditions as non-profits (Harloe, 1995, 334, 355). But small investors had long dominated the French private rental sector, and as severe decline occurred in 1975–90, strong personal tax incentives were introduced in 1984 in an attempt staunch such losses (Pomeroy et al., 1999, 12–13, A34–A36). Australian support to private rental was through the personal tax incentive of “negative gearing” i.e., tax deductibility of the amount by which borrowing costs exceed net rental income. This incentive has been a strong inducement to investors seeking capital gain in the long-rising property market, 65 per cent of whom are negatively geared. Although dating from the postwar period, this system became far more significant once rental demand picked up in the 1970s and tax changes in the mid-1980s enhanced it (Johnson, 2007, 9–12; Wood, 1990, 870).

Assistance to private rental has dominated U.S. rental policy since the 1960s. The Kennedy administration in 1961 initiated the Section 221(d)(3) program, providing subsidized 3 percent interest rates for construction of non-profit and limited-dividend rental for moderate-income families – the upper part of the lower quartile (Grigsby, 1990, 840; Orlebeke, 2000, 495). The Section 236 program of 1968 onwards subsidized interest rates down to an effective 1 percent, producing 496,000 private rental units and 192,000 non-profit units (Marcuse, 1990, 359; Orlebeke, 2000, 495). This program contributed strongly to the 1965–75 peak in rental U.S. production. More broadly, “Between 1960 and 1980, the federal government subsidized the construction of 1.3 million conventionally financed housing units for households with moderate incomes. During that period another 1.0 million units of government financed housing were constructed for low income households” (Murray, 1999). This production compares to 883,000 public housing units built after 1960 (Marcuse, 1990). In large part, this private rental was made affordable and viable by Section 8 rent supplement, first introduced in 1965 (Orlebeke, 2000, 494). The phase-out of Section 8 in the early 1980s ended subsidized private rental production. Briefly, generous tax incentives (depreciation and soft-cost deductibility) propelled an early-1980s construction boom second only to the peak of 1965–75. In 1986 at the time of President Reagan’s sweeping regressive tax reform, a coalition of private and social-sector interests invented the current system of Low Income Housing Tax Credits (see below).

In Canada, 1972 tax reform and 1974 rent control had negative consequences for private investment, just as underlying conditions of demand and financing were turning sour (Pomeroy et al., 1999). Public assistance to private rental production helped prolong the apartment boom to accommodate very high baby-boom household formation, assisting over half of private rental apartments built from the mid-1970s through the 1980s with forgivable loans and grants for up to one-third of project costs.²⁷ The main programs were the Assisted Rental Program (1974–79 and 1981, 123,000 units); the Canada Rental Supply Program (1981–84, 24,000 units); and

27 Crook cites 56 percent, but his MURB count is low; Selby shows 67 percent.

Multi-Unit Residential Building (MURB) tax incentive for individual investors (1974–79 and 1981, approximately 344,000 units overlapping with ARP and CRSP). These programs cost \$300 million, \$61 million, and an estimated \$2.4 billion, respectively.²⁸ Ontario added the Ontario Rental Construction Loan program (1981, 15,000 units) and ran assorted smaller programs until 1990.

Thus assistance to private rental tended to reinforce the national rental regime, whatever it might be, as postwar conditions deteriorated. In Germany and France the regime consisted of a deeply institutionalized mix of social and private rental; in the United States and Canada it was corporate private rental; in Australia it was individual investors in an urban regime of suburban bungalows and little corporate direct investment. Canada's 1975–85 assistance to private rental was a contested approach during a contested shift to a stronger welfare state. Unable to deliver on production levels or moderate rents, it fell prey to 1980s debates about its cost-effectiveness and incidence of benefits compared to social rental, a debate the latter briefly won before succumbing to neoliberalism.

Such trends of the 1970s were a prelude to profound changes in the welfare state and in rental regimes which gathered force in the 1980s onward, in Canada as elsewhere.

28 Crook, 1998; Hulchanski, 1990; Hulchanski, 1987, 59; Pomeroy et al., 1999, A7; see also Fallis, 1980, ch. 4.; Toronto 1990; Crook cites only 235,000 MURB.

