A Comparative Study of Housing in Korea and Singapore

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Abstract

This thesis compares the historical development of housing in two Asian Tigers, Korea and Singapore. The thesis adopts comparative historical analysis for systematic and contextualised comparison across nation states.

The thesis starts by reviewing the previous literature on the evolving views of housing policy and housing regimes in the Western welfare states and the newly industrialised countries in Asian-Pacific region. With these theoretical backgrounds, the thesis investigates and compares the developments of the housing systems, its causal factors and consequences through comparative historical analysis. When it comes to accounting for variations in housing between Korea and Singapore, the case studies highlight how institutional characteristics established under colonial rule e.g. viewpoints on social policy including housing or the designs of schemes, were combined with different developmental strategies during the industrialisation period. In addition, the case studies pose and examine the new relationship between housing and other welfare pillars in Asia, which can be differentiated from those in Western contexts.

The findings from the case studies reveal that the different ways in which development models and enduring institutional arrangements were combined acted as the critical factor determining the considerable variations apparent in housing policy and outcomes in Korea and Singapore. The thesis demonstrates that the emphasis on the variable of 'institutions' furthers the understanding of how path dependency dominated most housing policy developments in Korea and Singapore. When it comes to implications for comparative housing study, the findings support the interpretation that Asian housing regimes with several sub-groups can be differentiated from Western housing regimes. Finally, the findings indicate that it is time for both states to think over how to live with 'institutional legacies' generating considerable social costs.
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Declaration

I declare that this thesis originated from and was composed by myself. To the best knowledge and belief, this work contained herein is original except as acknowledged in the customary manner and has never been submitted for any other degree.
Chapter one
Introduction: Encompassing the ignored dimensions of comparative social policy

1.1 Background

Since social insurance schemes were first introduced in the last quarter of the 19th century under the authoritarian German regime, the welfare state has been embedded across the Western industrialised democracies as the principal mechanism for managing social risks. A number of major policies have contributed to the complex constellation of the welfare state. However, despite widespread acceptance of the basic principles set out by the first industrial nations, many aspects of the welfare state have been gradually shaped and altered by varying forces over time and at different tempos. Each major policy pillar - pension, health, employment, education and housing - has been structured or reformed by feedback from systems established in different contexts, in accordance with varying goals and driving forces. The intricate nature of the welfare state is well-demonstrated by the fact that diverse theories accounting for dynamic changes in the welfare state have existed for more than a century, but there is as yet little general consensus on the question of what drives welfare. Even some previously plausible perspectives are losing their validity to explain the reality of the welfare state as social conditions and economic circumstances undergo fundamental changes in the era of globalisation and post-industrialisation.

The steadily accumulating literature on the welfare state has contributed to our understanding of the differences and similarities between the main social policies developed in welfare states around the world. However, in spite of these achievements, there are still considerable academic deficiencies in our knowledge of the major policy pillars of the welfare state. First of all, the regional boundary highlighted by numerous comparative studies is largely confined to the industrialised Western welfare states. As a consequence, bounded debates on the welfare states in Europe and America have overwhelmed the academic discourse. Discussions about social policy in non-Western developing countries have been relatively neglected due to partial academic concerns and narrowly defined
frameworks. As a result, many key questions in comparative social policy remain unsolved puzzles, particularly those concerning non-Western countries. Have, for example, countries beyond Europe and America developed their welfare states in parallel with the systems devised by the industrialised Western societies during their industrialisation and democratisation? If not, then what are the fundamental differences between Western and non-Western societies in terms of both ideology and concrete policy instruments ensuring social welfare? Moreover, if there are qualitatively different types of welfare models in non-Western societies, what social or political factors account for the formation of these different models? These questions will never be fully answered by unbalanced approaches to global social policy and without systematic understanding of social policy outside of Europe and America.

Another serious academic deficiency is evident at the policy level in that some policies have been frequently disregarded by mainstream comparative social policy studies. Modern welfare states have attempted to cope with various social risks that might jeopardise human welfare through the introduction of many different kinds of policy instruments. Five ‘Giant Evils’ (want, idleness, squalor, ignorance and disease) were identified in the British context by William Beveridge (1942) during the Second World War, to be handled by the modern welfare state to ensure human welfare above a socially acceptable level. A series of social policies - on social security, employment, housing, education, health - were introduced as the principal pillars of the welfare state to manage the risks posed by the ‘five giants’ (Hudson et al., 2008: 6-7). Although similar concerns have dominated social policy in other countries, there are apparent differences between the resources allocated and the structures designed to support service delivery across the welfare states. This is mainly because welfare states are historical entities, the results of changing preferences about which pillar is more important and what combinations of policy means are more effective when it comes to providing social protection in a specific context.

Notwithstanding the varying status of individual policy pillar, the academic focus in comparative research has mainly been confined to the comparison of social security policies, pensions and health or the comparison of employment policies in different nation states. Other major pillars such as housing and education have been largely ignored by mainstream comparativists. The main reason for the scant attention paid to ‘housing’ is probably its distinctive characteristics compared with other welfare goods and services; because of these characteristics, housing provisions have been more market-based than in other fields where the public sector
dominates the provision of goods and services. Housing is frequently recognised as not only a pure consumption commodity for dwelling services, but also a profitable family asset for the difficult periods of the life cycle e.g. retirement. Hence it has been taken for granted that a large proportion of housing production and allocation should be determined by the market and consequently housing policy is normally designed to bolster the operation of the housing market in capitalist democracies. This claim, however, fails to fully integrate the other fundamental political mechanism of 'democracy' into the argument of which factors are crucial in framing the housing system. Economic and political resources allocated by the market can be significantly redistributed through democratic policy processes - policy-making, policy-implementing and feedback processes which modern welfare states have innovated. Housing policy and its consequences, therefore, can portray the non-negligible variations insofar as historical paths of unfolding democracy vary across nation states. The necessity to investigate real cases lies in the substantial possibility that different causal factors in capitalist democracies structure distinctive housing systems in contextualised environments.

1.2 Research subject: The development of the housing in Korea and Singapore

This study attempts to address the aforementioned academic deficiencies by examining the historical development of the housing systems, its causal factors and consequences, in two Asian Tigers: South Korea (hereafter Korea) and Singapore.

Regarding the choice of cases, the newly industrialised Asian countries are extraordinary cases in the history of global capitalism. A modicum of countries in the Asia-Pacific region has achieved rapid industrialisation and economic prosperity. These states are the 'Big Tiger' Japan, the first industrialised country outside Europe and America, and the four 'Little Tigers' - Hong Kong, Singapore, Korea and Taiwan - which began to pursue nation building and economic growth in the aftermath of the Second World War (WW2). The economic success of these countries is even more distinguished in that it has been accomplished in spite of unfavourable internal conditions at the outset of their industrialisation. These states were typical agrarian societies that experienced colonial rule by the UK or Japan and thus the states had to undertake industrialisation and social development projects without
Nonetheless, the Asian Tigers succeeded in maintaining the highest rates of economic growth in the world over the next two decades since the end of WW2, while significantly reducing income inequality. The Miracle of the Asian Tigers has given momentum to the reconsideration of the relationship between global capitalism and Third World economic development (Henderson and Appelbaum, 1992: 3).

Why then have Korea and Singapore been selected for the comparative study of housing amongst the newly industrialised countries? It is widely accepted that the development strategies adopted by the Asian Tigers in their pursuit of economic growth share many common characteristics and they are loosely gathered under the title of the ‘developmental states.’ One of the distinguishing features of developmental states is their active embrace of ‘strategic’ industrial policy, the selection of primary sectors for economic growth (Weiss, 2000: 26). Under active guidance of successive governments, the Asian Tigers in general sought to attain economic growth as the prime goal across all policy areas, but each government followed its peculiar direction in detail. Korea and Singapore arrived at different economic models based on their distinctive strategies, thereby establishing their own developmental paths to economic success. As for the differences between the developmental strategies in Korea and Singapore, the “internationalist model of development” and “nationalistic model of development” proposed by Shin (2005: 386) capture the dissimilar attributes of the two models. While the Singaporean government ‘hosted foreign transnational corporations,’ the Korean government nurtured ‘home-grown transnational capacity’ through close connection with the ‘chaebol’ conglomerates (Dent, 2003: 247). In terms of foreign investment for financing capital and economic growth, the Singaporean government strove to attract as much Foreign Direct Investment (FDI) as possible, whereas the Korean government preferred foreign loans to FDI, secured by guaranteeing the credibility of domestic financial agents (Shin, 2005: 387).

Apart from the differences in economic policy, other policy variations have come to be recognised as essential aspects of the Asian development models. In particular, the Korean and Singaporean approaches to social policies including housing policy are as substantially different as the approaches to economic policies which the two states implemented. In the 1990s noteworthy regional studies of social policy began to be published by Western and Asian students. These studies tended to emphasise the regional social forces affecting the development of social policy beyond the
Western-oriented interpretation (see Jones, 1990, 1993, White and Goodman, 1998, Kwon, 1997, 2005, Holliday, 2000, 2005, Midgley, 1986, Goodman and Peng, 1996, Deyo, 1992). As academic interest in Asian social policy grew, the idea of Asian welfare models became a disputed issue in comparative social policy (see Holliday, 2000, Esping-Andersen, 1997 for a brief review). The debate moved beyond simply suggesting the existence of Asian welfare models to observe the variations not only between the Asian welfare states, but also between social policies within a state. The social policies of Korea and Singapore are sometimes compared as constituents of a common single model and sometimes as dissimilar welfare models within the region. For instance, Deyo (1992: 302-305) argues that Korean and Singaporean governments share a common policy direction, in contrast with the one embraced by Taiwanese and Hong Kong governments. According to Deyo, while education and other social policies in Korea and Singapore were designed with the intention of directly contributing to economic growth, in Taiwan and Hong Kong they were only indirectly or loosely connected with economic growth in many cases. On the other hand, Ramesh (1995: 230) argues in his comparison of social security programmes in Korea and Singapore that the Korean social security system, where most income maintenance programmes are operated in the form of social insurance schemes, is more comprehensive than the highly contribution-centred Singaporean system consisting of mandatory savings schemes and voluntary insurance. Moreover, in Holliday's (2000) three variants of the "Productivist World of Welfare Capitalism" in Asia, Korea and Singapore are not located in the same variant, because of the different structures of welfare mix between market, state and family. In other case studies of North-East Asia, the three countries of Japan, Korea and Taiwan are regarded as a single regional welfare regime (e.g. Goodman and Peng, 1996, Kwon, 1997, 2005). These studies seem to implicitly presume that the welfare system of industrialised East Asian states is distinctive from that of the South-East Asian city states.

More specifically in housing, several studies pose a single homogeneous Asian model or identify variations within the region and thus classify a couple of regional models amongst the Asian NICs, even though the academic interest in Asian housing regimes was relatively late and low. The housing policies of Korea and Singapore are sometimes compared as constituents of a common single model and sometimes as dissimilar housing regimes as seen in the previous comparative studies of social policy. For instance, some studies place Korea and Singapore into a single model (Doling, 1999b, Ronald, 2007) or separate them in different regimes (Ramesh, 2003, Groves et al., 2007c). As for key policy measures and housing indicators, the housing
systems of the two states show many differences within the context of the Asian-Pacific region. The two states perhaps are located on the opposite sides of the continuum regarding key housing indicators, as <Table 1.1> (summing up the differences between the four Little Tigers) shows.

<table>
<thead>
<tr>
<th>Key policy instruments</th>
<th>Hong Kong</th>
<th>Singapore</th>
<th>Korea</th>
<th>Taiwan</th>
</tr>
</thead>
</table>


These academic discourses on housing regimes and varying outcomes in housing are interesting enough to warrant further investigation, in order to ascertain the critical factors that brought about the differences insofar as the states share many of the features of developmental states in common. In particular, by focusing on policy changes and their subsequent impacts we may be able to discern the essential circuit underpinning the development of the housing system in the Asian Tigers where strong states backed up by professional and meritocratic bureaucracies have played the dominant role in structuring the social system, relatively unchallenged by political opponents. Hence by comparing Korean and Singaporean housing policy we may be able to uncover promising clues about the nature of each housing system, illuminating why they embraced distinctive policy approaches to housing and how housing policy was related to other policies such as economic or social policy in contextualised settings.

1.3 Theories and methods for comparison

Housing studies have been frequently criticised for their failure to develop a refined theoretical framework (see Kemeny, 1992, 2001). Despite the low level of
interest shown in theoretical matters by housing researchers, several prominent camps grounded in varying perspectives have emerged and improved the theoretical frameworks available for analysing the development of housing systems in comparative contexts. Clapham (2005: 7-11) categorises the existing theoretical approaches to housing into four broad clusters. The first of these approaches underscores the importance of government policy in determining the consequences of housing systems. The institutional structure of a housing system and surrounding socio-political systems are prioritised in this tradition. While this point of view has produced useful insights, the approach has substantial theoretical and empirical flaws e.g. its neglect of the other relevant actors in housing, the withdrawal of government from housing and concurrent growing privatisation. The second approach weighs the significance of the housing market against government intervention. This neo-classical viewpoint argues that government intervention should be kept to a minimum and take place only when certain conditions cannot be met for efficient allocation of the market. Like the policy-oriented approach, it has theoretical and empirical drawbacks. In particular, the underlying assumption of rational actors was so incomplete not to fully account for real decision making, but also the prosperity of the public rental sector in housing history. The other approaches - geographical and sociological - are interested in the factors influencing the residential choices of individual households and the application of general sociological theories to housing respectively. While these two approaches provide new perspectives on housing issues, they are relatively limited in many respects when compared with the policy-oriented and neo-classical models.

Which perspective is the most appropriate for analysing the development of housing systems in the newly industrialised Asian countries, insofar as each approach has its advantages and drawbacks? This study leans towards the policy-oriented analysis and will focus on how a range of housing policies has affected various housing outcomes as well as the relationship between related institutional arrangements and subsequent policy reforms. Given the overwhelming acceptance of comprehensive government intervention at the onset of the industrialisation process in Asian NICs, tracking the unfolding of policies is essential if we are to ascertain how the housing systems of Asian Tigers were formed. Investigating the locus of policy and relevant institutions would appear to be the more convincing approach when working with all cases where the housing system experienced radical transformation at a certain point (e.g. Korea in this study) or has been maintained in the framed structure from the early stage of development (like Singapore). This is because, for reasons I will be exploring throughout the thesis, changes in policy or
associated institutional arrangements are central variables when it comes to explaining the variations between cases in the region, both as a barrier hindering far-reaching reforms or as a facilitator assisting drastic shifts in direction.

Next, there is question of which methodological approach to adopt i.e. how to achieve the research objectives by the most effective means. This is a decision that entails taking into account three conditions according to Yin (2009: 8): ‘the type of research question’, ‘the extent of control over behavioural events’, ‘the degree of focus on contemporary events.’ With respect to the first criterion, the principal research questions that this study seeks to address are why the two states followed contrasting pathways in housing policy and how housing policy and related institutions acted as stimulating or hindering arrangements in each case. When attempting to answer questions of 'how' and 'why', three methods - case studies, experiments and histories - are generally considered appropriate (Yin, 2009: 10). Experiments have been ruled out, because it is not possible to undertake research into macro-social phenomena in a controlled laboratory setting. This leaves case studies and histories, two methods which can be applied to social phenomena where control over behavioural events is not possible. Tracing the temporal process of contemporary events is an inevitable part of analysing policy development, since even current policy frequently turns out to be the accumulated outcome of dynamic policy making and the implementing process over a long-term period. Thus, the ideal method would appear to be combining the two approaches.

In conclusion, I have chosen to conduct an historical case study of housing policy, a compromise between the two options remaining. Although case studies of a single country have been accumulated, comparative studies with coherent frameworks are much less prominent in the housing field, particularly in the housing research of newly industrialised Asian countries. Only a small section of the literature is devoted to cross-states comparative analysis, but it is likely that even the existing frameworks are too incomplete to reach a reliable conclusion about the significant differences in both policy and outcomes between states. There are many reasons why the problems from incomplete frameworks are aggravated but it is believed that lack of knowledge of case study methods and inactive use of them are possibly the main culprits. Despite the methodological advantages of the comparative historical method, it seems odd that it has rarely been adopted by comparative housing researchers, especially given the popularity of the method in studies of other social policy areas. In conclusion, the comparative historical method potentially provides a useful link between theory and practice as it allows for the systematic comparison of
housing policy, hence the reliance on this method when comparing the cases in this study.

1.4 Outline of the thesis

Here is an overview of how the thesis will be unfolded in the following chapters. Chapter 2, as a part of general theoretical issues about housing, reviews how housing has come to be widely perceived as more than just 'shelter' under capitalism and considers the previous literature on the evolving views of housing policy in the Western welfare states. Theoretical reviews of 'housing' and 'housing policy' are followed by an investigation of what takes place in the housing sector across the developed Western democracies based on key housing indicators. In the latter part of Chapter 2, two pertinent issues are examined: the impact home ownership can have on the welfare state and the concept of 'Asset-based' welfare states in the Western democracies. Chapter 3 moves to the newly industrialised countries in Asian-Pacific region for the investigation of how housing and housing policy have been perceived and developed beyond Europe and America. The first part of the chapter considers the unique developmental routes of the region in terms of economic policy and welfare policy, the essence of the developmental models in Asia. In the latter part of the chapter, existing comparative studies of housing policy in Asian Tigers are reviewed in order to establish the key factors which need to be taken into account when comparing housing in the Occidental and Oriental worlds. The final section in Chapter 3 draws some general conclusions about the Asian housing policy model from the previous studies, for further analysis in the comparative context. Chapter 4 addresses the methodology adopted for the case study and explains the defining characteristics of the comparative historical analysis and why the method is suitable for comparing cases in both general and housing research.

Against the background of this method, the two cases - the historical development of housing in Korea and Singapore - will be analysed in the main body of Chapters 5 to 8. The descriptive chapters - Chapters 5 and 7, respectively for Korea and Singapore - will precede the analytical chapters - Chapters 6 and 8 - to ascertain what policies were brought about prior to the analysis of them. In terms of the time span of the historical analysis, each case study will focus on the last half a century during which
the two states commenced their industrialisation projects and underwent unprecedented economic and social development. However, this study can be differentiated from many other studies in that the temporal coverage of the historical analysis is extended to the colonial era when path-breaking institutional reforms or transfers were made, several of which were carried over into the post-independence period. The missing temporal section disregarded by previous studies will be integrated into the analysis of housing in this study and it is hoped that this will yield novel insights into the development of Asian housing. Chapters 6 and 8 illustrate how the housing schemes and interconnected arrangements were designed and gradually embedded in a complementary manner with arguments and evidence from varying sources. These chapters relate housing developments to the questions of ‘why’ and ‘how’ housing was handled by two developmental states pursuing economic growth and political stability. In the following Chapter 9, the findings from the previous chapters are used to analyse how housing institutions originated and evolved at the comparative level. Key theoretical concepts are assessed and applied to the findings from the case study of Korea and Singapore. There is also some additional analysis of the implications of the findings for the key theories, especially when the findings are connected with the concepts of path dependency and critical junctures. Chapter 10 concludes the thesis, summing up the results of the historical analysis and its implications in the comparative context. In particular, the conclusion will pay special attention to the point that housing research and two key theories—historical institutionalism and the developmental states mutually benefit from the case study of Korea and Singapore in this thesis.

1 The impacts and responses are not examined here after the global economic crisis (2007-09) triggered by the US mortgage crisis. Because the crisis is not thoroughly over yet and thus housing reforms are in progress in many cases, it seems to be quite early to analyse and evaluate them at this stage. Therefore, this thesis explores and compares what happened before the global banking crisis in 2007.
Chapter two
The pillar of housing in the Western welfare states

2.1 The characteristics of housing under welfare capitalism

Throughout history, housing has always been more than just a form of shelter but there have been significant changes in the social implications of housing since capitalistic market mechanisms dominated resource allocation and further rearranged the social order. People began to recognise that housing could be a profitable commodity in capitalist society as the market became the locus of all social activities. It is, therefore, often argued that housing is conceptually a private good in that its consumption is rival as well as excludable and the degree of utility which people obtain from housing consumption is very different (Whitehead, 2003: 138). Nevertheless, housing has several distinctive features when compared with pure private goods, features which even *laissez-faire* economists see as justifying government interventions in the housing market. These characteristics provide indispensable support for those seeking to rationalise the active role of the state in the housing sector. This is why exploring the characteristics of housing is the first necessary step towards understanding variations in housing policies and housing systems in capitalist democracies.

Firstly, both the production and consumption of housing require huge amounts of financial resources. On the supply side, the precondition for investment in house building is securing access to substantial capital for the development of land and infrastructure, the purchase of building materials and the employment of workers at the construction sites. In the consumption of housing, home ownership calls for a large lump sum that most wage earners or self-employed households cannot afford without financial aid. The capital-intensive nature of housing necessitates the existence of private or public financial institutions through which development loans can be provided so that house builders can fund construction projects or mortgages can be made available to consumers to spread payment over the long-term period.

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2 When a good is referred to as 'rival' in economics, it is a good whose consumption by one consumer prevents consumption by other consumers at the same time (Mankiw, 2011: 218).
In conclusion, the question of financing and subsidising in both housing construction and consumption is much more important than it is in other fields of social policy.

Secondly, dwelling services are offered through physical housing stock, which contrasts with other types of services provided by the major pillars of the welfare state. Transfer benefits such as pensions and unemployment benefit are directly delivered to the individual beneficiary in cash. In-kind benefits in health and education are generally delivered by professional staff. While both cash transfers and human services require a continuous input of resources in the form of cash or wages, the housing services provided by built stocks do not require large amounts of additional resources over the next few decades insofar as management costs are relatively small. Yet this attribute of housing services becomes more complex in the case of home ownership. Owned houses not only deliver dwelling services to the occupying households, but also usually function as the most valuable asset in the portfolio of most households. In this sense, the purchased house is a vital source of wealth as private property, more than merely a source of dwelling service. The accumulation of wealth makes housing distinctive when compared with other welfare goods or services that are normally non-transferrable and given for immediate use in cash or in-kind benefits.

Thirdly, in relation to the neo-classical economic view, it is often assumed that when a discrepancy between demand and supply happens in the housing market, the market mechanism will restore a stable equilibrium even without the intervention of government. From this point of view, it could be argued that housing is such a visible and easily measurable unit that all participants in the housing market are able to diagnose the market conditions and take action to return it to the stable equilibrium. In addition, many economists would argue that key standard assumptions e.g. perfect information are largely satisfied in the housing market and thus efficient equilibrium can be achieved. Therefore, government intervention should be confined to extraordinary cases so as not to distort production and allocation, apart from when these standard assumptions cannot be met. Furthermore, if the government does intervene in the market, its actions should be limited to curing problems directly related to these assumptions. Based on these premises, a general belief has come to dominate the discourse in housing policy that the market has to supply the majority of housing operated by the principle of the 'invisible hand.'

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3 When referring to the 'housing market' in this context, there is no differentiation between the rental market and the home ownership market.
Moreover, influenced by the prevailing orthodoxy, it has been claimed that housing has never been ‘an integral component of the system of public provision of goods and services’ (Kleinman, 1996: 1) or never been ‘decommodified’ (Harloe, 1995: 539) in the history of the welfare state. Therefore, housing has been frequently depicted as “the wobbly pillar under the welfare state” (Torgersen, 1987: 116) or “an ambiguous and shifting status on the margins of the welfare state” (Harloe, 1995: 2) in comparative housing studies.

Does housing policy always remain an unstable constituent of the welfare state, insofar as the housing market normally operates without massive disasters such as wars or natural catastrophes? Firstly, the necessity of government intervention can partially be justified by the reasons which lead to ‘market failure’, failing to achieve efficient allocations by the market mechanism. Hills (1998: 122-123) refers to two rationales for why housing became a part of the welfare state to cure this market failure. The first rationale comes from capital market failure, which fails to provide long-term mortgages for consumers, particularly low-income families. The other one stems from the externalities of housing, which means the decision of a consumer influences other consumers’ utility. In terms of the externalities of housing, it is unlikely that homeowners in the housing market carefully consider how their behaviours influence others’ utility. History illustrates the evidence of the negative externalities e.g. diseases due to insanitary houses in the neighbourhood and thereby government intervention was justified (e.g. Malpass and Murie, 1999: 31-32). Hence the externalities of housing provide a rationale for government intervention to prevent market failure.

More importantly, it is not economic analysis, but moral values or political ideology that determines what objectives society should seek and which society is superior to another society (Winch, 1971: 13-4 cited in Oxley, 2004: 49). The housing domain should also be concerned with the analysis of ideological stances towards housing and the variety of institutional structures supporting them. As Whitehead (2003: 143) argues, the strongest political case for social housing has never been grounded on efficiency, but on equity and how to effectively redistribute unequal resources to meet housing needs. State regulation of the housing market and public provision of housing can be justified if it reduces inequality in housing consumption or to ensure minimum standards as well as to increase efficiency in the collective distribution of resources. The means of intervention in the housing market and their consequences will vary according to the prior objectives that a society wishes to pursue. Hence, we should not overlook the values of solidarity, social
justice or social inclusion and will examine the different entities of institutional arrangements to embody the values in housing.

2.2 Perspectives on housing policy in the Western welfare states

2.2.1 Early ‘convergence’ explanations of housing policy

The intuitive way to understand how housing policy analysis has developed is catching up with the changing perspectives on housing policy. In particular, classifying the diverse works of the development of housing policy in advanced democracies can help us to discern which causal variables should be focused on in housing policy analysis. The vast majority of comparative housing studies can be placed into one of three schools according to the varying levels of generalisations in their research findings: from “juxtapositional analysis”, the studies without any challenge towards generalisation of the findings, through the diverse approach to the broad generalisations of the “convergence approach” (Kemeny and Lowe, 1998: 161-162). Given the impossibility of drawing theoretical insights from extreme juxtapositional analysis, this study concentrates on examining the ‘convergence’ and ‘divergence’ perspectives in the field of comparative housing studies.

The ‘logic of industrialism’ is a representative viewpoint advocating the convergence of housing policy. This perspective is broadly concerned with the scope of social changes that accompany the process of industrialisation and thereby it emphasises the importance of economic growth when accounting for the development of the welfare state. From this perspective, traditional agencies such as the family and local communities, which once took full responsibility for offering social protection, start to collapse as industrialisation accelerates. Faced with the failure of the out-dated bodies, the state becomes an alternative provider to hedge against the new social risks of industrial society insofar as it can sustain the material resources necessary to carry out its new tasks. Economic growth is therefore looked upon as the most important variable pushing the development of the welfare state by advocates of the logic of industrialism (see Wilensky, 1975: 15-18 for a general review).

Donnison’s idea of developmental stages in housing policy is often categorised as a convergence approach based on the logic of industrialism. Although his explanation
of housing policy contains some elements of divergence, he put much more emphasis on economic and demographic factors than other factors like political system and ideology. Donnison (1967: 87-112) and afterwards Donnison and Ungerson (1982: 67-85) claim that housing policies in Europe and America have undergone the three different developmental patterns. According to them, housing responsibilities in the first intervention phase are witnessed in Southern Europe like Turkey, Portugal, Greece, and Spain. The countries in Southern Europe initiated industrialisation relatively late when compared with the developed countries in Western and Northern Europe. Countries in this stage lack financial resources for investment in the housing sector (Donnison and Ungerson, 1982: 67, Donnison, 1967: 87-8). Given insufficient capital means for industrialisation, available financial resources are channelled into other key sectors for higher economic growth in these states. Because of the low priority accorded to housing, large-scale public provision of housing is very rare in the region and the majority of housing is privately owned (Donnison and Ungerson, 1982: 68-9). In the second phase of housing policy observed in the UK and USA, the main role of government in the UK and USA is to give selective assistance to people who cannot access affordable housing on the free market (Donnison and Ungerson, 1982: 75, Donnison, 1967: 93). Government housing measures are viewed as exceptional actions to supplement the normal market system and are not intended to be a policy instrument for the majority of the population (Donnison and Ungerson, 1982: 75, Donnison, 1967: 93). In the final phase of development, comprehensive housing policies are pursued in ways well-documented in Donnison (1967: 99-101) and Donnison and Ungerson (1982: 79-80):

- Estimates and projections of housing requirements for the whole country are made
- Long-term plans are drawn-up including all forms of houses provided by government
- There is governmental control over not only the national savings for sustainable house building, but also the total output of housing in relation to other sectors of economy
- Government endeavours to relate the entire domestic outputs and geographical distribution to particular industries and regions within a country
- Governmental control is exercised over existing housing stocks and housing standards
The state is increasingly responsible for improving the general efficiency of the building industry.

The other literature associated with the convergence perspective can be located under the broad umbrella of "structural Marxist political economy" according to Kemeny and Lowe (1998: 165). The convergent Marxist view on housing is perhaps best understood by stating a number of expected propositions when Marxist theory is imported into housing policy analysis. Lund (2006: 8-9) provides a consistent and informative summary of the application of Marxism to the field of housing policy analysis. Firstly, the building industry exploits its working class labourers, whose wages are less than the exchange value of the houses built. Secondly, even though the controllers of different housing capitals - industrial capital, land capital and development capital - have their own short-term interests, they share a common long-term interest in ensuring sustainable capitalism. At the same time, the state, an alliance with various types of capitals, attempts to secure the long-term profitability of the capital class and to reconcile diverse short-term interests. Finally, housing policy is an effective governmental instrument for reproducing a stable labour force, because it is designed to conform to the interests of the capitalist class. This deductive inference is the foundational framework for housing policy analysis from the viewpoint of structural Marxist political economy.

Regardless of the theoretical discourses within Marxist tradition, Castells is a practitioner who deals with historical cases regarding the urban and housing problems in order to verify the Marxist theory at the empirical level. In *The Urban Question: A Marxist Approach* (1977), he starts from the premise that the urban question is inherently ideological, because it is principally the process of reproducing labour power and the "cultural specificity of modern society" (1977: 429). More specifically to housing, he captures the characteristics of the housing question from the historical experience of France. He argues that the failure of the private housing market to meet housing needs necessitates permanent public intervention (1977: 158). Nevertheless, Castells admits the limitations of public intervention, which cannot alter fundamental aspects such as land ownership or controls on rent and house prices and thus the basic rules of the capitalist economy are not significantly undermined by any government activities (1977: 158).

Harloe's (1995) case study of housing policy in Europe and America also leans towards the Marxist view. Although he does not explicitly adopt the orthodox Marxist framework for analysing housing policy, his case study seems to be located within the tradition of Marxist political economy, as far as the central points that it
poses are concerned. 4 Firstly, housing is always a commodity transacted in the market and the exclusive right of private property must not be denied. Harloe argues that the group of capitals involved in the provision of housing - land, finance and industrial capital - are not likely to allow any form of decommodified housing to the extent that it threatens the status quo and wealth accumulation in capitalism (1995: 3). Secondly, he highlights the substantial cross-national similarities confirming this and that similar elements underpin the converging models of housing policy in the advanced capitalist societies, as the following excerpt from the conclusion sums up:

The findings of this study suggest that the Marxist theories which, in varying shapes and forms, link capitalist social policy development to the functional imperatives of accumulation and legitimation, do have some relevance to the understanding of cross-national similarities (Harloe, 1995: 529).

Finally, Harloe (1995: 523-524) claims that the six countries he studied in Europe and America are converging towards residual social housing provision i.e. small-scale public housing programmes for poor households to supplement the workings of the market, when it is unable to provide cheap and low-quality housing for lower income groups. From this perspective, large-scale social housing programmes, widespread in the aftermath of the Second World War until the 1970s, were an 'abnormal' form of housing provision, a temporary measure to re-stabilise the capitalist order and complete industrialisation and urbanisation. On the basis of his findings, Harloe (1995: 539) concludes that whenever the market has been able to offer alternative options, universalistic and decommodified provision of housing has been restricted due to the strong resistance of capitalist interests.

Convergence perspectives, in spite of their apparent resemblance to recent Western history, have serious limitations in terms of both their internal logic and capacity to explain reality. The logic of industrialism is so functionalistic that it oversimplifies the development of housing policy, which is a complicated configuration of historical events surrounding policy-making and policy-implementing processes. Neither Marxism nor the logic of industrialism can account for the existence of organised and dynamic actors responding to changing interests. Moreover, neither can identify and incorporate the ever-lasting relationships

4 Harloe cannot be regarded as a genuine sense of neo-Marxists in some respects. For example, he admits and criticises that neo-Marxism fails to illuminate why housing policy plays a functionalistic role in capitalism (Harloe, 1995: 4).
between the involved agents and the variety of institutions in the policy process.\textsuperscript{5} From an empirical perspective, the argument that industrialisation accompanied by economic growth simultaneously leads to a specific type of housing policy and develops through identical stages is not strongly supported by the statistical evidence (see Schmidt, 1989, Doling, 1990). It seems, at least so far, that little credible evidence has been found to justify the Marxist view on housing policy at the comparative level. In addition, the Marxist perspective is not able to clarify how several radical measures e.g. rent control after the two World Wars, were introduced and survived for decades in some cases. The measures seriously infringed private property rights and were a substantial threat to the maintenance of capitalist order. In terms of methodology, the convergence models have methodological flaws when they are empirically tested. For instance, the convergence literature in comparative housing research is hugely reliant upon macro-statistical indicators, but this over-dependence makes it insensitive to qualitative data (Kemeny and Lowe, 1998: 170).

2.2.2 ‘Divergence’ analyses of housing policy: “Housing regimes”

Because of the shortcomings of the grand theories, middle-range perspectives have been formulated in the comparative housing field for explaining the development of housing policy. The studies produced from these alternative viewpoints tend to highlight the differences rather than the similarities between housing policies. It is academically noteworthy that many analysts become interested in clustering existing housing policy systems, ‘housing regimes’, into a couple of distinctive groups. Significant case studies of housing regimes contest the arguments put forward in convergence models. In these studies, representative cases are identified and examined to discern what policy combinations have contributed to the formation of different types of housing regimes in Europe and America. Case studies can be largely classified into two kinds. The first explicitly imports Esping-Andersen’s (1990) framework (Barlow and Duncan, 1994, Doling, 1999a) which has been influential since he identified three types of welfare capitalism. The second, proposed by Kemeny (1995, 2006) focuses on the nexus between the housing market and housing policy, particularly policy measures in the rental sector.

Barlow and Duncan (1994: 146-148) accept Esping-Andersen’s core argument that

\textsuperscript{5} Of course, neo-Marxism assumes that a capital class and a class-conscious state serving the interests of capital are the main actors in the social policy process. Yet few analyses have successfully tested the hypotheses of neo-Marxism in relation to the key actors (Skocpol and Amenta, 1986: 136).
there are three welfare capitalisms - liberal, conservative and social democratic welfare states - but modify it slightly by adding an additional housing regime - the rudimentary housing regime - found mainly in the Southern European states. In the liberal regime, the fundamental nature of official state intervention in housing is residual. Provision of housing is normally via the market. Only the poor who cannot meet housing needs through the market without financial support are targeted for highly stigmatised public housing. Therefore, the public housing sector covers a very small proportion of the population and the vast majority of public sector tenants belong to the most vulnerable groups in society. In the corporatist welfare regime where Germany is a typical case, the public sector has never sought to be universalistic in the provision of public housing. Disinterest in universalistic public housing mirrors the dominant ideology that the social hierarchy determined by the market should be maintained and the role of the traditional family is of importance in the provision of care affected by conservative and Catholic culture. Hence self-provided housing is common in the regime and this shows the importance of family in the house-building sector. Individual households are involved from the development of land for housing to the construction of housing to a certain extent.

In the social democratic regime, every citizen has access to many types of rented housing. Pervasive government interventions are identified in the production process and they contribute to the maintenance of dwelling standards and reducing housing costs. Finally, in the rudimentary regime, active public interventions have not been observed in the housing sector contrasted with the social democratic regime. The social role of providing housing has been given to the traditional extended family in this type of society and self-provided housing accounts for the lion’s share of total house stocks. Based on the general characteristics of the housing regimes, Barlow and Duncan carry out case studies of three countries - Britain, France and Sweden - close to the ideal types of each regime. By examining the fast-growing regions in these three states, they refute the general belief that free-market mechanisms are the most efficient way to solve housing problems, before concluding that the relatively regulated Swedish housing system has performed best on key indicators such as output levels, building costs and housing prices.

Doling (1999a: 156-164) uses the conceptual definition of 'decommodification' proposed by Esping-Andersen to investigate the decommodifying effect of housing policy in the UK, West Germany and Sweden. In defining the concept, he argues that the degree of de-commodification in housing depends on both the rules of access and the rules of exit. According to the rules of access, the fewer financial criteria of
access to housing there are, the more decommodified housing is provided. By the other criterion, the rules of exit, the less rigid the changes in income level by which tenancy is commenced or terminated in the non-market allocation, the more decommodified housing is provided. Based on these rules, Doling measures the degree of decommodification in the UK, Sweden, and West Germany which are typical states of the three welfare regimes. The results of his analysis reveal a ranking order for housing policy that approximately runs counter to Esping-Andersen’s ranking of general welfare orientations. UK social policy is generally characterised by its low level of decommodification by Esping-Andersen. Yet its score on housing indicators is higher than that of Sweden, which is regarded as a social democratic welfare state with a high level of decommodification by Esping-Andersen.

Some students of housing policy have questioned the application of Esping-Andersen’s typology to the analysis of housing, since the mix of state-market in the provision of housing provision is quite different from the mix of state-market in other welfare pillars. Kemeny (2006, 1995) in particular is representative of this view and proposes an alternative framework for typology work. He divides the housing policy clusters of the industrialised societies into two regimes: dualist rental systems and integrated (or unitary) rental markets. He criticises the Anglo-Saxon bias prevalent in academia and Kemeny (1995: Ch 1) strongly opposes the conventional wisdom favouring the free market, a typical Anglo-Saxon concept and disregarding the German social market in the analysis of the market system. Affected by this tendency, it has been presumed that the free market has been the overwhelming or sometimes a single concept in housing policy analysis. To challenge this analytical myth, two sorts of housing market are suggested by Kemeny and different ideological rationales are identified for the two housing regimes. The *laissez-faire* ideology is that market participants are able to maximise their utility in the ‘free’ (or ‘profit-driven’ as Kemeny puts it) market without governmental intervention and provides a rationale for minimum government intervention. In contrast, the values of social market theory aim “to strike a balance between economic and social priorities and thereby ameliorate the undesirable effects of the market from within” (Kemeny, 1995: 11). Advocates of social market theory believe that government intervention in the market is necessary and simultaneously desirable, but it must be ‘market-conforming’ (Müller-Armack, 1989: 84 cited in Kemeny, 1995: 12).

Grounded in these distinctive approaches to the market, Kemeny’s analysis (1995: 20...
Ch 2-3, 2006: 1-3) identifies two different housing policy regimes. He argues that the critical element determining the organisation of the whole housing system is how the rental system is structured. The specific way in which a rental system is structured results from "the interplay between processes of economic change in rental housing stocks and the development of policy strategies to channel that change" (1995: 38). To understand how the two regimes work, it is first necessary to break down the logic of the two core mechanisms: 'economic change in rental housing stock' and 'the dynamic of policy strategy.' The important process related to the former mechanism is maturation, and the power structure surrounding policy strategy is critical in the understanding of the latter.

Kemeny (1995: 42) defines maturation as "the decline in the real value of the debt of a stock of dwellings as measured by the growing differentials between the average outstanding debt per dwelling for a given stock of dwellings expressed as a percentage of the value of outstanding debt per newly acquired or renovated dwelling." Following this definition, it can be said that the faster the cost of obtaining new stocks increases, the faster the existing stocks mature. Besides the speed of adding new stocks, the process of maturation also depends on factors like tenure, degree of investment on existing stocks, the extent of equity leakage in a sale of dwelling stock (Kemeny, 1995: 44-46). According to Kemeny (1995: 42-48) given the variations in the degree of maturation, politicians must devise strategies for cost renting when cost renting matures and falls below private market rent. From the strategic choices, two contrasting policy responses to matured cost renting can be observed in the developed welfare states: encouraging and suppressing. The purpose of the encouraging strategy is to make cost renting competitive with profit renting and owner-occupation, by taking advantage of maturation through increasing new stocks and gradually phasing out rent regulations and subsidies. The suppressing strategy is intended to restrict cost renting to the residualised public sector by undermining the advantage of maturation through a range of measures such as limiting the access to cost renting, charging surplus-generating rent and the discounted sales of dwelling stocks. The different strategies adopted towards cost renting have created two rental systems in the advanced economies: a dualist rental system and a unitary rental market. In the dualist rental system, only the poor who cannot afford housing on the market have access to the state-controlled public sector. The vast majority of the population must rely on owner occupation or the profit renting sector to meet their housing needs. On the other hand, any households in the integrated rental market can have access to rental housing provided by non-profit organisations. Assisted by regulations or subsidies for the growth of non-profit
organisations, they are able to compete with other profit-pursuing firms or agencies on the open market in the ideal integrated rental market.

In a later publication, Kemeny (2006: 1-18) discusses the political power structure that affects the formation of different strategies towards cost renting in a more concrete but nevertheless hypothetical way. The typology proposed in the article is more refined in the sense that it matches the integrated rental market with the various sorts of corporatism and categorises it into a couple of sub-regimes shown in Table 2.1. The subtle treatment of the integrated rental market indicates that the corporatist political system and social forces leading the corporatism are core variables for explaining the variants of the integrated rental market. Kemeny argues that corporatism is the political background of the integrated rental market by identifying the affinity between the variations of corporatism and the integrated rental market. What makes his argument even more interesting is the weak rationales for the Scandinavian regime as an independent model in housing. The Scandinavian regime has long been seen as one of the distinctive regimes not only in Esping-Andersen's typology but also in most comparative studies. Yet the solid status of the Nordic countries is collapsed in Kemeny's housing regime. To Kemeny, the social democratic regime in Esping-Andersen's classification is a variant of corporatism. It is, on the whole, observed that there is a close link between the absence of corporatism with the right-wing hegemonic coalition and the dualist rental system.

<table>
<thead>
<tr>
<th>A Left-Right scale system of power</th>
<th>Housing regime</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right-wing hegemonic coalition</td>
<td>Dualist rental system</td>
</tr>
<tr>
<td>Capital-led corporatism</td>
<td>Non-profit influenced integrated rental market</td>
</tr>
<tr>
<td>Power-balanced corporatism</td>
<td>Non-profit led integrated rental market</td>
</tr>
<tr>
<td>Labour-led corporatism</td>
<td>Non-profit dominated integrated rental market</td>
</tr>
</tbody>
</table>

Source: Kemeny (2006: 13)

2.2.3 New 'convergence' analyses of housing policy

Despite their substantial differences in the historical development of their housing policies, the following common phenomenon in housing policy can be identified across European countries recently: the increasing involvement of the market in the provision of housing, encouragement of home ownership, the introduction of market principles into the social housing sector and the deregulation of housing finance markets (Kleinman, 1996: 174). Each of these changes is associated with overwhelming neoliberal reforms and spreading globalisation. These interrelated
streams prompt the revival of the convergence theme in comparative housing policy. For example 'Right to Buy' in Britain during the Thatcher government was radical enough to break down the fundamental structure of the existing housing system (see Forrest and Murie, 1991, Malpass and Murie, 1999, Pierson, 1994, Jones and Murie, 2006 for the review of the British case). The sale of council housing was the principal driving force behind the 'property-owning democracy' created by the Thatcher government and the reform came to symbolise 'a central part of the ideological crusade' (Forrest and Murie, 1991: 6). The overall size of the social housing sector has shrunk in those countries experiencing drastic housing reforms as the sales of social housing increased and the construction of new public stock simultaneously decreased. Along with the sale of public housing units, neo-liberal remedies were also adopted to manage the social housing sector. The price mechanism and the principle of competition were introduced to manage the remaining public housing. These neo-liberal changes to social housing were frequently described with terms such as 'residualization' (Malpass, 1990) or 'privatization' (Forrest and Murie, 1991) to depict the withdrawal of government intervention in public housing and the shrinking role of the public sector in meeting housing needs.

Neo-liberalism has in some cases been reinforced by globalisation, a combination causing further significant transformations in domestic housing policy. Notable dimensions of globalisation are easy access to global financial markets and the existence of freely-moving international capital. Globalisation is “a process through which national economies are becoming more open and thus more subject to supranational economic influences and less amenable to national control” (Mishra, 1999: 3-4). This puts governments under enormous pressure to reform domestic housing policy in accordance with the principles of laisser-faire. The transformation of global financial market is systematically linked to the restructure of the domestic housing market where the market participants have relied on the domestic financial institutions to borrow long-term loans for house building and house purchasing. Housing systems, particularly with respect to regulations on housing finance, are under considerable pressure to reorganise in the restructuring process by the demands of supranational capital for maximising their profits. The potency of these demands means that globalisation has provoked a general “withdrawal of state intervention in the regulation of finance for home ownership in the light of the deregulation of general finance markets” (Clapham, 2006: 58). Once again, there is a possibility housing policies may ‘converge’ in line with the deregulation of the housing finance system. Globalisation might bring about convergence in the
intermediation system for financing mortgages, because a more open economy makes it easy for domestic lenders to raise funds on the international capital market and to supply cheaper mortgages with competitive terms (Stephens, 2003: 1013).

With respect to the impact of globalisation on housing policy, it is necessary to ascertain the development of a new technique, 'securitisation' in financial derivatives. 'Securitisation' refers to the process of pooling mortgage loans to sell as 'mortgaged backed securities' (MBS) on the financial markets. Liquidity is increased through the securitisation and risks from original mortgages are reduced by leaving the original loans out of balance sheets when lenders sell MBS in the bond market (Dennis and Pinkowish, 2004: 208-9). Securitisation allows lenders like banks and building societies to create extra credits for further loans, and to 'collect' debts which would otherwise take more than two decades to be repaid. The recent development of securitisation introduced in the 1970s made the technique a principal "pillar of the structured finance revolution in modern finance" as the practice flourished in the US sub-prime mortgage market (Kim and Renaud, 2009: 14). Total values of residential backed mortgage securities (RMBS) issued reached over US $3,000 billion in 2003 and even in Europe where securitisation was late to be introduced, the total values of issued RMBS in 2005 (€326 billion) were almost three times those of issued RMBS in 2001 (€112 billion) for less than 4 years (Aalbers, 2009: 402).

The deregulation of the housing finance system in combination with securitisation in the global capital market has enabled the continued growth in rates of home ownership in many advanced economies for the last two decades. The steady growth of home ownership and the global house price boom have been fuelled by the rocketing provision of credit created by deregulation of intermediation system for housing finance and the cross-border transaction of MBS on the international financial market. Therefore, it could be claimed that globalisation has facilitated the convergence towards overwhelming home ownership and residual social housing in the advanced economies, by deregulating the housing finance system and restraining public investment in social housing. And indeed, there are a few case studies that have adopted the term 'convergence' or 'stages' to portray what has taken place in housing policy since the 1980s. Ghékiere's (1992 cited in Kleinman, 1996) 'convergence model' and Boelhouwer and van der Heijden's (1992) 'four stages' are representative of the literature on the 'new' convergence, because the studies commonly pose the argument that neoliberal ideology and globalisation are major causal factors to fuel convergence when it comes to a wide range of changes in
housing policy after the end of the Golden Age.

2.2.4 Counter-arguments against the new convergence thesis

Are housing policy and housing systems in Europe and America really converging into a specific model or phase? Are the housing regimes being dismantled facing a new era during which neoliberal values and globalisation will prevail? The first step towards answering these questions is to investigate what is happening in the housing system affected by changing housing policy in a comparative level.

< Table 2.2 > Levels of and change in home ownership as a percentage of household tenure, 1960-early 1990s

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Australia</td>
<td>63</td>
<td>67</td>
<td>70</td>
<td>7</td>
</tr>
<tr>
<td>Canada</td>
<td>66</td>
<td>60</td>
<td>64</td>
<td>-2</td>
</tr>
<tr>
<td>Ireland</td>
<td>60</td>
<td>71</td>
<td>81</td>
<td>21</td>
</tr>
<tr>
<td>New Zealand</td>
<td>69</td>
<td>68</td>
<td>71</td>
<td>2</td>
</tr>
<tr>
<td>UK</td>
<td>42</td>
<td>49</td>
<td>68</td>
<td>26</td>
</tr>
<tr>
<td>USA</td>
<td>64</td>
<td>65</td>
<td>64</td>
<td>0</td>
</tr>
<tr>
<td>Denmark</td>
<td>43</td>
<td>49</td>
<td>51</td>
<td>8</td>
</tr>
<tr>
<td>Finland</td>
<td>57</td>
<td>59</td>
<td>67</td>
<td>10</td>
</tr>
<tr>
<td>Norway</td>
<td>53</td>
<td>53</td>
<td>59</td>
<td>6</td>
</tr>
<tr>
<td>Sweden</td>
<td>36</td>
<td>35</td>
<td>42</td>
<td>6</td>
</tr>
<tr>
<td>Austria</td>
<td>38</td>
<td>41</td>
<td>55</td>
<td>17</td>
</tr>
<tr>
<td>Belgium</td>
<td>50</td>
<td>55</td>
<td>62</td>
<td>12</td>
</tr>
<tr>
<td>France</td>
<td>41</td>
<td>45</td>
<td>54</td>
<td>13</td>
</tr>
<tr>
<td>Germany</td>
<td>29</td>
<td>36</td>
<td>38</td>
<td>9</td>
</tr>
<tr>
<td>Italy</td>
<td>45</td>
<td>50</td>
<td>67</td>
<td>22</td>
</tr>
<tr>
<td>Netherlands</td>
<td>29</td>
<td>35</td>
<td>44</td>
<td>15</td>
</tr>
<tr>
<td>Switzerland</td>
<td>34</td>
<td>28</td>
<td>30</td>
<td>-4</td>
</tr>
<tr>
<td>Japan</td>
<td>71</td>
<td>59</td>
<td>61</td>
<td>-10</td>
</tr>
</tbody>
</table>

Sources: Castles (1998a: 251)

The most striking phenomenon is the steady growth of home ownership in most Western welfare states mentioned above. Home ownership has been growing for the last three decades and has become the major tenure across the developed countries, except in a few cases. <Table 2.2> illustrates the proportion of home-owning households to total households, which increased to beyond half of all households in most countries by the early 1990s. Home ownership became the predominant tenure in Europe and America during the last decade of the 20th century. Home owners have benefited significantly from policy changes prioritising home ownership over renting and the typical cases of pro-home ownership policy are found in Anglo-Saxon countries. Government programmes in USA and Australia led to high rises in
owner-occupation in the 1950s and the massive sales of social rented housing at discounted price encouraged dramatic increase in the rate of owner-occupation in the UK during the 1980s (Stephens, 2003: 1013).

