

A comparative study of housing in Hong Kong and  
Singapore from the 19<sup>th</sup> century to the 1970s

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## **Abstract**

The thesis is a theory-led comparative historical research aspired to comprehend the housing policy development in Hong Kong and Singapore from the colonial era to the 1970s. Though embedded in the historical institutionalism, the thesis makes contribution in modifying the framework to better suit housing policy research in the East Asian context. Various theories including the East Asian regime approach are integrated into the research framework.

With the help from the refined framework, in-depth understanding of the research topic is gained. Ranging from the causes behind the housing policy development in two different periods of Hong Kong and Singapore to the timing of their policy shifts, the thesis manages to come up with convincing explanations.

By extending the application of the historical institutionalism into the two under-researched realms, i.e. housing policy and East Asian context, this research helps boost the validity of the theories. Likewise, the application of the East Asian regime typology in a comparative context renders the opportunity to thoroughly appraise and recommend direction to refine it. In particular, attention to the complicated relationship between housing and welfare state in the East-Asian context is raised. The thesis, in turn, highlights the limitations of studying housing policy development with housing policy categorisation derived from the welfare regime typology.

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### **Author's declaration**

I declare that this thesis is a presentation of original work and I am the sole author. This work has not previously been presented for an award at this, or any other, University. All sources are acknowledged as References.

## **Chapter 1 Introduction**

### **1. Aims of the thesis**

In the aftermath of the Second World War, two city-states in East Asia, namely Hong Kong and Singapore, both experienced significant changes in their housing policy. The shifts to a common interventionist housing policy characterised by large-scale public rental housing provision was unprecedented. By 1976, 47% of the population in Singapore and 40% in Hong Kong had been living in the public housing sector (HDB, 2015; Census and Statistics Department, 1977). What even more fascinating is that they had been practising a shared residual housing policy under the British colonial administration for more than a century before such abrupt changes in the policy courses. It raises the question of how these interesting housing policy transformations should be comprehended. In order to systematically and rigorously answer the research question, this thesis adopts a theory-led approach. As a response, the early chapters in the thesis are dedicated to explore various social theories. The aim is to modify existing theoretical frameworks to better suit housing policy research in the East Asian context.

When seeking explanations for political outcomes, the academia is greatly divided. Different camps point to different causal forces, factors as well as mechanisms. Institutionalism, rational choice and behaviourism are only a few examples. For institutionalism, it could again be distinguished between the 'old' and the 'new' institutionalism. Among the cluster of the 'new' institutionalism, there are also at least two variants, namely rational choice institutionalism and historical institutionalism.

At a more specific analytical level, the division among explanatory theories is equally obvious. Around the development of welfare state, or generally welfare policy, there is no shortage of hypothesised explanation. Esping-Andersen's welfare regime approach, industrialism approach, working class power approach, are all potential candidates.

Yet, two academic deficiencies of them make direct employment of those existing frameworks inappropriate for this research. Their first downside is the neglect of housing.

### 1.1. Previous literature limitation: The neglect of housing

The important role of housing in the welfare state is not unrecognised in literature. Kemeny (1995) for example highlights the inverse relationship between levels of homeownership and welfare spending. Such notion is also echoed in Lowe's book which he explicitly states that "Homeownership, and by implication 'housing' generally, is a key element in patterning welfare states" (2004: 215).

However, the attention to housing in mainstream comparative social policy analysis is disproportionately low. Most of the researches on welfare state tend to focus on areas such as social security, pensions, health care and, in some cases, employment policy. Housing is very much the missing story. Even for influential publications like 'The Three Worlds of Welfare Capitalism' by Esping-Andersen (1990), there is no exception. Despite becoming a key literature which is covered in nearly every article on welfare states (Arts and Gelissen, 2002: 138; Marquardt, 2008: 3), Esping-Andersen totally excludes housing as part of the welfare state and does not explain his treatment. It is therefore argued that housing is kept away from his approach just because housing data does not fit well

(Lowe, 2011: 146). Such issue with housing data might be understood by referring to the uniqueness of housing in comparison with other welfare pillars.

#### *1.1.1. Heavy reliance on open market*

The first unique nature of housing is the heavily reliance on open market. In Esping-Andersen's welfare regimes, one of the criteria for defining and distinguishing welfare states is the balance between public and private welfare provision. According to the approach, only liberal welfare regime will strongly rely on market in distributing resource. Yet, the similar situation does not occur in the housing sector. It has been shown that even for interventionist countries which actively involve in public housing provision or in private rental housing regulation, the majority of housing is still provided by the private sector in the open market. It is ordinary to find that 60% to 80% of housing stock is distributed through most countries' market while the production of housing is normally overwhelmed by private construction firms (Hudson et al., 2008: 115; Lowe, 2011: 2). Such commonly observed large scale private involvement in housing across countries that would be categorised into different welfare regimes under the Esping-Andersen's approach unquestionably shakes the theoretical foundation of his approach and might explain his decision in excluding housing in his approach.

#### *1.1.2. Complexities of housing*

Another possible cause of such exclusion of housing could be its complex nature. Over the years, whether the housing should be classified as necessity or commodity has always been a hot topic to debate. Sometimes, this is even not an 'either or' question. For example, Lund argues that "a house is both a 'consumer' good, with a flow of

services involved in living in a house, and an ‘investment’ good with potential gains achievable from price increases”(2011: 7). This implies that there is no generally accepted role of the government in the housing sector (Lowe, 2011: 3). In this sense, it could be a challenge for scholars who need to find suitable criteria for distinguishing housing regimes among countries. What making housing even more complicated to research is that it is affected by policies of different kinds while it equally exerts impacts on multiple aspects of the society. As Wilensky put it, housing is influenced by “bewildering array of fiscal, monetary and other policies that affect housing directly” (1975: 7) while at the same time, Lowe shows that housing could bring far-reaching impacts to the society in aspects including but not limited to “attitudes to taxation/public spending, towards risk, intergeneration politics, relations between men and women, consumption, and welfare state change” (2011: 161). All these difficulties in studying housing might suggest why it is often neglected in comparative welfare state research.

It is therefore unsurprising that not many researches on the housing policy development in Hong Kong and Singapore are placed in a comparative context. Even in rare occasions when policy analyses cover the housing policy transformation in both cases (e.g. Castells et al., 1990; Ramesh, 2012), they tend to start the investigation right at the moments of policy shift. As it would be argued later in the thesis, such treatments fail to address crucial explanatory factors like the temporal issues and the influence of institutional legacy. In turn, it leads to unsatisfying explanations towards political outcomes.

In addition, analyses relating to social policies in Hong Kong and Singapore often compare the welfare state as a whole (e.g. Jones, 1993; Castell, 1992; Deyo: 1992; Walker and Wong: 2013). Hence, they fail to specifically address the housing policy development as well as the causal forces behind. Indeed, these studies usually draw

conclusions based on characteristics in policy areas other than housing. Efforts are therefore required to patch the inadequacy of existing frameworks in terms of housing policy study.

### 1.2. Previous literature limitation: Failure to appreciate unique East Asian experience

Another academic deficiency in the literature is the failure to take into account of the unique East Asian experience. Previous policy analyses mainly employed research frameworks such as historical institutionalism to study phenomena in occidental context. Case studies of Asian countries hinged on those frameworks were scarce. As a result, the accumulated knowledge in the literature could be considered as western-centred if not biased.

Let's once again take the key literature, 'The Three Worlds of Welfare Capitalism', in the realm of welfare state research as an example. As said by Esping-Andersen himself, his welfare regime framework is devoted to understand the "big picture" instead of individual countries (1990: 2). According to what he stated, the welfare regime framework should be able to apply to capitalist countries around the world without any problem. Instead, many scholars have argued that the three welfare regimes alone are not enough to categorise every capitalist welfare state across the globe (Ferrera, 1996; Huber and Stephens, 2001). Some academics go further to suggest that the Esping-Andersen's three-welfare-regimes typology is very much a western concept which has limited applicability in places with fairly different political as well as historical backgrounds like the East Asian countries (Goodman and Peng, 1995; Walker and Wong, 1996; Kwon, 1997; Shin, 2003). Although many East Asian welfare states demonstrate some features of the conservative welfare regime such as corporatism, family as the

major welfare provider and the subsidiary state welfare provision, it is misleading to consider East Asian countries as examples of conservative welfare regime (Kwon, 1997; Ku, 1997).

The reasons are twofold. On one hand, the force behind the creation of welfare states in East Asia is neither working class mobilisation nor class coalition as suggested by Esping-Andersen's typology. Instead, it is the government in each of those countries (Kwon, 1997). Although some might argue that East Asian welfare states and conservative welfare regimes are both set up by governments to maintain their authority and legitimacy, it should not be forgotten that there are considerable differences between the underlying class politics in their welfare state development (Kwon, 1998: 67; Rimlinger, 1971). For the conservative welfare regime, it is developed by the government as an involuntary response to maintain social solidarity and inter-class harmony under the pressure from working class and social democratic parties since the emergence of industrialisation (Rimlinger, 1971). In contrast, welfare policies are carried out intentionally in a top-down manner by governments in East Asia under literally no pressure (Kwon, 1997:478). This disparity also reveals the danger of overemphasis on class when illustrating welfare state development. On the other hand, the gap in benefit level between conservative welfare regime and East Asian welfare system is large enough to argue that they are not the same. Park has shown that the level of decommodification is much higher in conservative welfare regime cluster comparing to East Asian welfare systems (2007: 43-44).

Aiming to address such theoretical gap, a growing group of scholars has been proposing to view welfare state development in the Far East from an ad hoc perspective since the 1990s (e.g. Chang, 2003; Deyo, 1987; Evans, 1995; Haggard, 1990; Henderson and

Appelbaum, 1992; Holliday, 2000; Jones, 1993; Wade, 1990; Weiss, 1999; Weiss, 2000; Woo-Cumings, 1999; Woo, 2007). They emphasise the unique mechanism in the formation of social policy in the region. For them, causal factors in the industrialised western context such as class and class coalition are not the right explanatory factors for the oriental experience. Instead, those not recognised by existing frameworks like Esping-Andersen's typology greatly influenced the welfare policy development of East Asian states. Confucianism and Developmentalism, two distinctive factors that characterised the East Asian welfare regime cluster are arguably overlooked by mainstream scholars. Developmentalism captures both the subordination of social policies to economic objectives and the orchestration of actors towards economic objectives by the states while Confucianism captures the strong family and work ethic in the design of welfare states in East Asia.

Since the core features of welfare development in the East are not witnessed in the West, it questions the appropriateness of relying on existing welfare typologies to gain deeper understanding of the East Asian experience. In turn, it justifies the introduction of an additional welfare regime cluster, i.e. the East Asian welfare regime, alongside those constructed against the western backdrop in order to better reflect their differences in terms of rationale behind welfare development and hence policy trajectory.

With this relatively new research framework in place, it is logical to ask whether the East Asian welfare regime is the suitable way to ascertain the causal factors behind the housing policy development in the selected cases. If so, how should it be incorporated into the existing research frameworks for great understanding of the housing policy trajectory?



At this point, it is evident that a direct adoption of the existing research approaches in this thesis would be inappropriate. The presence of the aforementioned drawbacks therefore urges the development of a new research framework for this thesis. As a response, the first half of the thesis is dedicated to rebuild the research framework.

## **2. Time frame of the research**

In terms of the time frame, the thesis aims to investigate the housing policy development in a period starting from the colonial era up to the 1970s. The starting points of the time frame are marked by the respective moments of the two city-states beginning to subject to the British colonial rule. It is because only since then could housing policy be introduced through the administrative and bureaucratic structures of modern style, and be to some degrees relevant and comparable to later policy development.

The other end of the time frame is chosen to be the 1970s. It is because the thesis aims to test the validity of the East Asian welfare regime typology at its 'heyday'. As it will be shown in Chapter 5, the criticisms of the regime theory tend to focus on the development in later periods. Since late 1980, there has been a series of changes in the international political economy, domestic economy, social demography as well as polity within the region. In turn, some scholars argue that these contextual changes had threatened the theoretical foundation of the regime so the notion of the East Asia welfare regime had become an obsolescence idea even the regime did exist in the past.

Put it differently, the policy development in the post-war era up until the 1970s is rarely used to criticise the typology. By confining the research to the post-war period before

the 1980s, it is expected that the East Asian regime typology should be able to comprehend the housing policy development. A comparison between the real-world observations and the expected results could then test the explanatory power of the theory and reveal any potential limitation that remains unaddressed in previous literature. The aspiration here is to assess whether the weaknesses of the approach only appear since the 1980s. This theory testing exercise in turn facilitates greater understanding of its applicability. Hence, a well-informed judgement of whether the East Asian welfare regime is the suitable way to ascertain the causal factors behind the housing policy development in Hong Kong and Singapore could be reached.

### **3. Research Questions**

To conclude, the thesis aims to carry out comparative case study research under a refined framework that draws upon a range of theories in the literature. The newly built framework is believed to overcome academic deficiencies of existing theories and benefit from the synergy effect of various models. The case studies first attempt to explain why the housing policy trajectory in Hong Kong and Singapore appeared to have a high degree of similarity from the colonial era to the 1970s. In the process, the thesis provides the answer towards the question related to the timing of housing policy shift, i.e. why the radical changes in housing policy took place in the aftermath of the Second World War in both Hong Kong and Singapore but not earlier or later. Efforts are also devoted to explain the content of the reforms or, put it differently, how particular institutions were adopted. Attention is given to how institutional legacy continues to exert influence on the development of new institutions. Afterward, the hypothesised explanatory factors are tested by the Comparative Historical Analysis, or more precisely the Mill's methods and the process tracing method. While validating the findings,

process-tracing, a strategy of analysing causal mechanism instead of covariance, sheds light on areas that Mill's methods have failed to appreciate, such as temporal elements as well as institutional legacy, and more importantly to show how they affect outcomes.

Last but not least, the thesis intends to make a well-informed judgement of whether the divergence in policy details within the seemingly the same housing policy outcome is strong enough to challenge the categorisation of the two cases and; what implication it has on the East Asian welfare regime theory.

#### **4. Structure of the thesis**

Aspired to address these questions, the thesis proceeds as below.

In **Chapter 2**, the thesis starts off by establishing the overarching framework that is going to govern the whole research. It involves critically examining various research frameworks in previous literature. Historical institutionalism is chosen as the overarching framework. Its attention to temporal and institutional elements as well as its unique interactive analytical approach allows historical institutionalism to be superior in reflecting the political reality. Though decided to embed in the historical institutionalism, the chapter does not advocate a direct adoption of the framework. Instead, the potential limitation of historical institutionalism is addressed.

**Chapter 3** is then dedicated to illuminate how political powers work through institutions. To do so, the focus is going to be narrowed down from the broadest analytical level, i.e. institution, to a more specific level, i.e. welfare state regime. Prominent characteristics of the Esping-Andersen's welfare state regime approach are discussed and more

importantly, the features that give it the competitive edge over its counterparts are highlighted through contrasting with earlier approaches. Even though the Esping Andersen's interactive approach could be seen as a major advance from linear approaches, the chapter reveals three of its significant weaknesses: overemphasis on class in explaining political outcome, failure to take into account of unique East Asian experience and neglect of housing in his welfare regimes. Those weaknesses are particularly devastating for this thesis due to the nature of its research area. This suggests that direct adoption of such approach is not desirable and a new research framework is required or, at least modification of existing theory.

Due to the limitation of welfare regime as a research framework, **Chapter 4** aims to search for an institutionalist approach that can distinguish housing systems and explain how differences in institutional settings yield different development patterns in housing policies while also establish linkages between housing sectors and welfare states. A potential approach that comes into sight is the Kemeny's approach. After careful scrutiny, it could be concluded that the Kemeny's housing regime approach could help fill the theoretical gap of welfare regime in terms of housing. Yet, by inherited the Esping Andersen's approach, Kemeny's work suffers from the same weakness of not addressing unique East Asian experience. It causes this approach being inappropriate for direct adoption in the research. Given that the approach is based on western cases, it is very likely that a distinctive form of housing regime is out there in the East. There is therefore an urgent need to introduce an approach that could capture this 'missing picture'.

**Chapter 5** begins with the aim to consolidate the theoretical foundation of the Kemeny's housing regime approach by introducing the East Asian housing regime cluster. The strong economic focus as well as the top down policy making with deep political

consideration distinguished housing policy in East Asia from its counterparts as these traits do not match the description of both regimes identified by Kemeny (1995). It is evident that the housing policy development in East Asia could not fit well in housing regimes that are developed out of western experience. This, in turn, justifies the formation of an additional housing regime cluster. The introduction of a new housing regime cluster could better capture the housing policy development in the region and direct attention to its distinctive economic and political aspects. After assessing the criticism, it could be confirmed that those challenges are not strong enough to write off the regime approach. The introduction of East Asian housing regimes could therefore broaden the theoretical foundation of the analysis in later chapters. With all the works done in these four chapters, a solid theoretical foundation has been laid. The next step is using such theoretical foundation to construct a research framework for this thesis. This is expected to be dealt with in the following methodology chapter.

As a methodology chapter, **Chapter 6** is devoted to establish the linkage between the fundamental knowledge developed in previous chapters and the forthcoming case studies. Under such aspiration, the ways of which this research will be carried out, i.e. the structure of the research, is finalised through a series of thorough examination and assessment. The choice of Comparative Historical Analysis (CHA) as the research design is first explained. It is then followed by assessments on the complimentary use of the Mill's methods and the process tracing method as research methods. After covering both the research design and research methods, the chapter moves on to the research questions which make up of two parts. The thesis first plans to answer why the housing policy trajectory in Hong Kong and Singapore appeared to have a high degree of similarity from the colonial era to the 1970s; and secondly, whether the divergence in policy details within the seemingly the same housing policy outcome is strong enough to

challenge the categorisation of the two cases and what implication it has on the East Asian regime. Afterward, details on the implementation of research methods follow. Finally, the chapter wraps up by going over data collection and ethic related issues.

With the structure of the research being set out, the preparation for case studies has finished. In **Chapter 7**, the comparative historical analysis of the housing policy development in Hong Kong and Singapore during the colonial era prior to the end of WWII (1800s-1940s) is carried out. First, the history of housing policy development in the colonial era is outlined. Hypothesised explanations of the development are formed out of previous literature and then put to the test. While illustrating how a residual housing policy was developed in this period, the chapter lays out the 'status quo' of political and institutional settings in Hong Kong and Singapore. It allows comparison to be drawn among institutional configurations of different periods in later chapters. Deeper insight in the housing policy development could then be gained by focusing on how shifts in institutions opened windows of opportunity for volatile policy changes. This forms the fundament for the study of sharp changes, i.e. from residual to large scale public provision, in housing policy in the next chapter.

**Chapter 8** continues the causal inference by bringing comparative historical analysis to study the housing policy development between the 1950s and the 1970s in the two cases. Since the 1950s, Hong Kong and Singapore witnessed abrupt transformations in housing, notably the introduction of large-scale public housing. This chapter hence aspires to explain what caused the deviation from the status quo. With the help from the historical institutionalism framework and the East Asian housing regimes approach, the chapter first tries to comprehend the timing of housing policy transformation and then goes on to explain the corresponding policy choices. The ways which housing policy

initiatives were adopted in Hong Kong and Singapore to achieve economic and political purposes are examined.

In the previous chapter, the development of housing policy in the post-war period has been explained. The goal of **Chapter 9** is therefore to validate those explanations, i.e. whether the causations are real or not. Covariance analysis is first employed. Then, the findings are tested deductively by the process tracing method which analyses causal mechanism instead of covariance. After constructing the causal mechanisms based on theories, the real world observations are then compared against the expected developments. If both of them match each other, the hypothesis could then be confirmed. Through doubt-checked by two distinct methods of causal inference, the findings are believed to be not spurious.

**Chapter 10** serves as the conclusion of the thesis. Findings in the previous chapters are summarised. Built upon those findings, the chapter employs Singapore as a template case to compare with Hong Kong to highlight the time of their divergence in housing policy development and the possible causes behind. Discussions go on to assess whether Hong Kong and Singapore should be placed in the same East Asian housing regime. The ultimate goal is to evaluate whether housing is an exceptional part of public policy which complicates regime theory. Reflection on subsequent housing policy development is also provided. Finally, limitations of this thesis are explored and suggestions for future research are made.

## **Chapter 2 Institution**

### **1. From Old Institutionalism to New Institutionalism**

When seeking explanation for political outcome, some researchers turn their attention to institutions. Although political scientists have been studying institutions over a considerable period of time, the institutionalism referred to in this thesis is the 'new institutionalism' developed as a response to the behavioural perspectives in political science between the 1960s and the 1970s (Hall & Taylor, 1996: 936). It should be distinguished from the 'old institutionalism' with its emphasis on formal institutions and highly normative nature which fails to facilitate the development of intermediate-level categories and concepts, and thus truly comparative research and advanced explanatory theory (Thelen & Steinmo, 1992:3; Peters, 2005: 6). Lowndes systemically studies the differences between the 'new' and the 'old' institutionalism and proposed a view which sees the new institutionalism as "movement along five analytical continua" from old institutionalism (Lowndes, 2002: 97). In this section, there is a brief outline of Lowndes's position because it opens the way to evaluating the significance of the new institutionalist perspective.

First, Lowndes demonstrates that the shift in the focus from organisation to rules marks the difference of two institutionalisms (2002: 97). Unlike under the old institutionalism, political institutions and political organisation are no longer interchangeable terms. The former is now used by new institutionalists to describe a set of rules shaping the actors' behaviour by carrot and stick and the latter simply becomes political actors that are subject to the 'rule of game' (Lowndes, 2002: 97-98). Although, it would be discussed in great detail later in the chapter, it is worth mentioning that treating institutions as 'the



rules of game' is one of the most revolutionary features of the new institutionalism since, for the first time, it allows explanations to be made about why different degrees of success in pursuing policy objectives are experienced by political actors with the very same characteristics (Thelen & Steinmo, 1992:6).

Another difference identified by Lowndes is the conception of institution expanding from formal rules to both formal and informal rules under the new institutionalism (Lowndes, 2002: 98; Peters, 2005: 18). Formal rules, namely laws, are used as an analytical discourse by the old institutionalists (Peters, 2005: 6; Apter, 1999: 467). Just as described at the beginning, the emphasis on only formal institutions is heavily criticised by new institutionalists. The major argument is that informal rules are equally capable of shaping behaviours as formal rules (Lowndes, 2002: 98). As a response, the new institutional approach includes various informal aspects of political life in the definition of informal rules. For example, Ikenberry's definition of an institution comprises "specific characteristics of government institutions", "the more overarching structures of states" and "the nation's normative social order" (1988: 222-223) while North's consists of formal institutions as well as informal elements such as tradition, custom, culture and habit (1990:83). On the other hand, March and Olsen consider norms as institutions (1989:17), and their view is shared by Peters who also regards networks of interacting organisations as one of the informal rules (2005: 18). Some institutionalists are even observed using relatively amorphous concepts in defining institutions (Peter, 2005: 75).

Yet, the broader conception of institutions comes at a cost which is 'conceptual stretching'. When new institutionalists regard more and more aspects of political life as informal rules, the meaning of institution and the impact of it in mediating political actors' behaviours and political outcomes are diluted (Lowndes, 2002: 103). At its

extreme, if an institution includes everything that affects actors' behaviours, the term institution itself, as Rothesin put it, effectively "means nothing" (1996: 145). Peters also notices such danger and pointed out that "if the rules that shape behaviour are expanded to include implicit rules and vague understandings, in order to cover instances in which observed behaviours do not correspond to the formal rules of any institution, then the theory may not be falsifiable. If we observe behaviours that do not conform to the strictures of the formal rules then there must be other rules that were not identifiable." (1996: 215). In this case, conceptual stretching might undermine the ability to use institutions to demonstrate the real interaction and causal linkage between political actors and political outcomes (John, 1998:64; Thelen and Steinmo, 1992: 29). Therefore, caution should always be exercised when defining what exactly an institution is.

The third shift identified is the movement from a static to a dynamic conception of institutions (Lowndes, 2002: 99). New institutionalists no longer see institutions as "stable, valued and recurring patterns of behaviours" like their predecessors (Huntington, 1968: 12). For instance, advocates of the punctuated equilibrium model claim that institutions change incrementally during institutional stasis and are volatile at critical junctures (Krasner, 1984). However, some scholars like Streeck and Thelen (2005) argue that institutions could also be gradually transforming in a substantial way. Although new institutionalists might not see eye to eye with each other regarding the extent and the frequency of institutional change, they both agree on the dynamic conception of institutions.

The penultimate point made by Lowndes is the change in viewing institutions from a holistic to a disaggregated perspective (2002: 101). Scholars embracing the old

institutionalism are used to studying institutions by describing and comparing the whole system of government. Supporters of the new institutionalism, on the other hand, suggest that using such a holistic perspective may make comparison harder and thus create obstacles to generalisation (Peters, 2005: 9-10). Therefore, new institutionalists choose to focus on the individual component institutions of political life such as the legislatures and various informal aspects of political life (Lowndes, 2002: 101).

Last but not least, the greater concern over temporal issues in the institutional development is given under the new institutionalism. Unlike the old institutionalism, new institutionalists appreciate that the institution is not unaffected by which point of the temporal sequence of events it is in (Lowndes, 2002: 101). By introducing the concept of path dependence, new institutionalists especially the historical institutionalists show that “all other things being equal, an institution will be more resilient and any revisions more incremental in nature, the longer the institution has been in place” (Pierson, 2004: 147). Over time, increasingly deeply embedded institutions raise the cost of revision and make it less and less feasible. As a result, changes are limited to those incremental in nature until crises break the existing institutional arrangement at the critical juncture (Pierson, 2004: 135).

At this point, it has been shown how the new institutionalism compares to its predecessor. The next section examines the new institutionalism in greater detail. Yet, new institutionalism is not a unified body of theory and different varieties could be found in the literature (Hall and Taylor, 1996; Peters, 2005). Instead of going through every institutional approach identified in the literature, this thesis follows the footsteps of Thelen and Steinmo (1992) to focus on the two most well recognised and documented institutional approaches: Rational choice institutionalism and Historical institutionalism.

The other perspectives have been discarded because they have less to offer. In critically debating rational choice institutionalist and historical institutionalist approaches, the logic for adapting the latter as the conceptual foundation of this thesis will become clear.

## **2. Rational Choice Institutionalism**

This section outlines the features of the rational choice approach which are then contrasted with the core tenets of historical institutionalism. Rational choice institutionalism has four distinctive features. First, rational choice institutionalists make certain assumptions regarding the behaviour of actors. They assume actors to have fixed set of preferences and make decision solely based on strategic calculus with the aim to maximise their personal utility (Hall and Taylor, 1996: 944). From their view, the goal of every actor is therefore stable, uniform and exogenous, i.e. not influenced by the institution (Hall and Taylor, 1996: 939; Lowndes, 2002: 95, 100; Peters, 2005: 160; Thelen and Steinmo, 1992: 9).

Second, they see politics as being characterised by the prevalence of collective action problems and institutions as solutions to such problems (Bates, 1988; Hall and Taylor, 1996:945; Lowndes, 2002: 96). In the eyes of rational choice institutionalists, self-interested individuals will always make choices that maximise their own utility which in turn leads to situations that the best outcome for all is forgone - in other words, collectively suboptimum (Hall and Taylor, 1996:945; Rothstein, 1998: 119). Several examples of those situations like the 'prisoner's dilemma' and the 'tragedy of the commons' have been modelled by economists (Hardin, 1968; Hardin, 1982; Ostron, 1990). To cope with collective action problems, actors engage in voluntary agreements which demand them to sacrifice some degree of autonomy and being constrained by

institutions (Hall and Taylor, 1996: 952; Rothstein, 1998: 119; Peters, 2005: 52). By introducing institutions, behaviour becomes predictable as there are rules to guide appropriate actions and mechanisms to penalise defection. Since institutions increase the certainty about the present and future behaviour of actors, potential gain in terms of lower transaction costs and better social outcomes is obtained from cooperation (Hall and Taylor, 1996: 939, 945; Lowndes, 2002: 98; Williamson, 1985).

As aforementioned, rational choice institutionalism views the formation of institutions as results of the actors' wants and choices. Hence, another distinctive feature of rational choice institutionalism is that it tends to explain the establishment of an institution by referring to its value to the actors affected or, in other words, the benefit of its existence to them. Scholars embracing this rationale deduce how an institutional arrangement is chosen from the expected functions of that institution to its creators (Hall and Taylor, 1996: 945). Pierson refers this approach as 'actor-centred functionalism' (2004: 104-105). Given that institutional arrangements are thought to be set up intentionally and voluntarily, academics endorsing rational choice institutionalism argue that an institution can easily be replaced once it fails to serve the expected functions and its alternative could provide greater net benefit to the actors involved (Peters, 2005: 62, 162; Rothstein 1996: 152). The legacies of the past institutions are considered to have little effects on the choices as well as the performances of the new institutions (Peters, 2005: 51).

The final feature of rational choice institutionalism is that it explains political outcomes as products of strategic interactions between political actors within the context provided by institutions. It argues that political outcomes are not determined by a single force. Instead, they are attributed to every choice made by the political actors (Hall and Taylor, 1996: 945). When interacting with other actors, actors strategically calculate the payoff

of every choice and choose the one that would maximise their utility. In these game theory model types of interaction, decisions are made based on the actors' expectation about others' decisions (Hall and Taylor, 1996: 945, 951). Thus, institutions play a substantial role in influencing political outcomes. Institutions, on one hand, constrain the actors' actions by laying down the rules of game which pair the costs and benefits with every possible choice while on the other hand, providing actors with the information about behaviours of others within the institutional context (Knight 1992: 17; Thelen and Steinmo, 1992: 7). As a result, institutions influence the decision making of each self-interested actor attempting to maximise his or her utility and thus the political outcomes that are formed by actors' interactions.

Rational choice institutionalism could be seen as a breakthrough among the approaches that try to explain political outcomes. First, it is an advance from the original rational choice theory since it recognises that just the self-interest assumption itself is far from enough to provide explanations for political outcomes. Instead, it points to the importance of institutions in channelling actors' behaviour and eventually affecting the outcomes by informing actors about the respective utility derived from each choice (Rothstein, 1998: 127; Peters, 2005: 48). At the same time, it avoids overemphasising the role of structural factors in determining political outcomes as traditional quantitative approaches do. It does appreciate that structural variables, if being able to form institutions, could exert indirect effects on political outcomes by providing the context for actors to define their strategies (Hall and Taylor, 1996: 951). However, rational choice institutionalism strongly opposes approaches that see structural variables as the only explanatory factors towards political outcomes and completely rule out the role of individual actions in the determination of political outcomes (Hall and Taylor, 1996: 951; Peters, 2005: 8). Instead, it stresses the importance of intentional choices and dynamic

interactions between actors within the bounded political space created by institutions in the determination of political outcomes and argues that political outcomes could not be explained simply by referring to the coefficients of structural variables, i.e. economic, social and political factors, in regression equations (Bird and Bauman, 1995: 26; Hall and Taylor, 1996: 951; Peters, 2005: 48, 50).

### **3. Historical Institutionalism**

Although rational choice institutionalism has been argued to be a major advance in explaining the political outcome, this does not mean that rational choice institutionalism is faultless. Instead, many of its assumptions are vulnerable to attack. In the following, another variant of the new institutionalism – historical institutionalism will be introduced. While describing the features of historical institutionalism, the theoretical weaknesses of the rational choice institutionalism and, more important, how historical institutionalism overcomes those weaknesses will be discussed. By showing how historical institutionalism builds upon the strengths of rational choice institutionalism and overcomes its weaknesses, the use of historical institutionalism as the analytical framework in this thesis could then be justified.

The first feature of historical institutionalism is that actors are motivated by a complex set of preferences which determines by the institutions in place. In other words, historical institutionalists believe the goals of actors are shaped by institutions. From their perspective, the rational choice institutionalists' strict rationality assumption is an over simplistic image of human motivation (Hall and Taylor, 1996: 951). As the goals of actors are shaped by institutions, preferences are no longer formed exogenously and fixed regardless the institutional context (Thelen and Steinmo, 1992: 8). More specifically,

personal utility maximisation is no longer the ultimate aim of every action. For historical institutionalists, political actors are more like rule-following satisficers than all-knowing maximisers (Hall and Taylor, 1996: 939; Thelen and Steinmo, 1992: 8). However, this does not mean that historical institutionalism denies rational human behaviour. It simply argues that actors behave more than instrumentally and would consider factors other than personal attainment and especially those being shaped by institutions (Hall and Taylor, 1996: 939). Although both historical institutionalism and rational choice institutionalism agree that institutions provide the context in which actors define their strategies, historical institutionalism takes a step further by suggesting that institutions also shape actors' goals (Hall and Taylor, 1996: 955; Thelen and Steinmo, 1992: 7). In this sense, institutions play a greater role in shaping politics under the historical institutionalism since institutions not only influence how strategies are formed but also explain why strategies are formed.

The second feature of historical institutionalism is marked by its focus on how different variables are linked and its willingness to integrate various factors in the analysis. Unlike the rational choice institutionalism that refers utility maximisers' interactions within institutional context as the sole cause of political outcomes, historical institutionalism argues that political outcomes could not be attributed only to one particular cause. Not even institution could be the sole cause of political outcomes (Thelen and Steinmo, 1992: 3). Although historical institutionalists agree that actors' strategies within institutional context could affect the outcomes, they equally appreciate that factors other than those could also explain political outcomes (Thelen and Steinmo, 1992: 12-13). For instances, Thelen and Steinmo (1992: 3) stress that broad political forces such as class structures and group dynamics should not be excluded when seeking the causes of the outcomes while some scholars argue that cultural factors, or "the worldviews", which determine



how individuals interpret a situation and bound their action by defining the cultural appropriateness of behaviours, could also exert substantial effects on political outcomes (Immergut, 1998: 18; Hall and Taylor, 1996: 939; Castles, 1998: 52-53). By realising the limit of using one variable in political outcome explanations, historical institutionalists emphasise on showing how institutions structure the relationships between different variables and, in turn, influence the outcomes (Thelen and Steinmo, 1992: 3).

From the historical institutionalists' perspective, institutions first help define the goals of political actors and then provide arenas for those contending political forces to pursue their interests (March and Olsen, 1984:738; Thelen and Steinmo, 1992: 3). By establishing the relationships between different actors in terms of the relative power and the viability of coalition between them, the rules of game for political struggles, i.e. institutions, determine different strategies' chance of success as well as their associated benefits and costs (Pierson, 1994: 27, 31-32; Thelen and Steinmo, 1992: 6; Skocpol, 1992: 54). In this way, institutions shape political interactions between actors and mediate between the political actors' actions and political outcomes (Thelen and Steinmo, 1992: 11). Given that historical institutionalism does not end its analysis with one decisive explanatory factor towards political phenomena, opportunity of integrating other factors in the discussion is open to scholars (Hall and Taylor, 1996: 938). This could be seen as a substantial advantage comparing to the confined rational choice institutionalism approach in explaining political outcomes.

The third feature of historical institutionalism is that institutions are believed to be formed using authority. Hence, there is asymmetry of power associated with the operation and the development of institutions. In contrast to rational choice institutionalism which claims institutions being formed voluntarily by relatively equal and

independent actors, historical institutionalism realises that institutions are formed based on authority rather than exchange (Hall and Taylor, 1996: 952; Pierson, 2004: 34; Streeck, W. and Thelen, K., 2005: 11). Pierson asserts that the institutions are the creations of the winners in political struggles over authority (2004: 34). This notion is also echoed by Streeck and Thelen who showed that not every political actor but the rule makers could establish and modify the institutions while the others could only follow the rules in place and be the rule takers (2005: 13). Once an institution is formed, it constraints everyone regardless whether he or she approves it or not, and for those unhappy with the institution in place, they do not have the option to exclude themselves from the arrangement (Pierson, 2004: 34). Such power asymmetries will even be exacerbated when adaptive expectation sets in. In politics, the effectiveness of one's action hinges on the actions of others. In order to achieve their goal, actors need to ensure that they are with the majority. Therefore, actors have to keep adjusting their behaviour based on how they expect others to act (Pierson, 2004: 34). In this case, rule makers who gain political advantage from the institutions they establish and modify attract support from undecided and weakly committed actors. As a result, the adaptive expectation of these actors widens the initially relatively balanced distribution of power between rule makers and their rival (Pierson, 2004: 37). Furthermore, rule makers with political authority could reinforce their political advantage by modifying the rules of game in their favour (Pierson, 2004: 36-37). Institutions are therefore modified in a way to strengthen the political power of the rule makers and weaken the power of their rivals (Hall, 1986: 19; Lowndes, 2002: 100; Pierson, 1994: 31). At the same time, the access to decision making process is made disproportionate between actors by the institutions (Baumgartner, and Jones, 1993: 15; Pierson, 1994: 41). Institutions effectively become the source of asymmetric power between actors.

The final two features of historical institutionalism are its unique emphasis on unintended consequences as well as path dependence in the development of institutions (Hall and Taylor, 1996: 938). These two elements are used by historical institutionalists to argue against the prevailing idea among rational choice institutionalists which suggests that rational actors are capable of establishing institutions according to their desires (Pierson, 2004: 19, 46). The unintended consequence argument points out that over time, societies become increasingly complex as larger amount of decisions are made, greater number of actors are involved and more closely knitted relationships among actors as well as between actors and institutions are developed (Pierson, 2004: 115). Hence, complexity increases the occurrence of unanticipated consequences and makes the effect of actors' actions difficult and even impossible to anticipate. Furthermore, actors are not perfect statisticians who can measure the exact possibility of the each potential consequence of their every action and perfect information which allows actors to make informed actions is scarce and expensive to acquire (Levitt and March, 1988: 323; Lunt et al., 1999, p.374). In this sense, actors even rational are not intelligent enough to comprehend the causal chain between their actions and their effects. It could therefore be arbitrary to agree with the notion of rational choice institutionalism that the rational actors have the full capability in establishing or modifying an institution in accordance with the functions they expect it to perform (Pierson, 2004: 116).

After introducing the concept of unintended consequence, it is time to explore another distinctive feature of historical institutionalism: path dependence. Yet, the term 'path dependence' is given different meanings by different scholars. These diverse definitions could generally be grouped into two conceptions: broader and narrower conceptions (Pierson, 2004: 20). For the broader conception, it refers to a phenomenon in which incidents "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: 262-63). On the other hand, the narrower conception refers path dependence as a situation where “the costs of reversal are very high once a country or region has started down a track. There will be other choice points, but the entrenchments of certain institutional arrangements obstruct an easy reversal of the initial choice.” (Levi, 1997: 28). Given that the narrower conception of path is more specific as well as rigorous, this conception is adopted throughout this thesis. According to this conception, each further step along the same path increases the irreversibility of the institutional development. Although there will still be choices of how institution develops under path dependence, the set of choices is substantially bounded by the past (North, 1990: 98-99; Peters, 2005: 74). Behind this phenomenon lies the mechanism called positive feedback (Arthur, 1994; David, 2000). Arthur (1994) identifies four characteristics of this mechanism: unpredictability, inflexibility, nonergodicity and potential path inefficiency.

To start with, unpredictability means the outcomes at the final stage of the sequence could not be known at the early stage. The explanations are twofold. First, the outcomes in the early stage which influence the events following are in some degree random. Therefore, there will be a lot of potential outcomes of the events at the end of the sequence (Pierson, 2004: 18). The randomness of the early events is particularly decisive in creating the unpredictable outcomes of later events because the earlier the event is the more influential it would be to the later events (Pierson, 2004: 18, 44). At an early stage, a country has not yet locked into a particular path and is open to various options. In such an environment, the initial development determines the track to which the country will stick. However, at the later stages, when a particular path has been established, outcomes of events have limited ability to change the course of the future development (Pierson, 2004: 18, 51). At best, changes at later stage might only be

incremental (Pierson, 2004: 153). Besides the existence of random early events, unpredictability of the outcome at the final stage is also attributed to the unanticipated sequence in which events unfold. As aforementioned, earlier events matter more than those come after them. This sheds light on the importance of the temporal issue, i.e. not just what happens matter but also when it happens (Pierson, 2004: 19). In other words, the same set of events if it happens in a different sequential order could yield entirely different outcomes (Pierson, 2004: 20, 44). As the sequence of unfolding is not known at the early stage, the end-state outcome is therefore unpredictable.

Second feature of positive feedback is inflexibility. It means that the longer a country adheres to a particular path the more difficult as well as costly for it to switch to other alternatives (Pierson, 2004: 18, 21). With the positive feedback setting in, every step down a particular path boosts the attractiveness of that path comparing to other paths. Such relative attractiveness is attributed to the alternation of resources and incentive structure as well as actors' behaviour by the early development (Pierson, 2004: 64). As the rise in relative attractiveness of that path continues with the institutional development, it creates a self-reinforcing cycle over time (Pierson, 2004: 17-18). In turn, institutions will be resistant to change and previously plausible options become increasingly unrealistic due to the decline in their relative benefit caused by shifting cost hike (Pierson, 2004: 21, 44). Those inflexible institutions therefore curb the capacity to actors to modify them as desire.

Third, nonergodicity captures the characteristic that every past event will be encompassed in the process of positive feedback and thus will feed back into the future outcomes. In other words, no matter the event is big or small, intended or unintended, it does not cancel out and could not be treated as 'noise' (Pierson, 2004: 18).

The final characteristic of the positive feedback mechanism is the potential path inefficiency. Unlike as assumed in rational choice institutionalism, the institution developed is not necessarily the most efficient option (Hall and Taylor, 1996: 941). Instead, it could generate lower returns in the long run than those forgone alternatives (Pierson, 2004: 18). It is because the positive feedback mechanism restricts the range of choices actors could make. In this case, even actors are knowledgeable to appreciate the most efficient choice, the institutional inflexibility caused by the positive feedback may still prevent actors from actually choosing it. Therefore, the outcomes under the positive feedback could be path inefficiency.

Several sources of positive feedback could be found in politics (Pierson, 2004: 31). Two of the many observations are the strengthening relationship between actors and institutions as well as among institutions over time. The increasingly knitted linkage between actors and particular institutions could create resistance to deviation from the existing institutional setting. When an institution is in place, it may encourage political actors to make investments. These investments could take many forms including but not limited to the development of specialised skills, the building up of reputation as well as the improvement of relationship with other political actors (Pierson, 2004: 35, 149). Yet, the thing in common about these investments is that in many cases, they are specific and hard to reverse (Pierson, 1994: 45). This situation is captured by the concept of asset specificity (Pierson, 2004: 148). Joskow (1988) has been able to identify several types of asset specificity: site specificity under which assets are specific to location; physical specificity whereby assets are specific to the type of transaction; human specificity whereby assets are specific to specialised knowledge and relationship. As the value of the specific assets ties to the institutions at work and might be reduced dramatically in

other institutional context, those investments have high sunk costs. The existence of substantial sunk costs increases the stake of actors in the existing institutions and any institutional change which threatens the value of those assets becomes much costlier than before (Gourevitch, 2000: 144-145; Hall and Taylor, 1996: 941). Investments in specific assets, thus, alter political actors' calculations of the costs and benefits regarding alternative institutional arrangements and promote the relative attractiveness of the existing institutional arrangements compared to hypothetical alternatives (Pierson, 2004: 35, 148). Over time, more investments would be made on specific assets. Actors will become more and more opposing to institutional changes and the institutional development will then be locked in a particular path (Pierson, 1994: 42, 45; Gourevitch, 2000: 144-145). "All other things being equal, an institution will be more resilient and any revisions more incremental in nature, the longer the institution has been in place" (Pierson, 2004: 147). Also, as institutions help solving coordination problems among actors, it is not surprising that actors who are enjoying the benefits brought by the current institutions will be reluctant to engage in the energy-consuming process just to coordinate around other alternatives (Hardin, 1989: 102).

Promotion in relationship could also be found among institutions. In the long run, the interlinkages developed among institutions get stronger (Pierson, 2004: 150). These interlinked institutions complement each other and are referred as policy packages, or regimes (Esping-Andersen, 1990). Over time, the value of each institution starts to depend not only on its functional benefit but also on the value of the regime. In other word, their values are enhanced by the existence of other complementary institutions (Pierson, 2004: 150). In this case, alternation of an institution within the regime could negatively influence the benefit of other institutions within the same regime. As the complementary nature between these institutions grows, the potential costs of

institutional change increase. Hence, a significant change of institutional context becomes less and less feasible and desirable.

#### **4. Institutional Development under path dependence**

Although path dependence suggests that fundamental changes in the institutional arrangement become less and less likely as time goes by, it does not mean that institutions are frozen. Instead, radical changes in institutions could still happen long after institutions are in place. This process of change is conceptualised as punctuated equilibrium which argues that substantial institutional changes take place periodically when the long period of stability is punctuated by crises (Krasner, 1984). The concept of punctuated equilibrium assumes that the existence of long period of stable institutional context is because the institutions in place are in their respective equilibrium positions (Krasner, 1984). Therefore, when institutions are diverted from such positions by some significant forces, volatile institutional changes are observed. Historical institutionalists usually regard these forces as changes in the external environment or exogenous shocks such as economic crisis and military conflict (Hall and Taylor, 1996: 942; Pierson, 2004: 52; Thelen and Steinmo, 1992: 15). At the moment when the existing institutional arrangements are broken, it creates the window of opportunity for new institutions to develop. Since that moment is so critical to the course of the future institutional development, it is called the 'critical juncture' (Pierson, 2004: 66). Later, the newly established institutions will become the institutional equilibriums as their predecessors and place the institutional development on a new path (Hall and Taylor, 1996: 942). This institutional context will be consolidated by the positive feedback process. In this way, institutional stasis once again exists and transformative changes have to wait until the next critical juncture (Pierson, 2004: 135).