6. Policy in the Contemporary Era

The 1980s saw further shifts that continue to dominate rental policy today in most of the affluent West, regardless of regime. The overarching change was the ascendancy of neoliberal ideas and policy. Five large shifts in rental policy and market-structuring ensued: (1) the impacts of deregulation and monetarism on housing finance; (2) shifting spending priorities including decreasing supply, more demand-side programs, and more capital repair and renewal; (3) declining social rental production and sometimes stock; (4) devolution to subnational governments; and (5) shifts in the relative roles of the public, private, and non-profit sectors. Most of these changes either occurred in parallel in state-led and market-led systems, or pushed them toward convergence. Canada experienced most of them. Yet large path-dependent differences remain between state-led and market-led rental systems.

Neoliberalism strongly influenced all Western governments. It affected rental demand (see Chapter 2) through the labour force and income impacts of globalized production, a decreasing emphasis on equalization of incomes through the tax system, and reduced social transfer incomes. The transition from Keynesianism to Monetarism was a “paradigm shift” of ideas (Hall, 1993; see also Kleinman, 1996, 184; Mishra, 1990). In 1980s Canada, the big change was monetarism, gradual shifts in prevailing ideas and language, and various discreet cuts and caps in spending and program eligibility (e.g., Fallis, 1990, 883–84; Mishra, 1990). Sharp retrenchment and devolution arrived under the centre-right 1993–97 Liberal government (Hulchanski, 2006; Prince, 1998; Wolfe, 1998).

Deregulation, Monetarism, and Housing Finance

In the United States and United Kingdom, the Thatcher and Reagan governments promoted monetarism, “tax reform,” reduced social spending, and retrenchment in housing policy. Less extreme neoliberal trends were seen in Germany under Kohl’s Christian Democratic Union (Harloe, 1985, 336, 449, 463), in France under centre-right “cohabitation” governments from the mid-1980s onward, and in Australia under the deregulating Hawke-Keating Labor government of 1983–97 (Burke et al., 1990, 725). Housing was particularly vulnerable to neoliberalist policy changes because of its always insecure place in the welfare state (Dalton, 2004; Harloe, 1995), and its large requirements for borrowing – a matter in the hands of finance departments where neoliberal ideas dominated particularly strongly (Dalton, 2004; Schwartz 2003).

The wider effects of financial deregulation on housing finance are large, complex, and contradictory, and beyond the scope of this paper to assess. Most remaining separate housing finance circuits (see Chapter 4) now ended: for example, in Australia (Wood, 1990, 853–856, 872). Monetarism and deregulation produced at first a decade of high mortgage interest rates, no longer propelled mainly by inflation but by anti-inflation policy and the end of interest rate subsidies. High interest rates made market rental housing production unfeasible, and massively raised the subsidy costs for social housing. There was great financial turbulence, including the United States Savings and Loan intermediation crisis, arising mostly in the multi-unit rental lending sector, leading to public bailout costs of at least US\$125 billion. The postwar U.S. institution of the fixed-rate 25 or 30-year mortgage disappeared, shifting interest rate risk onto households. Recurring international financial crises (1997, 1998–99, 2001) also characterized this period, even before the great crash of 2008. The high liquidity of the decade circa 1995–2005 (and low inflation) produced low mortgage interest rates, but also a global property bubble, which started to crash in 2007, strongly implicating abundant housing credit in general economic instability (Maclennan, 2008). Canada was strongly affected by high interest rates in the 1980s and the abundant liquidity and low rates for the decade or more starting in mid-1990s, but was less affected by the property bubble than most countries.

Spending on the Demand Side and on Repair

Some capping of production funding had occurred in the 1970s, as per-unit subsidies rose while flagging growth and rising unemployment led to chronic deficits and rising public debt in many countries. When this trend became chronic by the late 1970s or early 1980s, just as net rental demand was slowing, spending cuts became inevitable for governments of all political stripe. U.K. expenditure constraints started under a Labour government, with a 20 percent decline in the 1974–79 term of office. In Germany, debt reduction was a priority by the end of the 1970s (Harloe, 1995, 291, 427, 461). In the 1980s, public spending on rental housing production declined in virtually all countries.