On the other hand, it should be noted that some countries have bucked the trend, with home ownership either falling or remaining constant, and this fact necessitates careful investigations to interpret the counter-movement in comparative contexts. Firstly, the ratio of home ownership declined in three countries - Japan, Switzerland and Canada - during the same period. Secondly, the ratio of home ownership in some European welfare states - Sweden, Germany, the Netherlands and Switzerland - was still less than half in the early 1990s. Interestingly, all of these countries are categorised by Kemeny as 'integrated rental markets' in which various non-profit firms or associations play a leading role in the supply of rental housing and agents assisted by government can compete with private companies in the housing market. In addition, the rates of home ownership in continental Europe e.g. Denmark, France and Austria, were no more than 55% by the early 1990s - a figure not quite sufficient for us to say for certain that these countries have been moving towards home owning society or 'dualist rental market,' when other countries in the sample average around 70% in terms of home ownership rates.

Much more important than the figures are the causal factors that have made home ownership the dominant tenure, and the ways in which the housing system has been structured by these causal forces. Similar outcomes are not necessarily produced by identical forces and get through the specific causal process. The varying contexts of both causal factors and routes might create quite different social meanings from a local community to a nation-state, even though they have equivalent ratios of home ownership rate. In conclusion, it would not be particularly plausible to suggest that the housing systems in Europe are converging towards home ownership or that the European housing regimes are collapsing based on the evidence of a single indicator, i.e. the home ownership rate.

In order to critically evaluate the validity of the new convergence thesis, it is necessary to examine not only whether housing policy has been converging, but also the causes behind convergence as well as the direction in which policies are converging towards. For instance, it is widely accepted that there has been a conspicuous shift from "bricks-and-mortar" subsidies to suppliers or supply-side regulations on rent levels to demand-side subsidies supplementing the income gap in renting or purchasing houses. This shift was partially affected by the belief that the new policy initiatives were more in line with the neo-liberal view than previous
subsidies to suppliers and supply-side regulations, since they seemed to reflect consumer choices and to conform to market principles (Kemp, 2007: 267). However, the placing of demand-side subsidies at the centre of housing policy can be understood from a different viewpoint, which contrasts with the interpretation that the emphasis of consumer subsidies mirrors the reduced commitment of government to housing. The preference for demand-side subsidies is often regarded as a policy response to the changes arising from the transformation to post-industrial society distinguished by aggravating income inequality and the individualisation of social risks (Kemp, 2007: 268). In other words, the movement to demand-side subsidies reflects a change in the way housing problems are perceived and the objective of housing policy in the changing view is to relieve the financial distress of an increasing number of low income households and the distributional problems of housing (Oxley, 2004: 196). Given that interpretations of contemporary changes in housing policy do not appear to fully confirm predictions and reasons that the new convergence thesis posits, it would seem reasonable to conclude that what has been occurring in housing policy cannot be designated a unilateral movement towards a single type of housing model in the developed welfare states.

More generally, there are several theoretical reasons why housing systems in advanced capitalist societies have not converged yet and will not do in the near future. Firstly, all social policies are basically the by-products of political struggles between social actors with conflicting interests in modern democracy. In the capitalist order, a major pillar of the welfare state, the distribution of goods and services in the market is determined by the price mechanism. However, the market mechanism inevitably produces losers with a lack of economic resources and reducing the perils caused by this structural problem requires political solutions. The task is the key role of mass democracy, the other pillar of the modern welfare state that is able to modify market-determined distribution by the political demands of the disadvantaged in the market through the parliamentary and administration system. In terms of the nature of political struggle, the power resources model - a prominent theory accounting for the development and change of the welfare state – describes political challenges to the market-determined distribution of economic resources as part of the “class struggle” between labour and capital. The power balance between labour and capital in the welfare state is fluid, because the former has abundant political resources enabling it to push for social reform and income redistribution at the expense of capital, which controls the majority of economic resources and the means of production in a free market (Olsen and O'Connor, 1998: 262).
6). Collective forces superior in number can influence the condition of the market and the distributional outcomes through the political arena in mass democracy (Korpi, 1989: 312). Indeed, it was the political conflict between the two classes that gave birth to the welfare state in the 19th century, according to the power resource model. The alternative perspective of interest-group-politics theory is that interest groups with conflicting interests play a much more important role than the class does and thus are the central actors in the politics of social policy. The growth of various ascriptive demographic groups such as the elderly are disregarded by class theories, but can be seen as one of the key variables explaining the expansion of welfare spending in the welfare states (Pampel and Williamson, 1988: 1425). Whatever the essence of the political struggle is in the advanced welfare states, there can be no doubt that the organised political demands of social groups are capable of modifying the distribution of wealth determined by the market mechanism. Likewise, different kinds of demands and different priorities of the raised demands for housing vary across the nation states or even local communities in a country. Various struggles between political actors hinder the irreversible pursuit of policy convergence in housing across the Western advanced societies.

Secondly, all social policy reforms are mediated and constrained by established institutions that make many reforms incremental. Institutions are historical human inventions structuring social and economic interaction between people. They are not simply dependent variables, since they affect the structure of the interactions between the actors engaged and the strategic choices over political issues and economic transactions. The current institutions mediate political decision-making, consecutive implementation and termination of operations in the policy process. In general, established institutions are apt to make the degree of changes incremental rather than drastic, regardless of whether the incremental reaction is desirable or not. Two relevant concepts are useful for understanding the incremental nature of institutional change: “path dependency” and “increasing returns.” Path dependency can be defined as the “process in which choices made in the past systematically constrain the choices open in the future” (Myles and Pierson, 2001: 306). The meaning of this, however, is not to be interpreted as simply history matters in the development of policy change. More precisely, it designates the importance of the historical aspects, that a critical juncture especially at an earlier stage and/or the temporal ordering in a sequence can be extremely influential in determining the historical routes of certain institutions or policies, most of which are stable and incremental in nature (Pierson, 2000: 251-267, Pierson, 2004: Ch 2, Mahoney, 2000: 507-548). Path dependency operates by narrowing down the policy choices
possible in practice and is reinforced by the chain of "increasing returns. The concept of "increasing returns" helps explain why path-dependent processes can be quite persistent, highlighting how transaction costs can soar in specific social contexts as well as the importance of temporality, timing and sequence in the events that social scientists study (Pierson, 2000: 251).

The institutional approach can be applied to housing studies insofar as housing systems are socially constructed and housing studies need to comprehend institutional filtering effects and their promotion of path-dependent development. When applying it, it should be kept in mind that the impact of institutions on housing reforms varies from both the structures of housing policy and the structures of other related institutions in an individual country. Recent comparative housing research has investigated the mediating effects of institutions (or policy) and connected the findings with the counter-arguments of the convergence thesis.

Kemeny's conceptualisation of housing regimes, covered in the previous section, illustrates how the formation of a specific housing system is encouraged or hindered by housing policy, as well as how the embedded housing system can resist pressure towards convergence created by neoliberal ideology and widespread globalisation. Schwartz and Seabrooke's (2008) work on the 'varieties of residential capitalism' also demonstrates how a variety of housing finance systems are sustained against the forces of globalisation. When they deal with the housing finance system at the comparative level, they rely on two concepts borrowed from thinking on the varieties of capitalism and Kemeny respectively: 'institutional complementarities' (Soskice, 1999, Hall and Soskice, 2001, Hall and Thelen, 2009) and two kinds of rental housing market (dualist vs. unitary rental market). The first assumption derived from the former concept is that housing finance systems were formed by domestic voters' preferences on the basis of economic interests and the financial systems have "institutional complementarities with the larger economy" (Schwartz and Seabrooke, 2008: 238) (see <Table 2.3> for summary of political features in each group). The thesis demonstrates how different housing finance institutions including regulations on securitisation are related to the whole housing system in the identified groups. The four clusters are differentiated based on the values of the two major proxy variables - owner-occupation rate and mortgage as a % of GDP - and each individual market system has its own characteristics and varying implications.

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6 Institutional complementarities exist between two institutions "if the presence (or efficiency) of one increases the returns from (or efficiency of) the other" (Hall & Soskice 2001: 17). According to this logic, a specific type of coordination in one area of the economy could promote complementary activities in other areas.
<Table 2.3> Varieties of residential capitalism: Four market systems

<table>
<thead>
<tr>
<th>Owner-occupation Rate (reflects the size of the social rental sector and thus commodification; partially disconnected from global markets as a consequence)</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporatist Market</strong></td>
<td><strong>Liberal Market</strong></td>
<td></td>
</tr>
<tr>
<td>Housing (but not houses) as a social right, but strong stratification of the market: Owner-occupiers versus renters; plus defamilialisation; plus public organisation control of rented housing. Low property tax revenues. Problems of inter-generational equity as housing market outsiders are priced out of accommodation.</td>
<td>Highly commodified: houses as assets; strong stratification of the market: owner-occupiers versus renters. Market based self-help. High property tax revenues. Problems of inter-generational equity as housing market outsiders are priced out of accommodation. Many of these economies were also 'Frontier' societies.</td>
<td></td>
</tr>
<tr>
<td><strong>Statist-developmentalist</strong></td>
<td><strong>Familial</strong></td>
<td></td>
</tr>
<tr>
<td>Housing (but not houses) as a social right, but financial repression reduces market segmentation/stratification (?); plus private organisations control rented housing. Low property tax revenues.</td>
<td>Non-commodified but not decommodified: houses as a familial social good, but not as a social right. Stratification from access to formal sector employment. Non-market self-help. Low property tax revenues.</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Schwartz and Seabrooke (2008: 256)

The history of welfare political economy in the Western welfare states shows that we cannot presume the social system of capitalism without democracy. The historical coexistence of capitalism and democracy means that material allocation distributed by the free market has been modified by political legislation when the majority of people, political parties, and their legal delegates seek the redistribution of market outcomes through democratic procedures. This is why policy changes are fundamentally subject to a variety of political demands from organised social groups, whether these groups are labelled ‘class’ or ‘interest’. However, political demands do not directly generate the intended changes in the process of policy reform. Every demand for reform is filtered through many types of institutions including formal political arrangements - e.g. election system, the structure of governmental bureaucracy and the judicial system - and the present policy in force. As well as playing a mediating role, the institutions are often needed to coordinate the activities of economic actors in certain circumstances, in order to guarantee the
optimum consequences from the market. This necessity for intervention has led advanced capitalist democracies to shape ‘varieties of capitalism’ and to structure their own institutions concomitant to their strategy for economic development.

Given the diversity of capitalism and institutional structures over the world, each state’s response heavily depends on domestic political situations and the related institutions of the market and politics. Housing systems, constructed by various social forces past and present, are not immune to political and institutional variables when explicating the present and forecasting the future at the comparative level. Institutional variables, in particular, tend to steer the subsequent challenges towards path-dependent direction by narrowing down the possible options. In conclusion, judging from the theoretical and empirical rationales discussed above, it would appear to be an oversimplification to designate the recent changes in housing policy and housing system in the Western democracies as the convergence of housing. Furthermore, it can reasonably inferred that current housing systems won’t and can’t deviate considerably from the paths that they developed in the past, at least not in the near future.

2.3 The relationship between housing and the welfare state

As far as we acknowledge that housing is a matter of politics and the impacts of housing policy are mediated by other related institutions, housing policy is an organ of the body of the welfare state. Welfare systems, as Kemeny (1995: 172) puts it, should be addressed as “dynamic entities rather than as merely somewhat disjointed and essentially inert assemblages of welfare policies.” Hence scrutinising the relationship between housing (and housing policy) and other social policy is of vital significance for further understanding of the dynamics of housing in the Western welfare state. Unfortunately, as several commentators have pointed out, housing studies have a strong bias toward empirical analysis and are less concerned about theorising (e.g Allen, 2005, Bengtsson, 2009, Kemeny, 1992). In spite of this, it is notable that the recent theoretical debates on the topic have begun to contribute to a deepening knowledge of how housing policy (or housing systems) is systematically linked to other social policy in the welfare state. This section will explore the core arguments of the relationship between housing and the welfare state.

7 Several comparative political economists (Kitschelt et al., 1999, Hall and Soskice, 2001, Soskice, 1999) argue that even private companies, generally seen as enthusiastic supporters of the ‘free market,’ require alternative institutions to the free market when coordination between actors is absent.
2.3.1 Home ownership and the welfare state

When comparative researchers discuss the expansion of home ownership they occasionally refer to a complicated nexus of connections. The growth in home ownership has a wide range of social implications, because it can reshape contemporary welfare politics across the developed economies. With the continuous growth of owner-occupation, the increasing present and prospective owner-occupiers become influential cohorts affecting power relations in politics. Power elites, in addition, recognise home ownership as a functional vehicle of material resources in reforming the high cost structure of the welfare state.

Kemeny was probably the first scholar to raise the issue of the relationship between home ownership and other pillars of the welfare state. He was interested in the puzzling correlation between high rates of home ownership and low development of public welfare. He suggested that there might be an increasing correlation between high rates of home ownership and low commitment to public welfare as private home ownership grows due to the privatisation (Kemeny, 1980: 372). Kemeny (1981 cited in Castles, 1998b: 17) argued that this trade-off between home ownership rate and welfare provision was generated by the strong resistance of taxpayers who would like to purchase their houses. Since no credible comparative data was collected at the time, it was not until the end of the last century that the idea was loosely tested by Castles (1998a, 1998b) with cross-sectional comparative data. The results of Castles (1998b: 10-11) basically supported the trade-off nexus posed by Kemeny that there was a negative relationship between high rates of home ownership and low development of welfare states in the Western developed countries for the three decades from 1960 to 1980. He carried out correlation analysis on the level of home ownership and the development of public welfare. The results of the analysis demonstrated that the coefficients between the rate of home ownership and the total expenditure on social protection (pensions and other social protection expenditure) were negative and statistically significant at the three points - 1960, 1970 and 1980. Only the correlation between the rate of home ownership and the total expenditure of public health was exceptional, which illustrated the statistically insignificant coefficients at 1960 and 1980. The trade-off between the variables became weak at 1990, so the inverse relationships are significant but moderate. Castles, however, cast some doubt over Kemeny's explanation of the causal path of the inverse relationship, that the main reason for the trade-off might be the resistance of home owners (and prospective home owners) to rising tax for
the expansion of public welfare. Castles questioned Kemeny's explanation on three counts. Firstly, more importance needs to be accorded to the necessity for avoiding deficit financing when accounting for the declined trade-off between home ownership and welfare expenditure in the 1980s rather than the factor of tax resistance. Secondly, there are potentially other causal relationships between home ownership and welfare expenditure. For example, widespread home ownership might partially decrease the need for higher pensions in society. Finally, the reverse causal hypothesis to that proposed by Kemeny is equally plausible, as Castles (1998b: 17-18) argues in the excerpt below:

*There is no a priori reason why the relationship may not be entirely the other way around, with a weak welfare state providing an incentive to home ownership as a means of life cycle saving, or a well developed state tax crowding out the possibility of saving for private home ownership.*

In the wake of the debate between Kemeny and Castles, a small number of analyses relevant to this relationship have been undertaken in the 2000s with improved data and investigating additional issues. Doling and Horsewood (2003) tested the hypothesis that home ownership would affect early retirement in the labour market in the developed welfare states. The results of their multiple regression analysis were that home ownership encouraged early retirement by increasing the income available to retirees (Doling and Horsewood, 2005: 303). These results supported one of the possibilities posited by Castles, that home ownership could provide income compensation for the elderly and play a role as an alternative income source in the welfare states where public welfare safety nets were underdeveloped (Doling and Horsewood, 2005: 303-304). Meanwhile, Fahey (2003) investigated the inverse relationship between pensions and home ownership through a case study of the Irish housing system as a typical case of a country with a low pensions/high home ownership trade-off. According to Fahey (2003: 171-172), neither the cost of purchasing housing nor government investment in the promotion of home ownership were so unaffordable that the costs for home ownership did not

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8 Later Kemeny admitted the possibility of the reverse causal path that the stronger preference of home ownership might be a strategic reaction to the meagre development of public welfare in "New World English-speaking countries" (USA, Canada, Australia) to some extent, although the hypothesis cannot be tested due to the difficulty of collecting historical data, either (Kemeny, 2005: 65).

9 However, the result is not reliable enough to be generalised without problems, since this multiple regression model has some serious methodological limitations. Firstly, the total number of countries is less than twenty in all five equations (from 13 to 18), and there are not enough countries to obtain stable credibility. Secondly, the data used are aggregate, not individual household. Individual household data seems to be the more appropriate source for the analysis considering the research question.
seriously crowd out funding for the generous pensions benefits from the 1960s to the early 1990s. He also argued that the implicit income effect generated by home ownership did not weaken the incentives for the elderly to push for higher pensions, since the income effect of home ownership was not substantial, so the poverty rate amongst the elderly remained the highest level amongst all age cohorts. In Conley and Gifford's (2006) multivariate regression analysis, the hypothesis that the weaker the public provisions of welfare hedging social risks are, the more inclined people are to possess home as a kind of "private social insurance" (Conley and Gifford, 2006: 62). The findings of their analysis revealed a "substitution effect" of home ownership over inequality mediated by social expenditure, whereas the findings did not support the hypothesis of an "income effect" that increasing income by redistributive social policy was a drive to universal home ownership. The implications of the findings are well-summarised in relation to the debate between Kemeny and Castles at the below excerpt.

We found an inverse relationship between the degree of economic inequality and widespread home ownership in a country. This finding is consistent with earlier works by both Kemeny and Castles. It also lends support to perspectives stressing the promotion of owner-occupancy as an instrument for ameliorating the detrimental social effects of market forces in the absence of redistributive programs. In contrast, we find little evidence that economic parity on the housing demand side leads to more widespread ownership (Conley and Gifford, 2006: 75).

While each of these studies identified an inverse relationship between a high level of home ownership and low commitment to public welfare posited by Kemeny and Castles, the plausible causal paths were not rigorously tested in a reliable manner due to the practical problem of scarce data. Nevertheless, these studies were fruitful in the sense that have they inspired subsequent researchers to link home ownership with other aspects of social policy in the welfare state and to seek to ascertain how the structure of a welfare state affects this relationship.

### 2.3.2 ‘Asset-based’ welfare states or ‘collateral-indebted’ diswelfare states

The expansion of owner-occupation is particularly remarkable in the English-speaking countries, Kemeny's dualist rental market. Even several countries in the integrated rental market deviate from the regime proceeded by the privatisation of
the public (or non-profit) sector and deregulation of the housing finance system (e.g. the Dutch privatisation of non-profit housing associations). Encouraged by neoliberal fervour and the globalised finance system, rising owner-occupation has profound implications for the reshaping of the welfare states.

The wide ranging social implications of a home-owning society are well-documented by Malpass (2008: 9-11) who highlights three dimensions when discussing the new context of the British welfare state. Firstly, a large owner-occupied sector in the housing market becomes a prime determinant of individual well-being by uneven access to valued social resources like good neighbours, schools and hospitals. Secondly, in relation to government budget, both selling rental units in the public sector and home ownership in the housing market are profitable for any government that has difficulties in overcoming its fiscal deficits. The government obtains financial profits from the sales of public housing and thereby the sales reduce investment in the maintenance of social housing. The government basically collects the tax revenue from stamp duty and inheritance tax when owned houses are transacted or inherited. Finally, the accumulated wealth of home ownership, the largest asset in most households' portfolios, is a major source of consumer spending. In the long-run agenda of the British Labour government in the early 2000s, the promotion of home ownership was seen as a way of providing 'asset-based welfare' to low income households and incorporated into key agenda in social policy - e.g. the Saving Gateway and the Child Trust Fund as means (Groves et al., 2007a: 185). To achieve this objective, Labour encouraged home ownership through shared ownership and Homebuy schemes for low income tenants (Groves et al., 2007a: 190). With these 'momentous' changes in the way housing is viewed, they argued, housing would be transformed “from wobbly pillar to potential cornerstone of the new welfare state” (Groves et al., 2007a: 190).

However, it is doubtful whether the shift is fundamental enough to be designated as a 'paradigm' transformation towards the reconfiguration of the sustainable welfare state in future. Scepticism on the view of 'housing asset-based' welfare state is raised surrounding the two dimensions. The first aspect is whether home ownership can play the constant role of hedging economic risks over the life course or not. A scepticism on the stability of home ownership comes from the fluctuating cycle in housing prices around the world for the last four decades (see Ahearne et al., 2005 for the global trend in housing price). More than high volatility of housing price, the cycle of housing price shows substantial correlations between the advanced economies. According to the IMF (2004, ch 2 cited in Kim and Renaud,
2009), the average cross-country correlation was 0.4 during the period from 1980 to 2003. The combination of volatile housing price with the correlated movement generated a global housing bubble and the abrupt collapse of housing values was followed by deep recession in goods and service sectors of the economy. The latest episode is the global economic recession triggered by the credit crunch in the UK and USA mortgage markets in 2007. The fact that the epicentres of global economic crisis are the typical home owning societies in which the unregulated mortgage market developed well-illustrates how vulnerable owner-occupier dominated societies are to economic crises mainly originating from sub-prime mortgages delinquencies and high-risk mortgage-backed securities.

The second aspect concerns the new social cleavages emerging in home-owning societies. One of these cleavages is between owner occupiers and tenants in the public or private rental sector. The rising share of home ownership as a proportion of total wealth seriously can aggravate inequalities of wealth between owner occupiers and tenants. More serious social cleavage was created between owner-occupiers and tenants in the public rental sector as the public rental sector was filled with the poor and grew stigmatised (see Forrest and Murie, 1991, Malpass, 1990, Saunders 1990 for a review of the British case). In the case of Britain, this kind of tenure division enhanced social cleavage between different tenures as 'the haves' continued to move into home ownership and 'the have-nots' became concentrated in the public rental sector (Saunders, 1990: 317). The other problem is the cleavage between debt-free owners and indebted owners. This cleavage frequently overlaps with intergenerational conflicts between the old who have fully redeemed their loans and the young still shouldering the heavy burden of an unpaid mortgage. This is because the housing costs of owner occupation are so high in young age to be "skewed towards the early years of the life cycle" (Kemeny 1995: 169). The last cleavage might be generated within the home ownership sector, which is the conflict between owner occupiers in metropolitan areas and owner occupiers in local areas. This cleavage is not systematically addressed in the previous literature. Yet the conflict might occur when the price gap between metropolitan areas and local provinces is so large that owner occupiers enjoy asymmetric profits from home ownership in a state depending on the location of ownership.

Because of these limited functions and the problems caused by overwhelming home ownership, the contemporary housing system progressing towards a paradigm shift into 'asset-based' welfare states is not a plausible scenario. And
even if there is paradigm shift of this kind, it will be highly undesirable given that the realisation of an 'asset-based welfare state' might distort the system into a series 'collateral-indebted diswelfare states' because of the varying social cleavages that over-reliance on home ownership produces.

2.4 Concluding remarks

Most comparative housing studies vary from the grand perspectives, clustered into the 'convergence' approach to the middle-range perspectives, often described as 'housing regimes', depending on various levels of generalisations in their research findings. Although the old convergence perspectives- i.e. the 'logic of industrialism' and "structural Marxist political economy" lost their explanatory force, the arguments of the new convergence discourse have been persuasive. Key elements of this one are the increasing privatisation of social housing and the deregulation of housing finance markets. In particular, the deregulation of the housing finance system in combination with securitisation in the global capital market has enabled the continued growth in rates of home ownership in many advanced economies for the last two decades. The steady growth of home ownership and the global house price boom have been fuelled by the rocketing provision of credit created by the deregulation of intermediation systems for housing finance and the cross-border transaction of MBS on the international financial market.

Nevertheless, following the arguments of the middle-range perspectives, this study underscores that the analysis of housing systems should pay attention to analysing ideological stances towards housing and the variety of institutional structures supporting them. This is because the means of intervention in the housing market and their consequences will vary according to the prior objectives that a society wishes to pursue such as solidarity, social justice or social inclusion. Different kinds of demands and different priorities from the increasing demands for housing vary across the nation states or even local communities. Moreover, similar outcomes are not necessarily produced by identical forces and get through the specific causal process. The varying contexts of both causal factors and paths might create quite different social meanings from a local community to a nation-state.

Insofar as we admit that housing is a matter of politics and the impacts of housing policy are mediated by other related institutions, housing policy is an organ of the
body of the welfare state. Scrutinising the relationship between housing policy and other social policies is of vital significance for comprehensive understanding of the dynamics of housing in Western welfare states. The growth in home ownership particularly has a wide range of social implications. It can reshape contemporary welfare politics, attitudes towards taxation and outputs of welfare systems across the Western developed economies. Therefore, the analysis of the relationship should be further investigated in the future to understand the impact of housing and related institutions when reforming welfare systems in Western developed economies. Of course, to stay at the Occidental world is not sufficient for us to understand the diverse dynamics of housing over the globe. At the regional level, housing researchers have to extend the range of research subjects to non-Western countries where different combinations of values, politics and institutions have structured varying housing systems and the relationship between housing and the other pillars of the welfare state. The following Chapter moves to the newly industrialised countries in Asian-Pacific region, the other side of Europe and America, for the investigation of how housing and housing policy have been perceived and developed, which leads on to investigation of the housing/welfare state connection.
Chapter three
Non-Western approaches to welfare and housing: The experiences of the newly industrialised states in Asia

3.1 Arguments about the Asian welfare system

The rising academic interest in the Asian welfare system is a fairly recent phenomenon. It was facilitated by two interlinked academic booms after the late 1980s. One is the discourse on the 'developmental states' focusing on the leading role played by government in the process of industrialisation (e.g. Chang, 2003, 2006, Deyo, 1987, Haggard, 2004, Henderson and Appelbaum, 1992, Johnson, 1982, Wade, 1990, 2000, Weiss, 1999, Woo-Cumings, 1999, 2007). The discourse has become an influential perspective accounting for the unique experiences of the Asian Tigers (or Dragons) in the economic strategy for industrialisation. The other boom is the upsurges in the discussions about the welfare regime in comparative contexts since Esping-Andersen argued that there were 'three worlds of welfare capitalism' in Europe and America. A number of comparative researchers have engaged with the pros and cons of Esping-Andersen's influential typology. Although objections to the idea that there are three types of welfare capitalism have been raised, the argument that there are qualitatively different kinds of welfare system around the world is widely accepted by comparative researchers in social policy. Along with other regional welfare models outside Europe and America, the Asian welfare system became a subject for further discussion. Many arguments have been made about whether the system might form a unique welfare model differentiated from Esping-Andersen's three types (see Esping-Andersen, 1997, Goodman and Peng, 1996, Holliday, 2000, 2005, Midgley, 1986, Jones, 1990, 1993, Kwon, 1997, 2005, White and Goodman, 1998). Influenced by the two interlinked strands, the challenges of distinguishing the Asian welfare system as a unique way to ensure social welfare have been frequently observed since the last decade of the 20th century. This section aims to review the key viewpoints of the two streams and to examine what implications for housing studies of Asian states can be drawn from the perspectives.
In early interpretations of the Asian newly industrialised countries (hereafter NICs) the Asian NIC miracle was occasionally put down to the beneficial consequences of neoliberal prescriptions emphasising the efficiency of a *laissez faire* economy (e.g. Ranis and Fei, 1975, Balassa, 1982 cited in Chang, 2003: 111). Neoliberal economists believed that the economic success of Asian NICs stemmed from short-run optimal resource allocation in the market, which can ensure economic growth in the long run (Wade, 1992: 270-271). The advocates of neoliberal explanations claimed that, in terms of trade, realistic exchange rates and liberalised trade policy cranked up the engine of high performance in Korea and Taiwan during the early phase of industrialisation (Chang, 2003: 11). However, the neoliberal viewpoint began to be challenged in the 1980s, because of its reliance upon discredited assumptions and evidence. The most persuasive counter-argument came from a case study of the Japanese development model undertaken by Johnson (1982) which emphasised the role played by elite policy makers in the Ministry of International Trade and Industry (MITI) in setting up the goals and strategy of industrial policy. The plan-rational Japanese model was designated as a "developmental state," a combination of private ownership with state guidance that is neither a plan-irrational socialist state nor a market-rational regulatory state such as the Western capitalist economies (Johnson, 1982: 18-26). Following Johnson's refutation of the neoliberal thesis, a number of works have been published on the key features of the developmental strategy of East Asian states over the last two decades (e.g. Amsden, 1989, Chang, 2003, Deyo, 1987, 2006, Evans, 1995, Haggard, 1990, Henderson and Appelbaum, 1992, Wade, 1990, Weiss, 1999, 2000, Woo-Cumings, 1999, 2007). This group of publications is frequently brought together under the umbrella of the 'developmental states.' This is probably because the word is a well-fitting term condensing "the seamless web of political, bureaucratic, and moneyed influences that structures economic life in capitalist Northeast Asia" (Woo-Cumings, 1999:1).

The common features of the developmental states are well-summarised by Weiss (2000: 23) who identifies three elements - "transformative goals, a pilot agency and institutionalized government-business cooperation" as the common constitutes of the developmental states in the region. Firstly, the developmental states aimed to expand productive capacity and to run after the industrial technology of the advanced economies. Secondly, relatively autonomous pilot agencies and elite bureaucrats loyal to the state's goals took the leading roles in the industrialisation
project. Thirdly, the states maintained close coordinating ties with organised business players and utilised these to push forward with industrial projects.

When the Asian Tigers embarked upon industrialisation in the aftermath of the Second World War, the serious problem they faced was how to survive the destitute conditions that plagued their countries, either newly independent from imperial powers or devastated by the War or consecutive civil wars (see Henderson and Appelbaum 1992: 5-11 for historical legacies in East Asian societies). Given the need for survival in the world system, the East Asian ‘developmental state’ emerged and evolved as a nation-building project (Castells, 1992: 58). More specifically, in order to improve their economic performance, pilot agencies such as the Economic Planning Board (Korea), the Council for Economic Planning and Development (Taiwan) and the Economic Development Board (Singapore) took over responsibility for anchoring and guiding the direction of the region’s economies, coming up with long-run blueprints for economic development (see Cheng, Haggard and Kang, 1998, Dent, 2003, Stiglitz, 1996 for the roles of pilot agencies in Asian Tigers). These long-term plans were backed up by further medium- or short-term plans such as five-year economic development plans. Led by the pilot agencies, the principal strategy in many states, e.g. Korea and Taiwan, was to give selective assistance to target industries. The focused cultivation of leading industries was intended to nurture competitive firms in a global market. The governments in Asian NICs selected a couple of existing industries, which then enjoyed privileges through the affluent supply of credit and favourable tax benefits but had to be obedient to government controls on entry or pricing in return (Chang, 2003: 116). Not content with the role of guide or coordinator, central governments organised new activities, even though the activities were outside their standard tasks. For instance, pilot agencies often took a more active role in implementing the planned strategy, as well as making plans. The Economic Development Board in Singapore was concerned with collecting information on appropriate products for export and invited business executives to travel abroad to officially advertise their pioneering challenges to foreign markets (Stiglitz, 1996: 171). Moreover, the governments often formed new industrial sectors out of state firms, or credit rationing and the guarantee of loans on behalf of private firms (Henderson and Appelbaum, 1992: 22).

The administrative achievements of the developmental states were partially down to the efficient organisation of the bureaucratic system. Perspectives on modern bureaucracy have always been conflicting, as can be seen in the continuous tension between the Weberian view, which regards bureaucracy as a necessary complement
to market-oriented institutions in capitalist growth, and the Smithian view that bureaucracies should be limited to ensuring property rights (Evans and Rauch, 1999: 748-749). As far as East Asia is concerned, several individual cases studies (Johnson, 1982, Amsden, 1989, Wade, 1990; respectively Japan, Korea and Taiwan) have reached a conclusion supporting the former view that bureaucracy is essential for economic growth. In particular, the case studies of developmental states illustrate that state bureaucracy can be a very effective way of encouraging long-term investment by private firms and that bureaucracy can remain credible and coherent even in the long run (Evans and Rauch, 1999: 752-753). In the Asian NICs, professional elite bureaucrats were recruited and trained at the central departments and they served political regime and the goals the regime set. Elite bureaucrats could develop job skills and be promoted without the threat of their professional career being terminated, in so far as they were loyal to the regime. Weberian bureaucracy was adjusted to the needs of the Asian NICs to deliver administrative services in a well-organised and coherent manner, and acted as the primary vehicle driving unprecedented industrialisation.

The last element of the Asian NICs' success lies in their institutional structures. Successive governments have institutionalised formal and informal arrangements to coordinate with private actors or enforce the activities necessary for development. Not only the general issues in economy e.g. export promotion, wage-setting, but also the firm-specific or industry-level agenda have been negotiated through the involvement of representatives of industry associations or big companies (Haggard, 2004: 61). The Asian representative institutions are, as Haggard (2004: 61) highlights, different from corporatist institutions in Europe, since labour and other groups have been repressed or represented by token associations. When coordinating with the economic actors in the private sector, it should be remembered that governments had considerable discretion in relation to private actors. Their relative independence prevented states from being controlled by the private sector. The autonomy of states enabled them to set national goals without pressure from private interests and to utilise the connections with the private sector to achieve their goals (Evans, 1995: 32). The networks between states and private sectors often worked as enforcing instruments due to the dominant status in the relationship with private firms. For example, administrative guidance, which was loosely used in Japanese industrialisation and became a much more coercive means when it was transferred to Korea, virtually delivered mandatory commands of government to private firms beyond public advice (Woo-Cumings, 2007: 117).
Developmental state theory has certain virtues when it comes to shedding light on the unique historical routes out of the Anglo-Saxon experience unfolded by the normative view of laissez faire economics as the way of economic development. It is unlikely, as Chang (2007: 19) asserts, that there is a single universal path leading to economic development and institutional evolution regardless of the contextual differences. The debates about the Asian modes of development make us aware of how different societies have invented or modified optimal coordinating strategies under the given conditions. Notwithstanding the virtues of the theory, there are several problems with applying the model and developmental state theory per se. Firstly, in the matter of regional coverage, the model can be applied to the experiences of North-East Asian states - Japan, Korea and Taiwan - at most plus Singapore in some respects. The essential characteristics of the developmental states do not neatly correspond with the characteristics of developmental governance in South-East Asia (Weiss, 2000: 24). In the different governances between East Asia and South Asia, Hendersen and Appelbaum (1992: 15) argue that Hong Kong and Singapore seem to have implemented policies which conform more to free-market norms than the values of the newly industrialised states in North-East Asia. Meanwhile, there are substantial variations in policy within North-East Asia. In particular, dissimilarities between Taiwan and Korea have been pointed out in some key dimensions such as: industrial structure (Castells, 1992: 50); government-business relationships (Haggard, 2004: 71-72); and the regulation of financial sector during the process of opening up the financial market (Weiss, 2000: 30-31).

More than anything, there is little systematic explanation of how key actors such as the working class or other social groups have responded to the alliance of states and capital over time as the other statist theories have in common. Even if the social forces were efficiently repressed or controlled in the early phase of industrialisation, it is unrealistic to maintain the assumption that the influence of non-statist actors has been subordinated to authoritarian governments and remain insignificant to lead changes in society. As Castells (1992: 66) notes, the developmental process transforms societies as well as economies, so much so that previous developmental pathways become unsustainable as the new capital class and working class grow. Although it might be too early to declare that the developmental model of the past perished, it cannot be denied that the evolving social cleavage is a critical factor making the past model no longer workable.
Arguments about the welfare systems in the Asian NICs overlap with discussions of the developmental states. Many studies of the welfare system have in common with the crucial attributes that the perspective of the developmental states posed in policy structures for the pursuit of development. Influenced by the developmental states thesis in some respects, the mounting interest in Asian welfare model has also been facilitated by the upsurge in the welfare regime approach since the 1990s. Following the publication of Esping-Andersen’s influential tripartite typology of welfare states, there have been many heated debates about the pros and cons of his schemata, often centred around the discovery of a fourth type. “Radical” welfare regimes in Australia and New Zealand (Castles and Mitchell, 1992), “Rudimentary” welfare states in Southern Europe (Leibfried, 1992, Ferrera, 1996), “Post-communist conservative corporatism” in former communist Europe (Deacon, 1993) are suggested as the prominent fourth type of welfare states. Along with other regional welfare models outside West Europe and America, the Asian welfare system was referred to as the potential fourth regime and it was argued whether the system might form a unique welfare model differentiated from Esping-Andersen’s three types.

Early debates on the Asian welfare system were not directly related to the perspective on the developmental states. For example, the case studies of Midgley (1986) intended to test the existing theories concerning the development of the welfare states and industrialisation. He tested whether key components of the orthodox theories could be applied to the historical experience of the four Little Tigers rather than trying to identify a new Asian welfare model. By sketching the characteristics salient in the development of economy and social policy in the Asian countries, Midgley (1986: 235) concluded that prominent contemporary theories of social welfare and industrialisation failed to explain the complex reality of social welfare in the four Asian Tigers, even though the theories were intellectually well-organised.

It was not until the 1990s that a more refined perspective on the Asian welfare system was suggested as a coherent model in connection with the concept of the developmental states. Deyo’s (1992) analysis of social policy, for example, can be linked to the developmental theory. For him, the developments of social policy are coupled with the transformation of economic strategy for growth guided by politically insulated government. Deyo (1992: 304-305) argued that social policy had been designed by autonomous states in a direction towards reinforcing labour
productivity and subsidised wages; in turn, proactive actions in social policy had fostered economic performance in a global market. The more directly governments intervene in the developmental process, the more explicitly social policy is connected with economic growth as seen in the cases of Korea and Singapore (Deyo, 1992: 305).

The case studies of Japan and Korea by Kwon (1997) offered a similar view on the development of the East Asian welfare system to that of Deyo. Kwon's analysis is also inclined to place more emphasis on the developmental strategy of governments to build up the welfare system. Kwon (1997: 481-482) summarised the three characteristics of the 'East Asian Welfare Model' deduced from the Japanese and Korean cases. Firstly, the official figures for welfare expenditure were not representative of public expenditure as a whole, since the governments' intervention in these countries played the role of regulator rather than provider typical in European countries. Secondly, the richest as well as the poorest households relatively benefited from public transfers compared with other households at different income levels. Finally, the argument that the Asian states could be located in Esping-Andersen's conservative welfare regime category was refuted by the distinctive features of the East Asian welfare system.

White and Goodman's (1998) view of the welfare system in East Asian states - Japan, Korea and Taiwan - is fundamentally line in with those expressed by Deyo and Kwon. White and Goodman (1998: 15) label the welfare systems of these three countries 'developmental welfare systems' because of the minimum social assistance programmes and heavily reliance on funded social insurance. They argued that, social insurance funds were attractive to political leaders in the region, because the funds could be mobilised for investment in the industry or infrastructure introduced by authoritarian political powers for development goals. However, they acknowledge that the East Asian welfare systems have been severely challenged by internal and external pressures e.g. the impossibility of sustainable full-employment, a dramatically ageing society, advanced democratisation and globalisation. These challenges mean it is doubtful whether the East Asian model can be sustained in future (White and Goodman, 1998: 18-19).

Holliday's (2000) examination of the Asian welfare system might be connected with the developmental states theory, even though it adopted a very similar framework to Esping-Andersen's. Holliday explored Asian welfare capitalism where the nexus of market, states, and family serves as the main provider at the centre for analysis. He labels the Asian welfare system the "Productivist World of Welfare Capitalism" compared with the three worlds of capitalism in Europe and America.
Productivist welfare capitalism is characterised by 'a growth-oriented state' and 'subordination of all aspects of state policy, including social policy, to economic/industrial objectives' (Holliday, 2000: 709). More specifically, he classifies three sub-types of productivist welfare capitalism in Asia: facilitative (Hong Kong), developmental-universalist (Japan, Korea and Taiwan) and developmental-particularist (Singapore). <Table 3.1> shows the variation in the central dimensions of welfare capitalism in the Asian productivist world.

<Table 3.1 > The productivist world of welfare capitalism

<table>
<thead>
<tr>
<th></th>
<th>Social policy</th>
<th>Social rights</th>
<th>Stratification effects</th>
<th>State-market family relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitative</td>
<td>Subordinate to economic policy</td>
<td>Minimal</td>
<td>Limited</td>
<td>Market prioritised</td>
</tr>
<tr>
<td>Developmental-universalist</td>
<td>Subordinate to economic policy</td>
<td>Limited; extensions linked to productive activity</td>
<td>Reinforcement of the position of productive elements</td>
<td>State underpins market and families with some universal programmes</td>
</tr>
<tr>
<td>Developmental-particularist</td>
<td>Subordinate to economic policy</td>
<td>Minimal; forced individual provision linked to productive activity</td>
<td>Reinforcement of the position of productive elements</td>
<td>State directs social welfare activities of families</td>
</tr>
</tbody>
</table>

Source: Holliday (2000: 710)

Goodman and Peng's (1996) case study is also partly about the relationship between the development states and Asian welfare model. Goodman and Peng (1996: 210) designated the development of welfare models in Japan, Korea and Taiwan 'peripatetic adaptive learning and development strategies with the prime goal of nation-building.' They claimed that the ultimate goal of the North-East Asian states, when they had first sorted out the problem of abject poverty, was to pursue nation-building once this had been achieved. Supported by elite bureaucrats, the states pioneered a strategy for nation-building in which economic policy took higher priority than other policies. In terms of public welfare provision, they argued that the states' strategies were far from coherent. In the case of Japan, the approach was so haphazard and pragmatic that Japan imported key institutional arrangements from the Western welfare states and reconstructed them for the national objective of nation-building (Goodman and Peng, 1996: 211-212). Judging from the historical evidence, they predicted that "all three societies will continue to draw on Western, indigenous and, in the case of Korea and Taiwan, Japanese models as the economic
and political situations dictate" (Goodman and Peng, 1996: 216). Their view can be loosely connected with the developmental states perspective, because it underscored the priority of economic growth and the institutional structures that the developmental states focused on in the formation of welfare models. Yet it can be differentiated from the developmental states thesis in the sense that the current welfare model is not the product of systematically planned schemes, but merely the accumulation of piecemeal responses due to the fragmented nature of policy transfer.

Compared with the others, Jones's (1993) study placed more emphasis on culture and values when referring to Asian welfare systems. She treated Confucianism, the common cultural background of the Asian NICs, as a pivotal element of the welfare model. Jones (1993: 208) argued that Asian governments sought to restore the collapsed community in the developmental stage, acting as the functional equivalent of a traditional village, which is the core social unit along with the family in traditional Confucian society. The consequence of this was that consistent reliance on non-statutory social welfare provided by families and communities, not by government, as the last resort for social security became the distinguishing characteristic of the Confucian welfare state (Jones, 1993: 213). More extensively, the Confucian welfare state is an alternative welfare capitalism in the non-Western world operated by a set of principles based on “conservative corporatism without (Western-style) worker participation; subsidiarity without the Church; solidarity without equality; laissez-faire without libertarianism” (Jones, 1993: 214).

3.1.3 The conceptual adjustment of the developmental states in Asian welfare regimes

Recent literature on the Asian welfare regimes has several valuable implications for the study of the region's welfare systems. First of all, the negative evaluation of Asian values and systems based on these values is contended by the literature. Confucian values, for instance, were once seen as part of the 'feudal legacy' preventing Asian countries from making the economic leap in the post-war period (White and Goodman, 1998: 6). However, Confucian values have since been re-evaluated as positive influences on the revolutionary upturn in the economy. Confucianism is now recognised as contributing to the economic miracle in Asia and is underpinned by the following positive attributes: “emphasis on education, strong family relations, benevolent paternalism, social harmony and discipline, respect for tradition and a strong work ethic” (White and Goodman, 1998: 8). In a similar vein,
by connecting the welfare regimes with the developmental states thesis these studies provide an alternative perspective on Asian experiences and thus function as a useful framework for analysing the ways in which the developmental plan at the initial phase becomes an integral component of subsequent social policy. They help students to identify the principal actors (political leaders, professional civil servants and capital representatives) and institutional structures (the legacies of the past in state bureaucracy, institutional arrangements between states and business or working associations) in the Asian policy process.

On the other hand, there are critical flaws in these studies’ analysis of the development of social policy in East Asia. Most simply reiterate the proposition that all other goals in social policy were subordinated to the primary objective of economic development. Once the national objective is holistically defined in a simple way without concrete investigations case-by-case, the rationales for the Asian welfare regime will always be challenged. Since all welfare regimes are fundamentally concerned with how to maintain economic growth, what is necessary for the rationales for the regime is to identify how the individual countries variously have framed the entity of policy regimes and fine-tuned the relationship between policy constituents. Meanwhile, it is unlikely that researchers will be able to stick with the traditional version of the role played by states in previous developmental stages. The original version of the developmental states thesis might no longer be viable in some cases, e.g. Korea, which went through paradigmatic shifts in the aftermath of the Asian Financial Crisis (AFC). Hence, the original version needs to be adjusted by redefining the roles played by states after the countries had reached a certain level of industrialisation in the 1980s or in response to the regional financial crisis in the 1990s. It should be adjusted in such a way that we are able to perceive the evolving nature of developmental states, which have adapted their governance strategy to changing milieus in order to first secure then maintain continuous economic prosperity. Otherwise, the theoretical approach will have to give way to a rival perspective sooner or later.

The concept of 'evolving states' is useful here for capturing the dynamic aspects of bureaucracy and the nexus between government and private sector. The dynamic approach is effective at dealing with how the role of state has been embedded in a wide range of internal social changes - rapid urbanisation, a matured economy with structural unemployment, the dismantling of the extended family and a rapidly ageing society - all in under less than half a century. The evolving states concept encompasses not only the endogenous changes that take place in domestic society,
but also the exogenous forces of the global economy. The AFC in the late 1990s illustrates what disasters globalisation can bring about when states fail to cope with external forces. Weiss (2000) and Kwon (2005) give practical hints on how to transform the developmental states into contemporary Asian states. Weiss (2000) argues that it was necessary to reconfigure the developmental states, because Asian NICs considerably achieved their objective of catching-up with the Western economies of the global market. However, this does not mean we should throw away the concept of developmental states; instead we should redefine states which have successfully readjusted their economies with different sets of policy means as ‘transformative’ (Weiss, 2000: 29). Good examples of transformative policies are the upgrading projects of industrial restructuring and technologies improvements in Japan and Taiwan during the 1990s. Kwon (2005) meanwhile scrutinises the emerging new characteristics of Korean and Taiwanese social policy, arguing that the developmental welfare states in Korea and Taiwan were structured to provide selective occupational benefits for the working cohorts employed by large-scale firms, leaving the vast majority of the vulnerable without the protection of public programmes (Kwon, 2005: 484-485). The evolutionary feature lies in the restructuring of the welfare system in accordance with the change in national goals. As the objective of economic policy has shifted away from far-reaching economic growth to the maintenance of competitiveness, developmental states have been transformed into more inclusive systems through newly introduced social protection programmes and employment schemes (Kwon, 2005: 493-494).

Nevertheless, some weaknesses should be improved if the theory can survive as a conceivable linkage between social policy and the other policies in the Asian NICs. Firstly, more analyses need to be accumulated so that the theory can be extended to social policy beyond industry and finance. It is necessary to evaluate whether social policy was fully integrated into the governance of the economic development or whether it was no more than a patchwork of piecemeal welfare schemes introduced by repressive governments reluctant to invest in non-economic fields. Secondly, it is of vital importance to consider regional variations in Asia, particularly in the analysis of why and how regional variations in social policy have been structured between countries in North-East Asia and South-East Asia. The current empirical research relies heavily on case studies of cash transfer programmes. Yet the bias towards cash transfer programmes is not sufficient to test the central hypotheses that the developmental welfare states thesis posits. First of all, it is widely accepted that Asian governments provided good quality education to improve human capital and public housing to foster a sense of national identity. These initiatives were not
simply public cash transfer programmes in the Western sense. Ironically systematic analyses of education policy and housing policy are relatively absent from the comparative research insisting the uniqueness of the Asian welfare model. It is unlikely that the institutional structures of income transfer programmes will show a fundamental difference between the Occidental models and the Oriental models, since most were transferred from the Western welfare states. The narrow interest in cash transfer programmes might make the counter-argument that the Asian welfare regime is a hybrid of the Western welfare regimes more persuasive. Therefore, by paying special attention to housing policy we will be more likely to find the solutions to the puzzle of the regional variations between the East Asian states and the city-states in South Asia. It is likely that housing policy could turn out to be one of the hallmarks of the Asian welfare regime, helping to explain how different arrays of social policies can create distinctive welfare models within Asia.

3.2 The lessons from Asian housing regimes

3.2.1 Application of the regime approach to housing in Asia

It is odd that the central arguments about Asian housing policy occurred quite late, approximately at the end of the last century, despite the importance of housing policy as a source of welfare in Asia. Leaving aside the tardiness of academic researchers in this respect, it is also odd that there are far fewer volumes of comparative literature on the Asian housing regimes than individual case studies of a single country. Notwithstanding the late and low interest in Asian housing regimes, reviewing the literature is a necessary first step towards refining the regime frameworks. The studies fall into one of two groups: positing a single homogeneous model in the Asian NICs (Doling, 1999b, Ronald, 2007) or identifying sub-variations between Asian states and classifying a couple of regional models (Ramesh, 2003, Groves et al., 2007c).