In this case, the concept of punctuated equilibrium sharply distinguishes the institutional development into two distinct phases: institutional innovation and institutional reproduction. According to this point of view, dramatic reversal could only take place at the critical juncture. As a persistent path of the institutional development is generated at the critical juncture, changes during the institutional reproduction phase could only be adaptive with the aim to support the institutional continuity (Pierson, 2004: 51; Baumgartner, and Jones, 1993: 5; Streeck and Thelen, 2005: 8).

An important insight offered by the concept of punctuated equilibrium is that institutions could be dependent as well as independent variables. During the long period of stability, institutions are independent variables as they could be used to explain political outcomes while at the critical junctures, institutions become a dependent variable which are determined by the interactions between political actors (Thelen and Steinmo, 1992: 15).

## **5. Criticism of Historical Institutionalism**

Despite its strength in interpreting political outcomes, historical institutionalism is not gladly accepted by every scholar. Many attack its notion of path dependence. Peters (2005) argues that historical institutionalism is ill-equipped to explain change. His argument is twofold. First, he points out that path dependence is the theoretical foundation of historical institutionalism. From his point of view, such reliance on the persistence of institution to explain political phenomena in turn demonstrates its incapability to conceptualise institutional change (Peters, 2005: 76). On the other hand, Peters contends that the mechanism of path dependence fails to provide a more than

vague answer of why changes occur at the critical junctures, or as he put it, “to uncover the explanations for the changes ... we are forced to move outside the approach itself ... There appears to be no such dynamic element in the theory itself” (Peters, 2005: 79). Similar concerns are also raised by Gorges (2001) and Hira & Hira (2000).

However, it is arbitrary to regard historical institutionalism as ill-equipped to explain change just because one of its many elements, which in this case path dependence, does not provide a detail account of institutional changes. In fact, attention has been given to institutional changes by historical institutionalists. Pierson (2004), for instance, notices that the analyses in political science have often been given some restricted time horizons. In other words, researchers tend to attribute institutional changes to factors that are temporally contiguous to those changes. Likewise, the outcomes of those changes are also limited by researchers to the more or less immediate effects of the events (Pierson, 2004: 79). As a response, Pierson (2004) demonstrates that the time horizon of both the causes and outcomes of institutional changes can either be short or long. By drawing on metaphorical examples from natural science, he vividly introduces four different types of institutional changes which are formed by various combinations of different types of causes and outcomes.

First, by using tornado as a metaphorical example, Pierson introduces the first type of institutional change which has short time horizon for both outcome and cause (2004, 80). This type of change develops relatively fast while its effects also take place in a short period. Pierson points out that many researchers have seen this ‘quick/quick’ type of institutional change as the only type which, however, in many cases inappropriate (2004, 81). Then, Pierson uses a cataclysmic ecological event to explain the next type of change which marks by its short causal process as well as slowly unfolding outcome. Although a

meteorite of enormous size lands on Earth very quickly, its full effects such as climate change will only reveal after a substantial period of time (Pierson, 2004: 80). In political science, these quick/slow cases could be characterised as changes with cumulative effects (Pierson, 2004: 90). The third type of change is a case which the time horizons of the cause and outcome are short and long respectively (Pierson, 2004: 79). Although this and first type of share both experience 'quick' outcomes, it has a very long term causal process which is absent in the first type. The example in natural science would be earthquake while examples in political science are changes owing to causal chains or threshold effects (Pierson, 2004: 81, 83-90). Finally, changes with cumulative causes and effects in political science, which mirror global warming in natural science, are regarded as the fourth type of institutional change (Pierson, 2004: 80, 90-93). Pierson's in depth research in institutional changes has provided a strong counter argument to Peter's claim. It is unjust to deny all the efforts of historical institutionalists in explaining institutional changes just because of the path dependence element in historical institutionalism.

On the other hand, historical institutionalism does not always rely on exogenous factors to explain changes. Although institutional changes according to the mechanism of path dependence are owing to exogenous factors which itself does not have much to offer, it is just one notion in the relatively comprehensive approach. Instead of attributing institutional changes to exogenous factors as under punctuated equilibria, historical institutionalists like Streeck and Thelen embrace the idea that changes more than adaptive could be generated endogenously during the period with no institutional breakdown (2005: 7-8). According to Streeck and Thelen (2005), some changes could be explained within the historical institutionalists' approach. They show that substantial changes are not always abrupt in nature but could also be gradual. A new perspective introduced by them is that institutions are not only determined by the outcomes of

political struggles at a particular point in time which the concept of punctuated equilibria refers as the critical juncture. Rather, institutions could also be transformed gradually when political actors, on a continuous basis, struggle “to achieve advantage by interpreting or redirecting institution in pursuit of their goals, or by subverting or circumventing rules that clash with their interest” (Streeck and Thelen, 2005: 19). In this case, transformative changes will happen under the apparently stable institutional context. Indeed, five broad modes of such gradual transformation have been identified including displacement, layering, drift, conversion and exhaustion (Streeck and Thelen, 2005: 19-30; Pierson, 2004: 137- 139; Steinmo and Thelen, 1992: 16-18). The researches of historical institutionalists such as Pierson (2004) and Streeck and Thelen (2005) show that historical institutionalism not only have not neglected institutional changes but also have taken a further step forward to understand them beyond superficial level.

## **6. Comparing Historical Institutionalism with Behaviourism**

At this point, it has been shown that historical institutionalism is the better approach within the new institutionalism. The question now is whether it stands the challenge from approach equally dedicated to shed light on political outcomes. In the following, historical institutionalism will be compared with Behaviourism in order to further justify the use of historical institutionalism as the analytical framework of this thesis.

Behaviouralism is a theoretical approach that assumes individuals having all the freedom to carry out different actions which are influenced by their socio-psychological characteristics (Peters, 2005: 1). From their perspective, Individuals’ behaviours are not constrained by institutions and their preferences are determined outside the existing institutional arrangements, i.e. exogenous (Peters, 2005: 1). Institutions, for them, are

simply aggregation of individual preferences which comprises their roles, statuses and learned responses (Lowndes, 2002: 91, 94)

Holding such individualistic assumption, behaviourists provide explanation for political outcomes by referring to the characteristics, attitudes as well as behaviours of the individuals and groups (Thelen and Steinmo, 1992: 5).

Yet, attributing political outcomes solely to aspects regarding individuals and groups is not unproblematic. First, it fails to illustrate how such characteristics, attitudes as well as behaviours of the individuals and groups exist in the first place and, more importantly, why national differences regarding those aspects occur (Thelen and Steinmo, 1992: 5). Second, the explanation regarding the variances in ways adopted by interest groups with similar organisational characteristics in various national contexts to advance their political interests is not given by behaviourists (Thelen and Steinmo, 1992: 5). Thirdly, it is not able to explain the different degrees of success in pursuing political objectives experienced by pressure groups with alike organisational characteristics in various nations (Thelen and Steinmo, 1992: 5). By carrying out case studies in the health policy making in France, Switzerland and Sweden, Immergut (1992<sub>a</sub>) challenges the behaviourists' approach. She questions why doctors in those countries with alike organisational characteristics such as equally well organised and resourceful in organisational resources face various degrees of success during their pursuits of policy objectives. Thus, she points out that the power of a group relative to its counterparts could not be deduced from its organisational characteristics since political power is not, as the behaviourists suggest, a static attribute of the group.

Being alert to the limitation of the behaviourists' approach, historical institutionalists stress the importance of the playing field in explaining political outcome (Thelen and

Steinmo, 1992: 5). They claim that most of the political life could be explained by referring to the institutional arrangement in place without excluding other factors such as class structure and group dynamics (Lowdnes, 2002: 108; Peters, 2002: 157; Thelen and Steinmo, 1992: 12-13). Their unique perspective allows them to offer the academia a more comprehensive view of the political reality and to overcome the limitation of the behaviourism. In the following, it would be shown that there are three advantages of the historical institutionalists' approach comparing to the behaviourists'.

First, historical institutionalism could identify why actors have particular preferences and behaviours. By illustrating that institutions shape actors' preferences as well as behaviours, historical institutionalists reveal the rationale behind the political actors' preferences and behaviours which the behaviourists start their analyses with but fail to comprehend their origins (Hall and Taylor, 1996: 955; Thelen and Steinmo, 1992: 7). Another important contribution of the historical institutionalists approach is that it could provide an explanatory framework for the divergence of strategies adopted by similar interest groups in various national contexts in promoting their policy desires. Institutional contexts are said to lay the rules of game for political struggles as they determine different strategies' chances of success as well as their associated benefits and costs (Pierson, 1994: 27, 32). Given that same strategy under different institutional landscapes has different chances of success, historical institutionalists could answer why actors across countries and time even with similar characteristics and preferences would employ diverse strategies in pursuing their policy objectives.

Finally, historical institutionalism could demonstrate the underlying force affecting the actors' chance and degrees of success in pushing forward their policy objectives. Instead of political actors' characteristics as under the behaviourists' approach, historical

institutionalists show that the determinants of such degrees of success are institutions. To conceptualise this notion, scholars bring in the idea of 'veto points'. 'Veto points' are the points in a policy making process where a proposed policy has to pass through before being implemented (Thelen and Steinmo, 1992: 7). In other words, if a policy proposal does not get agreement at those areas of institutional vulnerability, it will be vetoed. At the veto points, political actors such as interest groups could therefore make or break the policy according to their interest either by mobilising support or opposition (Peters, 2005: 84).

Yet, their chances of success in pursuing their policy objectives hinge on the institutional setting rather than their own characteristics in two ways. First, it depends on the number of veto points in the decision-making structures (Peters, 2005: 54). To be more precise, the number of veto points is linked to the degrees of vertical and horizontal integration of the institutional design (Pierson, 1994: 32). Horizontal integration measures the degrees of power concentration within a national government whilst vertical integration refers to the extent to which authority is concentrated at a central government (Pierson, 1994: 32). Pierson indicates that less veto points would be found in institutional designs with high degrees of vertical and horizontal integration (Pierson, 1994: 33). It is not difficult to understand that the existence of fewer veto points is likely to be a favourable condition for the interest groups that are trying to get their policy proposals legislated whereas interest groups looking to oppose a bill would definitely be in favour of a situation with more veto points (Peters, 2005: 54). Besides the number of veto points, an even more important factor influencing political actors' degrees of success in achieving their political desires is whether they could gain access to the political representatives at the veto points (Immergut, 1990: 936). Historical institutionalism has highlighted the unequal access to policy making processes between political actors which again is caused

by the institutional designs (Skocpol, 1992: 54, Lowndes, 2002: 100; Pierson, 1994: 41). Institutional structures vary cross-nationally so does the number of veto points as well as the difficulty for interest groups in accessing to representatives at those points. Hence, political actors with similar characteristics face diverse degrees of success across nations.

## **7. Conclusion**

This chapter is written with the aspiration to lay the cornerstone of the thesis by establishing the overarching framework that is going to govern the whole research. Step by step, the chapter argues that historical institutionalism is the most superior framework for this research. First, the chapter demonstrates the relative advantages of the new institutionalism comparing with the old institutionalism. The new institutionalist approach carefully avoids several criticisms of its predecessor including the blur distinction between political organisations and political institutions, the over-emphasise on formal institutions as explanatory factors, the highly normative nature of analyses, the inattention to component institutions and the neglect of temporal issues in the institutional development. Given that those drawbacks of the old institutionalism hinder the approach's capability to facilitate comparative analyses and to generalise findings, new institutionalism has a comparative edge in the development of intermediate-level categories and concepts.

Since numerous variants of the new institutionalism which provide different and sometimes contradicting understanding about institutions and political outcomes are observed in the literature, there is a need to further specify the approach employed in the thesis. In searching for the most appropriate approach, an extensive comparison between the two most well recognised and documented institutional approaches, i.e.



rational choice institutionalism and historical institutionalism, is carried out. During the examination, rational choice institutionalism is found to be a major advance among approaches that dedicate to explain political outcomes. While inherited the rationale of using interactions between self-interested actors as explanation for political outcomes from the original rational choice theory, the rational choice institutionalist approach enriches its analyses by incorporating the element of institution borrowed from structural approaches. The mixture of two strands of thinking allows rational choice institutionalism to prevent overdependence on only one explanatory factor towards political outcomes. Yet, when contrasting with another variant – historical institutionalism, several assumptions of rational choice institutionalism including strict rationality of human behaviours, and the establishment of institution solely based on the consensus among relatively equal actors are regarded as too arbitrary and too simplistic to be ignored. Instead of relying on simplistic assumptions, historical institutionalism devotes greater efforts to illuminate the political reality by taking into account the effects of unintended consequence and path dependence on political outcomes.

At the same time, although attributing political outcomes to utility maximisers' interactions within institutional contexts could be seen as a breakthrough from some traditional approaches, rational choice institutionalism still possesses a relatively confined view about political phenomena from the historical institutionalists' perspective. Given that historical institutionalists focus on showing how different variables linked within the institutional context, their analyses are not limited to only a couple of explanatory variables. They provide a framework that could integrate various approaches into the analyses while avoiding the discussions to become fragmented. This unique and cutting edge characteristic therefore enables the historical institutionalists' approach to

exploit the strengths of numerous approaches and is one critical factor for it to be employed in the thesis.

Despite its strength in interpreting political outcomes, historical institutionalism is inevitably subjected to criticism. Many contend its path dependence belief as a sign of incapability in explaining institutional changes. This thesis, therefore, argues that it is arbitrary to regard historical institutionalism as ill-equipped to explain change just because one of its many elements does not provide a detail account of institutional changes. Instead, great attention has been given to institutional changes by historical institutionalists. In terms of the forms of institutional development, historical institutionalists' explanations are not confined to abrupt changes as suggested by the punctuated equilibrium approach. They also identify the possibility of transformative change to be gradual. At the same time, through in-depth study, scholars are able categorised four types of change by the time horizon of their causes and outcomes. These findings show that historical institutionalism not only has not neglected institutional changes but also has taken a further step forward to understand them beyond superficial level.

Finally, historical institutionalism is evaluated against behaviourism to see whether its superiority remains outside the cluster of institutionalists' approaches. After scrutinised both approaches, behaviourism that attributes political outcomes solely to aspects regarding individuals and groups is found to have one critical weakness which is the inability to explain variances in the ways to advance political interests by interest groups with similar organisational characteristics as well as the divergence between their chances of success. Historical institutionalism, on the other hand, stresses the importance of the playing field in explaining political outcomes. It therefore could

explain the political outcomes that behaviourism fails to do so by referring to the institutional arrangements in place. In this case, the downside of behaviourism could be overcome under historical institutionalism while at the same time, historical institutionalist approach could incorporate the explanatory factors used by behaviourism into its analyses as no factor is excluded from the approach. Again, superiority of historical institutionalism is illustrated through comparison.

As the choice of overarching framework is justified, the research has a solid theoretical foundation to build on. In the next chapter, the focus is going to be narrowed down from the broadest analytical level, i.e. institution, to a more specific level, i.e. welfare state regime. The characteristics of different welfare state regimes including the three frequently cited welfare state regimes by Pierson (1990) will be explored in order to further consolidate the theoretical base for the comparative research on the housing policy in Hong Kong and Singapore.

## **Chapter 3 Welfare Regime**

### **1. Introduction**

In Chapter 2, the choice of historical institutionalism as the overarching framework has been justified. Although institutions are considered to be the keys to understand polity, only knowing the institutional context is not enough to comprehend the development of political phenomenon. As stated in Chapter 2, institutions are just the rules of the game. Therefore, not until some actors play the game governed by its rules, i.e. institutions, political phenomenon remains inexistent. In other words, institutions alone could not cause any political phenomenon. As a response, this chapter is written to further consolidate the theoretical base by illustrating how actors pursue their political objectives in the playfield created by institutions or put it differently how political powers work through institutions. In order to do this, a more specific analytical level, i.e. welfare state regime, is focused. The notion of welfare state regime is first introduced by Esping-Andersen (1990). Since the publication of 'The Three Worlds of Welfare Capitalism' (Esping-Andersen, 1990), his work has been approved by many and has been considered as a significant contribution in the realm of comparative welfare state research (Kemeny, 1995: 87-88). Soon after, his book has become a key literature which is covered in nearly every article on welfare state (Arts and Gelissen, 2002: 138; Marquardt, 2008: 3).

The importance of 'The Three Worlds of Welfare Capitalism' in the field and its enormous influence on many successors could be attributed to three things Esping-Andersen did: re-specify welfare state, study welfare states as group, and explain the welfare state development through an interactive approach. Among them, the

attempt to illustrate political phenomenon with a non-linear approach is deemed to be the most salient contribution as it brings in a not only brand new but also promising framework for subsequent comparative researches.

## **2. Explaining the welfare state development through an interactive approach**

Before Esping Andersen, many scholars have been working on approaches that help understand the welfare state development. Yet, those approaches are all linear in which the welfare state formation is attributed to some socioeconomic and political factors (Kemeny and Lowe, 1998: 161). Among those factors, the logic of industrialism and power of working class are especially well discussed. In the following, both the logic of industrialism and the logic of working class power are examined in order to show how weaknesses that undermine their explanatory abilities make the Esping-Andersen's approach an outstanding candidate in illustrating the welfare state development.

### *2.1. The logic of Industrialism*

For those who try to explain the welfare state development by 'the logic of industrialism', the introduction of welfare state is seen as a response to the collapse of conventional social institution caused by the transition to modern industrial economy (Pryor, 1969; Flora and Alber, 1981). For instance, Wilensky argues that the degree of economic development could largely explain the formation of welfare state. According to him, welfare state is brought upon by the country's needs under industrialisation instead of the wants of some particular actors including but not limited to welfare bureaucrats and politicians (1975:47; 1976: 21-23). Similar notion is shared by Cutright who discovers that there is a close relationship between the coverage of social security in a nation and

its economic development (Cutright, 1965: 537). Likewise, the famously cited Wagner's Law predicts that public expenditure on welfare will grow in line with the economic development, i.e. being income-elastic in the economics term (Wagner, 1962). In this sense, welfare states are going to appear in developing economies in more or less similar order (Skocpol, 1992: 13). The differences in the welfare state development among countries simply mirror the variations of their respective stages of economic development (Castles, 1998: 35). During the 60s, this convergence perspective was predominant. Many scholars regarded welfare state as universal and inevitable features of advanced industrialised economies (Eyden, 1965; Kerr, 1962; Marshall, 1967; Zald, 1965). They claimed that all societies were converging towards an institutional welfare state (Mishra, 1977: 38). In other words, nations with low welfare effort in terms of welfare expenditure, laggards as called, will gradually catch up with well-developed welfare states, i.e. leaders (Wilensky, 1975).

Even though this 'industrialism' point of view was famous in the mid-twentieth century, its proposed close positive relationship between the welfare state variation and the economic disparity faces several criticisms. Indeed, its creditability is substantially weakened by many observations that it fails to explain. First, the logic of industrialism has a hard time explaining why social policy remained unseen until at least more than half a century after the destruction of traditional community (Pierson, 2006: 18; Esping Anderson, 1990: 13). Secondly, it could not provide a convincing answer to why two nations with alike economic development will institutionalise two materially different welfare states (Uusitalo, 1984). Hage, Hanneman and Gargan argue that the significance of Gross Domestic Product (GDP) to the welfare state development has been overestimated by many past literatures and an abundance of financial resource does not necessarily lead to the welfare spending growth (Hage et al. 1989:104-108). Some

researches even demonstrate that there are negative correlation between the welfare expenditure and the rate of economic growth (Cameron, 1978:1245; Hage et al. 1989:107). Lastly, why welfare programmes in a much advanced economy fails to meet the standard of similar programmes in less developed counterparts is also a question that this notion struggles to comprehend (Skocpol, 1992: 12-13).

## *2.2. Logic of working class power*

On the other hands, some scholars argue for the decisive role of working class power in the expansion of welfare state (Huber and Stephen, 2001:3). It is therefore “the balance of class power determines distributional outcomes” (Esping Anderson, 1990: 16). For them, nations with strong organised working-class in place will have their welfare states well-established (Korpi, 1989). Using the example of Sweden, Stephen shows that advanced welfare states which are characterised by generous benefit funded in an equal manner through progressive taxation will appear in countries with well organised and highly centralised trade union movement (1979:129). Likewise, Korpi and Palme (2003) demonstrate that the partisanship of working-class parties in a nation greatly affects the extent of welfare cutback during the time of welfare state retrenchment and social democrats are much less aggressive in welfare reduction. A cross-national investigation carried out by O'connor (1988) also shows that variation in working class power in terms of union density has decisively influenced the welfare effort in those countries.

Yet, Shalev (1983) sees the weakness in this notion. He argues that ‘logic of working class power’ bears a strong Swedocentrism element which its theoretical foundation built only on the rather extraordinary case of Sweden. Shalev’s thought is echoed in several other literatures. Researchers like Przeworski (1985) and Esping-Andersen (1990) both

challenge this 'logic of working class power' by showing that the working class rarely achieves an electoral majority to bring in welfare states. Pierson also reveals that many elements of the welfare states are in fact institutionalised by liberals and/or conservatives rather than representatives of the working class interest (2006: 36). This is true even for the Scandinavian countries which are frequently referred to support the 'logic of working class power' (Esping-Anderson, 1985; Baldwin, 1990). Furthermore, this strand of reasoning totally neglects the importance of other classes in the formation of welfare state. Political coalition between the working class and farmer organisations before the Second World War and 'working class-middle class' coalition after the Second World War are deemed to be extremely crucial for the successful introduction and expansion of many welfare states (Esping-Anderson, 1990: 30-31; Pierson, 2006:40).

### *2.3. The Esping Andersen's interactive approach*

At this point, it is fairly clear that a linear approach could not be a good way to understand the development of welfare state or, broadly speaking, political outcomes. The Esping-Andersen's interactive approach therefore provides a promising alternative. The main idea of this interactive approach is that "the hope of finding one single powerful causal force must be abandoned" and any development of welfare state is a product of numerous interactions (Esping-Anderson, 1990: 29). To be more precise, there are three interactive factors determining the course of welfare state: nature of class mobilisation, class-political coalition structures and history legacy of regime institutionalisation (Esping-Anderson, 1990: 32).



### 2.3.1. Nature of class mobilisation

The first interactive factor is the nature of class mobilisation. Most of the time, it refers to working class mobilisation (Esping-Anderson, 1990: 29). Even though it has been shown that 'Logic of working class power' has a number of weaknesses, it is by no means suggesting that the nature of working class mobilisation should be excluded from the explanation of welfare state construction. The bottom line is that the working class power should be considered as one of the factors, which through interactions with others determines the outcome of welfare state, but not as the only factor.

### 2.3.2. Class political coalition structure

In the evaluation section of 'logic of working class power', it has been briefly mentioned that the introduction and expansion of many welfare state are made possible by the political coalition between the working class and other classes. A clear advantage of using the political alliance among classes as an explanatory factor is that it will no longer be problematic if two countries with similar nature of class mobilisation develop two divergent welfare states (Esping-Anderson, 1990: 18). It is therefore not surprising that Esping-Andersen considers the structure of class coalition not only much more significant than the power of any single class but also "the most decisive cause of welfare-state variations" (1990: 1, 30).

### 2.3.3. Historical legacy of regime institutionalisation

Finally, the last explanatory factor in the Esping-Andersen's (1990) interactive approach is the historical legacy of regime institutionalisation. This is an interactive factor that

captures how class preferences and political behaviour are institutionalised by past reform (Esping-Anderson, 1990: 32). Put it simply, it describes the institutional effects on the construction of welfare states. Unlike Esping-Andersen, this thesis regards this factor as the most crucial since it could affect the remaining two interactive factors, namely nature of class mobilisation and class political coalition structure. This is not any new idea since Esping-Andersen himself also recognises that working class mobilisation is under the influence of the trade union structure which is obviously one form of institutions (Esping-Andersen, 1990: 29). On the other hand, the linkage between institutions and the viability of coalition between classes has been explained in Chapter 2. As the rules of the game for political struggles, institutions confine the actions of political actors which forming political alliance is just one of the many. By introducing these three interactive factors, Esping-Andersen saves academics from the unsatisfying linear approaches in explaining political outcomes. He enlightens people to see political phenomena as outcomes of interactions between political forces and institutions, i.e. welfare state development as outcomes of interactions between class mobilisation, class coalition and institutions. Through unveiling the relationship between classes and institutions, the Esping-Andersen's interactive approach successfully demonstrates how political actors pursue objectives in institutions.

### **3. Respecifying welfare state**

Besides the introduction of the aforementioned interactive approach, there are two more contributions of Esping-Andersen that should not be understated. First, Esping-Andersen re-specifies how a nation is qualified as a welfare state. Before Esping-Andersen published his work, classifications of welfare state in general were vague and many classifications were not rigorous at all. Rather than taking the common

practice at that time as granted, Esping-Andersen insists that determinants in welfare state classification could only be a country's policy details by which the welfare of its citizens is influenced (Esping-Andersen, 1990: 20). Put it differently, it is the content of welfare state that matters because Esping-Andersen regards those policy details as, in his words, "keys to a welfare state's identity" (Esping-Andersen, 1990: 3).

In such a way, he argues against the practices that regard a nation as welfare state by simply referring to its self-proclamation, its welfare expenditure or the existence of standard social programmes in that country (Esping-Andersen, 1990: 2, 19, 20). Undoubtedly, treating a nation as welfare state based on its government's propaganda could be arbitrary. Yet, consideration based on the level of a nation's welfare expenditure could be equally misleading (Esping-Andersen, 1990: 20). For instance, welfare provision does not only take the form of government expenditure but also of government revenue decrease such as tax credits or taxable income reduction. At the same time, the level of welfare expenditure does not always correctly reflect a nation's welfare state commitment. One obvious example is that if welfare expenditure is used to fund welfare programmes that only benefit privileged classes like current or retired government employees, it is unjustifiable to regard that nation as welfare state. In this sense, the level of welfare expenditure could not be used to determine whether countries are welfare states or not. Likewise, the existence of standard social programmes itself only shows part of whole picture in term a country's commitment to welfare. Therefore, conclusions that take only the introduction of various social programmes into account while ignoring the corresponding entitlement criteria and the benefit level are highly questionable.

Instead of stopping at the very general level of discussion, Esping-Andersen further specifies three criteria that could be employed to define as well as distinguish welfare states since he is convinced that those three factors could capture the very nature of the welfare states. These three criteria are the level of decommodification, the level of stratification and the balance between public and private welfare programmes (Esping-Andersen, 1990: 2).

At the heart of welfare state is the idea of social right and its extension is always positively related to the development of welfare states (Esping-Andersen, 1990: 3). In order to facilitate comparative analysis, the abstract idea of social right is quantified into two indicators, i.e. the level of decommodification and the level of stratification.

### *3.1. Defining welfare states by the level of decommodification*

To start with, the level of decommodification is the extent to which welfare programmes could maintain citizens' living standard through guaranteed income at the time when they are not selling their labour power as commodity for whatever reasons. In other words, decommodification allows citizens to stop being pure commodities and entirely depending on the market for survival (Esping-Andersen, 1990: 21, 37). The introduction of decommodification in the analysis puts the content of but not merely the existence of welfare programmes into cross-national comparison. By using this criterion, eligibility rules and the benefit level could both be taken into account. High level of decommodification could be seen in where the social rights of citizens render them with the prestige to enjoy adequate standard of living without restriction regardless of their past and condition (Esping-Andersen, 1990: 47). At extreme, decommodifying welfare states could provide citizens with the freedom to quit jobs at any point in time without

potential loss of income as well as welfare (Esping-Andersen, 1990: 23). Therefore, the level of decommodification captures how much social rights citizens enjoy, and hence what the welfare states do.

### *3.2. Defining welfare states by the level of stratification*

Besides the level of decommodification, another dimension of social rights could be captured by the level of stratification which measures the cleavage between classes and statuses. With poverty and uneven income distribution as two obvious examples, stratification is no doubt a source of class struggles (Esping-Andersen, 1990:55). Yet, inequalities in living standards are not the only causes of stratification. Although welfare programmes usually intend to reduce inequality, there is no guarantee that they will succeed. Instead, welfare states could even fuel inequality (Esping-Andersen, 1990: 3, 55). Means-tested income support schemes as well as benefit stigma both lead to the rise of polarised societies (Esping-Andersen, 1990: 24). Stratification could also be found in where welfare programmes treat citizens in different classes unequally and one's status or class determines what level of rights and privileges he or she enjoys (Esping-Andersen, 1990: 24). In this sense, the level of stratification could help judging whether a nation is a welfare state by evaluating whether rights to welfare in that nation are indeed social rights which are given solely based on citizenship but not as rewards to those who perform well (Esping-Andersen, 1990: 21)

### *3.3. Defining welfare states by the balance between public and private welfare programmes*

Apart from the two aforementioned criteria, the balance between public and private welfare programmes is equally important in defining welfare states. Around the globe, many countries have their welfare provision done through both public and private sector (Esping-Andersen, 1990: 2). Often, in Esping-Andersen's words, "states created markets and that markets created states" (Esping-Andersen, 1990: 79). Put it differently, markets which are initially created by the states on purpose eventually affect the nature of welfare states. Therefore, the nature of the welfare state is the outcome of interplay between the public and the private providers of welfare (Esping-Andersen, 1990: 4). In order to get a comprehensive view of a nation's welfare effort, the private sector involvement should not be neglected especially its relation with public sector (Esping-Andersen, 1990: 103). Another crucial aspect of the private sector in defining the nature of welfare state lies in its effects over the level of stratification (Esping-Andersen, 1990: 4). Esping-Andersen shows that nations embracing flat rate universalism would inevitably end up with dualism if public provision does not manage to crowd out private counterparts by satisfying the higher expectation of the new middle class (Esping-Andersen, 1990: 25). It is because the better offs, in particular the middle class, will start leaving the public programmes for superior welfare in the private sector and the public sectors will eventually cater only for those who are not financially capable of leaving. Moreover, when more and more of the better offs are joining the private sector, their support to the universalistic public welfare programmes will go the opposite way. This could, in turn, significantly worsen the level of stratification and undermine the sustainability of that welfare state regime (Esping-Andersen, 1990: 26, 33). To overcome the possibility of dualism, a nation has to bear some degrees of stratification by

introducing optional earning-related features into the flat-rate universalistic programme for the demanding new middle class to enjoy better standard of service. Although this brings back class inequalities, it retains the universalistic spirit in the welfare state and achieves lower level of stratification than the case of dualism (Esping-Andersen, 1990: 26). At this points, it is clear that the true nature of the welfare state could not unveiled by only focusing on the social right of the citizens without taking into account of the balance between public and private welfare programmes. Through the three criteria above, the very nature of a welfare state could be teased out. With such solid foundation, rigorous cross-national comparisons of welfare effort could then be carried out.

#### **4. Studying welfare states as groups**

After respecifying welfare state, another thing Esping-Andersen did to earn his place in the literature is demonstrating that welfare states could be systematically studied as groups, i.e. welfare regimes called by the author himself. The theoretical foundation of Esping-Andersen's idea could be traced back to the Titmuss's three welfare models (Titmuss, 1974). In his book, Esping Andersen (1990: 49) acknowledges that "to an extent the three system types mirror Titmuss's well-known trichotomy of residual, industrial-achievement, and institutional welfare states". According to Titmuss (1974), there are three models of social policy: Residual, industrial achievement performance, and institutional redistributive. First, the residual welfare model of social policy embraces the principle that individual's needs could be met by family and market provision, and the state should not intervene unless those two channels fail. As suggested by the name of the model, the state only retains a residual role (Titmuss, 1974: 30-31). Industrial achievement performance model of social policy, on the other hand, regards that social needs should only be satisfied on the basis of current and past labour

force participation as well as working performance but not on the basis of citizenship (Titmuss, 1974: 32). It is therefore not hard to appreciate that under this ideology, social policy is introduced to serve the economy with its underlying incentive and reward system. Finally, the institutional redistributive model of social policy sees the necessity for the state to provide “universalist services outside the market on the principle of need.” (Titmuss, 1974: 32). This notion justifies government interventions in the name of ensuring that all citizens have equal access to social services.

Although both Titmuss (1974) and Esping-Andersen (1990) use three models in their analyses, Esping-Andersen does not simply mimic Titmuss’s approach but further elaborate it. Indeed, there are fundamental variances between their works. One crucial difference is that Titmuss’s three models are used to understand the underlying principles of some social programmes while the unit of analysis in Esping-Andersen’s models is not limited to social policy but welfare state as a whole (Alcock et al., 2001: 173). In other words, Titmuss argues that there are three different types of social policy which could be distinguished by their respective organising principles or value systems that characterise them (Alcock et al., 2001: 171; Aspalter, 2011: 2; Béland and Gran, 2008: 2; Ebbinghaus and Manow, 2004: 9). Given that the formation of only a small part of the welfare state, i.e. some social policies, is explained under Titmuss’s models, they are not as good as Esping-Andersen’s in making cross-national welfare state comparison.

Another important disparity between Titmuss’s and Esping-Andersen’s models lies in their abilities to test their own models. Scholars like Alcock have shown that Titmuss lacks the “measuring rod which to test his models nor any theoretical justification for their existence.” (Alcock et al., 2001: 172) Based on only abstract ideological factors which are difficult to quantify, Titmuss’s models have a hard time to convince others that



a particular social policy should be categorised into any of his models. In contrast, Esping-Andersen's models have three quantifiable criteria in defining and distinguishing welfare states, namely the level of decommodification, the level of stratification as well as the balance between public and private welfare programmes.

By employing those three aforementioned criteria, Esping-Andersen shows that there are three distinctive welfare regimes: Liberal, conservative and social democratic. Each of them organises in their peculiar ways and follows unique developmental trajectories (Esping-Andersen, 1990: 3).

#### *4.1. Liberal welfare regime*

To start with the liberal welfare regime, it is characterised by its low level of decommodification, high level of stratification and market dominated provision of welfare (Esping-Andersen, 1990: 77). Under this regime, market is granted a hegemonic role in the distribution of resource. The welfare of citizens is therefore determined by their performance in the market and stratification of welfare is substantial among the labour force. The sanctity of market suggests that governments rarely intervene to alter market outcomes which some may regard as inferior such as dualism of class and unemployment (Esping-Andersen, 1990: 62). Although being minimalists in many aspects, liberal states do intervene when there is market failure as well as when someone is unable to participate in the market (Esping-Andersen, 1990: 41-43). For those who are unable to participate in the market, modest means-tested social assistance, which is often associated with stigma, is provided by the states. Such strict entitlement rules and low benefit level are designed to prevent social right being extended unconditionally (Esping-Andersen, 1990: 43). In other words, the existence of social assistance does not

give workers a real choice to opt out from work. The result is therefore not only low decommodification level but also high stratification between the working population and social benefit recipients. These both indicate that social right is limited and not institutionalised. Some real world examples of liberal states are the United States, Canada and Australia (Esping-Andersen, 1990: 26-27).

#### 4.2. *Conservative welfare regime*

The second welfare regimes are found among many continental European countries with examples like Austria, France, Germany and Italy. This regime characterises with its emphasis on retaining tradition especially in terms of status differences and familyhood (Esping-Andersen, 1990: 27). The rationale behind this welfare regime is that authority and Catholic church by extending social right conditionally aim to preserve the conventional institutions in order to maintain inter-class harmony, social integration as well as their power and privileges during the rise of liberalism and individualism (Esping-Andersen, 1990: 27,40-41, 58). Therefore, it is not difficult to understand that it is named conservative welfare regime. Under this welfare regime, modest level of decommodification and stratification are found and the states together with families are responsible for citizens' welfare while market plays only a marginal role (Esping-Andersen, 1990: 27, 77). Unlike in the liberal regime, social right is granted to citizens, albeit conditional to class and status (Esping-Andersen, 1990: 27, 40). One typical example is that the regime discriminates against working women but in favour of motherhood (Esping-Andersen, 1990: 27-28). The preservation of status differentials undoubtedly worsens the regime's performance in reducing stratification. Still, it manages to get a higher level of decommodification and lower level of stratification than the liberal regime owing to its readiness to take up the role of market in welfare

provision as well as its willingness to interfere once citizens' welfare needs could not be met within the families (Esping-Andersen, 1990: 27, 40)

#### 4.3. *Social democratic welfare regime*

Besides liberal and conservative welfare regime, Esping-Andersen also discovers the social democratic welfare regime. It is famous with its high level of decommodification and low level of stratification. At the same time, the states displace both families and market for the welfare provision. For this welfare regime, the underlying principle is to forge universal solidarity among greatly differentiated workers since the working class alone could only remain an electoral minority and needs to form broad political alliance for the social democrats to keep their highly decommodifying and egalitarian welfare states (Esping-Andersen, 1990: 65, 67). To achieve such aim, the welfare programmes are made universal so that workers at various income levels ranging from blue collar to white collar could be incorporated into the same programmes and could enjoy equal right (Esping-Andersen, 1990: 27-28, 77). As mentioned above, to prevent dualism and strengthen solidarity in favour of welfare state, the universal programmes have to crowd out the market by satisfying the higher expectation of the new middle class. Another salient feature of the welfare regime is that it actively promotes individual independence by pre-emptively socialising the costs of familyhood since it believes that "dependence on family, morality, or authority is not the substitute for market dependence" (Esping-Andersen, 1990: 47). In this case, various welfare programmes are introduced under this regime to facilitate women joining the labour force. Not only giving women a real choice to enter the job market, this welfare regime is, in fact, genuinely committed to deliver full employment. Some examples of this welfare regime are the Scandinavian countries (Esping-Andersen, 1990: 28).

With the creation of the three welfare regimes, the welfare states could be categorised accordingly in one of the three regimes based on their respective level of decommodification and stratification as well as their balance between public and private welfare programmes. By studying welfare states in group, there is a better chance to discover patterns of welfare state development. Before that, comparative welfare state researches could only draw confined conclusions regarding their respective cases. Research findings of various scholars were therefore fragmented as there is no theoretical foundation as well as approach for researchers to justify any linkage between their cases and others. Undoubtedly, the idea of welfare regime is a turning point in the realm. When it opens an opportunity for academics to group their research subjects, it simultaneously makes observation of their development pattern much simpler. Besides, through categorising welfare states, research findings are allowed to be generalised only among countries sharing similar characteristics. In other words, the results are now generalised selectively instead of indifferently as under linear approaches. Hence, the conclusion drawn under such approach would be more convincing.

## **5. Drawbacks of the Esping-Andersen's interactive approach**

Even though the Esping Andersen's interactive approach could be seen as a major advance from the linear approach, it is far from flawless. In the following, three of its drawbacks that are particularly relevant to this research will be discussed. They are overemphasis on class in explaining political outcome, failure to take into account of the unique East Asian experience, and neglect of housing in his welfare regimes.

### 5.1. *Overemphasis on class in explaining political outcome*

Undoubtedly, Esping-Andersen stands strongly against working class mobilisation as the ultimate root of the building up of welfare states. Yet, his approach literally suffers from the same criticism he made just in a slightly different way. By recalling the three interactive factors in his approach, two of them are related to class. The structure of class political coalition structure is even considered by the author as the most decisive factor while the remaining institutional factor was given only very few attention (Esping-Andersen, 1990). This viewpoint poses a serious threat to the approach since overreliance on class factors even with class coalition taken into account would inevitably neglect if not exclude factors that are not related to class (Lowe, 2011: 146). However, those non-class factors could likely be powerful explanatory factors. This situation has indeed been noticed in the cases of this thesis, i.e. Hong Kong and Singapore.

### 5.2. *Failure to take into account of unique East Asian experience*

As said by Esping-Andersen himself, his welfare regime framework is devoted to understand the “big picture” instead of individual countries (1990: 2). According to this, the welfare regime framework should be able to apply to capitalist countries around the world without any problem. Instead, many scholars have argued that the three welfare regimes alone are not enough to categorise every capitalist welfare state across the globe (Ferrera, 1996; Huber and Stephens, 2001). Some academics go further to suggest that the Esping-Andersen’s three welfare regimes typology is very much a western concept which has limited applicability in places with fairly different political as well as historical background like the East Asian countries (Goodman and Peng, 1995; Walker

and Wong, 1996; Kwon, 1997; Shin, 2003). Although many East Asian welfare states demonstrate some features of the conservative welfare regime such as corporatism, family as the major welfare provider and the subsidiary state welfare provision, it is misleading to consider East Asian countries as examples of conservative welfare regime (Kwon, 1997; Ku, 1997). The reasons are twofold. On one hand, the force behind the creation of welfare states in East Asia is neither working class mobilisation nor class coalition as suggested by Esping-Andersen's typology. Instead, it is the government in each of those countries (Kwon, 1997). Although some might argue that East Asian welfare states and conservative welfare regimes are both set up by the governments to maintain their authority and legitimacy, it should not be forgotten that there are considerable differences between the underlying class politics in their welfare state development (Kwon, 1998: 67; Rimlinger, 1971). For conservative welfare regime, it is developed by government as an involuntary response to maintain social solidarity and inter-class harmony under the pressure from working class and social democratic parties since the emergence of industrialisation (Rimlinger, 1971). In contrast, welfare policies are carried out intentionally in a top-down manner by governments in East Asia under literally no pressure (Kwon, 1997:478). This disparity also reveals the danger of overemphasis on class when illustrating the welfare state development. On the other hand, the gap in benefit level between conservative welfare regime and East Asian welfare system is large enough to argue that they are not the same. Park has shown that the level of decommodification is much higher in conservative welfare regime comparing to East Asian welfare systems (2007: 43-44).

As mentioned before, class and class coalition are not the right explanatory factors when coming to the East Asian experience. Instead, there are two decisive factors which are

not recognised in Esping-Andersen's typology influencing the development of their welfare states: Confucianism and Developmentalism.

### 5.3. *Neglect of housing in his welfare regimes*

Lastly, the most convincing argument against the adoption of Esping-Andersen's typology in this thesis is that his approach has totally excluded housing as part of the welfare state. Esping-Andersen does not even explain his treatment. It is therefore argued that housing is kept away from his approach just because housing data does not fit well (Lowe, 2011: 146). Such issue with housing data might be understood by referring to the uniqueness of housing in comparison with other welfare pillars.

#### 5.3.1. Heavy reliance on open market

The first unique nature of housing is the heavily reliance on open market. In Esping-Andersen's welfare regimes, one of the criteria for defining and distinguishing welfare states is the balance between public and private welfare provision. According to the approach, only liberal welfare regime will strongly rely on market in distributing resource. Yet, the similar situation does not occur in the housing sector. It has been shown that even for interventionist countries which actively involve in public housing provision or in private rental housing regulation, the majority of housing is still provided by private sector in the open market. It is ordinary to find that 60% to 80% of housing stock is distributed through most countries' market while the production of housing is normally overwhelmed by private construction firms (Hudson et al., 2008: 115; Lowe, 2011: 2). Such commonly observed large scale private involvement in housing across countries that would be categorised into different welfare regimes under

Esping-Andersen's approach unquestionably shakes the theoretical foundation of his approach so it might explain his decision in excluding housing in his approach.

### 5.3.2. Complexities of housing

Another possible cause of such exclusion of housing could be its complex nature. Over the years, whether the housing should be classified as necessity or commodity has always been a hot topic to debate. Sometimes, this is even not an 'either or' question. For example, Lund argues that "a house is both a 'consumer' good, with a flow of services involved in living in a house, and an 'investment' good with potential gains achievable from price increases"(2011: 7). This implies that there is no generally accepted role of the government in the housing sector (Lowe, 2011: 3). In this sense, it could be a challenge for scholars who need to find suitable criteria for distinguishing housing regimes between countries. What makes housing even more complicated to research is that it is affected by policies of different kinds while it equally exerts impacts on multiple aspects of the society. As Wilensky puts it, housing is influenced by "bewildering array of fiscal, monetary and other policies that affect housing directly" (1975: 7) while at the same time, Lowe shows that housing could bring far-reaching impacts to the society in aspects including but not limited to "attitudes to taxation/public spending, towards risk, intergeneration politics, relations between men and women, consumption, and welfare state change" (2011: 161). All these difficulties in studying housing might suggest why it is often neglected in comparative welfare state research. At this stage, it is evident that direct adoption of the Esping Andersen's approach in this thesis would be inappropriate. The presence of the aforementioned drawbacks therefore urges the development of a new research framework for this thesis.



## 6. Conclusion

With the aim to further consolidate the theoretical base that brought in by Chapter 2, this chapter is dedicated to illuminate how political powers work through institutions. To do so, a more specific analytical level, i.e. welfare state regime, is introduced. Soon after invented by Esping-Andersen in 1990, the welfare state regime approach has become a key literature in comparative welfare states research. The chapter then points out that its profound importance in the field could be attributed to its three features, namely re-specifying welfare state, studying welfare states as group and explaining the welfare state development through an interactive approach. Among them, the attempt to illustrate political phenomenon with a non-linear approach are deemed to be the most salient contribution as it brings in a brand new framework for subsequent comparative research.

To justify that argument, weaknesses of approaches that adopted before the Esping-Andersen's in explaining political phenomena are discussed. The logic of industrialism approach is first examined. It argues that there is a positive relationship between the formation of welfare state and the degree of economic development. According to its point of view, the differences in the welfare state development among countries therefore mirror the variations of their respective stages of economic development. Yet, the chapter demonstrates that this notion is unconvincing as such close positive relationship only holds in some specific times and specific places. Following the logic of industrialism approach, the logic of working class power approach is scrutinised. This is a perspective that argues for the decisive role of working class power in the development of welfare state. It assumes that the stronger the working

class power is the better the development of welfare state will be. Again, similar to the situation of the logic of industrialism, a number of real world cases suggest otherwise.