In Europe and Australia, this fiscal trend was accompanied by the rise in demand-side assistance. German demand-side spending doubled from DM1.8 to DM 3.7 billion (1980–89) while supply-side declined from 75 to 40 percent of housing spending between 1982 and 1988 (Toman, 1996, 58; Hubert, 1998). French demand-side assistance virtually quadrupled from Ff7.8 to 28.4 billion (1980–93) and rose more modestly in the 1990s, while supply-side subsidy declined from 80 to 47 percent of housing spending (Blanc and Bertrand, 1996, Table 9.4: Kirchner, 2005, 158). Australia's annual expenditure on Rent Assistance rose to A\$400 million by the mid-1980s, then steadily to A\$1.4 billion by 1993–94, more slowly thereafter to \$1.8 billion by 2001–02 (Wood, 1990; Wulff, 2000), while the heavily supply-side funds under the Commonwealth State Housing Agreements were flatlined in the range of A\$0.9–A\$1.1 billion annually. Britain moved steadily from £868 million net expenditure on supply-side social rental subsidies in 1986–87 (including local rate funds) to £1.04 billion net revenues by 1999–2000 (Balchin and Rhoden, 2002, 100; Harloe 1995). The revenues arose from positive net rental income in low-debt council housing portfolios, accruing to the national treasury. Meanwhile, U.K. Housing Benefit spending, just 20 percent of spending in 1986–87, tripled from £3.8 billion to

£11.8 billion annually by 1999–2000.²⁹ The Netherlands diverged from this pattern, with spending rising from Dfl325 million to Dfl3 billion during the 1970s (Harloe, 1995, 473–74), and large increases on both demand and supply side until 1990.

Canadian social rental expenditure rose until the early 1990s, reflecting ongoing production under federal programs until 1993 and under Ontario programs until 1995. Since then, public spending on housing (at all government levels, mostly on social rental) has been slightly declining in real terms, from nominal levels of \$4 billion in the early 1990s to \$3.6 to \$3.8 billion in the 2001–06 period (Pomeroy, 2007).³⁰ Much of the decline is in interest-rate savings on subsidies for social housing debt service. Demand-side housing assistance has expanded only modestly, in Quebec and British Columbia, at the same time as income security has been cut considerably, except for the elderly (Battle, 2001).

Brief variations occur in the trend of declining expenditures. Canada, France, and Germany had a last Keynesian counter-cyclical burst in the early 1980s recession (Fallis, 1994; Wollmann, 1985, 150). Centrist or centre-left government briefly raised expenditures, as in Australia under Labor in 1983 (Burke et al., 1990, 725), or Ontario from 1987–95. Political deals created spending spikes: the 1990 U.S. National Affordable Housing Act (Harloe, 1995, 444), or Canada's Affordable Housing Initiative of 2001 onward. Germany reunification in 1990 led to equalization of benefits and westward migration from the East, both involving a responsive surge of spending (Harloe, 1995, 470).

Across the West, capital repair and replacement have replaced new supply as the main capital expenditure priority in rental housing. This responds to the inevitably rising repair needs as postwar stock ages, but also to the neighbourhood “decline” issues arising from rental residualization and segmentation and the resulting public costs. The shift has occurred through policy decisions in state-led rental systems, and through the logic of investment choices in market-led systems. In national accounts, repair and renovation expenditure rose (1970–92) from 32 to 67 percent of total housing investment in the United Kingdom, from 20 to 39 percent in France, and from 26 to 47 percent in Germany (Smith, 1997, 44).

The 1970s interest in central-city housing quality and renewal was a first phase of this trend (Jaedicke and Wollmann, 1990, 135, on Germany; Hulchanski, 1990, on Canada). The concern about large high-rise estates began in the late 1960s in France, Britain, and the United States, when many of the buildings were only a decade or two old. Britain initiated the Priority Estates Project (1979) and then the Estate Action initiative (1980s), with expenditures rising rapidly from £50 to £190 million annually (Harloe, 1995, 434). France, the Netherlands, and other countries started similar initiatives in that period (Blanc and Bertrand, 1996, 129; Harloe, 1995, 456, 468). By the 1980s in Britain, reflecting central government rules, most local government housing expenditure was for repair – funded from sales (Harloe, 1995, 335). By the 1990s the United Kingdom arrived at a distinctive new regime of massive public funding and large-scale

29 The 1986/87 figures are from Balchin and Rhoden (2002), 100; Harloe (1995) cites 40 percent for 1986/87 and different data for France.

30 Total federal housing expenditures peaked in Canada in 1983 at \$2.6 billion, but the peak was propelled by homeowner interest relief. Social rental expenditures continued rising for a decade until the end of both production and high interest rates in circa 1993; net Ontario expenditure rose from \$100 million to \$1 billion over the same decade.

public-private partnerships for regeneration (Imrie and Thomas, 1999). A main social housing priority in the United States in the Clinton and Bush years of 1993–2008 has been public housing redevelopment through the HOPE VI program.