In the first group, Doling (1999b) widens the regional coverage of the housing regime by proposing that the Asian housing regime did not fit with the ideal types of the Western ones. He embraced the criterion of state-market mixes at the development, construction and consumption stage to identify ideal types of housing regime. In his typology, there are three housing regimes in the Western countries: liberal, communist and corporatist (Doling, 1999b: 232-234). The liberal housing
regime is discernible as an ideal type under pure capitalism. In the liberal regime, the market dominates all three stages of the supply and consumption of housing. Government in the liberal regime intervenes in the process in a residual way. The communist housing regime, on the other hand, is characterised by the dominance of the state in all three phases. Land is owned by states and houses are built by state-owned construction firms. At the consumption phase, the constructed houses are assigned by administrative procedures, not by the market mechanism. Finally, in the corporatist housing regime, the state plays a major role in setting the goals of the provision of housing but private construction firms are the main suppliers of housing. According to Doling, it is not possible to cluster the Asian housing regime into any one of these three ideal types. His point of view about Asian development has much in common with the developmental states perspective. He argues that housing was subordinated to economic growth in Asian NICs and the foremost beneficiaries of housing policy were the well-disciplined working population able to participate in productive activity (Doling, 1999b: 248). In terms of policy instruments, the governments took the initiative in the developmental stage by controlling land whereas housing is consumed dependent upon the ability to pay, which makes home ownership affordable only for middle and high-income households (Doling, 1999b: 247-248). Following on from his conclusions in this study, he claims in a later publication with other Asian colleagues that home owning societies do not disturb the income status determined in the labour market in the Asian Tigers (Agus et al., 2002: 15).

Ronald (2007) identifies a homogeneous housing model in Asia and called it the "Eastern home ownership model" in contrast with the "Western home ownership model." The Eastern home ownership model has been formed under a set of social and political forces in Asia: limited awareness of collective rights to housing, the absence of class solidarity, tolerance of authoritarian leadership during the period of the high levels of economic growth and a depoliticised middle class (Ronald, 2007: 488). In particular, Ronald (2007: 488-489) focuses on the two-fold common patterns in the role of home ownership in Asia, which differentiate the Asian from the Western home ownership model. The first common pattern is that the Asian housing model was founded on a dualistic perception of housing as a welfare good and exchange commodity for distributing welfare responsibility between family and states. Home ownership in the East took on a much greater responsibility for ensuring financial security than in the West. This was because home owners in Asia were less protected by public welfare programmes than in the West when the property values of housing plummeted in the volatile market. The second similarity
was the tendency for governments in Asian NICs to perceive the expansion of owner-occupied housing as serving economic development by stabilising the established social order. As a result, governments played a major role in the planning and provision phase and middle-class households benefited from the strategic involvement of states in housing by and large. On the basis of these two features, he concludes that the Eastern home ownership model differs considerably from the Western home ownership model although increasing convergence of two models can be observed.

<table>
<thead>
<tr>
<th></th>
<th>% of GDP</th>
<th>% of TGE</th>
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<tbody>
<tr>
<td>Hong Kong</td>
<td>2.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Korea</td>
<td>0.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Taiwan</td>
<td>-</td>
<td>0.6</td>
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Source: Ramesh (2003: 142)

Ramesh (2003), on the other hand, suggests that there are two sub-types of housing policy regime amongst the first-tier generation of Asian NICs - Hong Kong, Korea, Singapore and Taiwan. All four Little Tigers are basically similar in that their governments have promoted home ownership, while the rental sector has been residualised for the poor only through the stigmatisation of provision (Ramesh, 2003: 151). Despite the similarity, he draws a border line between the two city-states (Singapore and Hong Kong) and the other two Tigers (Korea and Taiwan). More concretely, from the extent of government intervention, it is clear that Singapore is committed to the public provision of housing, as is Hong Kong to a lesser degree. The dominance of the public housing sector in Singapore and Hong Kong has been achieved by large-scale land expropriation at cheap prices and affordable provision of public housing. On the other hand, the Korean and Taiwan governments were more reluctant to spend their budgets on housing (see the <Table 3.2>) and depended on private firms to provide housing. Yet there are in-group variations between Korea and Taiwan in terms of their enhancements of the market-dominant system. Taiwanese government has intervened in the market to the extent that its allocation mechanism was hardly distorted. The Korean government, unlike Taiwan, imposed excessive regulations on the market and distorted the market mechanism.
to a significant degree until the 1980s.

In Groves, Murie and Watson's (2007c) study focusing on the historical trajectories of housing policy in Japan and China as well as the Four Tigers, the Asian housing systems are classified into three groups (Groves et al., 2007c: 204-205). The first group is composed of the two city-states (Hong Kong and Singapore) that adopted a state managed or controlled housing policy. Although most policy measures were introduced to enhance the market, a state-controlled model was firmly established in Singapore. Hong Kong seemed to restore the public sector model by the withdrawal of the Home Ownership Scheme (HOS) to some extent. The second group consists of three East Asian cases (Japan, Taiwan and mainland China) which have embraced the relatively 'unmoderated private sector model' characterised by a rising private landlord class. Reliance on the housing market through the commercialisation of housing is the dominant strategy serving the prior goal of economic growth. The approach was pronounced in China, Japan and Taiwan, especially during the early stages of industrialisation in China and the later stages of industrialisation in Japan and Taiwan. The last group is a single case (Korea) and is labelled the 'innovative dual approach.' The model has maintained favourable finance to home ownership, but simultaneously increased the public rental sector. Korea, which suffered severely from the economic recession in the late 1990s influenced by Asian financial crisis, has made an exceptional choice in housing policy. This choice reinforced the government interventions following the newly designed long-run plans.

3.2.2 Lessons of the housing regimes approach for Asian housing studies

What lessons can be drawn from the regime approach for further analysis of the Asian housing system in a comparative context? Firstly, all of the research above connects the housing system to the bigger picture of national systems and compares them in broad circumstances. These studies, at least implicitly, assume that the housing system has been constructed by varying social forces at multiple levels. They are interested in how the housing system has been structured in and by a state and what kind of common social forces made Asian housing systems distinctive from those in the Western welfare states. Hence, the research indicates that housing policy analysis needs to take into consideration multiple interconnected factors at the macro, micro and meso levels. The important regional factors at the different
three levels and the analytical points that need to be elaborated upon for a more refined analysis are explored below.

At the macro level, it should be noted that a nation state is not the largest context in which policy is located. The impact of the global environment on the domestic policy process is growing economically and politically. The Asian NICs have become role models for all developing countries with respect to how they have seized the opportunities for economic prosperity in an era of globalisation. Exports to developed countries, taking advantage of a cheap labour force, were the main driving force behind Asian economic expansion in the aftermath of the Second World War. At the same time, globalisation was an apparently Janus-faced phenomenon in the Asian NICs, too. Once the economies caught up with the First World, their position in the world economy was threatened by other developing countries with cheaper labour costs. Meanwhile, free and fast movement of capital enabled transnational capital in the region to fly away to countries in which governments ensured low taxation and less regulation. Faced by changes in the international division of labour and in the national profiles of financial havens, the Asian Tigers could not help but modify their overall strategy for sustainable growth in the world economy. The developmental states thesis well demonstrates how they adjusted developmental strategies to changing environments in the 1970s or 1980s (see Amsden, 1989, Wade, 1990, Henderson and Appelbaum, 1992, Weiss, 2001). Some housing studies reviewed above (Doling, 1999b, Ronald, 2007) directly relate the key arguments of the developmental theory (e.g. strong government for economic growth or nation building) to the formation of Asian housing regimes. Besides these studies, the emphasis on the developmental states is not unfamiliar in other comparative literature on housing policy in Asia, although this does not deal with the modelling or clustering of Asian housing systems (e.g. Ronald, 2008, Park, 1998). The wide acceptance of the developmental thesis offers a strong rationale for tying the analysis of housing policy to other economic and social policies at the national level. Such analysis should simultaneously mirror states' adjustments to ever-changing global conditions. In terms of housing finance, 'securitisation' - the latest development in the history of financial techniques - has had a profound influence on the housing system, since it enables domestic mortgagers to mobilise international liquidity to finance home ownership in a global capital market. Hence, it should be noted that states' responses to globalisation of the mortgage market could be so fundamental as to dramatically alter the existing housing system.

Another significant macro factor is the political tensions in the region during the
post-war period. The tremendous damage caused by the Second World War was definitely a momentous turning point in the history of Asian housing policy. It is argued that the common tendency in post-war European housing was the mass production of housing led by government (Boelhouwer and van der Heijden, 1992: 89, Doling, 1997: 12). A similar response was observed when Asian governments sought to cope with acute housing shortages by increasing supply in the 1950s and 1960s. This thesis argues that the motivation behind the restoration projects significantly came from the regional political tension at the time. North-East Asia was the frontline of the 'Cold War' between the Soviet communist bloc and the Euro-American capitalist bloc. Authoritarian governments in North-East Asia (Korea and Taiwan) were faced with the potential threat from adjacent communist regimes. The potential for armed conflicts also affected South Asian countries (Hong Kong and Singapore) although the impact was less severe than in North-East Asian states. The colonial government of Hong Kong, a Chinese territory under the rule of Britain, was cautious not to prompt neighbouring communist China during the Cold War. Led by Chinese elite politicians in a multi-racial society, the government of Singapore - a British colony which gained independence early in the post-war period - was under great strain from the Muslim Malaysian block which occupied the Malay Peninsula except the tip. Hence the geopolitical conditions in Asian Tigers were one of main 'historical legacies' to account for Asian Tigers' economic transformation in the post-war period (Henderson and Appelbaum, 1992: 9-10). The geopolitics of the region is an essential contextual factor not to be ignored in housing policy analysis, especially the analysis of the initial development during the post-war or post-independence period. In the following chapters, the thesis argues that the development of housing including the public sector was ignored or repressed, because of lower priority amongst policy agenda in order not to crowd out primary manufacturing industry needed for export-led economic growth, as can be seen in the case of Korea. Conversely, in the Singapore public housing sector, the promotion of affordable home ownership was an attractive carrot to foster loyalty to an authoritarian regime when the states faced challenges from external and internal competing forces in the post-independence era.

Secondly, at the micro level, a number of actors conflict or sometimes cooperate in the market and political elections. Politicians, bureaucrats and occupational representatives like business associations, labour unions are typical actors in capitalist democracies. The Western welfare states have grown into mass democracies since the franchise encompassed females and became universal at the end of Second World War. However, this kind of democratic policy process was
absent from most Asian countries where authoritarian regimes maintained supreme power over society during the earlier period of industrialisation. Authoritarian regimes maintained coercive political control with many brutal instruments and thereby the realisation of grassroots democracy was retarded. Apart from in Japan, which democratised earlier, it was not until the 1980s that the social movements for democratisation began to burgeon. The result of these long-running authoritarian regimes was that the most influential actors in the policy process were political leaders in power and professional bureaucrats supporting their rule. They seized the initiative against non-static actors and pushed their agenda in the policy making and implementing process in order to achieve the goals that states set up. In Asian Tigers, 'strong' states had the political ability to enjoy a high degree of autonomy from rent-seeking lobbies in policy-making process (Cheng, Haggard and Kang, 1998: 88). Developmental states were insulated from private interests and enjoyed great autonomy to set and implement their own goals (Evans, 1995: 32). Based on the strong states and its autonomy in policy process, this thesis stresses that working class or other interests groups in Asian NICs were weakly organised and the states had strong initiatives to steer the directions of housing policy in Asian NICs. Particularly, this study will argue that the interests of non-static actors have been depoliticised by various institutional arrangements designed by strong states in Asian NICs.

The final essential factors are a wide range of institutional arrangements that intermediate the feedbacks between macro factors and micro agents. It is necessary for Asian studies to pay special attention to the remaining institutions bequeathed by 'policy transfer' in the past. Policy transfer was a major constitute of formal institutions imported from foreign countries and many Asian NICs relied upon the transferred policies when they commenced their industrialisation projects. Policy transfer can be defined as "a process in which knowledge about policies, administrative arrangements, institutions etc. in one time and/or place is used in the development of policies, administrative arrangements and institutions in another time and/or place" (Dolowitz and Marsh, 1996: 344). Policy makers can learn practical lessons from the policies other policy makers implemented to cope with particular as well as universal problems (Rose, 1991: 4) Hence policy transfer normally occurs when policy makers search for lessons from past policy in a unit or contemporary policy put into practice in other countries/provinces. Goals, structure, concrete means or administrative skills, institutions, ideology can be moved from time/place to time/place through policy transfer (Dolowitz and Marsh, 1996: 349-350).
Many policies in Asian NICs were imported coercively by the Western imperial powers during colonial rule or voluntarily by the indigenous regimes in the post-war period. Even Meiji Japan, the first industrialised country in Asia, introduced and amended foreign arrangements. Many kinds of foreign institutions were transferred and adjusted to reflect the Japanese preconditions for efficient industrialisation - the British navy and post office, the Prussian army and criminal law, the French civil law and the Belgium central bank - after the country was forced to open its ports in 1853 (Chang, 2007: 30). The impacts of newly transplanted institutions depend on varying elements, even when the cases are located in similar environments. The developmental path of policy is contingent on factors such as the forms of policy transfer, the timing of introduction of policy and the origin of imported arrangements. In the Asian context, colonialism often generated enduring impacts on the following sequential processes in policy development. This is mainly because there were substantial variations in the goals of occupying colonial powers and administration systems in different countries. For instance, British colonial governments in Hong Kong and Singapore were much more “disinterested” than Japanese colonial governments in Korea and Taiwan (Henderson and Appelbaum, 1992: 8). Different types of rule are probably associated with the different objectives for obtaining colonies. While Hong Kong and Singapore, major British colonies in Asia, functioned as naval stations and transit ports, Korea and Taiwan were strategic points for Japan to extend its boundary to Mainland China and Russia in the continent. Even after the colonies became independent, most Asian countries vigorously brought in a broad scope of policies implemented in the Western countries and Japan for the purpose of prompt nation-building. Needless to say, our understanding of policy development can be furthered by analysing how policy transfers from the colonial powers have been embedded in the different national housing systems over the long-term.

In conclusion, this study aims to configure the multi-level factors in the housing policy process and to examine what different combinations of these factors result in contrasting approaches to housing when comparing the development of housing policy in Korea and Singapore. Of particular concern is what filtering role established housing policy and relevant institutions played in the development or underdevelopment of public housing.
3.3 Concluding remarks

The intention to establish a home owning society can be seen in the ambitious programmes for the promotion of owner-occupied housing, particularly in the state-controlled city states in Asia- Singapore's 'Home Ownership Scheme' in 1964 with the slogan of "home owning democracy" and Hong Kong's 'Home Ownership Scheme' launched in 1976. The skyrocketing rise in the home ownership rate of these countries was even more dramatic in Singapore than in Hong Kong. Home ownership rates in Singapore have been increasing for three decades, from 29% in 1970 to 92% in 2000 (Phang, 2007: 17). The nation states in North-East Asia, on the other hand, have promoted owner-occupation but by more indirect and market-centred means than those of their counterparts in South Asia. As a result, there are the relatively low rates of home ownership and considerable variations between countries. More interestingly, the home ownership rates of Korea have decreased from 72% in 1970 to 54% in 2000 (Park, 2007b: 77). The decline on this indicator is pronounced enough to call into question whether the home owning society was sought in Korea. Nevertheless, the previous studies develop a general consensus on the argument that Asian societies are basically home owning societies in which the property value of housing accounts for the largest share of the financial portfolio of many households. Although we admit that the Asian Tigers achieve or are moving towards home-owning societies, the work of comparing policy changes and the subsequent impacts is so essential to account for variations in housing across the countries and ascertain the critical factors that brought about the differences at multiple levels.

Furthermore, the general perception of the Asian NICs as home owning societies is a signal for us to revisit the concept of 'asset-based' welfare explored in the former chapter. The concept of 'asset-based' welfare has been posed to explore whether it can become the alternative ways for the provision of welfare in the reconfiguration of the modern welfare states (Groves et al., 2007c, Regan and Paxton, 2001). Growing wealth inequalities provide a strong rationale for government assistance in order to build up assets for low-income households, because deficiency in the property of a household severely restricts life chances (Regan, 2001: 1). Home ownership, no doubt, takes the lion share of the total wealth of the average household keep and thus the owner-occupied house is an essential component of asset-based welfare. The status of home ownership occupies the central position in
industrialised home owning societies like the Anglo-Saxon countries (e.g. USA or UK) and the Asian NICs where the balance sheets of the majority of households will be improved or aggravated depending on the value or costs of home ownership. When viewing the asset-based welfare states, the point should be kept in mind that the impacts of home ownership on the welfare of citizens vary contingent on how home ownership has been institutionally encouraged by housing policy and the complementary role of the other social safety nets. As mentioned before, the cash-transfer schemes - pensions, health and unemployment benefits - in Asia were introduced to cover a limited range of the working population for developmental purposes. Public assistance programmes were kept to a minimum in order not to deteriorate the work ethic. Most of the resources made available for public welfare were funded by social insurance schemes, not by general taxes, in order to avoid placing a heavy burden on the state. The common characteristics of the Asian welfare states might be related to the promotion of home ownership and the social outcomes it generated in spite of the regional differences between the states.

Given the importance of home ownership in the Asian welfare states, the nexus linking home ownership and the national pension scheme amongst the general relationship between housing and other pillars of the welfare state, is of vital interest, and not just for the Asian context, but have hardly been investigated. The link between home ownership and national pensions systems in Asia is more interesting and it is probably more important than in the West considering the differences in funding national pension schemes. For example, both Korea and Singapore, the main cases for the historical analysis in this study, have run a funded national pension scheme contrasting with the pay-as-you-go pension schemes adopted in the Western welfare states. The funds are an attractive public source for financing housing as well, because the provision of public housing requires huge lump-sums to pay for the consumption of housing as well as the supply of dwelling stock. Clarifying the nature of this relationship in Korea and Singapore, a relationship which has been so far overlooked by researchers studying the Asian welfare system, might be just the intellectual catalyst needed to trigger a second round of debate, 'for or against' the Asian welfare model based on home ownership.
Chapter four
Applying comparative historical methodology to housing policy analysis

4.1 Conceptualising ‘case’ and case study in the social sciences

4.1.1 Defining the concept of ‘case’ in the social sciences

In order to determine what objects are addressed and how they are analysed and compared in this study, it is first necessary to examine the meaning of ‘case’ in the social sciences. The uses of ‘case’, originating from the Latin word casus, are too various to be unanimously defined in ordinary life. Notwithstanding this difficulty, all social scientists have to be concerned with what the term ‘case’ means in social science analyses, because it boils down to issues of ontology and epistemology which determine the direction and focal points of their research. It is expected that the proper recognition of the multiple dimensions that the concept of ‘case’ provokes enables social scientists to design the appropriate research model under the given circumstances and research questions. The challenges of defining ‘case’ have been explored in numerous works on social scientific methodology, in both the quantitative and qualitative traditions (see King et al., 1994, Ragin, 1992, Yin, 2009, George and Bennett, 2005, Gerring, 2007). Here we will confine ourselves to the brief but apposite definitions offered by George and Bennett (2005) in order to ease our way into the discussion about conceptualising ‘cases.’

We define a case as an instance of a class of events. The term “class of events” refers here to a phenomenon of scientific interest, such as revolutions, types of governmental regimes, kinds of economic systems, or personality types that the investigator chooses to study with the aim of developing theory (or “generic knowledge”) regarding the causes of similarities or differences among instances (cases) of that class of events (George and Bennett, 2005: 17-8).

The definition encapsulates the kind of phenomena that social science research is interested in, as well as the goals that are established when a case is chosen.
Unfortunately, it does not provide us with a complete answer to the question of what a case means in the context of social science analysis. Since a case has multiple dimensions, it is almost impossible to define it in a way that most researchers will be prepared to accept. But despite the difficulties of defining a case, the conceptual mapping of “case” that Ragin (1992) does in <Table 4.1> is a useful guide when it comes to configuring the attributes of a case. <Table 4.1> displays the four ways of conceptualising a case in social science analyses. Given the multi-dimensional complexities of cases, it is up to the individual researcher to make decisions about the ontological issue, i.e. what to study and the epistemological issue regarding what forms of knowledge are pursued, decisions which will determine where to locate their cases at a specific point amongst the matrix of cases below.

<table>
<thead>
<tr>
<th>Understanding of cases</th>
<th>Case conceptions</th>
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<tr>
<td>As empirical units</td>
<td>Specific</td>
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<tr>
<td></td>
<td>1. Cases are found</td>
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<td>As theoretical constructs</td>
<td>2. Cases are objects</td>
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<td>General</td>
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<td>3. Cases are made</td>
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<td>4. Cases are conventions</td>
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</table>

Source: Ragin (1992: 9)

1. Cases are seen as empirically real, but specific in the sense that they must be identified and established as cases in the process of the research.
2. Cases are seen as empirically real and general, and there is no need to verify their existence.
3. Cases are seen as specific theoretical constructs united in the process of research.
4. Cases are seen as general theoretical constructs, but these constructions are regarded as the conventionalised outcome of collective academic work.

4.1.2 Identifying case studies: Goals, objects and methods

The complex natures of cases almost inevitably lead us into a discussion about the methods of how to accumulate knowledge in the social sciences. There are a wide range of methodological approaches, from the positivist, which aims to illuminate cause-effect relationships through deductive-empirical methods i.e. statistical inferences, to the interpretivist, which explores the meanings of social phenomena in more holistic and contextual ways (Porta and Keating, 2008: 26-27). The term “case study” has come to be associated with the methods utilised by
interpretivists/qualitative researchers. It is used to describe research work based on a qualitative approach with a small number of cases and using a particular type of evidence (e.g. clinical, participant-observation, process-tracing or historical research) in a holistic manner (Gerring, 2007: 17). However, there is no reason for case studies to be exclusively confined to non-statistical and in-depth methods covering small-N cases. It is not merely a type of qualitative approach which relies on nuanced interpretations and can equally on occasions employ quantitative evidence, particularly in historical analysis (Yin, 2009: 19).

<table>
<thead>
<tr>
<th>Research designs: A covariational typology</th>
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<tr>
<td><strong>Spatial Variation</strong></td>
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<td>Several</td>
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<td>Many</td>
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Note: Shaded cells are case study research designs.
Source: Gerring (2007: 28)

Case studies, first of all, are able to sort out a set of groups on the basis of which main objective they are searching for. Four types of case studies are identified by Vennesson (2008: 227-228) according to their diverse research purposes: the descriptive, the interpretive, the hypothesis-generating and hypotheses-refining, and the theory-evaluating study. The single yardstick of the general purpose is by no means sufficient for the proper comprehension of the variations of a case study and its methodological virtues. Other standards here are introduced to be more precise by drawing a mapping table as to the critical dimensions of a case study, just as we did for the conceptualisation of cases in the preceding section. <Table 4.2> drawn by Gerring (2007: 28) lends practical assistance to the configuration of different kinds of case study in social science research. What should be pointed out here is that the

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10 The cell 1 type of case study - a case observed at a certain point without the within-case observations - is logically impossible since it produces no evidence of causal proposition (Gerring, 2007: 31).
boundaries between cells are blurred and fluid just as they are in the former <Table 4.1>.

When we describe the case study method to distinguish it from other methods, three vital dimensions can be identified and are clearly shown in <Table 4.2>: the number of cases, the kind of variation (spatial or temporal) and the location of variation (cross-case or within-case). By looking at these three dimensions, the characteristics of the case study method become apparent. Firstly, researchers conducting case study research usually work with a small number of cases. Lijphart (1971: 691) made a distinction between the case study method and the comparative method, since the former works with a single case whereas the latter looks at more than two cases in detail and compares them. However, we do not need to confine the case study method to an in-depth study of a single case. Whether the number of cases is one or more than one is not the absolute criterion separating the case study method from other methods dealing with a small number of cases insofar as they share the methodological features to analyse the cases. Secondly, case study research produces the multiple criteria and different combinations between the kind of variation and the location of variation, by which the case studies can be located in different categories. This is because the spatial/temporal and cross-case/within-case variations act as principal sources affecting the illumination of causal paths and the degrees of extending the outcomes from case analysis. According to these criteria, the five grey-coloured columns in <Table 4.2> are placed into the case study designs for the examination of a single case or several cases with temporal/spatial variations.

We should also be aware of the methodological strengths of the case study method if we want to use it appropriately. George and Bennett (2005: 19-22) sum up the four advantages of the case study method for testing hypotheses and developing theories as follows. Firstly, case studies allow researchers to identify and measure the most suitable indicators for the theoretical concepts they are interested in. The case study has a higher degree of conceptual and measurement validity than the statistical study, which brings together all the cases in a sample but does not investigate individual cases in detail. Secondly, the case study can generate new hypotheses by studying outliers amongst many cases in more depth. The statistical study, on the other hand, hardly has any means for yielding new hypotheses. Thirdly, the case study is better than the statistical study when it comes to chasing down the causal mechanisms in individual cases through detailed investigation. Finally, the case study is an effective method for examining multiple and conjunctural causal relations such as equifinality and interactions effects (Ragin, 1987: 42-9). Yet the
advantage in this respect is not absolute over the statistical method, because the
generalisations of outcomes drawn from the intricate causal configuration are
significantly limited to other cases.

Meanwhile, the case study method has analytical disadvantages too. The major
weakness of the case study is that it can only address a small number of cases in an
individual study. Moreover, the virtues of the case study are negated by increasing
the number of cases included in a study. As the number of cases in a single study
increases, it becomes less likely that a causally associated feature will be common
across all cases (Ragin, 1987: 50). The nature of the case study makes it difficult to
cover many cases in a study, which renders the case study researcher less capable of
generalising the results of their analysis to a larger class of cases. Another
disadvantage of the case study is its limited ability to estimate the generalised causal
effects or causal weight of variables across cases (George and Bennett, 2005: 25).
With this method, it is almost impossible to estimate the level of the average impact
of a specific causal factor on social phenomena. The statistical method, on the other
hand, is a useful means for estimating the degrees of causal effects on outcome
indicated by the coefficient in a multiple regression model.

Statistical analysis has come to be perceived as the orthodoxy in the social sciences
and it is often mistakenly thought that the case study method is inferior to the
statistical method when developing theory and testing hypotheses. But statistical
analysis definitely has inherent weaknesses when it comes to unveiling the sources
of complex social events whereas the case study method is good at handling the
complexity of cases in the social sciences. For example, while the “homogenizing
assumptions” rooted in the statistical analysis disturb the productive
communication between ideas and evidence, the strategy in a case study enables
researchers to shed light on “diversity” of social phenomena (Ragin, 2000: 5).

In conclusion, weighing up the advantages and disadvantages of research methods
is not about creating a hierarchical order between them and rather it must be
inclusive and pluralistic (Yin, 2009: 7). The relationship between statistical analysis
(quantitative research) and the case study should not be understood as exclusive and
hierarchical. The statistical method might be more advantageous than the case study
when analysing a particular social phenomenon under specific circumstances, but it
might be the other way around once the surrounding conditions change. The case
study, in addition, allows researchers to utilise both quantitative and qualitative
evidence to achieve their research purposes. The eclectic nature of the case study
method makes it a powerful tool in the scientific dialogue between theory and
4.2 Comparative historical analysis in the social sciences

4.2.1 Background

Comparative historical analysis (or comparative historical methodology) can be seen as a kind of case study method, used in the social sciences when the eclectic nature of the case study method is justifiable. It has been frequently adopted since the pioneers published their classic works in the modern social sciences. Contemporary comparative historical analysts are regarded as the intellectual successors to a tradition initiated by Adam Smith, Karl Marx and Max Weber (Mahoney and Rueschemeyer, 2003: 3). Yet comparative historical analysis has become a confusing term, particularly in relation to methodology, as the term refers to as a broad range of studies the essential attributes of which in terms of analysis are often poorly defined. Without systematic understanding of comparative historical methodology, the status of the scientific method in the social sciences may be jeopardised and comparative historical research marginalised unless there are vigorous efforts towards greater “systematization” in comparative study (Immergut, 1998: 27). In the section below, several key points of comparative historical analysis are discussed concerning how it deals with cases as methodology in comparative research.

4.2.2 What is comparative historical analysis?

Comparative historical analysis is basically a case study of social phenomena for the comparison of different cases. Comparative historical analysis (CHA) shares the general features of the other case study methods but here we must be more specific if we want to take full advantage of CHA and use it in an appropriate way. Narrowing the focus of CHA can be problematic, given its broad usage and analytical diversity and it is probably more effective to sketch the main characteristics of the approach instead of struggling to arrive at a unanimous definition. Indeed, many issues related to definition are raised in an edited collection written by prominent colleagues committed to the approach, Comparative Historical Analysis in the Social Sciences (2003) and the discussions in this publication are worth critically
reviewing here, as a first step towards understanding the traits underpinning CHA.

Mahoney and Rueschemeyer (2003: 6) define comparative historical analysis as "a concern with causal analysis, an emphasis on processes over time, and the use of systematic and contextualized comparison." Developing the definition, they go on to identify three key characteristics of comparative historical analysis (Mahoney and Rueschemeyer, 2003: 11-4). Firstly, the main concern of CHA is identifying and explaining the causal configurations generating social phenomena. Since causation is of vital importance in CHA, they argue that perspectives not concerned with causal explanations are more or less absent from this tradition. Secondly, students engaged in CHA put emphasis on the sequential unfolding of processes when they analyse historical events or the developments of policy. Therefore, differences in the temporal structure of events and the timing of events are critical elements in producing diverse results. Finally, comparative historical researchers carry out systemic and contextualised comparisons of similar and contrasting cases. Through the comparison of small-N cases, researchers are able not only to find new concepts and explanations, but also to achieve a higher degree of conceptual and measurement validity than quantitative researchers who rely on statistical inference from large-n cases. This in turn enables researchers to demonstrate how different configurations of variables yield a wide scope of outcomes under heterogeneous surroundings.

More concretely, in terms of the first essential element of CHA, demonstrating causal mechanisms is one of the principal purposes of all scientific research in the social sciences. Why particular phenomena happen in some societies but not in others is the central concern of the vast majority of social scientists. The causes of social phenomena, however, differ from the causes of natural phenomena in several respects, the most important of which is that it is unlikely that social scientists will find strong causal relationships akin to the laws of nature, which can be generalised across similar cases. Despite the difficulties in ascertaining the causal chain, to demonstrate causation is an obvious goal in the social sciences and is also the main concern of most comparative historical studies. Historical explanations aim to make inferences about the causes of social phenomena from particular occurrences (Mahoney et al., 2009: 116). Comparative historical studies challenge reasoned historical accounts about why events took place by comparing the temporal changes in different cases or two temporal points in a particular case history. Through this interest in causation, researchers can not only set up hypotheses as to the effects of developments in particular cases, but also help policy-makers to implement better
policies by demonstrating the causal links in pertinent cases (Mahoney and Terrie, 2008: 748-749).

When it comes to ways of illuminating the causal mechanisms of outcomes, many comparative methods address the temporal change over time, rather than simply working with a static scene at a certain point in time. The temporal structure of events, including temporal order and timing, is the focal point of comparative historical analysis. This is because the influence of identical causal events varies according to their temporal order or timing, which cannot be tested by static cross-sectional analysis alone. Therefore, students committed to comparative historical methodology, regardless of their theoretical backgrounds, tend to start from the premise that, as Tilly (1984: 14) puts it, "when things happen within a sequence affects how they happen."

The final observation commonly made in comparative historical literature and worth noting here is about the importance of systematic and contextualised comparison. Due to its characteristics, comparative historical analysis is a powerful way to demonstrate the varied combinatorial effects of causal factors. Conjunctural causation makes the work of verifying causal mechanisms more complex than a large number of causal variables do in the social sciences (Ragin, 1987: 26). Comparative historical analysts normally wrestle with a small number of cases and conduct intensive investigations into cases in order to deal with the complexity of conjunctural causation. During the process of small-N case studies, they can easily "move back and forth" between theory and history and measure variables in a contextualised way (Mahoney and Rueschemeyer, 2003: 13). This brings out conjunctural effects as well as temporal differences between case studies, thereby enabling comparative researchers to pay attention to different combinations of social forces and filtering impacts by institutions in similar or dissimilar environments.

4.3 The close affinity between the new institutionalism and comparative historical analysis

4.3.1 The growth of the new institutionalism

Comparative historical methods have become the preferred empirical strategy for
testing hypotheses amongst researchers belonging to the academic camp known as the 'new institutionalism'. Working within the broad neo-positivist tradition, this group of scholars has highlighted the variable of institutions to explain various social phenomena through a series of small-N case studies (Porta and Keating, 2008: 30). They have refined comparative historical methods by providing concepts (e.g. path dependency, critical junctures) based on the theory. Hence to grasp what the new institutionalism is and what core notions are innovated in this perspective is an essential step towards capturing the mutual reciprocity between theory and methods in this branch of the social sciences.

Institutions are historical human inventions that structure social and economic activities between people. Therefore, institutions basically emerge, evolve, and perish dependent on the willingness of human beings. Established institutions, however, are not simple dependent variables, in that they bring about changes in the structure of interests of the involved in every game and consequently affect the final strategic choices over political issues or economic transaction. Hence institutions turn into the subject in political-economic life, not just an object that is entirely innovated or reformed by humans. Institutionalism places the active role played by institutions framing the patterned interactions between institutions and social actors at the centre of analysis.

The works of early institutionalism were usually normative and lacking in “analysis”, which means the literature is full of simple descriptions and comparison of institutional arrangements across countries (Thelen and Steinmo, 1992: 3). Following on from where the ‘old’ institutionalism left off in the 1950s, the ‘new’ institutionalism was conceived in the 1980s as a response to behaviourism and rational choice theory, which dismiss institutions as “no more than the simple aggregation of individual preferences” (Lowndes, 2002: 90-91). Several pioneering works on the new institutionalism were published in politics and sociology from the late 1980s and the early 1990s (e.g. March and Olsen, 1984, 1989, North, 1990, Williamson, 1985, DiMaggio and Powell, 1991). The new perspective has emphasised the importance of institutions in influencing the goals of actors and power relations. Since, as North (1990: Ch 2) puts it, institutions are devised to advocate the interests of those who have political bargaining power, an updated version of the old institutionalism enables us to advance our understanding of the politics around institutions.

Discerning the new institutional approach is not so difficult, but demarcating the intellectual boundaries between the many sub-categories of the new institutionalism...
is less easy. This difficulty in sub-categorisation is a result of both the theoretical features of new institutionalism and the developmental process through which the theory has gone. New institutionalists share a belief in the importance of institutions as a variable with which to analyse social events, although the perspective does not provide a consistent conceptual tool kit (Hudson and Lowe, 2004: 149). Despite its relative conceptual inconsistency, it is possible to categorise studies stressing the key role of institutions into three academic schools: rational choice, historical, and sociological (or organisational) institutionalism (Hall and Taylor, 1996: 936-950, Immergut, 1998: 11-20). Rational choice and historical institutionalism have both paid a great deal of attention to the welfare states in Europe and America.

However, the crucial differences between these two branches of the new institutionalism lie in their views on human nature and preference formation. According to Hall and Taylor (1996: 938-940), rational choice institutionalism starts from the premise that actors in social relations seek to maximise the value of their individual utility function based on rational calculations. Historical institutionalists, on the other hand, assume that individuals in the policy arena act within the constraints of bounded rationality, a term originated by March and Olsen (1984) rather than pure or perfect instrumentality. The second controversial issue between the two schools is over the formation of individual and group preferences i.e. the question of how aggregated individual preferences become collective decisions. New institutionalists reject the behaviourist maxim that interest aggregation is the mere summation of individual preferences (Immergut, 1998: 11). However, the two schools differ in their views of preference itself. Rational choice institutionalism regards the preferences of actors as an exogenous factor and a given assumption in analysis, whereas historical institutionalism treats preferences as an endogenous factor in the sense that institutional context shapes the interests of individuals or of groups (Thelen and Steinmo, 1992: 8-9). In other words, rational choice institutionalists presume that individuals have pre-determined preferences and seek to maximise their utility with respect to a clearly defined utility function consisting of key independent variables related to preferences. New historical institutionalists, meanwhile, tend to see the interests of agents as interactive and dynamic, defining them in relation to the institutional context.

Each academic camp has a relative advantage over the other one concerning the core questions of why institutions are devised and what drives institutional changes over time. On the first question, rational choice institutionalism provides the more intuitive explanation. To rational choice institutionalists, institutions are created by
the explicit intentions of social agents, a position which recognises the positive outcomes of introducing institutions and that voluntarily enacted institutions can achieve what they were set up for, as long as they perform their original functions without many harmful side effects (Hall and Taylor, 1996: 952-953). On the second question, historical institutionalists are more interesting, concerned as they are with gradual institutional change backed up by the notion of ‘path dependency.’ While path dependency can be useful for explaining incremental changes in stable periods, it is less convincing when it comes to interpreting periods of radical institutional reform. Hence it might be assumed that historical institutionalism is an inappropriate perspective from which to view institutional changes, because it relies on the long-lasting impacts of institutional choices made at the initial phase (Peters, 2005: 76-77). To solve this problem, historical institutionalists have introduced other notions for explaining radical transformations without modifying the basic idea of path dependency. ‘Critical junctures’ is one such novel construct used to describe the moments or short periods triggering the commencement of a differentiated path-dependent period. As these interconnected ideas are of crucial significance in historical institutionalism, they will be further examined in a separate section below.

4.3.2 Interconnected key concepts in the historical institutionalism

“Path dependency” and “critical junctures” have become fashionable terms in the historical institutional camp, but they are often cited without a proper understanding of what they mean. More conceptual discussions are essential if we prevent these terms from falling prey to what Sartori (1970: 1053) calls “conceptual stretching.”

Path dependency is the “process in which choices made in the past systematically constrain the choices open in the future” (Myles and Pierson, 2001: 306). It is a concept which suggests “that what has happened at an earlier point in time will affect the possible outcomes of a sequence of events occurring at a later point in time” (Sewell, 1996: 262-3). The nature of “increasing returns” is a major source of institutional inertia, the essence of path dependency. Increasing returns induces a situation where actors rarely choose to shift from an established option to another one, even though the current option is not the most efficient. The incremental chain reinforced by increasing returns demonstrates the persistence of path-dependent processes by identifying how transaction costs rise remarkably in specific social
contexts and highlighting the importance of temporality - timing and sequence (Pierson, 2000: 251). The traits of increasing returns manifest in a variety of institutions, not just a single institution and they are interconnected in a mutually complemented manner. Therefore, "the increasing returns nature of the institutional matrix" constituting the formal rules and informal constraints in a society hinders particular changes of institutions from reversing the ongoing direction (North, 1990: 104).

Critical junctures, on the other hand, are important turning points or crucial periods which alter the historical stream of events in a dramatically different way. Several different phrases with a similar meaning to 'critical junctures' have been found in the various literature focusing on path dependency (e.g. Wilsford, 1985, Abbott, 1997 cited in Howlett, 2009: 248). However, the underlying meaning of these terms is the same. A critical juncture is "a period of significant change, which typically occurs in distinct ways in different countries (or in other units of analysis) and which is hypothesized to produce distinct legacies" (Collier and Collier, 1991: 29). Specific junctures might turn out to be "critical" because positive feedback is produced by the initial form of mobilisation (Pierson, 2004: 66). The following definitions might help to consolidate the methodological foundation for the historical analysis of critical junctures.

- A critical juncture may be defined as a period of significant change, which typically occurs in distinct ways in different countries (or in other units of analysis) and which is hypothesized to produce distinct legacies (Collier and Collier, 1991: 29).

- We define critical junctures as relatively short periods of time during which there is a substantially heightened probability that agent's choices will affect the outcome of interests (Capoccia and Kelemen, 2007: 348).

In relation to the first definition, three conditions have to be satisfied when insisting specific events (or periods) are critical junctures: a significant change has to have happened, and the change must have occurred in distinct ways in different units of analysis and there is an explanatory hypothesis as to the outcomes - if the hypothesised critical junctures proves not to produce the legacy, the hypothesis that it was a critical juncture should be rejected (Collier and Collier, 1991: 30). In the second definition, the two italicised words - relatively and substantially - warrant further consideration. The word "relatively" underlines the necessity of comparing
the temporal span between the critical junctures and the process after the junctures. Associated with the relativity of period, Capoccia and Kelemen (2007: 348) indicate that "the duration of the juncture must be brief relative to the duration of the path-dependent process it instigates." The second word, "substantially," highlights the importance of establishing the degree to which the junctures increase during the period i.e. "the probability that agent's choices will affect the outcome of interest must be high relative to that probability before and after the juncture" (Capoccia and Kelemen, 2007: 348). The concept of "substantially heightened probability" can be better understood by linking it to the notion of "contingency." Critical junctures are identified by significant increases in uncertainty or unpredictability, expressed by "contingency," which indicates a high probability of deviating from the previous sticky process and of commencing a new self-enforcing process during the junctures. In conclusion, critical junctures are relatively short periods in which alternative options become available and thus they are of vital importance in temporal analysis, as it is highly likely that they generate new path-dependent development which would otherwise have been blocked.

4.3.3 Positive feedbacks between the theory and the methodology

It is by no means difficult to recognise the affinity between the new institutionalism and comparative historical analysis. There clearly is an affinity between the two and this is apparent in the following excerpt from Pierson and Skocpol (2002) the two most prominent scholars in the school:

*Three important features characterize historical-institutional scholarship in contemporary political science. Historical institutionalists address big, substantive questions that are inherently of interest to broad publics as well as fellow scholars. (...) historical institutionalists take time seriously, specifying sequences and tracing transformations and processes of varying scale and temporality. Historical institutionalists likewise analyze macro contexts and hypothesize about the combined effects of institutions and processes (...) (Pierson and Skocpol, 2002: 695-696).*

Because of the features they share in common, it can be argued that both historical institutionalism and comparative historical methods would benefit from the affirmative spiral feedbacks obtained by refining conceptual frameworks in theory and methodology. The fact that two key concepts related to temporal structure - path dependency and critical junctures - have been developed by historical
institutionalists illustrates how theory can make the most of methodology in order to elaborate its own logic and vice versa. Here are two precise cases illustrating the constructive dialogue between them. The strategy of periodisation is an interesting instance of how theoretical concepts promote technical fine-tunings in CHA. Periodisation concerns the methodological strategy of partitioning history into a number of separable periods in a chronological order (Lieberman, 2001: 1017). According to Lieberman (2001: 1017-1019) periods are generally divided by crucial dates or events, with other events or processes simply slotted into place between turning points. He classifies the periodisation strategies employed in CHA into four groups: the institutional origins strategy, the institutional change strategy, the exogenous shock strategy and the rival causes strategy. With all of these approaches, it is necessary to find and specify the moments that demarcate the periods. Path dependency and critical junctures are therefore of benefit to every scholar who struggles with how to divide periods in CHA. Conversely, an example of how comparative historical methods can serve to refine the theory is that of counterfactual analysis, which might be an appropriate method for testing the validity of theoretical concepts in the new historical institutionalism. Counterfactual analysis - the analysis of hypothesised events that did not occur in history - begins with the assumption that “If it had been the case that C (or not C), it would have been the case that E (or not E)” (Fearon, 1991: 169). Conceivable counterfactual scenarios supposed by theoretical predictions or reorganisation of policy-making process can be a means for discerning whether contingency - the core attribute of critical junctures - was heightened at a particular moment (Capoccia and Kelemen, 2007: 368). Along with this method, other comparative historical methods such as 'process tracing' or 'systematic process analysis' fall into the same category of methods that have the potential to encourage theoretical improvement.

4.4 Application of comparative historical analysis to policy analysis

4.4.1 The popularity of comparative historical analysis in social policy analysis

Comparative historical methods have played a major role in developing social policy analysis at the comparative level, just as they have done in other fields and
disciplines. The importance of CHA is clearly discernible in the argument of the 'welfare (states) regime.' Esping-Andersen's *The Three Worlds of Welfare Capitalism (1990)* is a comparative historical study of how three different types of welfare capitalism have emerged in Europe and America and the idea of path dependency is consistently maintained in subsequent literature on the three welfare regimes (Esping-Andersen, 1996, 1999) and other case studies from a comparative perspective (e.g. Korpi, 2001, Rothstein, 1992). Besides the development of the welfare states, the retrenchment of the public role in America and Britain during the 1980s is examined by comparative historical methods in Pierson's (1994) work. A broader version of the welfare politics in a period of permanent austerity was edited by Pierson (2001). Comparative historical studies combined with the quantitative method e.g. Huber and Stephens (2001) or Swank (2002) show how the different methods can be complementary when it comes to exploring the development and change of the welfare states. In addition, comparative historical methods offer keen insights into the development of individual programmes for securing social risks across countries or in a single country (e.g. Immergut, 1992, Orloff, 1993, Skocpol, 1992, Amenta, 1998).

Why have comparative historical methods been so popular with analysts of social policy? Firstly, the popularity of comparative historical methods is relevant to the historical nature of social policy. Social policy is not formulated at a single point in time. It is the accumulated result of historical processes over a long-term period. Once a policy is legislated, it never remains in its original form. All social policies have steadily expanded coverage of the population and provided higher levels of benefits. Social policies in history were sometimes retrenched in that a benefit was cut and the proportion of population covered was reduced. A wide range of social policies contribute to the historical entity of the welfare state, which differs from other social phenomena with only two opposite consequences - presence or non-presence. The primary units for the comparison of the welfare states are relatively big, since major social policies as a constituent of the welfare states have been implemented within the whole national boundary or at least state/province level. In conclusion, comparative historical analysis is suitable for the study of social policy and the welfare state because of the historical nature of social policy and because it addresses big questions.

Secondly, comparative historical methodology has been shown to be an effective instrument for social policy analysis by contemporary middle-range researchers. When modern social policy began in the last quarter of the 19th century, the early
grand theories - the ‘Logic of industrialism’ (Wilensky, 1975) and ‘Neo-Marxism’ (Gough, 1979, Offe, 1984) - focused on overarching factors in an attempt to explain the development of the modern welfare states. But the theoretical and empirical limitations of grand theories, especially when it came to accounting for the historical experiences of the existing welfare states, meant that middle-range theories had to be developed instead. Meaningful findings have been produced by a number of comparative studies within historical institutionalism, a prominent middle-range theory: the political origins of social policy in the USA (Skocpol, 1992), the institutional approach to the development of Swedish unemployment policy (Rothstein, 1992), the politics of health care reform and different outcomes in France, Switzerland, and Sweden (Immergut, 1992), the impact of federalism on social policy in both the development and retrenchment of the welfare state (Pierson, 1995). More broadly, some extensive historical studies (Flora and Alber, 1981, Esping-Andersen, 1990) also have strong elements of historical institutionalism, which indicate the long-term influence of the institutional legacies, particularly in Bismarckian welfare states.

Finally, comparative historical methods have contributed to the conceptualisation of social policy by refining the ‘ideal types’ that characterise a policy regime as a whole (Amenta, 2003: 108). Since the conceptualisation of the three welfare regimes proposed by Esping-Andersen (1990) ideal types grounded on historical analysis have served as prototypical cases when researchers discuss the different types of the welfare states. The ideal types of the welfare states help researchers and readers to clarify the societal factors that frame a particular type of the welfare states and how welfare benefits are differently delivered in each regime. In addition, the ideal types are very useful criteria by which to extend the results of existing analyses to other cases situated under similar or contrasting conditions. This feature of CHA has attracted the academic interest of scholars pursuing bounded generalisation to the extent that the merits of the contextualised comparison are not lost.

4.4.2 The application of comparative historical analysis to housing policy analysis

The main methodological advantage of comparative historical analysis stems from the eclectic advantages of the case study over typical quantitative methods. The case study can readily utilise quantitative evidence to achieve the research purpose although it usually collects evidence or data using qualitative methods. The eclectic
nature of the case study method makes it a powerful tool in the scientific dialogue between theory and evidence. The advantages of the case study can be illustrated by considered comparative housing research.

Here case studies conducted by comparative historical methods can alleviate many difficulties experienced by quantitative researchers. As Wilensky (1975: 7) puts it, comparative housing researchers have suffered from measurement problems and fragmentary data, which largely remain unsolved until now. For example, tenure is a representative operational morass in housing policy analysis. It generally refers to rights to the property, but is a historical concept that cannot be narrowed down to the limited types of tenures. Confusing terms are similarly witnessed to describe a variety of housing organisations in different contexts. As a typical instance, the meaning of 'housing association' varies across the states dependent upon the numerous criteria such as whether it is given financial assistance of the states, whether the staff of management boards are paid and whether it provides housing units only for rent (Doling, 1997: 37). These ambiguous terms show that it is extremely difficult to operationalise the concepts required for statistical analysis in comparative housing studies. Historical case studies including quantitative data can contribute to establishing a general consensus on the operational definition of controversial concepts in comparative housing research. In this respect, given that comparative historical methodology is so eclectic and flexible it could offer useful guidelines for refining the definitions and measurement of the concepts for quantitative comparativists.

Moreover, comparative historical methods have excellent potential to illuminate how well matched theories are with methods and to therefore produce meaningful findings. The potential of CHA is further enhanced when it is combined with the perspective of historical institutionalism in comparative housing studies. The literature on housing regimes hugely benefits from the advantages of comparative historical methods, just as the literature on welfare regimes does in comparative social policy. In comparative housing studies, several case studies are explicitly or implicitly influenced by Esping-Andersen's (1990) criteria for typology summarised in <Table 4-3>. Unfortunately, the authors of these studies have not sufficiently examined whether Esping-Andersen's framework can be applied to housing without significant modifications. They have assumed that the logic of welfare capitalism is automatically applicable to housing policy but should have handled the essential issue of how housing connects with other welfare systems within welfare capitalism, which Esping-Andersen disregards in his analysis. It is quite ironic that the most
consistent approaches to this issue are found in Kemeny’s (1995, 2005, 2006) discussion of housing regimes (dualist rental system vs. integrated rental market) which is based on a purposefully different set of housing-oriented criteria to Esping-Andersen’s. Given that the discourse on housing regimes is still in its infancy, there is much room for improving upon previous regime studies by the direct adoption of concepts like path dependency and critical junctures from historical institutionalism.