With those two linear approaches, the chapter reveals that approaches which try to find one single powerful causal force behind any political outcome would inevitably suffer from their confined views. This highlights the importance of the welfare regime approach in which the development of welfare state is seen as a product of numerous interactions. The discussion goes on with the three interactive factors of the approach: nature of class mobilisation, class-political coalition structures and history legacy of regime institutionalisation. The nature of class mobilisation is usually referred to working class mobilisation. Although it has been argued that working class power on its own could not be the sole cause of any development, it through interactions with other factors is able to determine the outcome of welfare state. The second interactive factor turns its attention from the power of working class to the relationship between the working class and other classes. A clear advantage of using the political alliance between classes as an explanatory factor is that it will no longer be problematic if two countries with similar nature of class mobilisation develop two divergent welfare states. Finally, the remaining interactive factor concerns the institutions in place. This thesis regards this factor as the most crucial since it could affect the remaining two interactive factors. By introducing these three interactive factors, Esping-Andersen frees academics from the unsatisfying linear approaches and allows political outcomes to be clearly explained in terms of interaction between political forces and institutions. Through unveiling the relationship between classes and institutions, Esping-Andersen's interactive approach successfully demonstrates how political actors pursue objectives in institutions.

While the interactive feature of the welfare regime approach is truly revolutionary, the two other contributions of Esping Andersen, i.e. respecifying welfare state and studying welfare states as groups, are also remarkable. In response to many vague and sloppy classification of welfare state, Esping-Andersen insists that determinants in welfare state classification could only be a country's policy details by which the welfare of its citizens is influenced. He further specifies his notion by providing three criteria that could be employed to define welfare states: the level of decommodification, the level of stratification and the balance between public and private welfare programmes. Through the three criteria above, the very nature of a welfare state could be teased out. With such solid foundation, rigorous cross-national comparisons of welfare effort could then be carried out. Beyond defining welfare state, the three criteria mentioned earlier are used to categorise welfare state. Inspired by Titmuss, Esping-Andersen acknowledges the usefulness of systematically studying welfare states as groups. Therefore, three welfare regimes are created to facilitate comparative research. According to their respective level of decommodification and stratification as well as their balance between public and private welfare programmes, countries are grouped into one of the three welfare states: Liberal, conservative and social democratic. By studying welfare states in group, there is a better chance to discover patterns of welfare state development. At the same time, generalisation could be carried out selectively rather than indifferently, and thus, the credibility of the findings improves.

The publishing of the 'The Three worlds of welfare capitalism' no doubt provides researchers with a new research framework. It allows a new angle other than the traditional perspectives to look at the development of welfare state. It also facilitates comparability by offering scholars with the opportunity to comprehend the "fundamental properties that unite or divide modern welfare states" (Esping-Andersen,

1990: 3). In other words, a more realistic view of the welfare state development could be shown by this approach.

Even though Esping Andersen's interactive approach could be seen as a major advance from linear approaches, the chapter reveals three of its significant weaknesses: overemphasis on class in explaining political outcome, failure to take into account of unique East Asian experience and neglect of housing in his welfare regimes. Those weaknesses are particularly devastating for this thesis due to the nature of its research area. This suggests that direct adoption of such approach is not desirable and a new research framework is required. In the next chapter, various housing regimes will be discussed with the aim to build new research framework before carrying out case studies. While reviewing literatures on housing regime for inspiration, the design of our approach will reuse many elements from Esping-Andersen's approach. Features such as explaining political outcomes through an interactive approach, acknowledging the importance of institution, focusing on the content of the welfare state when making comparison are particularly enlightening. That is why even though the Esping-Andersen's welfare regime approach is not considered as suitable for the research topic, a thorough examination of it is still performed in this chapter. Through understanding clearly the legacy of Esping Andersen, a solid theoretical foundation is available for a new research framework dedicated to the study of housing policy in the East to be built.

## **Chapter 4 Housing Regime**

### **1. Introduction**

Throughout the previous chapters, it has been repeatedly demonstrated that institutional effects are always behind political phenomena. Though not necessarily be the only cause, institutional factor undoubtedly plays a critical, even in some cases less apparent, role in the course of policy development. In the process of laying the theoretical foundation, this research starts with discussions of the broadest analytical level, which is institutionalism as the overarching framework. Then, the beginning of Chapter 3 brings the discourse to a narrower level, i.e. Esping-Andersen's welfare regime. At that analytical level, how political powers work through institutions has been illustrated. By scrutinizing the development of welfare states in advanced capitalist economies, Esping-Andersen concludes that any political development is a product of numerous interactions with institution as one of the interactive factors. This most valuable finding renders the approach with the ability to explain the adoption of government policies in a much more dynamic way which strongly contrasts with the traditional incomprehensive linear approach. With such progressive nature, the welfare regime might look like a potential framework for this research at first glance. Despite its enlightenment, the Esping-Andersen's approach has devastating downside. Due to the complete neglect of housing as well as failure to give enough attention to institutional effects and the East-Asian experience, a direct employment of the welfare regime framework in this research is definitely not a wise decision. However, this should not be read wrongly since not adopting the framework directly by no means suggests that the approach is entirely irrelevant and has no value.

Instead, the salient features of the welfare regime approach are still guiding the search for the framework tailored for studies of a specific analytical level: housing. By recalling the previous chapter, the Esping-Andersen's approach has three remarkable contributions, i.e. re-specifying welfare state, studying welfare states as groups, and explaining welfare state development through an interactive approach.

The main idea of re-specifying welfare state is that determinants of welfare state classification could only be a country's policy details by which the welfare of its citizens is influenced. This insight acts as a powerful reminder for the importance of searching for framework that focuses on the content of the policy instead of vague perception.

Esping-Andersen also sheds light on the advantages of studying countries as groups. By putting a large amount of nations into a few clusters, researchers are in a better position to discover patterns of policy development. On the other hand, the generalisation of findings could be limited to only those nations sharing similar characteristics. Such technic, in turn, enhances the creditability of the research finding. Again, this feature should be a necessary criterion in choosing the research framework of this research.

Finally, it has been argued time after time that there is no way not to favour the interactive approach more than those old linear approaches. Therefore, when searching for the right research approach, this kind of interactive reasoning is a criterion that could not be compromised.

A major task of the chapter is therefore to look for an institutionalist approach that inherited the Esping-Andersen's strain of argument while amending it to overcome its drawbacks and suit the more specific analytic level of this thesis, i.e. housing sector. In

other words, the framework not only can distinguish housing systems but also must explain how differences in institutional settings yield different development patterns in housing policies.

At the same time, that approach has to be able to establish linkages between housing sector and welfare state as a whole. Otherwise, it would suffer from similar weaknesses as the welfare regime approach and 'wobbly pillar analogy' for not having a comprehensive view (Lowe, 2011: 3; Torgersen, 1987).

## **2. Kemeny's approach**

A potential approach that comes into sight is the Kemeny's approach. Before discussing how those two approaches related, it is crucial to briefly describe the Kemeny's approach. According to the approach, there are two different rental markets which each of them structures around distinct ideology as well as under particular power structure (Kemeny, 1995: 5).

### *2.1. Dualist rental market*

The first system identified by Kemeny is the Dualist rental market. Under this system, governments explicitly favour profit rental sectors. Influenced by profit market doctrine, governments believe that market functions most efficiently in an intervention-free environment, and thus, governments restrain themselves from intervention that would alter the market allocation (Kemeny, 1995: 8). Private rental markets are therefore left largely unregulated (Kemeny, 1995: 9). However, it is often in profit maximising business' interest not to provide adequate housing for all the households, or at least not to

address the existing housing famine. With inadequate housing supply becoming common phenomena, governments under political pressure are always forced to close such demand-supply gaps by providing some forms of social renting (Kemeny, 1995: 17). Kemeny therefore argues that the unwillingness of governments to intervene in the market ironically creates the need for intervention and renders the governments themselves with the “responsibility for an entire sub-sector of rental market” (Kemeny, 1995: 16).

To ensure the dominative position of private renting and prevent further government intervention, governments tend to residualise the rental sectors they managed. In order to position the state-controlled rental sectors only as safety net for those who are least able to find shelters within the private market, eligibility rules are usually strict and mean-tested (Kemeny, 1995: 4, 17). Those better off social tenants are forced to leave (Kemeny, 1995: 50). On the other hand, the social rental sectors are also stigmatised in many cases. All of these measures aim to keep social renting aside from direct competition with private renting. As a result, state-controlled cost rental sectors are being separated from private profit-driven rental markets and dualism between two sectors are formed (Kemeny, 1995: 9). These kinds of dualist rental markets are usually found in the Anglo-Saxon countries (Kemeny, 1995: 4).

Not only both private and public rental sectors, the whole housing tenure structure is also influenced by governments’ attitude towards private rental sectors. As discussed before, the harsh eligibility rules make public rental housing not a reachable option for many and the associated stigma discourages even more households away from this tenure (Kemeny, 1995: 17). With such biased policy in place, most households are forced to choose between private renting and home buying. Private renting, long accused for



high level of profit extraction, insecurity of tenure, landlord discrimination as well as interference in domestic affair, is never a favourable choice. Housing demand is therefore overwhelmingly diverted to the only tenure that is not profit extracting and could offer security of tenure (Kemeny, 1995: 17, 152).

This unplanned outcome, in turn, creates the preference for owner occupation in the society. Either because of political pressure or of political convenience, governments then start to promote owner occupation as a resort to satisfy the housing demand (Kemeny, 1995: 18). Given that the owner occupation is subsidised by the governments, it quickly becomes an even more attractive housing tenure comparing to those unsubsidised rental sectors. It is not hard to understand that the general public would keep pressing the governments to raise the amount of subsidies in order to allow more marginal households to enter this sector (Kemeny, 1995: 54). The heightening level of subsidies further widens the financial support disparity between the subsidised home owners and the unsubsidised tenants. Therefore, each increase in subsidies induces greater political pressure for further subsidies and ratchet effect set in (Kemeny, 1995: 54, 55).

At this point, it could be seen that consumer preference for home ownership is not spontaneous but created by government policies (Saunders, 1990). Very often, when the preference for home owning becomes so prevalent, governments tend to justify their pro-owner occupation policies by referring to the preference of public. Yet, this is just a self-fulfilling prophecy given that such preference is induced by government policies at the beginning (Kemeny, 1995: 17). In this case, the balance between home owning and renting is not the result of free choices and socially optimum (Kemeny, 1995: 17).

Not only as a result of limited housing choices, this unrestrained as well as unsustainable expansion of home owning sector also inevitably undermines the stability of the property market causing a magnified fluctuation range of housing price. Regardless of government subsidies, housing market is inherently sensitive and positively related to the performance of the economy (Englunda & Loannides, 1997). However, when government subsidies enable a substantial amount of those financially inferior to become home owner, the housing demand would climb further during the boom period as this group of buyers would otherwise be financially incapable to enter the market without the support from the state. During the bust period, those marginal buyers without solid financial strength are extremely vulnerable to negative equity and even mortgage default. As a result, the housing price could drop much sharply in slump due to the larger supply from foreclosure as well as the quick house sale owing to difficulties in repaying mortgage (Kemeny, 1995: 55). To put it simple, greater proportions of marginal households in the owner occupation sector would unavoidably have the property price fluctuating in a more sizable range.

As aforementioned, the dualist rental market will likely evolve from a dualism between private renting and social renting into a dualism between owner occupation and public rental housing over time. To avoid confusion, this research will refer this housing regime as dualist housing regime.

## *2.2. Integrated rental market*

Another system identified by Kemeny (1995) is the integrated rental market. It is developed under an entirely different philosophy comparing to the dualist housing regime. Unlike under the previous system, the market is never assumed to be the best

allocator of resources and its various problems are also identified. A crucial implication is that government intervention is no longer seen as an evil act but instead a solution to the unpleasant effects of the market (Kemeny, 1995:11). The aim is that through intervention, not only the economic interest but also social interest is reflected in the distribution of resource (Kemeny, 1995:7).

Under this logic, housing markets are therefore brought under the management of the states. Profit renting is no longer favoured and protected. Instead, it faces direct competition from non-profit rental housing (Kemeny, 1995:4). By encouraging cost renting to challenge private renting directly, governments could bring down the market rent (Kemeny, 1995: 49). Besides dampening the market rent, the growth of the non-profit rental sector could provide a steady supply of quality housing with secure tenure (Kemeny, 1995: 4, 18). This steady supply is uniquely achieved by the cost rental sector owing to its non-profit driven nature. With cost renting meeting considerable proportion of the housing need, housing famine observed under the dualist rental market is rarely seen (Kemeny, 1995: 18). Given that the housing supply is adequate and the market rent has been pushed to an acceptable level, there is unlikely to be political pressure for 'safety net' to be built (Kemeny, 1995: 15). This tenure neutral housing policy therefore eliminates the need to create a state controlled sub-section in the housing market, which aims to ameliorate the negative side effect of favouring private renting, at its origin.

On the other hand, the absence of policy favoured or discouraged housing tenure allows fair competition among tenures to determine their shares in the housing supply (Kemeny, 1995: 19). Through the intense competition in an even field, differences among rental sectors become modest. Over time, they turn out to be more or less the same in terms

of cost and quality and thus, are integrated to a single rental market (Kemeny, 1995: 40, 49). Likewise, since the housing demand is no longer unwittingly diverted to owner occupation and the financial support disparity is fairly small between owner occupation and rental sectors, there is unlikely to be pressure to increase subsidy in supporting home ownership. Ratchet effort in subsidising home ownership does not take place. Again, as this housing regime captures not only patterns in rental sector but also other housing tenure, i.e. owner occupation, it would be more appropriate to refer it as integrated housing regime.

### **3. From welfare state regime to housing regime**

At the introduction, it has been mentioned that this chapter sets out to search for an institutionalist approach that inherits Esping-Andersen's strain of argument while amending it to suit the need of this research. By saying inheriting Esping-Andersen's strain of argument, the thesis effectively means that the approach has to incorporate its three advantageous features: content-focused regime classification, grouping countries for study, and addressing policy outcomes in an interactive manner.

#### *3.1. Content-focused regime classification*

In terms of the first feature, the Kemeny's approach does well. Instead of employing ambiguous indicators, Kemeny distinguishes housing systems by three features that reflect their very real nature: the balance between owning and renting, how the rental system is organised and the extent to which rents are cost based (Kemeny, 1995: 169).

### 3.2. *Grouping countries for study*

For the next feature, the housing regime approach equally inherits the strength from its predecessor while at the same time overcomes its weaknesses in the housing section. A noticeable difference between the approach of Kemeny and Esping-Andersen is that there are only two housing regimes while welfare states are categorised into three regimes. It is logically to ask when housing is part of the welfare state how come it has fewer clusters. Kemeny attributes this to Esping-Andersen's labour movement perspective.

To start with the liberal welfare regime, Kemeny argues that it is coexisted with his dualist rental market system. Both the Esping-Andersen's welfare regime and the Kemeny's dualist rental market system are seen to grant market a hegemonic role in the distribution of resource and residualise government welfare provision. Dualist rental market systems are therefore repetitively found in the liberal welfare regime (Kemeny, 1995: 63).

Yet, for corporative and social democratic regime, things become trickier. Unlike Esping-Andersen, Kemeny does not distinguish the remaining countries into two different groups. Instead, he points out that countries which are categorised into corporative and social democratic welfare regimes are in fact of the same kind under the definition given by corporatist literature (Kemeny, 1995: 63-64). Such divergence should be attributed to the Esping-Andersen's labour movement perspective. In corporatist literature, Scandinavian countries are always regarding as outstanding examples of corporatist society (Lijphart and Crepaz, 1991). However, in order to suit his argument that welfare state development is largely hinged on class mobilisation and class-related

factors, countries demonstrating working class ascendancy are separated out from what traditional corporatist perceived as corporatist states and are grouped into a new category. As discussed in the previous chapter, such overemphasis on class is a major drawback of the Esping-Andersen's approach. This drawback is particularly obvious in the housing sector given that only two instead three regimes could be identified (Lowe, 2011: 147). This may again explain the neglect of housing in Esping-Andersen's welfare regimes. This attitude further undermines the creditability of his approach. Given that the three welfare regimes could in fact be categorised into two clusters, no wonder Kemeny claims that Esping-Andersen's "threefold schema is isomorphic with *his* own twofold schema of rental systems" (1995: 62).

### *3.3. Addressing policy outcomes in an interactive manner*

Finally, the housing regime approach has also been observed to address policy outcomes in an interactive manner. By recalling the Esping Andersen's approach, it could be noticed that it explains political outcomes as the products of several interactions. Yet, it has been argued that such approach understates the importance of institutions in producing political outcomes. Kemeny (1995), on the other hand, accepts the notions of interactions as the causes of policy outcomes but amends the welfare regime approach to overcome its drawback by directing attention back to the most decisive factors in political phenomenon, i.e. institutions while appreciating the influences of other factors such as ideology.

#### **4. Power structure and housing regime**

To be more precise, the institutions referred by Kemeny are the power structures in different countries (1995: 65). Though during the introduction of the two rental markets, ideologies adopted by the governments seem to make huge differences in how the housing systems will be, one should not neglect the fact that for those ideologies to prevail and affect policy outcomes, institutions play a critical role. Given that power structure as a type of institutions is so influential to the development of rental markets, it is worthwhile to study it in greater depth. First, it will be begin with distinguishing the differences in the power structure among nations. Then, the chapter will go on to examine how they facilitate the formation of different housing systems. As aforementioned, Kemeny (1995) has put advanced economies into two blocs: liberal and corporatist.

##### *4.1. Power structure in liberal countries*

In liberal countries like those English-speaking nations, there is a tendency for two-party system (Kemeny, 1995: 61). This system, unlike the corporatist system below, has little place for compromise and cooperation. Rather, different interest groups are forced to align with one of the two parties for representation. Yet, there is no guarantee that either party will represent their views. One very probable consequence is that many interest groups especially those smaller groups are excluded from the policy-making process (Kemeny, 1995: 66).

#### 4.2. *Power structure in corporatist countries*

On the other hand, corporatist countries like Germany and those Nordic countries are observed to have coalition governments formed by multiple political parties which represent various political interests (Kemeny, 1995: 61). Yet, the term 'corporatism' itself needs to be clarified. Schmitter (1974) and Sioroff (1999) both notice that it has been casually employed in literature causing a dilution in its meaning. Given that the focal point here is not to study corporatism in great details, the thesis will not go through every possible definition and usage of the term 'corporatism'. Instead, this research has chosen to adhere to the frequently quoted and well referenced definition given by Lijphart and Crepaz (1991). According to them, corporatism could be used to capture two distinct concepts (Lijphart and Crepaz, 1991: 235). The first one, as seen in Schmitter's article, refers to "a system of interest and/or attitude representation, a particular modal or ideal-typical institutional arrangement for linking the associationally organised interests of civil society with the decisional structures of the state" (1974: 86). To put it simply, it effectively means a system of representation of different interest groups. In comparison, the second usage of the term 'corporatism' is much more common. Scholars such as Lehmbruch (1979), Pryor (1988), and Woldendorp (1997) all interpret the term in this way. Among them, Woldendorp (1997)'s definition is the most detailed. From his point of view, Corporatism is "any form of cooperation between the government and the relevant socio-economic interest groups of employers' association and trade unions, aimed at forging a consensus over the formulation and implementation of socioeconomic government policies, which in turn enhances the effectiveness of these policies in terms of macroeconomic performance" (Woldendorp, 1997: 49-50). Although the two distinct usages might seem a bit puzzling, Lijphart and



Crepaz clear up the confusion with empirical data showing that those two features tend to coexist (1991: 235).

Based upon this crucial finding by Lijphart and Crepaz, it could be summarised that corporatist countries are characterised by their political systems that allow different interest groups including both capital and labour to materially influence the policy-making process while, at the same time, achieving consensus regarding the policy outcomes. Given that consensus is needed, it is unlikely that any interest could dominate the rest in decision making. However, it is equally unlikely that different interest groups will demand the same. In this case, compromise and cooperation even between the most conflicting groups become the necessity to keep the system going (Kemeny, 1995: 61).

#### *4.3. The causality between the two-party system and the dualist housing regime*

After understanding the two types of power structure, it is time to learn how they affect the rental market as well as the other tenures. Kemeny reveals some interesting trends in which corporatist countries tend to have unitary rental systems while dualist rental systems always exist in liberal countries with two-party systems (1995: 65-66). From the institutionalist perspective, these tendencies are no coincidence.

By recalling the previous discussion, smaller interest groups are usually not represented in the two-party system. In terms of the housing sector, private landlords are often a member of those smaller groups. Kemeny therefore argues that private landlord is being squeezed out between the conservatives who prefer owner occupation and the socialists

who favour public renting. This, in turn, ends with a dualist market where private renting is proportionally insignificant (Kemeny, 1995: 66).

However, this description is not entirely correct. As Kemeny himself admits that “it is perhaps paradoxical to argue that dualist rental systems tend to emerge in societies with a politically weak landlord class. After all, dualist rental systems are ostensibly intended to encourage the development of a free profit rental market” (Kemeny, 1995: 66). Instead, the influence of power structure in two-party states should be interpreted differently.

First, it should be appreciated that the two-party systems do not come out from thin air in those English speaking countries. Rather, the two-party systems are products of the commonly shared electoral system in those countries, i.e. first-past-the-post. Under the first-past-the-post, candidates are awarded seats for receiving the most votes in their respective district and the party that has the most seats could govern until the next election (Blais, 2008: 1). According to Duverger, this simple-majority single-ballot system is the perfect soil for the development of two-party system (Duverger 1963, p. 217). This relationship is later named as the Duverger's law to attribute the contribution of Duverger. The causality of such relationship could be understood as below. Assuming that electorate desires to influence the outcome of an election, it is therefore reasonable for them to support only those with a high chance of winning (Cox, 1997). The supporters of those who have at best minimal chance of winning will tend not to waste their votes on their first preference. Instead, they will turn their support to an alternative with a fighting chance to win. Hence, whenever plurality election held in a single member district, voters are forced to decide between the two top contenders (Duverger, 1954: 126). In this case, parties that are not in contention will lose their supporters and

fail to survive. If such situation is experienced throughout a country, seats will eventually be won by the two main parties and thus forming a two-party system. By carrying out an extensive review of literature related to the Duverger's law and the two-party system, Riker (1982) shows that the law is widely accepted in academia with numerous empirical studies supporting such relationship.

At this point, it is fairly clear that the occurrence of the two-party system is owing to the institutional factor. So, the next question to be asked is how two party system, or more precisely how the first-past-the-post, brings the dualist rental market. In contrast to the Kemeny's explanation, it could be more convincing to interpret as below. In such plurality system, the leading party is always the parliamentary majority which in turn allows the party to pursue its policy objectives effectively (Norris, 1997: 299-300). Given that in most of the western two-party systems, the pro-market party is always one of the two main parties, it would not be unprecedented to have a government that successfully carries out policies that explicitly favour private rental market (Horowitz, 1966; Mair, 1990: 287; Wilson, 2012: 244). Indeed, it has been seen, for examples, in Australia before 1941 when the private rental sector housed about 45 per cent of household (Beer, 1999: 256), and in Britain before the 1919 Housing (Additional Powers) Act when the private rental sector accounted for 90 per cent of the tenure (Lund, 2011: 51). Such bias in housing tenure inadvertently brings huge political pressure on the government to introduce public rental housing as a safety net. Thus, dualist rental market arises. Yet, due to the low quality and strict eligibility rule of public renting, the proportion of ownership occupation in housing tenure grows explosively as described before in the dualist rental market section. As the pro-market party is not solely representing the interest of private landlord, it could easily shift its support to owner occupation. Then, as Kemeny (1995) suggests, private landlords are squeezed between two parties and unable

to alter the situation. To sum up, the mechanism of how institutions bring dualist rental market should be that the simple-majority single-ballot system first leads to an establishment of a two-party system which consists of a pro-market party and a pro-socialist party. The electoral system also allows the governing party to effectively realise its political ambition. Once a pro-market party wins the election, policies are introduced to promote private renting. Such bias in housing tenure eventually leads to the flourish of home ownership tenure. The government is in turn forced to support the new tenure. Without political representation, private landlords could not stop the government turning its back to them. Private renting declines and its share in the housing market is taken up by ownership occupation. Therefore, dualism in rental markets will ultimately turn into dualism in housing systems among these two-party countries. As mentioned before, such pattern of housing system development is regarded as dualist housing regime in this research in order to reflect the fact that it captures more than just the nature of rental market.

#### *4.4. The causality between the multi-party system and the integrated housing regime*

After seeing the relationship between the dualist rental market and the two-party power structure, it is the right time to see how integrated rental markets occur in corporatist countries. Yet, before all, it is rational to ask why corporatism arises in some but not all countries. Without answering this question, it is unlikely to unveil the root causes of the integrated housing regime. As it could be seen above, the development of dualist housing regimes could trace back to as far as the electoral systems of those nations. Electoral systems would therefore be good places to start digging.

Earlier when discussing about two-party systems, the finding of Duverger (1963) is highlighted. Other than researching the two-party system, Duverger (1963) also explores the linkage between electoral systems and multi-party systems. He notices that "the simple-majority system with second ballot and proportional representation favors multi-partyism" (Duverger 1963, p. 239).

What Duverger refers as 'the simple-majority system with second ballot' is usually called two-round majority runoff elections or simply runoff majority voting. It is a type of electoral systems in which a candidate needs to meet a relatively high election threshold, usually but not always necessarily to be an absolute majority, in order to win in the first round election. If none of the candidates meet the election threshold in the first round, two with the most votes in the first rounds, or in some cases candidates that reach the predetermined threshold, would enter the second round voting. The person who has the largest number of votes in the second ballot wins the election (Birch, 2003:321; Blais et al., 2007: 278; Riker, 1982: 754). Despite being used for election of the president in 49 democratic nations, the two-round system is no longer the favour of advanced democracies (Blais et al.,1997: 278; Birch, 2003:322). According to Birch, France is the "only major country to have used the TR system in fully democratic elections to the lower house of its national legislature" (Birch, 2003:322). Due to the scope of this research being limited to advanced democracies, the experience in France is used to represent the effects of the two-round system.

The rationale behind the Duverger's claim is that strategic voting is pushed back until the second ballot under the two-round system (Duverger, 1959: 240). He believes that voters are likely to vote for their favourite candidates regardless of their viability in the first round election given that they could still influence the election outcome in the second

election even their favourite candidates are outvoted. In turn, there is less incentive for parties to merge before the first round (Duverger 1951: 270). With an experiment, Blais and his colleagues do find lesser extent of strategic voting under two-round elections (Blais et al., 1997: 285). Given that candidates who are able to enter the second round have equal chance to win regardless the number of votes they have in the first round, smaller parties are less likely to lose support as significantly as under the one-round systems (Riker, 1982: 759). In fact, the election outcomes under the two-round system are largely hinged on the degree to which candidates could rally support from those whose favourite candidates have been eliminated. In this case, eliminated candidates could still influence political outcomes by recommending supporters who to vote in the second round (Birch, 2003:325). On the other hand, Cox (1997) shows that there are more viable candidates in the two-round system than a one-round election. It could be concluded that two-round systems provide a better chance for weaker parties to win and even they lose, they still retain certain political influence. The two-round systems therefore prevent smaller parties from extinction and, thus favour the existence of multi-party systems. Birch has shown that the number of political parties in two-round systems is between plurality and proportional representation systems (2003:326). With a number of parties in place, it is more likely for different political interests being represented. On the other hand, given that competing candidates have to get a majority vote in order to win, they are forced to form political alliances with a wide range of political interests. Such need, in turn, compels competing candidates to compromise on political issues and cooperate with those eliminated candidates when they are in the government (Birch, 2003:325). As a result, all these practices help forge the corporatist states.

Another type of electoral systems that is believed to breed multi-party systems is the simple-majority system with proportional representation. It is designed with the aspiration to ensure that the proportion of different political interests in the legislative assemblies is a true reflection of their respective shares in countries' population (Black, 1958:75). Put it differently, it aims to achieve distributive justice that small parties would not be excluded from representation (Lijphart and Gibberd, 1977: 219). In its pure form, each elector could vote one party or one party list in their multi-member districts. Then, seats in legislative assemblies are allocated proportionally to various parties by some rules according to their shares of votes (Balinski and Young, 1978: 848).

Given that seats in legislative assemblies are distributed proportionally to candidates based on their shares in the total number of votes, votes are in this sense continuously turning into seats (Cox and Shugart, 1996: 300). It is therefore argued by scholars like Duverger (1954) and Bowler and Lanoue (1992) that electorate has no or very low incentive to perform strategic voting since their votes are unlikely to be wasted. As Bowler and Lanoue put it, "under proportional representation, voters can help their party by voting for it under any circumstances; thus, voting sincerely is a dominant strategy" (1992: 486). Proportional allocation of seats implies that parties are only required to win a small fraction of the total votes in order to gain legislative representation and low degree of strategic voting makes the process even easier (Carter, 2002: 125). A direct result is likely that no single party is managed to control the legislative process on its own since the majority of seats in the legislative assemblies could only be secured by obtaining the majority of votes instead of plurality of votes (Blais et al., 2005: 185; Blais and Bodet, 2006: 1245). Put it differently, elections only determine representation so not until the result of negotiation between parties is clear can someone know for sure which parties are going to govern (Baron and Diermeier,

2001: 933). In order to hold the majority of seats, several parties need to form a coalition government together (Pinto-Duschinsky, 1999:121). When supports from smaller parties become so critical, parties that try to form coalition governments may force to accept some political demands from those smaller parties. Baron and Diermeier therefore point out that “government policies are a consequence of coalition bargaining” (Baron and Diermeier, 2001: 933). Unlike under the run-off system, small parties no longer have to depend on their political allies to represent their interests. Being a part of the coalition allows smaller parties to monitor directly how their desires are met. With the potential to bring down the coalition government, small parties are rendered with political influence that is enormous and usually unparalleled to their shares in the votes (Pinto-Duschinsky, 1999:124). Such realistic chance of gaining considerable political influence even for the smaller parties encourages the formation of new parties and, thus leads to the fragmentation of the party system (Blais et al., 2005: 185; Riker, 1982: 759). In turn, proportional representation systems are usually associated with multi-party systems and coalition governments (Blais and Bodet, 2006: 1244; Lijphart, 1991: 73; Riker, 1982: 760). Such large number of political parties allows a huge variety of viewpoints to be represented in the assemblies (Blais and Bodet, 2006: 1244). With each party possessing some extent of political influence, conciliation and compromise become a must in the decision-making process (Lijphart, 1991: 81). It is this type of consensus democracy that builds corporatists countries (Vowles et al. 1995: 1-2).

Without a doubt, there are several variants of the proportional representation electoral system (Balinski and Young, 1978: 848; Lijphart and Gibberd, 1977: 219). Generally, they could be distinguished into two forms: extreme proportional representation and moderate proportional representation (Lijphart, 1991: 73). The major distinction between them is the extent to which small parties are barred for representation. For



extreme proportional representation, only a few barriers are there to stop small parties from securing seats in assemblies. However, in case of moderate proportional representation, a number of measures such as applying proportion representation electoral system only in district level rather than national level and imposing requirement of minimal vote for seats are in place to restrain the degree of minority representation (Lijphart, 1991: 73). Researches have confirmed a negative relationship between the degree of restriction for small parties to gain representation and the number of parties in the country (Blais and Bodet, 2006: 1244; Slinko and White, 2010: 330). Despite the lower number of parties under moderate proportional representation, one should not neglect the fact that the number of parties is always greater under this type of electoral system than the plurality as well as the run-off system (Birch, 2003:326). At this point, the mechanism of how multi-party systems, more precisely the proportion representation electoral systems, leading to the development of corporatist states is finally clear.

By knowing that even smaller interest groups are represented in the policy-making process, it would not be surprised to find rental policy to be diverse and encourage various forms of tenure. Indeed, Kemeny asserts that the more corporatist a country is, the more diverse its rental market will be (1995: 67). In this case, private renting no longer dominates the rental market as it does in liberal nations. Instead, it faces tough competition from the cost-rental sector which undermines its price setting power. As a result, the level of rent and the rental housing quality become more reasonable throughout the whole rental market (Kemeny, 1995: 49). Such favourable outcome, in turn, removes the need for public housing and the motive to rush into the owner occupation sector (Kemeny, 1995: 15). With no single tenure being especially favoured,

all of them are integrated into a single housing market. That is why this particular tenure structure is named as integrated housing regime.

All the arguments above aim to demonstrate that institutional contexts set the rules of game which influence the payoff and feasibility of different options that stakeholders in the housing sector have and, in turn, influence the development of housing policies indirectly. Institutions are therefore the underlying factors that should be focused on when drawing explanation about the divergence in housing policies development.

Yet, it has been seen in literature that some scholars try to establish a simple linear relationship between housing policy development and some factors. For instance Castles argues that if ring-wing parties are generally supported in a country for a long period, policies incline to favour owner occupation (1998: 254). This claim is not entirely wrong but reflects only part of the whole picture, and not to mention its failure in explaining why such a long-term ring-wing partisanship exists in the first place.

In contrast, the institutionalist approach focuses on unveiling the behind scene mechanism that create such situation. The relationship suggested by Castles (1998) could in fact boil down to the type of electoral systems, i.e. first-past-the-post, in those countries. As aforementioned, first-past-the-post encourages strategic voting and hence gives rise to a two-party system. A prominent feature of this type of electoral systems is that the governing party always secures parliamentary majority. This allows the leading party to freely pursue its policy objectives. Given that in most of the western two-party systems, the pro-market party is always one of the two main parties, it would not be unprecedented to have a government that successfully carries out policies that explicitly favour private rental market. As a result, the tenure-bias housing policies unintendedly

promote the attractiveness of owner occupation. Due to either political pressure or political convenience, governments then starts to promote owner occupation as a resort to satisfy housing demand (Kemeny, 1995: 18). As the home-owning population grows, more voters support the parties that are owner occupation friendly. In most cases, they are the ring-wing parties since the idea of owner occupation appeared to be harmonious with their belief (King, 2006). It could be imagined when the ring-wing parties win the election with the support from home owners, housing policies will continue to favour this tenure. A foreseeable result is that there will be more home owners and thus greater political support for retaining the housing policies in place. By applying the concept of path dependence in Chapter 2, it could be explained why housing policies will be increasingly difficult to move away from supporting home ownership. Eventually, the majority of voters will support the ring-wing as Castles (1998) observed. By employing an institutionalist approach, a deeper and more comprehensive understanding of political phenomena could be offered. In this case, it could be said that tenure determines political support instead of the other way around. Therefore, what Castles observes is the consequence of some political interactions rather than the cause of a political phenomenon. The long term support of right-wing parties, in fact, consolidates the policies in place but not initiating home ownership promotion campaigns.

Yet, it should not be mistaken that factors other than institutions could not affect political outcome. The main point is that they do so under the rules of game set by the institutional contexts. For example, it has been shown previously that the multi-party power structure will bring integrated housing regime in which the private rental level is driven down by the competition from the cost-rental sector. It does not mean that private landlords always extract only minimal amount of profit in this housing regime. In fact, the degree of profit extraction varies considerably among countries within the

integrated housing regime (Kemeny, 1995:68). Except for institutional settings, numerous factors such as the relative strengths of different interest groups, the level of inflation as well as the underlying economy could also exert influence on the housing policies (Lowe, 2004: 293). Here, the strength of labour movement is observed to affect the share of cost-rental sector in the housing market and thus its rent-setting power. In turn, it determines the extent of profit extraction in the private rental sector (Kemeny, 1995:68). This again shows the significance of having an interactive explanatory approach. If housing outcomes could only be attributed to one factor, that linear approach would face serious troubles in explaining the variances among integrated housing regimes.

## **5. The interaction between housing regime and welfare regime**

Until now, discussions have been focused mostly on how the Kemeny's approach explains the interactions between various institutional settings and different development patterns in housing policies. However, just being able to perform such function is not good enough for the Kemeny's approach to be employed in this research. A key criterion is whether it could establish linkages between housing sector and welfare state as a whole.

In contrast to several researches before (e.g. Wilensky (1975) and Esping-Andersen (1990)), Kemeny understands the significance of integrating housing sector into welfare state research. He explicitly stated that "welfare systems must be understood as dynamic entities rather than as merely somewhat disjointed and essentially inert assemblages of welfare policies" (Kemeny, 1995: 172). Furthermore, welfare state researches have to incorporate housing with other welfare policy fields not just because it is part of the welfare state but it is also the key area (Kemeny, 1995: 173). Such far-reaching influence

of housing could largely be ascribed to its complex interplay with other policy areas which in turn substantially determines how welfare state is structured (Kemeny, 1995: 174).

One example is the interaction between housing and pension. Previously, two housing regimes, dualist as well as integrated, have been introduced. A striking difference among them is the proportion of home ownership. The prevalence of home ownership under the dualist housing regime implies that most people have to carry heavy housing cost burdens at the early years of their life cycles given the vast amount of upfront payment and the relatively high mortgage repayment comparing to wages of first-time buyers. Over time, the wages of home owners tend to rise gradually and thus housing costs fall relatively. Eventually, they pay off their mortgage and their housing costs become modest. Such redistribution of housing costs from middle and old age to early years means that the costs of living of home owning elderly is probably lower than their counterparts in rental sectors. Moreover, housing equity is a handy source for home owners to finance retirement. These together reduce the political pressure for high retirement pension (Kemeny, 1992: 122). As a result, state pension levels are lower in nations with large home owning communities, i.e. those with the dualist housing regime (Kemeny, 1995: 169; Castles and Ferrera, 1996: 163).

Likewise, other areas of welfare that require to be funded collectively through taxation are much difficult to gain support under the dualist housing regime (Kemeny, 1995: 170). For younger people, higher taxation induced by collective welfare programmes like national health insurance definitely make meeting such high housing costs a lot harder. On the other hand, the older citizens in this housing regime tend to be able to finance their welfare needs through their housing equity. In this case, it is not hard to imagine

that the majority of people in the dualist housing regime will almost always prefer 'low-tax, low-spend' fiscal regime over 'high-tax, high-spend' fiscal regime (Lowe, 2004: 212). Indeed, evidences are found to support the negative relationship between the owner occupancy rates and the level of public expenditure (Kemeny, 1992: 121,123). Daunton and Castles also point out that high housing costs borne by citizens in the dualist housing regime limit the flexibility of governments in raising tax (Daunton, 1990; Castles, 1998).

Conversely, under the integrated housing regime, households usually meet their housing needs in rental markets. In this way, housing costs are evenly distributed over the life cycles of people. The disincentive to join collective welfare programmes is likely to be lower in this housing regime. On the other hand, without making housing investment at the early stage of their life cycle, people could not enjoy sharp fall in housing costs as experienced by home owners after paying off mortgage. Moreover, living as tenants throughout the life cycle gives up the opportunity to create personal wealth in housing equity (Lowe, 2004: 292). These two factors suggest that elderly in this housing regime are less capable to finance the relatively high housing costs as well as other welfare needs. Therefore, it is very probable that people will demand for higher pension levels as well as more collective welfare provision (Lowe, 2004: 293). A tendency for countries with high proportions of cost-rental housing to spend a greater amount on welfare is observed (Lowe, 2004: 291). It is unsurprising that higher welfare expenditure usually has to couple with higher level of taxation (Lowe, 2004: 212; Austen-Smith, 2000: 1236).

Through illustrating their interactions, the role of housing in welfare state development clearly should not be underestimated if not ignored. This proves the necessity to search for an approach that does not treat housing as a separated policy area and could

incorporate it into welfare state study. Kemeny's approach undoubtedly meets this criterion. Given that the housing regime approach could also fulfil the two other criteria for this research, i.e. being able to distinguish housing systems and explain the divergence in housing policy development, it could be concluded that the Kemeny's approach has the potential to be employed in this research. However, it should not be forgotten that the neglect of housing is not the only drawback of the welfare regime approach. As building upon the Esping Andersen's approach, the Kemeny's work suffers from the same weakness of not addressing unique East Asian experience. In Chapter 3, it has been shown that the development of East Asian welfare states is owing to institutions and interactive factors that are fairly different from those in the western. Therefore, a direct adoption of the Kemeny's housing regime approach as the research framework is far from ideal. In the next chapter, the distinctiveness of East Asian cases will be investigated with the goal to enrich the work of Kemeny in order to produce an appropriate research framework for this thesis.

## **6. Conclusion**

This chapter starts off with the aim to search for an institutionalist approach that can distinguish housing systems and explain how differences in institutional settings yield different development patterns in housing policies while also establish linkages between housing sectors and welfare states. A potential approach that comes into sight is the Kemeny's approach.

The chapter shows that the approach categorises rental markets around the world into two blocs according to three factors, i.e. the balance between owning and renting; how

the rental system is organised; and the extent to which rents are cost based. The two distinct regimes are the dualist rental market and integrated rental market.

Kemeny describes the dualist rental market as a rental sector structure in which dualism is formed between private renting and public renting. He attributes the situation to the housing policies that explicitly favour unregulated profit rental sectors. This, in turn, leads to inadequate housing supply and high rent level. Governments under political pressure are then forced to close such demand-supply gaps by providing some forms of social renting. To ensure the dominative position of private renting and prevent further government intervention, governments tend to keep social renting aside from direct competition with private renting. As a result, state-controlled cost rental sectors are being separated from private profit-driven rental markets and dualism between two sectors are formed. Such harsh eligibility rules for the public rental housing make it not a reachable option for many. The housing demand is therefore unintendedly diverted to owner occupation which is the only tenure that is not profit extracting and could offer security of tenure. Due to either political pressure or political convenience, governments then start to promote owner occupation as a resort to satisfy the housing demand. Given that the owner occupation is subsidised by the governments, it quickly becomes an even more attractive housing tenure comparing to those unsubsidised rental sectors. Therefore, each increase in subsidies induces greater political pressure for further subsidies and ratchet effect set in. Eventually, owner occupation will take over the share of private renting in the housing market and dualism between private renting and social renting will turn into a dualism between owner occupation and public rental housing. To avoid confusion, this research will refer this housing pattern as the dualist housing regime.



Conversely, the integrated rental market is observed to structure very differently. Profit renting is no longer favoured and protected. Instead, it faces direct competition from non-profit rental housing. By encouraging cost renting to challenge the private renting directly, governments could bring down the market rent. Besides dampening the market rent, the growth of the non-profit rental sector could provide a steady supply of quality housing with secure tenure. Given that housing supply is adequate and market rent has been pushed to an acceptable level, there is no need to create a state controlled sub-section in the housing market. On the other hand, the absence of policy favoured or discouraged housing tenure allows fair competition between tenures to determine their shares in the housing supply. Through an intense competition in an even field, differences among rental sectors become modest. Over time, they turn out to be more or less the same in terms of cost and quality and thus, are integrated to a single rental market. Since most of the households could satisfy their housing need in rental sectors, the housing demand is no longer unwittingly diverted to owner occupation. The proportion of owner occupation in the housing market reflects the free choices of households. Again, as this housing regime captures not only patterns in the rental sector but also other housing tenure, i.e. owner occupation, it would be more appropriate to refer it as integrated housing regime.

After reviewing how Kemeny distinguishes housing systems, the chapter moves on to examine how well the Kemeny's approach links institutional settings with different development patterns in housing policies. Kemeny claims that power structures in different countries determine their respective housing policy developments. Countries with two party systems tend to have dualist rental markets while multi-party systems lead to integrated rental markets. With aspiration to understand how those power structures exist in the first place, this chapter is built on Kemeny's findings and takes the

investigation of such association one step further. The efforts are rewarded since it is now known that the interactions between housing policies development and institutions do not end at the power structures. Instead, it could be traced back as far as to the electoral systems in place.

For the dualist housing regime, first-past-the-post is its root. Under first-past-the-post, candidates are awarded seats for receiving the most votes in their respective district and the party that has the most seats could govern until the next election. Assuming that electorate desires to influence the outcome of an election, they will only vote for candidates with a fighting chance to win. Hence, whenever a plurality election held in a single member district, voters are forced to decide between the two top contenders. In this case, parties that are not in contention will lose their supporters and fail to survive. If such situation is experienced throughout a country, seats will eventually be won by the two main parties and thus forming a two-party system.

At the same time, this electoral system always allows the leading party to be the parliamentary majority and effectively realise its political ambition. Once a pro-market party wins the election, policies are introduced to promote private renting. Such bias in the housing tenure eventually leads to the flourish of the home ownership tenure. Government is in turn forced to support the new tenure. Without political representation, private landlords could not stop the government turning its back to them. Private renting declines and its share in the housing market is taken up by ownership occupation. Therefore, dualism in rental markets will ultimately turn into dualism in housing systems among these two-party countries.

After unveiling the relationship between the dualist housing regime and first-past-the-post, the chapter goes on to reveal how integrated rental markets occur in countries with multi-party systems. There are in fact two types of electoral systems that multi-party systems originate from. The first one is the runoff majority voting. It is a type of electoral systems in which a candidate needs to meet a relatively high election threshold, usually but not always necessarily to be an absolute majority, in order to win in the first round election. If none of the candidates meet the election threshold in the first round, two with the most votes in the first rounds, or in some cases candidates that reach the predetermined threshold, would enter the second round voting. The person who has the largest number of votes in the second ballot wins the election. Given that strategic voting could be pushed back until the second ballot, voters are likely to vote for their favourite candidates regardless of their viability in the first round election. Since candidates who are able to enter the second round have equal chance to win, smaller parties do not lose support as significantly as under the one-round systems. Furthermore, as competing candidates have to get a majority vote in order to win, they are forced to form political alliances with a wide range of political interests. There are therefore certain numbers of parties in place.

Another type of electoral system that is believed to breed the multi-party system is the simple-majority system with proportional representation. Under these electoral systems, seats in legislative assemblies are allocated proportionally to various parties by some rules according to their shares of votes. Given that seats in legislative assemblies are distributed proportionally to candidates based on their shares in the total number of votes, the degree of strategic voting should be lower since votes are less likely to be wasted. Proportional allocation of seats implies that parties are only required to win a small fraction of the total votes in order to gain legislative representation and low degree

of strategic voting makes the process even easier. A direct result is likely that no single party is managed to control the legislative process on its own. In order to hold the majority of seats, several parties need to form a coalition government together. When supports from smaller parties become so critical, parties that try to form coalition governments may force to accept some political demands from those smaller parties. Such realistic chance of gaining considerable political influence even for the smaller parties encourages the formation of new parties and, thus leads to the fragmentation of the party system.