In market-led rental systems, this shift has occurred in private rather than state investment (although data on rental specifically are scarce). The rising share of rental housing revenues needed for capital repair, the near-demise of investment in new supply, and associated change in business models, have all produced this shift in capital priorities towards repair. But state-led and market-led systems diverge in another way, as the latter do not generate substantial reinvestment in older neighbourhoods of declining income and quality – except by way of gentrification.

Declining Production and Social Rental Stock

Declining production ensued in all regimes as a function of slow-growing rental demand, changing policy priorities, and the widening gap between production costs and tenant income levels. In market-led systems, rising costs and declining demand made investment in new rental uncompetitive. In state-led systems, the same factors made investment in new rental a low expenditure priority.

In some cases, not only are new supply volumes lower, but the social rental stock is declining absolutely. Expiring agreements are part of this in the United States and Germany. In the former West Germany, a precipitous decline in social rental results from the original time-limited funding agreements between the state and private investors, compounded by incentives for subsidized landlords to repay the public loans early and thereby terminate associated conditions (Jaedicke and Wollmann, 1990, 135–36, 141; Kirchner, 2007, section D). Social rental housing stock declined between 1978 and 2002 from 18 percent to 10 percent of stock in relative terms, and from 4.2 to 2.8 million units in absolute terms.³¹ The expiry of agreements dating from the 1970s, and now of the earlier LIHTC projects, has been a large concern in the United States, and ways have been sought to help non-profits purchase such projects. U.S. public housing redevelopment under the HOPE VI program has led to significant net losses in some cities (Hackworth, 2007, 50–59). In the United Kingdom, right-to-buy provisions caused a large absolute decline in the social rental housing sector in the 1980s, and further losses since then.

Canada stands at the precipice of German-style decline in social rental housing stock, starting from the post-decline German level (6 percent of stock). The federal-provincial devolution agreements of 1997 onwards, governing the vast majority of federal housing spending, provide for phase-out of those funds by 2035. Without some major policy reversal, funding levels and thereby the number of subsidized low-rent units will decline by one-quarter in the next decade and sharply after that (Connelly et al., 2003; Pomeroy, 2007).

31 “Social housing” is defined here to include 700,000 municipal units (2.4 percent of the total stock) that are no longer subject to subsidy agreements.

Devolution

Devolution has occurred generally but unevenly across nations. Presented as appropriate “subsidiarity” or as enabling local control and initiative, devolution has usually meant the transfer of funding and policy responsibility to government levels that have less fiscal capacity and little role to play in market structuring, and that are subject to prescriptive limits on their policy choices. Devolution has usually resulted in a reduced capacity to manage the system (Kleinman, 1996, 176). The structural changes of devolution and the “new public management” are a far more enduring and effective mode of retrenchment than spending cuts (see Schwartz, 1994, 529–30, 551–52).

The United States led the trend with its 1974 shift to Community Development Block Grants, followed by HOME and HOPE VI block grants in the early 1990s (Marcuse, 1990; Orlebeke, 2000); yet its overall rental housing regime remains strongly federally led. In the Netherlands, municipalities have always played a strong role in housing, but in the 1990s the system shifted to block grants, with municipal autonomy to define objectives, allocate subsidies, and coordinate activity (Dieleman, 1999, 252). In Australia, the federal government attempted but failed to disengage from further responsibility for funding public housing (Caulfield, 2000). French devolution has not involved funding responsibility or policy making (Harloe, 1995, 458). British policy has remained highly centralized in rules and funding allocations, except for Scottish and Welsh devolution.

Germany has seen a gradual but massive devolution. By the mid-1980s most rental and homeowner subsidies were provided by State and local governments. In 1986–88 the federal government ended its role in rental subsidies, leaving these to the Länder and municipalities while retaining the federal role in homeowner subsidies. There is increasing variability in the policies of different Länder, and municipal strategies are increasingly important (Jaedicke and Wollmann, 1990, 135–36; Kirchner, 2007).