<table>
<thead>
<tr>
<th>Author</th>
<th>Criteria for classifying regimes</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barlow and Duncan (1994)</td>
<td>No criteria for classifying housing regimes</td>
<td>• 4 types of the welfare states: Liberal, Conservative, Social democratic, Rudimentary welfare states</td>
</tr>
<tr>
<td>Doling (1999a)</td>
<td>• Criteria: Decommodification • Definition: The level of decommodification depends on the rules of access and exit in housing, independently from income</td>
<td>• Constructing housing decommodification index • Comparing three countries (UK, Germany and Sweden) as typical welfare states according to Esping-Andersen’s regime • Ranking order in housing system approximately runs counter to Esping-Andersen’s result</td>
</tr>
<tr>
<td>Stephens and Fitzpatrick (2007)</td>
<td>• Criteria: Decommodification • Definition: housing outcomes are achieved independently from labour market outcomes</td>
<td>• Correlation between housing outcomes, particularly homelessness and the level of poverty and equality that are produced by welfare regime, housing system</td>
</tr>
<tr>
<td>Hoekstra (2005)</td>
<td>No criteria for classifying housing regimes</td>
<td>• 4 types welfare states: Liberal, Corporatist, Social democratic, Mediterranean welfare states • The characteristics of single-family dwellings hardly differ between liberal, corporatist, and social democratic, but there are significant differences between the three regimes and the Mediterranean</td>
</tr>
</tbody>
</table>

Several case studies of housing policy have imported concepts from historical institutionalism. Some (Kleinman, 1996, Lowe, 2004, Kemp, 2000, Matznetter, 2002, Nielsen, 2010, Bengtsson, 2004) explicitly undertake institutional analysis by importing the concept of path dependency. These studies indicate that institutional analysis involving the use of the sequential concepts might be a plausible way to approach the features of housing policy. Bengtsson (2008: 6) and later with his colleague, Roumavaara (2010a: 4-5, 2010b: 193-194) argue that accepting ‘path dependency’ is possible and necessary in the analysis of housing institutions and policy for three reasons. Firstly, housing has the dual characteristics of being both a
consumption and investment good at the same time. Construction of housing necessarily entails the purchase or ownership of land; then there is the lengthy process of building physical stock and the considerable financial outlay. The built stocks, as composites of multiple resources, form a long-standing heritage that is not easily modified by government actions. In addition, losing a home is such a huge emotional, social and cultural event that it means households are reluctant to transfer from one dwelling to another one. These physical and social features of housing act as obstacles hindering radical reforms in housing institutions and policy. Secondly, the belief that housing should be provided by the market mechanism is widely accepted and many view government intervention in the housing market as simply a corrective. From this perspective, arrangements like property rights and the regulation of tenure are fundamental to the transaction of commodities in the market. Hence it is unlikely that they will be drastically modified by government interventions. Finally, any significant amendment of relevant acts on tenure will always require consumers and suppliers as well as politicians and voters, to be persuaded because of the market-dominated provision of housing.

Another core notion in historical institutionalism, 'critical juncture', might provide novel points of view for scholars interested in discerning the crucial turning points of housing policy reform at the comparative level. Plenty of instances can be identified in which the application of the concept of 'critical juncture' is extended to the analysis of housing policy in Asian Tigers. For example, in the later part of the thesis, it is argued that the Singaporean 'CPF Approved Housing Scheme' in 1968 can be regarded as a critical juncture in the early industrialisation of Asian Tigers. If we accept that an essential trait of critical junctures is their relative shortness of duration compared with the duration of path-dependent processes as defined by Capoccia and Kelemen (2007: 348), the juncture could be extendable to the 'Home Ownership Scheme' begun in 1964 with the political slogan of 'a property-owning democracy.' However, the 'CPF Approved Housing Scheme' was more important than the previous scheme, because it triggered unprecedented growth in home ownership by allowing people to withdraw their savings from the Central Provident Fund (or CPF, the entirely contributions-based national pension scheme). With the introduction of the scheme, a part of savings could be used by CPF members but only for the purchase of housing provided by the Housing Development Board (HDB), an autonomous government agency. Whether a period (the 1960s) or a new policy ('CPF Approved Housing Scheme'), the concept of 'critical junctures' is highly appropriate for analysing the development of housing in Singapore. Notwithstanding these far-reaching possibilities of application in housing, the
institutional approaches to housing policy seem to be underdeveloped theoretically and empirically. Therefore, institutional analysis should be promoted by increasing the quantity and improving the quality of comparative historical studies, especially given the methodological virtues identified in social policy analysis and the appropriateness of the concepts for housing policy analysis.

4.5 The utilisation of comparative historical analysis in the thesis

4.5.1 Critiques of comparative historical analysis (CHA)

Although it had made significant contributions to policy analysis, CHA has also been attacked by other academic schools. These critiques become acute particularly when CHA relies on concepts or ideas from historical institutionalism to examine the issues of institutional origin and change. Its emphasis on context, in particular, is frequently devalued as "thick description of single cases" or "reliance on simple paired comparisons of complex cases" (Pierson, 2004: 169). As historical institutionalism lacks a universal tool kit or neatly defined concepts, some rational choice institutionalists further criticise the inductive and descriptive inference of historical institutionalism with the mocking expression of 'storytelling' (Thelen and Steinmo, 1992: 12). More practically, CHA is exposed to the critiques in data collection and analysis given methodological sophistication of CHA is at infancy and still made by a modicum number of scholars (e.g. Mahoney and Rueschemeyer). Although some methods (e.g. process-tracing or counterfactual analysis) are explicitly utilised in CHA, no universal tool kit has been suggested to establish well-organised practical skills until now (see Mahoney, 2004, Mahoney and Terrie, 2008 for the methodological issues with CHA).

However, it might not be desirable to pursue a deductive theory or methodology when we work with institutions in a historical manner. The single-minded pursuit of deductive theory (or methodology) is not compatible with the goals and development paths of historical institutionalism and CHA. Historical institutionalists refine their original hypotheses in inductive ways when the subjects are empirically interpreted and reject the pursuit of identical technique for the analysis of political phenomena (Thelen and Steinmo, 1992: 12). When looking at the developmental path of historical institutionalism so far, it is apparent that most of the theoretical and empirical knowledge generated by the perspective has been
steadily accumulated by continuous individual case studies, most of which could be located in CHA, in wide-ranging topics (see Pierson and Skocpol, 2002: 694, Mahoney and Rueschemeyer, 2003: 4 for a review). Finally, historical institutionalists have not sought to create deductive theories based on numerical formulae or general statements. The perspective has emerged mainly through the examination and comparison of various cases rather than by suggesting or refining standardised models for generalisation. Hence an emphasis on strict modelling would weaken the explanatory power of CHA based on historical institutionalism while at the same time it is unlikely that a generalised model would overcome its weaknesses.

4.5.2 How CHA is used in this thesis

Taking these criticisms of CHA into consideration, the thesis aims to work with the strengths of CHA rather than attempt to formulate a general theory (or methodology). The main advantage of CHA is its embrace of wide-ranging theories. CHA is distinguished by its eclecticism and pluralism in that varying theories are adopted to account for cases in a study (Mahoney and Rueschemeyer, 2003: 21, Skocpol, 2003: 419). Highlighting the eclectic characteristic, Skocpol (2003: 419) argues that the proper way of understanding CHA is to regard it not as a single ‘theory or technique’, but as a ‘research approach’. Hence the most important step in CHA is identifying the relevant theories and integrating them in a coherent way that can account for different periods of history while at the same time incorporating the influence of context. This task can be gradually achieved by researchers moving back-and-forth between evidence and contexts while investigating a wide range of data sources and arguments.

To make the most of CHA’s pluralistic advantages, this thesis will identify several convincing perspectives and link them together. Two key theories are employed to handle the cases: the developmental states and historical institutionalism. Developmental states theory, reviewed in Chapter 3, provides a plausible framework and convincing evidence with which to analyse the political economy of the Asian Tigers at the stage of industrialisation. The perspective also expands the temporal dimensions of historical analysis, because many studies of how the developmental states arose and evolved include analysis of colonial eras to illuminate the origins and evolutions of principal institutions. More specifically, key arguments and findings from the theory are expected to offer abundant contextual evidence
surrounding the development of housing policy. They help us understand how housing institutions - a component of political economy - were called for and implemented in a long run. Meanwhile, historical institutionalism is employed to increase the complementary advantages between various theories. Historical institutionalism is useful for analysing the enduring impacts of housing and related arrangements. In particular, the concepts of generating path dependency - e.g. increasing returns, institutional complementarities - are effective for demonstrating how path-dependent patterns dominate policy development by placing institutions at the centre of analysis. Because analyses “treating institutions as themselves important objects of explanation” are underdeveloped (Pierson 2004: 103), focusing on institutional contents and self-reinforcing elements will contribute to the accumulation of knowledge on institutional origins and changes in housing.

When it comes to evidence and data collection, this study is heavily reliant on secondary and tertiary sources. Since the study concerns the historical development of housing policy in two nation states over the course of a century, many old primary sources are not entirely available or not accessible. The problem becomes more serious when looking for primary sources on the colonial and early post-independence eras in Asia. This difficulty in obtaining primary sources is not confined to Asian countries. Many political scientists studying Western democracies face the same restrictions and choose to use secondary and tertiary documentary sources (Burnham et al., 2008:188-189). Reliance on non-primary sources necessarily increases in comparative historical studies where many old primary sources are not available and interviewing the actors involved is practically impossible. In addition, the thesis is intended to be a genuinely ‘historical’ study examining slow-moving policy developments over the last hundred years or so, since the significant transformations of the colonial era. The CHA is thus focused on describing and analysing long-term policy developments mainly by working with institutional characteristics rather than investigating the details of individual policymaking processes. Institutional analysis of housing policy and related arrangements is expected to produce significant knowledge of housing development in Korea and Singapore, which have lacked organised political groups capable of exerting systematic pressures on state governance in the housing policy-making process.

More concretely, the principal secondary and tertiary sources are used as evidence in the thesis are as follows: Ministry reports, yearbooks and documents published by public housing bodies, Acts and Ministry Ordinances, Hansard, newspapers, published memoirs and autobiographies, books and academic journals. Reports and
documents published by government and key public housing bodies provide information on policy goals and achievements including quantitative data. Acts and Ministry Ordinances are useful sources for identifying not only the overall direction of housing schemes, but also the details of schemes. Above all, drawing upon relevant literature from a wide range of fields in the human and social sciences offers rich evidence and important clues as to how to create an integrated framework using plural theories.

To sum up, the CHA of Korea and Singapore undertaken in this thesis adopts an eclectic approach in order to arrive at what Skocpol (2003: 424) calls "double engagement", in other words, a scientific account of social phenomena that the educated public as well as academics can understand and relate to. To this end, the CHA used in the thesis does not stick to a single method within a narrow theoretical framework. Evidence and data have been collected from various secondary and tertiary sources, mainly documents and literature. These supporting materials have then been organised and integrated using two key theories associated with the analysis of housing development. The hope is that the CHA in this thesis will shed light on how colonial institutions were combined with different developmental models and how housing institutions themselves affected path-dependent development over time.

4.6 Concluding remarks

The statistical method and the case study have their own methodological strengths and weaknesses in the social sciences and thus the appropriate choice of method is contingent on various conditions in individual studies. Therefore, the relationship between them should not be understood as exclusive and hierarchical. As a kind of the case study method, comparative historical analysis challenges reasoned historical accounts about why events took place by comparing the temporal changes in different cases or two points in time in a particular case history. Comparative historical analysts normally wrestle with a small number of cases and conduct intensive investigations into cases in order to deal with the complexity of conjunctural causation. This brings out conjunctural effects as well as temporal differences between case studies, thereby enabling comparative researchers to pay attention to different combinations of social forces and filtering impacts by
institutions in similar or dissimilar environments. With these methodological characteristics, comparative historical analysis is a powerful way to demonstrate the varied combinatorial effects of causal factors. In relation to the theories, comparative historical analysis has become the preferred empirical strategy for testing hypotheses in the tradition of historical institutionalism. The tendency largely stems from the positive feedbacks from which both historical institutionalism and comparative historical analysis would benefit. The mutual advantages are obtained by refining conceptual frameworks in theory and methodology. The fact that two key concepts related to temporal structure - path dependency and critical junctures - have been developed by historical institutionalists illustrates how theory can make the most of methodology in order to elaborate its own logic and vice versa.

The potential of comparative historical analysis is further enhanced in housing field as well when it is combined with the perspective of historical institutionalism. Esping-Andersen (1985: 179) argues that housing policy is a good subject for testing the importance of political mobilisation in the social democratic welfare states, since it concerns an area essential to household welfare and housing problems are closely interconnected with social policies. Nevertheless, most mainstream social policy researchers including Esping-Andersen have disregarded housing by neglecting or excluding it from arguments about the major constituents of the different welfare states. Even comparative housing scholars are not immune from criticism in the sense that they have paid little attention to the subject of how housing has been integrated into the overall welfare system in different ways. Housing could be the “joker in the pack of welfare policy areas” because of the unique characteristics compared with other welfare pillars and thus how it is structured can have wide-ranging impacts on the organisation of welfare states (Kemeny, 1995: 174). Therefore, it would be too hasty to designate housing “the wobbly pillar under the welfare state” (Torgersen, 1987: 116) in so far as all conclusions rely on narrow ranges of perspectives and methods.

Given that the discourse on housing regimes is still in its infancy, there is much room for improving upon previous regime studies by comparative historical analysis. CHA has a number of methodological virtues, each of which could contribute to the development of comparative housing studies. It can particularly do it by the direct adoption of concepts like path dependency and critical junctures from historical institutionalism. In addition, it can serve for the conceptualisation of housing regimes by refining the 'ideal types' in comparative study. In conclusion, the synergistic effects between historical institutionalism and the methodology are such
that historical analysis could shape alternative viewpoints to the market-centred accounts by testing propositions generated from the institutional ideas and linking housing policy to other social policies in a comprehensive way. Against the backgrounds of these theories and the method, the following chapters move to the cases of Korea and Singapore. Historical development of housing policy in Korea and Singapore will be examined in the main body of Chapter 5 to 8 mainly through the positive dialogue between historical institutionalism and comparative historical analysis.
Chapter five
The development of housing in Korea

5.1 Introduction: Industrialisation, urbanisation and housing in Korea

The Republic of Korea (South Korea, hereafter Korea) was one of the poorest countries when it became independent from Japanese colonial rule in 1945. Even after independence, the socio-economic conditions of Korea became aggravated when the countries suffered from the devastating Korean War (1950-53) and subsequent political conflicts between communists and capitalists. Most Koreans could not meet basic needs and worried about how to survive in such times of distress. This situation hardly changed until Park Chung-Hee and his colleagues succeeded in coming to power through the military coup in 1961. The new Park's government undertook a large-scale industrialisation project with a long-term plan for economic developments to legitimate the forced turnover of power. Korean society has experienced a noteworthy transformation over the past five decades since industrialisation led by the authoritarian regime commenced in the 1960s. The improvement of living standards in the newly industrialising countries including Korea was so impressive even when compared with other amazing cases in the history of capitalism. Per capita income growth rates of the East Asian societies over the second half of the last century - approximately 5 to 6% - were even higher than that of European countries and America during the Industrial Revolution (slightly over 1%) or during the 'Golden Age of Capitalism' (around 3% between 1950 and 1975) (Chang, 2003:108).

More specifically, the outstanding performance of Korea during its economic growth and swift shift from an agrarian society to industrialised society is much more obvious by comparison with some developing countries in Asia and Latin America. In <Table 5.1>, GDP per capita of Korea, US$ 156 in 1960, was slightly higher than GDP per capita of other underdeveloped countries in Asia such as Thailand ($100) and India ($84) but considerably less than GDP per capita of some developing countries in Latin America such as Brazil ($208) and Mexico ($353). Yet the Korean economy has outperformed the other developing countries for most
years of the last five decades and became the only high-income country in which GDP per capita was beyond $20,000 in 2007. It is not only GDP per capita but also its long-lasting high growth rate that makes Korea more notable than other cases. The Korean economy has consistently grown above 5% per year on average over the four decades (1960-2000) judged by the indicator of 10-year-average of annual growth of GDP per capita in <Table 5.1>. Its high level of stable economic development are contrasted with the other developing countries in which growth rates have fluctuated or been relatively low in <Table 5.1>. In the 1960s and 1980s Korean GDP per capita increased by more than 7% per year on average. During the other two decades, a growth rate of approximately 5% was maintained despite the fact that two big shocks- the Oil Shock in the late 1970s and the Asian Financial Crisis in the late 1990s - caused a significant downturn in other economies.

< Table 5.1 > GDP per capita of some developing countries in Asia and Latin America

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP per capita (current US$)</th>
<th>10-year-average of annual growth of GDP per capita (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>156</td>
<td>279</td>
</tr>
<tr>
<td>Brazil</td>
<td>208</td>
<td>441</td>
</tr>
<tr>
<td>Mexico</td>
<td>353</td>
<td>702</td>
</tr>
<tr>
<td>India</td>
<td>84</td>
<td>112</td>
</tr>
<tr>
<td>Thailand</td>
<td>100</td>
<td>191</td>
</tr>
</tbody>
</table>

Source: World Bank (2011)

As with advanced economies in Europe and America, rapid urbanisation has been accompanied by industrialisation in Korea. The more progressed industrialisation became, the more migrants rushed to urban areas. The urban concentration of population, as a typical phenomenon of urbanisation, has been observed over the period of industrialisation. There has been a dramatic rise in the number of residents in urban areas as <Table 5.2> shows. The ratio of urban population to total population in Korea has continuously increased since industrialisation was driven by the central government in the 1960s. While the percentage of urban residents to total population was less than 30% in 1960, it amounted to above 80% in 2007. The situation was essentially the same in much bigger cities. Despite a small decrease in the ratio of urban population after the 1990s, approximately half of the total population of Korea live in metropolitan areas where the total number of residents is more than 1 million. International comparison of changes in urban population illustrates how striking this swelling of the urban population in Korea is. Korea had the lowest percentage of urban population to total population in 1960 (27.7%) with
at least a 17.2% point gap between Korea and Brazil (44.9%) the second lowest country in the rankings. But with the highest increase in the percentage from 1960 to 2007 (53.5% point) Korea rose to third in the rankings, above France and Mexico, of countries in which more than half of total population was urban residents in 1960. When the urban areas are confined to agglomerations of more than 1 million, the increase is so dramatic that Korea stands at the top of the table with a figure of 48.4% of total population in 2007.

< Table 5.2 > The ratio of urban population to total population in Korea

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban population percentage of total population</th>
<th>Population in urban agglomerations of more than 1 million percentage of total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>27.7</td>
<td>21.3</td>
</tr>
<tr>
<td>1970</td>
<td>40.7</td>
<td>31.7</td>
</tr>
<tr>
<td>1980</td>
<td>56.7</td>
<td>42.6</td>
</tr>
<tr>
<td>1990</td>
<td>73.8</td>
<td>51.4</td>
</tr>
<tr>
<td>2000</td>
<td>79.6</td>
<td>50.9</td>
</tr>
<tr>
<td>2007</td>
<td>81.2</td>
<td>48.4</td>
</tr>
</tbody>
</table>

Source: World Bank (2011)

< Table 5.3 > International comparison of changes in percentage of urban population

<table>
<thead>
<tr>
<th>Country</th>
<th>Urban population percentage of total population</th>
<th>Population in urban agglomerations of more than 1 million percentage of total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>27.7</td>
<td>21.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>44.9</td>
<td>20.2</td>
</tr>
<tr>
<td>Mexico</td>
<td>50.8</td>
<td>22.0</td>
</tr>
<tr>
<td>France</td>
<td>61.9</td>
<td>21.5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>78.4</td>
<td>31.4</td>
</tr>
</tbody>
</table>

Source: World Bank (2011)

While rapid development brought with it economic affluence along with industrialisation and urbanisation, Korean society simultaneously suffered from many social problems. In particular, chronic lack of housing stock in metropolitan areas brought about multiple urban problems for decades following the onset of industrialisation. Absolute deficits in housing stocks resulted in a proliferation of condensed residential districts and illegal slums, and general housing conditions were poor during the initial phase of industrialisation. Housing problems of quality as well as quantity persisted for many years, in spite of the rapid development in other sectors of the economy. Housing stocks and housing conditions steadily improved, but Korea faced other housing problems such as unaffordable housing especially for low-income households and growing inequality in housing assets.

To cope with different kinds of housing issues, Korean governments have tried
several approaches and this chapter aims to describe the historical developments in housing policy in a chronological order, for further analysis in the subsequent chapter. This chapter starts by examining urban plans including the rudimentary housing policy established during the thirty-six-year Japanese rule, when a limited degree of urbanisation proceeded. Next, a brief review of housing policy during interim post-independence is followed by an examination of housing policy during the Park regime, which oversaw economic development through the 1960s and 1970s.

5.2 Housing policy during Japanese colonial rule and at the early independent era

5.2.1 Policy introductions relevant to housing during the colonial rule

After the Chosun Dynasty - the reigning indigenous dynasty when Korea was annexed by Japan in 1910 - the Korean peninsula was ruled by Japanese imperial power for thirty-five years. Housing was not a priority for the colonial government, which was more concerned with the efficient exploitation of the colony. Public plans for housing were largely introduced as an ancillary component of urban planning, not separate plans. Hence it might be more appropriate to approach to housing policy in colonial Korea by investigating what key acts were brought in regarding urban planning. There were two momentous acts for urban plans implemented by the Japanese: the first was the 'Remodelling City Blocks Act' in 1912, the other was the 'Chosun Planning Act for Urban Areas' in 1934. The 'Remodelling City Blocks Act' was a rudimentary modernity project to repair urban infrastructure such as roads, bridges, streams and to build physical artefacts in modern ways (Park, 2007a: 62). The function was exactly correspondent with that of a Japanese act targeted for Tokyo. The original act, the first modern institution in urban planning with reference to French law, included only the plans for expanding infrastructures but failed to stipulate the regulations on private construction (Kim, 2003: 85-86). In spite of the limited coverage, the act provided basic urban plans to improve infrastructures in Korea by the mid-1930s (Kim, 2004: 49 cited in Park, 2007a). The 'Remodelling City Blocks Act' was also utilised to create new commercial centres near which Japanese were able to settle down, thereby the newly constructed areas acted as the commercial bases for Japanese competition with the traditional
commercial areas in northern Seoul (Kim, 1982a: 23-24).

More important reform in urban planning was introduced in the 1930s when visible changes occurred in industrial structure and the size of the economy. Industrialisation steadily proceeded under the rule of Japan, even though the benefits of economic growth were largely channelled into Japan. Time-series data of GDP 1911-40 estimated by Cha and Kim (2006) in Figure 5.1 illustrates that the 1930s was a decade in which there had been a sharp rise in the GDP of Korea since Japan annexed Korea in 1910. Substantial change in industrial structure was observed over the periods too. Estimated data from Cha and Kim (2006: 46-7) shows that the ratio of mining, quarrying and manufacturing to GDP increased from 5.12% in 1911 to 19.41% in 1940 whereas the ratio of agriculture, forestry and fishery dropped from 67.22% in 1911 to 41.41% in 1940. The rise in figures for the two indicators was dramatic, especially over the last decade of Japanese rule, 1930-40.

Coping with new urban problems in the 1930s, the developmental approach to urban planning needed to be revised. In addition, Governor-General Chosun devised a scheme linking the core hubs of the economy in Korea to Japan and Manchuria, which helped support the successful imperialistic expansion to the continent after Japan occupied Manchuria - a part of mainland China in 1931 (Kim, 2007a: 160). The response of the colonial government was to introduce the 'Chosun Planning Act for Urban Areas' originated from the modern 'City Planning Act' implemented in Japan in 1920. The 'Chosun Planning Act for Urban Areas' was enacted not only to develop Najin as a planned transit port between Manchuria and Japan for the invasion of China but also as a basic plan applicable to the development of other cities in Korea (Moon and Lee, 1990: 29). The features of the act can be summarised...
as follows (Son, 1985: 153-155, Kim, 1982a: 12). Firstly, local authorities had little discretion over planning of their own areas and the act provided a legal basis for the colonial government to expropriate private land for public purposes. Secondly, the law was enacted to develop new urban areas rather than to improve current urban conditions. Thirdly, only the Japanese Governor-General had authority to approve concrete urban plans for any of the cities in Korea. Finally, private cooperatives were not allowed to be the main agents for land readjustment projects, a clause designed to push through projects without delay. The land readjustment project was the main instrument for urban development and the regulations enabled the colonial government to carry out a project without securing a budget for it, which meant it did not need to compensate land owners for the expropriation of land (Kim, 2007a: 163). Since the costs of the land adjustment project were covered in part by the increased values of the adjusted land, the method was attractive to the Japanese powers as an inexpensive means for securing sufficient lands for infrastructure (Kim, 1982a: 18).

It was around 1940 that direct regulations on housing were introduced and a public body was established to stabilise the upsurge in housing prices and address the severe shortage of housing. First of all, the ‘Chosun Planning Act for Urban Areas’ was partially revised in 1940, with detailed regulations on minimum housing conditions to curb the spread of poor housing. Just before the revision of the act, the colonial government also brought in the ‘Rent Control Act’ in 1939 to counteract spiralling rents. However, the ‘Rent Control Act’ was a disincentive to private landlords and house-builders to increase the supply of new dwellings, which forced the Chosun Governor-General to directly intervene in the supply of housing by founding the ‘Chosun Housing Corporation’ in 1941 (KNHC, 1979: 165). The corporation was founded to provide mass housing in urban areas and built 5 standard types of houses influenced by Japanese design principles (Kim and Yoon, 1987: 64-65). The ‘Chosun Housing Corporation’ helped to relieve housing problems and in total 12,184 dwellings had been constructed, mainly in large cities, with approximately one-third of total stock (4,488 houses) in Seoul, by the time Korea gained independence in 1945 (KNHC, 1979: 192). The major beneficiaries of housing provided by the corporation were employed wage earners contributing to the industrialisation the Japanese colonial government had begun in its own interests. For instance, most of the occupants of the 1,809 dwellings at Youngdungpo built by the Chosun Housing Corporation were part of a ‘new middle class’ employed by the corporations of the Youngdungpo industrial complex in Seoul (Yeom, 2005 cited in Kim, 2007a: 169). Thus, despite the contributions of the corporation it was unable to
satisfy the housing needs of the vast majority of Koreans in urban areas, particularly those of the poor.

5.2.2 Policy responses to housing needs 1945-1960

After Korea was liberated from Japan in 1945, its population dramatically increased with the return of overseas Koreans who had escaped from Japanese repression or were conscripted abroad during Japanese occupation. In particular, there was explosive rise in the population of Seoul, because of the inflow of rural people from around the country as well as the return of overseas Koreans. In just five years the population of Seoul increased by approximately 74%, from 824,976 in 1944 to 1,437,670 in 1949 (Kwon, 1977: 300). Migrants were attracted to Seoul not only by employment opportunities but also by voluntary or international aid and relief activities, which were concentrated in the capital city (Yi, 2001: 228).

Even though the housing shortage became acute in a rapidly changing environment, the measures adopted by consecutive governments were too ad hoc to be long-term plans for the appropriate provision of housing. The American military government - an interim government from 1945 to 1948 - handled housing problems mainly through temporary directives about how to distribute existing dwelling stocks and by supplying makeshift shelters. An important postcolonial issue in housing was how to dispose of abandoned Japanese properties. The American military government eventually decided to deny Japanese rights of ownership in Act No. 33, the 'Act for acquisition of Japanese property in Korea.' The enactment of Act No. 33 was followed by the sale of confiscated Japanese houses in 1948 at the market price of ¥945 (Yi, 2001: 240). Yet the sales policy had little impact on the serious housing problems faced by low-income households and returning overseas Koreans. It was the profiteers that benefited from the sales policy whereas most poor tenants of Japanese-owned houses were evicted (Yi, 2001: 240). In terms of supplying makeshift shelters, another measure to reduce the housing shortage, the total number of newly built dwelling units was not sufficient to accommodate the increasing population, especially in Seoul. Overall, the provision of temporary housing was not balanced in accordance with local housing needs and the transitional government was unable to supply new units due to the inadequate budget for housing (Yi, 2001: 257-258).

Housing issues continued to be neglected when the First Republic of Korea led by President Rhee Syng-Man was set up. Rhee Syng-Man's government, because of the
economic distress and military tensions caused by the emergence of a communist regime in North Korea, had to depend on financial aid and political support from America. Given these circumstances, the government focused on drawing up a plan for economic development and undertaking land reform to reinforce its political legitimacy. It pushed through a ‘Five-year Plan for Industrial Revival’ in 1949 designed to transform Korea from an agrarian society into industrial society, mainly by promoting manufacturing industry and complementing industrial structure (Chung, 2009: 356). There were no significant responses to the housing problem amongst Rhee’s reforms and the housing industry was not targeted for investment by the plan; neither was there substantial allocation of resources to the provision of public housing. The land reform enacted in 1949 had a little impact on the housing system, because its target was the agricultural lands. The reform allowed tenant farmers to purchase their plots, significantly redistributing land capital between landowners and farming tenants, but did little to address the aggravated housing problems of the urban regions. Direct public investment in housing was confined to constructing temporary shelters for post-independence immigrants from overseas or rural areas.

When the Rhee’s government struggled to bring order out of turmoil in the post-independence period, the Korean War (1950-53) broke out and it made housing problems much worse by destroying the housing stock throughout South Korea. Approximately 600,000 housing units (18 per cent of the total housing stock) were left uninhabitable by being destroyed or damaged during the war (Ministry of Construction, 1987 cited in Kim, 1997: 106). Despite the aggravating housing shortage, the government’s attitudes toward housing did not fundamentally change compared to the pre-war position. They remained essentially ad hoc. The only long-term plan for housing - the ‘One Million Units Construction Plan’ declared in 1953 – was unrealised due to the absence of practical ways to fund the plan. In terms of housing, Rhee’s post-war government came to an end without having restored the housing stock destroyed during the Korean War, let alone creating the new housing infrastructure necessitated by geographic social mobility. All plans for the construction of massive housing programme were in vain, nothing more than political propaganda, since they lacked a dedicated financial plan and cooperation with other industries involved in house-building (KNHC, 1979: 324).
5.3 Housing policy in the Park's regime (1960-1979)

5.3.1 The establishment of key housing acts and agencies

Mr. Rhee attempted to hold onto his presidency permanently by rigging elections and amending the Constitution after the three-year Korean War was suspended by the ceasefire agreement. His ambitions were frustrated by nationwide protests against his corrupt government and he finally stepped down from the presidency in 1960. After a constitutional amendment adopting a parliamentary cabinet system, the Second Republic was launched by general election. However, political instability was heightened as the coalition in the majority party collapsed due to internal clashes after Rhee's resignation. This political instability, as well as the slow growth of the economy, provided the military elite with a rationale for overthrowing the civilian government. Army-General Park Chung-Hee and his elite colleagues mounted a coup d'état in 1961 and Park was subsequently elected the president of the Third Republic after winning the 1963 election.

The Park government established the Economic Planning Board (EPB) to draw up long-run economic development plans, to coordinate the roles of the ministries associated with the plans and to secure foreign loans. The first Five-Year Economic Development Plan (1962-1966) was followed by four consecutive five-year plans. These plans anchored the general direction of Korean developments in the 1960s and 1970s. The first five-year plan set out the two basic goals of development, which were to break out of a socio-economic vicious cycle and to create foundations for a self-sustaining economy by: securing energy resources, correcting the structural imbalances of the national economy, investing in the basic industries and social infrastructure and correcting the imbalance of international payments (Kim, 1982b: 15).

Despite the serious post-war housing shortage, investment in housing as a part of social infrastructure was not prioritised. As can be seen from Table 5.4, only 1.5% of GNP was allocated to housing over the five years of the first Economic Development Plan (hereafter EDP). Public sector housing constituted a mere 12% of the total constructed stock during the period even though the government had declared the provision of public housing for low-income households as one of its key objectives, summarised in Table 5.4. The table also indicates how the government's stance on the housing issue became reluctant during the second EDP
(1967-1971) which reaffirmed the importance of encouraging the private sector to meet increasing housing needs, but not the commitment to the 'provision of public housing for low income households' that was made in the first plan, thus suggesting that the expansion the provision of housing should be led by private sector.

<table>
<thead>
<tr>
<th>&lt; Table 5.4 &gt; Main objectives, policy and outputs in housing under the Park regime</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Provision of housing based on census data</td>
</tr>
<tr>
<td>- Provision of public housing for low income households</td>
</tr>
<tr>
<td>Total Stocks (Stocks by public sectors)</td>
</tr>
<tr>
<td>The ratio of housing investment to GNP (%)</td>
</tr>
</tbody>
</table>


Nevertheless, the 1960s was the decade in which the institutional settings in housing were framed, since relevant housing acts were newly legislated (or extensively revised) and key public agencies were founded during the decade. First of all, a series of necessary acts were legislated to provide the social infrastructure for economic development projects like the Urban Planning Act (1962), Land Expropriation Act (1962) and Land Readjustment Act (1966). These acts were indirectly associated with the development of residential lands and slums. More directly related to housing, the Public Housing Act was legislated in 1963 with the goal of serving public welfare. The act designated the principal subjects of the provision of public housing for non-homeowners as local governments and the Korea National Housing Corporation (KNHC). The act stipulated that the central government could give financial assistance to local governments and the KNHC within the constraints of the budget. According to the act, it was only low-income households meeting the income criteria imposed by the central government that were eligible for access to public housing.

The Korea National Housing Corporation (KNHC) was founded as a public
housing agency in 1962 to replace the Daehan Housing Corporation, the former Chosun Housing Corporation. The KNHC was a state-owned but self-financing public firm and charged with the goal of satisfying housing needs mainly through the construction of dwelling units. It was given the following detailed directions to accomplish this goal: to supply modern dwellings for the low and middle income households, to push forward comprehensive land developments and to construct massive high-rising apartments (KNHC, 2009: 23). The housing or land development projects of the KNHC were largely constrained by the political decisions of central government and thus the KNHC was practically under the supervision of the state. Hence the KNHC could not carry out the business of housing production or land development independently unless it coordinated with central government (Ha, 1984: 163-4). Another key housing agency, the Korea Housing Bank (KHB) was established in 1967 (and renamed KHB in 1969) as a state-owned bank to raise funds for housing builders and consumers. The main roles of the KHB were to mobilise private financial resources and to provide loans for house builders and purchasers. According to the Korea Housing Bank Act, the majority of KHB revenues should be allocated to housing-specific purposes to assist the purchase or construction of new houses. Just before the bank was privatised in 1997, the mandatory ratio of loan to housing finance went up to 80% of total bank loans, but the mandatory ratio diminished to 50% with privatisation and the Asian Financial Crisis (Lim et al., 2008: 363).

3.2 Changes in housing policy since the third EDP

The low level of investment in housing throughout the post-war period resulted in a severe discrepancy between the provision of housing and the explosive increase in population and households when the 1970s began. According to the population and housing census of 1970, there were 4,359,962 housing units for 5,856,901 households, in other words, sufficient stock to accommodate around 74% of total households (KOSIS, 2011). The problem was even more acute in urban areas, the same census reporting that the 583,612 units in Seoul were only enough to cover approximately 53% of total households. The Park government, re-elected in the presidential election of 1971 by a narrow margin, slowly began to recognise housing as a social problem - a process which speeded up after a riot that took place in Kwangju, a suburban area of Seoul where thousands of evicted urban poor lived due to slum clearances. This event came to symbolise the unrest caused by the neglect of the Park regime, which had failed not only to meet the basic needs of the shanty
dwellers in urban cities but also to deal with the disruption caused by industrialisation in general (Sohn, 1989: 35-36).

These domestic political pressures meant that the third EDP (1972-1976) was somewhat different from the previous consecutive plans, in the sense that it envisaged a greater role for the public sector in the provision of housing and the building of new stock. The original aim of the 'Ten Year Housing Construction Plan (1972-1981)' associated with the third EDP era was to build 2.5 million homes over the course of a decade, 1.1 million units of which were to be constructed with public funds (KHB, 1975 cited in Lim, 2005: 68). To support the plan, the 'Housing Construction Promotion Act' was enacted in 1972 repealing the former 'Public Housing Act.' The act was designed to encourage the mass production of high-rising apartments by both public and private sectors. There were several newly introduced or significantly revised articles compared with the previous act. Firstly, the state was added to the main agents of public housing provision with the other agents being local governments and the KNHC - already entitled in the former 'Public Housing Act.' Secondly, a set of the new articles was introduced on how to raise funds for the continuous provision of public housing. There were two major resources to finance public housing programmes: the Korea Housing Bank (KHB) and the local governments' special accounts for housing. The KHB was to raise funds through the sales of the national housing bonds, loans from the central government and foreign countries, the revenues from the sale of national lottery tickets. Special housing accounts of local governments were mainly composed of various loans from the state and the KHB as well as the allotments of local governments. Thirdly, privileged benefits were granted to private agents when they constructed massive dwelling units in a single project. For example, state-owned lands could be preferentially allocated to private agents and local governments had to install infrastructure facilities at their own expense when private enterprises built more than fifty units in a project. Finally, a housing policy committee was to review basic housing policy including long-term plans and the management of housing funds. Overall, the act was characterised by the introduction of key legislative stipulations involved in housing plans at both annual and long-term levels, fund raising and management for massive housing construction. On the other hand, the act granted a legal basis to states for necessary regulations when private enterprises undertook house-building complex. Under the act, central and local governments could regulate a wide range of details on recruitment of purchasers and housing price in the case of newly constructed housing units beyond 50 units.
There were significant changes in performance due to the new policies introduced. These changes can be seen in the former <Table 5.4> which shows how the number of units constructed and public sector share of overall stock increased considerably during the second decade (1972-1981) of the EDP. The number of units constructed in the second decade was twice as many as in the first decade. In terms of the quantitative share of the public sector, while the ratio of the units constructed by the public sector to the total newly built units was around 10% in the first decade, the ratio rose to about 30% in the second decade. When it comes to dwelling type, the introduction of the key acts and agencies was a turning point at which high-rise apartments became the most popular dwelling type and the proportion of apartments has steadily increased (below <Figure 5.2>). From the early 1960s, the Park government promoted the construction of apartments as a solution to the acute shortage of housing through standardised mass production in highly populated regions. Apartments were regarded as 'low-quality housing' or a 'dwelling type for low-income households' until the late 1960s. This negative perception started to change when well-equipped high quality apartments begun to be built in the early 1970s. The shift was further cemented by the inducements of the 'Housing Construction Promotion Act' and since the 1970s high-rise apartments have become home to the vast majority of the growing 'new-middle' class as well as many high-income families.

< Figure 5.2 > The ratio of the apartments to total newly built units (1977-1999)


Meanwhile, although the quantity and quality of housing stock was improving, house prices continued to rise due to speculative activities particularly in the Seoul metropolitan area in the mid-1970s and because supply could not keep up with the
growing demand for housing. The economic boom, coupled with improved levels of income, led to over-demand for housing which in turn stimulated more speculation. Insofar as the supply of housing was insufficient, the over-heating of speculation consequently brought about higher inflation in housing than in other areas of the economy. To stabilise volatile housing prices and to manage demand, a range of measures were introduced from the mid-1970s in both the supply side and the demand side. Firstly, on the supply side, a designation system was introduced to the house building industry in 1978. According to the new system, registered house-building firms were entitled to be the ‘designated house builders’ if they met the key criteria imposed by central government (to do with the amounts of capital, annual outputs of housing units and numbers of qualified skilled employees). In 1978, the Ministry of Construction designated the first 46 house-builders to foster larger and specialised house-building companies (The Kyunghyang Shinmun, 1978). Once designated, firms had several advantages over normal registered builders in housing finance. Designated builders were permitted to issue corporate bonds to sell to prospective house buyers to finance their house-building projects in advance. Whereas normal registered builders could only recruit prospective purchasers when 20% of the construction process had been completed, designated builders could do it at the outset of the construction providing they met a couple of conditions.

<table>
<thead>
<tr>
<th>Year</th>
<th>Designated builders</th>
<th>Registered builders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>68</td>
<td>860</td>
</tr>
<tr>
<td>1985</td>
<td>55</td>
<td>2,079</td>
</tr>
<tr>
<td>1986</td>
<td>52</td>
<td>2,373</td>
</tr>
<tr>
<td>1987</td>
<td>72</td>
<td>2,318</td>
</tr>
<tr>
<td>1988</td>
<td>71</td>
<td>2,610</td>
</tr>
<tr>
<td>1989</td>
<td>71</td>
<td>4,043</td>
</tr>
<tr>
<td>1990</td>
<td>117</td>
<td>6,260</td>
</tr>
<tr>
<td>1991</td>
<td>117</td>
<td>8,869</td>
</tr>
</tbody>
</table>

Source: KNHC (1993a: 148)

The ‘advance sales system’, by which they were permitted to recruit and contract the purchasers of new apartments at the initial stage of construction, gave designated builders a significant advantage over their competition. Designated builders were also given priority in public housing complex developments. The publicly developed residential lands were favourably assigned to those builders in public housing projects. Only a small number of big firms were selected as designated builders, less than 10 per cent of registered house-builders. The designated builders could increase their shares to total constructed units by the private sector due to benefits from the designated system (Table 5.5). As a result, a few large-scale designated firms built about one-third (593,065) of the total
housing units (1,609,421) constructed by the private sector between 1978 to 1992 (KNHC, 1993a: 146).

More direct regulation on the supply side was made by the enforcement of a price ceiling on the sale of newly built apartments. When the price control was executed, the coverage was subject to new small-size apartments funded by the public sector but it was extended to new apartments provided by the private sector as house prices rose in the late 1970s. The 'price ceiling system' was introduced for the first time by the Seoul metropolitan government in 1977 for the provision of affordable home ownership. The Seoul metropolitan government made private house-builders sell their new apartments within the maximum price proclaimed by the administration guidance. Although the regulation was not prescribed by the act, the controlled price was effectively enforced. This is because the local government could refuse to give constructers permission unless they accepted the regulated price. The purchasers of new apartments anticipated windfall gains from the gap between the market price and the controlled price under the system.

Beneficial systems for suppliers were also institutionalised by the new regulations. The 'advance sales system' was the most obvious of the ways in which house builders benefitted from the changes to regulatory framework, funding construction costs by contracting the incomplete stocks at the very initial phase of construction. This system, occasionally implemented in the early 1970s, started to be officially fulfilled in the late 1970s by the Construction Ministerial ordinance. According to the Construction Ministerial ordinance of 1978, private builders could recruit prospective purchasers when 20 per cent of the construction process had been completed. Payments were made by purchasers in instalments of up to 80% of the total housing price before completion. The system was disadvantageous to house buyers, since the policy placed additional financial burdens on the consumer because the mandatory prepayment of the majority of housing price was set even before the production of the final good had been completed. Housing purchasers were hard pressed to find funding in the absence of an adequate institutional mortgage system and also had to pay additional interest costs on the instalments.

Along with the measures targeted at suppliers, interrelated policies affecting housing consumers were also pursued during the same period. The most significant measure to be introduced was the 'Housing Related Saving Scheme' (HRSS) which was basically concerned with how to select from a long queue of potential buyers under conditions of chronic shortages of housing supply. The scheme was invented to give account holders exclusive eligibility for new apartments provided under the
ceiling price. It was originally designed to draw private resources to housing finance at the national level and to limit the opportunity to apply for new apartments to non-homeowners who had deposits above a fixed lump sum under the price ceiling system (Kim et al., 2003: 63). This scheme invented by bureaucrats aimed to handle complaints about housing shortage by giving the ‘white-collar group’ advantages for new apartments (Kim, 1997: 114). There were two main types of saving accounts: one was a monthly-instalment savings account up to a certain amount of deposits and the other was a fixed-deposit savings account scheme (Construction Ministerial ordinance, various years, Kim, 1997: 113-114). The monthly-instalment savings account scheme was operated under the name of ‘Cheongyak-Bugeum’ (later renamed ‘Cheongyak-Jeochuk’) prior to the introduction of the fixed-deposit savings account scheme, ‘Cheongyak-Yegeum.’ When the ‘Cheongyak-Bugeum’ was created, the plan was to limit access to small-size public housings to non-homeowners. Amongst the account holders, the prospective applicants were placed into the three categories depending on the number of instalments and total amounts in their savings accounts. The account holders of the ‘Cheongyak-Bugeum’ (later ‘Cheongyak-Jeochuk’) were also able to apply for new apartments provided by the private sector as well. The fixed-deposit savings account scheme ‘Cheongyak-Yegeum’ was introduced when the government decided to expand the HRSS to new apartments built by private enterprises in 1978. Homeowners as well as non-homeowners could open the deposit savings account. Even owner-occupied households maintaining accounts with the minimum deposits were given priority if they applied for new privately-built apartments with floor space of more than 85 square metres with their own financing. The households could choose both the type of savings account and the type of housing provider depending on their financial conditions and individual preferences, even though eligibility for small-size public housing was confined to low-income households passing means tests set by central government.

5.4 Housing policy in the post-Park regime

5.4.1 Housing policy from 1980 to the mid-1990s

After Park Chung-Hee was assassinated, a military coup brought General Chun Doo-Hwan to power on 12th, December 1979. Chun was indirectly elected president
in 1981 but his presidency - a period known as ‘The Fifth Republic of Korea’ (1981-1987) - suffered from the same lack of political legitimacy as Park Chung-Hee’s military regime in the early 1960s. Just as Park’s government had tried to overcome its political weaknesses by industrialising the underdeveloped Korean society, the Chun government also attempted to bolster his political legitimacy through the “Realisation of Welfare Society” - a slogan that reflected the extent to which Korea had managed to achieve its industrial goals over the past two decades. Affordable housing for the working classes was made one of the key policy goals of the new ‘welfare society’ and the ‘Five Million Housing Units Construction Plan’ of 1980, which was subsequently revised after Chun Doo-Hwan ordered the Minister of Construction to make provisions for the building five million housing units over the coming decade (The Maeil Economy Times, 1980). The revised plan extended the construction period to fifteen years, with 1.7 million units to be built over six years during Chun’s term (The Maeil Economy Times, 1981).

The modifications made to the plan were not unexpected as the original plan was wildly optimistic and without a well-organised blueprint for funding. The new government could not even realistically fulfil the revised plan, constrained as it was by rising inflation caused by global oil-shocks and the overheating housing market at the end of the 1970s. The main reaction of the government was to employ a set of regulations on the newly built houses and to create the National Housing Fund. Firstly, the government prohibited the original contractors from selling the rights of home ownership obtained by the price ceiling system and the advance system in 1981. The government consecutively brought in the bond-bidding system and the National Housing Bonds (NHBs) in 1983. With the former actions, the original contractors selected by the combination of price controls and the HRSS were prohibited to sell the property rights of allocated houses before the original contractor registered the built house at the completion of construction. A ‘bond-bidding’ system came into effect combined with the ‘Housing Related Saving Scheme’ to mobilise private resources from the buyers of new houses. The system was designed to dampen housing speculation and to collect financial returns generated by the differences between the controlled price and the market price (Lee, 2002a: 117). Housing-related accounts holders were entitled to apply for new apartments and selected by lottery under the bond-bidding system combined with the HRSS. The applicants then bid for the right to buy and those submitting the highest bids for NHBs (Type 2 NHBs) could then buy new apartments in high-
demanded metropolitan areas.\textsuperscript{11}

To reorganise the scattered institutional arrangements, the National Housing Fund (NHF) was founded in 1981 to integrate dispersed housing-related funds under the control of the Ministry of Construction, with the fund now managed by the KHB. The installation of the NHF was to support the efficient operation of housing construction plans by lending loans for developers below the market rates. The other beneficiaries of the NHF loan were low-income households maintaining housing-related saving schemes. They were able to borrow low-interest loans from the fund when purchasing or renting houses. The revenues of the NHF were collected from state subsidies, deposits from housing-related saving schemes, the sales of the national housing bonds and the national lottery and foreign loans. \textless Table 5.6\textgreater shows the two major resources of revenues, which came from the sales of national housing bonds and the HRSS deposits, accounting for half of total revenues of the fund. The figures demonstrate that the NHF was raised mainly by earmarked arrangements (or schemes) for housing financing rather than general tax revenues.

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|c|c|c|}
\hline
\hline
\hline
\textbf{Type 2 National housing bonds} & 612,011 & 875,978 & 1,005,984 & 1,168,376 & 1,431,352 & 1,690,786 \\
\hline
\textbf{Housing-related savings scheme deposits} & 91,581 & 279,006 & 645,097 & 656,587 & 309,223 & 219,153 \\
\hline
\textbf{Loan collections} & 858,493 & 1,289,502 & 1,412,969 & 1,201,215 & 966,507 & 768,008 \\
\hline
\textbf{Revenues interests} & 583,490 & 479,970 & 684,607 & 542,080 & 1,199,594 & 934,315 \\
\hline
\textbf{National lottery} & 435,971 & 566,050 & 730,221 & 948,322 & 1,056,276 & 1,212,328 \\
\hline
\textbf{Others} & 30,658 & 40,184 & 58,406 & 54,052 & 55,625 & 59,657 \\
\hline
\hline
\textbf{Source: Ministry of Construction and Transportation (1995: 298)}
\end{tabular}
\end{table}

\textsuperscript{11} The Type 1 NHBs were mandatorily purchased by the following applicants: applicants to legal licenses stipulated by the 'Housing Construction Promotion Act', applicants to real property registrations and enterprises contracting with central or local governments.
The late 1980s and early 1990s were characterised by the acceleration of mass housing production and the adoption of a targeted approach to provisions according to the varying income levels. Launched amidst growing pressures for democratisation after the successful ‘June Democratisation Movement’ in 1987, Rho Tae-Woo’s government - the Sixth Republic (1988-1993) - carried out a policy agenda designed to soothe these demands. Influenced by the upsurge in house prices and overheating speculation, the provision of affordable housing was highlighted during Rho Tae-Woo’s presidential election campaign. The emphasis in housing policy did not change after Rho was inaugurated President. Rho underlined the importance of affordable housing in the statement below:

*Having workers settled in places of their own will be of the highest priority during my presidency and constructing two million dwelling units is my most important presidential election pledge (The Kyunghyang Shinmun, 1989).*

In the first year of his presidency, Rho and his government published its ‘Two Million Dwelling Units Construction Plan’ to build 2 million dwelling units in four years, including 600,000 new public rental units. Their intention was to redress the chronic shortage of housing and to stabilise house prices by building 2 million new houses over the course of the presidency. To achieve this goal, they enacted the ‘Residential Land Development Promotion Act’ to increase the supply of residential land available. The government encouraged the development of residential land by the public sector and sold public land below market prices. In particular, public land could be bought by private developers below cost, providing it was used to build rental and small-scale housing (less than 60 square metres). To mitigate the perennial housing shortages in Seoul, the Rho government announced that it was going to develop five new towns (Bundang, Ilsan, Jungdong, Pyongchon and Sanbon) nearby the capital, building approximately 292,000 dwellings by 1992. Meanwhile, there were considerable relaxations of the regulations on newly built apartments to stimulate the construction of housing in private sector. The price controls imposed on new apartments were relaxed so that the altered system, the so-called ‘cost-linkage pricing system’, reflected varying land costs plus maximum standard construction costs when the government set the controlled prices. The controlled price could be annually adjusted from 1989 in the new system. With the relaxation of price controls, the bond-bidding system was simultaneously modified to prevent excessive rises in house prices caused by competitive bids. The government decided to bring in an upper limit on the bidding price within which
consumers could purchase the mandatory national housing bonds.