It has therefore been argued that the adoption of both the two-round system and the proportional representation system favours the development of the multi-party system. Such large number of political parties in turn allows a huge variety of viewpoints to be represented in the assemblies. When even smaller interest groups are represented in the policy-making process, it would not be surprised to find the rental policy to be diverse and encourage various forms of tenure. In this case, private renting no longer dominates the rental market. Instead, it faces tough competition from the cost-rental sector which undermines its price setting power. As a result, the level of rent and the rental housing quality become more reasonable throughout the whole rental market (Kemeny, 1995: 49). Such favourable outcome, in turn, removes the need for public housing and the motive to rush into the owner occupation sector. With no single tenure being especially favoured, all of them are integrated into a single housing market.

Though Kemeny's emphasis on the power structure correctly demonstrates the institutional effects, his analysis could be better if the deeper institutions in effect are revealed. Finally, the chapter evaluates the performance of the Kemeny's approach in establishing linkages between housing sector and welfare state as a whole. Kemeny

clearly understands the significance of integrating housing sector into the welfare state research. He notices that 'low-tax, low-spend' welfare states tend to coexist with dualist housing regime while 'high-tax, high-spend' welfare states are usually associated with the integrated housing regime. A striking difference among them is the proportion of home ownership. The prevalence of home ownership under the dualist housing regime implies that most people redistribute their housing costs from middle and old age to early years. This directly leads to resistance to high taxation for collective welfare programmes. For younger people, higher taxation induced by collective welfare programmes definitely makes meeting such high housing costs a lot harder. On the other hand, the older citizens in this housing regime tend to be able to finance their welfare needs through their housing equity. In this case, it is not hard to imagine that the majority of people in the dualist housing regime will almost always prefer 'low-tax, low-spend' fiscal regime over 'high-tax, high-spend' fiscal regime.

Conversely, under the integrated housing regime, households usually meet their housing needs in rental markets. In this way, housing costs are evenly distributed over the life cycles of people. The disincentive to join collective welfare programmes is likely to be lower in this housing regime. On the other hand, without making housing investment at the early stage of their life cycle, people could not enjoy sharp fall in housing costs as experienced by home owners after paying off mortgage. Moreover, living as tenants throughout the life cycle gives up the opportunity to create personal wealth in housing equity. These two factors suggest that elderly in this housing regime are less capable to finance the relatively high housing costs as well as other welfare needs. Therefore, it is very probable that people will demand for higher pension levels as well as more collective welfare provision. It is unsurprising that higher welfare expenditure usually has to couple with higher level of taxation.

After careful scrutiny, it could be concluded that the Kemeny's housing regime approach meets the three criteria stated in the introduction. These include distinguishing housing systems, explaining how differences in institutional settings yield different development patterns in housing policies and establishing linkages between housing sector and welfare state as a whole. This suggests that the approach has the potential to be employed throughout the research. However, before using it right away, it should be recalled that the neglect of housing is not the only drawback of the welfare regime approach. By inheriting the Esping Andersen's approach, Kemeny's work suffers from the same weakness of not addressing unique East Asian experience. As shown in Chapter 3, the institutions and interactive factors that yield the welfare states in East Asia are fairly different from those in the western. Therefore, Kemeny's housing regime approach is not the end of the search for research framework. In the next chapter, the distinctiveness of East Asian cases will be explored in order to enrich the work of Kemeny with the goal to produce an appropriate research framework for this thesis.

## **Chapter 5 East-Asian Model**

### **1. Introduction**

When examining Esping-Andersen's welfare regimes in Chapter 3, it has been noticed that its shortcomings have prevented a direct adoption of it as the research framework in this thesis. Therefore, in previous chapter, efforts were spent on patching its inadequacy in terms of housing policy study. Besides the neglect of housing in his welfare state typology, Esping-Andersen's approach very much bases upon observation in occidental capitalist states. This, in turn, undermines its applicability in capitalist states in the orient. With quite different political, socio-economic as well as cultural background, East Asian cases could have difficulties fitting in the three-world framework. The explanatory factors behind welfare state development might unlikely be factors identified by Esping Andersen but those he overlooks. Similarly, by inherited the Esping Andersen's approach, Kemeny's work suffers from the same weakness of not addressing the unique East Asian experience.

In fact, not only for Esping Andersen and Kemeny, there has been a tendency in the realm of comparative analysis to draw on Western theories and frameworks which in this case welfare state typologies to study non-Western societies. This practice poses a serious threat to the credibility of the findings as the true picture of welfare state development in the East might not be found (Midgley, 2004; Smelser, 2003). Therefore, Kemeny's housing regime approach is not the end of the search for research framework. In view of the above issues, this chapter picks up the unfinished work of constructing the appropriate research framework and continues to modify it by reviewing the East Asian experience.

First, the chapter briefly reviews the origin of East Asian model. Then, attention is given to the welfare regimes that are organized under the principal of East Asian model. Two core features of those welfare regimes, namely developmentalism/productivism and Confucianism, are examined. Just like any model or theory, East Asian welfare regime cluster has no shortage of criticism. From earlier challenges like nations in the region are too diverse to fit well in a unified welfare regime cluster, to more recent ones that argue East Asian regimes have ceased to exist since the past decade due to some substantial changes in the socio-economic factors, these criticisms will be assessed below. After dealing with the East Asian welfare regimes, attention is given to most crucial part of the chapter, i.e. establishing linkages between East Asian welfare regimes and East Asian Housing regimes. The Intertwined relationship between welfare state development and housing policies is particularly strong in the region. It is much stronger than the relationships observed by Kemeny (1995). Housing policies not only influence the level of public provision in East Asian but is also vital to the survival of such distinctive welfare regimes. It is impossible to fully understand housing policies in the region without comprehending the development of welfare state as a whole, vice versa. Such exceptionally tight relationship between welfare regimes and housing regimes sheds light on the inadequacy of the Kemeny's approach. Furthermore, East Asian housing regimes also possess traits that are not found in the West including top down policy making and strong economic consideration. In other words, there is at least one more type of housing regimes that Kemeny is unaware. This discovery could certainly contribute to the knowledge base in the realm and facilitate case studies that follow. Despite all the pros of this new housing regime cluster, it faces a number of similar criticisms of the East Asian welfare regime cluster. Before putting it into work, these drawbacks need to be addressed. All these works help to build up the structural



framework for understanding why housing policies is developed in such a way in East Asia.

## **2. The origin of East Asian Model**

Attention to the development in East Asia stems very much from the strong economic growth of nations in the region during the post-war period. It first happened in Japan, and then took place in the Four Asian Tigers, namely South Korea, Taiwan, Hong Kong and Singapore, and finally occurred in China (Izuhara, 2013: 1). After the Second World War, these countries started off with similar economic strength as most of the African countries. Yet, by the end of twentieth century, they have managed to be far wealthier than their counterparts (Choi, 2013: 209). Such remarkable improvement draws the interest of academia to look for the mechanism behind. The earliest systematic research on the unique working of the East Asian system could be traced back to a case study of Japanese development model done by Johnson in the early 80s (Johnson, 1982).

The findings show that the state, more precisely the elite policy makers in the Ministry of industrial policy, has a decisive role in the economic success of Japan. The high level of autonomy enjoyed by the authority allowed it to guide the development of the economy. Such guidance was in a more subtle and less direct form than in socialist states. Through various means including but not limited to preferential financial and regulatory treatment, the government could boost the performance of some selected companies and industries that had greater international competitiveness. Among all, channelling the public fund to businesses was deemed to be especially crucial to the subsequent success given that the private financial sector was considerably underdeveloped at that time (Pempel, 1999; Kuwayama, 2000). Those government actions, in turn, enhanced the

rate of national economic growth. Following the publication of Johnson's work, several researches have been dedicated to identify the key elements of the developmental strategy of East Asian states. Some are single case-study (e.g. Amsden, 1989; Vasoo and Lee, 2001;

Unger and Chan, 1995) while others are comparative analysis (e.g. Chang, 2003; Deyo, 1987; Evans, 1995; Haggard, 1990; Henderson and Appelbaum, 1992; Wade, 1990; Weiss, 1999; Weiss, 2000; Woo-Cumings, 1999; Woo, 2007). These publications could be grouped as the 'developmentalism' thesis.

Three common features of such strategy in economic development are "transformative goals, a pilot agency and institutionalized government-business cooperation" (Weiss, 2000:23). In these East Asian countries, governments emphasized on transforming their economies, i.e. industrialisation. Economic growth which could allow these nations to catch up with advanced economies in terms of productive capacity and industrial technology was therefore given the highest priority on the policy agendas (Walker and Wong, 2013; 232). To meet that objective, pilot agencies, for examples Economic Planning Board in Korea, the Council for Economic Planning and Development in Taiwan and the Economic Development Board in Singapore, were in charge of organising the industrialisation project (Cheung, Haggard and Kang, 1998; Dent, 2003; Stiglitz, 1996). Preferential treatments like affluent supply of credit and favourable tax relief were given to selected industries and companies to assist their development. Given that these nations were governed by authoritarian or quasi-authoritarian regimes at least during the early period of development, governments enjoyed a great degree of freedom in pursuing policies that they saw fit. Other stakeholders, such as interest groups and labour were in turn repressed (Haggard, 2004: 61). Organised business players, on the other hand, were in close coordinating relationship with the states in pushing forward

those economic objectives. Through various institutionalised formal and informal arrangements with the private sectors, governments were able to utilise them in achieving economic goals. This, by no means, suggests that East Asian governments were the sole actors as under planned economies. Evidences have been shown that business was able to shape economic policies via different routes (Yoshimatsu, 1997; Pempel, 1999). One of them was through their representatives in the planning process (Haggard, 2004: 61). Yet, in such coordinating relationship, both actors were far from equal and governments had dominant status (Woo, 2007:117). For instance, companies often need to give away some controls over their operation such as pricing in return for those preferential treatments (Chang, 2003:116). Through such state-led growth model, many nations in the East Asian region were able to achieve remarkable economic prosperity (Choi, 2013: 207).

### **3. East Asian welfare regimes**

#### *3.1. Developmentalism/ Productivism*

The term ‘developmentalism’, which describes such unique mechanism of state-led growth, is sometimes used interchangeably with ‘productivism’. Though there are some differences between them, they would not be explicitly distinguished until later in the chapter. Under the influence of developmentalism, social policies, or more precisely the welfare regimes, were established in a distinctive way among East Asian countries (Choi, 2013: 207). This kind of welfare regime possesses two prominent characteristics which are not observed in the western world. They are the subordination of social policies to economic objectives and the orchestration of various actors towards economic objectives by politically insulated states.

### 3.1.1. Subordination of social policies to economic objectives

In those East Asian nations, social policies were always adopted with strong economic consideration behind which was usually to achieve economic growth and full employment (Tang, 2000; Kwon, 2005; Izuhara, 2013: 2). The development or underdevelopment of a social policy is therefore unnecessarily based on welfare demand but on how it could help meeting the economic goals. At the period of export-led growth, East Asian economies depended very much on cheap labour to keep being international competitive. To keep labour costs low, labour has to be highly commodified and has strong work ethics. This requires cash assistances such as unemployment benefits to keep at a modest level with strict eligibility rule (Choi, 2013: 210).

On the other hand, financial assistance to businesses and infrastructure construction drained considerable amount of public funds. Social policies were therefore designed to minimise collective provision such as pension (Holliday, 2000; Ronald, 2013:393). Governments were reluctant to deviate itself from their regulatory role. By taking the design of the Korean welfare system as an example, it could be seen that strong emphasis was placed on fiscal conservatism and work incentive. The national insurance system though controlled by the state was self-funded and did not receive any government contribution. Likewise, income support was kept minimal and labour was highly commodified (Chung, 2001:23). These measures were all employed to facilitate economic growth. Given that welfare demands were largely not met through public provision, heavy reliance was placed on alternative forms of provision such as occupational-based and family-based (Izuhara and Forrest, 2012; Izuhara, 2013: 2).

Yet, some areas of welfare including education and health care did receive sizeable attention. The rationale here is the same as the underdevelopment of other welfare sectors: social policies introduced to serve economic purposes. An educated and healthy labour force is undoubtedly the fundament for stronger economic growth and international competitiveness (Tang, 2000; Kwon, 2002; Aspalter, 2006; Choi, 2013: 210, 212).

### 3.1.2. Orchestration of actors towards economic objectives by the states

Another salient element of the East Asian welfare regimes is the crucial role played by the 'visible hand' of the states in the development process as well as the introduction of welfare (Choi, 2013: 210, 211). Unlike other parts of the world, welfare development in East Asia over a long period of time was not driven by political democracy. Rather than society-led, those welfare programmes were state-led (Walker and Wong, 2013; 226). Welfare was used as a component of the states' plans towards economic development.

## 4. **East Asian welfare regime as an additional regime cluster**

After Esping-Andersen (1990) published his work 'The Three Worlds of Welfare Capitalism' in 1990, comparative researchers welcome a new research framework that helps categorise countries for study as well as understand the welfare development from an interactive perspective. Yet, many scholars argue that the three typologies were far not enough to represent every country in the world. For examples, Huber and Stephens (2001) argue that Australia and New Zealand should belong to a fourth 'wage-earner' regime cluster rather than the liberal regime cluster. Likewise, Ferrera (1996) claims that the Southern European countries should be grouped together as a Mediterranean

welfare regime cluster which characterises by their highly fragmented social protection systems.

In the case of East Asia, developmentalism is frequently used to support the distinctiveness of welfare policy development in the region and to argue for an additional welfare regime cluster (Choi, 2013: 207; Tang, 2000: 137). Although different features of such fourth regime cluster were found by various scholars, one shared argument was that economic development was considerable as paramount important and social policies always needed to give way if not to serve such economic goal (Holliday and Wilding, 2003: 161-170; Hudson and Hwang, 2013: 18)

Using case studies of five East Asian countries (Japan, Korea, Taiwan, Hong Kong and Singapore), Holliday explicitly points out that it is “impossible to place [those five nations] in Esping –Andersen’s framework” (2000: 711). He argues that they should be grouped into an additional regime cluster which he names as ‘productivist’ world of welfare. Though being named as productivist regime cluster, the core feature identified by Holliday (2000) is the same as the common feature of ‘developmentalism’ thesis, i.e. the subordination of social policy to economic policy. At the period of limited awareness of social right, social policies such as benefits were employed to reinforce the growth objective. The welfare mix between state, market and family provision depended on what was the best for economic development (Holliday, 2000: 709). Holliday (2000) lists a number of examples to support that argument, for instances the Korean pension act in 1973 which aimed to raise funds from the public for industrial investment as well as the welfare retrenchment after the 1973 oil crisis in Japan. Both of them show how social policies were remoulded to serve economic purposes. Similarly, Gough (2004) also observes welfare sectors which have strong productivist nature such as health care and

education were given much higher priority in public expenditure comparing to those that undermine work ethic like income maintenance benefits. Likewise, Hort and Kuhnle discover that social security programmes were first implemented in East Asia when those nations had much lower socio-development levels in contrast to their counterparts in Europe when similar programmes were first carried out (2000:167-168). Put it differently, welfare programmes were not carried out in East Asia due to the political pressure from below. Rather, it is parts of the states' developmental strategy (Goodman and White, 1998: 17).

#### *4.1. Factors that caused welfare regimes to be constructed in a developmentalist way*

From an institutionalist perspective, the developmentalist nature of welfare regimes in East Asia could be attributed to the underdevelopment of democratic electoral system. The rationale is twofold. First, the lack of well-functioning electoral systems allows the rise of authoritarian governments. Up until the 90s, political regimes in those East Asian countries were best described as quasi-authoritarian or even authoritarian. Park Jung-Hee, the former dictator of South Korean, and the Kuomintang, the dominant-party in Taiwan, were able to monopolise the decision making process and keep other political actors such as labour unions and civic groups out of it (Choi, 2013: 209-210). Even for Japan which had a formal democratic constitution, it has been found that the nation "retains a lot of 'soft authoritarian' features in its government institutions", including "an extremely strong and comparatively unsupervised state administration" (Johnson, 1987: 137). Governments' decisions by a large extent were not affected by other stakeholders. Such underdevelopment may also reflect the weak notion of social right among the public which further strengthens the might of the authoritarian regimes. This, in turn, gave the green light to some politically unpopular policies to be introduced such as

modest welfare provision. This states' autonomy argument has been illustrated earlier in the chapter but it only counts towards a partial explanation of the welfare regime development. Even if governments had the ability to pursue policies they wanted, it still does not explain why they chose the path of developmentalism.

Therefore, another mechanism behind the development of such welfare regimes must have something to do with the willingness of East Asian governments. Again, the institution, more precisely the electoral system, played a crucial role. Given that governments in this region for an extended period of time were not elected by the general public, their political legitimacy was considerably fragile. In order to maintain political stability and legitimacy, the need to constantly improve the people's living standard became enormous. A sustainable way to achieve such objective was through a growth-oriented developmental strategy which was characterised by the subordination of social policies to economic objectives (Choi, 2013: 210).

An advantage of Institutionalism approach is that it does not see any single factor as the sole factor towards a political phenomenon, not even institution itself. In this case, electoral systems were of course not the only factor that brought such unique welfare regime cluster to the region. In fact, the demographic and economic context provided the very necessary soil for the welfare regimes with modest public provision to survive. During at least the early period of development, the population of those East Asian countries was young comparing to developed west. For examples, the French population has already comprised with at least 7 per cent of senior citizens since 1864 while Japan and Korea only reached the same proportion in 1973 and 2000 respectively (Choi, 2006). This, on one hand, kept welfare demand especially for old-age care and pension at a relatively low level, while, on the other hand, allowed three or even four generation



large families to exist making intergenerational welfare provision common and hence further reduced the demand on public provision (Choi, 2013: 212).

Besides demographic composition, strong economic growth helped to curb demand for collective welfare provision. Prosperous economies from the growth of labour intensive manufacturing sectors brought full employment and job security which reduced demand for income maintenance as well as ensured self-financed private welfare provision accessible to the working population (Choi, 2013: 212).

#### 4.1.1. Confucianism

Although equally supporting East Asian welfare regime cluster as an additional regime cluster to the Esping-Andersen typology, some scholars attributed the uniqueness of East Asian cases not to developmentalism but to Confucianism. They regard the Confucian cultural values, which are commonly shared only in the East not the West, as the informal institution that influenced the establishment of the distinctive East Asian regimes. Jones (1993) is the first scholar who employs such cultural perspective in justifying the divergence between the three capitalist worlds and East Asia. In her point of view, East Asian welfare regimes are characterised by “Conservative corporatism without (Western style) worker participation; subsidiarity without the Church; solidarity without equality; laissez-faire without libertarianism”, and she argues that “an alternative expression for all this might be ‘household economy’ welfare states – run in the style of a would-be traditional, Confucian, extended family”(Jones, 1993:214).

The Confucianism thesis believes that the traditional Confucian value has been the core to the welfare development in the region and has been continuously influencing the

development since the very beginning (Jones, 1993). White and Goodman have highlighted a number of Confucianism attributes including “emphasis on education, strong family relations, benevolent paternalism, social harmony and discipline, respect for tradition and a strong work ethic” (1998:8). These attributes were well reflected in the formation of East Asian welfare regimes. In Confucianism, family ethic is central. Family is expected to be the welfare provider for the needy family members (Chan, 2013:317,319). Equally, work ethic is much stressed. Unemployment and poverty are often regarded as personal instead of social issues (Choi, 2013: 212). By using Hong Kong as an example, Chan shows that people are generally aware of the importance in balancing the generosity of social protection and the possible adverse effect on work ethic (2013: 322). The influence of Confucian values works in two ways. On one hand, strong family solidarity and self-reliance notion curbed the demand for collective welfare while on the other hand, these values were brought into the designs of social policies by policy makers who also shared them. Both forces together yielded welfare regimes that strongly relied on non-statutory social welfare provision from family while heavily emphasising on self-responsibility and keeping public provision only at minimal (Caraher, 2013: 88).

Although the subordination of social policy is often regarded as a prominent feature of developmentalism, it might partially be attributed to the Confucian values rooted in East Asia. The strong work and family ethic in the culture placed heavy responsibility on policy makers to enable people to support their own family (Chan, 2013: 319). It is impossible and unsustainable without strong economic growth that could generate enough job opportunity. The growth-at-all-cost principle might therefore be partly due to the cultural background. The emphasis on education and housing could be argued to

have the similar intention about enabling self-reliance and family welfare (Choi, 2013: 212).

## **5. Criticisms of the East Asian regimes**

### *5.1. Features of productivism are not unique to East Asia*

Since the debut of East Asian regimes in the literature, there is no shortage of criticism. One of them argues that the subordination of social policy to economic objective, the foundation of the regimes, is not unique to East Asia. In a research done by Rudra (2007), it has been found that there are two types of welfare state among developing countries: productive and protective. For those productive welfare states, social policies are observed to serve economic objectives. Given that those economies tended to pursue export-led growth strategies, production cost was crucial in determining international competitiveness. Welfare provision was therefore kept minimal to ensure low labour cost through high commodification of labour (Rudra, 2007: 384). Within the productive welfare state cluster, Rudra (2007) identifies a number of nations. Except for those in East Asia as expected, Israel as well as countries in Latin American such as Chile and Costa Rica are also found to possess productive nature in their social policies. Besides in developing countries, social policies with economic consideration behind are not rare, particularly in developed economies belonged to the Anglo-Saxon liberal welfare regime cluster (Peng, 2011). Preference for welfare sectors that bring economic benefits over those undermine work ethic is also not East Asia exclusive. For instance, investment in education is given great emphasis over the spending on social protection in many OECD nations (Hudson and Kuhner, 2009). Hudson and Kuhner (2009) even consider USA as an example of a productivist welfare state. Another study has also found an increasingly

trendy for modern welfare states to contain productivist element (Kim, 2008: 120). Likewise, the reliance on non-statutory welfare provision is spotted in southern Europe (Izuhara, 2013: 2). These findings therefore question how unique those developmentalist features to East Asian countries is and whether they could be used to justify an additional welfare regime cluster that is region specified. Esping Andersen (1997), for example, disregards East Asian welfare regime cluster as an additional regime cluster but only a hybrid of his three worlds typology.

Yet, this thread of argument against the East Asian welfare regimes is weak. First of all, social policy with economic purpose is not enough for that welfare regime to be characterised as developmentalist. In order to be classified as developmentalist welfare regimes, social policies in different sectors across the welfare states instead of only in a few particular instances have to be always initiated with economic consideration. Even not serving the economic goals directly, they are designed not to have any adverse effect towards the economic objectives.

Moreover, the subordination of a wide-ranged social policy is only one of the two features of developmentalism. Another one is the existence of a strong and often authoritarian government in orchestrating various actors to achieve economic growth. Hudson and Hwang have explicitly highlighted the importance of not to overlook political choices and political structures when interpreting the East Asian welfare regimes (2013:19). For them, the political elements, i.e. the authoritarian political systems, were central to the paradigm since they not only provided the ability but also the willingness for the governments to actively pursue economic development.

Furthermore, criticism of developmentalism alone is not enough to reject the East Asian welfare regimes. As aforementioned, the unique cultural values owing to the Confucian tradition have shaped the welfare development in East Asian nations alongside developmentalism. In other words, East Asian welfare regimes were constructed under the influence of both developmentalism and Confucianism. Therefore, even if developmentalist elements are observed elsewhere, it could not conclude that East Asian welfare regimes are not unique to the region unless both Confucian and developmentalist elements are found simultaneously in countries outside East Asia.

### 5.2. *Diversity among East Asian nations*

If East Asian welfare regimes are assumed to be unique in the region, it instantly raises the question whether every single East Asian country matches the characteristics of the East Asian welfare regimes. Instead of accepting the notion of a homogenous welfare regime cluster in the region, many scholars argue that East Asian nations are too diverse to be grouped under one single universal regime cluster (e.g. Walker and Wong, 2005).

White and Goodman (1998), for example, agree that there are some shared characteristics among East Asian welfare systems which could not be seen in the west. However, they argue against that there is a “homogeneous, overarching ‘East Asian Welfare Model’ common to [Japan, South Korea, Taiwan, Hong Kong and Singapore]” (White and Goodman, 1998: 13-14). This viewpoint is also shared by Ku & Jones Finder (2007), Lin (1999) and Walker & Wong (2005). For them, “there is no homogenous, unified East Asian Welfare Model. Despite the similarities that exist, each country has its own path of development in welfare, being influenced by a variety of situational factors such as geopolitical size and location, and migration” (Walker and Wong, 2005: 216).

Likewise, Izuhara suggests that proponents of East Asian welfare regimes tend to overemphasise the similarities of countries in the region even that they are diverse in various aspects including geographic size, institutions, colonial history, as well as culture (2013:2).

Indeed, the variety between them should not be neglected. East Asia is a region that contains small city states (Hong Kong and Singapore) and the most populated country (China); capitalist democracy (Japan) as well as state capitalism (China); ex-colonies (South Korea, Taiwan, Hong Kong, Singapore) and former colonial power (Japan). These diversities mean that countries face different social issues and hence the corresponding responses needed may not be the same. Indeed, within North-East Asia, dissimilarities are found in some key dimensions ranging from industrial structure (Castells, 1992:50), public-private relationship (Haggard, 2004: 71-72) to financial sector regulation (Weiss, 2000: 30-31). Weiss also suggests that East Asia welfare regime cluster should not be assumed to be the paradigm of the whole region since the developmentalist features of the regimes do not fit well in South-East Asia (2000:24). It is therefore not hard to understand why Baldwin (1992) would argue that every East Asian country has a rich and unique history of development and it would be particularly difficulties in identifying a widely applicable development pathway among them. From a cultural perspective, Caraher (2013) also asserts that the Asian cultures are too diverse to be easily brought under the term 'Confucianism' and "it is too general [...] to apply Confucian values and beliefs to nations which are clearly something other" (Caraher, 2013: 89).

This strand of argument is considerably strong given that literature that argues for the East Asian regimes usually includes only a few selected East Asian countries in the research. Generalising the findings from some purposely picked cases undoubtedly

undermines the credibility of the approach. For instance, Kwon endorses the East Asian welfare regimes after finding that the Japan and South Korea cases do not fit well into Esping-Andersen's typology (1997: 467). Lee and Ku also find that South Korea and Taiwan differ from Esping-Andersen's 'three worlds' and in turn support the notion of developmental welfare regime cluster (2007:210-211). Likewise, Goodman and Peng (1996), who analyse social policies in Japan, South Korea and Taiwan, identify some shared characteristics among these nations which their western counterparts do not share. These characteristics include "the common language of Confucianism, the putting of the group before the individual, the dominance of economic considerations, the resistance to government provision of welfare, the emphasis on the family, and the hostility to Western approaches" (Goodman and Peng, 1996: 193). This makes them to see the possibility of the East Asian welfare regimes. From a cultural perspective, Aspalter (2006) justifies the notion of East Asian welfare regime cluster by demonstrating cultural elements being determinant in the development of welfare states in three East Asian countries: Taiwan, Korea and Hong Kong. It could be seen that a number of researches argue for the regimes only due to the findings from two or three East Asian cases. The lack of comprehensive research that takes into account of all the East Asian countries poses the danger that there are more than one form of welfare regimes named as 'East Asian welfare regime', and in turn shakes the theoretical base of a universal welfare regime cluster among East Asian countries.

Indeed, the diversity among East Asian is a weakness of the welfare regime model that could not avoided. Yet, it should always be remembered that 'welfare regime' only refers to a cluster of nations with similar traits. In terms of East Asian welfare regime, they are workfare orientation, strong family values and authoritarian line of social policy-making. Even in the Esping-Andersen's 'Three world', countries within the same regime type are

barely identical. Esping-Andersen himself also admits that most welfare states have features of all three regimes and “there is no single pure case” (Esping- Andersen 1990: 28).

Moreover, this drawback is less problematic for this research due to the choice of cases. The two cases of this thesis, Hong Kong and Singapore, are always found to have a high degree of similarity and are put into the same subgroup by scholars that seek to further distinguish East Asian nations. For example, Hendersen and Appelbaum (1992:15) discover that Hong Kong and Singapore adhere to the free-market principle in a greater extent than other newly industrialised North-East Asian countries. Even during the global recession followed the Asian Financial Crisis when many other East Asian societies diverted from the productivist principle and expanded their welfare sectors, Hong Kong and Singapore were still strongly committed to retain their status as productivist economies (Holliday, 2005; Kwon and Holliday, 2007). Peng and Wong’s (2010) work on the welfare development in six East Asian countries further support the above notion. From their point of view, there are two broad models of welfare development among these six nations: the universal social insurance model (Japan, Korea and Taiwan) and the individualistic approach to social protection (Hong Kong, Singapore and China). Hong Kong and Singapore are grouped together according to a range of political and fiscal factors. For political factors, Peng and Wong (2010) point to the degree of political incentive and the sense of social solidarity in the societies. They notice that Hong Kong, and Singapore have a relatively lower level of democracy in comparison to Japan, Korea and Taiwan. This means that Hong Kong and Singapore face less electoral pressure and hence have less political incentive to expand their welfare systems to universal coverage. In terms of social solidarity, it is observed that Hong Kong and Singapore are weaker than Japan, Korea and Taiwan. One of the explanations could be that the history of egalitarian



growth in Japan, Korea and Taiwan has enhanced the sense of social solidarity. In other words, citizens in these nations have less tolerance of income inequality and their support skewed towards universal welfare coverage. These political influences therefore put Hong Kong and Singapore on a much similar path of development.

Besides, fiscal factors exert considerable influence on how welfare regime is constructed. Hong Kong and Singapore are considered to have less financial resources to expand their welfare state than the others. Attracting foreign investment is deemed to be more crucial in the two nations. In order to maintain attractiveness to multinational corporations, these two nations have to maintain low tax rate and are barred from introducing occupation-based welfare (Ramesh, 1995). Such small fiscal bases therefore force these economies to take an individualistic approach in welfare development and thus render them to be grouped together.

Other than all the above factors, the similar geographical natures, i.e. small and heavily populated city state, and common British colonial history make placing Hong Kong and Singapore into the same regime type even more plausible. A more detail justification for the choice of cases will be given later in the methodology chapter.

### *5.3. Moving away from Developmentalism*

In comparison to the aforementioned criticisms, another form of challenge stems from the recent contextual changes that threatened the theoretical foundation of the regime. It criticises the notion of East Asia welfare regime to be an obsolescence idea even the regime did exist in the past.

Since late 1980, there has been a series of changes in international political economy, domestic economy, social demography and polity within the region (Choi, 2013: 215-216).

Following the end of Cold war, the United States and European nations started to address the unfair trade practices of East Asian nations which were ignored by them due to geopolitics in the Cold war period. Pressures were placed on East Asian nations to open their markets and to liberalise their economies such as removing trade barrier and regulations on foreign capital (Schaede, 2004: 285). Given that East Asian economies relied on the export to the West, they were forced to comply with the trade liberalisation demand (Chu, 1994: 121; Minns, 2001: 1032). The greater openness increased economic risk and destabilised the economy. This generated demand for better social protection (Hudson and Hwang, 2013: 35).

On the other hand, currency appreciation undermined the price competitiveness of their industries in the international market. A direct result was the decline of some manufacturing industries and the raise in demand for unemployment protection (Hudson and Hwang, 2013: 20). Furthermore, in order to cope with the new environment, businesses put forward a flexible labour market to cut down labour cost and regain competitiveness. A destabilised economy with flexible labour market announced the death of life long employment and occupation-based welfare which together were the cornerstones for the model of modest public welfare provision (Choi, 2013: 217). The significant boom in welfare demand rendered such model inadequate and an expansion of the welfare state was badly needed.

The second contextual change was the decline of authorities' steering power due to the rise of powerful domestic businesses. For example, large conglomerates in Japan after a few decades of sustained growth were able to engage in internal as well as equity financing for expansion (Pempel, 1999: 150). Unlike at the early stage of development, they no longer needed to rely on government provided credits. Following the removal of foreign exchange control, businesses in Japan were also able to seek capital abroad. As businesses relied less on the states, the governments lost their dominant status over them. Japanese businesses even demanded the government to reduce its expenditure in order to cut taxes (Babb, 2002). On the other hand, the financial deregulation in Korea allowed the chaebol (a South Korean form of business conglomerate) to enter the financial market and gain substantial power in the 1980s (Kim, 1991). Since then, conflicts between chaebol and the government have become common (Moon, 1994: 155, 159). These all undermined the steering power of governments and coordinating relationship between public and private sectors (Babb, 2002:325)

Thirdly, changes in socio-demographic context eroded the foundation on which family-based welfare was built. As mentioned before, trade liberalisation led to job insecurity. Without full-employment, family itself may not always have the resource to be the welfare provision for its members. Moreover, the gradual transformation in household combination from large three-generation household to two generation and single member household as well as the aging societies due to low birth rates further weakened the family-based welfare model (Choi, 2013:217).

All the contextual changes above contributed to the surge in social demand for welfare. Yet, they were not enough to bring welfare state expansion on their own. It was the democratisation in the region that realised such demand. A growing number of scholars

have regarded democratic politics as a critical factor in shifting social policies in the region to be more inclusive and universalistic (Hudson and Hwang, 2013: 19). After moving away from authoritarian regimes, civic groups and opposition parties bloomed in East Asia. Many of them such as Democratic People's Party in Taiwan advocated for the expansion of welfare state (Choi, 2013: 217). The increase in party competition undoubtedly created greater pressures for those in power to take the demands of potential voters which, in most East Asian cases, were the expansion of welfare state, into account (Cheung, 2005). Indeed, Aspalter explicitly points out that "intensive competition in national elections led to election promises that changed the size and the outlook of the ... welfare state" (2006<sub>b</sub>: 293). Haggard also finds that there is a significant correlation between the high level of electoral pressure and the 'broader, or even universal, expansion of welfare commitments and the assumption of a greater public role' (2005: 156). In short, bureaucrats have no longer dominated the welfare policy making process since the late 1990s. Civic groups and political parties have been seen to exert more and more influence on policy design (Chen, 2008; Peng and Wong, 2004).

Moreover, the subordination of social policy to economic objectives has become difficult under competitive democratic politics when it is necessarily for politicians to consider the electorate's desire (Haggard, 2005:156). It has been observed that social policies in East Asian nations such as Korea and Taiwan have no longer been carried out solely with economic consideration (Peng and Wong, 2008: 84). By taking Japan as an example, it could be seen that social spending has gone up by twofold from about 10 per cent of GDP in 1980 to 19 per cent in 2007 (OCED). Even when budget deficit was high, the Japanese government still expanded the size and the scope of the welfare sectors. Likewise, noticeable welfare expansion was observed in South Korea. Health insurance and national pension were universalised in 1989 and 1999 respectively. The Income

maintenance scheme, 'national basic livelihood scheme', also extended its coverage beyond those who are not capable of working. Tax-funded pension was also introduced in 2007 (Choi, 2013: 218). In the case of Taiwan, the government has moved from only being a regulator to a direct provider of welfare since the 1990 (Kwon, 1998). Walker and Wong also acknowledge the role of political democracy in transforming selective welfare to universal coverage in both South Korea and Taiwan (2013: 234).

### 5.3.1. Challenge 1: Abandon of the 'growth at all costs' principle

The subordination of social policy to economic objective is regarded as the core feature of the East Asian welfare regimes. After the abandon of the 'growth at all costs' principle, some questions the continuity of the regime. For instance, Kwon (2002) uses the transformation from selective welfare to universal coverage in South Korea and Taiwan to support the argument against the persistency of welfare developmentalism which is characterised by employing social policy as an instrument to facilitate economic growth. Choi (2007) also demonstrates that the purpose behind the recent welfare expansion has moved from solely economic growth to protecting vulnerable groups or improving social cohesion.

Undoubtedly, the degree of productivism has been diminished in recent period comparing to the early stages of development. It is also undeniable that social policy is no longer always subordinated to economic objectives. However, Holliday (2005) and Kwon & Holliday (2007) assert that productivism still remains strong in the region and hence East Asian welfare regimes should not be written off. By referring to the case of South Korea, Holliday (2005) argues that the recent development in pension and health insurance as well as labour market are all prominent examples of productivism. Although

national pension has been made universal in 1999, it has been in fact undergoing retrenchment. Its replacement rate had fallen from 70 per cent in 1988 to 40 per cent in 2007. Private pension on the other hand is encouraged by the government. Likewise, the benefit coverage of health insurance is limited and private health insurance is increasingly relied upon by the state. The new public assistance scheme also has a strong emphasis on labour market activation.

Similarly, Japan had carried out a series of pension retrenchment reform between 1985 and 2004. Long term care insurance was also introduced in 2000 in order to safeguard public fund against the cost of social care (Choi, 2013: 218). In the case of Taiwan, despite the expansion in the welfare state since 1990, the government remains sensitive to the associated costs (Ku, 2002). For instance, though tax-based old age allowance is made available to nearly all elderly, the level of benefit is kept modest. On the other hand, Gough (2004) supports the existence of productivist features in East Asia after the 1997 Asian Financial Crisis although the role of family-based provision in the regime has diminished considerably. These examples demonstrate that even though productivism is not as strong as before, it still remains in the region so as the East Asian welfare regimes.

### 5.3.2. Challenge 2: The Decline in the states' steering capacity

Besides the subordination of social policy to economic objective, the strong steering capacity of the state in the development is another feature that together defines developmentalism. As aforementioned, the rise of powerful domestic firms and democratisation have substantially weakened the role of the state in organising economic development. This therefore raises the question regarding the persistency of

East Asian welfare regimes. Before evaluating this argument, there is a need to distinguish between developmentalism and productivism.

Earlier in this chapter, it was said that developmentalism and productivism are used interchangeably in many occasions. In fact, there are some critical differences between them. According to Choi (2013), the focus of developmentalism is on the intention and the role of the government in the process of nation building. Economic growth is only regarded as a crucial tool to maintain the developmental regimes. Productivism, however, views economic growth as an end instead of a means. The 'visible hand' of the state is hence one of the many ways to achieve economic growth (Choi, 2013: 215). In his own words, "developmentalism is concerned with state-led economically oriented developmental strategies" while "productivism in East Asia is more about explicit economic-growth strategies" (Choi, 2013: 220). Put it differently, state's action is central to developmentalism while it is only a means among many to achieve economic growth according to productivism. Until the late 1980s, the governments of East Asian nations were actively involved in orchestrating various factors of production to achieve economic development. Developmentalism therefore coexisted with Productivism and there is little reason to separate them in the discussion of East Asian regimes. Yet, due to economic and political contextual changes, economic growth achieved by state-led strategy is no longer common (Choi, 2013: 220). As the role of the state has weakened in economic development, developmentalism could not be seen as a salient feature of East Asian regimes anymore.

Even though developmentalism, which is similar to productivism via state activities, almost comes to an end, productivist elements are still clearly visible in East Asia. As mentioned before, East Asian welfare states have been expanded alongside fiscal

conservatism and with the intention to promote or at least not to undermine economic growth. Moreover, productivism is now increasingly achieved by the invisible hand of market instead of by states' action. The growth in private welfare provision and private insurances in health and pension both contribute positively to the economies (Choi, 2013: 220-221). Once interchangeable terms, productivism no longer coexists with developmentalism in East Asian welfare regimes. Instead of written it off, East Asian welfare regimes only need a re-specification to acknowledge that productivism has replaced developmentalism as its feature.

### 5.3.3. Challenge 3: No clear distinction between productivism and liberalism

Without strong authoritarian governments in the development process, East Asian welfare regimes are left with productivism. Some scholars therefore point out that productivism shares many features with liberalism such as the emphasis on fiscal conservatism, welfare-to-work, welfare retrenchment reforms and maintaining flexible labour market (Kim, 2008). Rudra (2007) also notices that both productivist and liberal regimes share market-oriented features and emphasise on self-reliance. This leads to the question whether East Asian welfare regimes have transformed into one of the western welfare regimes.

One of the counter-arguments is that the simultaneousness of welfare expansion and economic liberalisation in East Asia do not match the description of liberal regimes.

For liberal regimes, economic liberalisation usually comes with welfare state retrenchment. Moreover, class elements such as working class mobilisation and coalition between classes are not as critical as in the west when determining the outcome of welfare development. In this case, it is inappropriate to equal productivist welfare



regimes in the East with the liberal welfare regimes in the West (Hudson and Hwang, 2013: 36). On the other hand, there are scholars arguing that it is still too early to draw conclusion. As East Asian welfare regimes are changing, more time is needed to fully appreciate their nature and to assess whether those changes are fundamental (Choi, 2013:220, 222; Hudson and Hwang, 2013: 37).

## **6. East Asian housing regimes**

Over a long period of time, East Asian welfare regimes have well captured the development in the region (Hudson and Hwang, 2013: 36). Although it transformed a bit due to recent contextual changes, it is still not appropriate to have it written off at least not at the moment.

The reason for spending so much effort on discussing East Asian welfare regimes is that it is crucial to understand the development trajectory of East Asian housing policy. The Intertwined relationship between East Asian welfare regimes and housing policies in the region is particularly strong. Housing has played a much important role in the East Asian welfare regimes than in those in the west. Although Kemeny (1995) has shown that home ownership promotion policy could transform welfare states into 'low-tax, low-spend' models, the importance of housing policies in the western world is still no match for the East Asian cases. Instead of only converting the form of the welfare state, housing policies have been playing a significant role in maintaining the survival of the East Asian welfare regimes since the very beginning.

Below, it would be argued that housing policy development in East Asia could not fit well in housing regimes that are developed out of western experience. It is distinctive in both economic and political senses which in turn justifies an additional housing regime.

### *6.1. Housing helps reinforce productivist nature of the welfare regimes*

Housing is the core part of the East Asian welfare regimes. It, in many ways, helps to make those distinctive features of the regimes possible. In the first part of the chapter, it has been shown that the East Asian welfare regimes are famous for the subordination of social policy to economic goals. The persistency of this prominent trait is in fact hinged on housing. As financial resource was scarce during the early period of development, building an expensive welfare state to cater welfare need of the society was impossible (Holliday, 2000). At the time when public provision had to be kept minimal, alternative welfare provision was urgently needed as a substitute. The deep-rooted Confucian value in the society hence allowed the government to easily tap into family welfare provision. Housing, in this case, was chosen to be a main form of public provision, a welfare pillar to enable intra-family support as well as a compensation for the underdevelopment in other welfare sectors (Ronald and Doling, 2010; Ronald, 2013: 411). First, Housing policy was designed to facilitate family welfare provision. By providing adequate housing either in the form of owner occupied property or inexpensive public rental units, family co-residence and hence intergenerational care exchange between members could take place (Izuhara, 2009). Moreover, favourable financial treatment in housing was employed to encourage such inter-family support. In Singapore, housing grant was used to encourage both adult married children and their parents to live closer to each other. Likewise, home buyers in South Korea were encouraged to cohabit with their elderly parents through preferential access to loans (Park and Lee, 2008; Ronald, 2013: 396).

Apart from facilitating family-based welfare, housing policy, more precisely the home ownership promotion strategy, could hold back demand for collective provision by enabling people to finance their own welfare need. The home owning rate among East Asian nations grew dramatically during the 1980s and the 1990s (Ronald and Doling, 2010). For example, the Singapore's owner-occupancy rates had risen from 29 per cent in 1976 to 92 per cent in 2003 (Lee, 1999). The growth of owner-occupancy in China was equally remarkable. The state-led housing marketisation had boosted the urban owner-occupancy rate to 82 per cent by 2003 in comparison to only 17 per cent back in 1985 (Wang and Murie, 2011). The rate in Hong Kong had also been doubled in a 20-year period reaching 52 per cent in 1997 while public rental sector was increasingly residualised (Lee, 1999). Although South Korea and Taiwan experienced relatively lower degree of increases in the owner-occupancy rates, they still saw increases of 5 and 12 per cent respectively during the period 1990-2005 and 1981-1999 (Ronald and Jin, 2010; Wang and Murie, 2011). This widespread convergence to home owning in East Asian countries could to some extent be attributed to the wealthier societies after decades of development. Yet, favourable treatment given to the home owners by the governments should not be overlooked. Behind the active promotion of home ownership is very much economic consideration. By allowing people to build up their own asset, people could have accessed to a reserve of fund at the time of difficulty. On the other hand, owner-occupied housing especially unmortgaged could allow home-owning households to live on smaller income and increase their financial capacity to pay for private welfare services (Ronald, 2013: 394). The establishment of such asset based welfare, on one hand, restrained the potential burden on public fund for welfare provision while on the other, contributed towards economic growth through the prosperity in real estate and construction sector (Groves et al., 2007; Ronald, 2007; Ronald 2008). By controlling the

growth in welfare demand, public expenditure was kept low and spare resources could then be used to develop the economies through infrastructure investment as well as lending to industries for expansion. Housing policy therefore made developmental regimes sustainable.

The modest public welfare provision undoubtedly saved up capital for development. Yet, for those developing East Asian countries to catch up with advanced economies, cheap labour force with strong work ethic is indispensable. Housing policy was employed to create such favourable condition. The inexpensive rental cost of public housing is believed to act as a form of social wages to curb wage demand from working class in order to maintain low production cost and thus international competitiveness of the manufacturing sector. Strong work ethic on the other hand was also achieved through housing policy. Housing is observed to distribute as a commodity of which consumption is dependent upon the ability to pay (Ronald, 2013: 391). Government subsidies on housing were designed to encourage developers to build for those economically productive workers rather than those with greatest need (Ronald, 2013: 392). The need to finance housing costs accompanied by a high degree of labour commodification together maintained strong work ethic.

In addition to achieving an export led growth, economic development could be brought by the construction sector and real estate sector. Housing policy once again plays a critical role. Among East Asian nations, early government intervention in housing mainly focused on constructing a large amount of housing units for working households in a fast pace (Agus, Doling and Lee, 2002). Through such mass construction, public housing agencies had helped the growth of the construction sector as well as urbanisation.