In Canada, devolution has gone farthest, reflecting its character as the world’s most decentralized federation. Starting in 1993–95, the federal government fundamentally devolved social housing to the provinces, ended funding for new social rental, and transformed CMHC into an “enterprise crown corporation” the main purpose of which was to run a profitable mortgage insurance business while maintaining a residual role in social housing. This trend progressed further in Ontario (where over 40 percent of Canadian social housing is located), where the main subsidy for social housing is approximately \$0.8 billion annually in net direct municipal funding, and where municipalities administer the flow, conditions, and accountability of \$1.4 billion annually in combined municipal and federal funding.

Shifting Public, Private, and Non-profit Roles

In several countries since the 1980s, there has been inconclusive and varied realignment of the roles and relationships of the private, state, and non-profit sectors (Fallis and Murray, 1990; Fannie Mae Foundation, 1996; Pomeroy and Lampert, 1998). A greater interlacing of their roles is one response to production challenges in a context of a reduced state role and adverse de-

mand and investment conditions. Many countries have seen a shift away from state housing toward the non-profit sector, operating autonomously on a business-based model.

Two elements – reliance on private financing and the vast new role of demand-side dollars – have become pillars of “partnership” production systems in the United States and United Kingdom. The U.S. system since 1987 involves a more fundamental interlacing of roles. Federal Low Income Housing Tax Credits (LIHTC) are the keystone of a complex system of public incentives and assistance, market financing, Section 8 rent supplements, national or regional non-profit “intermediaries,” and local non-profit housing production and ownership (Pomeroy and Lampert, 1998). As the demand base for unassisted rental housing production shrank, this system grew to comprise about 40 percent of multi-unit rental production in the 1990s.³²

British rental production has been carried out since the 1980s by non-profit Registered Social Landlords (RSLs). Demand-side assistance enables lower-income tenants to pay market rents; this assistance, along with RSLs’ large scale and an efficient market-based business model, enables RSLs to obtain private financing. Annual private financing volumes rose from £29 million in 1987–88 to about £700 million a decade later (Oxley, 1997, 42). Increasing reliance is also placed on mixed-income projects in partnership with private developers, with contributions through “planning gain,” i.e. inclusionary zoning, now as significant as public funding.³³

Patterns vary elsewhere. The 1990s “revolution” in Dutch social housing disentangled the state and the housing associations: it “largely dissolved the financial ties binding the social housing sector and the national government... housing associations repaid all their outstanding government loans. At the same time, the associations received a lump sum amounting to the estimated value of all government subsidy obligations” (Dieleman, 1999, 252; see also Salet, 1999, 552). The non-profit sector has created its own centralized funds for new construction and for repayment of loans raised on the capital markets. This approach exemplifies the shift to an autonomous third sector, but not interlaced state-nonprofit-private relationships.

Germany since the 1980s has dramatically simplified and disentangled its complex state, non-profit, and private roles in social rental housing. By the 1980s the status of the non-profit sector became an important issue, as this sector benefited from tax privileges but was not in general serving needy populations. With the Neue Heimat scandal in 1982 (in which a dominant housing consortium controlled by trade unions collapsed amid a corruption scandal) this became a profound crisis in social rental. The resolution involved the elimination of the tax benefits of non-profit corporations in 1988, which has helped propel the precipitous decline in German social rental housing (Jaedicke and Wollmann, 1990, 147; Kirchner, 2007). In Australia and France, there has been little change in organizational and financial models.

Canada has experienced two distinct phases in state-private-nonprofit reconfiguration. The first occurred within the framework of federal policy and the second one took place once the latter had shrivelled. The first phase was the rise of the non-profit sector. Although state-sector public housing production remained twice the volume of non-profit production in 1974–78, by the early

32 LIHTC were 92,000 of an estimated 160,000 (57 percent) in recessionary 1990-94, and 74,000 of an estimated 260,000 (28 percent) in the 1995-99 expansion years. See note on condos in sources to Table 3.

33 Inclusionary zoning is likewise significant in some U.S. jurisdictions, but overwhelmingly for affordable homeownership and with only trivial social rental output.

1980s, non-profit housing surpassed public housing in annual subsidy, and in 1987 in the size of the sector.³⁴ The second phase has taken the form of an inconclusive drift toward varied partnerships in social rental production. In Montreal and Vancouver, provincial governments have maintained modest support for new non-profit supply since the withdrawal of the federal government, and inclusionary zoning has become significant (Gray and Ramsay, 2002; Montreal, 2007). In Ontario in the decade since municipal devolution, modest housing volumes have been achieved through a hybrid of federal-provincial grant programs and diverse municipal initiatives. Both involve varied equity inputs (federal, provincial, municipal, sponsor-group), private financing (until recently on stringent commercial terms), and a mix of non-profit and private project sponsors.