What made housing policy during Rho presidency distinguished from other ones during the previous regimes was the substantial emphasis on the provision of public rental housing. The public rental units before 1988 were subject to the condition of conversion into units for sale when five years passed, since the newly built stocks were leased for rent. The most distinguished new type of public rental units was permanent rental housing designed to be rented for the lowest income households without the mandatory transfer from rent to sale. A total of 189,570 permanent rental units (22-43 square metres) were built by local governments and the KNHC over four years (1989-1992) seen in <Table 5.7>. According to the figures displayed in <Table 5.7> the increase in the construction of the public rental units was so drastic that the stock supplied in 1990, the highest output year during the plan, was almost twice as much as the total stock built over the five years from 1982 to 1986, before the plan was implemented. Permanent rental housing accounted for the majority of the constructed rental units. Yet the additional construction of permanent rental units was terminated by the succeeding government in 1993 and replaced by three types of rental units with varying rental periods of 5/10/50 years, which could be converted into rental units from the units for sale.

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-permanent public rental units</th>
<th>Permanent public rental units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local governments</td>
<td>KNHC</td>
</tr>
<tr>
<td>82-86</td>
<td>14,025</td>
<td>34,994</td>
</tr>
<tr>
<td>87</td>
<td>135</td>
<td>20,070</td>
</tr>
<tr>
<td>88</td>
<td>1,154</td>
<td>25,188</td>
</tr>
<tr>
<td>89</td>
<td>11,025</td>
<td>10,020</td>
</tr>
<tr>
<td>90</td>
<td>4,173</td>
<td>12,117</td>
</tr>
<tr>
<td>91</td>
<td>3,500</td>
<td>8,690</td>
</tr>
<tr>
<td>92</td>
<td>9,899</td>
<td>5,222</td>
</tr>
</tbody>
</table>

Source: KNHC (2008), *Year Book of Housing Statistics*

5.4.2 Housing reforms during the era of the Asian Financial Crisis

Housing reforms before and after the Asian Financial Crisis were characterised by continuous deregulation. As soon as Kim Young-Sam - head of the first purely civilian government since the Park regime - was inaugurated in 1993, the government undertook a wide range of economic and political reforms to differentiate it from the former authoritarian-military governments. The kernel of its
'New Five-year Economic Plan' was to end direct government interventions into the economy and to promote enthusiastic entrepreneurship in market, mainly through extensive deregulation, instead. The general direction of housing policy was to relax public controls, which had caused normal market functions to deteriorate, and to cut government expenditure on public housing (Lim, 2005: 263). The cost-linkage pricing system was abolished step-by-step, starting with apartments of more than 85 square metres all the way down to small-size apartments in the local provinces. By 1997, private providers could freely determine the price of new apartments outside Seoul metropolitan area and they were able to do it in Seoul metropolitan area if they did not employ the advance sales system. On the other hand, public involvement in rental units was significantly reduced in order to roll back the state. While the provision of new permanent rental units was terminated, only housing-related account holders (later evicted tenants for redevelopment) were eligible for the new type of 50-year rental units (Ha, 2007: 213, Kim, 2006: 13). Yet the provision of the planned 100,000 units was not fully accomplished, with construction only amounting to 30,000 units due to the constraints of the budget (Park, 2007b: 90).

The deregulation of the housing sector speeded up with the onset of the Asian Financial Crisis in the late 1990s. When Kim Dae-Jung came into office in 1998 under the bailout plans of the International Monetary Fund (IMF), the new government abolished the regulations on housing and enacted pro-market legislations. The deregulation aimed to uphold housing finance for both private credit providers and house buyers in order to revive the stagnant housing market. Here are key deregulations of the housing sector during the Kim Dae-Jung government (Kim, 2004: 329, Park, 2007: 90-91). The Kim government removed all price controls on new apartments and the bond-bidding system, which had been steadily relaxed in line with the general liberalisation of other sectors since the late 1980s. Due to the elimination of price controls, the prices of all new apartments could be freely set by providers except for units of less than 60 square metres floor space funded by the NHF. More drastic policy reforms occurred in housing finance: the privatisation of the KHB and the creation of the second mortgage market in the domestic capital market. The state-owned KHB, an official housing finance agency, was privatised in 1997 and merged with the Kookmin Bank (KB), which formed the biggest private commercial bank in 2001. The legislation of the Asset Liquidation Act in 1998 started the institutionalisation of a secondary mortgage market. The act was a legal foundation for the asset liquidation required to expand housing finance resources and to protect investors in the asset-backed securities. The government
consecutively enacted the 'Mortgage-Backed Securities (MBS) Company Act' in 1999 to stipulate the key issues associated with the foundation of MBS companies and the issue of mortgage-backed securities. On the basis of the act, the government held a major share in the Korea Mortgage Corporation (KoMoCo), later succeeded by the state-owned Korea Housing Finance Corporation (KHFC) in 2004, when it was founded in partnership with private financial organisations. The company issued the first MBS backed by the mortgage that the NHF held in April 2000 and the private agency also started to issue MBS from 2002.

Notwithstanding continuous deregulations, there was a considerable difference between the Kim Young-Sam government and the Kim Dae-Jung government. While the former government had no interest in increasing public rental units in its pursuit of liberalisation, the Kim government attempted to cater for low-income households by the expansion of the public rental sector. Firstly, new types of rental units - 10-year and 20-year dwellings - were introduced and they were entitled as the 'National Rental Housing.' There are several characteristics of the National Rental Housing as follows (Ha, 2007: 220, Lim, 2005: 310-312, Lim et al, 2008: 386-387, KNHC, 2009: 277-278, Kim 2006: 14). The rental duration of national rental housing was longer than the pre-existing five-year rental units. This longer duration was expected to improve the dwelling stability of low-income households to some extent, because five-year rental units accounted for the vast majority of public rental housing and these were normally sold off after the compulsory five-year rental period. New rental units were provided with fiscal assistance from budget depending on the size of the dwelling units. For example, 80% of construction costs came from the budget (40%) and the NHF (40%) respectively in the case of units with a floor space of less than 50 square metres. Another feature of national rental housing was that it made clear which income cohorts were being targeted. Income levels of households eligible for national rental units could be no more than 70% of the average income of urban-working families in the case of units with 60 square metres floor space. For units of more than 60 square metres, applications were only open to non-homeowners whose total household income was no more than the average income of urban-working families. Secondly, the government announced the 'One Million National Rental Housing Construction Plan', a long-term plan for the construction of new rental units for low-income and middle-income households over the next decade (2003-2012). To institutionally back up the plan, the 'Act on the Special Measures for the Construction of National Rental Housing' was legislated in 2003. In the act, the duration of national rental housing was extended to 30 years and the necessary institutional arrangements for the mass construction of rental units such as public
financial support, land expropriation and the compulsory installation of a task force for the plan were specified. Finally, the ‘National Basic Living Security Act’ replacing the old ‘Protection of Minimum Living Standards Act’ created separate housing benefits for the beneficiaries of public assistance. Based on the new act, public assistance benefits were made available to anyone under the minimum income as a social right, including those aged between 18 and 64 un-entitled under the old act (Hwang, 2006: 50). Housing allowances were designed to partially assist with the payment of rents of beneficiaries in the case of tenants or management costs when beneficiaries were owner-occupiers. Although the amounts paid were too small to cover housing costs and coverage was extremely limited, the significance of the act was that separate housing benefits were introduced for the first time in the history of the Korean public welfare system.

5.4.3 Housing policy of the Rho Moo-Hyun government

In housing policy, the priority of the Rho Moo-Hyun government (2003-2008) was to stabilise the upsurge of housing prices in the Seoul metropolitan area that began around 2000. In particular, the price rise in the richest districts was much higher than in the other districts, which aggravated inequalities of wealth by income as well by region. As soon as Rho assumed his presidency in 2003, the new government designated Seoul and other highly-speculative provinces (Kyung-gi and Chung-cheong) as speculation-prone zones and reformed the estate taxation system towards levying progressive tax as the values of real estate increase. Anti-speculation and price-reduction policies primarily targeting the Seoul metropolitan area were consistently implemented over the whole term of the presidency as below <Table 5.8> shows. Meanwhile, the government decided to revive the price ceiling system to control housing prices. It was less than a decade since this long-standing regulation had been repealed, despite the considerable distortions of the housing market that inevitably followed. New apartments with floor space of less than 85 square metres built on public residential land were brought under the price ceiling system in 2005 and coverage was extended to all new apartments in 2007. In addition, all housing providers had to make the details of construction costs public when it came to apartments built on public residential land.
< Table 5.8 > Taxation and regulations on housing during the Rho Moo-Hyun government

<table>
<thead>
<tr>
<th>Year</th>
<th>Main Contents</th>
</tr>
</thead>
</table>
| 2003 | - Designating Seoul and other highly-speculative provinces (Kyung-gi and Chung-cheong) as 'speculation-prone zones'  
      - Lowering loan-to-value (LTV) ratio of short-term (less than 3 years) loans from 60% to 50% in speculation-prone zones |
| 2005 | - Introduction of the 'Gross Real Estate Tax' |
| 2006 | - Tightening regulation on LTV in private sector (Lowering LTV from 60-70% to 50% in the case of mortgage loan by non-bank agencies)  
      - Extending the regulation of DTI (Debt To Income) to houses in speculation-prone zones |
| 2007 | - Reintroduction of price control (price-ceiling system) on newly constructed apartments in both the public and private sector  
      - Unfolding construction costs of new apartments built on public lands |

Source: Kim (2008: 271-277)

On the other hand, the various long-term plans were designed to meet the housing needs of low-income and middle-income households and more concrete means were introduced to increase the provision of public rental units. In 2003, the government announced that 1.5 million long-term rental units (1 million national rental and 500 thousand private rental units) would be provided over the next decade and the financial support from central budget would rise from 30% to 40% in the case of small-size national rental housing. The 'Act on the Special Measures for the Construction of National Rental Housing' was passed in 2003 in order to achieve the construction of national rental units and to curtail the construction period. The government was paying attention to improving the housing quality of the vulnerable at the lowest income level through setting the minimum standard. The 'Housing Act', newly enacted by repealing the old 'Housing Construction Promotion Act' in 2003, imposes a legal duty on the Minister of Construction and Transportation to declare the minimum housing standard including dwelling space, the number of rooms, housing equipment and environmental elements.

5.5 Concluding remarks

This chapter described the policy changes that have been made to reform Korean housing over the past 100 years or so, a period in which the country experienced Japanese colonial rule and witnessed rapid industrialisation under an authoritarian
regime, followed by democratisation with regular power changes since the late 1980s. Basically, residual views on housing have remained deeply entrenched through these swift transformations. Governments have tended to experiment with a wide range of regulatory measures designed to cope with housing issues rather than directly invest in the building of housing stock, or a competitive public sector or well-running housing market that would help these policies about. While coherent policy concerns about a sustainable private sector or competitive public bodies have been missing, the various regulations have distorted the housing market. The majority of policy measures in housing were introduced and extended to avoid public responsibility for meeting housing needs when the country embarked on industrialisation project in the 1960s. Resources were channelled away from housing and into export-oriented manufacturing industries as far as possible. The development strategy of selective investments in key industries shifted away from the light-manufacturing industry to heavy-manufacturing industry in the 1970s. Although housing was a growing social problem, the response of the authoritarian government was not to switch towards reliable public involvement in the provision of housing. The government took a carrot-and-stick approach to both private house-builders and housing consumers, even though this combination had serious negative side effects.

Throughout the 1990s and the 2000s, there was change of heart to a certain extent. Many regulations were relaxed or abolished and the public rental sector was expanded to cater for low-income households whose housing needs could not be met by the market. It can be argued that the changed system is moving towards Kemeny’s ‘dualist rental market’ position. However, the shift either to a dualist rental market or liberal home-owning society has not fully occurred at least until now, because the housing sector is still constrained by the institutional legacy of the past to the extent that it hindered fundamental change. The Korean housing system has been structured mainly by a mixture of earmarked regulations on home ownership of new units and passive cultivation of a rental sector. This kind of ‘regulating housing’ strategy framed the persistent shortage of housing units and unequal distribution of housing for most of the development period. Given the influence that the enduring institutions exert on subsequent transformation, the drastic shifts toward liberalisation since the 1990s seem to have aggravated the lack of affordable housing for middle-income and low-income households. More concretely in the next chapter, I will discuss the general housing consequences of housing policy, followed by an analysis of housing outcomes. In particular, analytical points will be put forward on the institutional aspects and their impacts.
on the housing system.
Chapter six
Analysis of Korean housing: The regulatory framework and its path dependency

6.1 From the Japanese colonial era to the early terms of the Park regime

6.1.1 Colonial housing policy: Coercive policy transfer

It is widely accepted that the Korean people and their resources were consistently exploited by Japanese powers over the whole colonial period. It is claimed, on the one hand, that Japanese colonial government transferred modern institutions originating in Western societies to Korean society and thus the era was referred to as a transformative period from traditional peasant society to the Western type of modern society (Rhee, 1996: 94-101). Whichever argument one leans towards, it is obvious that the Japanese colonial government sought to set up an efficient but highly repressive ruling system in Korea to further its imperial ambitions. To fulfil its aims, the Japanese powers were ready to import a wide range of policies implemented in their homeland.

Housing is one of the areas in which substantial policy transfers were made. The two basic acts, the 'Remodelling City Blocks Act' and the 'Chosun Planning Act for Urban Areas' are seen as the typical cases of policy transfer. More specifically, in terms of the type of policy transfer, many features of Japanese colonial urban policy including housing fit the stereotype of extreme 'coerced policy transfer.' Dolowitz and Marsh (1996: 347-348) argue that the most direct coercive policy transfer takes place 'when one government forces another to adopt a policy' and refer to the principal enforcing agents as supra-national institutions and trans-national corporations in global circumstances. Besides these, this study argues that superpower countries in pursuit of imperial expansion can also be seen as representative agents of coercive policy transfer insofar as the enforced policy transfers are between national borders. The 'Remodelling City Blocks Act' was proclaimed by Governor-General Chosun, head of the colonial government, following a similar Japanese act implemented in 1889. The 'Chosun Planning Act for
Urban Areas' - the most influential act in urban planning and housing - was basically grounded on the Japanese 'Urban Planning Act' enacted in 1919. The implantation of the two acts was so coercive and experimental that they were imported for the purpose of efficient rule with hardly any consideration of their appropriateness for the Korean context. Their coercive and experimental characteristics are revealed when compared with the original Japanese acts. Several articles absent from the original versions, successfully vetoed by opponents in Japan, were steamrollered through the dictatorial colonial state. For example, a couple of articles - relating to a government land readjustment project and the restriction on the participation of private bodies in land readjustment projects - were too radical for Japanese tastes in their homeland (Kim, 2007a: 165). Yet the favourable conditions of the colony made it possible for Japanese powers to easily bring in radical measures in Korea without strong resistance. Another similar case of transferring Japanese arrangements took place at the organisational level. The 'Chosun Housing Corporation', the public housing agent, was transferred by the colonial government. Its foundation was significantly affected by the role of the 'Japan Housing Corporation' established two months earlier to manage housing shortages in Japan (KNHC, 1979: 166). The organisation survived after independence and was re-launched as the Korea National Housing Corporation (KNHC) without many modifications by the Park government.

When these instances are viewed from within the analytical framework proposed by Rose (1991: 21-22) and Dolowitz and Marsh (1996: 351), they appear to fall into the categories of 'copying' or 'emulation.' Their dominant characteristics were either simply copies of existing Japanese housing legislation or slightly adjusted to the different circumstances in Korea. Meiji Japan had done a similar thing with the key institutions it adopted from the Western modern economies. Yet it could be argued that the policy transfers made in Korea were neither copying nor emulation. The 'Chosun Planning Act for Urban Areas' was not just 'copying' because some core articles were adjusted or newly created. The adjustment of the mother law was made in experimental ways on behalf of the Japanese occupying powers to promote administrative efficiency. Meanwhile, the adjusted policies cannot be categorised as 'emulation' either, because the delicacies of the different local conditions were not taken into account by the colonial rulers. Their experimental and exploitative features probably have as much to do with the exceptional requirements of Japan, a latecomer to the imperial stage but without the material resources to realise its expansionist aspirations. Thus, while the Japanese colonial officers were able to carry out the same kinds of policies in colonies as their forbears had done during the
successful modernisation project of the Meiji era, they were also obsessed with extracting the maximum amount of material resources from the colony (Booth, 2007: 3). Therefore, rather than simply copying the policies of Meiji Japan, the colonial powers chose to insert experimental clauses in order to create a powerful and efficacious administration system capable of maximising the economic potential of the colony.

<Table 6.1> Housing shortages in Seoul under Japanese rule

<table>
<thead>
<tr>
<th>Selected Year</th>
<th>Housing stocks (A)</th>
<th>Households (B)</th>
<th>Deficiency rate (B-A)/B *100 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>63,802</td>
<td>67,530</td>
<td>5.5</td>
</tr>
<tr>
<td>1931</td>
<td>69,453</td>
<td>77,701</td>
<td>10.6</td>
</tr>
<tr>
<td>1936</td>
<td>107,946</td>
<td>138,583</td>
<td>22.1</td>
</tr>
<tr>
<td>1944</td>
<td>132,000</td>
<td>220,938</td>
<td>40.3</td>
</tr>
</tbody>
</table>

Source: Kim (1986: 224)

The spatial structures of Korean cities were inevitably distorted since urban policy was designed on the basis of the imperial interests. Urbanisation under the rule of Japan was promoted not by maturation process of indigenous factors in the economy, society and culture, but by Japanese strategic plans for effectively governing Korea (Yoon, 1999: 205). In a distorted spatial allocation, the housing needs of Koreans were largely neglected in favour of those of Japanese residents. Park (2007a: 62) argues that residential segregation in urban areas was structured by discriminatory policies against Koreans in which the improvements of infrastructure were concentrated in Japanese residential areas. In Seoul, Koreans residing in northern Seoul and suburban slums suffered from poor housing quality, water supply and sanitation as a result of discriminatory housing policy when the Seoul population was growing fast in the 1920s (Kim, 2007b: 35).

An absolute lack of dwelling stocks was another aspect of ethnic discrimination in housing along with the segregated residential districts. <Table 6.1> illustrate how serious housing shortages were in Seoul under Japanese rule. Unfortunately, there was no segregated time-series data between Koreans and Japanese in <Table 6.1>. The ethnic data was available only in 1936. According to <Table 6.1>, total deficiency rate was 22.1% in 1936. The ethnic data of 1936 reported that Japanese deficiency rate was 4.97% whereas Koreans' deficiency rate was 26.8% (Kim, 1986: 224). Despite the limited availability of ethnic data, the result indicated that Koreans faced acute housing shortage compared with Japanese.
The severe deficit of housing stocks necessarily produced dense residential areas where multiple households lived in very overcrowded conditions. In particular, it was the urban poor that severely suffered from the absolute shortage of housing and poor housing conditions. 'Tomakmin' - normally migratory peasants or unskilled manual workers - lived in dugout huts and they formed a number of illegal slums in Seoul (Kim, 1986: 205). As well as the poor housing conditions, there was also a strong correlation between persistent low income and long-term residency in slums. A survey conducted in Seoul indicated that the longer low income households stayed in slums, the more difficult it was to escape to better accommodation (Kim, 1986: 238).

It was not until the early 1940s that separate housing policy was made to address housing problems. The colonial government introduced the 'Housing Price Control Act' and set up the Chosun Housing Corporation (CHC) as an independent public agency in 1941. However, this belated concern for housing policy was far from comprehensive. Housing units provided by the CHC covered a very small portion of Koreans, most of which were urban labourers serving Japanese imperial objectives. Priority to purchasing new CHC houses was given to public servants or wage-earners employed by companies in key manufacturing or military industries (KNHC, 1979: 185-6). Benefiting from the priority, Japanese normally bought large-size houses (more than 60 sq. m) whereas Koreans had to make do with much smaller ones (less than 30 sq. m) (KNHC, 1979: 185-6). On the other hand, the vast majority of Koreans, particularly the urban poor, were still excluded from the benefits of the CHC standardised houses. However, this segregationist housing policy did not last for long and it was terminated when Korea achieved independence in 1945.

6.1.2 Housing policy during the early terms of the Park regime

In the previous chapter, we saw how housing was neglected in the economic development plans of the Park government and its drive towards industrialisation. The preferential aids of financial resources and administrative benefits were given to core manufacturing industries for export-led growth. The necessity for government control over these industries in order to increase exports is evident in the following excerpt from Park Chung-Hee (1970):

The over-all national development program may necessitate, for the rational operation of the economy, reluctantly imposed administrative controls over the regional relocation of various industries and planning for
... In a country like Korea, whose area is small and resources are scarce, expansion of foreign trade and acquisition of modern industries are vital conditions for full employment (...) (Park, 1970: 214).

Selective assistance was crucial to the Korean developmental scheme if this underdeveloped laggard was to survive against the global competition and the government's discriminatory attitude towards industrial financing was particularly pronounced during the initial phase of development. When the military regime came to power, most private commercial banks were placed under the direct control of the government in 1961 and special banks were founded to aid specific industries (Cho and Kim, 1995: 31). The government appointed nationalised bank managers and forced them to follow policy guidelines based on the development plans rather than the maximisation of profits (Cho and Hellmann, 1993: 13). The government allowed exporting companies to obtain short-terms loans with just a letter of credit and indirectly subsidised the export industry by fully rediscounting long-term loans (Virmani, 1985: 49). Cho and Hellmann (1993) describe the Korean coordination system between the government, the financial sector and the industrial companies as "government-led internal organization." As a consequence of the selective benefits, the large business conglomerates (chaebols) were grown by taking a lion's share of exports and became leading agencies of the Korean economy in developmental processes.

It is widely accepted that the house-building industry was not a major beneficiary of governmental selective assistance and the channelling of public financial resources into the housing sector was curbed as much as possible, in order to avoid crowding out financing export industry (Renaud, 1993: 292-7, Kim, 1993: 278, Kim, 2004a: 324, Ahn, 2002: 255, Kim and Ahn, 2002: 215). Despite its lack of concern for housing, it should be noted that the 1960s was the decade for establishing the related acts and institutional organisations under the government initiative in accordance with the economic development plans.

When it comes to the nature of the changes, this study argues that many institutional arrangements in the institutional reforms were inherited from the past or voluntarily transferred from Japan and thus they were largely incremental to maintain the status quo in housing. Reasonable grounds for the argument come from the institutional similarities in legal and organisational structures of the Japanese ones as well as the past ones. Firstly, the institutional similarities can be found between Japanese housing policy and the Park regime's by comparing the relevant key acts. For instance, the 'Land Readjustment' (LR) scheme is the most...
remarkable case in which the Japanese housing legacy was sustained during the post-independence decades. The LR refers to a land assembly process by which landowners get back developed land or a proportion of development costs in return for lands given over to the government for urban development. The legal rationale for the LR scheme can be traced back to the 'Chosun Planning Act for Urban Areas' and it was legislated for in a separate act, the 'Land Readjustment Act' (1966) introduced by the Park government (La Grange and Jung, 2004: 570). As we saw in the previous chapter, the scheme meant there was no need for the government to finance the whole cost of development, because compensation would be paid for by the rising values of the developed lands. This cost-cutting scheme was attractive to the Park government, which was reluctant to invest financial resources in housing, and through local governments was the most popular way of public land development before the 1980s without allocating much budget, even though landowners took most profits from LR projects (Yoon, 1994: 58). Therefore, it can be argued that the early Park government preferred LR to other types of land development in urban areas, including residential use, because the Japanese legacy provided it with an effective means for avoiding huge outlays in non-priority sectors and minimising the crowding-out effects of public financing.

There are also institutional similarities between the Japanese and Korean situations, with respect to the role of key housing agencies and the relationship between these. Post-war Japanese housing policy was shaped by the three 'pillars': the 'Public Housing Act' (1946), the 'Housing Loan Corporation Act' (1950) and the 'Housing Corporation Act' (1955) (Hirayama and Hayakawa, 1995: 217, Hirayama, 2003: 153, Hirayama, 2007: 104, Ronald, 2008: 170). Public housing was constructed and managed by local governments, subsidised by central government under the Public Housing Act for low-income families. The Housing Loan Corporation (HLC) provided low-interest mortgages for households pursuing home ownership. The principal role of the Japanese Housing Corporation (JHC), a government housing agency, was to construct rental units and condominiums for sale, from which urban middle-income households mainly benefited. The emphasis on providing mortgages through the HLC to create a home-owning society, meant that the status of public housing in housing policy declined over time (Ronald, 2008: 170, Hirayama and Hayakawa, 1995: 217-8). There are clear parallels with the institutional arrangements made for Korean housing policy from the 1960s. In the Korean 'Public Housing Act (1963)', local governments and the Korea National Housing Corporation (KNHC) were made responsible for providing public housing for non-homeowners with the fiscal assistance of central government. The other key
apparatuses - the KNHC and the Korea Housing Bank (KHB) - were equivalent to the Japanese HLC and HC respectively, in organisation of the agencies. The KNHC founded in the Japanese colonial era and re-established by the 1962 KNHC Act, was the public agency charged with constructing rental or for-sale units for low- and middle-income households under the supervision of the Ministry of Construction, just as the corresponding JHC was. The state-owned KHB was parallel to the HLC in Japan, since it played the earmarked role of public agency for long-term mortgages and bricks-and-mortar subsidy.

6.1.3 Evaluating housing policy up to the 1960s

There are contrasting arguments as to the long-run impacts of Japanese legacy on post-war developmental strategy in Korea. Kohli (1994: 1269-1293, 2004: 27-61) argues that the Korean economy was transformed by the totalitarian bureaucracy that the Japanese colonial rulers set up, which penetrated the fabric of the society to such an extent that it exerted a long-lasting influence on post-independence economic growth. From a related stance, it is argued that policy similarities e.g. authoritarian states, financial regulations, nurturing business conglomerates can be identified between the Japanese developmental strategy of the 1930s and Park's developmental strategy in the 1970s (Woo, 1991: 20-21, 38-42). This viewpoint advocates the inheritance of colonial policy in the 'continuity or discontinuity of legacies of colonialism' in Korea (see Kohli, 1997, Haggard et al., 1997 for the review of the theme). However, the general discourse on the issue barely touches upon the more concrete question of how the institutions have evolved, which is crucial for explaining the differences in economic performance between pre- and post-colonial societies (Kim, 2010: 1). As far as we admit that individual policies need to be investigated for the rationale for the 'continuity of legacies of colonialism', the findings of this study indicate that the history of housing policy from the Japanese era to the early terms of the Park government lends empirical support to the 'continuity' argument. In other words, housing policy transferred during Japanese rule was not substantially altered by the Park government in the 1960s. The reasons for this enduring legacy are related to the point made earlier about Japanese housing policy in the colonial era, that it was designed to realise the broad ruling plans through minimum public expenditure on housing. This well-controlled and cost-saving approach to housing was compatible with the economic aims of the Park government, since it prevented precious resources from being channelled into the relatively unproductive housing sector, hence the continuation in policy direction.
6.2 From the late Park regime to the Sixth Republic

6.2.1 The early 1970s: A ‘critical juncture’ towards furthering regulatory controls

The reluctance to invest in housing during the 1960s led to severe housing problems and a distinctive tenure structure at the start of the 1970s. Above all, as the census data in the previous chapter illustrates, there was not enough housing to accommodate increasing urban population. This underinvestment in housing made the housing shortages even worse while more people rushed to the metropolises and the nuclear family became more pervasive. Eventually, the government recognised that housing reforms were necessary when it became clear that the severe lack of housing was jeopardising social stability and the political legitimacy of the government. There was nationwide resistance against the Yushin reforms that allowed the current president Park Chung-Hee to indefinitely be re-elected and to execute absolute powers through the amendment of the Constitution. Along with anti-government demonstrations and parliamentary opposition, the unrest amongst the urban poor in Kwangju persuaded the government that the housing problem had become an urgent issue to be handled.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Housing Units</th>
<th>Public sector (%)</th>
<th>Private sector (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st plan (62-66)</td>
<td>325,935</td>
<td>39,915 (12.25)</td>
<td>286,020 (87.75)</td>
</tr>
<tr>
<td>2nd plan (67-71)</td>
<td>540,338</td>
<td>69,613 (12.88)</td>
<td>470,725 (87.12)</td>
</tr>
<tr>
<td>3rd plan (72-76)</td>
<td>760,591</td>
<td>228,766 (30.08)</td>
<td>531,825 (69.92)</td>
</tr>
<tr>
<td>4th plan (77-81)</td>
<td>1,116,074</td>
<td>495,378 (44.39)</td>
<td>620,696 (55.61)</td>
</tr>
</tbody>
</table>

Source: Ministry of Construction and Transportation, various years, Year Book of Housing and Transportation

The immediate response was the new enactment or amendment of enforcing acts to foster mass housing construction. The ‘Housing Construction Promotion Act’ was the main instrument employed to achieve this. The Act without a doubt contributed to relieving the quantitative housing shortage by promoting high-rise apartments since it was enacted. However, a quantitative-focused housing policy worsened other aspects of the housing problem. Firstly, the government was committed to the provision of units for sale because of the low budget outlays on housing. <Table 6.2> shows a total of 1,876,665 units were constructed in the decade between 1972 and 1981. But just 64,739 of these were for rent, with 63.4% being transferred to units for
sale as soon as the short-term mandatory rent period expired (KNHC, 1993b: 564). This predominance of for-sale-units by the public authorities was inevitable without adequate government subsidy as long as the rent was strictly controlled. The average ratio of housing budget to total government budget was just 1.4% for the decade (1971-80) (KNHC, 1983: 100). Under the circumstances, public agencies like the KNHC had to balance its revenues and outlays through the sale of units and keep unprofitable rent business to a minimum not to violate government guidelines.

< Figure 6.1 > The ratio of each tenure (1975-2000)

![Graph showing the ratio of each tenure (1975-2000)](image)

Source: National Statistical Office, various years, Population and Housing Census

Secondly, given that access to long-term mortgages was limited due to impartial credit rationing, the home ownership was put beyond the reach of moderate-income households. Many middle-income households that could not afford to buy their own homes either had to rely on a form of tenure known in Korea as 'chonsei' or informal financing such as private transfers from relatives or the informal credit market. 'Chonsei' involves renters paying a lump sum deposit to landlords at the outset of the tenancy, instead of monthly rents, which they get back when the rental contract is terminated. In general, the chonsei tenancy is a two-year contract and the deposit is normally set at between 40% and 70% of the unit market price. This kind of tenure has been the prevailing rental type since the 1970s as <Figure 6.1> illustrates. Chonsei, which developed in the Chosun Dynasty and continued under Japanese colonial rule, was embedded during the industrialising period because it increased the funds available to landlords and enabled tenants to save deposits in an underdeveloped institutional housing finance market (Park, 2000: 37-41). Families who had to find a lump sum for home ownership or chonsei deposit depended on kinship networks (private transfer or inheritance) and the unregulated "curb market." In the "curb market" nominal interest rates were charged ranging from three to six times the rates of the institutionalised banking sector during the two
decades of industrialisation, as a consequence of the regulation stipulating that commercial banks give priority to export industries (Renaud, 1993: 297). Influenced by the priority of industrial financing and consequent underdevelopment of institutional housing finance, the heavy reliance on informal financing escalated financial burden of moderate- and middle-income families when they purchased houses and paid for deposit for chonsei.

In the absence of sufficient public rented accommodation, the vast majority of poor families were forced to resort to sheltering in urban squatter settlements or sharing a single unit with multiple families. Kim (1996: 91-92) estimates that the number of Seoulites residing in illegal units in 1970 was approximately 770,000 people, which was around 13% of total population in Seoul. The tenure of squatters was legalised in the 1970s and refurbishment schemes provided low-wage earners in a number of urban squatters settlements with cheap housing on the basis of the "Temporary Act on the Promotion of Housing Improvement" (Kim, 1996: 94-96). The other last resort was to share a housing unit with a couple of households. Figure 6.2 shows how overcrowded housing units were in the 1970s despite the governmental drive to construct more units. It reveals that slightly over half of urban households occupied a separate unit in the 1970 and the percentage had decreased by 4% in a decade. Although there is no corresponding income data, it can be presumed that it was normal for more than two families at low- and moderate-income levels to reside in a single unit due to the lack of affordable rental units.

< Figure 6.2 > Percentages of number of households per unit in cities (1970-1985)

In terms of the characteristics of the policy means employed during this period, the more obsessed the government became with the quantitative objective, the more constraints it placed on the housing sector. The 'Housing Construction Promotion Act' imposed strict regulatory controls on private builders. In the act, central or local
government was given the authority to determine the details of the construction and allocation of housing such as the recruitment of contractors, or preferential conditions for the allocation and unit price of new apartments. Later, a wide range of housing-specific regulations (such as a price ceiling, advance sales system and housing related saving scheme) were introduced through frequent amendments of the act and enforcement rules. The controlling elements were reinforced particularly in the late 1970s when an upsurge in the housing prices took place affected by the estate speculation boom. The government intended to curb soaring housing prices by augmenting direct regulations rather than assuming greater responsibility with extra public expenditure on housing. Consequently, the formal housing finance system was distorted by direct interventions into the construction process and allocation of new units.

The government's decision to bolster the constraints on housing finance seems to have been motivated by the changes in developmental strategy from the mid-1970s. In the third economic plan, the Park government declared its intention to nurture heavy and chemical industry for export. As the government decided to shift the economy away from light industries to heavy and chemical industries, the tendency of forced loans was enhanced in the banking sector from the mid-1970s (Virmani, 1985: 50). What should be noted about this process is to differentiate overseas construction industry from domestic house building industry. In the house building industry, the remarkable increase in the bricks-and-mortar subsidy was substantially frustrated by the government's plans to restructure the economy even though the demands for new housing had been escalating. The overseas construction industry, on the other hand, was actively encouraged because of its contribution to exports as well as employment during the Middle East construction boom. One of the characteristics of the overseas construction industry as an exporter of construction services was that construction firms working in developing countries generally brought their own workers to sites in the Middle East (Kim, 1988: 228). The government therefore supported overseas construction companies by implementing the 'Overseas Construction Promotion Act' from 1976. Notwithstanding the segregation between the two industries, the large-scale construction firms became so important that they turned their attention to the domestic housing market after the end of Middle East construction boom and thus became influential agents in the domestic housing policy process from the late 1980s.
6.2.2 The Fifth and Sixth Republic: A series of incremental housing reforms

The political legitimacy of the Fifth and the Sixth Republics was weakened because their respective presidents - Chun and Rho - were leaders by virtue of the coup d'état that brought Mr. Chun to office. As Korean society had already achieved industrialisation to a considerable extent, these authoritarian governments began to look for new ways of repressing demands for further democracy. Affordable and decent housing rose to the top of the political agenda, encapsulated in the catchphrases, 'The Realisation of Welfare Society' and 'An Era for Ordinary People' respectively. Notwithstanding these overt declarations of change, the housing reforms that ensued were so incremental that they were virtually indistinguishable from the previous path-dependent routes taken in housing policy. The incremental nature of policy changes during the two governments can be identified by examining two major cases: the foundation of the NHF and the provision of permanent rental housing.

The National Housing Fund (NHF) has offered supply and demand subsidies, mainly in the form of loans below the market rate, since it was established in 1981. The initial aim was to raise funds for housing construction and provide housing stability for non-homeowners via subsidised loans. Yet there were several limitations of the NHF which meant that it can hardly be seen as a turning point or paradigmatic shift in housing policy. This viewpoint is grounded in the fact that the Fund neither changed the means of financing the housing sector nor the primary recipients of subsidies. The two major sources of the Fund were national housing bonds and the deposits of the HRSS. These sources were not new because the revenues were collected from arrangements implemented in the 1970s. In addition, the resources were accompanied with the compulsory repayments of bonds or the returns of deposits in future. Later, an important resource (Type II national housing bonds) was added by the 'bond-bidding system' but the revenue came from the purchasers of new apartments without further public expenditure. The annual average proportion of funds from central budget to total net revenues was a mere 6.8% for the first six years (1981-86) that the fund was operated (Yoon and Kim, 1995: 28). In conclusion, no significant public expenditure was channelled into the Fund besides the debt-based resources.

In terms of the cohorts subsidised, the central target group of the NHF was low-income households. It is generally believed that the NHF and KHB have shared their roles in public housing finance system: the NHF has primarily subsidised low- and
moderate-income families (or the construction of smaller units) and the KHB has subsidised upper-middle-income families (or the construction of larger units) (Kim, 2004a: 329, Lim et al., 2008: 363). However, given that the full information on the NHF loans is not available, the studies argue that considerable amounts of the subsidised NHF loans were assigned to middle- and upper-middle income households for home ownership purposes (see Kim, 2004b: 104-105, Yoon and Kim, 1995: 52-54). These findings indicated that the NHF did not fully succeed in aiding the declared income cohorts. What makes the path-dependent nature evident is the fact that the related regulation was newly put into action for the Fund. The 'bond-bidding system' - an additional source of the NHF - was such a good instance that it was designed not only to reduce speculation activity, but also to withdraw consumers' windfall gains by price control. To the government, the new regulation complemented the price ceiling system and the Housing Related Saving Scheme (HRSS) through the mutual feedback.

The provision of public rental units for low-income households was a flagship welfare policy of the Sixth Republic. The Rho government started to construct a new type of rental units. 'Permanent rental housing' was the first rental housing not subject to the rule of compulsory transfer from rent to sale. Moreover, there can be no doubt that the increases in rental housing under the Rho government were much more remarkable than those achieved during the former governments. Nevertheless, the growth of the public rental sector was not sweeping enough to provoke a fundamental reform of housing policy. First of all, the changes in policy were largely brought about in response to economic factors and political threats, not by any ideological shift. The Rho government was forced to set up emergency measures to meet the housing needs of low- and moderate-income households when the post-Olympic housing bubble caused rents to soar and the urban poor lost their squatters settlements following a number of clearance schemes (Lim et al., 2008: 378, Lim, 2005: 155-157, Kim, 1996: 118-127). In addition to these ad hoc features, the strict rules limited the capacity of public rental units to accommodate poor families. Basically, only the poorest households entitled to public assistance benefits were eligible for the new permanent rental units. The government was determined to exclude applications from single-person households and households failing to fulfil the minimum residence criteria (e.g. five years living in Seoul) amongst the public assistance recipients. The path-dependent characteristics of the programme are not only confirmed by the strict eligibility criteria but also by the reductions in its scope and reach. Originally, the government planned to provide 250,000 permanent rental units. Yet the initial plan was frustrated and the objective was reduced to 190,000
units in the policy-making process due to the strong opposition of the Economic Planning Board prioritising economic growth and policy efficiency (Lee, 1995: 116-117). Therefore, the case of permanent rental housing illustrated how incrementally the government’s approach to housing was changing and that the government still stuck to the priority of economic growth over other welfare policies.

Although the 1980s policies were basically path-dependent, a temporary but new nexus between housing and the other welfare pillars could be observed during the decade. The Chun and Rho governments made an explicit policy linkage between housing and pensions when they began to institutionalise the welfare policy package. The direction was a one-sided flow in which pension funds were invested in short-term NHF bonds. The loose linkage was identified when the NHF was established. A minor source of the NHF was short-term deposits from the occupational pension funds of, for example, public servants, professional soldiers and private school teachers. The relationship became clearer as the Rho government utilised reserves of the new national pension scheme, launched in 1988, for house-building projects. In 1991, the government decided to issue the NHF bonds and the national pension fund was supposed to purchase them. The revenues from the sale of the bonds was to be used to construct new housing units for wage earners who did not own houses (The Maeil Economy Times, 1991). The national pension fund invested a total of 390,000 million won in short-term NHF bonds over three years (1991-1993), 100% of investment in the welfare sector during the period (Lee and Do, 2004: 112-113). The investment of the national pension fund in the NHF bonds is not negligible when looking at the trend afterwards. The amount invested in 1993, the last year of the investment, was 4.6% of the total accumulated funds - 8,424,628 million won according to National Pension Corporation (NPC) (2002: 332) data - that year. The annual percentages of investment in the welfare sector to total accumulated funds calculated on the basis of NPC (2002: 232) data reveal the 1993 percentage as the highest annual figure of the decade and that it dropped to 1.7% in 1999 as the annual percentage consistently decreased. However, this relationship between public housing and national pension turned out to be temporary, because the next government terminated the issue of NHF bonds. Notwithstanding the short duration of the relationship, it gives hints as to how a new nexus between housing and other welfare pillars might be formed in Asian contexts in contrast with the relationship in European contexts reviewed in Chapter 2.
6.2.3 Evaluating housing policy from the 1970s to the Sixth Republic

It is frequently claimed that the early 1970s was important for the development of Korean housing in positive sense, since the government began to be interested in housing shortage and reformed the housing system to encourage the quantitative increase in the construction of new housing units (e.g. Lim, 2005, Lim et al, 2008). This is because the government recognised the perennial scarcity of housing stock as a challenge to its political legitimacy. It began to substantially intervene in housing, in contrast with the previous strategy of ignoring housing.

However, this thesis argues that this new direction was neither a commitment to public responsibility nor the pursuit of free market solutions. What to be more critical than the concern in housing shortage in the 1970s was that the regulatory framework was cemented by the government's controlling approach to housing. Housing policy and its outcomes during the period can be summarised as authoritarian governments shaping an institutional entity of complementary regulations to control the forces threatening their developmental strategies, thereby continuously distorting the provision of housing. This study defines the institutional feedbacks in Korean housing policy as the "negative institutional complementarities" derived from the concept of "institutional complementarities" in the thesis of 'Varieties of Capitalism' (VOC). Before accounting for the Korean case, the argument starts by reviewing the original concept of "institutional complementarities." The recent discourse on VOC is raised to get over the weaknesses of 'corporatism' without undermining its theoretical merits. The VOC approach emphasises both the relation between private agents (firms and financial institutions) and the relation between firms, financial institutions and government, while corporatism basically focused on tri-partite interaction within the official system (Hall and Soskice, 2001: 4-7, Soskice, 1999: 101-103).

The basic concepts and theoretical frameworks of 'Varieties of capitalism' are brought together in the collection "Varieties of Capitalism" (2001). According to Hall and Soskice (2001), the economies of developed capitalism can categorised into two ideal types: liberal market economies (LMEs) and coordinated market economies (CMEs). This classification is based on how rational firms coordinate with various actors in market and government. Whereas firms in the liberal market economies solve coordination problems mainly through hierarchies and competitive market arrangements, firms in coordinated market economies tend to rely on non-market relationships to coordinate their activities. The key point is that the strategy of firms depends on the institutional structures in place for addressing coordination
problems. Corporate coordination primarily relies on official institutions providing information, monitoring and sanctioning defections as well as deliberate institution (Hall and Soskice, 2001: 9-10). The VOC approach highlights the factor of institution to account for different micro behaviour and seeks a theory of “comparative institutional advantage” (Soskice, 1999: 102). The distinctive institutional features of the two economies are summarised in <Figure 6.3>. The idea of institutional complementarities is very useful for understanding the logic of comparative institutional advantages. The concept of “institutional complementarities” is defined as follows: “two institutions are said to be complementary if the presence (or efficiency) of one increases the returns from (or efficiency of) the other” (Hall and Soskice 2001: 17). This means that a specific type of coordination in one area of economy could promote complementary activities in other areas.

< Figure 6.3 > Institutional framework of CMEs and LMEs

This study suggests that the concept of ‘institutional complementarities’ can be applied to middle-range policy analysis, since it acts as a useful framework for analysing historical development. The concept can be imported to explain the development of interconnected housing regulations excepting the point that the Korean case concerns how complementary institutions produce negative side effects in society as a whole. The analysis of the Korean case starts by examining the balance sheet below of the agents involved i.e. housing consumers, house-building firms and the objectives of regulations that the state aimed to fulfil. The interesting point is that the government consistently benefited from the regulations since the
most important objectives were largely achieved by the regulations without much outlay on housing.

<table>
<thead>
<tr>
<th>Policy Package</th>
<th>New Housing Consumers</th>
<th>House-building Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives of Regulations</strong></td>
<td>1. Price ceiling system (A)</td>
<td>Profits are substantially limited by A.</td>
</tr>
<tr>
<td>2. Housing Related Saving Scheme and Allocation rules (B)</td>
<td>Affected by B, consumers were largely confined to the HRSS holders, but little damage from excess demands.</td>
<td></td>
</tr>
<tr>
<td>3. Advance sale system (C)</td>
<td>Small and medium house-builders are discriminated by preferential conditions for big ones.</td>
<td></td>
</tr>
<tr>
<td>4. Designated builders (D)</td>
<td>Other benefits were provided to ensure profits to some degree (e.g. the provision of cheap publicly developed lands).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Costs</th>
<th>Benefits (including pseudo-benefits*)</th>
<th>Social Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A worsens the problem of housing shortage by shrinking supply of new units.</td>
<td>• Housing purchasers are expected to take windfall gains under A.</td>
<td>• While consumers seek excessive windfall gains and thus fuel speculation, many house-building firms are too inflexible to adjust fluctuating economic cycles under the package. These responses bring about the volatile housing market.</td>
</tr>
<tr>
<td>• B violates the principle of free choice, because it forces all prospective consumers to participate in the scheme.</td>
<td>• B made the HRSS holders believe they are exclusive beneficiaries and thus comply with policy.</td>
<td>• The myth of ever-profitable home ownership makes the middle-class acquiesce to the constant lack of housing and endure increasing financial burdens of home ownership.</td>
</tr>
<tr>
<td>• C increases housing costs for payment of instalments before the completion of construction.</td>
<td>• C guarantees contractors lucrative assets in the future.</td>
<td>• Not only do firms build as many large-size apartments as possible to maximise profits, but also consumers prefer to purchase larger-sized ones in expectation of bigger capital gains under the package.</td>
</tr>
<tr>
<td>• Other benefits were provided to ensure profits to some degree (e.g. the provision of cheap publicly developed lands).</td>
<td>• House-builders are subsidised with the public funds raised by B.</td>
<td>• House-building industry is dominated by a small number of big firms, with small or medium firms sub-contracted by big firms or public bodies.</td>
</tr>
</tbody>
</table>

* Pseudo-benefits are not benefits in real terms but ones which make people perceive the benefits of the regulations.
The pay-off matrix that the combination of the regulations offered new housing consumers and house-building firms is shown in Table 6.3. The policy package worked well without serious challenges almost for two decades. This was mainly because the policy mutually complemented other policies by compensating those who lost in specific measures. When discontent over housing heightened, additional measures were adopted or current ones were revised in the package to soothe the counter-forces. As a result, the state designed the regulatory entity of housing schemes and prevented housing sector from crowding out the economy when implementing the development plans.

What characterised the policy system at the time was that it was ad hoc and generated considerable social costs. Most individual policies were not designed to operate as parts of a well-integrated entity keeping social costs to a minimum. In the previous chapter, we saw how most policies were introduced or reinforced without a long-run blueprint with yearly intervals. More importantly, the package was so negative that it generated considerable social costs, even though there were few mechanical problems to be managed. Firstly, it fuelled the volatility of the Korean housing market and the interest-maximising behaviours of the agents. Many families were ready to join the long queue for prospective home ownership, because they believed their patience would be rewarded with windfall gains. Constrained by the regulations, house-building firms could not run their businesses without being seriously affected by economic booms and slumps and the supply of new housing units grew inflexible. Secondly, the package manipulated the Korean people—especially the middle-classes who acquiesced to the constant lack of housing and inflated costs of home ownership, falling victim to the mythology of home ownership as an investment. The myth made the constant lack of housing and escalating financial burden tolerable. In particular, the middle-class benefited from ownership of apartments as assets and their political support provided the governments with a rationale for authoritarian rule (Chun, 2009: 131, Gelezeau, 2004: 147). Thirdly, while package was operating, larger-size apartments were generally preferred and the other regulations—i.e. the mandatory quota of smaller units—were necessary not to hinder the stable provision of smaller units. Kim and Kim (2000: 1159) account for the preference for larger units amongst both consumers and suppliers when the price of new apartments was controlled, arguing that profit-maximising suppliers would take the maximum portion of large units beyond 85 sq. metres in a building scheme. This is because the price per square metre of apartments over 85 sq. metres
units is higher but the production costs cheaper, due to economies of scale. Consumers prefer larger units as long as they can access the available funds, since capital gains increase proportional to size under the price ceiling system. Kim and Kim (2000: 1159-1160) argued that price controls on new apartments and the subsequent mandatory quota of smaller units have distorted the distribution of new apartments in size. Finally, the house-building industry was dominated by a small number of large firms. The package created advantageous policy environments for big firms in licensing, subsidy and finance. Small or medium firms were subcontracted by public bodies or large firms and thereby it was large firms that took the lion’s share of the market and benefitted most from the preferential policies in the house-building industry.