Furthermore, with housing commodification and the subsequent land value appreciation, real estate sector could contribute to the GDP growth as well (Ronald, 2013: 392).

Given that housing policy is so fundamental to the welfare regimes, other initiatives are carried out to enhance the effectiveness of housing policy. For instance, the emphasis on home ownership promotion is regarded as one of the shared characteristics in the East Asian welfare regimes. Self-funded national pension schemes or social insurance were brought in to help citizens to finance the home purchase. A frequently cited example is the Central Provident Fund (CPF) in Singapore. It is a comprehensive social security system which each worker has his/her own account. Individuals in the labour force have to save a proportion of their monthly salary in the CPF accounts while matching contribution is also paid by their employers into their accounts. The accumulated fund is then used to finance various welfare consumption including pension, healthcare, education as well as home ownership (Ronald, 2013: 395). As a result, the self-funded national pension scheme and the home ownership promotion strategy have worked together in building asset based welfare systems which contrast significantly with the pay-as-you-go welfare systems in some western countries. At this point, it could be noticed that all the roles performed by housing have helped to reinforce the productivist nature of the welfare regimes. Thus, housing has played an essential role in maintaining the East Asian welfare regimes.

## *6.2. Strong state-led element in East Asian housing policy as in welfare regimes*

By recalling the discussion on East Asian welfare regimes, the strong state-led element is another feature of the regimes that is used to justify it as an additional regime type to the Esping-Andersen's typology. Similarly, this active involvement of the state in the

policy making process has distinguished housing policy in East Asia from its counterparts. Unlike the observation of housing policy development in the western world by Kemeny (1995), policy initiatives in the East were not outcomes of class struggles or political contests. Instead of reflecting an extension of citizenship right, housing policy had introduced intentionally to achieve government objectives at least until recently (Ronald, 2013: 391). These objectives include not only economic ones but also political. As discussed earlier in the chapter, governments in the region suffered from low political legitimacy. Housing policy was one of the governments' means to counter it. In many ways, government intervention in housing sectors could address the legitimacy issues of the authorities as well as social stability. These included not only improving the well-being of the citizens directly through public housing or indirectly through housing derived economic growth, but also as a measure to weaken opposition (Gamer, 1972; Pugh, 1987: 313; Rodan, 1989). A more detailed examination of how governments used housing to reach political objectives would be carried out in the case study chapters.

The causal relationship between housing and welfare state therefore did not start with the influence of housing policy on general public perception of public provision in other welfare sectors and then through political pressure to shape the formation of welfare states. Rather than taking such bottom up approach, East Asian welfare policy making in various sectors including housing was very much in a top-down manner. Policies were introduced by government under incomparably less from the public (Ronald, 2007). Besides the planning phase, the state also actively involved in the implementation of housing policy. Public companies such as the Japan Housing Corporation, the Korean National Housing Corporation, Hong Kong Housing Authority and the Singapore Housing Development Board were established to in charge of the mass construction of public housing as well as subsequent provision. The high level of autonomy enjoyed by the

states and their strong influence upon business allowed them to smoothly coordinate housing supply from both the public and private sectors (Ronald, 2013: 391).

The strong state-led element of housing policy highlighted the political dimension of the East Asian housing regime. Given the governments' high autonomy in policy-making, their deep involvement in the housing sector is considered to be an unrestricted choice. Both economic and political consideration behind should not be neglected.

All the discussion above challenges the Kemeny's (1995) conception of two housing regimes. The strong economic focus of housing policy as well as the top down policy making in East Asia do not match the description of both regimes identified by Kemeny (1995). In both Dualist housing regime as well as integrated housing regime, it could be seen that housing positions between social and economic policy. Yet, in the cases of East Asia, economic consideration played a greater role in the policy making process of housing as well as other welfare sectors (Ronald, 2013: 392). On the other hand, housing policy in East Asia was not an outcome of class struggles or political contests as suggested by Kemeny (1995). Instead, it reflected the decision of the government made under incomparably less political pressure. These show that housing regimes did not only develop under the rationale of the two regimes discovered by Kemeny (1995). There is therefore at least one more housing regime cluster out there.

This notion is echoed by Doling (1999). In his research, he finds that the newly industrialised East Asian countries shared commonly among them a unique set of state-market mix in the development, construction and consumption stage of housing. In the East Asian housing regime, the states directed the development stage with their plans on the location and nature of development. The aim of such orchestration by the

governments in the housing development was to facilitate economic growth. Despite large scale involvement in the development stage, construction was left to the private sector. Once completed, housing units were distributed by the market as commodities according to the ability to pay. In this way, housing policy benefited mostly the working population especially the mid-high income household. Government intervention in housing was therefore not a means to enhance social equity through redistribution of wealth and income (Agus, Doling and Lee, 2002: 15).

The type of housing approach in East Asia is therefore nothing like the liberal type of housing provision, for example in the USA, where the market dominates all three stages. Government intervention is kept residual and Housing, as a commodity, is consumed based entirely on the ability to pay. In this sense, the East Asian housing regime contrasts with the liberal significantly in terms of the involvement of government especially in the development stage. Another type of housing regime is named as corporatist. Commonly found in Northern Europe, it is characterised by public organisation coordinated development, private construction and regulated distribution based on social objectives. Again, the East Asian cases do not fit well with this regime considering that consumption is unregulated and based on ability to pay. Doling (1999) therefore concludes that East Asian housing regime should be separated from the western types and be a distinctive regime.

Similarly, Ronald (2007) also argues for a separated housing regime cluster for East Asia which he names as 'Eastern home ownership model'. He points out that the context which 'Eastern home ownership model' was constructed upon is very different from those of the 'Western home ownership model'. First, the lack of class solidarity and absence of political character of the middle class had prevented class-coalition in



determining housing policy as in the Western model (Ronald, 2007: 488). On the other hand, the weak awareness to housing right and acceptance of authoritarian leadership among East Asian people have not been observed from individuals in advanced western economies. With such diverse background, housing development in the East possesses traits that are not found in the 'Western home ownership model'. One of them is that housing is regarded not only as a welfare good but also as an exchange commodity through which to shift welfare responsibility from state to family. By encouraging owner-occupation, governments expect home owners to rely on their housing assets to meet welfare demand. This is especially true considering social welfare is relatively underdeveloped in the region. Another trait is that the expansion of the home owning sector is regarded by the state as beneficial to economic growth due to its positive influence on social stability. Governments have therefore actively involved in housing from planning to provision. Due to these two traits, Ronald (2007) proposes that housing development in East Asia should form an additional model alongside the 'Western home ownership model'.

At this point, it is evident that housing policy development in East Asia could not fit well in housing regimes that are developed out of western experience. Not only because the importance of housing in East Asian welfare regimes is unprecedented, housing policies also possess many unique traits including overriding economic as well as political consideration in policy making, strong state-led feature as well as the absence of class-based politics. These justify the formation of an additional housing regime cluster. The introduction of an additional housing regime cluster could better capture the housing policy development in the region and direct attention to its distinctive economic and political aspects. The new East Asian housing regimes therefore broadens the theoretical foundation of the analysis in later chapters.

## **7. Criticisms of East Asian housing regime cluster**

### **7.1. Challenge 1: the uniqueness of the East Asian Housing regime**

Yet, before accepting the notion of East Asian housing regime cluster, it is necessarily to examine its criticisms. In fact, many criticisms of East Asian housing regime share similar reasoning as those challenging the East Asian welfare regimes. One of them questions the uniqueness of those distinctive features to the region. From the perspective of such argument, asset based welfare as well as emphasis on self-reliance are not only observed in East Asian but also various liberal societies (Groves, Murie and Watson, 2007).

Yet, when evaluating this strand of disagreement, one aspect that needs special attention is the role of government. As discussed earlier in Chapter 4, owner occupied tenure is promoted in a more indirect manner such as through tax allowance and/or mortgage guarantee scheme in the dualist housing regimes. In sharp contrast, East Asian authorities have intervened housing in a greater degree. As aforementioned, public companies were formed to stimulate the expansion of housing market. There is also a wider range and more direct assistance in home buying. For example, Singaporeans could finance their home purchases by borrowing from public fund as well as withdrawing saving from the national pension scheme (Lee, 2008).

Such deep involvement of governments in the housing sector also represents its importance in maintaining the political legitimacy of the East Asian states. This legitimacy consideration in housing is also less relevant to those liberal countries. Chua (1997) for example points out that the success of housing programmes in Singapore has been used

by authorities to demonstrate their competency in improving the well-being of the general public. Through property price appreciation, wealth generated by economic growth could then be distributed in the government formed home owning society. Instead of only luring the public with 'carrot', housing policy acts as the 'stick' to strengthen political power of state. It is observed that the paces of improvement in public housing estates were deliberately slowed down in areas where the ruling party was less supported (Chua, 1997). These close linkages between housing and polity in East Asia therefore distinguish the East Asian asset based welfare with those in the other parts of the world.

## 7.2. Challenge 2: Public rental housing in East Asia as mimicry to European social housing

Beside the asset based feature, the large public rental housing programmes in some East Asian nations are challenged for not being East-Asia exclusive but only mimicry of those social housing programmes in Europe. Yet, this is not true. The rationale behind the development of those programmes is nothing close. In the West, social housing aims at de-commodifying labour. Therefore, subsidies are intended to increase social equity (Ronald and Lee, 2012). For East Asian states, public housing programmes like other housing initiatives or even more generally other welfare services are governments' measures to achieve developmentalism. Although the housing needs of workers may be met by these programmes, the intention is very much to commodify labour and reduce state liability rather than addressing the welfare of workers and social equity (Ronald, 2013: 396). First, the access to public rental housing units is neither a right of citizenship nor need-based. Places are allocated to those productive workers. Though the rent is cheap, tenants need to finance their own housing needs. These ensure work ethic to be

maintained. On the other hand, large scale public housing aims at encouraging self-reliance and intra-family welfare provision and hence reduces welfare burden on public finance. The low rent level also functions as a form of social wage by which welfare demand could be curbed and international competitiveness could be enhanced (Castells, Goh and Kwok, 1990). Such economic growth driven housing programmes therefore should be distinguished from the decommodified services in Europe.

### 7.3. Challenge 3: Recent changes transformed the housing regime

Previously in examining the criticism of the East Asian welfare regime cluster, it has been highlighted that recent contextual changes has undermined the distinctiveness of the regime cluster. Similarly, the structural changes in economic as well as other socio-political aspects of the East Asia societies during the past few decades have reshaped the nature of housing regime in the region. This leads to the question whether East Asian housing regime has been out-dated.

The economic liberalisation since the 1980s has marked the end of a long period of steady growth. The fluctuating economic performance followed reflects in the volatile housing price. This undermines the effectiveness of property as a reserve of fund which is the fundament of asset-based welfare (Ronald and Doling 2010). Moreover, during the Asian Financial Crisis in 1997, drawbacks of the overemphasis on home owning promotion became even more evident. The sharp decline in property price set off a vicious circle of recession. The prevalence of negative equity due to the collapse of property price led to contraction in consumption as well as investment in housing related industries. In turn, unemployment rate rose and pushed the economies further into slump (Forrest and Lee, 2004). These experiences forced the government to review the

suitability of the enthusiastic promotion of owner occupancy (Ronald, 2013, 397). For example, Hong Kong scrapped the Home Ownership Scheme after the housing market crash (Chen and Li, 2012). Singapore in 2002 also set an upper limit on the transfer amount from national pension fund to home purchase. This could be seen as a step to manage home ownership growth in a sustainable way.

Besides economic aspect, socio-political factors have also influenced the housing policies considerably. As aforementioned, democratisation since the 1980s has weakened the autonomy of governments in making policy. In the era of slow growth and job insecurity, welfare issues became the focuses in political contest. On other hand, after decades of development, the much affluent societies became increasingly polarised. 'Growth at all' ethos has been gradually losing support from the public (Ronald, 2013:397). Likewise, home ownership which is used to enhance social cohesion by sharing nations' wealth with citizens has turned into a source of social inequity. Housing market became a place for asset building and speculation. In turn, housing price became much less affordable to first-time home buyers (Ronald, 2013: 402). For examples, from 1986 to 1996, the housing price had increased 440 per cent in Singapore. Property price in Hong Kong also saw an increase of 66 per cent between 1995 and 1997. As a result, the proportion of home owners from younger generations went down creating divides between generations in the societies (Forrest and Hirayama, 2007). The upsurge of social inequality therefore demanded changes to be made in how housing provision was organised. Through democratisation, all these shifts transformed the housing regime cluster in East Asia. Governments began not only interested in achieving economic growth but also the distributional outcomes (Gill and Kharas, 2009: 191). Other than slowing down the expansion in owner occupation, governments revised public housing

programmes with greater social consideration such as addressing the housing needs of those who are excluded from the market (Ha, 2010).

Since productivism is considered to be one of the salient characteristics of the housing regime, the recent scrutiny of home ownership promotion and the abandon of pure economic consideration in public rental housing programme seem to weaken the identity of the regime. Before, homeownership was used intensively by the states to enable self-reliance and modest public provision through the construction of asset-based welfare model. The withdrawal from active home ownership promotion might therefore raise the concern of whether governments decide to step forward in housing provision. Likewise, the movement of public housing towards post-war European model of social housing leads to similar question (Ronald, 2013:402). Except for productivism, the strong state-led element in the housing has been diminished. The advance in democratisation and social development has barred governments to adopt housing policies freely. These structural changes might therefore consider undermining the distinctiveness of East Asian housing regime.

Yet, productive nature and state-led element of East Asian housing regime are still salient. Though these distinctive features are relatively weakened than before, they are still strong enough to distinguish the regime cluster from others. As discussed earlier, the volatile property price may undermine the effectiveness of asset-based welfare. The reassessment of support for home ownership might also look like a movement away from the self-reliance ethos. However, rather than extending the government responsibility significantly, self-reliance welfare provision is still the main theme in housing and has been continuously evolving. For example, in response to the aging societies and the decline in average family size, reverse mortgage schemes have been

introduced in several nations in the region including South Korea, Taiwan, and Singapore over the last decade (Doling and Ronald, 2012). This protects the governments from potential old age care burden when intra-family care exchange may not be possible. Similarly, after the suspension of public built-for-sale housing programme and public housing privatisation, the Hong Kong government has not expanded its role in welfare provision (Ronald, 2013: 403). It could therefore be argued that though the details of housing programmes may have changed in response to social development, the logic behind is very much unchanged.

Even though the state-led element could be deemed to be weakened by democratisation, the role of governments in housing is still crucial. For instance, by 2013, the Hong Kong Housing Authority still managed almost half of the total housing stocks which one-third of them being public rental housing (HKHA, 2015). It is therefore hard to conclude that the governments are rolling back in their participation in housing. Besides the large public housing sector, the government intervention in housing is observed to be heightened. For example, the Singaporean government has demonstrated greater interest in managing the housing cycle after the housing market crash. Various measures were carried out to boost the housing demand (Ronald, 2013: 405). Along with the housing market stimulus measures, the government also addressed the affordability issues by providing an increased number of subsidised rental housing to lower income households since 2008 (HDB, 2008). The expansion in social rental housing is also found in South Korea in the 2000s (Ha, 2010). All these suggest that the East Asian housing regime cluster is still vivid.

#### 7.4. Challenge 4: Diversity within East Asian housing regime cluster

Another thread of argument against the regime cluster points to the variety among housing development in the region. Ramesh (2003) for instance categorises East Asian nations into two groups with Hong Kong and Singapore in one group and, South Korea and Taiwan in the other. His point is that the two city states appear to be more committed to housing provision while South Korea and Taiwan lean on private provision and are less willing to spend public fund on housing. Groves et al. (2007: 204-205) even divides East Asian countries into three categories according to the trajectories of their housing policy development. This first group consists of Hong Kong and Singapore. Similar to Ramesh (2003), Groves et al. (2007) put these two city states into the same group because of the active management of housing by the states. The second group includes Japan, Taiwan and mainland China. Unlike the state-controlled housing model in Hong Kong and Singapore, these nations demonstrate greater reliance on the market in meeting housing needs of the societies. A growing private landlord class is found in these nations. The last group consists of only South Korea. For Groves et.al 's point of view (2007), South Korea is unique in the sense that the government adopts a "new dual interventionist role, maintaining the promotion of finance for home-ownership but envisaging a growth in public sector housing for rental and for subsequent ownership" (Groves et. al, 2007: 204-205).

Indeed, the diversity within the East Asian housing regime cluster is an issue that could not avoided. Yet, by recalling discussion earlier, 'welfare regime' only refers to a cluster of nations with similar traits. It, by no means, suggests a group of completely homogenous nations. Same logic applies to housing regime cluster. Countries within East Asian housing regime cluster are not necessarily the same in every aspect of their



housing policy. As long as these nations share close features in housing which, in this case, substantial economic focus in housing policy design and strong state element, the use of housing regime approach to study them could be justified.

Besides the similar traits, the common pattern of housing policy development helps to justify the use of regime cluster approach. Ronald (2013: 402, 411) though acknowledges differences between East Asian housing policy mechanisms, argues that there is a shared trend between them and such trend is crucial to understand the housing policy development in the region. At the early stage of development, East Asian states tended to support home ownership as well as housing commodification. The main reason behind was to use housing initiatives to assist economic growth. Either through growth in housing related industries or enabling family-based welfare provision, those housing policies could benefit the rate of economic growth in the nations. Remash, despite advocating sub-division of East Asian nations, recognises the aforementioned trend (2003: 151). This type of developmental strategy was in its heyday during the 1990s. However, followed financial crisis in the late 1990s, the end of strong long-term growth adversely affected the housing market. The shifts in economic confidence from time to time led to volatility in housing price. As a result, the old housing policy mechanism became inappropriate and adjustment was needed to be made. Since the 2000s, widespread changes in East Asian housing policy have been identified. The central theme has been the movement from pure economic consideration towards social objectives in housing policy making. Housing needs of the citizens especially those who are excluded from private provision were given larger concern. At the same time, shifts in policy emphasis from owner occupation to subsidised rental housing contribute to greater tenure diversification (Ronald, 2013: 402, 411). Such shared trend in policy development

and the similar traits among East Asian countries therefore provide a decent foundation for the regime approach.

Moreover, the diversity within the regime cluster is considered to be less an issue for this research due to the choice of cases. The two cases of this thesis, Hong Kong and Singapore, have been shown to have a high degree of similarity and are put into the same subgroup by scholars who seek to further distinguish East Asian nations. All these provide a strong claim against the argument based on diversity between nations in the cluster.

## **8. Conclusion**

This chapter starts off with the aim to consolidate the theoretical foundation of the research framework of the thesis. After reviewing the Esping-Andersen's welfare regime typology and Kemeny's housing regime approach in Chapter 3 and 4, it is found that they both fail to take into account of the East Asian experience. This causes their approaches being inappropriate for a direct adoption in this research. Given that those two approaches are based on western cases, it is very likely that a distinctive form of welfare as well as housing regime is out there in the East. There is therefore an urgent need to introduce an approach that could fill such theoretical gap and the East Asian welfare regimes come into sight.

East Asian welfare regime is a welfare regime cluster that is organised under the principle of East Asian model. It is characterised by two core features: developmentalism and Confucianism. Developmentalism captures both the subordination of social policies to economic objectives and the orchestration of actors towards economic objectives by

the states while Confucianism captures the strong family and work ethic in the design of welfare states in East Asia. These distinctive features of welfare development in East Asia are not found in the West and therefore used to argue for an additional welfare regime alongside those constructed under the western context.

Just like any model or theory, East Asian welfare regime cluster has no shortage of criticism. Earlier challenges focus on questioning the uniqueness of productivism to East Asian welfare development as well as the homogeneity among nations in East Asian welfare regime cluster. As it has been argued, the subordination of social policies to economic objectives alone does not make a nation to be grouped under East Asian welfare regime. For a society to be identified as a member of the East Asian welfare regime, not only such subordination has to be widespread, strong state-led element and the influence of Confucianism must also be found. In comparison, the criticism challenging the homogeneity among East Asian nations is much stronger. The diversity among East welfare states is considered to be a drawback that could not be avoided. Although the differences among nations in the same cluster are equally found in Esping-Andersen's typology, the lack of comprehensive research on East Asian welfare regime that comprises of all East Asian nations does make the approach vulnerable to this strand of criticism. Yet, such downside is less problematic in this thesis due to the choice of cases. Hong Kong and Singapore have been observed to be highly similar with each other in many aspects and frequently been placed in the same sub-group by scholars who wish to further distinguish East Asian countries.

More recent criticisms, on the other hand, argue that East Asian regimes have ceased to exist since the past decade due to some substantial changes in the socio-economic factors. These contextual changes have effectively weakened the distinctive traits of the

regime clusters including the growth at all cost principle and the orchestration of the state in achieving economic growth. Instead of written the East Asian welfare regime off, it is argued that productivist elements is still strong in the region and the approach only need a re-specification to acknowledge that developmentalism is no longer co-existed with productivism, and productivism has replaced developmentalism as its feature. However, such re-specification raises the concern about whether East Asian welfare regime has transformed into a liberal regime. A counterargument to it is that the simultaneousness of welfare expansion and economic liberalisation in East Asia do not match the description of liberal regimes.

Moreover, class elements are less critical as in the west when determining the outcome of welfare development.

After assessing the criticism, it could be argued that East Asian welfare regime is still an important tool to help comprehend the welfare development in the region. The reason for spending so much effort on discussing East Asian welfare regimes is that it is crucial to understand the development trajectory of East Asian housing policy. The Intertwined relationship between East Asian welfare regimes and housing policies in the region is particularly strong. Housing has played a much important role in the East Asian welfare regimes than in those in the west. Instead of only converting the form of the welfare state, housing policies have been playing a significant role in maintaining the survival of the East Asian welfare regimes since the very beginning. Housing is the core part of the East Asian welfare regimes. The persistency of the productivist nature in the regime is hinged on housing. By facilitating family-based and asset-based welfare, modest public welfare provision became possible and spare resources could be used for economic development. Housing also brings economic growth through enhancing international competitiveness and development in construction and real estate sectors.

Such strong economic focus as well as the top down policy making with deep political consideration have also distinguished housing policy in East Asia from its counterparts as these traits do not match the description of both regimes identified by Kemeny (1995). In both dualist housing regime as well as integrated housing regime, it could be seen that housing positions between social and economic policy. Yet, in the cases of East Asia, economic consideration played a greater role in the policy making process of housing as well as other welfare sectors (Ronald, 2013: 392). On the other hand, housing policy in East Asia was not an outcome of class struggles or political contests as suggested by Kemeny (1995). Rather than as a passive response, housing policy was an instrument for the governments to achieve their economic as well as political goals. Suffered from low political legitimacy, authorities in the region were found to resolve through housing.

It is evident that housing policy development in East Asia could not fit well in housing regimes that are developed out of western experience. These, in turn, justify the formation of an additional housing regime cluster. The introduction of a new housing regime cluster could better capture the housing policy development in the region and direct attention to its distinctive economic and political aspects.

Before accepting the notion of East Asian housing regime cluster straight away, its criticisms are examined in the last section of the chapter. In fact, many criticisms of East Asian housing regime share similar reasoning as those challenging the East Asian welfare regimes. These include not only arguments against the uniqueness of East Asian Housing regime and the homogeneity within the housing regime cluster, but also criticism that focuses on impacts of recent structural changes on the continuity of the regime. With careful scrutiny, it could be confirmed that these challenges are not

strong enough to write off the regime approach. The introduction of East Asian housing regimes could therefore broaden the theoretical foundation of the analysis in later chapters. With all the works done in these four chapters, a solid theoretical foundation has been laid. The next step will be using such theoretical foundation to construct a research framework for this thesis. This is expected to be dealt with in the following methodology chapter.

## **Chapter 6 Methodology**

### **1. Introduction**

In the previous chapters, fundamental knowledge needed for the research has been explored. The goals of this chapter are therefore to outline the logic of how the research questions should be answered and to draw together the key features of Comparative Historical Analysis (CHA) – based from an historical institutionalist perspective – and adaptations of it to meet the particular research needs of the study. Put it differently, the chapter serves the purpose of bridging theories and the case studies.

It begins by introducing and then justifying the research design of the thesis which is Comparative Historical Analysis (CHA). The discussion then moves on to the research methods of this study. With detailed examination, it will show that the combination of the Mill's methods and process tracing is best suited the aims of this study. By having the Mill's methods as the first step in the casual inference, several potential explanations towards the phenomenon could be ruled out. This not only allows the remaining hypotheses to be more convincing but also makes subsequent in-depth evaluation of the findings to be manageable. A more focused study using the process tracing technique could then validate their findings. Besides validating the findings of the Mill's methods, process tracing is employed to shed light on areas that the Mill's methods have failed to appreciate, such as temporal elements as well as institutional legacy, and more importantly to show how they affect outcomes. This three-step causal inference helps raise the creditability of the explanation and is believed to deliver a much more comprehensive view of the housing policy development in Hong Kong and Singapore since the colonial era. The chapter finishes by going through data collection and ethic

related issues. In a nutshell, this chapter aims to answer why comparative historical analysis is adopted in this research and how it should be done.

## **2. What is Comparative Historical Analysis (CHA)?**

First of all, it is necessary to understand what exactly Comparative Historical Analysis (CHA) is.

Gerring (2007) and Amenta (2003) have each put together a table respectively to illustrate the characteristics of CHA (see Table 5.1 & 5.2). Accordingly to Gerring (2007), CHA is a research design that consists of several cases with both spatial and temporal variations. In other words, the research using CHA employs data that collects across different cases (e.g. countries) as well as across an extended time frame. This understanding is echoed by Amenta (2003) who stressed the uniqueness of CHA is being a synthesis of comparative and historical approach.



<b>[Table 5.1] Research designs: A covariational typology</b>			
Number of cases	Spatial Variation	Temporal variation	
		No	Yes
One	None	1. (Logically impossible)	2. Single-case study (diachronic)
	Within-case	3. Single-case study (synchronic)	4. Single-case study (synchronic + diachronic)
Several	Cross-case & within case	5. Comparative Method	6. Comparative – historical
Many	Cross-case	7. Cross-sectional	8. Time-series cross-sectional
	Cross-case & Within-case	9. Hierarchical	10. Hierarchical time-series

Sources: Gerring (2007: 28).

<b>[Table 5.2] Causal Research According to Methodological Approach</b>			
		Comparative Approach	
		Yes	No
Historical Approach	Yes	Comparative and Historical	Historical Only: Historiography; Historical Case Studies
	No	Comparative Only:  Cross-national Analyses with Quantitative or Formal Qualitative Methods	Neither:  Within-country Quantitative Work; Present-Oriented Case Studies.

Source: Amenta (2003: 123)

The type of research design has been practised for a long time and could be traced back to the classic works done by, for examples, Adam Smith and Karl Marx. Although the leading position of CHA in social science research was challenged by other approaches in the mid-20<sup>th</sup> century, its recent re-emergence is observed within the discipline especially among the study of welfare state development in the US and Europe (Mahoney & Rueschemeyer, 2009: 16). Some notable examples are Esping-Andersen (1990), Hicks (1999), Huber & Stephens (2001), Pierson (1994) & Skocpol (1992).

### 3. Prominent features of CHA

Above, the features of CHA are briefly outlined. Yet, those aforementioned characteristics are needed to be further specified in order for the approach to be confidently employed in this thesis. It has been argued that in a radical sense, nearly all studies could possess historical and comparative elements as long as they refer to past events and juxtapose more than one observation (Mahoney & Rueschemeyer, 2009: 57). In other words, defining the CHA loosely would not be a wise choice. A clear and rigorous definition of the approach is therefore of paramount importance. Furthermore, there are still features of CHA not yet discussed. It is particularly crucial to comprehend the core traits of CHA considering that it shares a number of non-principal features with other methodological approaches (Mahoney & Rueschemeyer, 2009: 22).

By taking those concerns into account, Mahoney & Rueschemeyer provide a workable definition of CHA. They regard CHA as “a concern with causal analysis, an emphasis on processes over time, and the use of systematic and contextualized comparison “(2009: 18).

#### 3.1. *Explaining causation of important outcomes in delimited historical contexts*

Such definition is further elaborated into three prominent features of CHA. First, it is the approach’s unique goal of unveiling causation of the “substantively important outcomes”, for instances particular social phenomena or policy development trajectories, in delimited historical contexts (Mahoney & Rueschemeyer, 2009: 23).

Moreover, the causation discovered through CHA was not intended to be universally applicable. Instead, the explanatory power is deliberately confined to a small number of cases which have delimited historical as well as geographical contexts. For instance, when Orloff (1993) studied factors attributed to different paradigms of social provision for elderly, instead of developing an one-size-fit-all explanation that would be valid at all times and places, she only aimed to understand the similarities and divergences between the policies in three Anglo-Saxon countries (United Kingdom, United States & Canada) within a prescribed time frame.

By having placing causal analysis at the very heart of the approach, CHA distinguishes itself from approaches that are not set out for such purpose like those of the interpretivists.

### *3.2. Emphasis on temporal structure in analysis*

Second, since CHA regards historical events as temporal processes instead of a static occurrence (Pierson, 2004), the approach places heavy emphasis on temporal structures in analysis. The diversity in temporal structures such as the unfolding sequences, relative timing as well as duration of events was therefore considered to be a crucial element when deriving explanation for social phenomena or policy development (Mahoney & Rueschemeyer, 2009: 23-24). The work of Orloff and Skocpol (1984), for instance, attributes the timing of bureaucratic reforms in relation to full democratisation to the divergence in public social expenditures between the United Kingdom and the United states. The focus on temporal structures therefore could provide CHA a competitive edge over approaches like static cross-sectional analysis in understanding how identical causal events could exert different influences and thus lead to dissimilar outcomes.

### *3.3. Engaging in systematic and contextualized comparisons of Small-N cases*

Another distinctive feature of CHA is the systematic and contextualized comparisons of cases implemented in the approach. Unlike large-N quantitative approach, CHA involves only a limited number of cases. By scaling down the number of cases, this makes possible for researchers to carry out in-depth systematic examination of the cases and closer inspection of the relationship between them. On one hand, this allows variables chosen for study to be more representative and appropriate in context and hence enhances the conceptual and measurement validity. On the other hand, it forges a stronger linkage between cases and theories. Even though CHA inevitably suffered from generalisation problems, detailed small-N comparisons let scholars “move back and forth between theory and history in many iterations of analysis” much easier than under large-N statistical inference (Mahoney & Rueschemeyer, 2009: 24). This in turn facilitates the development of new concepts and explanations as well as theory refinement. A key outcome of this study will, indeed, be theory testing and whether CHA methods might be modified, for example, in the case of East Asian societies.

Furthermore, CHA could engage in contextualised comparison (Locke & Thelen, 1995). Through such detailed comparisons, a range of outcomes produced by different combination of variables under heterogeneous contexts could be comprehended. Put it differently, CHA users could better understand the varied effects of different combination of causal factors, e.g. social forces, under various environment, e.g. institutional contexts.

To summarise this section neatly, a paragraph in the work of Pierson & Skocpol could be of great help. “Three important features characterise 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 analyse macro contexts and hypothesize about the combined effects of institutions and processes (...)” (Pierson & Skocpol (2002: 695-696). Of these features it is perhaps the element of ‘time’ and temporality that is the major contribution to this approach. As Pierson in his analysis of four leading American political science journals, testing them for the time horizons adopted by the contributors. He found that half the articles were written in the context of short-term periods and only 10 per cent used an analysis that looked across long periods with sensitivity to cumulative processes of change (Pierson, 2004: 98). As a result, he argues that without taking the long view quite large parts of social science might well be seriously deficient in explaining policy outcomes.

#### **4. Why having CHA as research design?**

After having background knowledge about CHA, it is time to answer why CHA is adopted in the research.

The reason is simple. It is because CHA is the only design that could incorporate both the comparative and historical elements into the causal inference process. First, as the Gerring (2007)’s categorisation suggested, one of the prominent features of CHA is its ability to carry out both cross-case and within-case comparisons among several cases.

Such focus on limited number of cases instead of a single case analysis or large-N research therefore fits well with the research direction. The choice of a two-case comparison in this study arguably suits the research aims the best.

First, in contrast to single N studies, putting the two cases, Hong Kong and Singapore into comparison allows patterns of their housing policy to be found. By studying the convergence and divergence in their policies, a deeper understanding could be drawn about the cases, which in this research, the validity and the limitation of the notion that the two city-states in East Asia share a common housing regime. This is echoed by King et al. (1994: 208, 210-211) who argue that single-case study alone is not useful in testing hypotheses or theories due to its inability in excluding alternative theories and vulnerability to measurement error. A stronger conclusion could therefore come from comparison.

On the other hand, small-N studies are superior to large-N designs as well. Small-N studies are particularly useful in situations where statistical tools are ineffective, such as drawing up inferences about outliers and when the number of cases is too low. It also permits researchers to set boundaries of the generalisability of findings as well as to have richer understanding of each case (Ragin, 1989; Van der Heijden, 2014: 35-36)

A study that aims for a two-case comparison is undoubtedly in perfect match with the research design that could deliver it, i.e. CHA. Moreover, the potential for temporal elements to be incorporated in CHA further strengthens that decision. As repeatedly emphasised in the previous chapters, time is a crucial ingredient that should not be taken lightly when understanding socio-political phenomena. As Thelen and Mahoney show 'big picture' cases rooted in the long view of time lies at the heart of the CHA

approach. Pierson underscores the point when he suggests, “Failure to recognize the extent to which public policy outcomes are cumulative and slow moving can easily lead social scientists astray (Pierson, 2004: 91). What on the surface seems obvious may only be the tip of the iceberg.

On one hand, policy choices could be restricted by past events in the way of path dependency. On the other, variances in the time horizon of both the causes and outcomes of institutional changes mean that extra care is needed in determining the time frame of the research. These all together demand researchers to take historical elements seriously. That is why new historical institutionalists place them at the very heart of their analyses.

The attention of CHA on both comparative and historical elements, in turn, makes it a preferred causal inference strategy among new historical institutionalists. In other words, CHA is an established research methodology with a proven track record. By adopting the research methodology critically, CHA should be expected to yield fruitful findings in this study too.

## **5. The Choice of Research Methods**

The logic grounding comparative method could be traced back to John Stuart Mill’s ‘A System of Logic’ (1843). In it, two influential methods of causal inference were introduced, i.e. ‘Method of Agreement’ and ‘Method of Difference’. They together provide researchers with the non-statistical toolkits to understand a phenomenon that has two or more cases and yet only varied in one respect, i.e. cases for ‘controlled comparison’ or sometimes referred as ‘comparable cases’ (Lijphart, 1975). Despite being



distinguished from each other, both 'Method of Agreement' and 'Method of Difference' employed the same strand of causal inference logic, i.e. method of elimination. It mimics the process of solving equations in Mathematics. By excluding the proper elements, the solution, causal relationship between the remainder, could be found.

### 5.1. *Method of Agreement*

'Method of Agreement' denotes a technique for identifying similarity in the cause (independent variable) of a common outcome (dependent variable) in two or more cases. As the cases share the same dependent variable, it is impossible for any potential independent variable that is not shared among them to be able to explain such identical outcome. Researchers using the logic of elimination could then exclude causes/conditions that are not present in both causes that demonstrate a common outcome (George and Bennett, 2005:155). As for the remaining dependent variables, scholars could argue that they are the necessary causes for the outcome. Necessary causes, here, mean that their absence will directly lead to the absence of outcome in question. Yet, it is worth knowing that the logic does not work the other way round since the occurrence of a necessary cause cannot guarantee the presence of the outcome (Mahoney, 2009: 408-409). The method of agreement can in this way provide a powerful basis to eliminate potential necessary causes and thus their associated hypotheses.

### 5.2. *Method of Difference*

On the other hand, 'Method of Difference' is employed to identify the difference in causes (independent variables) that lead to different outcomes (dependent variables). Again, the logic of elimination is employed here. Given that different outcomes are found

between cases, the conditions that are observed in both cases are considered not related to the divergence in outcome, and thus are excluded (George and Bennett, 2005:156). By excluding the common conditions, the causes that vary among instances are deemed to be the sufficient causes for the outcome. In contrast to a necessary cause, the presence of a sufficient cause will always bring the outcome in question. However, its absence might not mean the non-existence of the outcome. In other words, for a given factor to completely determine the presence and absence of an outcome, that independent variable has to be both necessary and sufficient causes of the dependable variable. The method of difference can in this way provide a powerful basis to eliminate potential sufficient causes and thus their associated hypotheses (Mahoney, 2009: 408-409).

### 5.3. *The limitation of Mill's methods*

Even with their ground breaking nature, 'Method of Agreement' and 'Method of Difference' both suffer from limitations which undermine the credibility of their causal inference as well as their applicability.

#### 5.3.1. Possible omission of explanatory variables

A weakness of the methods that is frequently brought up is their need to have all causally relevant variables identified before analyses. Given that social phenomena are usually developed in a complex manner, the likelihood of not being able to uncover all the variables is extremely high. The possible omission of explanatory variables could then render the inferences of both measures being 'false positive' or 'false negative'.

For the 'Method of Agreement', the possible omission of independent variables means that the common conditions that remain after the elimination procedure might not be the true causes to the common outcome. There is therefore always the possibility that a new case with the same outcome does not have the same common causes found in the previous studies. In other words, determinative independent variables might well be those unidentified and hence the method reveals the original causal inferences as 'false positive'.

Likewise, the 'Method of Difference' suffers from a similar drawback. With possible unidentified variables out there, independent variables which are not observed in both cases might not be the right explanation for variance in case outcomes. The original causal inferences could always become 'false positive' when the presumed causes for the differences in outcomes are not found later among cases displaying similar divergence (George and Bennett, 2005:155-6).

Other than 'false positive', 'false negative' is another issue troubling Mill's methods.

Under the logic of elimination, the 'Method of Agreement', for example, informs researchers to exclude conditions that are not present in both cases. By doing so, scholars face the risk of eliminating variables which their significance to the outcomes reveals only when previously omitted independent variables are identified. Such premature removal of important variables caused the problem of 'false negative' (Zelditch, 1971: 299,300,306).

Those issues that stem from the possible omission of explanatory variables are hard to resolve. It is not only because of the complex nature of social phenomena and their multiple determinants, but also the lack of comparable cases for experimental control.

The limited variety of cases in small-N comparison also means that if too many independent variables are brought into question, underdetermination i.e. 'too many variables, too few cases', is another problem created (George and Bennett, 2005:156).

### 5.3.2. Equifinality

Even against all odds, all relevant variables could be identified, Mill's methods still faces a prominent weakness, i.e. equifinality. Equifinality, also known as 'multiple causality' or in Mill's words 'plurality of causes', captures the situation where the same type of phenomenon could be developed from different cause or combination of conditions. With the chance of multiple causality, new cases later might discover independent variables which are not identified before, to be associated with the same outcome in the previous investigation and thus disprove its conclusion. The 'Method of Agreement' therefore could not be certain that the dependent variable in question is only associated with the independent variable which survives the elimination procedure (Raign, 1989: x, xii, 15, 20, 25, 37, 39, 43, 46, 47). In other words, equifinality requires research methods to be able to account for different causal patterns towards similar outcomes. In this sense, the conclusion drawn from the Mill's methods could neither be the comprehensive explanation of the phenomenon nor predict the outcome of other cases with confidence given that the causal weight of the common factors remain unknown (George and Bennett, 2005:161).

Due to these downsides, the Mill's methods could only work well in unveiling causality under specific circumstances. First, as discussed earlier, unidentified variables could effectively jeopardise the causal inference of the Mill's methods. Therefore, the first condition is to require all relevant variables to be identified before analysis. Second, in

response to equifinality, the relationship in question between dependent and independent variables has to be in a single causal pattern, i.e. a specified outcome is always caused by one unchanged condition. The chosen cases in other words have to be identical in every respect but one. Finally, to prevent the problem of underdetermination, cases being studied have to represent a full range of variety with all possible causal relations available for study.

However, these conditions are highly difficult if not impossible to achieve even Mill himself has recognised these non-negligible obstacles in applying his methods to social science investigation due to the complex nature of social phenomena as well as their causes. As a response, the researchers have been desperate to come up with alternatives that could preserve the spirit of controlled comparison while minimising the drawbacks of the Mill's methods. Motivated by such aspiration, there have been several attempts over the years including but not limited to Qualitative Comparative Analysis (QCA) (e.g. Wickham-Crowley, 1991), before-after case study designs (e.g. Campbell & Stanley, 1963; Collier, 1991) and counterfactual analysis (e.g. Tetlock and Belkin, 1996).

#### *5.4. Mill's methods as the first step of causal inference*

Despite the downside of the Mill's methods, the research for this study still considers the Mill's methods as the stepping stone for causal inference. Reasons are threefold. First, not all the limitations of the Mill's methods are exclusive to them. A prominent example is the possible omission of explanatory variables. Every method of causal inference could potentially fail to identify some causal factors from time and time which in turn undermine the validity of its causal inference (Georg and Bennett, 2005: 262). If all methods of causal inference even the most sophisticated statistical analyses would suffer

from such issue, it is unjust to argue against the Mill's methods based on it (Mahoney, 2009: 419).

Secondly, the benefit of employing alternatives built upon the Mill's methods is not overwhelming after taking their improvements and drawbacks into consideration. Over the years, many scholars have developed various alternatives aiming to preserve the spirit of controlled comparison while minimising the drawbacks of Mill's methods. Although some improvements could be seen, they all have their own problems and/or are not appropriate in terms of the context of this research. For instance, Qualitative Comparative Analysis (QCA), which brings in Boolean algebra to 'patch' the equifinality issue in the Mill's methods and allows for multiple conjunctural causation, requires a much larger number of cases than this research could provide for it to be effective (Wickham-Crowley, 1992). It also requires all causally relevant variables to be included in order to prevent spurious inferences, but there is no guaranteed that such condition is possible (George and Bennett, 2005: 163).

More importantly, many of those drawbacks are inherited from the Mill's methods as they are built upon the logic of the Mill's methods. Through a detailed review of these alternatives, George and Bennett argue that "all efforts to make use of the controlled comparison method fail to achieve its strict requirement" (2005: 152). Furthermore, these revised methods tend to introduce extra layer of complexity over the original one, and hence raising the time costs of their adoption. In this sense, the benefit of using those methods over Mill's methods is not overwhelming. This helps justify the choice of employing original Mill's methods and validating the findings by a completely different technique, i.e. process- tracing.

Last but the least, the Mill's methods are effective tools in eliminating potential necessary and sufficient causes. Although the weaknesses of Mill's methods in terms of analysing multiple explanatory factors as well as combined effects are indisputable, they are useful in ruling out rival causal hypotheses (George and Bennett, 2005: 157). The deterministic nature of the Mill's methods allows them to systematically eliminate potential causes that fail to match the patterns for necessary or sufficient causation and in turn falsify the associated hypotheses even with only a handful of cases (Mahoney, 2009: 408-409).

Luong (2002), for example, adopts the method of difference to rule out hypothesis claiming that the divergence in the electoral systems of Post-Soviet states is attributed to their level of development by illustrating their similar level of socio-economic development.

Likewise, Marx (1998) employed both method of agreement and method of difference to gain richer understanding of the mechanism behind the similarities and differences of repressive racial domination in United States, South Africa and Brazil. By showing that Blacks suffered from discrimination in both the United States and South Africa, Marx (1998) through the method of agreement managed to eliminate explanatory factors that vary among them such as the presence of an African-descendant majority. On the other hand, the variance in repressive racial domination between United States, South Africa and Brazil allows the method of difference to eliminate potential explanations that hinge on factors which vary across them. With the help of the Mill's methods, several potential explanations toward the phenomenon could be ruled out. Hence, such elimination processes help raise the creditability of the remaining explanations if not confirm them.

By using Mill's methods to narrow down the theories that could be used to explain the housing policy development in a period, a more focused in-depth study to validate the findings from the Mill's methods could then be carried out.

#### 5.5. *The combination of the Mill's methods and process tracing*

The Mill's methods are by no means the only instruments to identify patterns of causation in this research framework. Rather, they are, as suggested by Van Der Heijden (2014: 37), only the starting point of comparative methods. Due to weaknesses of the approach, the findings of 'Method of Agreement' and 'Method of Difference' are not final until they are checked out by another causal inference technique.

As Mahoney (2009: 404) points out, comparative historical analyses are not limited to any strategy of causal assessment and hence a wide range of approaches are used eclectically. It is not uncommon to see causal inference strategies being combined in research. This is echoed by George and Bennett (2005: 179) who believe within-case analysis could be used "in conjunction with the studies making cross-case comparison" as well as Blatter and Haverland (2014: 60). One type of combination, which is the one being used in this thesis, involves the techniques of identifying the necessary and sufficient causes of an outcome (i.e. Mill's methods) and the strategy of analysing causal processes (i.e. process tracing).

Before going into the discussion of the complementary use of the two causal inference methods, it is necessary to illustrate process tracing in greater details.



## 5.6. *Process Tracing*

Unlike the Mill's methods, process tracing is not a form of cross case analyses, i.e. strategies that juxtapose cases with one another. Instead, it is a type of within-case assessment that focuses on comparison, as its name suggested, within a particular case (Mahoney, 2009: 405). It aims to identify the causal mechanisms, i.e. processes and intervening variables that link the hypothesized explanatory variable to the outcome (Bennett, 1997; Mahoney, 2009: 428-431). In other words, it is not a variable-oriented approach that looks for the causal power of a particular variable through comparison across cases. Instead, it focuses on the causal path, a sequential combination of causal factors for producing a specific outcome, in a single case (George and Bennett, 2005: 179).

### 5.6.1. Advantages of the combining Mill's methods with process tracing

Previously, it has been illustrated that the findings of the Mill's methods need to be validated by a completely different technique. Yet, there remains a question unanswered: why process tracing is not employed alone. The answer is that the complementary use of both methods brings greater benefits than solely employing either one.