34 Data (from *Canadian Housing Statistics*) on 1984-78 production are 54,148 public vs. 25,081 non-profit and co-op units. Spending on non-profit exceeded public in 1984 at \$474.5 vs. \$452.8 million (1984 dollars), but if stacked rent supplement is fully counted the transition happened before this. Stock in 1987 was 214,956 vs. 218,971 units. About half of the over 630,000 social rental stock remains publicly-owned (about one-quarter of non-profit housing is municipal); and public housing still accounts for a majority of RGI units.

7. Conclusions

Rental housing in Canada has much history in common with other affluent Western countries. State-led rental systems in northwestern Europe, and market-led ones in Canada and elsewhere are alternative “systems of housing provision,” associated with different regimes of welfare capitalism. In both regimes, today’s rental sector is a physical product mostly of the postwar era, and socioeconomically a product of more recent changes that have altered the place of rental in the broader housing system. This paper has described a mix of path-dependent differences between regimes; converging or parallel trends which cut across state-led and market-led systems; and distinct national features.

This conclusion summarizes the comparison between Canada and other affluent Western nations, looking first at postwar rental demand and supply, and how these changed, and then at several policy shifts from the 1970s onward.

Postwar Demand and Supply

The general context and character of Canada’s postwar rental is like those of other nations. Rapid growth, urbanization, rising affluence, and rising household formation propelled high rental demand. A Keynesian policy regime orchestrated a financing and supply response, with rental meeting one-third to two-thirds of net housing demand. State-led systems met demand through public debt-financing and public-sector rental production; market-led systems did it through policy to structure the mortgage market for ownership and rental housing. The state lead in postwar Europe is associated with lower levels of affluence, the exigencies of reconstruction, and a stronger welfare state consensus, absent in countries such as Canada, the United States, and Australia.

Postwar Canada’s rental housing demand was very high, and homeownership rates plateaued far earlier than they did in other liberal welfare countries. Rental accounted for 42 percent of net growth in households in 1951–76 and over half in the 1960s. Several factors contributed. Relatively, Canada had the highest overall growth rates and the greatest catch-up urbanization. Its small-household formation was unsurpassed. Among liberal-welfare societies, it lacked the strong support for homeownership provided by U.S. tax law or Australia’s highly regulated lending and public subsidies. Its big-city development regulations appear to have been tighter, pos-

sibly raising costs. Like Australia, its GDP per capita and associated car ownership rates were midway between those of the United States and those of the more affluent parts of Europe: a possible damper on suburban home-buying. But Quebec's distinctive legacy of prevalent renting did not lead to higher net postwar rental demand than elsewhere in Canada.

Postwar Canadian rental households (in social and private rental housing) had an income profile similar to European social rental households, and little different from society at large. In Canada and Europe by the 1970s, rising homeownership siphoned off middle-class rental households. The resulting tenant income decline was parallel in Europe and Canada, chasing the U.S. trend, which had occurred a couple of decades earlier. Though small households were a dominant driver of this trend in Canada, overall income polarization was also at play by the 1980s, with rising disparities magnified in differences between renters and homeowners.

Canada's postwar rental production as a ratio to population (peaking at about 5 units per 1,000 population) was higher than anywhere else, except the Netherlands or 1950s Germany. In these terms, Canadian rental supply was about double that of the United States or Australia. Compared to population growth, Canada's postwar rental production (about 33 units per 1,000 population growth) is less extraordinary, but still at the low end of the European range, and much higher than in the United States or Australia. Canadian rental production was very similar to that in France in relative magnitude and timing. The peaking of production in Canada between about 1965 and 1975 follows a prevalent international timing pattern. Canada met its rental demand mostly by production: it had much less competing rental housing supply from central-city down-filtering than the United States; it had much smaller net homeownership demand per capita than Australia. And postwar Canada had far more homeownership demand than Europe. In the late 1970s and 1980s, Canada's sharply declining rental production echoed trends across most affluent nations.