6.3 The pre- and post-Asian Financial Crisis period

6.3.1 Housing policy of the Kim Young-Sam government

Kim Young-Sam labelled his government the ‘Civilian government' to differentiate it from the former authoritarian and military-backed governments. The power elites of the new government were pro-market ideology. Financial technocrats, most of whom were educated in American universities to PhD level, managed the project of financial liberalisation at the practical level and enabled the ‘ideological osmosis' (Woo, 1991: 191-192). The period saw the decline of the previous developmental strategy and the arrival of the ‘New Five-year Economic Plan' stressing free-market principles and abolishing the EPB. There was a de facto dismissal of investment coordination by the government and the selective industrial policy was dismantled (Chang, 1998: 1558). Large Korean business conglomerates (chaebols) became less dependent on governmental assistance as they could borrow from the foreign capital market or domestic commercial banks. The new direction of the government was immediately mirrored in the reforms to the housing finance system. The biggest change in the financial sector was that commercial banks and other private financial agencies could select their own interest rates for loans and saving. Moreover, the government announced giant state-owned banks including the KHB were to be privatised within a few years according to the New Five-year Economic Plan. The government planned to allow the KHB to issue the MBS along with the privatisation of the banks. Although all these processes were completed in the next government, it
was the Kim government that set up the transformation of the housing finance system and first proceeded with it.

Coupled with the liberalisation of the financial system, house-building firms' demands for deregulation of price controls had been mounting since the late 1980s. This was a time when many construction firms owned by chaebols were expanding their operations in the domestic housing market, as the Middle-East construction boom began to wane and profits from overseas construction declined. Given that profits were constrained by the price control system, the Korea House-building Business Association, mainly composed of large-scale designated builders, officially urged the government to abolish the bond-bidding system and to allow the price of new apartments to be set by market forces (Donga Ilbo, 1991). Finally, the government gradually eliminated the cost-linkage pricing system from local provinces to Seoul metropolitan areas. Meanwhile, a rolling back of the state took place in the public rental sector mostly by withdrawing the provision of public rental units and raising the rents which tenants of public rental units paid. The government commenced the scheme of private rental enterprises with the 1993 Act of Rental Housing. When the act was amended a couple of times in the 1990s, it provoked investment in the private rental sector and gave the rental enterprises considerable discretion over choice of tenants and allowance reserve for management (Lee, 2004: 213-214).

6.3.2 Coping with the Asian Financial Crisis and its aftermath

After Korea was sucked into the financial turbulence during the last year of the Kim government, the transformation process was accelerated by the IMF bailout plan. The incoming Kim Dae-Jung government had to carry out neo-liberal reforms of core economic policies based on the guidelines enforced by the IMF. Neither was housing policy immune to the neo-liberal prescriptions. The demands for housing reforms became pronounced, as the housing system was not working in a deep recession. Mass unemployment and decreased income reduced the demand for houses and this was linked to delays or cancelations in the purchase of new houses. The steep decline in housing prices reduced the asset values of homeowners and brought about payment disputes between landlords and tenants in chonsei contracts. On the supply side, the drop in sales of new houses meant private house-builders lost their biggest source of finance, as they were heavily dependent on purchasers' down payment and instalments under the advance sales system. The outcome was
The consecutive bankruptcy of house-building firms. The year of 1998 was the peak year for bankruptcies and 432 firms (14.3% of all registered builders) were bankrupted that year (Lim, 2005: 297). Faced by the economic shocks and the failure of the system to operate, the government's reaction was to decontrol the housing sector and liberalise the housing finance market. Privatisation of the KHB was completed and the relevant acts permitting the issue of the MBS were legislated to open a secondary mortgage market just after the crisis occurred. The persistent price control on new apartments was virtually eliminated and house-building companies were allowed to determine prices in self-funded house-building projects.

The consequences of the housing reforms were the growth of home ownership with mortgage loans and subsequent rise in house prices. Banks began to readily provide more mortgages, which were less risky than loans for firms in an economic slump and thus more households purchased houses with high mortgage rates. The rates of mortgage loans to total household loans from banks rose from 47.8% in 2000 to 59.3% in 2002 while total amounts of household loans from banks in 2002 (107 billion won) were more than twice as much as in 2000 (222 billion won) (Kim and Kim, 2004: 41-42). <Table 6.4> shows the ratio of Loan-To-Value just before the crisis, which stayed at around 25% while the Kim Young-Sam government drove through the financial liberalisation. When LTV regulations were relaxed just after the crisis, the figure jumped to 38.3% in 2001 and had settled between 32% and 39% by the mid-2000s. Financial liberalisation and the subsequent changes to people's behaviour this caused led to steady growth in home ownership. As can be seen in former <Figure 6.1>, the owner-occupier rate, which had been decreasing since 1975, suddenly increased when two consecutive governments liberalised the financial system and housing regulations before and after the financial crisis in the 1990s.

<Table 6.4> PIR (Price Income Ratio) and LTV (Loan-To-Value) ratio (1996-2005)

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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PIR</td>
<td>Not Available</td>
<td>4.6</td>
<td>4.2</td>
<td>4.6</td>
<td>5.0</td>
<td>4.6</td>
<td>5.5</td>
<td>6.2</td>
<td>5.5</td>
<td>5.6</td>
</tr>
<tr>
<td>LTV Ratio (%)</td>
<td>25.0</td>
<td>26.2</td>
<td>27.1</td>
<td>28.0</td>
<td>33.9</td>
<td>38.3</td>
<td>32.1</td>
<td>32.4</td>
<td>36.9</td>
<td>38.2</td>
</tr>
</tbody>
</table>

Source: KB (2011a), Demands for Housing Finance Survey

This set of changes might indicate that the structure of home ownership in Korea was moving towards the home-owning societies of Western economies, backed up by
the market mortgage system after the crisis. However, in relation to the mortgage structure, there was a significant difference in the duration of mortgages compared with the typical mortgage offered in Western economies. Mortgage loans, in general, are scheduled to amortise over a long-term period - normally more than 20 years with periodic repayments. The increased mortgages during the post-AFC (Asian Financial Crisis) period differed from typical mortgages in that most were short-term, maturing in three years, and bullet mortgages in which the principal of the loan should be paid when the mortgage expires (Kim and Kim, 2004: 43, Lee, 2002b: 31-32). The KB bank's preference for short-term mortgages is a quite recent phenomenon, if we take the case of the KB bank, the biggest commercial bank, which merged with the KHB in 2001 (see <Figure 6.4>). In 1998 mortgages of 20 years and over accounted for 74% of all new mortgages, but by 2001 the situation had been reversed and short-term mortgages of 3 years were now the norm. This dramatic shift towards short-term mortgages was desirable neither for borrowers nor for the housing market. As long as borrowers are not in arrears with their interest payments, the duration of a short-term mortgage can be extended but borrowers take higher risks on short-term mortgages than they do with long-term mortgages (Kim and Kim, 2004: 43). Moreover, bullet mortgages encourage speculation and incentivize borrowers who intend to pay off mortgages with the profits they make from future sales (Lee, 2002b: 32). Hence it is highly likely that any move to short-term mortgages will fuel speculative demands for housing in a real-estate boom.

< Figure 6.4 > Maturation of new mortgage loans from the KB bank

<table>
<thead>
<tr>
<th>1998 Mortgage</th>
<th>2001 Mortgage</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Less than 3 years</td>
<td>■ Less than 3 years</td>
</tr>
<tr>
<td>■ Between 3 and 10 years</td>
<td>■ Between 3 and 10 years</td>
</tr>
<tr>
<td>■ Between 10 and 20 years</td>
<td>■ Between 10 and 20 years</td>
</tr>
<tr>
<td>■ More than 20 years</td>
<td>■ More than 20 years</td>
</tr>
</tbody>
</table>

4% 9% 5%

Source: Lee (2002b: 31)
This was certainly the case in Seoul at the end of the Rho Moo-Hyun government, just as the economy was crawling out of the financial slump (see <Figure 6.5>). Strong anti-speculation policies were designed by the new Rho government to restrain upsurges in house prices. The main focus of the reforms was to reinforce the regulation of the housing market, not only through new measures like the ‘Gross Real Estate Tax’ but also with the revival of abolished means like price controls on new apartments.

Nevertheless, the Kim and Rho governments can be distinguished from the Kim Young-Sam government by their commitment to expand the role of the public rental sector in many respects. In the presidential campaign, Kim Dae-Jung pledged to reconstruct permanent rental housing, the additional provision of which was terminated by the former government. Although the plan was frustrated by the financial restrictions of the bailout scheme, it was substituted with the provision of new long-term rental units, “National Rental Housing” for which the units were supposed to be rented for 10 or 20 years (later 30 years). The new rental housing was designed to serve the various households in terms of income levels and sizes. Moreover, the government started to give public assistance beneficiaries separate housing allowances, even though the amounts were small lump sums depending on the number of entitled households. Yet the decision was so meaningful that the targeted benefits could be regarded as the first explicit housing allowance in Korea.

The succeeding Rho government went even further than its predecessor with the
public rental sector. Firstly, the income-targeted approach was further refined as soon as Rho took office. The Ministry of Construction and Transportation (MOCT) (2003) differentiated core means of mitigating rental unaffordability for the lowest and the moderate-income cohorts in the roadmap for housing policy. According to the roadmap in <Figure 6.6>, the government would construct small-size national rental housing and purchase multi-household dwelling stocks for the lowest income decile. It was planned to construct varying sizes of national rental housing and to provide more rental subsidies on behalf of the cohorts between the second and fourth income decile. Following the guideline, the government provided a mixture of rental units and endeavoured to increase the stocks of long-term rental housing. There was much criticism of the public rental units constructed in large scale apartment complexes in suburban areas, because it necessitated expensive land costs for development and dislocated tenants from their workplaces and communities. To alleviate the dislocation, public agencies like the KNHC began to purchase or rent a small number of built stocks in inner-cities and to let the refurbished stocks at low rents for poor families. A residents' survey by the KNHC reported that the project contributed to improving housing standards and tenants were highly satisfied with their dwelling stocks (Kim et al., 2006: 21). Besides varying rental types, the government strived to increase long-term rental stocks including those held by the public sector, given that the majority of rental units were sold on when the minimum legal period expired. The government increased the total stocks of public rental housing that were available for more than 30 years. The available long-term stocks rose from 288,733 in 2002 to 403,543 in 2006, or 3% of total dwelling units (MOCT, 2007: 539). The MOCT (2007: 23) aimed to raise the rate of long-term rental stocks to total dwelling stocks to 15% by 2012.

< Figure 6.6 > Roadmap for increasing housing welfare

<table>
<thead>
<tr>
<th>1st decile</th>
<th>2nd-4th decile</th>
<th>5th-6th decile</th>
<th>7th-10th decile</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Purchase multi-households units and let them</em></td>
<td><em>Construct various national rental housing</em></td>
<td><em>Affordable provision of medium or small size housing</em></td>
<td><em>Meeting housing needs in the market</em></td>
</tr>
<tr>
<td><em>Construct small-size national rental housing</em></td>
<td><em>Provide more loans or subsidy for chooset or rent</em></td>
<td><em>Provide more mortgages for home ownership</em></td>
<td><em>Provide more mortgages for home ownership</em></td>
</tr>
</tbody>
</table>

6.3.3 Evaluating the pre- and post-Asian Financial Crisis period

The 1990s, before and after the Asian Financial Crisis (AFC), was regarded as one of the most critical decades in the history of housing policy as well as the Korean economy. In this study, it is not the 1997 AFC but the decade as a whole that is designated the critical juncture in Korean housing, because the path-breaking transformation was already in progress before the crisis with the Kim Young-Sam government's liberalisation of the economy in the early 1990s. The critical juncture of housing in the 1990s was specified as short periods of time rather than a specific event or point. As we have already seen in the previous sections, the traditional developmental strategy was drastically reformed by the Kim government in the pursuit of deregulation and the transformation process was accelerated by the succeeding government under the IMF bailout. Although the Kim Dae-Jung and Rho Moo-Hyun governments were less conservative and more democratic than the preceding government, they by no means sought a return to the past. Rather their basic concern was about how to reduce the rising social costs of liberalisation such as higher unemployment and growing inequality. Their common responses were to enhance the public social safety net against new social risks and to organise the general welfare system in accordance with changing social needs. With respect to social policy, the post-AFC reforms fuelled academic debated about how the reforms changed the Korean welfare state and which welfare regime Korea belonged to (see Kim, 2002 for the review of the theme).

Policy changes in housing are generally in line with the overall directions in other welfare policies. While regulating frameworks were continuously dismantled in the 1990s, the post-AFC governments assumed higher public responsibility for providing affordable housing mainly through expanding rental sectors on behalf of low- and moderate-income families. Of course, the Rho Moo-Hyun government was relatively dualistic up to the mid-2000s in the sense that it tightened or restored regulations on housing to curb price upsurges, but took the cornerstone of its policy was to foster rental sector. At the same time, it reaffirmed the importance of the market and home ownership in the provision of housing. In the policy roadmap announced by the Rho government, the government made sure that upper median-income households would pursue home ownership in the market to meet their housing needs.

In summary, Korean society has been moving towards a home owning society
backed up by mortgages on the capital market since the deregulations before and after the AFC sparked the transformation process. The post-AFC developmental phase was differentiated from the previous ones during which governments created a mythology of state-sponsored home ownership and reinforced it with a wide range of complementary regulations. However, the path-breaking system does not seem to improve the affordability of housing and housing inequality in society. The past strategy filled with regulatory controls led to a stagnant or occasionally shrinking home-owning society and made both home ownership and rent unaffordable in Korea. Middle income households who wanted to buy houses relied on informal housing finance or the limited opportunities for purchasing new apartments under the regulated system. On the other hand, moderate- and low-income households had to depend on a largely unsubsidised private rental sector or the residual and sometimes stigmatised public rental sector. Once this kind of extraordinary housing system was established, the post-AFC radical shift aggravated the position of the lower classes with respect to both home ownership and rent. In the circumstances, the governments began to perceive housing as a constituent of the welfare state and they were committed to developing small-size public sector homes for rent. Yet it is unlikely that these commitments will bring about a significant transformation towards 'Anglo-Saxon' home-owning societies12 in Korea, as long as governments continue to believe in the essential values of housing. Moreover, given the strong temptation that the future governments will restore abolished or relaxed regulations as the post-AFC governments occasionally did, it is likely that Korean society might suffer from a coexistence of 'government failure' and 'market failure' caused by an institutional vicious cycle in the future as it did in the past.

6.4 Concluding remarks

Housing is one of the areas in which substantial policy transfers were made under Japanese colonial rule. Many policies were so coercive and experimental that the colonial government instituted many experimental clauses in an authoritarian manner on behalf of the imperialists' interests. Housing policy transferred during Japanese rule was not substantially altered by the Park government in the 1960s.

12 ‘Anglo-Saxon home-owning (or homeowner) societies’ is a frequently used term to designate Anglo-Saxon countries, such as the UK, USA and Australia, in comparative housing studies (e.g. Lowe, 2011: 181, Ronald, 2008: 119).
The reasons for this enduring legacy are related to the point made earlier about Japanese housing policy in the colonial era, that it was designed to realise the broad ruling plans through minimum public expenditure on housing. This well-controlled and cost-saving approach to housing was attractive to the Park government, which sought to curb the draining of limited resources into peripheral sectors such as housing.

Insofar as the Korean development model was basically maintained, the responses of the late Park government and the following authoritarian (Chun Doo-Hwan and Rho Tae-Woo) governments were neither a strong drive to the provision of public housing nor a resort to *laissez-faire* remedies. The 1970s was a critical decade during which the regulatory framework was cemented by the government's controlling approach. A series of measures such as the price ceiling system, housing related savings schemes, designated builders and the advance sales system were implemented in the 1970s. These controlling approaches were significantly deregulated in the 1990s and accelerated before and after the Asian Financial Crisis (AFC) by the civilian governments. Deregulation in the housing finance sector was achieved through the privatisation of public housing agencies and the creation of a second mortgage market. The public rental sector, on the other hand, has been fluctuating with the ideological stances of the civilian governments and overall economic situation, although the post-AFC governments have achieved considerable improvements in the housing stock and tenure stability.

However, it would be too hasty at this stage to predict that continuous deregulation and privatisation will eventually dismantle the existing Korean housing system, or that the liberal model or Kemeny’s 'dualist rental market' model will be embedded in the future. Although far-reaching deregulations were brought about in the 1990s, the regulatory framework from the past is still alive. Some regulations such as the advance sales system, housing related saving schemes persistently survive up to now. Abolished regulations (e.g. the price ceiling system) were often restored even in the 2000s. It is possible that an extraordinary reform characterised by old or new regulatory controls will occur in the future by the prospective governments reluctant to invest national resources in housing.
Chapter seven
The development of housing in Singapore

7.1 Introduction: Independence, industrialisation and housing in Singapore

The Republic of Singapore (hereafter Singapore) is a city-state consisting of 63 tiny islands in Southeast Asia. Singapore was initially developed as a trading post by the East India Company in the early 19th century. More specifically, the origin of modern Singapore can be traced back to the year of 1819 when the Temenggong of Johore, the local ruler, signed a settlement agreement with Sir Stamford Raffles on behalf of the East India Company (Turnbull, 1989: 1). The country became an official British Crown Colony in 1867 after being one of British Straits Settlements since 1826. Singapore was ruled by the British colonial government until it became a self-governed state in 1959. Instead of remaining a fully independent state, the self-appointed PAP government decided to join Malaysia in 1963 along with the other former British colonies in the Malay Peninsula. The PAP government then declared independence again in 1965 separating Singapore from Malaysia.

The country's survival as an independent state was not a foregone conclusion, due to its small size and the scarce resources under its command. Nevertheless, Singapore managed to achieve outstanding economic growth largely thanks to the industrialisation projects of the Peoples' Action Party (PAP) led by Lee Kuan Yew. The economic prosperity of Singapore has been consistently pursued under the long-term rule of the PAP that has won all the general elections held since gaining full autonomy over the territory. At the early stage of development, the long-running government set up core statutory boards e.g. the Economic Development Board (EDB) and the Housing and Development Board (HDB) to support public plans for economic growth and social stability. The developmental strategy of the government was basically devoted to export-led growth and focused on attracting foreign investment represented by multinational corporations (MNCs) rather than nurturing domestic capital. There are several features of its economic policy to date: the regulation of the labour market through wage determination and curbing union

13 British colonial rule was suspended while Japan occupied Singapore during the Second World War.
activities, generous tax incentives for MNCs and public investment in human capital and infrastructure (Huff, 1995: 740-747, 1999: 36-44, Soon and Tan, 1993: 18). Hugely influenced by government’s steering development, the GDP per capita of Singapore jumped up from US$ 395 in 1960 to US$ 38,645 in 2007 (World-Bank, 2011). Judged by the indicator of GDP per capita, Singapore has moved ‘from Third World to First’ as the title of Lee Kuan Yew’s (2000) book puts it, in just half a century. In terms of economic structure, the country shares many characteristics with the developed economies where the service industries have grown much bigger. <Figure 7.1> illustrates these features well, in particular the country’s relatively large financial services (12%) and business services (14%) sectors. Financial services and business services were set up as an engine of growth for developing an international financial centre in Singapore and become the fastest-growing sectors after the late 1970s (Huff, 1995: 739). Nevertheless, manufacturing continues to be an important part of the Singaporean economy and its products have led export-oriented growth during most phases of its industrialisation, accounting for 76 per cent of total merchandise exports in 2007 (World Bank, 2011).

![Figure 7.1 > Structure of economy: Nominal value-added share (%)](image)

Source: Economic Survey of Singapore (2010: iii)

Singapore’s social, cultural and political profile is that of a city-state composed of multiple ethnic groups. The relevant indicators portray Singapore as a prototypical extreme city-state. According to the World Bank (2011) data, the population has been completely urban since 1960, with 99% residing in the capital city in 2007. Unlike more homogeneous East Asian states such as Korea and Japan, Singapore’s population is heterogeneous mixture of Chinese (75.0%), Malay (13.7%), Indian (8.7%) and other ethnicities (2.6%) (SDOS, 2008: 25). Due to the scarcity of natural
resources available in such a small territory, the PAP government has placed great
ephasis on investment in human capital. The consequence of this is an extremely
high level of literacy and high proportion of educated citizens with a secondary or
higher qualification. In 2006, the national literacy rate reached 95.4% and more
than half the population (58.8%) had acquired a secondary or higher qualification
(SDOS, 2007: 11).

This chapter starts by depicting what happened in housing under British colonial
rule, with the sections that follow devoted to accounting for the policy changes
implemented by the PAP governments from Lee Kuan Yew, the first Prime Minister
of the Republic of Singapore, to Lee Hsien Loong, the current Prime Minister. This
structure can contribute to our understanding of not only how the PAP regime has
framed an unprecedented public housing sector, but also what characteristics of
home-owning society have been structured into the relationship between housing
and the welfare state. This examination, in turn, can help us to ascertain how crucial
occurrences in housing policy have executed long-run impacts on the housing
system, which is analysed in the next chapter.

7.2 Housing policy under British colonial rule

7.2.1 British housing policy during the colonial era

The British occupation of Singapore began in the year of 1819 when Thomas S.
Raffles signed a set of agreements with the local authorities. This occupation was
initially driven by the East India Company, which was eager to develop Singapore as
a trading post. As British founders pioneered the port along the Singapore River, the
small fishing village turned into a commercial base consisting of new public
buildings, wharves, warehouses and trading houses (Teo, 1992: 165). The initial
development was implemented on basis of the 1823 Raffles plan, which was drawn
up mainly by Jackson and revised with Raffles’ directions. In the plan, the
development of settlement was designed to use the natural advantages of the site as
much as possible and the residential districts of various ethnic groups were
separated from those of Europeans (Waller, 2001: 23). Apart from the Raffles plan,
no other significant official plans were drawn up by the colonial government until

14 Because of Jackson’s major contribution to the plan, it is called the ‘Jackson’s Plan’ in
some studies (e.g. Teo, 1992).
the end of the century.

It was not until the dawn of the next century that other practical urban plans were made and relevant acts introduced. Around the commencement of the 20th century, Singapore experienced an abrupt upsurge in population. <Figure 7.2> reveals how fast the population was growing in the early 20th century compared with the initial years of colonial era in the previous century. This growth was due to large inflows of immigrants from other neighbouring countries, mainly China. Combined with the scant concern of the colonial government for housing, the country suffered from a severe housing shortage and consequently over-crowded residential density symbolised by subdivided ‘cubicles’ in multi-storey dwelling units or multi-functional shophouses. Reflecting the overcrowded conditions in Singapore, the number of persons per occupied house rose from 7.2 persons in 1881 to 12.5 persons in 1915 (Wee, 1972: 218).

< Figure 7.2 > Population during colonial rule: Selected years

Source: Teh (1975: 2)

Besides highly crowded dwelling units and households, the poor quality of housing conditions caused residential environments to deteriorate. The excerpt below from a newspaper article written in 1907 about the Simpson Report succinctly portrays the poor sanitary circumstances of Singapore at the time.

Professor Simpson says that the conditions which make for unhealthiness are the over-crowding of the site for a dwelling house and the over-crowding of the houses by tenants, the absence of back lanes and open yards to allow for drainage, scavenging and a free circulation of air (The Straits Times, 1907).
The state of the built environment induced the colonial government to change its strategy towards urban problems and begin to take housing issues more seriously. As well as periodic but sluggish interventions, the government brought in relevant acts and arrangements to relieve quantitative and qualitative housing problems. The Municipal Bill of 1896 specified that it was the responsibilities of local authorities, to engage in improvement schemes to refurbish slums and built environments, but there was little substantial change (Teo and Savage, 1991: 327). More significant measures accompanied by the requisite financial resources were taken in 1927, with the passing of the Singapore Improvement Ordinance Bill and the foundation of an independent Singapore Improvement Trust (SIT) which was a government organisation, not a statutory board. The priority goal of the SIT was slum clearance and improvement with funds raised by the colonial government (Wee, 1972: 220). The SIT was financed by revenues from: the Improvement Rate (2% of the annual value of inner-city properties), government contributions, rents from properties, government loans and two funds (the 10 Million Fund and Princess Elizabeth fund) (Chua and Ho, 1975: 59). The SIT constructed the first public housing town (Tiong Bahru) in which housing units were provided for about 6,000 people (Teo and Savage, 1991: 327). From when the Trust came into force in 1927, until it was dissolved in 1959, the SIT provided approximately 23,000 housing units in 32 years (Yeung and Drakakis-Smith, 1974: 764). Yet the activities of the SIT benefitted only a tiny proportion of the populace and were thus not enough to accommodate a skyrocketing population. Wong and Yap (2003: 362) estimated that the total number of residential units provided by the Trust could accommodate 9 per cent of the population at the time.

Except the SIT, the other significant policy affecting urban planning and housing did not appear until the last stage of colonial rule. It was from 1951 that the Master plan was conceived. The plan was approved by the colonial government in 1958. The plan aimed to redevelop the overcrowded inner-city regions and to relieve an acute housing shortage. The Master plan was not only for general land-use in the long run, but also for preventing the overpopulation of the central city through the construction of new towns in the suburban areas. Although the original plan was not implemented because of the power transition to a self-governing system, the colonial attributes of the plan are worth noting. Firstly, medium-sized towns were designed following standard British urban planning and the towns can be easily extendable to any directions via ring road links (Chua, 1997: 32). Secondly, the plan was 'colonial', because the housing policy in the plan aimed to ensure minimum housing standards, as was the case in other colonies (Teo, 1992: 169). Notwithstanding the colonial
nature of the plan, the key idea of organising city space and planning housing provision was continued by the PAP government even after independence.

7.2.2 Prospective financing mechanism: The Central Provident Fund

When it comes to financing public housing in the post-independence era, the development of a key institutional arrangement was made in the social security field during British occupancy. The British colonial government introduced the Central Provident Fund (CPF) as a compulsory savings scheme to provide for retirement in 1955. The multifaceted roles played by the fund in contemporary Singapore were made inevitable when the PAP government directly linked the CPF to the formation of a public housing sector by utilising it as an essential financing mechanism.

The CPF was originally conceived to incorporate civil servants into a fully-funded pension scheme but post-independence PAP regime enormously expanded the role of the fund, which eventually became a core institution in economic and social policy (Peebles and Wilson, 2002: 87). The original type of social security system devised for retirement payment was not actually a provident fund, but a pension scheme as social insurance. The McFadzean Commission, appointed to investigate the public retirement benefits in 1951, considered the two alternatives - a central provident fund and a pension scheme - for retirement benefits. The majority of the commission were in favour of a pension scheme as a type of social insurance with the rationale that "a pension scheme would be better adapted to the circumstance prevailing in Singapore" (The Strait Times, 1952). Nevertheless, the proposal was frustrated by the colonial government and a provident fund was ultimately selected. Two reasons are posed to account for the rejection of a pension scheme (Low and Aw, 1997: 15, Lin, 2010: 135-136). The first and most important reason was the reluctance of the colonial government to assume full financial responsibility for a pension scheme. Through the adoption of a central provident fund, the British colonial government intended to avoid the possibility of having to meet the deficit that a social insurance scheme might face and thus to maintain the self-funding principle in the colony. Secondly, the policy choice in Singapore was affected by the fact that the neighbouring Federation of Malaya had already implemented a provident fund in 1951 under British rule. Finally, as the colonial government intended, the CPF Ordinance of 1953 set the legal grounds for the retirement scheme as a provident fund and the CPF came into operation in 1955 with the 10 per cent gross contribution rate (5 per cent by employer and employee, respectively).
7.3 Reform during the PAP government led by Lee Kuan Yew

7.3.1 Before and after independence

Singapore became a self-governing state within the Commonwealth in 1959, headed by the People's Action Party, which was formed in 1954 and despite its poor showing in the 1955 election became the majority party in the 1959 election under the leadership of Lee Kuan Yew. The party's leaders - Lee Kuan Yew and Goh Keng Swee - were from middle-class backgrounds and educated in UK universities. In the beginning, they brought leftist groups into the party in order to resist colonial rule and attract more workers' votes, but the alliance was broken soon after the PAP won the 1959 election and the leftist faction created a new socialist party, 'Barisan Sosialist' in 1961. To compete with a socialist party in domestic politics, the PAP had to find ways of consolidating its rule in the early 1960s and the passage through independence from Britain in 1962 and unification then withdrawal from the Federation of Malaysia in 1965.

Given the urgent need to enhance legitimacy, the most remarkable reaction took place in housing policy as soon as the first PAP government was inaugurated. The Housing and Development Board (HDB) was established in 1960 to replace the existing Singapore Improvement Trust and provide mass public housing. The HDB was created as a statutory board, autonomous public bodies established by Acts for specific purposes. The origin of the modern statutory boards in Singapore dates back to the height of British colonial rule and the launching of the Board of the Commissioners of the Currency (1899) to issue and manage currency. Other boards formed by the colonial government ranged from the Singapore Harbour Board (1913) created in the early 20th century to the Central Provident Fund Board (1955) and Singapore Telephone Board (1955) set up towards the end of the colonial period. Statutory boards were generally given greater operational autonomy than other government organisations but were supervised by the relevant Ministers, which meant that the overall direction of their businesses was guided by government policy (Ow, 1986: 241 cited in Soon and Tan, 1993: 20).

The HDB was the sole public body responsible for the provision of public housing based on its five-year plans and enjoyed comprehensive autonomy in the areas of land acquisition, town planning, building design and materials (Yuen, 2002: 40). When the HDB came into force in 1960, its primary aim was the provision of low-
cost public housing to urgently relieve the perennial housing shortage that had existed since the colonial era. The HDB focused on the construction of standardised small-size flats sacrificing the quality of housing to a certain extent in order to increase the available stock as soon as possible. At first, the HDB let completed public stock at subsidised rents, not for sale, for low-income families. On the demand side, consumers preferred affordable rental units to expensive units for sale as the record of the applicants to respective tenure in Table 7.1 illustrates. The first generation of HDB flats was mainly high-rise apartments in the first new towns (e.g. Queenstown). Most rental units were assigned to fire victims, residents in urban squatters and displaced farmers for resettlement and households meeting the income criteria of the HDB were eligible for the rental units as well (Castells et al., 1990: 229).

<table>
<thead>
<tr>
<th>Year</th>
<th>Cumulative total number of HDB flats</th>
<th>Percentage of population in public flats</th>
<th>Number of applicants Rent</th>
<th>Number of flats sold</th>
<th>Number of applicants Buy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>21,968*</td>
<td>9.0</td>
<td>2,627</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1961</td>
<td>26,168</td>
<td>11.4</td>
<td>3,381</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1962</td>
<td>37,374</td>
<td>15.3</td>
<td>13,177</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1963</td>
<td>43,889</td>
<td>18.3</td>
<td>11,895</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1964</td>
<td>54,312</td>
<td>22.0</td>
<td>9,928</td>
<td>1,451</td>
<td>1,451</td>
</tr>
<tr>
<td>1965</td>
<td>69,660</td>
<td>23.0</td>
<td>11,400</td>
<td>1,516</td>
<td>1,516</td>
</tr>
<tr>
<td>1966</td>
<td>80,915</td>
<td>24.0</td>
<td>17,313</td>
<td>1,576</td>
<td>1,320</td>
</tr>
<tr>
<td>1967</td>
<td>84,684</td>
<td>26.0</td>
<td>15,562</td>
<td>2,384</td>
<td>1,499</td>
</tr>
<tr>
<td>1968</td>
<td>98,289</td>
<td>29.6</td>
<td>9,501</td>
<td>7,407</td>
<td>8,504</td>
</tr>
<tr>
<td>1969</td>
<td>111,539</td>
<td>32.6</td>
<td>11,305</td>
<td>8,048</td>
<td>9,897</td>
</tr>
<tr>
<td>1970</td>
<td>123,124</td>
<td>35.9</td>
<td>12,324</td>
<td>20,598</td>
<td>6,967</td>
</tr>
<tr>
<td>1971</td>
<td>132,286</td>
<td>38.1</td>
<td>10,671</td>
<td>20,305</td>
<td>6,062</td>
</tr>
<tr>
<td>1972</td>
<td>147,636</td>
<td>43.7</td>
<td>11,888</td>
<td>24,644</td>
<td>9,142</td>
</tr>
</tbody>
</table>

* Most flats were constructed by the previous Singapore Improvement Trust.
Source: Castells et al. (1990: 232)

7.3.2 The full-scale drive towards a home-owning society

The emphasis on the mass production of rental units started to shift towards the pursuit of a home-owning society, initiated by the government policies, as early as 1964. A variety of important measures were implemented to foster home ownership over the following decade. In 1964 the ‘Home Ownership for the People Scheme’
(HOS) was introduced "to encourage a property-owning democracy in Singapore and to enable Singapore citizens in the lower middle income group to own their own homes" (HDB Annual Report, 1964 cited in Tan, 1998: 13). To make home ownership more affordable, the HDB offered purchasers a long-term mortgage of up to fifteen years at a fixed annual interest rate (6.25%). Although the scheme was envisaged as a highly attractive incentive to promote the sales of HDB flats, the initial response to it amongst the general public was far from enthusiastic. The drive toward prevailing home ownership gained momentum with the subsequent policy actions, the first of which was to legislate for the 1966 'Land Acquisition Act' enabling the state to obtain land at below market price. The act enabled the government to purchase the land necessary for public housing projects cheaply. In the amendment of the act in 1973, the state purchase price was pegged at 1973 levels to further the supply of land at discounted price.

The most influential action, occasionally called the 'Central Provident Fund Approved Housing Scheme', was taken in 1968 to help consumers finance home ownership by linking the CPF to the purchase of HDB housing. The government allowed CPF members to withdraw part of their CPF savings for the down payment and monthly instalments on purchases of HDB flats. Prior to this, CPF members could not withdraw CPF balances for any purpose before they reached retirement age; under the new scheme CPF members could pay not only the 20% down payment for the HDB flats, but also the mortgage instalments of HDB loans with their CPF savings. In addition, preferential treatment was given to sitting tenants of HDB flats, who could buy their current houses with just a reduced down payment.

<table>
<thead>
<tr>
<th>Amount of CPF balances withdrawn for HDB flats purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of CPF balances withdrawn ($, Million)</td>
</tr>
<tr>
<td>Proceeds of sales ($, Million)</td>
</tr>
<tr>
<td>Ratio of amount withdrawn to proceeds of sales (%)</td>
</tr>
</tbody>
</table>

Source: Chua and Ho (1975: 68)

The impact of these measures on the growth of home ownership is well illustrated by the significant increase in applications for HDB units for sale. Compared with the 1967 figure shown in <Table 7.1>, the 1968 figure is more than double the previous year. The number of applicants continued to rise dramatically and the figure for
1972 was approximately ten times more than in 1967. The importance of CPF savings in financing home ownership is more apparent when examining the data in Table 7.2. Table 7.2 reveals that CPF savings had already become embedded as a major financial resource for consumers to fund HDB flats in the few short years since the 1968 scheme began operating.

With the encouragement of home ownership, the HDB established an allocation system for sale and a peculiar concept of ownership in the Singaporean context. HDB flats for sale were assigned to qualified applicants by administrative rules set by the HDB, not by market mechanisms, which determine housing transactions and prices by mutual consensus between buyers and sellers. The only applicants eligible for HDB housing were families or married couples who satisfied the HDB's terms and conditions such as citizenship, income ceiling and non-ownership of private property. Allocation was on a first-come-first-served basis amongst qualified applicants in registered queues. The final distribution of individual flats was done by a random balloting system in each estate. In terms of tenure, the rules of ownership for HDB housing were clearly differentiated from the regulations for private properties in Singapore.

The property rights that people obtained when they purchased HDB flats was a 99-year lease-ownership. Generally, the HDB owned leased lands from the state to build public housing and in turn granted 99-year lease-ownership of HDB flats built on the leased land to the purchasers. Therefore, the ownership of HDB housing was more restricted than the general ownership of private property in several aspects. Tan (1998: 136-137) pointed out three primary elements by which a lease-ownership of HDB housing was differentiated from exclusive property rights in the purely private sector. Firstly, the category of authorised occupants was confined to the legal lessee and their legal dependents according to the HDB rules. Secondly, the right to sell the property on the open market was not permitted before 1971 when the resale market was officially launched by the HDB. Even after 1971, the alienation of property rights was subject to HDB resale regulations when HDB housing was sold on the open market. Finally, the settlement of mortgage was limited without the consent of the HDB and the post-acquisition property conditions of mortgaged HDB housing were different from those of fully private property when the fiat owner was bankrupt.
7.3.3 Establishing a state-governed market in the 1970s

The government’s endeavours to promote home ownership were furthered in the 1970s. As continuous construction of new towns increased the volume of housing stock, other new policies were executed to boost demand for public housing and to comprehend high-income households in the public sector. The first measure was to create the regulated resale market through the transaction of HDB flats in 1971. Before 1971, homeowners had to resell their flats to the HDB at a reduced price reflecting depreciation during occupancy. Therefore, the asset values of HDB flats were substantially constrained, because purchasers of HDB flats could not gain capital gains from sales in the absence of the resale market. This situation was changed by the PAP government to allow homeowners of three-room and four-room flats who had been resident for more than 3 years to sell their occupied houses to buyers who qualified for HDB flats at a mutually agreed price in the resale market. However, families who sold their flats in the resale market would be barred from applying for another HDB flat for 12 months.

Meanwhile, the government decided to broaden the coverage of public housing and in 1974 a new public authority, the state-owned Human and Urban Development Corporation (HUDC) was founded to provide high quality public housing for households whose income was beyond the income ceiling for HDB houses, but not enough to get them on the private property market. As general income level had been rising for a decade since industrialisation, the HUDC was created to target the increasing number of upper-middle income families between the richest who could afford to pay for private houses and the vast majority of the population dependent on HDB flats. In targeting these cohorts, the difference between the HDB and the HUDC was obviously identified by the income ceiling imposed by each agency. While maximum monthly income was $1,200 and $1,500 for HDB flats with three and four rooms respectively, the income ceiling for HUDC housing was set at $4,000 in 1974 (Chong et al., 1985: 245). The HUDC flats were built in independent estates separated from the HDB estates and subject to HUDC eligibility conditions that were largely similar but not the same as HDB conditions. These conditions included citizenship, family nucleus and income ceiling, non-ownership of private property. As CPF members could use their savings for the

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15 According to Chua and Ho (1975: 64) the resale of one-room and two-room HDB flats was allowed in 1970. Nevertheless, many previous studies (Phang, 2007; Castells et al, 1990; Goh, 1988) regard the 1971 policy as the creation of the resale market. This is probably because the vast majority of sold flats were three- or four-room flats whereas most one- and two-room flats were for rent. Taking all of these things into consideration, this study accepts the majority description that the official resale market was created in 1971.
purchase of HDB flats, CPF members who wanted to buy HUDC flats were also allowed to withdraw part of their contributions to assist financing for the purchase of HUDC flats in 1975.

However, public housing for the upper-middle class turned out to be not entirely successful. The HUDC was disbanded and the role of the HUDC was transferred to the HDB in 1982. Several reasons significantly affected the absorption of the HUDC into the HDB: the narrowing price gap between HUDC housing and private property, significant improvements in the quality of HDB flats and the rising income ceiling for HDB housing (Teo and Kong, 1997: 447). Even with the merger, the construction of HUDC flats did not continue for long. A total 7,750 HUDC flats were constructed in 19 estates until 1985 when the construction of HUDC estates was terminated (Teo and Kong, 1997: 447).

### 7.3.4 Reinforcing the state-governed market in the 1980s

The policy changes in the 1980s can be summed up by stating that the decade was a phase during which a series of steps were taken to reinforce the state-governance of the public housing sector, and to make the private sector a viable option as Singaporean society became more affluent. Meanwhile, the government actively utilised the established public housing sector to realise the desired values across the society.

< Table 7.3 > Changes in income ceiling for HDB and HUDC flats

<table>
<thead>
<tr>
<th>Year</th>
<th>Flat Type</th>
<th>Income Ceiling</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>3- and 4-room</td>
<td>$ 1,200</td>
</tr>
<tr>
<td></td>
<td>5-room</td>
<td>$ 1,500</td>
</tr>
<tr>
<td></td>
<td>HUDC</td>
<td>$ 4,000</td>
</tr>
<tr>
<td>1979</td>
<td>3- and 4-room</td>
<td>$ 1,500</td>
</tr>
<tr>
<td></td>
<td>5-room</td>
<td>$ 2,000</td>
</tr>
<tr>
<td></td>
<td>HUDC</td>
<td>$ 4,000</td>
</tr>
<tr>
<td>1980</td>
<td>3- and 4-room</td>
<td>$ 1,500</td>
</tr>
<tr>
<td></td>
<td>5-room</td>
<td>$ 2,000</td>
</tr>
<tr>
<td></td>
<td>HUDC</td>
<td>$ 6,000</td>
</tr>
<tr>
<td>1981</td>
<td>3-room</td>
<td>$ 1,500</td>
</tr>
<tr>
<td></td>
<td>4- and 5-room</td>
<td>$ 3,500</td>
</tr>
<tr>
<td></td>
<td>HUDC</td>
<td>$ 6,000</td>
</tr>
<tr>
<td>1985</td>
<td>3- and 4- and 5-room</td>
<td>$ 4,000</td>
</tr>
<tr>
<td></td>
<td>HUDC</td>
<td>$ 6,000</td>
</tr>
</tbody>
</table>

Source: Chong et al. (1985: 245)
To cement the state-governance of the public housing sector, HDB rules were modified in many respects like income ceiling, resale restraints and allocation procedure. Firstly, the income ceiling for eligibility for new HDB flats was raised. <Table 7.3> captures the adjustment of the income ceiling from the late 1970s to the mid-1980s reflecting rising income levels from prosperous economic growth and national housing conditions. Secondly, regulations on the resale market were occasionally adjusted to make the market as stable as possible. As far as the price in the resale market fluctuated, it was not uniformly tightened or relaxed. There was a strengthening of the minimum occupancy period. The HDB allowed homeowners who had been resident for more than 3 years to sell their flats in the resale market when opening the market in 1971. The 3-years minimum occupancy period was extended to 5 years in 1973. Besides the adjustment of the minimum residency period, the levy system was added in order to reduce the profits from sales. From 1979, a 5% levy was imposed on the sales price in order to collect part of the windfall gains from the resale market. The rate of the levy varied in the 1980s depending on the number of rooms and flat types. In 1982, the rates charged varied from 10% for 3-room flats to 30% for HUDC flats. The implementation of a levy system ensured that the subsidy on the first-time purchases of public housing was bigger than that on the second-time purchases when households bought flats directly from the HDB (Phang, 2007: 23). On the other hand, the income ceiling for resale flats was entirely removed and owners who bought flats on the resale market were able to invest in private property.

Finally, the rules on allocating flats were altered, primarily to reinforce consumers’ choices. The HDB’s previous rule on the selection of applicants worked on a first-come-first-served basis amongst registered households meeting HDB requirements. Individual flats were randomly distributed through a balloting system amongst successful applicants. In 1989, the HDB put into practice a booking system in accordance with “the HDB’s objective for the coming years - Quality and Choice in Public Housing” (The Straits Times, 1989a). According to the new system, information on estates was given to prospective applicants in advance. With the information, the applicants could apply for a number of estates in rank order based on their individual preferences.

In relation to the private sector, the government perceived it necessary to expand the availability of private property in the early 1980s as an increasing number of high-income households were aspiring to ownership of private property. The government introduced the ‘Approved Residential Properties Scheme (ARPS)’ in
1981 to permit the use of CPF savings for private property. At first, CPF members could use CPF balances to redeem an outstanding loan on one private residential property. Next year the usage of CPF savings was extended and CPF members were allowed to withdraw their balances for the purchase of a private residential property.

7.3.5 The development of the Central Provident Fund

Considering the importance of the CPF in financing public housing, it is necessary to grasp how the fund developed in the 1980s and how the changes were affected by the direct linkage between the CPF and public housing. Since the fund came into force in 1955, it has been developed with varying contribution rates and several accounts within the CPF.

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution Rates (%)</th>
<th>Account Credit into</th>
<th>Maximum/Month ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employer</td>
<td>Employee</td>
<td>Ordinary</td>
</tr>
<tr>
<td>1955</td>
<td>5.0</td>
<td>5.0</td>
<td>-</td>
</tr>
<tr>
<td>1975</td>
<td>15.0</td>
<td>15.0</td>
<td>-</td>
</tr>
<tr>
<td>1977</td>
<td>15.5</td>
<td>15.5</td>
<td>30.0</td>
</tr>
<tr>
<td>1980</td>
<td>20.5</td>
<td>18.0</td>
<td>32.0</td>
</tr>
<tr>
<td>1984</td>
<td>25.0</td>
<td>25.0</td>
<td>40.0</td>
</tr>
<tr>
<td>1990</td>
<td>16.5</td>
<td>23.0</td>
<td>30.0</td>
</tr>
</tbody>
</table>

Source: Low and Aw (1997: 34)

As shown in <Table 7.4>, the three-account system of the CPF became embedded in the mid-1980s. Total contributions were separately assigned to individual accounts: the Ordinary, the Special and the Medisave Account. Savings in the Ordinary Account could be used to purchase private housing and pay education expenses in the 1980s. By the 1981 ARPS, CPF members could withdraw CPF balances for the purchase of private housing. They were allowed to use the balances to pay education costs as a form of loan from 1989. Currently, the deposits in the Ordinary Account are available for the payment of home ownership, educational services and approved investments in capital markets. The Special Account opened in 1977 was separated from the Ordinary Account in order to reserve savings solely for use in old age. This was to ensure that the usage of the balances would be
confined to living costs in old age to some extent, as far as withdrawal of CPF savings were made for home ownership (Low and Aw, 1997: 23). The Medisave Account was established in 1984 to help CPF members to pay medical care expenses and insurance premiums with CPF savings, as the country was moving towards an ageing society and the demands for medical services were rising.

Organising the CPF with three internal accounts, the government introduced the Minimum Sum Scheme and the Retirement Account in 1987. The rationale for the measures was to guarantee a minimum reserve of the CPF balances for old age. Under the new scheme, an imposed minimum sum had to be reserved in the Retirement Account at the age of 55 when CPF members could draw out their savings from the Ordinary Account and Special Account. This scheme was necessary to secure minimum deposits for the maintenance of long-lived retirees as the balances of the Special Account were low and CPF savings substantially drained into the purchase of housing (Low and Aspalter, 2003: 307). From the development of the CPF, it was the widespread use of the CPF balances for home ownership that affected a set of pension reforms to bring in creating specified accounts within the CPF. The PAP's choice to link the national pension scheme to financing public housing acted as a core mechanism to make home ownership in the public sector an overwhelming tenure in Singapore. Yet the nexus between the CPF and financing public housing created by the government jeopardised the stability of the pension fund to significant extents. As a consequence, the government faced a self-imposed dilemma to maintain dominant governance in the public home-owning sector without damaging the function of the CPF as retirement benefits in old age given the CPF members used their balances to purchase the HDB flats.

7.4 Policy reforms in the post-Lee regime

When Lee Kuan Yew resigned in 1990, the first leadership transition was made since independence. Goh Chok Tong took over the premiership and became the second Prime Minister of Singapore. As soon as the new government was inaugurated, large-scale upgrading projects were planned to improve the condition of old flats and common facilities in the public sector. In addition, the government strived not only to liberalise constraints on HDB loans and CPF savings, but also to broaden the impact of the public housing sector on private housing sector by
facilitating a complementary relationship between the two sectors.

First of all, the PAP government declared to carry out large-scale and long-term upgrading projects in 1989 to improve the quality of old estates and to avoid the monotonous design of HDB flats in appearance. As the National Development Minister put it at the time, the aim of the programme was to "do more than give a facelift to old blocks" but rather to provoke "a complete change in the perception of public housing" (The Straits Times, 1989b). Estimated total costs were $15 billion for 15 years and the costs were to be shared between the government and residents. The upgrade activities contained refurbishments within each block as well as inside flats, precinct improvements and building new blocks in available lands where rental blocks had been demolished (The Straits Times, 1989b). Following the long-term plan, old estates such as Toa Payoh, Bedok and Queenstown were steadily refurbished. In 1995, the government announced the Selective En-bloc Renewal Scheme (SERS) to promote upgrade programmes. The SERS was distinguished by the fact that current residents did not need to move out their estates during the process of renewal. This was because under the scheme new blocks had to be constructed on vacant land near the old ones before the demolition of the old blocks could take place.

Apart from its upgrade programmes, the government liberalised HDB mortgage and CPF terms. The revised Mortgage Loan Financing Scheme (1993) allowed purchasers of HDB resale flats to take out HDB mortgages up to a maximum of 80% of the purchase price or the market value, whichever was lower. The terms turned out to be more generous than the previous ones pegged at 80% of the HDB's posted price in 1984, which failed to mirror the increasing market values or purchased prices over time. The liberalised elements were also found in the revised 1993 ARPS. In the 1993 revised scheme, CPF members were allowed to use a greater amount of their CPF balances for the payment of interest on loans, even when the withdrawn amounts exceeded the price of private property. At the same time, the government offered further financial assistance to purchasers of public housing through cash grants. Eligible families who were first-time purchasers of HDB resale flats could obtain a $30,000 grant under the 1993 CPF Housing Grant Scheme. The scheme was revised in 1994, with the grant increased to $40,000 and eligible purchasers who resided near their parents' house could apply for $50,000. In terms of financial assistance for low-income households, the government provided preferential mortgage terms with low-income families to help them to own HDB flats. The 'Sale of Flats to Sitting Tenants Scheme' (1993) enabled sitting tenants to buy their
current flats at up to a $10,000 discount depending on their length of occupancy. The 'Low Income Family Incentive Scheme' raised the income ceiling for loans ($1,500 in 1996) and permitted the eligible households to obtain loans of up to 95% of the sale price. Besides supports for home ownership, subsidies were given to lower income level households in the public rental sector to alleviate the financial burden of rent and utility bills. Needy tenants in the public rental sector could apply for financial assistance under the 'Rental and Utilities Assistance Scheme' from 1990 and the scheme comprehended the assistance to homeowners occupying 3-room flats later.