First, the Mill's methods could help reduce the time cost for practicing process tracing deductively. Although process tracing could be used both deductively and inductively, this research plans to emphasise its function in testing theories. It is because there has been no shortage for theories and hypotheses in explaining the development trajectory of housing policy in Hong Kong and Singapore. Taking the origin of Hong Kong public housing sector as an example, there are at least four hypotheses trying to provide

rationale for the initial development including but not limited to the benevolent state argument (Hopkin, 1971; Pryor, 1973), land for industrial development notion (Drakakis-Smith, 1979; Keung, 1985), social wage thesis (Castells et al., 1990) and political stability hypothesis (Smart, 2006). The prevalence of competitive hypotheses removes the urgent need for an inductive use of process tracing in developing a new theory.

As a well-recognised methodology in testing theories especially in the context where interaction effects between variables are expected (Hall, 2000: 14, 18), process tracing is utilised to assess theories by matching the hypothesised mechanism that links the independent variable with the dependent variable with the observed mechanism (George and Bennett , 2005: 177, 207). Put it differently, the causal chain is constructed according to the theory in question before comparing with within-case observation. A theory could only be validated by process tracing until each step in the mechanism it hypothesised consists with real-world observation.

Given that the process tracing explanation couches in theory rather than pure historical account (George and Bennett , 2005: 225), the construction of deductively derived hypotheses as well as the subsequent theory-testing is complicated and time consuming. Not only because it involves appraising the expectation and action of numerous actors, but also to take into account of a range of instructional and temporal elements. The abundant supply of competitive theories means more hypotheses needed to be addressed and thus the aforementioned procedure takes even larger effort and time to complete.

With the combination of the Mill's methods and process tracing, the Mill's method could provide a basis for downsizing the number of hypotheses to be studied by subsequent process tracing and allow explanation to be derived from a more manageable size of theories. This also spares time for researchers to use process tracing to focus on the influence of some important elements that are omitted in the Mill's methods, including timing, sequence and institutional legacy. Such time saving benefit is particularly crucial to this research since it involves comprehending the development of housing policy not during a short period in one country but an extended period of two countries.

Secondly, process tracing could compensate for the limitation of cross-case analysis due to its distinct causal inference technique (Blatter and Haverland, 2014: 80; George, 1979<sub>1</sub>; George, 1979<sub>2</sub>; George and McKeown, 1985; Raign, 1989). As aforementioned, process tracing aims to locate the causal mechanism between dependent and independent variables. The focus on disaggregated units, e.g. processes, demonstrates a sharp contrast with other comparative analyses such as the Mill's methods that study aggregated cases, e.g. nation states (Mahoney, 2009: 405). On the other hand, process tracing concerns causal mechanisms rather than covariance between explanatory and outcome variables (Mahoney, 2009: 431).

Those differences, not only prevent process tracing suffering from the same inferential errors of the cross-case analysis but also allow it to infer causation in a way unlike the Mill's methods and hence to become a useful tool to evaluate the finding of cross-case analyses (George and Bennett, 2005: 215, 234). If multiple within-case accounts confirm the causal pattern derived from findings of cross-case methods, researchers have strong basis to persuade others that the hypothesised causal relationship is not spurious. On

the contrary, when with-case observations fail to consist with the cross-cases finding, process tracing could falsify the potential hypotheses (Campbell 1975: 182).

Likewise, process tracing could help tease out the most important explanatory factors among a range of potential candidates. When a number of explanatory variables survive the elimination process of the Mill's methods, researchers would encounter difficulties in determining the explanatory weight of them. Alternatively, if within-case analysis is brought into the framework, it could further narrow down the remaining variables and render the analysts with the most persuadable explanation (George and Bennett, 2005: 207, 214; Mahoney, 2009: 430). In the same strand of argument, process tracing may also suffer indeterminacy. George and Bennett, for example, have highlighted the possibility for "more than one hypothesized causal mechanism consistent with any given set of process-tracing evidence" (2005: 222). Hence, with the Mill's methods providing extra means for narrowing down the potential explanation, the combination of methods has a better chance identifying the real causation.

Most importantly, process tracing could also shed light on the causation between the outcome variables and some important aspects that are hard to conceptualise into explanatory variables and to analyse by observing their covariance with the dependent variables but yet could significantly alter the outcomes. These include timing, sequence as well as legacy. (Blatter and Haverland, 2014: 73; George and Bennett, 2005: 212) Last but not least, process tracing could overcome the incapability of Mill's methods in term of handling equifinality. Given that there is no limitation on the number of causal paths to a particular outcome, process tracing has a better chance showing a comprehensive view of phenomenon (George and Bennett , 2005: 207, 215).

By bringing in process tracing into the research framework, internal validity of the findings could be enhanced. According to Brady and Collier (2004: 292), internal validity refers to “the degree to which descriptive or causal inferences from a given set of cases are correct for those cases”. As process tracing is dedicated to understand the case in depth, findings that are validated by it are likely to be genuine (Van der Heijden, 2014: 49)

Such complementary use of both methods does not simply stop at methodological discussion. Rather, it has been practiced throughout literature. For instance, when studying the origins of revolutions in France, Russia, and China, Skocpol (1979: 170–1) employs process tracing to reject explanatory variables, such as ideologically motivated vanguard movements, that survive the cross-case methods. By exploiting the strength of process tracing in respect of timing, Skocpol could distinguish that factors like ideologically motivated vanguard movements, even presented in all three revolutions, could not be the crucial causes as they emerged too late to be the triggers. The supplement of process tracing with cross-case comparison in her study provides not only a deeper understanding to the research question but also a new methodological paradigm, and is therefore well-received by many scholars (Mahoney, 1999: 1157; Sewell, 2005: 97).

Similarly, by employing process tracing, Luebbert (1991: 308-309) in his research of fascism argues against the notion that the existence of labour-repressive landed elites who could rally considerable lower-class support in countryside leads to the rise of fascist regimes, i.e. the so called ‘Moore–Gerschenkron thesis’. Although such explanation is supported by covariance between variables, the attention to causal mechanisms by process tracing enables Luebbert to notice that the ‘Moore–

Gerschenkron thesis' does not match with the historical record of the fascist cases and hence to reject such hypothesis. This example again demonstrates the value of the complementary use of both methods.

As the previous examples suggested, process tracing is an indispensable tool in validating findings of cross-case analysis. In some cases, it helps reject the unimportant, if not spurious, causal variables. On the other hand, if the results from process tracing consist with those from cross case comparison, the hypothesised explanation in question would be supported by strong evidence. Collier and Collier (1991) who combine both the Mill's methods and process tracing in their research on the effects of strategies of the Latin American states in shaping the labour movement manage to strengthen their cross-case findings by revealing the causal mechanisms connected explanatory and outcome variables. By identifying the processes which link different types of labour incorporation with their corresponding party system outcomes, the argument derived from the Mill's methods therefore becomes much more persuasive.

## **6. Structure of the research**

At this point, the complementary use of both the Mill's methods and process tracing has been justified. This section will be on the structure of the research.

Before that, the research question needs to be clearly illustrated. When reviewing the East Asian regime literature, Hong Kong and Singapore have always been grouped into the cluster for study due to the existence of authoritarian regime, Confucianism influence as well as economic focused social policy. Although many have challenged the homogeneity of countries in the East Asian Regime, the heterogeneity of Hong Kong and

Singapore are barely mentioned. Instead, they still belong to the same sub-group even some scholars seek to further distinguish nations in the regime (Hendersen and Appelbaum, 1992; Holliday, 2005; Kwon and Holliday, 2007; Peng and Wong, 2010).

According to the criteria of the East Asian welfare regime, these two nations fit well in the regime. At first glance, the housing policy development in both cases also seems to mirror each other. From the residual housing policy during the colonial era to the large scale public housing provision in post-war period, their housing policy trajectory appeared to have a high degree of similarity. The thesis first tries to unveil the forces behind the convergence in housing policy outcome since the colonial era.

Yet, with some preliminary researches, it appeared that underneath the similar policy outcome in post war period, i.e. large-scale state-led housing provision, lay significant different policy details. For instances, the degree of universality of housing welfare and the level of government's enthusiasm in home-ownership promotion varied considerably. This raises the question whether the two cases should be grouped under the same regime. The details of housing programmes in Hong Kong would be checked against the fundament of the East Asian housing regime to see if Hong Kong is a deviant case and whether the inconsistency in the housing policy development could justify a subdivision of the regime in terms housing or even an entire overhaul. In short, at the heart of the research are questions about the nature of the so called 'East Asian' regime and whether or not 'housing' per se is an exceptional part of public policy which complicates regime theory.

### 6.1. *Research design*

In order to answer these questions, this research will adopt the 'cases in the same type' research design within comparative historical analysis. This research design allows comparison to take place between cases that are grouped into the same type based on their independent variables. As aforementioned, Hong Kong and Singapore have always been grouped into the cluster for study due to the existence of authoritarian regime, Confucianism influence as well as economic focused social policy. Other than the similar characteristics identified by the East Asian regime, both city-states mirror each other in various aspects. First, from a historical perspective, they both transited to modern societies under the British colonisation. The British institutional legacy is believed to have a non-negligible influence on the policy development before and after independence. Besides, before the government intervention in housing, acute housing shortages due to large influx of migrant were observed in both places. Moreover, as city-states, they face alike geographical constraint in terms of limited supply of land for housing the high population.

Since two cases fits well in the East Asian regime typology as well as demonstrating similarities in many aspects, there is a strong rationale for the choice of the 'cases in the same type' research design. A working assumption of this design is that cases in the same type should have outcomes very alike. In the process, a case could act as a template of regulatory path so that when comparing against the non-consistent case, the time when their paths diverged could be located and factors behind the divergence could be outlined (Blatter and Haverland, 2014: 78).



Here, the thesis is not to rule out the similar housing development between the cases. As aforementioned, the first part of the research question is to unveil the forces behind the convergence in housing policy outcome. The residual housing policy in colonial era and large-scale intervention in housing in post-war period were indeed shared in both Hong Kong and Singapore.

Rather, the focus of the second part of the research question is on whether the divergence in policy details within the seemingly the same housing policy outcome is strong enough to challenge the categorisation of the two cases. In other words, the research aims to evaluate whether it is appropriate to group both Hong Kong and Singapore into a homogenous East Asian housing regime based on their policy development. In the process, the potential causes behind such divergence would be outlined. The ultimate goal is however to assess whether or not 'housing' per se is an exceptional part of public policy which complicates regime theory.

This research design therefore opens up the opportunity to test for the validity of the specification of the East Asian regime. As the cases of the regime experience some degree of differences in the outcome, this study intends to assess whether one of them being a deviant case and to unveil the causes behind. As a result, not only the validity of the East Asian regime could be evaluated, additional variables that exert influence could also be revealed (George and Bennett, 2005: 252).

## 6.2. *Research Methods*

The investigation is roughly divided into three sections: a cross-case comparison employing the Mill's methods, within-case comparisons aiming to validate the cross-case findings, and process tracing to highlight omitted elements from cross-case comparison.

### 6.2.1. Cross-case comparison employing the Mill's methods

As discussed before, the Mill's methods will be the first step of causal inference. Yet, before carrying out cross-case comparison, it should be stressed that the long history of housing policy development would be broken up into two periods for more logical and focused studies. Although the research aspires to comprehend the history of Hong Kong and Singapore housing policy development from the colonial era to the 1970s, there would not be only one comparison between two cases that involves more than a century of development. Instead, the housing policy development would be divided into two periods for examination, including the colonial era prior to the end of WWII, (1800s-1940s), and post-war period until the 1970s. It is because this would allow the comparison to be more manageable and most importantly to reflect the distinctive features of policy development in each period, thus to better identify the factors that drove the convergence and divergence between cases. The year which separates each period is therefore determined by the occurrence of events that alters the nature of housing policy in the previous period. In this sense, the two cases will start and end the same period in a different year. For example, the second period is characterised by the large-scale public provision of cheap and low-quality housing. Since two countries initiated the public housing programmes in 1953 and 1959 respectively, they have different starting years of the same period.

After drawing lines between the periods, the thesis will construct a cross-case comparison by referring to relevant literature. During the previous chapters, several elements, including those of the welfare regimes and housing regimes have been identified to have causal influence on policy trajectory. Built upon that knowledge, case specific theories racial harmony in Singapore (Drakakis-Smith & Yeung, 1977) will be brought in to enrich the discussion. Like before, the variables using in the comparison are different across periods. This is to better reflect the context at the particular period. For example, independent variables suggested by the East Asian regime will only be applied to compare the housing policy development after the Second World War. It is because such strong emphasis on economic objectives in social policy making only began in the post-war political atmosphere rather than the colonial era. By choosing the appropriate variables for the period, the comparison could be more focused.

With variables being identified, the Mill's methods are employed to assess covariance between dependent and independent variables. To be more precise, the Method of agreement is adopted to eliminate potential necessary conditions when the same outcome is observed across cases while the Method of difference is used to rule out hypothesised sufficient causes when divergence takes place between countries.

#### 6.2.2. Within-case comparisons aiming to validate the cross-case findings

The use of the Mill's methods manages to exclude many theoretically possible explanations (Blatter and Haverland, 2014: 79). Yet, the findings are not conclusive and should not be taken for granted at this point. As discussed in great details before, the cross-case comparison is not flawless. It requires complementary use with the

within-case comparison to minimise the risk of spurious causation. The next step in the causal inference is therefore to validate the cross-case findings by the within-case comparison. First, it is to construct hypothesised causal mechanisms that link the causes and outcomes according to the theories that survive the process of elimination. With the help from the cross-case comparison, the theories that need to be addressed are narrowed down substantially. It allows subsequent process tracing to be much manageable. Then, the hypothesised causal mechanisms would be compared against the within-case observation to see if they match. If the real-world observation deviates from the expected pattern, process tracing could rule out the causation in question. The findings of the Mill's methods could therefore be validated in such a way.

### 6.2.3. Process tracing to highlight the omitted elements from the cross-case comparison

The final step in the causal inference is to employ process tracing to highlight the omitted elements from the cross-case comparison. Earlier, process tracing has helped validate the hypotheses that survive the process of elimination. Other than those assessed by the Mill's methods, there are still elements that are hard to conceptualise into explanatory variables and analyse by observing their covariance with the dependent variables. These include temporal elements as well as institutional legacy. In view of this, the thesis continues to utilise process tracing to shed light on areas that the Mill's methods have failed to appreciate and more importantly to show how they affect outcomes.

Process tracing, unlike the Mill's methods, acknowledges that the outcome could never be fully comprehended by only analysing independent and dependent variables (Hacker, 1998). Timing, sequence and temporality therefore play a key role in the within-case

comparison (Blatter and Haverland, 2014: 66, 78). These temporal elements are recognised as processes that unfold historically rather than values of particular variables (Hacker, 1998: 84). By focusing on these processes, the technique could develop sophisticated understanding about causation and could encompass temporal elements that have been neglected in the cross-case comparison into explanation. Among various forms of causal processes, the one that is characterised by path-dependency is particularly related to time.

In Chapter 2, path-dependence has been gone through in great details. It refers to a situation where “the costs of reversal are very high once a country or region has started down a track. There will be other choice points, but the entrenchments of certain institutional arrangements obstruct an easy reversal of the initial choice.” (Levi, 1997: 28). By realising the causal mechanism that could be characterised by path dependency, process tracing helps to understand the restriction in policy choice and in turn better understand the housing policy development trajectory. The ability to take temporal elements into account proves process tracing a vital component in the research framework and renders the findings to be more convincing.

Lastly, unlike in the cross-case comparison section, the investigation here is not confined within the predetermined period. As stressed earlier, process tracing intends to address elements omitted in the cross-case comparison. Among them, there are temporal elements like the variance in time horizons. By recalling discussion in Chapter 2, the time horizon of both the causes and outcomes of institutional changes can either be short or long (Pierson, 2004). As a result, there are four different types of institutional changes which form by various combinations of different types of causes and outcomes. In short, the cause and outcome do not always be in close proximity in terms of time. The

possibility of cumulative causes as well as slowly unfolding outcome therefore demands the process tracing technique to consider a more flexible time frame. However, it does not mean that each moment in such a long time frame will be given the equal weight in the investigation. Otherwise, the research will be cumbersome and lack the necessary focus. Instead, more intensive discussion will be around the moments of change, i.e. the critical junctures while the longer time periods will be given less intensive discussion (Blatter and Haverland, 2014: 75).

At this point, the research structure has been outlined. The complementary use of the Mill's methods and process tracing has been shown to bring significant benefits. Yet, like every research method, they together are not without downsides. One potential issue of this structure is that variables might be completely ruled out after both methods are applied. There certainly would be a possibility that none of the hypotheses could be causally explained the outcome. This could equally likely be the result of the false negative problem. As illustrated in the previous section, this problem arises when the Mill's methods prematurely eliminate variables.

However, such risk is worth taking. First, the time that could be saved by the Mill's methods is substantial. Without the Mill's methods narrowing down the potential hypotheses, the scale of the research could be completely unmanageable. Second, even if no hypothesis suffers the validation of process tracing, it does not mean that the research has no contribution. Instead, a conclusion could be drawn by suggesting that none of the hypotheses is found to be associated to the outcome in question by using those two research methods. Also, as the first comprehensive study of the housing policy in the two East Asia city-states over an extended time frame, the research is more about setting an example in realm. Findings could be accumulated by future studies.

## 7. Data collection

Regarding the data collection, this research mainly relies on secondary sources with supplement of primary sources while avoiding the use of tertiary sources.

Although there are controversies over a detailed distinction between primary and secondary materials, it is widely accepted that their main differences are “in terms of contemporaneity of the source and closeness to the origin of the data” (Finnegan, 2006: 142). For primary sources, they are the original materials from the time period involved offering the first-hand information that neither being interpreted nor judged (Finnegan, 2006: 142). Primary sources which will be used in the study include but not limited to autobiographies (e.g. Lee, 2000), speech (e.g. Dhanabalan, 1989), hansard (e.g. Legislative Council, 1996), survey research (e.g. Yeh and HDB, 1972), newspaper articles written at the time (e.g. The Straits Times, 1952) as well as records of both the government and non-government organisations (e.g. Constitution of the Republic of Singapore; Freedom House, 2015).

Secondary sources, in contrast, are sources that prepared after the time period involved and are one step further away from their origin. They are usually the work or finding of those who study the raw materials (Staines et al., 2008: 41). In other words, they are the products after the primary sources being “collected, compiled, summarised, analysed, synthesized, interpreted, and evaluated” (Van Rys et al., 2012: 35). They are therefore produced with different objectives in mind (Bryman, 2008, p.515). A few secondary sources which will be used in this thesis are journal articles (e.g. Drakakis-Smith and Yeung, 1977), monographs (e.g. Chua, 1997), and government statistical data (e.g.

HDB, 2015). The use of secondary sources not only helps with the case studies but also with the development of the research framework. As in the previous chapters, a wide range of social science literature has been referenced to create a solid institutionalist framework.

Finally, a tertiary source refers to “a source’s source – three times removed from the original source” (Staines et al., 2008: 41). It is produced by summarising and condensing information in various secondary sources (Van Rys et al., 2012: 36). Entries in Wikipedia are therefore considered as examples of tertiary sources. Unlike the primary and secondary sources, the tertiary sources will be avoided in this thesis due their distance from the raw materials. Given that the information of tertiary sources has been passed on for several times when it becomes a tertiary source, the likelihood of it containing errors and distortion become non-negligible. Complex issue might also suffer from oversimplification. As a result, there possibly would be a gap between it and the original material. In turn, it undermines the reliability of tertiary sources (Van Rys et al., 2012: 36).

As aforementioned, this research mainly relies on secondary sources. This choice is not because secondary sources are superior to primary sources but mainly being more accessible. Motivated to study the historical development of housing in Hong Kong and Singapore, the time span concerned in this research is huge. Many original materials especially those from the colonial era and early days of independence have been too costly in terms of time as well as in financial sense to obtain in a ‘one-man’ research if not unavailable to access. Likewise, some primary sources such as interviews of stakeholders century before have become entirely impossible. The use of secondary



sources therefore helps relieve the issues above by saving considerable research labour as well as rendering extensive data (Bryman, 2008, p.297).

Moreover, the reliance on secondary sources is less a problem here. This research is neither the first nor the last comparative historical research that heavily relies on secondary materials. In fact, it is a rather common practice with CHA due to the breadth of the research question. Data from historical secondary sources is often used for CHA (Lange, 2013: 15).

Although secondary sources may not match the same level of details as purposely collected primary materials, the use of them does not hinder analyses to take place. It is because instead of the policy-making process of a particular policy, CHA focuses on the slow-moving policy developments over an extended period. As long as the institutional characteristics could be identified in secondary sources, some level of simplification in policy details here and there will not affect the big picture.

Furthermore, as discussed in the East-Asian model chapter, housing policy making in the East Asia, at least until the early period of industrialisation, was very much in top down manner. Political struggles between groups in policy making were to a lesser extent in comparison to the western experience. This unique characteristic in both cases helps reduce the potential negative effect of this data collection practice.

### *7.1. Where to access data*

Earlier, it has been briefly outlined the types of data in this research. Next question is therefore where those data could be found. Both Hong Kong and Singapore has a high

degree of information freedom. Records of public housing bodies such as reports and yearbooks as well as official statistics could be accessible by the public. In comparison, Singapore has done even better in two aspects: the online accessibility of data and the organisation of data.

First, most of the housing policy related materials in Singapore could be found online. For more recent official records, they could be easily located in the website of the *Housing and Development Board* (<https://www.hdb.gov.sg>) while older materials, like those official documents such as Ministry reports, yearbooks and press releases of the Housing and Development Board, and news articles could be located in the website of the *National Archives of Singapore* (<http://www.nas.gov.sg/archivesonline>). Relevant statistical data could also be located in the statistics section in the website of the *Department of Statistics* (<http://www.singstat.gov.sg>) and of the *Housing and Development Board* (<https://www.hdb.gov.sg>).

In the case of Hong Kong, though the publication of public housing bodies could be accessed by the general public, not many of them are uploaded online. The *Hong Kong Housing Authority* and the *Housing Department of Hong Kong* tend to keep only recent records in their shared website (<https://www.housingauthority.gov.hk>). Documents that are more than a few years old would be taken down and kept offline in the reference collection of the *Hong Kong Central Library*. Unlike in Singapore, older government materials in Hong Kong could not be accessed through official channel online. In order to obtain those materials online, researchers have to rely on archives managed by fellow academics such as the *Hong Kong Housing Home Page* maintained by the City University of Hong Kong (<http://www.cityu.edu.hk/hkhousing>). While a wide range of older materials could be found in the website of *National Archives of Singapore*, newspaper

articles and hansard in Hong Kong, which could be found in an online archive of the public library (<https://mmis.hkpl.gov.hk/web/guest/old-hk-collection>) and the website of the legislative council (<http://www.legco.gov.hk>) respectively, are the few remaining dated sources that could still be accessed online.

In terms of housing related statistical data, the online accessibility is better. Statistics of an extended period are available to download online. Yet, the issue here is about the fragmentation of data sources. In sharp contrast with Singapore, statistical data for housing policy research of Hong Kong are not concentrated in two places but scattered across websites of different departments, including the *Census and Statistics Department* (general housing statistics)([www.censtatd.gov.hk/home](http://www.censtatd.gov.hk/home)), *Rating and Valuation Department* (house price data) ([www.rvd.gov.hk](http://www.rvd.gov.hk)), *Hong Kong Housing Authority* (public housing figures)(<https://www.housingauthority.gov.hk>), *Hong Kong Housing Society* (data for public-sector built for sale housing) ([www.hkhs.com](http://www.hkhs.com)), *Hong Kong Monetary Authority* (mortgage statistics)([www.hkma.gov.hk](http://www.hkma.gov.hk)), *Buildings Department* (housing construction data)( [www.bd.gov.hk](http://www.bd.gov.hk)), *Lands Department* (land sale figures)([www.landsd.gov.hk](http://www.landsd.gov.hk)), and *The Land Registry* (data of property market) (<http://www.landreg.gov.hk>).

The low online accessibility as well as fragmentation of data sources have indisputably created significant barriers for researchers especially oversea researchers interested in conducting housing policy study of Hong Kong. Fortunately, I would be able to access those offline materials in person if necessary. In this sense, the obstacles above are not big issues for this research.

## 8. Ethics

Finally, it is time to discuss the ethical issues of the research. Diener and Crandall (1978) categorise the possible transgressions of ethical principles into four groups: harm to participants, lack of informed consent, invasion of privacy, and deception involved. As this research does not involve research participants, these possible transgressions should not be a major concern here.

Even so, the usage on second-hand data does not automatically render the study immunity to ethics issues. Indeed, attention to the usage as well as the nature of data is required. According to the guideline, "Does my project need ethical approval", issued by the University of York Social Policy and Social Work Departmental Ethics Committee, there are four situations requiring projects involved secondary data to perform some kinds of pre-research ethical reviews.

Yet, it would be argued that those situations are not applicable to the research. Below, each of them would be examined. The first situation is when the secondary data could not be confirmed to be collected by person or institution of good ethical standing. In contrast to such worry, the data employed in the study are all published by scholars in universities or governments. Good ethical standing is therefore expected.

Another situation is when the secondary data previously collected for a specific purpose is used differently than its original intention. It denotes the problem of lack of informed consent since the data is used in ways different from what the human subjects gave consent for. This would not happen in the thesis because only the findings instead of the primary data of previous research would be employed.

Thirdly, a situation when the analysis of secondary data could expose the identity of individuals who were guaranteed anonymity in original research could also raise ethic issues. However, as stated before, this study are not planned to employ secondary data in such a way.

Last but not least, in some cases, secondary data employed has not already been available in the public realm. It is likely that such raw data has yet to be revised to protect the privacy of individuals. As a result, the indiscriminative use of that data could lead to the invasion of privacy. Fortunately, this research does not resemble the above situation as all resources are available in the public domain.

## **9. Conclusion**

As a methodology chapter, this chapter is dedicated to develop a linkage between the fundamental knowledge developed in the previous chapters and the forthcoming case studies. Under such aspiration, the ways of which this research will be carried out, i.e. the structure of the research, has been finalised through a thorough examination and assessment.

This chapter starts off with introducing the Comparative Historical Analysis (CHA) research design. The three prominent features of it, i.e. explaining causation of important outcomes in delimited historical contexts, giving emphasis on temporal structure in analysis, and engaging in systematic and contextualized comparisons of Small-N cases are then illustrated in great details. Among all, its attention to both spatial and temporal variations in small number of cases has been argued to best suit the

research aims, and hence being especially determinative in the choice of research design.

After settled with the research design, the discussion moves on to research methods. The Mill's methods, i.e. 'Method of Agreement' and 'Method of Difference', are examined critically. Despite their limitation, this study considers the Mill's methods as effective tools in eliminating potential hypotheses. As the first step in the causal inference, the Mill's methods help narrow down the theories that could be used to explain the housing policy development in a period and hence allow a more focused in-depth study, i.e. process tracing, to be carried out subsequently.

Process-tracing, a strategy of analysing causal mechanism instead of covariance, is then used to validate the findings of the Mill's methods as well as to shed light on the causation between the outcome variables and some important aspects that are hard to conceptualise into explanatory variables and analyse by observing their covariance with the dependent variables but yet could significantly alter the outcomes. These include timing, sequence as well as legacy. Such complementary use of both methods is argued to bring greater benefits than solely employing either one. These not only include the attention to important elements omitted in the Mill's methods, but also the reduction of time cost for practicing process tracing deductively, solutions towards indeterminacy and equifinality, and increase in internal validity of the findings.

After covering both research design and research methods, the chapter moves on to the research question which makes up of two parts. The thesis first aims to answer why the housing policy trajectory in Hong Kong and Singapore appeared to have a high degree of similarity from the colonial era to the 1970s; and secondly, whether the divergence in

policy details within the seemingly the same housing policy outcome is strong enough to challenge the categorisation of the two cases and what implication on the East Asian regime it has.

In order to answer these questions, this research will adopt the 'cases in the same type' research design within comparative historical analysis. This research design allows a comparison to take places between cases that are grouped into the same type based on their independent variables. A working assumption of this design is that cases in the same type should have similar outcomes. As cases in the same regime experience some degree of differences in outcome, this study intends to assess whether one of them is a deviant case and unveil the causes behind. In the process, a case could act as a template of the regulatory path so that when comparing to the non-consistent case, the time when their paths diverged could be located and great understanding about the factors behind the divergence could be acquired. As a result, not only the validity of the East Asian regime could be evaluated, additional variables that exert influence could also be revealed. Afterwards, details on the implementation of research methods follow. Finally, the chapter wraps up by going over data collection and ethic related issues.

With the structure of the research being set out in this chapter, the preparation for the case studies has finished. From this point forward, the thesis focuses on case studies. As aforementioned, the Mill's methods are employed to compare the two cases period by period. Therefore, the next chapter is on the first period of the housing policy development, i.e. colonial era prior to the end of WWII (1800s-1940s).

## **Chapter 7 Housing policy development in the Colonial era towards the early 1950s**

### **1. Introduction**

With the well-built theoretical chapters and the methodology chapter in place, this chapter starts off with the comparative historical analysis of the Hong Kong and Singapore cases. First, the history of housing policy development in the colonial era would be outlined to identify the policy outcome in the period. Afterwards, the chapter moves on to gather the potential independent variables which their covariance with the outcome is to be studied. By referring to previous theoretical chapters, a range of causal factors come into attention, including labour movement, group coalition and institutional legacy in Esping-Andersen's (1990) welfare regime and power-structure in Kemeny's (1995) housing regime.

The next step is to construct a comparative analysis using the Mill's methods.

Based on the understanding of these techniques, the Method of Agreement should be employed here as common residual housing policy is observed between cases. The method allows potential explanatory factors that could not be found in both cases to be eliminated. The remaining hypotheses, including weak labour movement, strong capitalist class and the British colonial rule, could then be argued to be possibly associated with the shared outcome.

However, there remains questions of how exactly these factors lead to the common outcome and to what extent the proposed causal relationships are not spurious. To get the answer, those findings need to be validated by process tracing. Process tracing would then be used deductively to test hypotheses. It could be achieved in two steps. First, the



method requires the causal mechanism to be constructed based on theories. Put it differently, the process that illustrates how exactly the dependent variables could cause the outcome in question needs to be clearly demonstrated. Once the causal mechanism is identified, the real world observation will then be compared against the expected development. If both of them match each other, the hypothesis could then be confirmed.

Finally, the chapter concludes that the weak labour movement, strong capitalist class and the British colonial rule, together explain the common residual housing policy in Hong Kong and Singapore during this period.

## **2. Housing in the early day of colonial Hong Kong (1842-1944)**

Before involving into the history of colonisation, Hong Kong was just one of the many small fishing villages lying on the edges of southern China. At 1842, following the Chinese defeat in the First Opium war, Hong Kong Island was given to the British under the Treaty of Nanking. Not long after the first war, military conflict between the two nations broke out again in 1856. This Second Opium War ended with the expansion of crown colony to the Kowloon Peninsula. In 1898, the boundary of the British Hong Kong was pushed further to the North for the last time. The 'Convention between Great Britain and China Respecting an Extension of Hong Kong Territory', a 99-year rent-free lease agreement, rendered the British Empire control over a large area containing the south of the Shenzhen River and 230 islands, which were together named as the New Territories. Since then, the border of Hong Kong was set.

In the early stage of British Hong Kong, housing policy was barely touched by the government. The only government actions that could influence this particular policy area were merely the enactments of regulations regarding health and building standards (UN-HABITAT, 2011, p.24). Instead of concerning about affordability and quality of housing, the focal points of these regulations were to protect the public from epidemic as well as other hazards owing to improperly constructed and maintained buildings.

The first ordinance about buildings dated back to legislation in 1844 entitled 'an Ordinance for the Preservation of Order and Cleanliness within the Colony of Hong Kong' (Ordinance No. 5 of 1844). Among many things, it and the ordinance repealed it a year later (Ordinance No. 14 of 1845) were set to deal with dilapidated buildings and to lay planning and construction standards such as prohibiting the encroachment of Crown land and the use of any inflammable building material. Being the only free trade port on the border of China, Hong Kong became extremely attractive to people who sought trade and job opportunities. The significant inbound immigration in the years following brought huge pressure on the already poor housing condition in Hong Kong (McInnis, 2003: 1). The regulations in place became increasingly inadequate to cope with the challenges ahead.

As the population grew, so did the number of improperly built and filthy dwellings. The government saw the necessity to tighten its statutory control in housing. The Buildings and Nuisances Ordinance (Ordinance No. 8 of 1856) in 1856 was the first attempt to set more detailed rules on construction and sanitation standards, including but not limited to wall thickness, foundation depth, building materials and the basic sanitary requirements. Since only minimal sanitary requirement was imposed and with no countermeasure for overcrowding, the ordinance failed to promise people better living

condition. The soar in building activities due to the continuous influx of immigrants also limited the effectiveness of the ordinance by increasing the workloads in administration and enforcement. No significant improvement in living condition was therefore witnessed (McInnis, 2003: 1).

In 1882, a British engineer, Osbert Chadwick, produced a report commissioned by the government about the sanitary conditions of Hong Kong (Faure, 2005:10). The report covered a large range of hygiene issues including house construction and drainage, formation of streets, public sewers or drains, water supply, scavenging and the removal of night soil. In terms of housing, he documented the congested and poor sanitary condition in most of the residential dwellings. One of the many examples was that dwellings were found largely unconnected to the public sewer which threatened the public health seriously. On the other hand, many tenement houses were overcrowded as numerous cabins were divided by board partition in those building leaving only as small as 130 cubic feet per person. Residents that occupied only bed spaces were also common (Chadwick, 1882: 11). For Chadwick, “the dwellings of the Chinese working classes are inconvenient, filthy and unwholesome” (1882: 41). He therefore stressed the necessity of government intervention.

As a response, a Sanitary Board was established in 1883 to oversee the issues raised by the report and Public Health Ordinance was introduced in 1887 (Ordinance No. 24 of 1887). This ordinance helped to deliver minimum health standard of housing in various aspects such as making drainage system a legal requirement for new buildings (Section 39). More importantly, for the first time, providing overcrowded living condition became a legal offence. Under the ordinance, it is illegal to house more than one person in every 300 cubic feet of clear internal space (Section 69). To secure the effort of Public Health

Ordinance 1887, a new 'Buildings Ordinance' was enacted in 1889 (Ordinance No. 15 of 1889). Under that ordinance, legal requirements in structural stability and sanitary condition of buildings were further raised.

Although the colonial government managed to pass several public health related legislations before the last decade of 19<sup>th</sup> century, it still failed to prevent Hong Kong from the Bubonic Plague outbreak in 1894. The plague not only took the life of near nine thousand souls within less than a decade but also caused a mass exodus of workers back to China, and thus had devastating effects on the economy of the colony (Pryor, 1975: 64). To remedy the situation in the aftermath of the outbreak, a new Public Health and Buildings Ordinance was enacted 1903 (Ordinance No. 1 of 1903). Its main objective was to safeguard the public health through measures such as ensuring better ventilation and surrounding environment of buildings. Later, a revised version was passed in 1935 (Ordinance No. 18 of 1935).

Up to the end of the Second World War, no government involvement in housing was again observed. In the first century of its history, the Hong Kong colonial government strongly adhered to the laissez-faire approach and was clearly reluctant to be more than a night-watchman state. It might well root in the nature of free trade port.

Except for some health and safety standard settings, the government carefully avoided to distort the functioning of the housing market system (UN-HABITAT, 2011, p. 24).

### **3. Housing after the Second World War (1945-1953)**

After the Second World War, the fundamentals of Hong Kong housing market were reshaped drastically. An unprecedented excess demand was experienced as the

consequence of a contraction in housing supply and an even greater expansion in housing need. On the supply side, war time damage significantly reduced the number of available residential property. An official estimate of 20,000 homes was destroyed (Ingrams, 1952 as cited in Jones, 1990: 18). This alone would have already created a significant housing shortage. Such supply gap was further widened by the enormous size of refugees from China during the Chinese Civil War. The population of Hong Kong had tripled just between 1945 and 1947 reaching 1,800,000 (Wong, 1998, p.20).

At such period of extreme mismatch in housing supply, the government finally levelled up the degree of intervention by imposing a rent control. In the 1947 Landlord and Tenancy Ordinance (Ordinance No. 25 of 1947), rent on all the pre-war premises was capped to 130 per cent of their pre-war level (Wong, 1998, p.24). It was the first comprehensive legislation on rent control (Lee, 1983, p.35). This rent control regulation was originally carried out as a temporary measure to protect the returning masses after the war against inflated rent (Wong, 1998, p.24; UN-HABITAT, 2011, p. 24). However, the regulation was extended every year and it finally became a long term policy in 1953. Despite a number of increases since its enactment, regulated rent continuously lagged behind the market rent (Wong, 1998, p.24). This led to a number of adverse effects on the housing market. The most obvious one was the contraction of rental housing supply. Fixing the rent on all the existing rental properties below the market rent means that owners of pre-war premise would not enter the rental housing market and the current landlords would also intend to exit. Unlike the pre-war properties, new-built post-war houses were excluded from the rent control ordinance. Although the rent on post-war housing was not limited, the supply of new-built rental building could not reverse the inadequate supply in a short period of time. It is well understood that it takes

considerable time for housing supply to respond to changes in its demand due to the long house-building process (Lund, 2011, p.7).

Secondly, newly-built rental housing faced an enormous excess demand and it has been documented that rent in the uncontrolled sector was extremely high (Wong, 1998, p.25; Lee, 1983, p.41). Given that local residents who had rental need were likely to be sitting tenants before the enactment of the rent control ordinance, the new immigrants with the same need could only go for the new built properties with unbearable high rent. The government policy was blamed to shift all the cost of excess housing demand to the new immigrants (Wong, 1998, p.24). For those who could not afford private rental dwellings, many of them sought to meet their need in informal housing.

Besides the use of regulation, the government encouraged voluntary effort of both NGOs and settlers themselves on housing as a relief to the deteriorating housing situation. Low interest government loan and land at preferential price were granted to support construction of middle-income housing by the Hong Kong Housing Society founded in 1948. Likewise, government subscription was offered to another private housing agency, the Hong Kong Settlers Housing Corporation, to provide cottages in the form of hire purchase since 1952 (Fong and Yeh, 1987: 19; Jones, 1990: 181-184). In 1951, the government also allowed squatters to build dwellings with approved fire resistant materials in the 'approved areas' or to construct temporarily wooden housing in the 'tolerated areas' (Pryor, 1983).

It is clearly that the Hong Kong government involvement in housing was kept minimal and housing policy in this period could therefore be argued as residual. Below, the policy

development in Singapore would be studied with the aspiration to highlight the variance/similarity in policy outcome.

#### **4. Housing in Singapore during colonial period**

The modern Singapore was born in 1819 when the local governor, Temenggong for the Sultan of Johor, signed a settlement treaty with the East Indian Company. Since then, Singapore has been developed as a trading post under the British rule. Later, in 1867, the control of Singapore was transferred from the East Indian Company to the Colonial Office (Turnbull, 1989:1).

##### *4.1. Raffles Town plan*

The earliest housing related initiative traced back to the Raffles Town plan. In 1823, in response of the increasing disorderliness of Singapore, Sir Stamford Raffles, the founder of the colony, was determined to revise the layout of the city. The Town Committee was formed under Raffles' command and assisted by Lieutenant Philip Jackson, the colony's engineer, to implement Raffles' instructions (Buckley, 1984: 81; Turnbull, 2009: 39). To recognise the contribution of Jackson who oversaw the project, the urban plan is also known as Jackson's plan in some literatures. Besides redeveloping the settlement in a grid pattern, another prominent feature of the plan was the segregation of different ethnic groups, namely European, Chinese, Indian and Muslims into four residential districts. (Cangi, 1993: 172, 174-177; LePoer, 1991: 15; Waller, 2001: 23). Such segregation remained for more than a century and only faded out until the People Action Party government launched its public housing programme in 1960 which deliberately integrated different races.

#### 4.2. *Municipal Bill*

Since the Raffles' plan, no other major official housing related policy was carried out until the very end of the century. As the colony continued to prosper, it attracted wave after wave of immigrant. The heightened population accompanied by the colonial government's neglect of housing led to serious housing shortage. The overcrowded living condition brought a deterioration of the sanitary in the city. The government tried to relieve the problem by enacting the Municipal Bill in 1896. Such act highlighted the role of local authorities in refurbishing slums and town improvement. Yet, the effect was limited (Teo and Savage, 1991: 327). An account from a municipal health officer a few years after the act showed that the housing condition was barely improved. According to this officer, "the houses in the native quarter, and particularly those in the older parts of town, exhibit many sanitary defects. Blocks of houses are built back to back. Large rooms are frequently divided up by the erection of wooden partitions into cells only a few square feet....Such houses are frequently overcrowded. Little, if any, light ever enters....ventilation there is none." (Middleton, 1900: 697-698).

In 1907, the 'Report on the Sanitary Condition of Singapore', a government commissioned report prepared by Professor Simpson, further confirmed the above viewpoint by explicitly attributed the high death rates in Singapore to the housing conditions in the city (Simpson, 1907: 11). Overcrowded houses without proper ventilation and drainage systems were considered as destructive to health (Yeoh, 2003: 96). As the Municipal Act failed to resolve the housing shortage, the problems accompanying it became much more severe. Data shows that the number of people per



housing increased from 7.2 people to 12.5 people between 1881 and 1915 (Wee, 1972: 218).

#### 4.3. *Singapore Improvement Trust*

In 1918, a housing commission was set up by the government to review living conditions in the central area of Singapore. The Singapore Improvement Ordinance Bill was prepared according to the recommendations of the commission and passed in 1927 (Teo 1992: 168). The Singapore Improvement Trust (SIT), a government organisation, was then established according to the Ordinance. This new organisation was responsible mainly for slum clearance and town improvement (Wee, 1972:220).

Although SIT had more powers in dealing with slum clearance than the municipality, it was barred from drawing comprehensive plans or control development (Home, 1989: 9; Teo 1992: 168). As a result, the projects were carried out in a piecemeal manner and wasted the potential to bring greater benefit (Wong & Yap, 2003: 362).

Also, its main concern was not to address housing shortage but to improve and construct infrastructure especially roads and to ameliorate insanitary built environment (Home, 1989: 9; Teo 1992: 168). Housing provision was only of second importance and confined to the homeless caused by improvement projects (Tan & Pang, 1991).

Not only that the Act itself restricted what the SIT could achieve, financial constraints were also a major factor. Although the SIT had multiple financial sources including revenue from tax levied on inner-city property, government loans, rental income and funds, they together were still not enough for large scale housing construction (Chua and Ho, 1975: 59-60).

Therefore, it is unsurprising that during its 32 years history only 23,000 housing units were built which resettled as tiny as less than 9 per cent of the total population (Wee, 1972:220; Wong & Yap, 2003: 362). Despite its residual nature, it was the first time that public housing provision occurred in the history of Singapore.

Throughout the colonial period in Singapore, residual approach was predominant in social policy and housing was no exception. Such residual approach was never unique to Singapore but widely adopted in British colonies. When designing social policy, colonial governments primarily considered the interests of their mother nations instead of putting the interests of the colonies first (MacPherson & Midgley, 1987: 119). Welfare that benefited only the most vulnerable accompanied by other self-funding protection was therefore natural choices for colonial social policy in Singapore (Mehta & Briscoe, 2004: 93-94). This combination of welfare not only rendered a stable ruling systems which safeguarded the interests of colonial power but also prevented welfare provision in the colony causing local fiscal deficit and eventually becoming a financial burden for the home country. Such laissez -faire approach explains why the British colonial government was reluctant to actively engage in the public housing provision as a solution to the shortage as well as poor quality of housing (Teh, 1975:3; Teo & Savage, 1991: 327; Teo, 1992: 167). Housing policy was largely neglected before the formation of the SIT (Castells et al., 1990: 215, Yeung & Drakakis-Smith, 1974: 764). Although public housing was first provided by the SIT during the colonial era, its residual nature was too strong to be argued for the end of laissez-faire principle in policy making. As aforementioned, the scale of public housing provision was small given that the main focus of the SIT was to improve existing housing stock instead of constructing new ones. The British government's laissez-faire attitudes toward urban development therefore should be held

accountable for the deterioration in housing conditions (Ching and Tyabji, 1991). The large influx of immigrants and high birth rate after World War II made the housing problems even worse. By 1947, two in every five Singaporean lived in housing units which accommodated 21 or more people (Castells et al., 1990). Similar to its Hong Kong counterpart, the Singapore colonial authority introduced rent and eviction controls as a response to the skyrocketing rental cost stemmed from the inadequate housing supply in post-war period. Although it started out as a measure to protect tenants, the regulation unintentionally did more harm than good. As the rent was capped, a convenient way for landlords to retain profit as before would be to further subdivide the already congested rooms. As a result, the housing condition became even worse (Hill and Lian, 1995: 114).

## **5. Comparative analysis using Mill's methods**

At this point, the housing policy development in this period has been outlined. The common outcome in terms of residual housing policy is evident. The next step will be to construct a comparative analysis using the Mill's methods. Based on the understanding of these techniques accumulated in previous chapter, Method of Agreement should be employed when common outcome is observed between cases. Such method allows potential explanatory factors that could not be found in both cases to be eliminated. The remaining hypotheses could then be argued to be possibly associated with the shared dependent variable.

From the discussion above, it is obvious that a strong residual welfare notion has been incorporated in policy making during the period. Housing policy development unsurprisingly remained minimal if not absent. This common policy outcome therefore justifies the use of Method of Agreement.