Canada's postwar rental financing regime, as in the United States, was ancillary to the homeownership mortgage insurance system. Canada was distinctive in its lack of a separate housing finance circuit. As a small economy in the 1950s, Canada adopted a larger role for direct state lending than the United States. As a country undergoing in the 1960s and 1970s a shift to a less residual welfare state, Canada saw a rapid expansion of state lending and mortgage insurance for social and private rental. But the Canadian state never took on the dominant rental role it had in northwestern Europe. Still, rental production was integral in postwar Canada's urban development policy regime, unlike the United States. And rental production was integral in the business model of the large Canadian development firms that emerged by the 1960s – unlike their U.S. counterparts. In consequence, the international property boom of circa 1965–75 bequeathed Canada a lot of rental housing.

The Changing Policy Context

No sooner had the peak of postwar prosperity and welfare state expansion been reached in the 1970s than several factors undermined them. The rental production regime crested then declined, in state-led and market-led systems alike. In the 1965–75 peak period, rising social rental production in Canada paralleled the new low-income targeting in European and Australian social housing. As Canada moved to a less residual welfare state, its social rental housing production levels rose, and shifted to a European-influenced income-mixed approach. Social

rental escalated in significance, comprising 5, 9, 19, and 39 percent of rental production in successive decades from the 1950s to 1980s. This reflected both the expanding state and the declining rental investment conditions. Overall, slower growth, higher interest rates, and flattening state revenues undermined new rental supply, while wider disparities in income, higher unemployment, and flat or declining wages for the lower half undermined rental demand.

Declining tenant incomes profoundly shifted dynamics in the rental sector. Overall changes are magnified at the margin, with net rental demand no longer spread across the income spectrum, but strongly skewed to low incomes and largely absent higher up the income scale. A large part of lower-income rental demand could be met in housing freed up by departing middle-income tenants. Net rental demand came to consist largely of households with incomes too low to carry the costs of new units. All of these factors helped undermine the demand base for rental production.

The housing policy transition arising across the affluent West in the 1970s and 1980s had several main elements. Most were seen in Canada as elsewhere; others brought state-led rental regimes closer to market-led regimes like Canada's. Meagre demand-side assistance stands out as a distinctive feature of Canadian policy.

A first shift was policy support for homeownership. This support reinforced the middle-class exodus from rental housing, and contributed to declining rental incomes. It generally tended to bring European systems of housing provision closer to those of liberal welfare regimes. Active policy support for homeownership was weaker in Canada than almost anywhere else, a fact which perhaps helped keep Canadian rental demand high, but did not forestall tenant income decline.

A second shift was targeting and market rent-setting in state-led rental systems. Market rent-setting brought such systems closer to a private-rental business model on one hand, while targeting brought them closer to the North American rent-gear-to-income social model. Canada's shift to European-style mixed-income social housing was in a sense ill-timed: occurring at just the point that production ceased to be feasible in relation to average rents, and just as middle-income rental demand flagged. And so debates about targeting quickly played out in Canadian social housing, quite similar to those in Europe.

A third shift was that to private financing in state-led systems, leading to convergence with market-led rental systems. Canada in the 1960s (in spite of rising state lending for housing) moved quite early to integrated capital markets and deregulated housing finance. Canada's move to replace state financing of social housing with market-based financing in 1978 followed an international trend. High mortgage interest rates greatly undermined rental housing production in the 1980s; low interest rates and a global liquidity bubble propelled higher homeownership rates after the mid-1990s.

The fourth shift was an uneven policy response to the new production challenges caused by the rising costs of production and of capital. The declining feasibility (that is, profitability) of private rental production in market-led systems was paralleled by the declining feasibility of social rental production in state-led systems, due to rising subsidy requirements. Canada sailed a mid-Atlantic course through the 1970s and 1980s by assisting private rental production in U.S. fashion, but like Europe, allocating rising subsidy to social rental housing. Like other nations,

Canada subsidized the particular form of private rental production that predominated in its housing system. But soon half of Canada's rental housing production was social rental, at per-capita production levels well above those of the United States, and converging with declining European levels by the 1980s. In Canada as elsewhere, rental policy faced the challenges of competing fiscal priorities and a thinning middle-class tenant constituency.