For the higher income level, the government decided to provide a new type of high-quality housing (Executive Condominium) and privatised HUDC estates in 1995. The executive condominium (EC) was a 'hybrid public-private sector' in which private or government-linked companies were in charge of the development and construction of estates on land purchased from the state, thus reducing the activities of the HDB in the market for the upper-middle class (Phang, 2001: 448). Influenced by the decision, the HDB would phase out existing executive flats at the high-end of varying types of HDB flats (Tan, 1998: 107). The EC units were normally designed as high-rise apartments with four or five rooms and high quality condominium facilities. The monthly income ceiling was set at $10,000 and occupying purchasers had to obey the regulations that the government imposed on the units for ten years. To meet rising aspirations for owning private property, the experimental privatisation of public housing was accompanied by the provision of the EC. In accordance with the trial, parts of HUDC estates were privatised as well. The privatisation was confined to several HUDC estates catering for upper-middle income cohorts. The privatisation of the first two estates - Gillman Heights and Pine Grove - in 1995 was followed by a small number of other HUDC estates with the approval of residents, who voted in favour of the transition to private property.

On the other hand, the movement towards the liberalisation of HDB rules to activate the resale market in the 1990s was not always consistent. An upsurge in the housing price was experienced in the 1990s and the government had to curb house prices to avoid provoking widespread estate speculation. Changes in the HDB Resale Price Index (<Figure 7.3>) reveal how steeply house prices increased during the decade. Faced with a housing boom, the HDB imposed more restraints on loans rules, in particular on the availability of subsidised loans and the repayment period. From 1997, eligible families could only apply for HDB loans at concessionary rates twice and buyers were subject to credit assessment depending on age and income. A
maximum repayment period was imposed up to 65 years old or 30 years, whichever was shorter. The rules on subsidised loans were made even more rigorous in 1999. When it came to entitlement to second concessionary loans, it was only upgraders buying larger flats than they currently occupied who could apply for HDB loans at discounted rates.

< Figure 7.3 > Resale price index: 1990-1999 (100=1998.4Q)

When the new millennium commenced Goh's government, succeeding Lee's government, had to cope with a decline in demand for housing. This was mainly caused by economic recession in the aftermath of the Asian Financial Crisis as well as a matured public housing market. The decline in demand for housing resulted in falling house prices and an increase in unsold flats in both the public and private sector. With more flats unsold, the HDB brought in the new 'Built-To-Order (BTO)' in 2001 as a pilot scheme and the scheme officially replaced the Registration or queuing system the following year. Under the new scheme, the HDB advertised several sites for the construction of new flats in the media, giving key information - location, indicative prices, preliminary design and total number of flats - to recruit purchasers. After investigating the demand for each estate, the tenders for new flats could be called only at the sites where congruous demands were met - normally at least a 70 per cent booking of all flats in an estate - amongst the advertised candidates. Otherwise, the project would be cancelled. The scheme helped the HDB to match the supply of flats to the real demands for housing at the local level and to

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16 Goh Chok Tong stepped down in 2004 after fourteen years of service. Lee Hsien Loong, the eldest son of Lee Kuan Yew, assumed office as the third Prime Minister of Singapore. He had served as Deputy Prime Minister during Goh's premiership occasionally with concurrent positions in the Cabinet e.g. Minister for Trade and Industry or Minister for Finance.
prevent it from over-supplying housing in low-demand regions.

To boost low demand for housing, the government relaxed the regulations on mortgages and the CPF to expand the availability of housing finance. As contributions to the Ordinary Account were reduced from 2003, the CPF members were allowed to cover the shortfall from the cut with part of their balance in the Special Account when they had to pay for housing loan instalments. A total of 178,350 CPF members had withdrawn $279.5 million from the Special Account for the purpose by the end of 2004 (CPF, 2004: 26). Coupled with the relaxation of the public finance resource, the HDB's role of mortgage lender was partially transferred to financial agents in the private sector. From the outset of the home ownership scheme, the HDB had played the role of the biggest mortgage lender by providing two types of housing loans for the purchasers of HDB flats. The first loan was granted to eligible buyers for the HDB housing at subsidised interest rates. Two concessionary rate loans were available to applicants qualifying for HDB housing. The second loans were provided at market rates for HDB flat buyers who were ineligible for concessionary rate loans or had enjoyed the subsidised loans twice. In January 2003, the government transferred the role of providing loans at market rates to the private financial agencies. While the HDB kept offering the subsidised loans, buyers ineligible for concessionary rates loans would have to take loans from banks or financial companies licensed by the Monetary Authority of Singapore at market rates, even when they bought HDB flats.

The trend of partial privatisation was also witnessed in the re-organisation of the HDB and the participation of private builders in the provision of public housing. The Building and Development Division of the HDB was separated and corporatised as HDB Corporation Private Limited (HDB Corp) in 2003. The rationale for privatising several sections of the HDB was that the HDB would enhance the role of the public housing authority whereas other ancillary roles were devolved to subsidiary firms or the private sector (Ho and Hui, 2008: 153). The new HDB Corp took the responsibility of designing and developing all HDB projects by 2006 (Phang, 2007: 28). Next year the HDB Corp was acquired by Temasek Holdings, the government's investment firm and renamed Surbana Corporation Private Limited in 2005. Operating a building consultancy and township development business in Singapore and overseas, the company has been growing as an international firm with offices in 16 cities across Asia and the Middle East. The market principle was furthered by the introduction of the 'Design, Build and Sell Scheme' (DBSS) in 2005, the intention being greater choice and variety of designs for consumers. The scheme permitted
private builders to take responsibility for all processes such as land bids and flat
design to construction. Despite these variations, the DBSS flats can be still regarded
as public housing in the sense that they were subject to the same eligibility rules and
constraints applicable to new HDB flats when the completed stocks were sold.

7.5 Concluding remarks

This chapter reviews the constant commitment of the PAP government to
structuring a sound public housing sector, one in which most of population could be
accommodated. The PAP governments have been consistently committed to creating
the unprecedented public housing sector since the initial post-independence era.
Public housing was deemed worth promoting because of the manifold roles it could
play such as organising infrastructure, stabilising the multi-ethnic immigrant society
and generating employment in the domestic economy. Benefitting from the
institutional advantages of British colonial arrangements, the PAP government
easily integrated the national pension fund into public housing programmes without
significant crowding-out effects and sought its development model at the early stage
of industrialisation. Notwithstanding the remarkable achievements, it was doubtful
that the grandiose ambition of a '100% home-owning society' (Hansard, 1985) would
come true even when the government declared the goal in the mid-1980s. Yet
Singapore has succeeded in achieving its goal to the extent that a vast majority of the
population own their public sector flats, even though their property rights are
constrained by the HDB regulations.

As well as the government strategy towards the public sector, what makes the
Singaporean case interesting and distinctive is that the dominant tenure of public
housing pursued by the government was home ownership. The Singaporean
experience contrasts with that of the Western welfare states in which the public
sector has been overwhelmed by rental units and increasingly residualised for the
lowest income level. Despite the successful formation of a home-owning public
sector housing class, Singapore is simultaneously at risk of becoming one of the
'collateral-indebted diswelfare states', as I described in Chapter Two, because most
citizens over-accumulate wealth in mortgaged home ownership. The risk is ever-
present in such a home-owning society where the wealth of individual households
will fluctuate with volatile house prices. However, the risk varies from state to state
depending on the structure of the home-owning sector and housing policies of
home-owning sector. For the nuanced understanding of achievements and risks in Singaporean home-owning society, the next chapter will analyse the driving forces of the Singaporean housing system and its impact on the welfare state. In particular, it will underscore why and how public home ownership continued to be expanded by the PAP government.
Chapter eight
Analysis of Singaporean housing: The structuring of the state-governed system

8.1 From British colonial rule to the early post-independence era

It is widely argued that the British colonial government consistently upheld a *laissez-faire* stance on the issue of housing while Singapore was under its rule (Teh, 1975: 3, Teo and Savage, 1991: 327, Teo, 1992: 167). Without referring to 'laissez-faire', other previous studies agreed that the colonial government disregarded urban planning including housing without significant public efforts before the creation of the Singapore Improvement Trust (SIT) (Castells et al., 1990: 215, Yeung and Drakakis-Smith, 1974: 764). The irresponsible policies of the government resulted in an acute housing shortage combined with poor performance of the market, in terms of offering affordable housing with acceptable facilities and density, during the colonial era. Even the Singapore Improvement Trust (SIT) did not undertake large-scale housing construction, since its main role was confined to the improvement of insanitary housing units and built environments, and providing new units only for homeless people (Teh, 1975: 3). As well as these problems with the primary goal of the fund, the limitations of the SIT could be observed at practical levels and these, in turn, hindered it from developing large-scale provisions at most stages of its existence. First of all, in legal terms, the SIT's operations were constrained by the decision of the Privy Council to favour the property rights of owners over the SIT in slum clearance projects (Wee, 1972: 220). Next, the fund had difficulty in mobilising additional financial resources, especially obtaining loans from extraordinary sources. It was not until 1948 that the SIT took out its first official loans with the approval of the Legislative Council (Chua and Ho, 1975: 60). These limitations clearly demonstrate how reluctant the colonial government was to take full responsibility for relieving housing problems, even though they were ostensibly involved in housing projects through the operation of the SIT.

The policy process leading up to the foundation of the Central Provident Fund (CPF) further illustrates the British colonial government's unwillingness to play an active role in the provision of institutional welfare in colony. Although the policy
process of the CPF concerns the foundation of retirement benefits, the unfolding of the CPF story is important, because it partly links to the nature of the public housing system in the post-independence era. When the government conceived welfare schemes in the 1950s, many ideas were rooted in residual remedies. When a new public assistance scheme was implemented in 1951, the 1951 Annual Report of the Social Welfare Department indicated that policy emphasis would shift from a public assistance scheme to social insurance in the long-run (Chow, 1981: 357-358). However, the idea of comprehensive schemes in social policy never crystallised under colonial rule. The birth of the CPF was no more than a realistic compromise between comprehensive and residual ideas at the late stage of the colony's history. The compromise basically derived from the ground rule of self-funding, which British colonial governments normally abided by in their management of the Empire's colonies around the world. The British approach to social policy in Singapore was similarly residual as other ones in other British colonies were. There is plenty of historical evidence to suggest that residual approaches were predominant in other empire's colonial social policies, because the main concern of the colonial powers was setting up stable ruling systems to ensure the interests of their mother countries (MacPherson and Midgley, 1987: 119). Colonial social policy in Singapore was not only subject to the self-funding principle but also based on a 'residual welfare model' with beneficiaries restricted to the most vulnerable in society (Mehta and Briscoe, 2004: 93-94). Nevertheless, the fact could not be denied that vital welfare schemes were launched by the colonial government and these schemes laid down the foundations of the Singaporean welfare system in the post-independence era.

When it comes to ruling styles in Singapore, the British colonial government considerably transferred modern Britain institutions to Singapore, which was an unusual case in the non-settler colonies.17 Mahoney (2010: 238-239) refers to two conditions that account for why Britain, an otherwise liberal coloniser, chose to transfer institutions wholesale to Singapore and Hong Kong rather than to the settler colonies. Firstly, the institutions of the two city-states were easy to dismantle and substitute with new institutions, since neither society was highly institutionalised before colonisation. Secondly, the colonial governments implanted sophisticated institutions, especially with regard to property rights and enforcement rules, to make the most of the economic potential of the two principal trading posts.

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17 For example, the British ruling style was generally regarded as 'indirect rule' marked by 'a smaller military and bureaucratic presence' in Africa, whereas the French ruling style was regarded as 'direct rule' pursuing assimilation of civilised Africans (Bevan, 2004: 213).
in Asia. More specifically in Singaporean housing, the process of conceptualising the legal aspects of lease-ownership was framed by British law and legal concepts (see Tan, 1998: 126-129 for the details on legal elements). Besides the field of property rights, institutional transfers were also made in social policy, particularly after the modern welfare state began to take root in Britain during the first half of the 20th century. At the organisational level, the colonial government founded the Social Welfare Department in 1946 based on existing British domestic policy (Mehta and Briscoe, 2004: 93). Regarding the discourse on the desired direction of social policy, described in Chapter 7, the majority of the McFadezean Commission agreed that retirement benefits provision should be a social insurance scheme rather than a central provident fund. Although its suggestions were sacrificed to the prevailing residual orthodoxy, they nevertheless show how institutional and ideological developments at home provoked concern for social policy elsewhere in the Empire during the period of colonial rule.

More importantly and interestingly, what should be noted is that even the residual elements in the CPF acted as favourable factors in Singapore to some extents, when the indigenous PAP government designed the new relationship between financing public housing and the CPF. To adopt a social insurance scheme meant that redistribution effects would take place between contributors in a scheme. The redistribution in a social insurance pension scheme generally yielded complicated problems- e.g. conflicts between different income cohorts or generations- in pension reforms as pension systems grew matured over time (see Myles, 2002 for a review of the issues in matured economies). However, the British colonial government got rid of these potential risks that a social insurance pension scheme would generate when it decided to implement a fully-contributed pension fund without any redistribution effect between members. The choice enabled the PAP government to take advantage of the non-redistributing fund when creating the new connection between public housing finance and the national pension fund. If a social insurance scheme had been in force instead of a central provident fund under colonial rule, the new trial of the post-independent government should have been seriously challenged or frustrated by conflicting interests about complex issues generated by the principles of social insurance. Therefore, the PAP government accidently owed its success in the establishment of the nexus between housing and pensions to the British colonial government in the sense that the colonial power designed the CPF as a fully funded saving scheme without redistribution between members and thus removed potential risks of political conflicts between members which a social insurance scheme might generate.
In summary, housing had been treated as an insignificant subject not to be urgently addressed during the whole British era. The British government consistently approached housing problems with residual solutions grounded on the principle of self-funding. The minimum intervention of the British government is in line with the argument of several case studies (Hodge, 1973, Midgley, 1981, Macpherson, 1982 cited in MacPherson and Midgley, 1987: 119) that statutory programmes in colonies were designed to serve European imperial interests and look after the settler community. Nevertheless, the case of Singapore was pronounced in some respects especially when compared with other colonies ruled by European countries. The institutional arrangements transferred by the British colonial government laid down the foundations of the post-independent Singaporean system in housing and welfare. Although many implemented schemes were fundamentally residual, it was ironic that some of them—e.g. the case of the CPF—accidently rendered the PAP government institutional advantages when the government constructed housing or welfare systems in the post-independence era because it linked the national pension fund to housing finance. This is mainly because the non-redistributive pension benefits and fully-funded system made social consensus on the withdrawal of the funds easy to accept for the home-owning public sector.

8.2 The PAP's strong drive towards a home-owning society

8.2.1 PAP perspectives on housing and economic development

The most puzzling question is why the PAP government committed to building a large scale public housing sector when there were many urgent needs in the post-independence era. The search for answers to this question starts by ascertaining the perspectives of key PAP leaders on housing and the relationship between developmental strategies and housing in the Singaporean context.

The initial PAP's key figures—Prime Minister, Lee Kuan Yew and Minister for Finance, Goh Keng Swee—came from a middle-class background and were educated in UK universities before embarking on political careers in Singapore. They leaned towards pragmatism motivated by nationalistic passions rather than ideologies developed in Western societies. However, Lee Kuan Yew was influenced by Fabian socialism while studying at university and his socialist ideas survived at least until
the early years of the PAP, despite the ambiguities in his speeches and writings (Barr, 2000: 110). The Fabians agreed with the Marxists in the view that capitalism was an inefficient mode of production and it would be necessarily substituted by a more efficient planned system (Page, 2012: 73). Fabian socialism, formed by the movements of the Fabian society since the late 19th century, basically pursued gradual social changes through the parliamentary system rather than intended to overthrow capitalist orders through revolution. Unlike other derivatives of Marxism, Fabian socialism did not regard capitalist states as a barrier to the achievement of socialism and maintained that collective goals could be accomplished by the parliamentary system (Sullivan, 1996: 14). This Fabian ideas were crystallised by the 1945-1951 Labour governments which embraced planning and nationalisation in the economy and created the welfare state to solve the 'Five Giants' identified by Beveridge (Page, 2012: 73). Therefore, as Peebles and Wilson (2002: 30) argue, the ideological legacy of Fabian socialism provided PAP leaders with a rationale for the provision of public housing and medical care.

Meanwhile, the PAP's pursuit of public housing was closely linked to their developmental strategies during the early phase of industrialisation. In contrast with other East Asian states - Japan and Korea, whose governments fostered domestic capital as the engine of economic development - the PAP government decided that attracting foreign investments was the highest priority. Despite the potential hazards of dependence on international capital controlled by neo-colonialists, the PAP leaders decided to take the risk and adopted a pragmatic approach to economic growth well-illustrated by the following citation from Lee's book:

_After several years of disheartening trial and error, we concluded that Singapore's best hope lay with the American multinational corporations (MNCs). (...) Third World leaders believed this theory of neocolonialist exploitation, but Keng Swee and I were not impressed. We had a real-life problem to solve and could not afford to be conscribed by any theory or dogma. (...) If MNCs could give our workers employment and teach them technical and engineering skills and management know-how, we should bring in the MNCs (Lee, 2000: 57-58)._  

The government dedicated itself to its pragmatic goal of enticing multinational corporations (MNCs) to Singapore. Economic growth was to be secured by MNC exports of manufacture goods, which would at the same time create employment. To this end, the PAP government organised an efficient professional bureaucracy with a decent salary and strict disciplines to bind it into the control of the political
leadership. The Singaporean bureaucracy was made pragmatic through the pervasive application of meritocracy and instrumental rationality (Hamilton-Hart, 2000: 205-206). As well as putting bureaucracy in order, the government also set up a number of statutory boards and government-linked corporations as the major agencies for domestic economy. These relatively-autonomous statutory boards and government-linked companies occasionally enjoyed monopolistic status in their business and made secured profits protected from fierce competition in domestic market (Asher, 1999: 1). In particular, the Economic Development Board (EDB) played a major role in promoting economic development through overarching tasks.

While the primary status of the EDB was coordinating public bodies to correspond to the needs of foreign capitals, it simultaneously carried out joint ventures with foreign partners or opened training programmes for workers (Peebles and Wilson, 2002: 41).

Housing was of significant importance to the success of the industrialisation project when these sorts of developmental strategies were set. The Singaporean development model, in general, was characterised by the following elements: government control over wage determination and union activities, generous tax incentives for MNCs and public investment in human capital and infrastructure (Huff, 1995: 740-747, 1999: 36-44, Soon and Tan, 1993: 18, Peebles and Wilson, 1996: 35). Amongst these characteristics, one of the essential conditions for appealing to foreign capital was a well-developed infrastructure. The essence of planning a residential complex was clarified in the Concept Plan\textsuperscript{a}, the guide to organising urban space. In the island-wide Concept Plan, the public housing programme was the central variable in determining the development tempo and significantly affected the pace of the construction of industrial estates and other infrastructures (Goh, 1988: 148). Moreover, new towns designed in a self-sufficient but highly interconnected manner dispersed the surging population and created extra job opportunities within the individual estates of new towns (Field, 1987: 149-150).

Mass production of public housing also facilitated the development of the construction industry and created employment in the early stage of industrialisation. Investment in the highly labour-intensive construction industry was the principal indigenous vehicle driving the growth of the domestic market insofar as the Singapore economy absolutely depended on export-oriented manufacture industry

\textsuperscript{a}The Concept Plan was a 'long-range strategic plan' which "would be implemented in different stages to accommodate eventually all the requirements of a population of 4 million, the level expected to be reached early in the next century" (Castells et al, 1990: 216-217).
run by global capital. The large-scale public housing programme contributed to industrialisation by generating employment in other associated sectors as well as the house-building sector when unemployment was high in the early 1960s (Fuerst, 1974 cited in Tyabji and Lin, 1989: 25). It was estimated that 9 months employment at the construction site was created per unit of public housing during the 1960-1965 HDB Building Programme, which on average generated 15,000 jobs per 10,000 units (Yeh, 1975 cited in Yuen, 2002: 48). More importantly, the PAP government aimed to stabilise society by providing public housing for various social and ethnic groups, whose competing interests imperilled the future of the country at the onset of the independence period. Challenged by the socialist party and leftist labour unions, the PAP had to urgently deal with highly politicised housing issues such as soaring rents, an overcrowded city and sprawling slums along with high unemployment (Pugh, 1987: 313).

Given the importance of housing in developmental plans, the PAP's emphasis on housing was revealed in both perceptions of its leaders and the prompt institutionalisation of the HDB. Lee Kuan Yew revisited these themes and the reasons for creating a home-owning society, to bolster national pride and identity, in his book.

*My primary preoccupation was to give every citizen a stake in the country and its future. I wanted a home-owning society. (...) If the soldier's family did not own their own home, he would soon conclude he would be fighting to protect the properties of the wealthy. I believed this sense of ownership was vital for our new society which had no deep roots in a common historical experience* (Lee, 2000: 95-96).

Lee's assessment of the PAP public housing programme, as a means for promoting a sense of national identity in a post-independent multi-ethnic society, granting people the ownership of property and mixing together various ethnic groups in harmony, is supported by the literature (Chong et al., 1985: 231, Quah, 1990 cited in Ooi, 1994: 72-73, Yeung and Drakakis-Smith, 1974: 765, Chua, 1997: 142). But there was also a political motivation behind the public housing programme, which aimed to tear down the racial enclaves that were the latent bases of opposition to the PAP's legitimacy (Tremewan, 1994: 46, Lin and Tyabji, 1991: 17-18). Whichever view is more persuasive, most commentators agree that mass public housing was a stabilising mechanism for economic development in a multi-ethnic society.

The necessity for public housing is also well-demonstrated by the early foundation
of the HDB. The HDB along with the Economic Development Board (EDB) was one of the 'twin institutional pillars of the developmental state' giving migrants the opportunity of owning houses as a 'political stakeholdership' (Low, 2001: 418). The HDB was the first statutory board in Singapore, predating even the EDB founded as the coordinating and investment promotion agency in 1961. The decision to set up the HDB first illustrates that the PAP government recognised how important and urgent the housing shortage was and that it had to be solved to ensure the stabilisation of the immature independent state. In addition, the prompt institutionalisation of the public housing authority and immediate commencement of a large-scale construction project by the HDB indicate that mass public housing was integrated into economic development plans right from the very start. The complementary nexus between housing and economic development was further reinforced by directly linking finance of public housing to the CPF, a connection which is analysed in the following section.

8.2.2 The CPF Approved Housing Scheme and its great ripple effect

The PAP leaders, as Vasoo and Lee (2001: 277) argue, influenced by Fabian socialism and succeeding a British colonial administration system, saw social policy as part of a wider developmental strategy, of which public housing was a major pillar. The integral relationship between social policy and economic development was epitomised by the linkage between the retirement benefits and public housing programmes. The CPF, a mandatory saving scheme, was deliberately tied to not only the supply side but also the demand side in order to back up the public housing programme.

On the supply side, the CPF was the source of development loans to the HDB to cover construction costs. The PAP government assisted the HDB with subsidised loans lower than market rates or grants from the budget to pay for construction costs. The HDB's annual deficit was always met by government grants and long-run loans were offered for the construction of HDB flats for sale with the preferential terms of fixed 6 per cent annual interest rates over 10 years by 1986. Amongst the brick-and-mortar loans at subsidised rates, considerable amounts came from the CPF in the form of investments in government securities. Despite the lack of concrete data, it is clear that this function of the CPF enabled the government to provide a stable line of credit to the HDB for the construction of new flats. Affluent
credits from the compulsory fund financed development funds for public housing programmes, especially from the 1960s to the early 1980s (Sim et al., 1993: 94).

Table 8.1 Various annual interest rates and inflation rates (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>CPF rates</th>
<th>Prime rates</th>
<th>HDB mortgage</th>
<th>Inflation rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>5.50</td>
<td>8.00</td>
<td>6.25</td>
<td>0.70</td>
</tr>
<tr>
<td>1970</td>
<td>5.75</td>
<td>8.00</td>
<td>6.25</td>
<td>0.40</td>
</tr>
<tr>
<td>1974</td>
<td>6.50</td>
<td>10.25</td>
<td>6.25</td>
<td>22.30</td>
</tr>
<tr>
<td>1975</td>
<td>6.50</td>
<td>7.08</td>
<td>6.25</td>
<td>2.60</td>
</tr>
<tr>
<td>1980</td>
<td>6.50</td>
<td>13.60</td>
<td>6.25</td>
<td>8.50</td>
</tr>
</tbody>
</table>

Source: Tu (1999: 110)

A more critical connection was the use of the CPF to boost demand for public housing and assist subsidised purchasers of HDB flats. As the initial response to the 1964 Home Ownership Scheme (HOS) was less popular than anticipated, the government decided to utilise the fully contributed pension scheme to catch the attention of potential consumers and offer assistance to prospective home owners in the public sector. In a path-breaking action it allowed the CPF contributors to use their CPF savings for the purchase of public housing. As long as the estate price was rising in the fast growing economy, investment in home ownership was rewarding enough to readily withdraw balances; otherwise the compulsory savings were illiquid until the legal age of retirement. The appeal this gave to mortgaged home ownership is evident when investigating the more favourable terms of HDB loans compared with other private lending rates or CPF interest rates. Table 8.1 shows the various interest rates and inflation rates after the launch of the 1968 scheme, which influenced the decision of whether and when to obtain mortgages. It reveals that the HDB's mortgage rates of 6.25 per cent were more generous than prime rates (the average banking lending rates). Moreover, the annual real costs of HDB home ownership plummeted in 1975 and 1980 due to high prime interest rates and inflation. On the other hand, the probable risk of having a low-balance CPF account and losing a stable pension resource for retirement was not properly evaluated, because the future was too far away and impossible to predict when the decision to withdrawal was made.

These factors led CPF members to use the CPF savings for the purchase of HDB flats, particularly during the last five years of the 1970s as shown in Table 8.2 and Figure 8.1. In conclusion, the combination of subsidised HDB mortgages with the availability of CPF contributions triggered an upsurge in the withdrawal of the CPF balances and a striking increase in the demand for HDB flats. To the PAP
government, it was the success in the expansion of home ownership triggered by the availability of CPF balances that provided the new circuit to answer the question of how housing could be integrated to their developmental plans without significant damages to the economy as well as heavy outlays on housing.

< Table 8.2 > The CPF withdrawals under HOS (1970-1980)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount contributed to CPF (S$ million)</th>
<th>Amount withdrawn under HOS (S$ million)</th>
<th>Number of withdrawals under HOS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>156.4</td>
<td>22.9</td>
<td>6,836</td>
</tr>
<tr>
<td>1971</td>
<td>223.6</td>
<td>23.2</td>
<td>5,607</td>
</tr>
<tr>
<td>1972</td>
<td>330.8</td>
<td>25.1</td>
<td>5,026</td>
</tr>
<tr>
<td>1973</td>
<td>474.7</td>
<td>50.6</td>
<td>11,809</td>
</tr>
<tr>
<td>1974</td>
<td>686.7</td>
<td>92.8</td>
<td>16,488</td>
</tr>
<tr>
<td>1975</td>
<td>886.6</td>
<td>134.8</td>
<td>20,185</td>
</tr>
<tr>
<td>1976</td>
<td>1,008.0</td>
<td>275.2</td>
<td>40,308</td>
</tr>
<tr>
<td>1977</td>
<td>1,114.7</td>
<td>383.5</td>
<td>48,765</td>
</tr>
<tr>
<td>1978</td>
<td>1,352.0</td>
<td>488.4</td>
<td>48,680</td>
</tr>
<tr>
<td>1979</td>
<td>1,753.1</td>
<td>438.6</td>
<td>43,430</td>
</tr>
<tr>
<td>1980</td>
<td>2,296.0</td>
<td>520.9</td>
<td>47,212</td>
</tr>
</tbody>
</table>

Source: Lin and Tyabji (1991: 20)

< Figure 8.1 > Proportion of new applications to rent and buy HDB flats

Source: Lin and Tyabji (1991: 17)

8.2.3 Evaluating the PAP's early public housing programmes

As soon as the PAP government came to power, it enthusiastically devoted itself to laying down the foundations of a public housing sector where the vast majority of population could own a house. It has been frequently pointed out in previous studies (Goh, 1988: 161, Lee, 2008: 276-278, Lee and Vasoo, 2008: 277-281, Vasoo and Lee, 2001: 280-281) that public housing, more broadly the Singaporean social security
system, was fully integrated to serve the objective of economic growth. More concretely, this study has identified how the specific mechanisms of the integration were embedded by the PAP government. Firstly, the creation of a sound public housing sector was sought not only to form the core of the projects for a well-organised infrastructure, but also to create extra employment in indigenous industry when opportunities for employment were limited during the initial industrialisation of an export-led economy. Secondly, public housing programmes contributed to stabilising the multi-ethnic and immigration society. Pursuing a stake-holding society through home ownership in the public sector, the PAP government was able to attract immigrant workers and secure their attachment to the new country. Instilling a sense of national identity in both the native population and new arrivals, and producing compliant workers in a stable political environment, also ensured that the government’s attempt to entice foreign capital would be successful. In terms of social control, large-scale public housing programmes dismantled natural racial settlements and relocated minority ethnic groups that might have undermined the PAP’s political supremacy. This tactic of “furtive gerrymandering” effectively nullified political opposition to the ruling party. Finally, the most critical impact was triggered by the invention of a new circuit connecting the CPF with the financing of public housing. Given the absence of redistribution effects between CPF contributors and the fact that few retirees were drawing pensions at this early stage of the Fund’s development, the temptation to tap into the fully-funded system was irresistible for the government, which used the Fund to finance both supply of and demand for housing, without significant negative impacts on the growing economy. In particular, the non-redistributive pension benefits and fully-funded system made social consensus on the withdrawal of the funds easy to accept for the home-owning public sector. Hence the PAP government ‘accidentally’ owed the British colonial government because the British government did not intend to link the fully-funded pension scheme to financing public housing when taking account of the form of the national pension scheme. Linking the CPF to public housing programmes was an ‘unintended consequence.’ The inherited residual policy acted as the primary vehicle crystallising the prior objectives the government sought without serious social conflicts over the policy process. In conclusion, the framework underpinning this unparalleled increase in public housing was created and entrenched by the extraordinary synthesis of the PAP’s developmental strategy and the institutional arrangements inherited from British colonial rule.
8.3 Structuring the state-governed system

8.3.1 Opening the resale market in the public sector

During the 1960s the institutional foundations of the Singaporean public sector were laid in accordance with development strategy. In the 1970s and 1980s governance of the public sector was solidly established although the government made occasional mistakes. The first major policy of the 1970s was the creation of a regulated resale market for HDB flats. Before creating a resale market, significant limits were placed on the asset values of HDB flats for resale and it meant that homeowners were not able to sell the flats they occupied on the open market and did not anticipate capital gains from sales. However, the resale market was not activated throughout the decade and the consequence was a small number of transacted units in the market. In 1979, the total number of transacted units in the resale market was 773, a mere 3 per cent of owner-occupied public housing sales (Phang, 1992: 92-94).

The lack of interest in the resale market was partly due to the characteristics of the property rights of public housing, which were based on the unique concept of lease-ownership and subject to HDB rules. Comprehensive regulations of property rights and entitlements to HDB flats enabled the government to curb speculation activity and to maintain controls on the public sector. Hence the meagre performance of the resale market was mainly due to the stringent rules on minimum occupancy period, debarment condition and levies on the resale price.

Nevertheless, the policy was critical to make sure that the prospective windfall gains could be expected by retaining the asset of home ownership. This essential perception of the values as profitable assets substantially occurred from the 1980s when the resale rules were relaxed. With the relaxation of the rules, the number of sold resale flats rose to 13,436 in 1987, which represented 37 per cent of owner-occupied public housing transacted compared with just 3 per cent in 1979 (Phang, 1992: 92-94). Therefore, opening the resale market fuelled demand for public housing and enhanced the commodification of public housing (Goh, 1988: 153, Castells et al., 1990: 241-242). As public housing could be sold in the resale market, the tenure of home ownership became the dominant tenure in the public sector through the 1970s and the 1980s. The establishment of a transferable commodity, coupled with aforementioned preferential factors such as favourable mortgage terms and rising disposable income, augmented the rate of HDB home ownership to an unprecedented level. As a consequence, HDB home ownership rate increased from

The other attempt to expand the public sector was the provision of HUDC flats. This new type of public housing was arranged for the emerging upper-middle class located between HDB flat owners and the owners of private properties. However, the HUDC flats experiment was not particularly successful because the price gap between HUDC flats and HDB flats was narrowing whereas the quality of HDB flats were improving with the adjusted higher income ceiling (Teo and Kong, 1997: 447). Provision of HUDC flats was quickly terminated and the HUDC absorbed into the HDB. The government had failed to properly differentiate the status of HUDC flats in terms of price and quality from the HDB flats available to the general public, insofar as the differences between the two types were seldom exclusive. Finally, the differentiation of public housing turned out to be a failure, at least through the provision of HUDC flats in the decade from the mid-1970s.

8.3.2 Restructuring the economy and reinforcing legitimacy by public housing

The PAP government was committed to reinforcing state-governance in the public housing sector, as public housing was popular and accommodated a large proportion of population by the 1980s. As state-governance consolidated in the public housing sector, it then turned attention to harmonising mounting aspirations for private property ownership with the management of the public sector. First of all, the HDB rules were occasionally adjusted to reflect the changing social conditions caused by prosperous economic growth. Maximum income levels were steadily lifted to keep up with rising income levels as a consequence of economic growth. Income ceilings were fully removed in the resale market and the owners of resale flats were allowed to invest in the private property market. These alterations were arranged to maintain the coverage of income cohorts including upper-middle class and to provide more opportunities for gaining profits with homeowners in the public sector. Meanwhile, some cases illustrated that the new policies were carefully designed not to collapse the established principles in the public sector. For instance, the levy system was useful for stabilising the resale market by collecting windfall gains from the sale of flats. The system simultaneously served the principle that the subsidy on the first-time purchase should be bigger than that on the second-time purchases from the HDB (Phang, 2007: 23). Without the levy system, the resale market should have been heated by the homeowners benefitting from more generous subsidies on
the second-direct purchase of HDB flats.

Moreover, there were parallel measures in the private sector as well as the public sector to meet rising demands for high quality housing. The most influential policy was the 'Approved Residential Properties Scheme (ARPS)' by which the CPF contributors could pay for a private residential property with CPF balances. With the scheme, the discrimination between the public sector and the private sector regarding the availability of the CPF for housing finance was officially abolished. The scheme contributed to keeping the private sector a viable option and to making it more affordable for the upper-middle class who aspired to purchase private properties in future.

The coherent endowments to public housing as valuable assets could be viewed as evidence that the government intended to compensate the population with guaranteed housing values while amending the past developmental strategies. The necessity of restructuring the economy was raised from the mid-1970s after the economy suffered from the first oil crisis. The plan to reorganise the economic structure was put into action around the turn of the next decade. The 'Second Industrial Revolution' was launched in 1979 to shift the central engine of economic growth from labour-intensive industries to high value-added industries based on advanced technologies and a highly-skilled workforce. The policies pursued in the new plan were to (Murray and Perera, 1996: 23-24):

1) Release controlled wages and rationalise them with 3 years of double digit increases to the extent that the level would correspond with the new high-values creating economy

2) Change industrial relations to improve productivity

3) Increase investment in education and skills training programmes

4) Provide favourable incentives for global capital in high-tech industries

The new project seemed to work and the economy grew considerably before 1985. But with the onset of sharp recession in 1985, the first severe recession since WW2, many people realised that the government might not be able to ensure continuous high growth as it had done in the past (Peebles and Wilson, 1996: 37). Policy-makers and business leaders as well as the general public were shocked by the recession, which was regarded as a 'massive jolt' and many blamed the government (Murray and Perera, 1996: 24). To cope with the economic crisis, the government
implemented policy packages to reduce increased business costs since the launch of the second industrial revolution. The employers' rate to the CPF was cut from 25% to 10% and other costs were reduced such as tax and utility for business activities. On the other hand, temporary wage constraints were enforced to keep labour costs down.

When it came to supporting the new development strategy in the fluctuating economy, public housing again played the role of major pillar upholding political support for PAP rule. Since the official operation of the National Wages Council (NWC) - the tripartite wage negotiation institution in 1972 - Singaporean workers had tolerated considerable wage losses in return for competitiveness in the global market. Temporarily free from wage constraints just after the Second Industrial Revolution, the plan to restructure the economy, the workers were returned to the regulatory system due to the severe 1985 recession. In this unfavourable environment, the PAP government had to offer satisfactory compensation; otherwise acute discontent about the regime might be provoked. The upgrades to public housing, as Tan et al (2008: 17) argued, was offered along with Medisave - a public medical savings scheme - as a reward for sacrificing pay rises before and after the industrial restructuring phase. The quality of HDB flats and high-quality HUDC flats was improved, but the increasing availability of private property was the main strategy for rewarding the populace through housing. The ARPS and the provision of HUDC flats were the major steps paving the way to the high-end property market respectively in the private sector and the public sector, meeting rising aspirations stimulated by the pursuit of more advanced economic structures. Nevertheless, the public sector continued to play a vital role in the provision of housing in relation to the private sector and its centrality in this respect is confirmed by statistical studies reporting the high price correlations between the public sector and the private sector. Private housing prices were highly correlated with public housing prices set by the HDB from the mid-1970s to the mid-1990s (Phang and Wong, 1997: 1828).

Moreover, the government actively used the established public housing to embody the desired values across the society in order to consolidate their legitimacy. Castells et al (1990: 244-246) argue that the PAP government introduced or changed the HDB rules in order to instil the desired values into society and to internalise social control from the late 1970s. According to their analysis, the attributes of 'social engineering' can be distinguished in a series of housing schemes summarised in Table 8.3, which aimed to maintain traditional family values and the extended family system. What did the PAP government hope to achieve by emphasising the
traditional extended family? As the excerpt below so succinctly puts it, the government wanted to build a welfare system where traditional Confucian values were stressed and the principle of self-reliance was supported. Hence there was a political motivation behind encouraging neighbourly kinship networks, which functioned as a mutual care mechanism between ageing parents and their married children.

Watching the ever-increasing costs of the welfare state in Britain and Sweden, we decided to avoid this debilitating system. We noted by the 1970s that when governments undertook primary responsibility for the basic duties of the head of a family, the drive in people weakened. Welfare undermined self-reliance. (...) We thought it best to reinforce the Confucian tradition that a man is responsible for his family - his parents, wife and children (Lee, 2000: 104).

<table>
<thead>
<tr>
<th>Schemes (Year)</th>
<th>Aims and Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Balloting Scheme (1978)</td>
<td>To enable parents and married children to live nearby through joint allocation</td>
</tr>
<tr>
<td>Reside Near Parents/ Married Children Scheme (1979)</td>
<td>To enable applicants and tenants to live near their parents or children</td>
</tr>
<tr>
<td>Mutual Exchange of Flats Scheme (1981)</td>
<td>To allow HDB lessees occupying more than a year to exchange their flats with others nearby their parents</td>
</tr>
<tr>
<td>Multi-Tier Family Housing Scheme (1982)</td>
<td>To give a 3-year headstart to parents and married children who decide to live together and apply for HDB flats</td>
</tr>
</tbody>
</table>

Source: Castells et al (1990: 245)

Other arrangements were made to secure the dominance of PAP rule after the 1985 economic recession broke out. The government had succeeded in collapsing racial enclaves at the early stage of public housing development, but minority ethnic groups began to gather together again as with the activation of the resale market. In 1989 the HDB imposed a racial quota on each block of flats as well as HDB neighbourhoods to promote ethnic integration. According to the government, this 'Ethnic Integration Policy' was to encourage integration and harmony between different ethnic groups. However, the controlling characteristic of the policy was often revealed in the statements of PAP elite politicians. Just before the implementation of the policy in 1989, the Minister of National Development in charge of the HDB condemned the recreation of communal enclaves as "seedbeds of
communal agitation" (Lai, 1995: 121 cited in Chua, 1997: 143). The implicit motivation, therefore, cannot be denied - the policy prevented a specific ethnic group from overpopulating a residential block and kept the density of minority racial groups below levels that might cause electoral upsets.

The other controlling element was the operation of town councils. The system of town councils was introduced in 1988 to undertake management activities of estates including common facilities as well as public housing units. In terms of funding management costs, town councils relied on the government grants and service charges from the residents. Since the resident representatives were involved in the activities of town councils, the organisation was often described as a 'grass-roots' arrangement. Nevertheless, there were strong limitations placed on the system's constituent elements and financing preventing the pursuit of pure democratic decision-making. First of all, town councils, chaired by a Member of Parliament of each political constituency, rarely opposed government policy or guidelines insofar as they depended on grants from the government under a one-party dominant political system. It was highly likely that a council led by opposition MPs would be heavily penalised for 'inappropriate improvements' to properties if they defied government policy. In an extreme scenario, it can be assumed that “if the enemy is assisted, the whole village is punished” (Tremewan, 1994: 65) under a one-party system.

8.3.3 Evaluating policy changes in the 1970s and 1980s

The housing policies of the two decades concentrated on the promotion of home ownership as a profitable asset and the provision of varying housing types within the public sector. The government allowed the transaction of housing units in the resale market, although buyers and sellers had to comply with numerous resale rules. The permission to sell at market price transformed home ownership in the Singaporean context into a lucrative asset beyond mere shelter. As the economy became prosperous and income levels rose, the government wrestled to maintain the dominance of public housing while the asset values of home ownership were being promoted in the public sector. In particular, it strove to keep the exodus of upper-middle class to the private sector to a minimum by providing opportunities to own high-quality residential property with preferential terms in the public sector. Although some of its policies were not entirely successful, the government succeeded in accommodating a higher proportion of the population over the period. While the
public sector accommodated the bulk of the population, the private market remained the preserve of the richest households and foreigners. The central status of the public sector in Singapore contrasted with many European welfare states where the public sector became residualised only for the lowest income earners or the unemployed while the bulk of the population met housing needs in the private market (see Emms, 1990, Forrest and Murie, 1991, Lowe, 2004, Malpass, 1999 for the cases of residualisation of public housing in European welfare states, especially Britain).

In the nexus between economic development and public housing, the integration of public housing into economic development remained basically intact during the two decades. Yet more weight was placed on the stabilising function of housing policy than its infrastructure or employment generating functions. As Singapore suffered from severe economic recession and the occasional failure of the restructuring plan in the 1980s, the government needed an effective stabiliser to guarantee the loyalty of the majority of the population to the regime and to control the potential sources of social unrest. The PAP government embraced a conciliatory approach towards affordable home ownership, which was placed within the reach of the middle-class and the property value of public housing was maintained to ensure its continued loyalty. Tying the destiny of Singapore’s home-owning society to PAP rule proved quite effective. As well as preserving the home owners’ alliance with the PAP, the government further restored the traditional caring network between parents and married children. Preferential advantages over the neighbouring generations, in turn, contributed to the reinforcement of the family ideology through which PAP elites were able to avoid resorting to Western welfare models and provoking reliance on public benefits and increasing costs. In addition, the government enforced racial quotas to prevent minority ethnic groups taking over residential blocks. Given the huge size of the public housing sector, racial quotas could control every inch of a multicultural society in combination with grass-roots organisation of the town councils. These controlling elements served the PAP’s interests to steer their welfare system away from Western welfare models and stabilise a society during the period of restructuring the economy.
8.4 Fine-tuning of public housing and partial privatisation

8.4.1 The features of housing policy during the post-Lee era

As the public housing system matured, accommodation capacity and home ownership rates reached their maximum levels during the post-Lee regimes. The estimated percentage of HDB residents to total population (<Figure 8.2>) reached its peak in 1990 and the figures were largely stagnant throughout the decade. In terms of home ownership rate, at its highest, as <Figure 8.3> indicates, about nine out of ten HDB residents were home owners in 2000. Having achieved the realistic maximum level of accommodation capacity and home ownership rate in the public sector, the post-Lee PAP governments led by Goh Chok Tong and Lee Hsien Loong were committed to the maintenance of the current system. Meanwhile, the governments drove partial privatisation of the public sector and encouraged the participation of private agents in public housing, affected by the general trend in governance.

After Goh Chok Tong took over the premiership From Lee Kuan Yew in 1990, Goh's government undertook large-scale upgrading projects and increased the availability of housing finance for home ownership. The relevant policies largely took over the direction of previous policies in operation since the last decade. The upgrading of old flats and affiliated facilities was timed to boost the depreciated values of properties in the public sector. Guaranteeing the value of public housing was essential in current and prospective terms, as far as the rationale for the regime relied upon rising house prices. To fund home ownership, the government permitted the relaxation of HDB rules on mortgages. The main target of the relaxation was the lower income groups as the public owner-occupied sector absorbed most middle- and upper-middle class groups. The deregulation aimed to increase the volumes of available mortgages, especially for low-income households. For the higher income groups, the government created the 'hybrid' sector of Executive Condominium and selective privatisation of HUDC estates with the approval of residents. These two actions were designed to satisfy the higher expectations of contemporary Singaporeans for whom the provision of mass public housing no longer sufficed and were eager to possess residential property in the private sector (Teo and Kong, 1997: 448).
There was continued adherence to the desired societal values, with favourable terms for married children neighbouring their parents. For instance, eligible purchasers of HDB resale flats who resided near their parents could apply for a grant of up to $50,000 under the 1994 CPF Housing Grant Scheme, which was higher than the standard maximum amount of $40,000. However, deregulated mortgages and increasing consumer subsidies stimulated house prices in the early 1990s in a positive economic environment. To curb real estate speculation, the government implemented anti-speculation measures in 1996, primarily through property taxation such as capital gains tax or stamp duty, and this immediately cooled down the property market (Phang, 2007: 27). Moreover, in 1997 the rules on HDB mortgages were tightened, in terms of the conditions of the subsidised mortgages and maximum repayment period, when the economy fell into a sharp downturn caused by the Asian Financial Crisis. This sort of unpredictable coincidence tends to exacerbate the cooling effects of anti-speculation policy and Singapore is no exception to this tendency since its property market underwent an acute slump.

In the 2000's PAP governments under the premierships of Goh Chok Tong and
Lee Hsien Loong, had to deal with low demand for housing in the matured market, combined with the aftermath of the Asian Financial Crisis. With many new flats left unsold, the government substituted the registration system with a new ‘Built-To-Order’ scheme. The new system was better at predicting actual demand than the past system and was thus able to minimise the discrepancy between supply and demand. Another common feature of the 2000’s governments was the partial privatisation they brought to the public sector and their promoting of private agents in the provision of public housing. The Singapore governments had been gradually privatising the statutory boards and government-linked companies since the late 1980s in accordance with the worldwide trend, as the ideology of neo-liberalism was prevalent in the era of globalisation. Yet Singapore differed from other countries where comprehensive privatisation was undertaken across a wide range of sectors. In general, Singaporean privatisation reform was slower and more partial in scope (Haque, 2004: 232). The motivations for privatisation were also quite different from the prototypical projects of privatisation. The main motives for privatisation, as seen in the case of SingTel, were to prepare selected targets for global competition and to encourage the development of the stock market rather than to reduce budget deficits or correct inefficient management (Heracleous, 1999: 441).

The public housing sector had witnessed several privatisation measures and the introduction of market principles by the mid-2000s. Firstly, the HDB - the giant public housing authority - was partially privatised and the separated organisation, the Surbana Corporation Private Limited, steered towards the consultancy business and township development. This partial privatisation separated the non-essential sections and their functions from the public organisation of the HDB. The rationale for the privatisation was that the HDB would focus on its role as a public housing authority, with its other ancillary roles devolved to subsidiary firms or the private sector (Ho and Hui, 2008: 153). Secondly, the government induced the increased participation of private builders in public housing projects by the introduction of the ‘Design, Build and Sell Scheme’ (DBSS). Finally, the government transferred the HDB’s role as mortgage lender at market rates to the private financial institutions from January, 2003. Buyers ineligible for subsidised mortgages must now obtain mortgages from private banks or financial firms, even when they purchase HDB flats.

Notwithstanding these partial privatisations such as the principle of competition and greater consumer choice, they were generally too limited to fundamentally impair the non-market allocation of housing that the HDB has adhered to since the foundation of the public housing sector. However, the last of these reforms, the
limited privatisation of public housing finance might be influential in future, because it will probably change the way home ownership is financed and thus the Singaporean interpretation of public housing in the long-run. The proportion of mortgages at market rates was approximately 37% of the HDB's total outstanding mortgage balances in 2001/2002 (Sing and Ong, 2004:173). Given this considerable share of market-rates loans and the highest ratio of interest to total revenues in the portfolio of the HDB (<Figure 8.4>), the organisation lost a major source of income i.e. incurring interests of mortgages by the withdrawal of mortgage lending role at market rates. The loss of this income basis means that the HDB has to find alternative sources of revenue in the near future. Otherwise, the government will have to make up the loss with more grants from the central budget. Higher subsidies might threaten the principle of minimum direct government outlays on housing, with which the PAP government has underpinned the operation of the public housing sector since the 1960s. An even bigger impact would be felt if the mortgages of private financial institutions manage to facilitate the creation a secondary mortgage market, where residential mortgage-backed securities are issued and sold. There can be no doubt that the up-until-now durable entity of public housing will confront its toughest challenge when the issue of MBSs are allowed and the secondary mortgage market is activated in Singapore.

< Figure 8.4 > The structure of HDB revenues: 2003/2004

| Source: HDB (2005:105) |

8.4.2 Evaluating policy changes during the post-Lee era

Despite the privatising policies, the general nature of limited privatisation in Singapore was mirrored when reforming the public housing sector. In the trend of privatisation, most public housing units, especially HDB flats are still heavily subject to a number of different rules, in contrast with private properties, as is illustrated in
From the analysis of the former section, it seems unlikely that the reforms of the last two decades will tear down the existing system in which the public sector dominated the provision of housing.