After determining the inference technique, it is time to gather the potential independent variables which their covariance with the outcome is to be studied. When examining the practice of historical institutionalism in previous chapters, Esping-Andersen's (1990) welfare regime and later the Kemeny's (1995) housing regime came into attention due to their ability to comprehend political phenomena, and even more precisely housing policy development. In explaining the political outcomes, Esping-Andersen's (1990) welfare regime highlights three aspects that could exert influence, including labour movement, group coalition and institutional legacy. On the other hand, in the housing realm, Kemeny's (1995) housing regime has demonstrated how characteristics of power-structure shape the housing system.

One thing worth mentioning is that East Asian regime will not be adopted into the investigation of this period. The rationale is simple. The causal inference of East Asian regime is time-specific. It aims to illustrate policy development since the beginning of the industrialisation in East Asia and hence its explanation hinges on the socio-political context after the Second World War (Izuhara, 2013). As a result, applying it to this colonial period would be inappropriate.

## 6. Covariance of dependent and independent variables

### 6.1. *Weak labour movement*

#### 6.1.1. Hong Kong

First, it is argued that labour movement were absent in the policy development. During this period, democracy was denied. Jones (1990: 62) illustrates that the presence of two main groups of traders, the Chinese and the western, who were mutually incompatible with each other in terms of custom as well as perspective, provided a reason for the colonial government in Hong Kong not to allow members of policy-making bodies to be elected. The demand for a 'British vote' in Hong Kong was rejected by London on ground of its discriminating nature towards the Chinese leaving the majority population unrepresented. Another proposition that stressed voting right should be regardless of race was again rejected based on the political consideration. The significant number of Chinese accompanied by the British temporary residence which together created the fear of losing control to the Chinese in elections means that such proposition was not acceptable by the colonial authority (Endacott, 1973: 99). Later, another attempt of constitutional change in post-WWII Hong Kong was called off following the Chinese Communist Revolution as the British worried that the introduction of democracy within the colony, a part of the territory claimed by the new Chinese regime, could be seen as a provocation and thus threatened the British interest in the Far East (Jones, 1990: 65). As a result, no democratic representation was institutionalised during the period and Labour could not, through the elections, gain influence equivalent to their number.

However, it still could not be concluded that working class movement had no impacts on policy development. Rather, in this context, attention to actions that are against the government 'outside-the-system' is needed in order to assess the true strength of labour movement.

Throughout this period, there were several small and large scale industrial actions (Chan, 1991: 158-163) while the 1922 seamen's strike and 1925 Canton–Hong Kong strike being the two most prominent. However, they should not be viewed as systematic challenges originated from labour movement in order to undermine the authority of the government or to press for policy demand. Instead, they are better described as some one-off events. For the former, the demand was for wage increase first among seamen and then, as the strike continued, extended to other industries within the private sector. Although the government was involved in the incident (passively due to the reason of protecting business interest and social stability), the organisers of the strike did not intend to target the government, not to mention, exert political pressure on social policy. In the 1925 Canton–Hong Kong strike, it was again not an act to force the government involvement in welfare. Instead, it was an 'exogenous' strike which responded to the massacre of Chinese protestors in Shanghai by the British soldiers. Such a strike should therefore be interpreted as a clash between Chinese nationalism (or patriotism) and British imperialism, rather than a struggle for control in the policy making process (Jones, 1990: 15).

These two incidents together demonstrate that organised labour opposition that aimed to regularly influence the government policy choice was remained unseen. No wonder Jones argues that "there was no effective labour movement...Hong Kong trades unions...

were typically small, underpatronized (by both workers and employers) and ‘politically’ divided” (1990: 67).

### 6.1.2. Singapore

Similar observation is made in the Singapore case. In his path-breaking research on the labour movement in colonial Singapore, Trocki (2001: 116) concludes that “overall, labour in Singapore has shown a general inability to organise. Even in those periods when workers were able to wield power in protest against unfavourable working conditions, it proved impossible to separate workers’ movements from ethnic, political and even family groupings. This failure to develop an autonomous sense of consciousness as workers has been a major stumbling block to the long-term success of labour movements in Singapore”.

In the early period of the colony (1800-1890), a few factors had hindered working class to form an influential political force, including the temporary residence of Chinese labourers, lack of consciousness as dominated labour, geographical pattern of employment, merchant-controlled social organisation, and the restriction on ‘secret society’.

Trocki (2001: 117-118) demonstrates that Chinese labourer had no intention to settle in Singapore due to the shortage of marriageable Chinese women in the region. As Chinese women were prohibited to emigrate and the domiciled Strait Chinese women were likely from high status merchant families that had no interest in marriages with lower class labourers, the ultimate goal of Chinese labourers were to return to China with the wealth they accumulated in Singapore. At the same time, their lack of consciousness as

dominated labour also undermined the development of labour movement. It is because Chinese labourers were usually pre-paid by merchants and in some cases, not paid in wage but a share in mines and plantation. Therefore, they often regarded themselves as independent operators working for their own profit (Trocki, 2001: 119). These together reduced their willingness to involve in politics.

Besides the willingness aspect, the ability for labour to organise as a political force was unpromising. First, the transformation of planting industry after the mid-19<sup>th</sup> century resulted in the decline of high concentration of labourer in small areas and thus, acted against labour mobilisation. Even when labourers did organise, the available culturally-bound groups, for examples clan associations, descent groups, place-of origin groups, and speech groups, were usually controlled by merchants and run in their interests (Trocki, 2001: 118). The remaining groups that arguably represented the interests of workers were some kinds of brotherhood. Yet, their performance of oath-swearing were considered by the colonial government as a sign of secret societies which were first restricted through the Societies Act in 1869 and later declared as illegal in 1890 (Trocki, 2001: 120). Both the merchants' control and restriction from the colonial government in turn effectively impeded the growth of organised labour.

In the next period (1890-1942), although the concentration of coolie labourers in urban Singapore provided a favourable condition for labour movement (Warren, 1985: 2), there still remained a few obstacles for the working class to gain considerable political strength. As before, traditional social organisations failed to stand for workers' right. Likewise, the Societies Act continued to curb the organisations of labour and had been used against union activities backed by communists. Labour leaders saw themselves being arrested as well as deported throughout the late 1920s and the 1930s.



Several strikes were broken out in this era. Yet, it is argued that capitalists had an important role in the first few strikes (1897, 1901 and 1903) since the rickshaw pullers protested not for the benefits of themselves but against taxation and regulation of rickshaws trade, which was clearly more about the owners' interest. The first strike that did not serve capitalists' interests took place in 1919. Motivated by the anti-Japanese boycotts in China, Chinese workers took protest action in Singapore. In the event, Japanese and their shops were also the attack targets of some angry protestors (Trocki, 2006: 101). Similar to the 1925 Canton–Hong Kong strike, it was 'exogenous' event that did not have much to do with local political struggle. It should therefore be interpreted as a conflict between Chinese nationalism (or patriotism) and imperialism. The main difference is that this time the target was Japanese imperialism instead of British imperialism.

Only in the year after (i.e. 1920), workers went on strike explicitly for their own benefit for the first time. The strike took place after the government rejected the rickshaw pullers' demand for a fare rise and eventually ended with the government yielding. Although the government was directly involved in the strike, the strike should not be understood simply as a political struggle between the government and the working class in social policy. Instead, its nature was close to the 1922 seamen's strike in Hong Kong as both demanded a pay rise. The only difference is that it was the government instead of the businesses setting the wage for this industry.

Yet, the workers' victory was short-lived. After the event, the government was determined to undermine the rickshaw puller's union through phasing out rickshaws by various means including the introduction of trams and buses (Trocki, 2001: 122). Adding

to that, the general fragmentation of the working class had prevented the victory of the pullers' strike to act as a catalyst for labour to become a formidable political force. Not only labour organisations were divided by occupation, they were also separated by ethnicity and locality. As a result, labour movement remained weak until the end of the Second World War (Trocki, 2001: 123).

## 6.2. *Strong capitalist class*

### 6.2.1. Hong Kong

In contrast to the working class, the capitalists, which in this period comprise mainly merchants, were able to exert influence on the government and eventually formed an alliance with the authority (Leung: 1994: 205). As a result, the laissez faire spirit was reinforced in the policy making.

It, however, should not assume that the working class and capitalists were sharply divided and formed the main cleavage in the society right from the beginning. As Chan (1991) argues, it was ethnicity, i.e. the dominant European (mainly British) and the subordinate Chinese, rather than class divided the colony in its early period. Although both English and Chinese merchants worked in a complementary manner in trade, they were confined within their respective social circles in nearly every other aspect. In terms of political privileges, those of the British Merchants were far superior to the Chinese Merchants. Being kept outside the institution, wealthy Chinese merchant turned their attention to charity and welfare as ways to obtain political influence. This finally allowed them to emerge as leaders of the Chinese community which in turn, helped them to secure their tickets into the Colony's political structure in 1880. The appointment of

Chinese merchants to the legislature and various advisory bodies effectively incorporated the remaining section of the merchant class into the power structure. The alignment between Chinese merchants and the colonial government, on one hand, marked the rise of a capitalist class united under business interest while on the other, denoted the alienation of Chinese merchants with their fellow countrymen.

The changes in attitude of the Chinese merchants did not take long for the Chinese labourers to notice. Chinese labourers started to realise that their interests could not be left in the hands of their merchant counterparts who clearly had contrasting economic interests with them despite being compatriot. In turn, they organised themselves to defend their common interests. The outbreak of seamen's strike later declared the complete break-off between the Chinese merchants and labourers in which "labourers of various occupations were drawn together into a collectivity capable of developing solidarity and struggling for their class benefits" (Chan 1991:195). Class at this point replaced race to be the main cleavage in the society.

After understanding how the merchant class was developed in the colony, it is time to illustrate how this class gained political influence and eventually formed an alliance with the government. Scott (1989) attributes the incorporation of merchant class into the political structure to the two legitimacy crises in the mid-1840s and in the 1890s. The first crisis occurred not long after the establishment of the colony. Despite the colonial government was known by its minimalist approach in public finance, the level of public expenditure to support full-scale bureaucracy was still considered too much for the merchants. In the mid-1840s, with the threat to abandon the colony, they demanded the government spending and more importantly the rates levied upon them to be lower. Their domination in the economy forced the government to promise the paramountcy of

economic interests in policy making and thus, allowed them to shape the policy direction in their favour.

Over time, trading had brought prosperity to the colony alongside political power to the merchants. Although the merchant class had gained political influence in the policy direction in the first legitimacy crisis, they were still kept away from actual decision making in politics. In the 1890s, they saw the opportunity to further enhance their political strength by calling for an elected legislature which led to the second crisis of legitimacy. The government gave in and incorporated business into the administrative system (Endacott, 1973: 205). A pattern of governance by several committees which each containing fiscal conservative bureaucrats and profit-seeking capitalists was formed.

As a result, “the web of interlocking consultative committees which was developed represented the most influential strata of society and remains the basic structure of political authority in Hong Kong” (Scott, 1989: 40). This alliance between colonial government and business interest further consolidated the pro-business attitude in policy making. In turn, “social services were either minimal in quality and quantity or non-existent” (Scott, 1989: 51).

#### 6.2.2. Singapore

On paper, the colonial authority governed Singapore through a system of direct rule. However, such authoritarian rule was, as Trocki recognised, “more a technicality than a reality” (2006: 80). Without the capacity to enforce its orders, the government relied heavily upon voluntary collaboration of the community. This indirect and decentralised

governance in turn opened up opportunity for political forces to influence policy decisions even lack of formal representation (Trocki, 2006: 80).

As a trading port, it is not surprising that merchants were the powerful actors in Singapore. This 'merchant' class was mainly comprised of the European and the Chinese merchant communities. Both of them possessed considerable political power through different means.

In terms of fighting for the interests of the merchant class, the European merchants clearly assumed a leading role. It is not only because they managed to mobilise the class by forming the 'Chamber of Commerce', which incorporated merchants from different ethnicity background, but also because their multiple channels to influence if not direct policy development.

The Singapore Chamber of Commerce was founded in 1837 as a response against the proposed introduction of port dues. By opening its membership to all merchants, agents and ship owners regardless of races, it effectively united an ethnically diverse merchant community under the Chamber of Commerce (Turnbull, 1969: 24). In turn, this rendered the Chamber of Commerce with non-negligible political strength to guide the development of the colony (Philips, 1961). The government not only consulted the Chamber about policy matter but also granted it the right to nominate municipal councillors (Turnbull, 1969: 25).

Several other measures were also employed by Singapore merchants to influence the colonial government. First, to start with a low-profile way, merchants were found to reach out to officials in sports clubs and other informal meeting places. Butcher's

research shows that colonial officials tend to share the same social backgrounds and even were alumni with British merchants in the colony. This, in turn, allowed merchants to keep in touch with government officials in private occasion and opened up opportunity to lobby for favourable government decision (Butcher, 1979). Another less aggressive measure was to express their views to the local authority through the foreman of the Grand Jury which was dominated by senior merchants (Turnbull, 1972: 134–135).

Other than bilateral communication with the government, the use of media and public meeting to press for their claims were common. The media had always been the voice of merchants in this period (Turnbull, 1972: 131-132). It is not only because merchants owned those newspapers but also due to their directly involvement in the operation either as editors or as part-time journalists (Turnbull, 1969: 15-19). For example, between 1848 and 1865, the editor of 'Singapore Free Press' had been the Secretary of the Singapore Chamber of Commerce for eighteen years (Turnbull, 1969: 16). Before the founding of legislative council in 1867, media could be regarded as the creator of public opinion. In this sense, the colonial government was seen frequently consulted newspapers for public opinion (Turnbull, 1969: 19). Besides, public meeting was also held to petition the government. By the 1850s, public meeting had been regularly used to challenge the government policy (Turnbull, 1969: 27).

Rather than influencing the policy at local level, the European merchants were able to protect their interests which in most cases by safeguarding the free-trade and liberal principle in government policy through rallying supports for their course in Britain. As the Singapore colonial government was accountable to the Whitehall back in England, using

their connection there to lobby the British government was regarded by merchants in Singapore as an effective mean to overthrow policy decision of local authority.

First, it was done by building up strong links with like-minded commercial pressure groups in large industrial cities in Britain, including London, Liverpool, Birmingham, Manchester, Bristol and Glasgow (Webster, 2011: 899). Before Singapore gained the crown colony status in 1867, it was placed under the administration of the East India Company. The company's monopoly position in the trade with China kept such lucrative business away from all other merchants in Britain and hence gained itself much resentment especially among merchant associations in large industrial cities which relied heavily on trade. Their desire to undermine the East India Company therefore facilitated their alliance with the merchants in Singapore (Webster, 2011: 901, 905, 913). They frequently lobbied the Westminster and the Colonial Office on behalf of their Singaporean counterpart while the Chambers of Commerce in Singapore assisted by fully informing them the situation in Singapore including the provision of trade and shipping data regularly (Turnbull, 1969: 32; Webster, 2011: 917).

Although the hostility towards the Company ended with its loss of monopoly in Far East trade under the Charter Act of 1833, those commercial bodies in Britain still strongly supported the merchants in Singapore to stand up against any kind of trade restriction. This could be explained by the upholding of free trade ideology among those commercial bodies. They were eager to keep Singapore as a democratisation for the benefits of free trade in order for them to lobby for the removal of commercial restrictions in other parts of the Empire (Turnbull, 1969: 32). On the other hand, the close business relationship between merchants in Singapore and manufacturers in those industrial cities further consolidated their political connection (Webster, 2011: 918).

Singaporean Merchants' contacts in Britain were not confined to merchant associations in large industrial cities. Instead, there was also a pressure group that consisted of ex-officials and merchants who had retired to England from Singapore.

Even retired to England, many former Singaporean officials and merchants still maintained connection with the colony, for examples by retaining landed interests or by doing business with Singapore through 'sister' firms in England (Turnbull, 1969: 33; Webster, 2011: 917). As their interests were tied to their counterparts in the colony, these ex-Straits in London were always happy to lobby the parliament on behalf of those in Singapore (Turnbull, 1969: 34).

As mentioned before, the governance of Singapore relied heavily upon voluntary collaboration of the community. The European merchant community was undoubtedly influential. However, it was not the only social force in place. More importantly, the small population of European in the colony had, to some degrees, limited their political and economic power (Trocki, 2006: 39). Another critical political force was arguably the Chinese merchant community.

In this period, Chinese had always been the majority, if not overwhelming majority, in the population of Singapore. For instance, in 1830, there were 6,555 Chinese which roughly accounted for 40 per cent of population and were the largest ethnic group of the colony. In sharp contrast, there were only 92 European. When the colony grew over time, the Chinese population grew even bigger. By 1860, the Chinese population reached 50,043, i.e. about 61 per cent of population, comparing to 2,445 European (Mills, 1925: 217).



Through charitable works and donations, some wealthy merchants were managed to gain reputation. These rendered them control over social groups (e.g. 'place of origin' groups, occupation groups and surname groups) in the Chinese community and allowed them to emerge as Chinese leaders in the colony (Trocki, 2006: 31, 48, 50). This mirrored the situation in Hong Kong as discussed earlier.

On the other hand, their control of the opium supply for workers helped them to further dominate the Chinese population. Chinese merchants were well known to control both pepper and gambier plantation as well as opium farms (Trocki, 2006: 49). As the planting business employed a huge amount of labourers which made up the most opium smokers, the merchants were able to control a substantial population through their monopoly supply of opium to the workers (Trocki, 1987: 79). At the same time, they were managed to profit from both the production and consumption of their workers. Since those plantations were isolated, it provided a great opportunity for the merchants to monopolise the consumption of the coolies especially on opium. As a result, "What they paid the coolies in wages could be quickly recaptured through opium sales" (Trocki, 2006: 23).

Either through charitable act or the control of the opium supply, certain Chinese merchants were able to manipulate a considerable number of compatriots. With such a large Chinese population, it is not surprising that these Chinese merchants could get their hands on some degree of political strength.

Furthermore, with the laissez-faire notion dictating policy choices, the colonial government was reluctant to invest vast resources in order to directly control the Chinese mass. Hence, the 'headman system' in which the British appointed those

influential Chinese merchants to be responsible for affairs within their respective dialect communities was adopted. These 'headmen' were also appointed as members of the Legislative Council or as municipal commissioners. As result, the political power of those Chinese merchant was legitimatised, and the British depended upon them to rule the Chinese population (Trocki, 2006: 49, 86).

The influence of the Chinese merchants was not only because of their leading role in the community but also due to their economic importance to the colony. As a trading port, Singapore economy depended so much on trades. However, the Asian and European merchants had no common language and commercial procedures. They themselves could not trade on their own. There raised the need to have "an intermediate class in whom both can repose confidence" (Crawford, 1820 cited in Wong, 1978: 59). Chinese merchants, mostly Malacca-born, who could manage both English and languages in the regions while at the same time, understand habits and needs of the East and West, became middlemen that were indispensable in trades (Wong, 1978: 59). The complementary nature between European merchants and Chinese merchants gave the Chinese merchants a crucial role in the trading economy.

Second, the lion's share of the government revenue came from these Chinese merchants in the form of monopoly concessions. Being declared as a free port, Singapore had a limited source of government revenue. Taxation on demerit goods such as opium and spirits therefore became the major source of public fund. The government sold the exclusive rights to retail these commodities, also known as 'farm', in auctions and the highest bidders would pay the government monthly for the rental. Among them, opium farm was the most profitable and had been the single largest source of government revenue accounting for 35 to 60 per cent between 1824 and 1910 (Trocki, 2006: 20). As

the consumption of opium was mostly by labourers working in plantations or mines, only Chinese merchants who run these facilities would be able to secure a stable and steady stream of demand. This explains why there were always the Chinese merchants placing the highest bid and dominated these revenue farms (Trocki, 2006: 49). The influence of Chinese merchants was only seen to decline toward the end of 19<sup>th</sup> century following a structural change in economy and the stronger control over the population by the government (Trocki, 2006: 30, 93, 96).

To sum up, despite the ethnic division among them, merchants in Singapore were able to unite under the common interest of free trade. Not only that the Singapore Chamber of Commerce opened its membership to all regardless of races, there were numerous examples of cooperation between Chinese and European merchants pushing for the common cause as well as joining the same commercial pressure groups (Webster, 2011, 928). Through consolidating their political strength, the merchant class had been able to exert significance impact on government policy decision. For an extended period of time, the merchant class had solely been the political group in Singapore being able to do that. Its position in the political arena remained unchallenged only until the rise of the working class in post-war years.

Yet, it is important to note that even though there were decisions of local government being overthrown by the merchant class, the relationship between two political actors were more like partnership than competing interests. From Trocki's point of view, "relations between the parties were not always smooth ... but that did not mean that there was no joint enterprise. If they fought, it was more over a division of the spoils than over the principles of their activities" (2006: 76). Indeed, the European merchants, Chinese merchants and the British administration were mutually dependent. For the

government, commercial activities were crucial and it depended on the merchants to bring prosperity to Singapore. Likewise, government revenue was largely hinged on the sale of opium by the Chinese merchants. On the other hand, merchants relied on the authority to provide a stable, safe and business-friendly environment for them to accumulate wealth. Last but not least, the indispensable middleman service provided by the Chinese merchants for their European counterparts maintained a long-lasting complementary relationship between the two groups (Trocki, 2006: 4). Due to their interdependency, Lee (1978) argues that the merchants (both European and Chinese) and the government together belonged to the same “free-trade society” echoing the ‘joint enterprise’ notion of Trocki (2006).

### *6.3. Institutional legacy & Power structure*

In this period, the most prominent institution in both Hong Kong and Singapore was the British colonial rule. On the other hand, the power structures in both places were characterised by their lack of representative democracy.

The British colonial rule, of course, has multiple implications. However, the feature of it that would be examined in this chapter is the superiority of the mother nation’s interests in colonial policy making. It is then materialised into explicit requirements for colonial administrations to achieve financial self-sufficiency. Discussion in greater details would continue when validating the covariance findings later in the chapter. For the other dimensions of the colonial rule, it would be explored in the next chapter when attention is given to the institutional legacy in the two political entities.

In terms of the power structure, the lack of representative democracy raised the threshold for actors to gather political strength. As aforementioned, this especially curbed the political strength of social groups that have a large number of members while being relatively deprived in finance, for example, the working class. In contrast, although the capitalists were small in number, they were affluent enough to access various means of exerting political influence, including petitioning at local level and even by lobbying the government back in the home country. In turn, these let them to form the only social force that could influence public policy in the period.

## 7. Findings of covariance analysis

[Table 7.1] Findings of covariance analysis (Period: Colonial era toward early 1950s)		
<b><u>Period</u></b>	Colonial era toward the early 1950s	
<b><u>Year marked the beginning of the period</u></b>	Hong Kong: 1842 – became British colony Singapore: 1819 – under British control	
	<u>Cases</u>	
	Hong Kong	Singapore
<b><u>Outcome</u></b>	Residual housing policy	Residual housing policy
<b><u>Factors</u></b>		
1 <u>Welfare Regime:</u>		
1.1 Labour movement	No	No
1.2 Group coalition		
1.2.1 Strong capitalist class	Yes	Yes
1.3 Institutional legacy		
1.3.1 British colonial rule	Yes	Yes
2. <u>Housing Regime:</u>		
2.1 Power structure / electoral system	British colonial rule with no representative democracy	British colonial rule with no representative democracy

By now, both the dependent and independent variables needed for the covariance analysis have already examined. They have been filled in the table above. Starting from the top, this analysis focuses on the colonial era towards the early 1950s. Although Hong

Kong and Singapore started this period in a different year, both cases share a common residual housing policy in terms of the policy outcome.

According to the methodological discussion in previous chapter, the existence of a common outcome suggests that the Method of Agreement should be employed to identify potential causes in covariance analysis. Through Method of Agreement, any factor presented in both cases is considered as necessary cause that possibly associating to the common outcome. These include weak labour movement, strong capitalist class and the British colonial rule.

## **8. Validating results with process tracing**

Above, the Method of Agreement has identified factors that are possibly associated to the development of residual housing policy in both Hong Kong and Singapore. However, there remains questions of how exactly these factors lead to the common outcome and to what extent the proposed causal relationships are not spurious. To get the answer, those findings need to be validated by process tracing in this section.

As discussed in the previous chapter, process tracing would be used deductively to test hypotheses. It could be achieved in two steps. First, the method requires the causal mechanism to be constructed based on theories. Put it differently, the process that illustrates how exactly the dependent variables could cause the outcome in question needs to clearly demonstrate. Once the causal mechanism is identified, the real world observation will then be compared against the expected development. If both of them match each other, the hypothesis could then be confirmed.

### 8.1. *The causal mechanism that links British colonial rule to residual housing policy*

Below, the linkage between British colonial rule and residual housing policy will be constructed. Literature has argued that residual approach in social policy was never unique to Hong Kong and Singapore but widely adopted in British colonies. When designing social policy, colonial governments primarily considered the interests of their mother nations instead of putting the interests of the colonies first (Chiu: 1994: 340; Jones, 1990: 116; MacPherson & Midgley, 1987: 119).

In other words, the colonies were expected to bring net benefit to the homeland, i.e. at least not causing any burden, or as Jones (1990: 39) put it, “trade and making money was after all the Colony’s *raison d’être*”. A way to ensure this was to impose a self-balancing budget requirement in colonies. To balance the book, effort had to make to increase tax revenue while curbing government expense. In terms of trading posts like Hong Kong and Singapore, the flourish of trading activities which hinged on low level of tax rate as well as minimal government intervention was the key to raise government revenue. Such ‘small government’ notion and the need to balance government finance had therefore limited the ability as well as the willingness for the colonial governments to involve costly recurring expenditure, for example, welfare provision. This potential causal mechanism is expected to explain how British colonial rule could lead to the underdevelopment in housing policy in this period across the two cases.

As the causal mechanism has been identified, a comparison between the historical observation and hypothesised relationship could then be conducted. If the aforementioned prudent fiscal principle was founded in the two colonial governments,



the causation between British colonial rule and residual housing policy could then be proved. vice versa.

#### 8.1.1. Hong Kong

In the 'Charter of Hong Kong', 'Letters Patent of Hong Kong' and 'Royal instruction of Hong Kong', which are argued to effectively form the Hong Kong initial constitution together, clearly required the Governor to finance the operating costs of the colony entirely out of local revenue (Jones, 1990: 90). Finer (2004) further elaborated this requirement by pointing out the development of trading stations like Singapore and Hong Kong relied on their capacity to attract traders from different parts of the world. Their attractiveness hinged on the self-financing status and minimal government intervention or in his own words "moderated British rule" (Finer, 2004: 15). This insight is echoed by Jones (1981: x) who links Hong Kong's dependence on trade with its laissez-faire philosophy. Taxation is seen to be kept low to minimise negative impacts upon exports while at the same time government involvement was confined in order to maximise commercial and industrial interests.

With Hong Kong being declared a free port and with no direct taxation of earning in regular basis until 1947, the sources of public revenue were limited to incomes from land rents as well as sale of land, monopolies and licenses (Jones, 1990: 103). The narrow income base together with laissez-faire notion were reflected in the underdevelopment of social welfare. Finer discovers that imperial government had very low interest in extending welfare outside white settled British Empire and that contrasts sharply with the enthusiasm of private charity by missionaries (2004: 15). It is therefore not surprising that social welfare in Hong Kong at the period was overwhelmingly provided by

charitable organisations that were founded by either Christian churches or wealthy Chinese (Jones, 1981: xii).

This laissez-faire philosophy continued influencing policy making in post war years. Lee (2004: 155) therefore characterises Hong Kong model of housing policy before public housing provision as liberal-market which has the policy assumption of 'free market superiority' and minimal role of the state in housing.

#### 8.1.2. Singapore

Similar observation could be made in Singapore as well. Since the mid-19<sup>th</sup> century, the merchant class in Singapore had been constantly advocating the transfer of the Straits Settlements from the East India Company to the Colonial Office as a Crown colony. An aspect that the Colonial Office stressed so much was the level of long-term self-sufficiency of Singapore. The Colonial Office eventually accepted the merchants' plea under the condition that Singapore could finance its administrative and defence expense as the merchants pledged (Webster, 2011: 925). It is therefore not surprising that the welfare policy in this period was clearly geared to prevent the welfare provision in the colony causing local fiscal deficit and ultimately becoming a financial burden to the home country. On one hand, it targeted only the most vulnerable while on the other, relied heavily on the self-funding protection when there was an opportunity (Mehta & Briscoe, 2004: 93-94). The introduction of the Central Provident Fund (CPF) in 1955 is a typical example. At that time, there were two types of pension scheme in Britain including the flat rate National insurance pension, as well as non-statutory occupational pension. Yet, the Colonial Office showed a clear preference for the provident fund approach in the colonies (Lim, 1986 as cited in Tan, 2004: 130). Low and Aw therefore assert that "the

British government had simply been quite firm in making a political decision not to be financially burdened with the social security plans of the colonies” (1997: 19-20).

Such residual approach explains why the British colonial government was reluctant to actively engage in the public housing provision as a solution to the shortage as well as poor quality of housing (Teh, 1975:3; Teo & Savage, 1991: 327; Teo, 1992: 167). Housing policy was largely neglected before the formation of the SIT (Castells et al., 1990: 215, Yeung & Drakakis-Smith, 1974: 764). Although public housing was first provided by the SIT during the colonial era, its residual nature was too strong to argue against the end of laissez-faire principle in policy making. As aforementioned, the scale of public housing provision was small given that the main focus of the SIT was to improve existing housing stock instead of constructing new ones. The British government's laissez-faire attitude towards urban development therefore should be held accountable for the deterioration in housing conditions (Ching and Tyabji, 1991). The large influx of immigrants and high birth rate after World War II made the housing problems even worst. By 1947, two in every five Singaporean lived in housing units which accommodated 21 or more people (Castells et al., 1990).

It could therefore be argued that there is a causal relationship between the British colonial rule and residual housing policy in both Hong Kong and Singapore during this period.

## 8.2. *The causal mechanism that links the strong capitalist class and weak labour movement to residual housing policy*

Besides the causal weight of the British colonial rule demands validation, another finding of the covariance analysis, i.e. causal link between the strong merchant class, weak labour movement and the residual housing policy, also needs to be scrutinised.

It is assumed that the existence of strong capitalist class together with weak labour movement imposes substantial political pressure on the government to carry out pro-business policies even at the cost of the whole society.

In this case, if government decisions or proposals that may benefit the general public would be overthrown by the capitalists simply because they threatened commercial interest, there would be a strong basis to believe the aforementioned causality to be true. Once such causal linkage being developed, it could be argued that the lack of effort on housing provision is a consequence of the government hesitancy in deviating for its business-friendly policy direction.

### 8.2.1. Hong Kong

In 1882, a British engineer, Osbert Chadwick, was commissioned by the Hong Kong government to review the acute housing and sanitary problem in the colony. Although the Chadwick report recommended the government to take direct intervention to solve the housing problem, subsidised housing was never able to make its way to the policy agenda due to the government's reluctance.

Instead, merely regulations on building requirement and rental housing condition were tightened. Even so, the new ordinances (1887 Public Health Ordinance and 1889 Buildings Ordinance) still faced strong resistance from the capitalists, notably landlords and developers. Among them several were non-official members of the Legislative Council. They claimed that the enactment of these new acts rendered higher cost in housing provision and could lead to an exacerbated affordability problem.

Although their opposition against the regulations might seem to do tenants' a favour, it was very much motivated by the self-interests of the capitalists. Considering the very low purchasing power of tenants, any additional cost passed on to them by the landlords in the form of rent increase could act as the 'last straw that broke the camel's back'. The heightened rent could push tenants off the private rental sector once and for all and made them reside as squatters. In this case, landlords might have to absorb the additional costs incurred by the new regulation in the form of a reduction in profit. Under the substantial political pressure from the rich, the new regulations failed to be implemented successfully and were unable to improve the housing condition (Chiu: 1994: 340)

Similar opposition from the capitalists was also seen in later legislation as well. In the 1903 Public Health and Building Ordinance, which was revised again in 1935, various construction standards were regulated. However, it was strongly opposed by actors within the government institutions. Legislative Council's unofficial members with intimate tie to businesses were seen to actively contest the new regulation. As a result, the government had never strictly enforced the law (Fong and Yeh, 1987: 18).

Even though these ordinances were unlikely to be the 'game changing' policies, they could undoubtedly in some degree impede the continuous deterioration of housing condition. Yet, the unwillingness of the government to confront the commercial interest for the sake of the general public confirmed the hypothesised causal linkage between the existence of strong merchant class, weak labour movement and the residual housing policy.

### 8.2.2. Singapore

In Singapore, several attempts by the authority to introduce new government revenue sources were thwarted by the bourgeoisie. For the capitalists, these new forms of taxation undoubtedly threatened their accumulation of wealth. In the name of protecting free trade and liberty, the merchants in Singapore through various means exerted considerable political pressure to bar government proposals. Many times, they won. The consequence was that public finance became heavily relied on the sale of monopoly concessions, i.e. exclusive rights to retail several demerit goods/ services. Among them, there were drugs (e.g. opium, cannabis and betel nut), various spirituous liquors, and gambling. Being the most profitable, the sale of opium monopoly concessions had been the single largest source of the government revenue accounting for 35 to 60 per cent between 1824 and 1910 (Trocki, 2006: 20).

Such public finance structure prevented the government to restrict consumption that harmed the society. It could therefore prove that the strong capitalist class had forced the governments to implement policy in their favour even with the sacrifice of the social benefit.

In the following, a list of events where attempts to introduce new government revenue sources were overthrown by the bourgeoisie would be examined. In the mid-19<sup>th</sup> century, an increase in pirate attacks targeting vessels that traded with Singapore was reported. In order to combat piracy, the government proposed new port dues to finance the campaign (Webster, 2011: 915-916). Even though the campaign itself was welcome by the merchants, they opposed the way it was financed. They saw the introduction of such trade duties as a threat to the free trade policy and more importantly their profit (Wong, 1960: 182). They mobilised local and Britain's support to stop the proposal. At local level, they petitioned the colony authority and later formed the Singapore Chamber of Commerce to consolidate their strength in the bargain (Turnbull, 1969: 24). At the same time, they rallied support back in England, notably the East India Associations in Glasgow, London and Liverpool (Turnbull, 1969: 32; Webster, 2011: 915-916). With the Glasgow and London East India Associations expressed their remonstrations with the India Office and Liverpool East India Association questioned the Admiralty jurisdiction, the East India Company finally backed down and abolished the plan for port dues.

Another example was the introduction of a stamp tax in 1851. To offset the revenue forgone due to the abolition of a town tax in Singapore, the government intended to levy a stamp tax on official and business transactions. Unsurprisingly, the merchants stood up against the proposal by claiming its negative impacts on the prosperity of the settlement. Again, with the help of their connections in London, the merchants were able to force the government to abandon the plan (Webster, 2011: 923).

Likewise, an attempt to introduce import duties in 1868 ended up with the same fate

(Webster, 2011: 899-900). These examples were only a fraction of incidences where the capitalist class turned down the government proposals on new income sources (Turnbull, 1969: 24).

## **9. Conclusion**

In this chapter, it has been demonstrated and then validated that the combination of a financial conservative colonial government, a strong capitalist class, and a weak labour mobilisation could lead to a residual housing policy in both Hong Kong and Singapore during this period.

Yet, such causal relationship still needs some further elaboration to strengthen its persuasion especially when it does not seem to be consistent with the development in the mother nation of the two colonies, i.e. Britain, in the same period. Despite having a pro-business government and a mighty capitalist class, the politically weaker labouring class were constantly struggling to gain power particularly through their collective action. Over time, they managed to bring gradual expansion of the parliamentary franchise and in turn utilise their strength in numbers to achieve political aspiration such as demanding greater commitment of the government towards welfare provision (Blewett, 1965; Hoppen, 1985). The ability of the working class in Britain to achieve much more in politics than their counterparts in Hong Kong and Singapore under similar conditions appears to be in disharmony with the causal relationship above. Therefore, such causal relationship in question requires more grinding.

Below, it would be argued that differences in fine details under the seemingly common backcloth should be attributed to the divergence in policy development between Britain



and its two colonies. These include the variances in the nature of labour and the dissimilar institutional settings.

### 9.1. *Rootless nature of labour in colonies*

Despite both facing political adversity at the beginning, the nature of working class in the mother nation and the colonies were in fact very different. The low intensity of working class collective action in Hong Kong and Singapore is pronounced when being juxtaposed with the labour movement in Britain. Some scholars claim that it was due to the influence of the Chinese culture which stresses the need to respect authority (Jones, 1990: 68; England, 1989: 44; Lau, 1982: 103). However, this argument could easily be disproved. First, there had been many attempts of revolution in China during same period. The revolutionary campaign escalated since the beginning of 20<sup>th</sup> century and ended with the victory of the revolutionists. Monarchy was overthrown and a Republic was established in 1911 (Skocpol, (1979).

Second, much earlier than the uprising of republicans, secret societies aspired to replace the Manchu government with the previous dynasty, i.e. Ming, have been observed in Singapore and Hong Kong. Instead of being the extremist minority, they were also managed to attract a sizeable amount of Chinese labour (Tremewan, 1994: 7; Chan, 1991: 157).

Finally, despite under British control, Hong Kong and Singapore were the places where reformers (e.g. Liang Qichao and Kang Youwei) and revolutionists (e.g. Sun Yat-sen) raised fund and rallied supporters for impacts in China (Trocki, 2006: 100,102).

All these evidences suggest that the Chinese was not that tame. Instead, their political apathetic behaviour in the colonies should be better illustrated by their rootless nature. When Singapore and later Hong Kong being declared as free ports, the employment opportunity there managed to attract a large crowd of labour from mainland China. They saw these colonies as place for accumulating wealth rather than places to settle (Chua, 1995: 101; Jones, 1981: 4; Rooney, 2003: 12).

In the case of Singapore, the lack of women in the colonies as discussed earlier prevented the Chinese labour to settle (Trocki, 2001: 117-118). Only until the 1930s, there were more female immigrants (Hill and Lian, 1995: 114). About the same time, Immigration Restriction Ordinance, which controlled the inflow of unskilled male labourers, pressured immigrants to choose a permanent residence. As a result, more Chinese labour decided to reside permanently (Tremewan, 1994: 9). Even so, many local born immigrants' descendants still "anchored their cultural orientation to imaginary homelands" (Chua, 1995: 101).

On the other hand, the close proximity between Hong Kong and mainland China did not provide too much incentive for Chinese working class to relocate their family to Hong Kong. Many chose to work in the colonies for a few years and returned to their family in China (Pryor: 1983: 5). The loose border controls before 1949 that allowed total freedom of movement in and out Hong Kong further strengthened the migratory nature of labour. Strict repatriation of illegal immigrants was only enforced after 1980 (Shen, 2004: 534). A general exodus to Canton during the seamen's strike is a vivid example of how fluid the labour could be (Chan, 1991: 173).

The footloose nature of labour in both Singapore and Hong Kong not only means that collective action became harder to organise (Chan, 1991: 155), the working class themselves would also be less passionate about it. It is because most of the working class did not see the colonies as places where their major political stake lied (Scott, 1989: 64). Instead, their political concern was about development back home, i.e. in China (Trocki, 2006: 100, 103). Singapore and Hong Kong were merely regarded as places for them to improve their economic circumstance.

This notion could be confirmed by examining the causes of strikes during the period. Most of the time, they were about wage or policies that might jeopardise their immediate economic interests in the form of introduction or increase of fee or tax (e.g. 1908 rickshaw strike and 1922 seamen's strike in Hong Kong; 1920 rickshaw strike in Singapore). Though less often, nationalism, owing to incidents in China, was another common cause for strikes in colonies (e.g. 1884 Anti-French Strike and 1925 Canton-Hong Kong strike in Hong Kong; 1919 anti-Japanese strike in Singapore). Beyond these concerns, this Chinese labour remained rather political lethargic (Jones, 1990: 67). It was even truer for those who came to the colonies in order to escape politics and turmoil in mainland China (Huque et al., 1997: 14).

Hence, gaining political power or demanding welfare expansion were never used as reasons to mobilise the working class in Hong Kong and Singapore. These sharply contrast with the experience in Britain.

### 9.2. *Divergence within the labouring class*

Another factor that made collective actions more difficult in the colonies is the fragmentation of trade union. Since early days, trade unions in both Singapore and Hong Kong had been divided by occupation, ethnicity and locality (Trocki, 2001: 123). Later, the conflicts between nationalists and communists in China brought an even larger cleavage within the working class. Pro-nationalists (GMD) and Pro-Communists (CCP) trade unions were constantly undermining each other rather than collaborating for the greater good of the class (Jones, 1990: 229; Lee, 1997: 139; Levin and Chiu, 1994: 139; Leung, 1994: 207). The failure to unite their strength curbed the effect of any potential collective action.

### 9.3. *Institutional constraints in colonies*

Finally, the most influential factor that contributed to the contrasting development above is arguably the substantial different, if not incomparable, institutional settings between Britain and its two colonies.

Britain has been having an elected parliament with supreme authority for several centuries dated back to the 'Bill of Rights 1689' (Chander, 1991). This rendered a clear path for working class to fight for their political power and realising their demand. By relying on their might through collective action, the working class in Britain gradually pushed forward the expansion of the parliamentary franchise. As the system became closer and closer to universal suffrage, the labouring class with their strength in number acquired considerably power enough to alter the course of policy trajectory including but not limited to the welfare provision (Lanski, 1966).

Unlike the parliament in Britain, legislatures in the colonies did not enjoy such level of unchallenged authority. The legislative councils were formed in Hong Kong and Singapore when they became crown colonies. These councils, consisted by official and unofficial members, were on paper law-making bodies. However, in reality they were the Governors' 'advisory' bodies (Trocki, 2006: 81; Huque et al., 1997: 11, 12; Tremewan, 1994: 8) that "intended to complete and complement the Civil Establishment rather than to control let alone compete with it from a position of 'authoritative independence'" (Jones, 1990: 91). The members were appointed by the governors rather than elected (Chan, 1991: 110; Trocki, 2006:81; Huque et al., 1997:10). Governors who only answered to Whitehall therefore had unparalleled authority and could even pass law independently if needed (Jones, 1991: 90; Scott, 1989: 65).

Despite some officials claimed the legislative councils in Hong Kong and Singapore as equivalent to the Parliament in the mother nation, the councils were not powerful enough to make an effect on the government decisions and remained in general only as an advisory role.

For examples, the 8th Governor of Hong Kong, Sir John Pope Hennessy once said "as a matter of fact, an unofficial member of the Legislative Council has ... exactly the same powers and privileges as a member of the House of Commons; a member of the Legislative Council can, in fact, initiate any vote or motion he pleases, with one proviso that he cannot propose the expenditure of money. The same rule applies precisely in the House of Commons; there is no difference whatever; any motion may be made by members of the Council in the form prescribed by the rules and regulations, all of which are really based on the orders and procedures of Parliament in England" (House of

Common, 1881: 82). Likewise, Governor Bowen urged that official majority “should not be used to constrain an absolutely united unofficial minority, especially on financial questions” (Endacott, 1973: 205).

These statements turned out to be lip-services rather than facts. First, members of the councils were appointed by the Governors to help rather than causing troubles (Jones, 1990: 91). It is unlikely that the Governors would invite those who were hostile to them as unofficial members. Second, unofficial members were always systematically outnumbered (Jones, 1990: 63). As those from the government, i.e. official members, accounted for the majority in the councils and were demanded to vote with the Governors, unofficial members would not have the power inside the councils to stop government bills to be passed (Scott, 1989: 58). It is not surprising that the trading communities in the colonies, as shown earlier, mostly overturned government decision outside rather than inside the formal political systems.

For labour in the colonies, they had already been rather apathetic to local politics due to their rootless nature. The absence of obvious way to build up political strength through the existing institutions further dampened the willingness of workers to risk their economic interest to participate in collective action. As a result, the constraints in organising collective action barred the political significance of the labouring class in Hong Kong and Singapore to grow and hence, they had been kept outside the policy making process throughout the period.

To sum up, Hong Kong and Singapore in this period had experienced severe and continuously deteriorating housing condition and minimal government intervention in housing. The difficulties to organise collective action make the working class too weak to

contest the alliance of government and capitalists under the laissez faire spirit. In turn, the laissez faire spirit dictated the policy making, including the development of residual housing policy, in the colonies.

By seeing a minimalist government as the best for the colonies and Britain, the colonial governments of Hong Kong and Singapore rarely intervened in working of the 'invisible hand'. The liberal mind in the colonial administration fit perfectly with the commerce interest and facilitated the formation of their implicit alliance. Under this environment, capitalist class was able to exploit labour with low wage. The generally low purchasing power among the working class meant they could only afford cheap sub-standard housing in private rental market (Rooney, 2003: 14). Some immigrants also preferred to sacrifice housing condition in order to speed up wealth accumulation (Rooney, 2003: 17). Even governments might want to alleviate the poor housing condition with minimal level of intervention (e.g. tightening building regulation) for the greater good of the society (e.g. sanitation), such deviation from its night-watchman role still encountered intense opposition from the bourgeoisie. The capitalist class in the colonies owing to their political and economic significances were often able to bar government decisions while the labouring class were too weak to suggest otherwise.

In general, governments themselves had already been reluctant to substantially disrupt the market force due to their liberal thinking. The mighty capitalist class further ensured that the laissez-faire principle was enforced. As a result, interventionists' policies such as large-scale housing provision were undoubtedly out of the question. Housing just like other welfare policy areas was neglected and only residual housing policy was adopted.

While illustrating how a residual housing policy was developed in this period, the chapter lays out the 'status quo' of political and institutional settings in Hong Kong and Singapore. It allows a comparison to be drawn between institutional configurations of different periods in later chapters. Deeper insight in the housing policy development could then be gained by focusing on how shifts in institutions opened windows of opportunity for volatile policy changes. This forms the fundament for study of sharp changes, i.e. from residual to large scale public provision, in housing policy in the next chapter.