The fifth shift was from a strategy of production programs to one of demand-side assistance for low-income tenants. This shift responded to a profound change: postwar supply had created either a state-led or a market-led rental sector, but now income change within that sector had become a larger issue than incremental rental demand. Demand-side programs addressed this issue with income-gearred subsidy. But there were two path-dependent differences between state-led and market-led regimes. First, the deepening poverty that such programs addressed was predominantly found in private rental housing in the United States and in social rental in Europe – both stocks being legacies of postwar regimes. Second, the European (and Australian) programs had far broader eligibility requirements and operated on a larger scale, reflecting a stronger welfare state consensus and also the status of social rental tenants as existing state clients. Alone of major Western countries, Canada had no significant shift to demand-side assistance. The policy option was buried by debates between its large non-profit sector and large corporate landlord sector – a distinctive hybrid legacy of the 1950s to 1970s – and by the way Canada's public-sector expansion in the 1970s and 1980s challenged the limits of the liberal welfare consensus on the role of the state.

A further shift has been in public spending priorities, away from rental production and toward repair, regeneration, and neighbourhood strategies. This shift reflects new realities of low net rental demand, aging stock, and concentrated poverty in rental neighbourhoods. Declining social rental housing funding, declining social rental production, and in some cases declining social rental stock all reflect fiscal limits and the weak place of social housing in the plateaued welfare state.

A final policy shift has been the varied reconfiguration of state, private, and non-profit roles, which in the United States, the United Kingdom, and the Netherlands have brought about new production regimes. In Canada this reconfiguration has proceeded through two phases: the 1970s shift to a community-based non-profit model; and the varied sectoral partnerships since the late 1990s, representing attempts to find hybrid strength in the dual weakness of poor rental investment conditions and poor fiscal support. Devolution – the shifting of roles among levels of the state – has occurred in all the nations studied in varying degrees; but Canada has gone the furthest in this direction.

Concluding Thoughts

Neoliberalism's effects on rental housing appear more profound in liberal-welfare countries. Because labour force and income disparities are wider and the homeownership sector is bigger, the trajectory of rental residualization is stronger. In state-led rental systems, the scale of state involvement acts as an unavoidable brake on policy withdrawal. State-led rental systems have been better able to address rising inequities in the rental sector, and perhaps better at mixing market and non-market logics.

Patterns vary among liberal welfare regimes. Canadian rental housing is most like that in the United States in its corporate private investment regime, but like Australia in the significance of the social rental housing sector. These three countries with their market-led rental housing sectors have taken distinct paths since the 1970s. The United States has intensified its minimal state role, and its state support for “market” solutions. Australia has strengthened its welfare state, including a shift to European-style demand-side assistance, but provides a very marginal place for social housing. In its tri-level policy fragmentation, meagre demand-side assistance, and sharp retrenchment, Canada is more like Germany than like its liberal welfare cousins. Canada turned from its 1960s–1980s mid-Atlantic course, reverting toward “liberal welfare” type (see Bacher, 1993; Crook, 1998, 330; Harris, 1999; Hulse, 2003, 30). This approach involves little support for social rental; relies on investors and filtering as determinants of rental supply, prices, and quality; and leaves low-income tenants to their fate in the market.

More broadly, rising affluence, sophisticated mortgage markets, and ensuing middle-class homeownership have downgraded the role of rental housing in the broader housing system. Slowing growth and neoliberal ideas have led the state to offload risk to households: to owners who can mostly absorb such risk and renters who increasingly cannot. The adverse results dominate the rental housing sector, in Canada as elsewhere.

Looking forward, policy and market structuring must again adapt to new conditions. Homeownership rates have tended to plateau across most nations of the affluent West, rarely exceeding the 70 percent now seen in Canada. This has important implications for rental policy. For the past two to three decades, most net lower-income rental demand has been met by the down-filtering of postwar stock, as middle-income tenants depart for homeownership. But plateauing homeownership rates amid high growth must mean the return of stronger net rental demand. Yet most net rental demand will come from low and moderate income households, which are unable to pay the costs of new production.

The recession that started in 2008 and the ongoing economic challenges expected in its wake are likely to affect rental housing. This may occur through impacts on incomes and rental needs; through changing attitudes about household savings; through changes to financial markets and real estate markets; and possibly through some reframing of the relationship of state and market in ways yet unknown.

All of these changes may render more urgent the familiar policy choices of whether and how to subsidize rental housing production; how to deal with the downsides of supplying rental via down-filtering and neighbourhood change; and how to mitigate the fallout of income decline and reduced housing consumption among the poor. And this may pose in new ways the familiar challenge of better articulating the role of affordable rental housing in the welfare state and in the urban development regime.

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