**Table 8.4** Terms and conditions of HDB flats and private properties

<table>
<thead>
<tr>
<th>Requirements for selling flats</th>
<th>HDB Flats</th>
<th>Private Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners must occupy their flats for a minimum period before selling the flat on the resale market (5 years for new HDB flats, 2.5 years for resale flats)</td>
<td>Owners can freely sell their properties without restraints</td>
<td></td>
</tr>
<tr>
<td>Source of mortgage</td>
<td>Mortgage loans can be taken from the HDB at concessionary rates for eligible purchasers, or from banks and financial companies licensed by the Monetary Authority of Singapore at market rates</td>
<td>Mortgage loans can be taken from banks or financial companies at market rates</td>
</tr>
<tr>
<td>Use of CPF savings</td>
<td>CPF members can use their savings for HDB housing up to 5% of the property price</td>
<td>CPF members can use their savings for HDB housing up to 5% of the property price</td>
</tr>
<tr>
<td>Resale levy</td>
<td>Resale levy should be paid in the resale market only if sellers benefited from concessionary rates loans</td>
<td>No resale levy</td>
</tr>
<tr>
<td>Income ceiling</td>
<td>Various income ceilings depending on the size of HDB flats, but no income ceiling for the purchase of resale flats</td>
<td>No income ceiling</td>
</tr>
</tbody>
</table>


There would be steadily mounting calls for both far-reaching deregulation and the government assuming more responsibility for welfare in the future. These possibilities are grounded on the assumption that it will become almost impossible for the Singaporean government to stabilise the asset value of home ownership in a volatile and open economy without well-equipped public safety nets. Firstly, the key conditions for the success can no longer be fulfilled in the future and thus it will be extremely difficult to sustain the value of home ownership without considerable negative effects on the society. When Singapore accomplished industrialisation and high rates of economic growth based on manufacturing industry, full employment and regular incomes enabled most of the employed population to purchase a house and amortise their mortgage loans over their lifetimes. Yet the basic formula is not valid in the current post-industrial society where full and stable employment is not plausible and consequently inequality is being reinforced in both income and wealth. Secondly, stabilising the housing market is almost impossible in the era of
globalisation, given that the economy is closely correlated with global factors, most of which are unpredictable and uncontrollable by a nation-state government. It has become even harder to maintain the stability of the public sector in Singapore under these circumstances, as the events just before and just after the Asian Financial Crisis demonstrate, when the government unintentionally aggravates the cooling of the property market with anti-speculation policies or overheats the property market with stimulus packages.

A number of constraints imposed on public housing mean that homeowners are not free from executing the right of home ownership, which is the essence of property rights in capitalist society. Singaporean people have tolerated these regulations, because the vision of the home-owning society was only attainable with the government’s generous policies and subsidies. On the other hand, they know that the building of this home-owning paradise relied on their enduring contributions from regular income and homeownership was the reward for a lifetime’s hard work. Once large shares in disposable incomes and the CPF balances were drained into home ownership, Singaporean retirees frequently became ‘cash poor, asset rich’, as they are depicted in the literature (e.g. Wong and Yap, 2003: 378, Tu, 1999: 112, McCarthy et al., 2002: 197). In the absence of other public benefits for the elderly except for the low-balanced CPF, homeowners have depended upon their owner-occupied house becoming a major income resource in post-retirement life, through reverse mortgages or the capital gains from moving to smaller units. Since the prospective values of housing will be more fluctuating than in the past, given the changing circumstances, policy makers must diminish the heavy reliance on a home-owning public housing system. Otherwise, the government will have to augment the public welfare system to successfully handle the new social risks of life in post-industrial society. In brief, the task the contemporary Singaporean government now faces is finding a way “to reduce the dominance of housing welfare without adversely affecting housing asset markets” (Phang, 2007: 44).

8.5 Concluding remarks

The PAP government has been committed to building and running the public housing sector since it came to power at the early stage of independence. This strong initiative in public housing was aimed at serving economic development strategies and nation-building processes, rather than creating entitlement to social rights. As a
result, the ratio of HDB flat residents skyrocketed from 9% of the total population in 1960 to 83% in 2005 in less than a half of century. This outstanding performance is even more remarkable when one considers that it is the highest rate of home ownership (92% in 2000) amongst matured capitalist societies. The historical analysis of this study demonstrates that the unprecedented public housing system has been embedded by a combination of the persistent efforts of the PAP with complex institutional factors. In the case of Singapore, the institutional and ideological legacies of British colonial rule were inherited by the PAP elites and integrated into the development plans. The CPF, in particular, was the fulcrum of the mechanism that directly linked pension scheme to public housing finance. This was the new nexus that the PAP government innovated to solve housing finance without much expenditure from the budget. From an institutionalist perspective, most schemes of British colonial rule were fundamentally residual in social policy. Yet the CPF rendered the PAP government institutional advantages, because the non-redistributive and fully-funded pension scheme made social consensus on the withdrawal of the funds easy to accept for the home-owning public sector. This kind of institutional advantage was an "unintended consequence", because the British government did not intend to link the fully-funded pension scheme to financing public housing when taking account of the form of the national pension scheme. In addition, the case of Singaporean housing policy illustrates that a critical juncture at the very initial phase of policy development narrows down the consecutive policy choices and, when coupled with a dominant political power i.e. a single party state, can structure the path-dependent route in the long run.

When it comes to the bigger picture of the welfare states, the entity of public housing has become a symbol of the Singaporean welfare state in its own unique way, so much so that it can be called the first genuine 'asset-based welfare state' in the world. Despite the limitations of a city-state, the Singaporean model, to which the transferred institutions contributed, has been exported to other developing countries, in what amounts to a "double policy transfer." For instance, the financing of the Singaporean housing system through the CPF affected the foundation of the Housing Provident Fund in China, firstly in Shanghai in 1991 and later across the whole of urban China at the unit of the city (Chen et al., 2010: 879). However, the conditions surrounding the pillar of public housing have been fundamentally changing since approximately the late 1980s. While the first three decades saw the building of a home-owning society in the Singaporean context, the first decade in the new millennium and the last decade of the 20th century were a period of managing an established system. The home-owning public housing sector has been exposed to
uncontrollable risks and in turn the potential tension between homeowners and the
government is growing around this pillar of Singapore's welfare system. It is time for
policy makers to rethink how to reform the current system in order to ensure the
welfare of the Singaporean people in a mature capitalist structure.
Chapter nine
Integrating the findings into the key theoretical concepts in comparative context

9.1 Introduction

This thesis undertakes comparative historical analysis using the theoretical frameworks of developmental states theory and historical institutionalism. In order to arrive at a basic understanding of the cases, Chapter 5 and 7 described how the housing policies and related arrangements of Korea and Singapore developed with contextual knowledge of the countries' political economy. To increase the validity of the 'historical' analysis in an Asian context, the temporal coverage of the study was extended to the colonial era when significant institutions were transferred or newly introduced, a period disregarded by previous studies. The chapters provide general accounts of housing arrangements, but are not intended not to be exhaustive explanations. Chapters 6 and 8 illustrate how the housing schemes and interconnected arrangements were designed and gradually embedded in a complementary manner with arguments and evidence from varying sources. These chapters relate housing developments to the questions of 'why' and 'how' housing was handled by two developmental states pursuing economic growth and political stability. In addition, the emphasis on the contents of institutions and the mutual relations was designed to demonstrate how path-dependency dominated most housing policy developments in Korea and Singapore, because the variable of 'institutions' was an important factor reinforcing path dependency.

In this chapter, the findings from the previous chapters are used to analyse how housing institutions originated and evolved at the comparative level. Key theoretical concepts are assessed and applied to the findings from the case study of Korea and Singapore. There is also some additional analysis of the implications of the findings for the key theories, especially when the findings are connected with the concepts of path dependency and critical junctures. The intention here is to contribute to the refinement of the adopted theories adopted in the thesis by integrating the comparative evidence into the theoretical debates on core concepts. The latter parts of the chapter critically evaluate previous studies of Asian housing regimes based on
the results of the case studies and locate Korea and Singapore within the broader regional context of housing systems in Asia.

9.2 Key theoretical concepts and their application to the cases

9.2.1 Colonialism and the developmental states

One of the main concerns of this thesis is how institutions established by colonial governments affected the developments of post-colonial housing policy. Colonial authorities laid down institutional foundations in colonies in order to forge the identities of new nation-states and the institutions continued to exert long-term effects ever since (Mahoney, 2010: 1-2). The analysis undertaken in this thesis suggests that colonial governments should be added to Dolowitz and Marsh's (1996: 347-348) list of key enforcing agents making 'coerced policy transfer.' The thesis identifies which institutional arrangements were transferred or newly introduced in housing and related fields by colonial governments and examines their survival well into the post-independence era.

Korea and Singapore were colonised by Japan and Britain respectively. In terms of characteristic of colonial housing policy, this study argues that Japan and British colonial governments commonly embraced the 'residual' approach to housing in Korea and Singapore respectively. Major urban planning acts (including housing) and the organisation of a public housing corporation were imported from Japan in Korea. Japanese transferred or new policies were either simply copied or adjusted in experimental ways on behalf of imperialist's interests. Japanese colonial authorities established controlling and experimental urban plans such as the 'Remodelling City Blocks Act' and the 'Chosun Planning Act for Urban Areas.' The case study demonstrates that the Japanese colonial government preferred land readjustment projects in urban development not to allocate much budget and the Chosun Housing Corporation accommodated the limited portion of the working population serving Japanese imperial interests. Japanese powers controlled the overall process of housing provision, restrained public expenditure in housing and provided mass housing for the small portion of the population to support their imperial ambitions. The case study of Singapore reveals that British colonial government did not take the active responsibility in the provision of public housing to relieve housing shortage and insanitary housing conditions. The findings support the previous argument that
the British colonial authorities maintained a *laissez-faire* approach to housing (Teh, 1975:3, Teo and Savage, 1991: 327, Teo, 1992: 167). It was not until the foundation of the Singapore Improvement Trust (SIT) that significant measures in housing began to be taken with the requisite financial resources. However, this thesis demonstrates that the operation of the SIT did not change a *laissez-faire* stance fundamentally, because its role was confined to the improvement of built stocks and did not carry out large-scale housing construction project. In the case of the Central Provident Fund (CPF), this study argues that British colonial government abandoned the idea of launching a comprehensive social insurance scheme because the government would not assume the full financial possibility of meeting the deficit in future. As a result, a fully contributed pension scheme was in force, although the majority of the commission appointed to investigate the public retirement benefits approved a social insurance scheme.

The case study shows that these residual housing schemes and related arrangements had influences on the post-colonial development of housing in Korea and Singapore. In Korea, the 'Chosun Planning Act for Urban Areas' and the 'Chosun Housing Corporation' were identified as major legal and organisational legacies from Japanese colonial rule at post-Japanese era. In Singapore, the Central Provident Fund and the type of statutory boards were core institutional arrangements influencing the post-independence development of housing. Particularly, the type of a public firm, originated during the colonial period in Korea and Singapore, were established as a dominant organisation in the provision of public housing at the post-independence era. The Chosun Housing Corporation was founded as an independent public firm and the retitled corporation (the Korean National Housing Corporation) continued to be a central public agency. In Singapore, the type of 'statutory boards' was widely adopted at both the colonial era and the early post-independence era. Pensions (Central Provident Fund Board) and housing (Housing and Development Board) became the core fields where statutory boards took the major role of providing public welfare services. In conclusion, this thesis argues that the maintenance of a self-financing public corporation helped the colonial and early post-independence governments to provide public housing without much outlay from budget and simultaneously place public housing agency under the state's control.

Notwithstanding the similar institutional legacies from colonial rule, different paths of housing systems were structured in Korea and Singapore after they achieved independence. The thesis argues that the impact of institutions established
by the colonial governments in Korea and Singapore depends on the developmental strategies that have been pursued and the role assigned to housing in the developmental model. Following Johnson's (1982) refutations of the neoliberal thesis, a number of works (Amsden 1989, Chang, 2003, Cheng, Haggard and Kang, 1998, Deyo, 1987, 2006, Evans, 1995, Haggard, 1990, 2004, Haggard and Moon, 1990, Henderson and Appelbaum, 1992, Wade, 1990, Weiss, 1999, 2000, Woo-Cumings, 1999, 2007) have developed the thesis of the 'developmental states' focusing on the state's autonomous intervention in the economy, the roles of elite bureaucrats loyal to political leaders and supporting institutions for the goal of economic growth in East Asia. In this thesis, the state's strong governance was emphasised in order to steer national resources towards key industrial sectors and coordinate the activities of economic agents. The highest priority was placed on economic growth under the active guidance of central governments, but the there were considerable variations in details of the strategies used to accomplish the goal of economic growth. Both Korean and Singaporean models took advantage of the pool of cheap labour and relied on exporting the goods that they produced in core manufacturing industries at the outset of industrialisation. However, the Korean model focused on increasing exports by cultivating domestic firms whereas the Singaporean model was based on the export-led growth of foreign transnational firms (see Castells, 1992, Shin, 2005 for the comparison of Korea and Singapore).

The strategic role granted to housing was also different in the two development models. In the Korean model, the government gave selective assistance to key industries, but the channeling of public financial resources into the house-building industry was curbed to avoid crowding out financing export industry (Renaud, 1993: 292-297, Kim, 1993: 278, Kim, 2004a: 324, Ahn, 2002: 255, Kim and Ahn, 2002: 215). Once the Korean model was driven, this thesis argues that the early Park Chung-Hee government continued Japanese housing policy without many modifications such as 'Chosun Planning Act for Urban Areas' (including land readjustment project) and the 'Chosun Housing Corporation', which was designed to save money while maintaining tight control over the provision of housing. The regulatory framework inherited from the Japanese continued to be enhanced in housing throughout Park's and succeeding military regimes by creating new regulations. On the other hand, public housing was fully integrated to support economic growth and acted as an essential component of both the development strategy and social security system in the Singaporean model (Goh, 1988: 161, Lee, 2008: 276-278, Lee and Vasoo, 2008: 277-281, Vasoo and Lee, 2001: 280-281). More specifically, this study argues that the PAP government saw public housing as
an efficient stabiliser in a multi-ethnic, immigrant society, helping to produce a well-organised infrastructure and to generate employment. When seeking a solution to financing large-scale public housing programmes without much outlay from the national budget the residual legacy of British colonial rule—especially the CPF and statutory boards—provided viable alternatives for the PAP government.

In conclusion, the cases of Korea and Singapore illustrate how similar institutions were utilised in different ways by post-independence governments relying upon the strategic role of housing in each development model. The evidence presented in this study suggests that the different models and inherited institutional arrangements in combination were the crucial factor determining the considerable variations in Korean housing and Singaporean housing.

9.2.2 Path dependency and critical junctures

Path dependency and critical junctures are concepts proposed by historical institutionalists in order to comprehend the features of institutional evolution. This thesis has examined how a series of housing policies and related arrangements have reinforced path-dependent developments in Korea and Singapore by “treating institutions as themselves important objects of explanation” (Pierson 2004: 103). Given the purpose of the research as well as the supporting evidence, this thesis has emphasised those elements enhancing the status quo and what Pierson (2004: 142) calls “the issue of institutional resilience.”

In order to compare the characteristics of institutional resilience in the two cases, this section examines the assumption behind and key concepts generating self-reinforcing paths and links them to the cases of Korea and Singapore in their comparative contexts. Firstly, there is the issue of maintaining the status quo. Historical institutionalists regard political actors as ‘rule-following satisfiers’, not rational utility maximisers, and assume that most people obey social rules even when following the rules might not be in their self-interest (Thelen and Steinmo, 1992: 8). This assumption suggests that political actors will tend to observe existing rules (or policies), even when reforming existing ones is the utility-maximising option for a society. In this thesis, we have seen that no housing policy was radically reformed by systematic political demands of organised non-state actors in Korea and Singapore. In particular, general controls on labour movements and the organisation of the working classes in East Asia (see Deyo, 1987, Haggard and Moon, 1990, Pempel, 1999 for the issue), meant that no major critical demands were made
by labour for the reform of the existing system governing the housing policy process in Korea and Singapore. This study argues that non-state actors were just consumers and suppliers in the provision of home ownership in Korea and Singapore and became ‘rule-following’ actors under the strong and authoritarian states.

Secondly, the thesis argues that rule-following behaviour was reinforced in Korea and Singapore by the respective institutional frameworks, which placed strong constraints within housing and related institutions to hinder radical shifts and provoke institutional inertia. Pierson (2004: 142-153) identifies four major elements that make revision difficult: coordination problems, veto points, asset specificity, and positive feedback. The latter two elements - asset specificity and positive feedback- are examined here. Regarding the first concept, 'asset specificity', Pierson (2004: 148) argues that actors tend to be “more committed to the continuation of the activity where those assets are applied” when their assets are specific. When actors are heavily invested in the specific assets of an institution- e.g. expectations, privileges, knowledge of procedures, they will avoid the risk of institutional changes incurring high costs and stick with the current institution (Gourevitch, 2000: 144-145).

< Figure 9.1 > Asset-specific elements in Korean housing schemes

Asset specificity was pronounced among prospective and existing homeowners in Korea and Singapore. <Figure 9.1> summarises the benefits with which the scheme
provided prospective homeowners and contractors in Korea. With these benefits, many families who aspired to purchase new apartments were engaged in the housing schemes. First of all, there was an increase in the households possessing the Housing Related Saving Scheme (HRSS) accounts. The total number of Housing Related Saving Scheme accounts increased from 15,820 in 1980 to 2,538,352 in 1990 (KNHC, 2003: 126). In terms of the price ceiling system, the system aggravated the housing shortage due to the insufficient supply of new apartments and distorted the distribution of new apartments in size (Kim and Kim 2000: 1159-1160). Despite the negative impacts, public opinion was not critical of the system. For instance, in a public opinion poll from the early 1990s, 66.3% of respondents were in favour of the price ceiling system whereas just 24.8% wanted to see it abolished (The Kyunghyang Shinmun, 1991). The huge investments in HRSS and supports for the price ceiling system were not simply justified by the rationale of efficiency, because the schemes generated considerable social costs overall (see <Table 6.3>). Therefore, it should be noted that asset specificity was reinforced amongst prospective homeowners and contractors by offering potential profits or granting preferential status within the individual scheme.

< Figure 9.2 > Asset-specific elements in Singaporean housing schemes

There was even stronger asset specificity in Singapore as <Figure 9.2> sums up. The asset specificity of Singaporean housing schemes took effect when potential homeowners applied for and purchased public housing. Families meeting HDB
requirements could be registered in the queue for the purchase of public housing under the first-come-first-served system. This bureaucratic allocation system frequently produced a long queue, especially at the early stage of development. According to Castells, Goh and Kwok's data (1990: 232), the annual number of applications to buy HDB flats was higher than the annual number of sold flats between 1968 and 1974, and 1980 and 1983 in the 15 years after the CPA Approved Scheme was implemented (Castells et al, 1990: 232). When demand for home ownership of public housing outstripped supply, registered applicants simply bided their time in the queue. After a while, they would move to the top of the waiting list and their patience would be rewarded. Families registered in the queue would, therefore, tend to be against drastic reforms of the allocation system, because they had already made a considerable investment in the current arrangement. This advantage continued to be available and specified insofar as applicants followed HDB allocation rules.

The self-reinforcing process produced by asset specificity was also bolstered by the purchase of public housing with the assistance of subsidised loans and CPF savings. Qualified families were entitled to obtain concessionary rate loans from HDB and withdraw savings from CPF account only when they purchased flats provided by HDB. Particularly, the People's Action Party (PAP) government could take advantage of the CPF as a source of housing finance for consumers without additional outlays from budget. In terms of institutional structure, there was no problem to create the relationship between the CPF and public housing programmes. The CPF was designed as a fully-funded and defined contribution plan without redistribution and the structure made social consensus on the withdrawal of the funds easy to accept for home-owning public sector. After the scheme was in force, the balances of the CPF accounts were rapidly channeled into the purchase of home ownership (see Table 7.2).

Once large amounts of savings had been withdrawn from individual CPF accounts and used to buy public housing, prohibiting the use of savings was not a plausible option in the future when reforming the scheme. Such a reform could not be pursued, as prospective homeowners counting on the CPF would be strongly opposed to any prohibition on the withdrawal of savings, unless other direct benefits were given to compensate for their loss, for example, a further reduction in HDB mortgage interest rates. However, this compensation would pose another equity issue between current homeowners who had their obtained mortgages at the existing higher interest rates and prospective homeowners who would obtain mortgages at
lower interest rates in the future. Because of these complicated equity issues, it was unlikely that the use of CPF balances would be barred in the development process. Finally, the thesis argues that strong asset specificity made the CPF Approved Housing Scheme self-reinforcing and led to the expansion of coverage by the 1981 Approved Residential Properties Scheme allowing CPF members to use their balances for the purchase of private properties.

'Positive feedback' is another self-reinforcing influence on developmental process towards path dependency. 'Self-reinforcing sequences' (often called 'increasing returns' in economics) are characterised by the continued reproduction of an existing institutional pattern and thus investigating the sequences is a primary topic in studies of path dependency (Mahoney, 2000: 508). When it comes to 'positive feedback', the most obvious concept is that of 'regimes' demonstrating the interlinked relationships between institutions (e.g. Esping-Andersen, 1990, 1999, Hall and Soskice, 2001, Huber and Stephens, 2001, Kitschelt et al., 1999, Pierson, 2001). The presence of complementary institutions enhances the value of each institutional arrangement in a regime and generates positive feedback between institutions (Pierson 2004: 150). Similarly, "institutional complementarities" defined by Hall and Soskice (2001: 17) captures positive feedback between institutions. Once complementarities are formed between institutions, abolishing one institution may increase the cost of institutional revision by reducing the benefits of other existing institutions (Pierson, 2004: 150).

Based on these arguments, this thesis contends that the Korean housing regulatory regime was created in the 1970s and persisted because of positive feedback between housing policies in a complementary framework. The case study demonstrates that the individual policy mutually complemented other policies by compensating those who lost in specific policies (see <Table 6.3>) and formed a complementary package in regulating ways. The individual schemes initially were not designed to operate as parts of a well-integrated entity, but they became components of the 'regulatory regime' over time. Yet it should be noted that the complementary policies brought about negative effects in society as whole, while they served the developmental strategy that authoritarian states made up (see Chapter 6). As even rational choice theorists (e.g. Miller, 2000, Bates, 1990, North, 1990 cited in Pierson, 2004: 105-106) admit, specific institutions might be functional for powerful actors whereas they might be dysfunctional for society as a whole. Its interlocking features mean that Korean housing can be seen as a 'regulatory regime', a term which appropriately captures not only the positive feedback between policies but also the negative
impacts that the regime has had on the housing market. The regulatory regime functioned as a key mechanism in the provision of new apartments through mutual complementarities until the 1980s. The mutual complementarities, this thesis argues, helped the related schemes to survive or to be revived even when post-AFC governments were pushing deregulation.

Path-dependent developments can of course be fundamentally changed by crucial turning points or 'critical junctures', a concept discussed in Chapter 4. Despite the contributions of this concept to historical institutional studies, it is empirically limited because it has not been neatly defined or identified in previous case studies. Many studies of critical junctures lack a well-organised explanation of what produces such turning points, although some historical institutionalists identified economic crises and military conflicts as the most likely causes (Hall and Taylor, 1996: 942). Either way, the literature on critical junctures tends to treat institutional change as a response to exogenous shocks and fails to precisely account for "how institutions emerge from disequilibrium at such junctures" (Hall, 2010: 205).

The concept of 'critical junctures' needs to be refined using complementary ideas but without losing the insights of the original idea. First of all, the critical junctures are necessarily defined as 'specific events.' Insofar as the duration of critical junctures are "brief relative to the duration of the path dependent process it instigates" (Capoccia and Kelemen 2007: 348), the concept can be defined as 'lengthy periods' "during which there is a substantially heightened probability that agent's choices will affect the outcome of interests" (Capoccia and Kelemen, 2007: 348) rather than 'specific events.' Furthermore, the claim that old paradigms are denied and thoroughly replaced by new ones at critical periods cannot be sustained; as thesis demonstrates. Old institutions are not always substituted with totally new ones and are often "either recalibrated or functionally reconverted in part" at critical junctures (Thelen, 2004: 34). In other words, there is often "considerable continuity through and in spite of historical break points" (Streeck and Thelen 2005: 8-9) in institutional changes. Regarding the explanations of institutional evolution, Streeck and Thelen (2005: 19-30) suggested four types of institutional changes: displacement, layering, drift and conversion. Following these suggestions, Mahoney and Thelen (2010: 16) sum up the key characteristics of each type shown in Table 9.1. With these concepts, we can further our understanding of institutional development during periods when institutional changes are crucial, but are not accompanied by the wholesale replacement of all rules.
<Table 9.1> Types of institutional changes

<table>
<thead>
<tr>
<th></th>
<th>Displacement</th>
<th>Layering</th>
<th>Drift</th>
<th>Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Removal of old rules</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Neglect of old rules</td>
<td>-</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Changed impact/ enactment of old rules</td>
<td>-</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Introduction of new rules</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Mahoney and Thelen (2010: 16)

<Figure 9.3> Key housing policies in Korea and Singapore

**Korea**

<table>
<thead>
<tr>
<th>Colonial era</th>
<th>Policy Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chosun Planning Act for Urban Areas (Land Readjustment Project)</td>
<td></td>
</tr>
<tr>
<td>Chosun Housing Corporation</td>
<td></td>
</tr>
<tr>
<td>Land Readjustment Act, Public Housing Act</td>
<td></td>
</tr>
<tr>
<td>Korea National Housing Corporation (KNHC), Korea Housing Bank (KHB)</td>
<td></td>
</tr>
<tr>
<td>Housing Construction Promotion Act</td>
<td></td>
</tr>
<tr>
<td>Price ceiling system, Advance sales system, Housing Related Saving Scheme, Designated builders</td>
<td></td>
</tr>
<tr>
<td>National Housing Fund, Bond-bidding system</td>
<td></td>
</tr>
<tr>
<td>Price ceiling system → Cost-linkage pricing system</td>
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<td>The abolishment of cost-linkage pricing system and bond-bidding system</td>
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<td>The privatisation of KHB, Mortgage-Backed Securities Company Act</td>
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<td>The revival of price ceiling system, Gross Real Estate Tax</td>
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**Singapore**

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<thead>
<tr>
<th>Colonial era</th>
<th>Policy Measures</th>
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<tr>
<td>Singapore Improvement Trust (SIT)</td>
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<td>Central Provident Fund (CPF), Statutory boards</td>
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<tr>
<td>Housing and Development Board (HDB)</td>
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<tr>
<td>Land Acquisition Act, Home Ownership for the People Scheme, CPF Approved Housing Scheme</td>
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<td>Creating the regulated resale market and its activation</td>
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<td>Human and Urban Development Corporation (HUDC) flats</td>
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<td>The adjustment of HDB rules (income ceiling, resale restraints and allocation rules)</td>
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<td>Levy system, CPF Approved Residential Properties Scheme</td>
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<td>Large-scale upgrading projects, Executive Condominiums (EC)</td>
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<td>Partial privatisation of HDB and HUDC flats</td>
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<td>Build-To-Order (BTO), Design, Build and Sell Scheme</td>
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The case study of Korea identified two critical periods in the development of housing. The first one is the 1970s when the regulatory regime was cemented and completed. As summarised in <Figure 9.3>, the Park Chung-Hee government legislated a new central act (Housing Construction Promotion Act) and framed the regulatory housing regime through the introduction of new policies while maintaining the existing acts and public housing corporation from Japanese colonial rule. 'Displacement' was prevailed in the 1970s with the introduction of totally new introductions of housing acts and schemes. These changes were driven by the authoritarian state in pursuit of continuous economic growth and political stability on the basis of the existing developmental strategies. The second period was the 1990s before and after Korea was subject to the bailout plans of the International Monetary Fund (IMF). The decade is easily identified as a 'critical juncture' in that deregulations of the economy including housing were initiated or accelerated by 'economic crisis' (the Asian Financial Crisis), a typical exogenous shock. Given the widespread shocks across the society and consecutive reforms substantially enforced by IMF, 'displacement' was the dominant but not the only type of institutional change in housing. While key regulations were removed, new pro-market measures were undertaken (<Figure 9.1>). However, this did not mean that the regulatory housing regime was not fully dismantled. Because all complementary components in a given set of institutions were not eliminated in housing, the abolished price ceiling system was revived and the regulatory regime was restored in the Rho Moo-Hyun government coupled with other new regulations (e.g. gross real estate tax).

In Singapore, a single critical juncture was identified at the early phase of development. This thesis argues that the introduction of the 'Home Ownership for the People Scheme' and 'CPF Approved Housing Scheme' in the 1960 was a crucial turning point in the development of Singaporean housing. The case study shows how the development of housing schemes involved a gradual evolution of institutions mainly through 'layering', particularly after the resale market was created. Layering is differentiated from displacement, because it involves amendments or additions to existing rules rather than the creation of totally new rules (Mahoney and Thelen, 2010: 16). In the case study of Singapore, there was a series of minor reforms (<Figure 9.3>) in which the PAP government made up complementary rules or adjusted existing rules to activate or control a state-governed public housing system. The characteristics of layering were distinguished in the rules of the resale market such as the minimum occupancy period, levy rates, income ceiling. The technique of
layering was used to manipulate speculations or slumps in the resale market to maintain the stability of the whole public housing sector. Additionally, in terms of the timing of the events, key historical institutionalists (Mahoney, 2000: 510-511, Pierson, 2000: 263) argue that earlier events tend to be more critical than the later ones in a sequence where a path-dependent pattern is framed. The case of Singapore supports this argument by demonstrating that a critical juncture at the initial stage of policy development narrows down the consecutive policy choices and consequently structures path dependency in a political situation where a single party state is dominant without serious political challenges. Concretely, a critical juncture caused by housing schemes in the 1970s and their reinforcing asset specificity made the alternative of the private sector unattractive for the vast majority of the population. As a consequence, the private sector has catered to the highest income groups who were not eligible for public housing and rich foreigners (Lum, 2002 cited in Bardhan et al, 2003: 85-86).

9.2.3 The necessity of “multiple angles”

Mahoney and Rueschemeyer (2003: 21) argue that comparative historical researchers are necessarily “pluralistic in the use of overarching theories”. The openness of comparative historical analysis promotes synergy and innovation between not only theories but also methods (Skocpol, 2003: 419). Therefore, comparative historical analysts can call upon other theories for assistance and do not hesitate to embrace “multiple angles” (Pierson 2004: 178) when analysing social reality. Given the advantages of adopting multiple theories, the main concern of Chapter 9 is to ascertain the path-dependent development of housing in Korea and Singapore by relating the findings of the individual case studies to key theories at the comparative level. When it comes to the theoretical implications of the developmental states, this comparative housing study reveals how similar institutions originated from colonial era were differently utilised by post-independence governments depending on the strategic role of housing in each development model. This understanding of Korean and Singaporean housing can be furthered in combination with the concepts and ideas from historical institutionalism. Given the strong governance of the states and controlled civilian forces demonstrated by the developmental states thesis, institutional analysis guides this research to refine the understanding of cases by investigating how the status quo was enhanced mainly by resilient elements of asset specificity and positive feedback. This study shows that the multi-theoretical approach is a practical way to
use the different strengths of various theories and create synergic effects for the analysis of social phenomena.

9.3 Situating the cases in the discourse about housing regimes

9.3.1 Implications for Asian housing regimes study

The findings of the case study carry significant implications for comparative housing study and they provoke discussions about the Asian housing regimes. First of all, the developments of housing in the two cases illustrate that the divergence theses are more appropriate than the convergence theses to account for existing housing systems over the globe. The two countries have walked paths distinctive to the ones predicted by the old and new convergence theses, and have cultivated distinctive housing systems with their own policies under internal and external forces that might lead to the convergence of housing. Furthermore, in terms of discussions about housing regimes, the results offer evidence of how the Asian housing regimes are differentiated from the ones developed in Western welfare states. When housing systems in Europe and America are clustered into several housing regimes, the structures and roles of the rental sector are highlighted by the previous analyses. Whether case studies of housing regimes advocate Esping-Andersen's framework or Kemeny's, they commonly scrutinise how both public and private rental sectors have been organised by policies and what roles the rental sectors have played in the developments of housing. In particular, the contrasting political choices about matured cost renting were vital in Kemeny's (1995) typology to bifurcate housing systems in Europe. Consequently, the dissimilar directions toward cost renting led the advanced economies to form two housing regimes: a dualist rental system and a unitary rental market. Hence examining the history of the rental sector- its emergence, growth and decline- and related policy reforms has become essential when analysing Western housing regimes.

The results of this study indicate that the Western experiences and analytical frames are not suitable for unravelling the developments of Asian housing when discussing housing regimes at the comparative level. As we have seen with the cases of Korea and Singapore, housing has been established by the unique points of view and policies of these Asian NICs. When these two states commenced industrialisation projects, public housing was designed to serve economic development strategies and nation-building processes, whether the tenure of public
housing was rental or home ownership. Its purpose was not to embody values of social rights. As a result, the public rental sector was extremely residualised for the marginal population and there was little public assistance to renters and suppliers in the private rental sector. Only home ownership was targeted for promotion when the governments started to intervene in the housing market. Since then, most major housing schemes and regulations have been developed to manage the home owning sector in Korea and Singapore. In addition, there were significant differences in the influence of the main actors especially between Europe and Asia. The working class and its representative organisations - labour unions and leftist parties - were the main actors driving the developments of the public or non-profit rental sector in Europe. On the other hand, authoritarian leaders and bureaucratic elites steered the housing system in the two Asian countries into directions intended to consolidate legitimacy and create economic growth compatible with the individual developmental models. Moreover, in terms of the design of housing schemes and regulations, the Asian Tigers either transformed the relevant institutions originated by the Western imperial powers into more suitable vehicles for local policy delivery or invented new ones in unique ways as time passed. Therefore, it would be wrong to see Asian housing regimes as mere hybrids of Western housing regimes despite the significant policy transfers made by the colonial powers and the long-term impact these have had in the region.

9.3.2 Locating two cases to the previous housing regimes

Although the Asian housing systems share much in common, the outcomes of this study indicate that they will not cluster into a homogeneous regime. Considerable variations in Asian housing were identified by the analysis and while there are common elements in Korea and Singapore's housing policy, such as the connection of housing with developmental strategies, the low proportion of direct subsidies from central budget and regulations on newly built apartments. The historical analysis undertaken in this thesis reveals more dissimilarities than similarities in the two cases, both in housing development and its consequences. Therefore, Korea and Singapore respectively are located in different housing regimes and this means that there are at least two housing regimes amongst the Asian industrialised states.

The implications of the research offer empirical rationales with which to evaluate the current debates about Asian housing regimes reviewed in Chapter 3. Above all, they suggest that the arguments for an identical Asian housing model should be rejected, given the variations between Korean and Singapore identified in this
analysis. The possibility of plural housing clusters in Asia undermines the validity of the homogenous regional models that several scholars (Doling, 1999b, Ronald, 2007) have proposed. Yet the results also call into question the multiple clusters posited by other students (Ramesh, 2003, Groves et al., 2007c) at least until further in-depth investigations into the history of housing experiences in individual states have been undertaken. For example, Groves, Murie and Watson (2007c) single out Korea and its ‘innovative dual approach’ distinguished by the coexistence of preferential finance to home ownership and a reinforced public rental sector. However, according to this thesis, Korean’s dualistic approach is a recent phenomenon and it remains to be seen whether Korean housing will maintain the unique path it has been following over the last decade to the extent that its approach can be separated from other market-dominant housing systems categorised as the ‘unmoderated private sector model.’

In summary, the research undertaken in this thesis on housing in Korea and Singapore illustrates the strength of the divergence theses represented by ‘housing regimes’ in accounting for ‘real’ housing experiences. It supports the interpretation that Asian housing regimes with a couple of sub-groups can be differentiated from Western housing regimes in many respects: e.g. viewpoints on housing, the roles and structures of the rental sector and policy measures for the promotion of home ownership. By confirming the validity of the divergence theses and the possibility that there are several Asian housing regimes, the research reminds us of the importance of identifying and comparing the various ways in which housing has been developed, which can be effectively achieved by focusing on how individual housing systems have been structured by policies and pertinent institutions in Asia.
Chapter ten
Conclusion

10.1 Introduction

Housing has been a major constituent of the welfare state ever since it was structured to handle the social risks posed by industrial society. Therefore, housing is subject to the principles of ‘welfare capitalism’, the term which Esping-Andersen (1990) uses to encapsulate the working mechanism of the welfare state. Esping-Andersen (1985: 179) argues that housing policy is a good field for observing how political mobilisation has affected the development of the welfare state, particularly in Scandinavian countries. Yet, despite widespread acceptance about the importance of housing in discourses on the welfare state, housing has for some reason not been one of the prime concerns in comparative social policy research and this lack of interest has left many issues of housing veiled. For example, as we have seen in Chapter 2, it has commonly been characterised as the ‘wobbly pillar under the welfare state’ (Torgersen, 1987: 116) and this might be a defensible conclusion. Yet this idea is drawn from deductive inferences without sufficient investigation of ‘real’ cases and it is not a conclusion based on the findings of a range of case studies using plausible theoretical frameworks. This recognition lies at the heart of this thesis. The necessity for scrutinising reality lies in how differently each nation state embodies ‘welfare capitalism’ in varying contexts. The history of the modern welfare state demonstrates that pure laissez-faire capitalism was modified by the political demands of various social groups and mass democracy but not to the extent that the system of capitalism was overthrown.

Welfare capitalism is diverse and each state has shaped its own way of running economic and political systems. Hence, the arguments about housing in Asian countries will differ from those in Western welfare states insofar as their housing systems in practice are structured by variations in welfare capitalism. The newly industrialised Asian countries (Asian NICs) have distinctive histories of capitalism and democracy, which can be differentiated from those of the Western developed countries. There have been considerable variations in the colonial experiences, the post-independent developmental paths and the formation of welfare capitalism between Asian NICs. Therefore, housing studies of Asian Tigers need to start by
identifying these regional variations and analysing how the combinations of these causal factors framed different housing systems and brought about current outcomes in housing and more broadly the welfare states found in Asian NICs.

10.2 Contributions of this thesis to housing research and theories

The main criticism of housing research is, as pointed out in Chapter 1, that housing studies fail to refine a theoretical framework, particularly at the comparative level. Many housing studies are criticized "either for being atheoretical, or for not making explicit the framework adopted" (Clapham, 2005: 7). In terms of the theoretical underdevelopment in housing research, another problem should be noted that housing studies address narrowly defined dimensions and housing analyses are not systematically integrated into other theories in the social sciences. This problem is well-summarised in the next excerpt from the introduction of Kemeny's (1992: xv) book.

A central problem of much of housing studies is that it retains a myopic and narrow focus on housing policy and housing markets, and neglects broader issues. Housing studies is still far too isolated from debates and theories in the other social sciences and what is need now is further integration into these.

Influenced by Kemeny's (1992) call for theoretically oriented research, the necessity of theorising housing research has been perceived, but it has still a long way to go. Considering the existing theoretical limitations in housing research, this thesis intends to accomplish the analytical pluralism (or eclecticism) of comparative historical analysis (CHA) by using various evidence and arguments from the theories and integrating them for the analysis of housing policy developments. Due to this explicit recognition of theoretical and methodological frameworks, this thesis contributes to promoting the productive interaction between housing research and other theories in the social sciences. As <Figure 10.1> shows, housing research and two key theories- historical institutionalism and the developmental states mutually benefit from the case study of Korea and Singapore in this thesis.

\[\text{Some prominent housing theorists began to pose various theoretical issues in housing study (e.g. The 2009 special issue of Housing, Theory and Society 26 (1))}\]
Firstly, in housing research, the thesis shows that contemporary social theories can provide a useful framework for analysing the developments of housing policy in a comparative context. It raises the possibility that housing studies will be integrated into common theoretical frameworks in the other social sciences. In addition, the thesis illustrates that the choice of theoretical framework should mirror similar and contrasting historical elements in regional contexts. While this thesis basically accepts core arguments and evidence from the theory of the developmental states, it demonstrates how Korea and Singapore embraced different housing systems depending on the strategic role of housing in each development model. Most of all, the adoption of the developmental states thesis helps us recognise that Western experiences are not suitable for understanding the development of Asian housing (see 9.3.1 for concrete implications). Furthermore, it helps us clarify the relationship between housing and other pillars of the welfare state in Asian contexts (see 10.3 for more details), which differs from that of the Western welfare states. When it comes to historical institutionalism, key concepts such as path dependency and critical junctures are applied to the cases in order to analyse how housing institutions evolved over time. In particular, employing concepts from historical institutionalism ensures that housing researchers can ascertain how institutions in themselves have reinforced path-dependent developments.

The two theories also benefited from the case study in this thesis. Firstly, historical the developmental states thesis and historical institutionalism expand the scope of
analysis into housing and thus enhance the validity of the theories. Secondly, key concepts in the theories, especially historical institutionalism, are supported and refined by the case study. As mentioned in Chapter 4, most of the theoretical and empirical knowledge in historical institutionalism has been accumulated by numerous case studies in wide-ranging topics. However, the representative case studies of policy developments in historical institutionalism concern the Western welfare states and thereby Asian countries are rarely examined within the explicit framework of historical institutionalism. Given the lack of case studies of Asian countries, this thesis illustrates that concepts and ideas from historical institutionalism are appropriate to account for policy developments in Asian Tigers beyond the Western democracies. In particular, the ideas of asset specificity and positive feedback are effective to demonstrate how self-reinforcing developmental paths of housing were structured by the variable of 'institutions.' Besides the concepts of asset specificity and positive feedbacks, the definition of 'critical junctures' is adjusted in this thesis and it is designated as 'critical lengthy periods' rather than 'specific events.' Moreover, this thesis adopts the debates about various 'types of institutional changes' (Streeck and Thelen, 2005, Mahoney and Thelen, 2010) to complement 'critical junctures.' This challenge reveals how the concept of critical junctures can be adjusted without losing the implication of the original idea. In summary, the achievements in this thesis contribute to the improvement of historical institutionalism by refining the ideas of institutional evolution.

10.3 The relationship between housing and other pillars of the welfare state

A set of significant changes in housing, e.g. the growth of home ownership, the development of new techniques in the global capital market, have been critical elements in reconfiguring welfare states across the OECD economies (Lowe, 2011: 200). Most of all, the relationship between home ownership and other pillars of the welfare state has been investigated amongst housing researchers. As reviewed in Chapter 2, the debate between Kemeny and Castles captures the essence of the relationship in Western contexts. Kemeny, the first scholar to raise the issue of the relationship, suggested that there might be an increasing correlation between high

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20 For example, there was no case study of Asian countries in Pierson and Skocpol's (2002: 694) and Mahoney and Rueschemeyer's (2003: 4) literature review of historical institutionalism.
rates of home ownership and low commitment to public welfare as private home ownership grows due to privatisation (Kemeny, 1980: 372). Castles (1998a, 1998b), however, cast some doubt over Kemeny’s (1981) explanation of the causal path of the inverse relationship, that the main reason for the trade-off might be the resistance of home owners (and prospective home owners) to the rising tax base necessary for the expansion of public welfare. He, on the contrary, argued that the withdrawal of welfare provision might provide people with an incentive to buy into home ownership. The Kemeny-Castles thesis continued to be tested or discussed in other housing studies (see Castles, 2005, Conley and Gifford, 2006, Doling and Horsewood, 2003, Fahey, 2003, Kemeny, 2005). The debates reveal that the growth of home ownership can reshape attitudes towards taxation and outputs of welfare reforms across the Western developed economies or the other way around.

Besides these general debates on the nexus in Western contexts, this thesis suggests that the different relationship between housing and other corners of the welfare state can be formed in Non-Western contexts. The roles played by social policy in the Asian NICs have been often linked to the tendency for Asian development models to prioritise economic growth. Many studies argued that social policy in these countries was either fully integrated into the developmental models or undeveloped in a repressed and piecemeal manner so as not to hinder economic growth. The case studies of Korea and Singapore support this argument by illustrating that housing policy in these Asian Tigers was promoted or regulated according to their developmental models and directly or loosely related to other fields of the welfare state in different developmental strategies. The most important relationship identified was that between national pension funds and public housing programmes. In this sense, the crucial difference between the East and the West is that the complicated relationship between pensions and housing is more obvious and visible in the Asian states.

In Singapore and Korea, national pension schemes were explicitly mobilised to fund public housing programmes, even though there were significant variations between the cases in terms of mobilisation scale, timing of mobilisation and beneficiaries. The Singaporean case shows quite clearly how closely a pension system can be related to the construction of the housing system. The CPF became the principal source of not only development loans for suppliers, but also down payment and mortgage instalments for consumers. The CPF contributed to the supply side through development loans to the HDB or investments in government securities, which were to cover construction costs for public housing programmes.
On the demand side, withdrawal of pension contributions were allowed for the purchase of HDB flats by the 1968 ‘CPF Approved Housing Scheme’ and this was later extended to private properties. However, the prime goal of any pension scheme i.e. providing a stable income for retirees was sacrificed as the CPF became tied-up with public housing. This made the problem of ‘cash poor’ retirees or mortgagers worse, because the pension balances were drained into the purchase of home ownership.

The Korean case, on the other hand, reveals a weak and temporary framing of the relationship between pension fund and public housing. The temporary but new relationship was begun in the 1980s when the Chun and Rho governments conceived welfare policy packages to enhance their weak legitimacy. When the National Housing Fund (NHF) was established by the Chun government, a minor source of the NHF was short-term deposits from the occupational pension funds. The relationship became clearer as the Rho government utilised reserves of the national pension scheme for house-building projects. The succeeding Rho government issued short-term NHF bonds for public housing programmes and the national pension fund was supposed to purchase them. However, this relationship between public housing and national pensions only lasted for about a decade and the Kim government terminated the issue of NHF bonds. In addition, the mobilisation of the pension fund was confined to investment in NHF bonds for the construction of public housing. It was relatively limited compared with that of the CPF which was mobilised as development loans to the HDB and consumers’ payments for the purchase of home ownership.

The case studies of Korea and Singapore are empirical tests of a new hypothesis about how the relationship between housing and other welfare pillars might vary dependent upon developmental progress, political situations and relevant institutional structures, which can be differentiated from those in Western contexts. However, the conclusion does not mean that the relationship in Western welfare states is not valid in Asian contexts. The Kemeny-Castles thesis, for example, has to be carefully investigated in the contexts of Asian Tigers, because it could be more complicated in these countries. The correlation between high rates of home ownership and low commitment to public welfare can have profound social implications for the overall welfare state, as far as the above new relationship holds true, and Asian NICs have been generally pursuing the home owning society in their own ways. The Asia-Pacific region is a rich source of distinctive cases and because of this the discourse on the nexus between housing and other pillars of the welfare
state is likely to grow if its countries are scrutinised further.

10.4 Limitations of this thesis and suggestions for future research

The analysis of the study should be complemented by further research because it leaves the key dimensions of housing still veiled. This limitation is somewhat inevitable given that the aim of the thesis was to analyse crucial institutional dimensions in comparable levels. Nevertheless, the following analyses should be undertaken in future studies. Firstly, there was not enough analysis of key actors in this study to comprehend the dynamics of the policy processes. Compared with the focus on the political elites and institutions, the role of bureaucrats and bureaucratic organisations was left largely unexplored in the development of housing. Secondly, the impact of related arrangements at other stages should be integrated into the analysis, given that the provision of housing goes through various stages, especially when building large scale housing units. Amongst the many stages of this process, special attention should be paid to the land development stage. It is therefore necessary to analyse land development schemes and relevant regulations, although many of these are too complicated to be clearly defined and measured for comparison between states. Finally, in the relationship between high rates of home ownership and low development of public welfare, more studies have to dedicate themselves to reveal what social implications have been embedded in the Asian contexts.

10.5 Final remarks

This study of housing development in Korea and Singapore demonstrates how the housing system in each country has been structured by individual development strategies and housing institutions in a comparative context. In terms of the manner in which the evidence has been uncovered, this comparative historical analysis (CHA) does not contend that 'narration' can produce more significant findings from history than 'statistics.' This study, on the whole, suggests that 'narration' and 'statistics' can provoke productive dialogue by complementing each other's weaknesses and strengths, especially given the fact that comparative housing studies are hampered by a lack of credible comparative data and the many difficulties in
defining key concepts. In relation to theoretical frameworks, CHA in this thesis embraces multiple theories - the developmental states and historical institutionalism - and thus furthers the understanding of housing developments at the comparative level. As a result, this thesis shows that the multi-theoretical approach is a practical way to use the different strengths of various theories and create synergic effects. Finally, CHA in this thesis reveals that productive dialogue between theories as well as methods enables researchers to make strong arguments in the social sciences.

When it comes to practical implications for housing reforms in Korea and Singapore, this thesis makes a conclusion by citing parts of Katzenstein's (1985) conclusion. In the excerpt below, Katzenstein (1985: 211) summarises how the small states in Europe adapted to changing internal and external conditions with an allegory. The small Asian states also had to cope with crisis conditions when they became independent in the aftermath of WW2. They had to continuously adjust their developmental strategies for survival in an open economy without natural resources or strong influence on international politics. Small Asian 'frogs' surrounded by big 'snakes' acquired jumping skills and continued to prosper just as the small European states did. Ultimately, they developed their own unique approaches to living with change.

_Fearful of being devoured by the snake, the frog asks the owl how he might survive. The owl’s response is brief and cryptic: learn how to fly. None of the small European states has learned to soar like the eagle. What they have learned to cultivate is an amazing capacity to jump. (...) Frogs can escape snakes, and the small corporatist states can continue to prosper - not because they have found a solution to the problem of change but because they have found a way to live with change (Katzenstein, 1985: 211)._

In housing, the research suggests both societies have to get over the negative impacts of past institutional legacies. Korea should deconstruct the regulatory framework built up by previous authoritarian governments and based around the myth of a state-sponsored, home-owning society. This framework and the myth have significantly reduced the possibility of affordable housing for all and aggravated wealth inequality at most stages of the country's industrialisation process. Singaporean society, on the other hand, has to reconsider the home-owning public housing system, which was built by sacrificing the other welfare pillars. Singapore should reduce its over-reliance on the system, because it is getting difficult to manage the gigantic public home-owning sector without adverse effects on post-
industrial society. In conclusion, it is time for both small states to think over how to live not only with 'changes', but also with 'legacies.' The first step towards proper solutions should be to precisely understand how housing institutions originated and evolved.
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