## **Chapter 8 The origin of public housing**

### **1. Introduction**

In the previous chapter, it has been showed that the difficulties in organising collective action together with the institutional constraint towards power made the working class too weak to contest the alliance of the government and capitalists under the laissez faire spirit. In turn, the laissez faire spirit dictated policy making, including the development of residual housing policy, in the colonies. Such the residual housing policy and the resulting acute housing problems had been the status quo for over a century of colonial rule when both city-states entered the 1950s.

Instead of a reproduction the status quo in the policy area, both Hong Kong and Singapore witnessed an abrupt transformation in housing, notably the introduction of the large-scale public housing. Such a sharp turn in policy trajectory is fascinating and deserves greater understanding. This chapter hence aspires to explain what caused the deviation from the status quo. In order to appreciate the logic behind, the transformations in both cases have to be fully comprehended.

With the help from the historical institutionalism framework, more precisely the concept of punctuated equilibrium, this chapter first tries to answer why radical changes in housing policy took place in this period but not earlier or later. After comprehending the timing of the reforms, the chapter goes on to explain the content of the reforms or, put it differently, how particular institutions were adopted. Attention is devoted to how institutional legacy continues to exert influence on the development of new institutions. In particular, the institutions established during the early British rule like

various statutory boards and those associated with property rights would be shown to affect the housing policy choice after the independence of Singapore as well as in post-war Hong Kong. On the other hand, existing institutions could also be converted to serve new purposes and become part of the new paradigm. The discussion from the historical institutionalists' angle, hence, allows a dynamic understanding of the policy development.

Despite the fruitfulness of historical institutionalism as an analytical tool, it alone is not enough to comprehend the initial radical changes in housing policy as well as the persistence of those interventionist housing policies. Historical institutionalism is able to illustrate how some policy choices became more feasible and even more favourable over retaining the status quo. Yet, the question of why political actors opted for shifts in housing policy still remains largely unanswered. The chapter therefore needs to fill the gap by referring back to the East Asian housing regimes.

Having less to do with the past, the East Asian housing regimes illustrates the housing policy development by focusing on both economic and political aspects. For economic, it argues that housing policy in the east had strong economic intention behind and was introduced to assist the economic development rather than as a reflection for the extending civil right. Another observation given by the housing regimes is made from the political point of view. The approach suggests that the maintenance of political legitimacy was of equally importance in explaining the origin and the subsequent development of welfare policy in the East Asia.

By the end of the chapter, a few potential explanations towards the adoption of the interventionist housing policy are made available for subsequent validation.

## **2. The introduction of a large scale public housing since the 1950s**

Before jumping right into analysing the timing of government intervention, the section below will first outline the major housing policy development in the period.

### *2.1. Singapore*

Singapore became a self-governed state within the commonwealth in 1959 and later in 1963 gained independence from the Britain and formed Malaysia with other former British colonies in the region including Federation of Malaya, North Borneo and Sarawak. Yet, after around two years within the Malaysia, Singapore was expelled from the federation and became an independent nation as the Republic of Singapore.

#### 2.1.1. The birth of Housing and Development Board (HDB)

Although Singapore went through a period of political turmoil after decolonisation, this did not hinder the development of housing policy. At the very early stage of the self-governed state, the newly elected People's Action Party (PAP) government was determined to find a solution to the acute housing problem that had accumulated over decades. Instead of delegating the task to a government department, a statutory board named the Housing and Development Board (HDB) was set up in 1960 taking in charge of the task. Such decision was undoubtedly to some extent influenced by the positive experience of statutory boards in Singapore under the British administration. Although the tools used to meet policy objectives retained traces from the past, the objectives themselves changed drastically.

Unlike its predecessor, the PAP government saw the solution to housing shortage and poor living condition in direct and mass provision of public housing instead of other less interventionists approaches such as regulation and small scale improvement programmes. The Housing and Development Board (HDB) was made responsible for delivering inexpensive public housing according to its five-year plans. With autonomy in related fields such as building design, construction materials, land acquisition and town planning, HDB built standardised small-size flats which were then let to low-income families at a subsidised rate (Yuen, 2002:40). More than three and half hundred thousands of dwellings had been built by HDB in the first twenty years of the public housing programme (HDB, 2015). As a result, the housing standard in Singapore was great improved.

#### 2.1.2. Home owning society and the Central Provident Fund

In 1964, the 'Home Ownership for the People Scheme' marked a policy shift from only focusing on provision of public rental housing to also addressing the home ownership desire of the people. The scheme aimed "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 1998:3). Yet the initial response from the public was far from enthusiastic. During 1964-1967, the application for public rental housing was always 7 times more than the application for public buy-for-sale housing. In 1966, the difference between those two numbers was as large as ten times with the rental and purchase application being 17313 and 1576 respectively (Castells et al., 1990: 232).

The dampened demand only reversed in 1968 when the government introduced the 'CPF Approved Housing Scheme' which CPF members were allowed to withdraw part of their CPF saving before retirement to finance 20 per cent of the down payment and mortgage instalments on purchases of HDB flats. With CPF saving as a new source of home purchase fund, the demand for public home ownership was seen a significant boom. At the first year of 'CPF Approved Housing Scheme', the application for purchasing HDB flats exceeded the sum of application in the previous four years. Then, in 1970, the demand for HDB built-for-sale flats for the first time overtook the demand for HDB rental housing. By 1972, the disparity had been doubled with the buy orders standing at 24,644 (Castells et al., 1990: 232). The role of CPF in boosting the sale of public housing was unambiguous. Through comparing the ratio of the amount withdrawn from the CPF saving to the proceeds of HDB flat sale and the application for HDB flat purchase, it could be noticed that there was a positive relationship among them. As greater proportion of sales was financed by the CPF saving, the application for HDB flat sale increased in line. The ratio of the amount withdrawn to proceeds of sale began at 13.8 per cent in 1968 and rose gradually to 50.2 per cent in 1972 which indicates the CPF saving financed half of the equity in HDB flats. This undoubtedly contributed to the construction of the public home owning society in Singapore (Chua and Ho, 1975:68).

## *2.2. Hong Kong*

### 2.2.1. At the dawn of public housing in Hong Kong

First, the Second World War and later the civil war of China and the establishment of communist regime in China caused a stream of influx from mainland to Hong Kong. The

huge excess demand for housing accompanying by government red tape led to overcrowding in private tenement and the soar in squatter settlement (Wong, 1998: 32).

Dictated by the laissez faire spirit, the colonial government was reluctant to involve itself too much in solving the deteriorating housing problem. Instead, it encouraged voluntary effort of both NGOs and settlers themselves on housing. One of them was to allow temporarily wooden housing to be constructed in 'tolerated areas' (Pryor, 1983). This initiative created a hazardous risk to settlers as well as the society, and eventually became the catalyst for a radical shift in housing policy.

The origin of the public housing programme in Hong Kong could be dated back to the emergency housing programme in response to the disastrous fires in Shek Kip Mei on the Christmas Eve of 1953 that caused over 50,000 people homeless (Wong, 1998: 19; Fong and Yeh, 1987: 19). To take charge of resettling the fire victims, the Resettlement Department was found in 1954. Although the official explanation pointed out that initial government direct involvement was "almost accidental and largely reactive" (taken from UN-HABITAT, 2011: 22), this chapter argues that the squatter fire was merely a trigger rather than the underlying causal factor for public provision of housing. Instead, when trying to understand the causation of the reform, attention should be given to the changes of actors due to a series of exogenous shocks in the aftermath of the Second World War. This would be elaborated later in the chapter.

Due to the cost and time constraints, the resettlement estates were built only to minimum standard (Wong, 1998:11). Rooms as small as about 11 square metres were built for five people. This means each of them only shared around 2.2 square metres living area. Due to the small room size, residents in resettlement blocks had to do their

cooking in the public corridor. During the summer time, it was normal for residents to sleep on nylon foldable beds in the public corridor. Considering their construction took only eight weeks, the facilities in those six-storey resettlement blocks were primitive. All the rooms were not self-contained, water stand-pipes, communal bath rooms and flush latrines were located in the communal area on each floor. Lifts or electricity were also absent (Lau, 2002: 64-65). Yet, resettled squatters were still generally satisfied with the resettlement blocks considering their qualities were no worse than their previous tenures (Bishop, 1969). Thanks to the fast-paced construction, about 30,000 people found their home in the resettlement estates by the first anniversary of the tragedy (Castells et al., 1990: 10). After the victims were settled, public housing were not put to an end but instead were used to rehouse the squatters affected by the squatter clearance programme (Wong, 1998, p. 6). By the end of 1964, there had been more than 600,000 tenants resided in the resettlement estates (Castells et al., 1990: 10).

During its first ten-year period, public housing was very much failed to address the welfare of the poor. First, the resettlement programme was really a by-product of the process of clearing land for development. As stated explicitly by the Commissioner for Resettlement, “squatters are not resettled simply because they need...or deserve, hygienic, and fireproof houses; they are resettled because the community can no longer afford to carry the fire risk, health risk, and threat to public order and prestige which the squatter areas represent and because the community needs the land on which they illegally occupy. And the land is needed quickly” (Commissioner for Resettlement, 1955: 46) Therefore, those who were allocated a place in the resettlement estates were families with their houses destroyed by natural disasters or removed by the squatter clearance programme. Despite suffering poor housing condition and unaffordable rent, general public could not apply for flats in the resettlement estates (Wong, 1998, p.6).

Although in 1961 a new programme called the Government Low cost Housing was enacted aiming to provide public housing units to low income households, its scale was quite moderate. By 1965, only slightly below 50,000 beneficiaries moved into these housing units comparing to more than 600,000 people living in resettlement blocks at that time (Castells et al., 1990: 20).

#### 2.2.2. The start of greater commitment in in-kind housing provision

After a decade of limited intervention, the housing situation was not improved and showed signs of deterioration. The number of squatters had doubled in this period accounting for 20 per cent of population while at the same time, more than half of the society were dwelling in shared rooms, cubicles and bed spaces (Castells et al., 1990: 20; Drakakis-Smith, 1979: 53). The soar in the number of squatters was partly due to the genuine housing need of mainland China immigrants as well as the displaced tenement dwellers owing to private redevelopment projects and partly due to opportunists' demand for places in resettlement estates (Wong, 1998: 39).

In view of the delicate situation in housing, there was an urgent need for reassessing housing policies. In 1964, a committee appointed by the government to review the housing problems produced a white paper with the title, 'Review of Policies for Squatter Control, Resettlement and Government Low-Cost Housing'. A main contribution of this white paper is that the government took its advice about developing a comprehensive housing programme with quantitative targets to house 1.9 million people in resettlement units and 290,000 in government low cost housing units in the following decade. This marks the beginning of the Hong Kong government's greater commitment in in-kind housing provision. During this period, the quality of the public housing unit was also



improving alongside the increase in quantity. Electric lights and elevators were gradually introduced in those newly constructed resettlement blocks (Castells et al., 1990: 22). Average living space per person was also observed to rise (Lau, 2002: 65). At the same time, the first new town project, Tsuen Wan, was initiated in 1961 to turn a relatively remote region into a self-contained area where public housing, private housing, industrial units and commercial facilities would intermix. This new initiative not only provided land for public housing but also being designed to bring job opportunity to the future residents by relocating production and business activities near the residential area. Such remarkable way of development further expanded in decades that followed and is still employed today (Castells et al., 1990: 22).

Following the growth in the size and complexity of the public housing programme, the bureaucratic structure in place became gradually incompetent. To cope with the new challenge, the Housing Board, an advisory body, was established in 1965 to coordinate all the public housing programmes (Wong, 1998: 39). Yet, the Housing Board was considered to be underperformed at its infantile period. The Ten-year Building Programme since 1964 was intended to house 1.9 million people in resettlement estates. Actual figures were disappointing. The government only completed slightly more than a third of its target in resettlement estates. Its decision in 1968 to stop financing the former Housing Authority, a semi-independent organisation, which was responsible for constructing Government Low Cost housing (GLCH), directly led to the failure to meet the GLCH target by 90,000 people (Castells et al., 1990: 23).

Despite falling short of the targets, credit should be given to the government efforts in substantially lowering the number of squatters and enhancing the housing quality of citizen in a faster pace than in the previous decade (Castells et al., 1990: 10, 24). More

importantly, the government had committed to addressing the poor housing condition in the society and public housing was no longer a temporary initiative or a passive policy response.

### **3. Explaining the timing of the introduction of large scale public housing**

After briefly outlining the housing policy development in the period, the chapter will move on to answer why radical changes in housing policy took place in this period and not earlier or later. By recalling the discussion in Chapter 2, the concept of punctuated equilibrium explains volatile institutional changes as outcomes of shifts in the institutional context due to exogenous shocks. In the case of Singapore and Hong Kong, it would be argued that the previously stable residual housing policy was 'punctuated' by the Second World War and the drastic changes in the geopolitical environment in its aftermath. As these exogenous shocks shook the foundation of the previous institution, i.e. the political hegemony of the alliance between the colonial government and capitalists, they created the window of opportunity, namely critical juncture, for consequential reform in housing policy.

#### *3.1. Singapore*

As the previous chapter suggested, the strong colonial government-capitalists alliance in comparison to the weak working class allowed residual housing policy to be remained as a status quo in the colony. Yet, the Second World War and the geopolitical changes that followed significantly altered the characteristics of each actor, and so did their relative political power and the solidity of their alliance. These exogenous shocks, in turn, made way for a radical change after an extended period of institutional stasis.

### 3.1.1. Colonial government

The humiliated defeat of the British in the Far East undoubtedly devastated the respect and prestige long enjoyed by them. As Jeffery points out, “the cataclysmic blows struck by the triumphant Japanese in Hong Kong, Malaya, Singapore, and Burma grievously undermined the myth of European invincibility”(Jeffery, 1999: 319). The British legitimacy in Singapore was further damaged by the corrupted and incompetent British Military Administration (BMA) in the post war years (Gamba, 1962: 45). Their leniency towards war criminals also fuelled the resentment among the Chinese community and provided the soil for anti-imperial movement (Turnbull, 1996: 223). The first post-war strike broke out just 2 months after the Japanese surrender (Chan, 1984: 53). Strikes and social unrest were frequent throughout the post war period.

At that time, Singapore was of significant importance to the British. In terms of economic interest, many British companies involving the commercial activities in Malaya had their headquarters in Singapore. On the other hand, it is vital to the Britain’s global strategy as it housed a naval and an army base (White, 1999: 113). Hence, the British were not intended to let Singapore obtain independence. Instead, they wished to have the region remained either as a colony or an enlarged municipality (Colonial Office, 1943). Yet, with the prestige that the Britain’s rule relied heavily on being destroyed by the war, the colonial government itself became inadequate in resisting the populace demand for self-determination. A vivid expression of such change in attitude towards the colonial authority could be found in a speech by Lee Kuan Yew, the first Prime Minister of Singapore: “My colleagues and I are of that generation of young men who went through the Second World War and the Japanese Occupation and emerged determined that no

one – neither the Japanese nor the British – had the right to push and kick us around. We are determined that we could govern ourselves and bring up our children in a country where we can be proud to be self-respecting people.” (Lee, 1961)

### 3.1.2. Business

Likewise, the colonial government-merchant alliance was seriously undermined in the tide of decolonisation. Capitalists used to be the strong support of the colonial government in Singapore in the pre-war period. As then previous chapter suggested, they allied on the basis of the laissez-faire spirit. However, the relationship between them was weakened in the aftermath of the Second World War.

The bitter war time memory of the society, including the capitalists, did not only undermine the authority of the British but also give rise to a sense of attachment to the colony. With the great sacrifice being made, many immigrants including the merchant class became much more political conscious. When the colonial government carried out discriminative policies in education, suffrage and citizenship, in particularly against the Chinese immigrant community, it effectively turned a large proportion of its allies against itself (Chew & Lee, 1991: 128; Turnbull, 1996: 242).

Although merchants disagreed with the socialists in many aspects, many of them especially smaller business owners shared the socialists’ aspiration on independence. The shift in priority from pure economic interest to independence was especially prevalent among Chinese merchants. While a vast number of Singapore Chinese Chamber of Commerce (SCCC) members showed sympathy towards the actions of the worker, a handful of members, mainly the wealthiest and English-educated, remained

pro-British. In turn, the opinion within the SCCC divided and failed to back the colonial government against the decolonisation movement (Visscher, 2007: 87).

### 3.1.3. Labour

Before the outbreak of the WWII, the working class were not in any position to challenge the policy making of the colonial government. As examined in the previous chapter, various factors including institutional constraint towards power, lack of consciousness as dominated labour and the footloose nature of the Chinese workers sufficiently barred the working class from being an organised force. However, many of these adverse conditions were gone when the British returned to their colony after the Japanese surrender.

While the British failed to protect Singapore during the war, the communists formed the Malayan Peoples' Anti-Japanese Army (MPAJA) and actively performed guerrilla warfare against the Japanese in the jungle (Trocki, 2001: 124). In the presence of a common enemy, the communists and their former adversary, the British, were able to form an alliance during the war. After the war, the colonial government returned the favour by legitimating the Malayan Communist Party (MCP), as well as other labour unions. Strikes were also allowed (Trocki, 2006: 113). This efficiently removed the institutional constraint of the Societies Act on the labour movement.

On the other hand, being able to fight back the invaders the MCP gained huge popularity and prestige among the people of Singapore. Together with the freedom to operate granted by the colonial government, they were able to rally support from many trade unions and student unions and became a major political force (Trocki, 2006: 106).

Despite the MCP became outlawed again in 1948, the spread of socialist and decolonisation idea owing to the MCP had been irreversible. Workers no longer accepted the pre-war wages and working condition and the demand for independence had been rooted in the community (Trocki, 2006: 113). Although not in the name of the MCP, the supporters of the MCP continued to operate under various organisations. At the same time, non-communist trade unions flourished (Trocki, 2001: 125). Strike was frequently employed as a means to achieve their objectives, for example the 'white-collar' postal and telecommunication workers strike in the 1952 (Yeo and Lau, 1991: 127-128). The political strength of the leftists remained.

On the other hand, the immigrants had begun to settle in Singapore since the enactment of 1928 Immigration Restriction Ordinance (Tremewan, 1994: 9). The footloose nature of the immigrant population faded out gradually. A Survey by the Department of Social Welfare discovered that more than half of the immigrants from China had neither revisited their birthplace nor transferred funds back there (1947: 114, 119-121). By the time of the Japanese invasion, many of these immigrants fought for their home in the jungle. This gave rise to a sense of attachment to the colony and incurred an eagerness to get involved in the policy making and achieve self-determination ultimately.

This new national consciousness and a shared aspiration let the originally fragmented working class to combine their strength and pushed forward the process of decolonisation as well as democratisation (Trocki, 2006: 115). One of the notable examples is the Chinese dominated the 'blue collar' Singapore Shop and the Factory Workers Union (SSFU) decided to support the strike of the 'white collar' English speaking Singapore Harbour Board Staff Association in 1955. Likewise, the communists

managed to increase the working class cohesion in both party and trade union levels. Not only that they proposed to establish a united front with other left-wing parties, they also formed the Singapore Trade Union Working Committee (STUWC) to pull both their affiliated unions and non-communist trade unions together. The leftists hence became a significant if not the most influential political force in the colony. The strong organised labour movement was then able to help left-leaning parties to win the general election, first the Singapore Labour Front (SLF) in 1955 and later the People's Action Party (PAP) in 1959 (Trocki, 2001: 126).

#### 3.1.4. Institutional development

The rise of the working class and weakening of colonial authorities forced the British to agree on sharing power with the local and granting them higher autonomy. Under constant pressure taking forms of strikes and riots, the election franchise was gradually extended. The number of contestable seats was continuously increasing and the suffrage was steadily extended.

However, the colonial government was reluctant to lose control of Singapore at the beginning. Although the legislative council, i.e. the legislature, was established in 1948, it was tailored to suit British interests in every way. First, only British subjects resided for at least a year, a tiny fraction of the population, were eligible to vote. Second, merely 6 out of 22 members were elected. Finally, the Governor could veto any unfavourable decision by the legislature. The design was therefore criticised to be "repugnant to all ideas of democracy" (The Straits Times, 1947). In 1951, the number of seats to be filled by the election was increased to 9 out of 25 and the ratio of official to unofficial members was adjusted to 1:1. Still, immigrants did not have the right to vote (Turnbull, 1996: 236).

By 1954, the MCP guerrilla war in the Jungle was largely defeated (Trocki, 2006: 118). On the other hand, after years of the emergency regulation, the colonial government were able to force most of the radical leftists especially the communists to go hibernated and underground. Political parties that remained on scene were those less radical in terms of self-governing agenda and more willing to cooperate with the British to promote a steady constitutional reform and secure their economic interests (Turnbull, 1996: 233). With the British friendly, Progressive Party, being able to win straight through the two elections in 1948 and 1951, the colonial government believed it was the right time to push forward substantial constitutional reform (Turnbull, 1996: 231, 236-237; Chew & Lee, 1991: 125). It was intended as a measure to enhance their legitimacy by weakening the MCP's image as a national liberator (Chew & Lee, 1991: 127). In turn, the 'Rendel Commission' was appointed by the Governor to review the constitution of the Singapore colony. Based on its suggestions, the Singapore Colony Order in Council 1955 was enacted. The number of elected members was sharply raised to 25 out of 32. More importantly, universal suffrage was granted to all local citizens (Singapore Constitutional Commission, 1954).

Yet, it could be argued that the British were misinformed by the legislative council, in particular by the Chinese unofficial members regarding the public opinion toward independence. These unofficial members were English-educated upper class and largely detached from the Chinese masses. The British also misjudged the strength of leftists which hid away during the emergency period (Turnbull, 1996: 238). To the British's surprise, the Singapore Labour Front (SLF) which was backed by the working class masses was able to win the largest number of seats and form a minority coalition government (Trocki, 2006: 116).



Facing the communists' mass movement, the newly elected SLF government was forced to clear its name as a collaborator of the colonialists (Chew & Lee, 1991: 135). The SLF government was therefore enthusiastic in pushing for immediate self-governance. Although the process was uneasy and had led to resignation of a Chief Minister, both sides were willing to compromise at last. The State of Singapore Constitution was enacted in 1958 which stated that all the members of Legislative Assembly would be elected since the 1959 general election. More importantly, on the basis of retaining control over the internal and external securities, the British promised to grant the local full internal self-governance henceforth (Colony of Singapore, 1958; Great Britain, 1958).

When the newly elected government was entitled to full internal self-governance in 1959, a favourable institutional context for dramatic change in housing policy appeared. As the policy making power was transferred to the elected government, it created a window of opportunity for new institutions to develop in a completely different fashion. Imperial interests were replaced by local ones in policy formation (Hamilton, 1983).

Despite the presence of the opportunity for substantial institutional transformation, there was no guarantee that the government would seize such opportunity. When there were still many policy areas requiring the government's attention, the immediate institutionalisation of the large-scale public housing programmes appeared to have deeper consideration. In order to fully understand the massive expansion in public housing, it requires bringing in the East Asian welfare regime.

### 3.1.5. Public housing and the urgent need for PAP to rally support

An important analytical angle offered by the East Asian welfare regime is to comprehend policy development by focusing how it relates to the government's legitimacy. It could be argued that a crucial catalyst for the large-scale public housing soon after the People's Action Party (PAP) began their term was the urgent need to rally support.

The People's Action Party (PAP) was founded in 1954 by its middle-class and western-educated leaders – Lee Kuan Yew and Goh Keng Swee. In the 1955 Legislative Assembly General Elections, the PAP won 3 out of 25 elected seats. In order to secure sufficient constituencies in the next election and push forward the independence agenda, PAP leaders saw the need to form an alliance with another political force. Since at that time, socialists were the most powerful force in resisting the colonial rule, an alliance with them became a natural choice for the PAP. This alliance allowed the PAP to rally support from left-wing communities such as trade unions and Chinese schools and ultimately brought the party a remarkable victory in the 1959 general election which 43 out of 51 seats were won (Park, 1998: 11). Even though as a self-proclaimed left-wing party in the election (Castells et al., 1990), the PAP broke its alliance with the leftists once it attained power. Leftists in the party were expelled and organised labour was repressed. The socialist faction in turn established the Barisan Sosialis to contest the PAP in politics.

Under the political pressure from its previous allies, there was an urgent need for the PAP to consolidate its support. Housing being a highly politicised social issue was therefore given the top priority in the government agenda to enhance legitimacy (Pugh, 1987: 313). Unlike other welfare sectors such as health care and education services

which benefit different age groups disproportionately, public housing could bring improvement in life across cohorts. This helped to maximise the potential political capital the PAP could get. Mcleay also pointed out that the materially tangible public housing blocks could act as monuments of the ruling party's achievement (1984: 97). Being easily observed, these building blocks constantly remind the population, and voters during the election, the benefits brought by the PAP (Chua, 1997: 139). These all together might explain why the government was committed to public housing when there were numerous urgent needs in the society during the early days of independence. As a result, the Housing and Development Board (HDB) was established in 1960 soon after the PAP came into power to provide public housing in a massive scale.

The notion of the urgent need to rally support is only a part of the East Asian welfare regime explanation towards housing policy development. It also comprises other political and economic angles which will be demonstrated in the later section when covering the content of the policy.

To sum up, the Second World War as the exogenous shock radically transformed all actors in the policy arena along with their relationship. The once stable pre-war institutional arrangement, i.e. the colonial rule, became fragile so did the residual housing policy formed under it. The colonial government that lost the support from a united capitalist class was too weak to ignore the demand for democratisation especially from the working class which gained considerable political strength during and after the war. The election franchise was in turn gradually extended. Through their strength in number, the working class was able to make the left-wing leaning party to win the general election since 1955. When the newly elected government being granted full internal self-governance in 1959, the prerequisite for a dramatic change in housing policy

was in place. The urgent need for PAP to rally supports then set off the massive reform in housing policy. The occurrence of the Second World War therefore determined the timing of the origin of public housing.

### *3.2. Hong Kong*

Without a doubt, the defeat of the British in Hong Kong had weakened their authority in the post-war Hong Kong (Jeffery, 1999: 319). However, the degree was much insignificant in comparison to its effects in Singapore. Neither the desire for sharing power nor the rise of national consciousness was observed in Hong Kong. Although the Nationalist government in China once demanded the return of Hong Kong when it fought alongside the British in the Second World War, it became too busy fighting the communists in post-war era instead of ensuring the hand-over of Hong Kong (Miners, 1992). As a result, Hong Kong remained as a British colony and without any self-governance agenda.

Rather than carrying out by the self-government, the equally large-scale public housing programme was initiated by the British colonial government in Hong Kong. This raises the question of how similar policy could be developed in contrasting institutional context. More importantly, how could the timing of such radical shift in policy be explained? Considering that the colonial government in post war period was in many ways identical to its pre-war form, it is natural to ask why it only waited until the early 1950s to launch such a large scale intervention when the housing problems had been severe before the war.

In order to understand these questions, the concept of punctuated equilibrium is again employed. This section demonstrates that rather than the Second World War itself being

the exogenous shock, a series of events that took place in its aftermath punctuated the institutional stasis in Hong Kong. These include the China Civil War and the subsequent rise of Communist China.

As found in the case of Singapore, exogenous shocks transformed the characteristics of various political actors as well as their political strength in Hong Kong. With the political hegemony of the colonial government-capitalist alliance under threat, the institutional arrangement especially residual housing policy built upon it became fragile. New institutions were then introduced to replace obsolescent ones.

From this perspective, the disastrous fire occurred in the squatter settlements in Shek Kip Mei on the Christmas Eve of 1953 which is considered by some scholars as the cause of the Hong Kong public housing programme (Lau, 2002: 61; Lau, 2007:46; UN-HABITAT, 2011: 22) should therefore be viewed as a catalyse rather than the underlying causal factor.

### 3.2.1. Refugee Mass

Since the Japanese invasion of China in 1937, a continuous influx of immigrants had fled to Hong Kong to take refuge. By 1941, the Hong Kong population had been doubled comparing to the figure of 1931. Although the population sharply declined owing to the repatriation policy during the Japanese occupation, the population soon bounced back when the deported people returned in the post war years. Furthermore, in the aftermath of the Second World War, a civil war broke out in China and ended with the victory of the communists in 1949. Owing to the turmoil in mainland China and the absence of border restriction between mainland China and Hong Kong before 1950

(England and Rear, 1975:2), refugees continued to flood into Hong Kong for political stability and security. It is not surprising that a United Nation survey found out that 64.1% of refugees who fled to Hong Kong in post-war period were for political reasons (taken from Hambro, 1955: 154).

In just ten years, the Hong Kong population had increased by half and reached more than 2.3 million in 1951. A United Nation report also estimated that over 1.2 million people crossed the China-British Hong Kong border between September 1945 and December 1949 (Podmore, 1971).

<b>[Table 8.1] Hong Kong population 1931 - 1961</b>	
<b>Year</b>	<b>Hong Kong population</b>
1931	840,473
1941	1,640,000*
1945	600,000*
1947	1,800,000
1951	2,360,000
1961	3,129,648
Sources: The Census Reports of various years.	
*Unofficial estimate (taken from Fan, 1974)	

Among the influx of immigrants, there were considerable numbers of workers. These new labour force entrants expected no guarantees of work, welfare or accommodation (Hong Kong Housing Authority, 1963: 2). They left their homeland to Hong Kong only because “they believed they had a better chance in Hong Kong than in China” (Rooney, 2003: 22). In turn, their primary concern was to make a living in Hong Kong (England and

Rear, 1975: 69; Scott, 1989: 69). Similar with the footloose nature in the pre-war Hong Kong, the refugee character of the labour pool in the post-war period steered the working class away from organised movement or politics in general. The working class continued to be rather politically apathetic. After all, this was a self-select group that “voluntary subscribe to colonial rule” (Lau, 1988: 20). They were therefore not interested in pressing political demand (Owen, 1971: 150), not to mention decolonisation as seen in Singapore. As long as they could still manage to survive despite great adversity, they remained self-contained. Indeed, a study of the political attitudes of post-war refugees confirmed that the majority of them were politically apathetic (Covin, 1970 taken from Lau, 1993: 12).

At the same time, the trade union movement in Hong Kong continued to be politically divided. Unions were either loyal to the Communists’ regime in mainland China or the Kuomintang (KMT) Government in Taiwan. Not only were they divided, their main concern were mainland politics. The political development in Hong Kong was mostly neglected. Furthermore, since both Communists and KMT considered Hong Kong as their de jure territory, none of the regimes permitted their associated unions to launch self-governance campaign. This, in turn, blocked off their means to capture political power and working class in Hong Kong remained politically weak (England and Rear, 1975: 4)

While the refugee masses were tolerant of the sub-standard housing condition, the destruction of their only shelters either by disasters or land clearance could drive them to despair. From the past experience, the government realised that squatter clearance would encounter resistance (Smart, 2006: 68). Considering their number, a discontented working class mass could seriously threaten the social stability of Hong Kong. It therefore

created a great pressure for the colonial government to intervene following the 1953 squatter fire and subsequent squatter clearance.

### 3.2.2. Business

As the rich-hating communists were winning the war, capitalists in China, in particular textile tycoons from Shanghai, fled to Hong Kong along with other lower class countrymen (Haggard and Cheng, 1987: 107; Wong, 1984). In 1947, the October issue of the Fortune Magazine estimated that approximately 50 million US dollar worth of capital left China for Hong Kong. At the same time, 228 firms shifted their registration from Shanghai to this British colony (taken from England and Rear, 1975: 25).

After witnessing how political instability could harm their economic interests, these newly immigrated entrepreneurs viewed government intervention very differently than their counterparts in the pre-war era. At the same time, the fear of a potential riot outbreak managed to alter the perception of the local capitalists as well. The capitalist class began to realise the need for government intervention, in the form of public housing provision, as a means to maintain social order. Businesses therefore were willing to take greater financial responsibility. In turn, this removed the political obstacle for a more interventionist approach in housing.

A clear demonstration of such changes could be found in the legislative process of the Urban Council (Commissioner for Resettlement) Bill which marked the beginning of public housing in Hong Kong. Even though the Colonial Secretary explicitly stated the “government should accept the need to construct, at public expense, multi-storey accommodation and to let it to squatters at rentals which would be related to



construction costs, land values and capacity to pay” (Hong Kong Legislative Council, 1954<sub>a</sub>:177) in a legislative council meeting in the aftermath of the 1953 squatter fire, the corresponding bill, i.e. the Urban Council (Commissioner for Resettlement) Bill, was able to pass into law without objection (Hong Kong Legislative Council, 1954<sub>b</sub>:194).

Considering most of the unofficial members in the Legislative Council had intimate tie to businesses (Endacott, 1973: 205), the consensus in passing the bill clearly denoted a shift in attitude among capitalists. Unlike in the pre-war period (Scott, 1989), capitalists were no longer seen to relentlessly opposing increase in the government intervention and expenditure. Instead, they were willing to pay higher tax in return for security and order.

Such change could be further illustrated by borrowing the concept of ‘protection pact’ from Slater (2010). Although the original concept is employed to study the authoritarian regime, it is equally applicable in explaining the origin and sustainability of the public housing programme.

The core idea of the theory is that the relative timing between the existence of social order threat and the consolidation of authoritarian rule determines the durability of the regime. If a threat occurs before the consolidation of the authoritarian rule, the powerful class would turn to the state for protection and support the government through the higher tax contribution. The regime could then strengthen its political dominance through a healthy tax revenue stream. vice versa. As the sequence of those events affects whether economic elites would support the authority financially, timing constitutes a crucial part of the explanation towards political outcomes. Such emphasis on temporal elements therefore consists with the historical institutionalist framework in this research and justifies the adoption of the concept of ‘protection pact’ below.

When applying to the housing case, the rationale is very similar. If a potential communal conflict develops before the introduction of a large scale public housing programme, economic elites would be eager to form a 'protection pact' with the government by taking greater financial responsibility in exchange for social stability.

In contrast, if the costly government intervention takes place before the threat to the social order, economic elites would not agree to finance the programme by bearing higher taxes. As a result, the public housing programme would be unsustainable due to the insufficient fund and cause a backlash against the government. Given that riot threat occurred before the need for greater financial responsibility, public housing programme in Hong Kong was able to rally support from economic elites and remained sustainable. The Slater's concept (2010) therefore helps theorise the timing and the feasibility of the government action in the Hong Kong housing sector.

On the other hand, the institutional legacy helped reduce the opposition from landlords and made the public housing programme much politically feasible. In the aftermath of WWII, the government intended to protect the returning residents from the heightening rental cost. The 1947 Landlord and Tenancy Ordinance was therefore enacted to restrict the rent increase of all pre-war premises to 30 per cent of their pre-war level and protect tenants from eviction. As a result, the rent of pre-war premises was well below the market level and excess demand appeared in the rental market (Wong, 1998: 24). The launch of the public housing programme would then unlikely crowd out the private sector and led to financial losses of the landlords. Likewise, the 1947 ordinance harmed the financial interests of landlords by impeding them to repossess building for reconstruction. The ordinance that granted tenants the right of possession in turn

withdrew landlords' right to evict the premises even for the greater good of the society, e.g. urban renewal. As a result, no successful eviction was even recorded (Cheung, 1979). Landlords were, in other words, kept out of the potential gain from redevelopment.

The focus of landlords would therefore be on the removal of rent control as well as other building restriction rather than the public housing programme. Indeed, in a Legislative Council debate in 1947, government regulations on housing were condemned by the majority of unofficial members for impeding redevelopment (Hong Kong Legislative Council, 1947: 191). Such fierce dispute was uncommon in a legislature that all its members were appointed by the government. In addition, since the eligibility of public housing residency was limited to only those affected by squatter clearance or natural disasters (Wong, 1998, p.6), the programme was not in direct competition with the private rental sector. This explained why the large-scale public housing programme received a much lower degree of opposition from landlords in contrast to other forms of government intervention in housing, such as the enactment of regulation that tightened the construction standard, in pre-war and post-war periods (Fong and Yeh, 1987: 18).

### 3.2.3. Colonial government

When facing the chaos in China, the colonial government tried hard to distant itself with the 'China's problems' (Rooney, 2003: 23). Not only banning constitutional reform in the fear of provoking the new Chinese regime (Jones, 1990: 65; Washbrook, 1999: 596-611), it also did not want to deal with the refugees from China. The government hoped that the refugees would return back to their birthplace when the situation back home became more stable or when they failed to make a living in Hong Kong (Commissioner

for resettlement, 1956: 2; Smart, 2006: 71). Such assumption in turn deterred any early intervention in housing (Chiu, 1994: 341)

Yet, the wish of the colonial government did not come true. Instead, a large and continuous influx of immigrants (both legal and illegal) fled to Hong Kong. As a consequence of the civil war and the subsequent establishment of the communists' regime in China, the new migrated population managed not only to alter the mind-set of the capitalists but also the colonial government.

Despite largely being political apathetic, the refugee mass had the potential to cause significant threat to the British rule when they became despaired. In particular, with the imperialist-hostile People Republic of China in close proximity, any attempt for them to revolt against the British could be the perfect *casus belli* for the new Chinese regime to 'liberate' the British Hong Kong. After a squatter fire in late 1951, the reluctance of the colonial government to aid victims was heavily criticised by Beijing. In a press release, the Chinese Foreign Ministry threatened that the British government would be held full responsibility for the consequences of mistreating the Hong Kong Chinese (Ministry of Foreign Affairs of the People's Republic of China, 1952). On the other hand, the major ally of Britain, the United States, made it clear that no supports would be given if the British provoked an invasion of Hong Kong (Mark, 2000).

Sharing the fear of the civil disturbance with the capitalist (Hong Kong Government, 1956: 9), the colonial government realised that the social stability should be given the highest priority. It would not be in the imperial interest if practicing *laissez-faire* would lead to the loss of the colony. Indeed, pressure from the Colonial Office in London on the Hong

Kong Government to resolve squatter related problems was witnessed at the time (Faure, 2003: 28).

Therefore, when the 58,000 people who lost their shelters in the 1953 squatter fire together with the tens of thousands fire victims from previous years created a pool of discontent population (Smart, 2006: 2), the government decided to step in. As a precautionary measure rather than a result of active political struggle from the working class, the government launched its resettlement programme which marked the beginning of the public housing provision.

To sum up, despite the formal institution of post-war Hong Kong remained as “those typical of a recently established colony in the nineteenth century” (England and Rear, 1975:11), radical shifts in housing policy was able to occur in Hong Kong as in the self-governing Singapore. By employing the concept of punctuated equilibrium, it could be shown that even though the institutional context being sharply contrasted, changes in policy trajectory of both cases in fact shared a similar rationale. At the same time, the concept helps understand the timing of the housing policy reform.

In both cases, exogenous shocks punctuated the institutional stasis by transforming the characteristics of various political actors, their political strength as well as the alliance between them. Hence, a window of opportunity for new housing policy was opened. The actors with power then seized the opportunity to introduce the interventionist housing policy as a counter-measure against the political threat they faced.

In Singapore, the Second World War being the shock weakened the colonial government as well as its alliance with the capitalists and gave rise to a mighty ‘decolonisation

alliance'. The resulting constitutional reform allowed the self-government to carry out policy that addressed different interests than before and that brought the radical shift in housing policy.

For the Hong Kong case, the exogenous shocks here were the civil war and the subsequent rise of communists' regime in China. Rather than replacing actors in power, the shocks managed to change the mind-set of those in power. Although the formal political institution remained unchanged, the attitudes of powerful political actors, i.e. the colonial government and businesses, towards laissez-faire were greatly transformed. It could be seen as an institutional change since the policy making norm had been reshaped. With laissez-faire being the doctrine of policy making up until the 1950s, the effect on housing of such transformation among actors in Hong Kong was equivalent to self-governance in Singapore. Both of them shook the foundation that the previous housing policy was built upon.

Another crucial feature that contributed to the common interventionist housing policy was the emergence of political threat to the regime. As aforementioned, the PAP government in Singapore launched the public housing programmes in response to the political threat from its former working class allies. Likewise, the resettlement programme in Hong Kong was carried out when the threat of civil unrest became so real. With the political hegemony of the colonial government-capitalist alliance under threat, the institutional arrangement especially the residual housing policy built upon became fragile. New institutions were then introduced to replace obsolescent ones.

Besides answering why significant policy changes in housing happened, the concept of punctuated equilibrium helps explain the timing of the public housing provision. Despite

the reform in the political institution being stagnant, dramatic shifts in housing policy was witnessed in Hong Kong. It could be attributed to exogenous shocks, i.e. the civil war and the subsequent rise of communists' regime in China, which transformed the characteristics of political actors and in turn shook the foundation of the residual housing policy.

Due to the turmoil in China and the absence of border restriction between mainland China and Hong Kong before 1950 (England and Rear, 1975:2), refugees flooded into Hong Kong for political stability and security. The booming working class population if being discontent could have the potential to bring severe civil disturbance. For those newly migrated capitalists, the first-hand account of how political instability could harm their economic interests made them appreciate the need for government intervention. The concern of a potential riot outbreak was also shared by the local businesses. The capitalist class no longer obsessed with the idea of minimal state and agreed that the government intervention, in the form of public housing provision, as a means to maintain social policy was necessary. They were therefore willing to finance the new housing initiative through higher tax payment. In the fear that the civil disturbance could be used as the *casus belli* for the new Chinese regime to take back Hong Kong, the colonial government saw the paramount importance of social stability. The *laissez faire* doctrine was therefore relaxed in policy making.

As discussed in the previous chapter, residual housing policy was anchored on the *laissez-faire* doctrine which was implemented by the colonial government and closely monitored by the capitalists since the very beginning. Therefore, such policy foundation had to be undermined before housing policy being steered to a new direction. In other words, only when the attitude of both capitalists and the colonial government towards

laissez faire changed, a diversion from the housing policy status quo could be politically feasible. This explains why public housing provision programmes was impossible to enact earlier in time. When the 58,000 people who lost their shelters in the 1953 squatter fire together with the tens of thousands fire victims from previous years created a pool of discontent population, the urgency for government intervention means that the provision of public housing, in the form of resettlement programme, could no longer be postponed.

#### **4. Understanding the content of policy changes with attention to institutional legacy**

After comprehending the timing of the reforms, the chapter goes on to explain the content of the reforms or, put it differently, how particular institutions were adopted. Although the concept of punctuated equilibrium suggests that the existing institutional arrangement would be broken at the critical juncture (Pierson, 2004: 135), it does not necessarily mean that there would be no trace of the old paradigm in the new arrangement. Instead, there is likely “considerable continuity through and in spite of historical break points” (Streeck and Thelen, 2005: 8-9). This notion inspires the chapter to devote attention to how institutional legacy continues to exert influence on the development of new institutions. In particular, the institutions established during the early British rule like various statutory boards and those associated with property rights would be shown to affect the housing policy choice after the independence of Singapore as well as in post-war Hong Kong.



#### *4.1. The introduction of modern rules and regulations in housing*

The modern Singapore was born in 1819 when the local governor, Temenggong for the Sultan of Johor, signed a settlement treaty with the East Indian Company (Turnbull, 1996: 1) while the history of modern Hong Kong dates back to 1842 when the British acquired it as a 'war trophy' under the Treaty of Nanking.

Since then, Singapore and Hong Kong have been developed as trading posts under the British rule. To facilitate the development of the trading post and realise its full economic potential, a wholesale transfer of institutions from Britain is found during the colonial period. The low degree of institutionalisation in pre-colonial Singapore and Hong Kong also helped make those transfers viable since previous institutions could be replaced easily by the new ones (Mahoney, 2010: 238-239). In terms of housing, the rules and regulations on property rights, and enforcement were drawn heavily from the British law and legal concepts (Tan, 1998: 126-129). All of them functioned as the crucial prerequisite for the post-colonial government in Singapore as well as the Hong Kong colonial government since the 70s to build a home owning society.

On the other hand, the legacy of the pre-war land policy facilitated the introduction of the large scale public housing by granting the government control over an abundant supply of land. By institutionalising public ownership of land upon the establishment of both colonies, the governments became the landlords of all land (Hadland, 1978; Haila, 2000: 2245). These legitimatised their control over the land supply. With all land being declared as Crown land, land plots were then leased out to private. Public property right together with private lease-ownership allowed the authorities to regulate the use of land by imposing conditions on leases.

Likewise, the acts on land acquisition passed by the colonial government in early 20<sup>th</sup> century provided later housing bodies the authority to resume land for public purpose. Despite being amended several times, the origin of relevant acts could be traced back to the 1900 Crown Lands Resumption Ordinance in Hong Kong and the 1920 Land Acquisition Ordinance in Singapore. These acts legitimatised and facilitated the acquisition of land for public housing programmes. On the other hand, their long history in the colonies helped suppress political opposition when these laws were enforced.

#### *4.2. The origin of modern statutory board*

Besides rules and regulations, another form of institution introduced based on the experience of Britain was the statutory board. Several of these autonomous public bodies was found throughout the colonial era of Singapore, including but not limited to the Board of the Commissioners of the Currency in 1899, the Singapore Harbour Board in 1913, the Singapore Telephone Board and the Central Provident Fund Board in 1955. Although not having as many statutory boards as Singapore, Hong Kong in the pre-war era did have experience with statutory boards, notably the Board of Education since 1860.

Each of them was established to perform specified duties as prescribed in their corresponding Acts. For example, the Board of the Commissioners of the Currency was in charge of currency matter. Given that the power of these agencies are clearly defined by the legislation, agencies are allowed to make decision within their jurisdiction without constantly seeking permission from above. Even with the supervision from relevant Ministers, these quangos enjoy a substantial degree of freedom in their daily operation,

such as in hiring practice (Kumar and Siddique, 2010: 12; Soon and Tan, 1993:20). This flexibility facilitates quicker policy response hence better policy in a dynamic world. The earlier experience with statutory boards is believed to have positive effects on establishing statutory boards to combat housing problems in Singapore and Hong Kong.

For Singapore, the statutory board named the Housing and Development Board (HDB) was set up in 1960 to oversee the launch of public housing programme. Although there was no statutory board to take charge of housing policy in Hong Kong at the beginning, it was soon established when the government further extended its role as a housing provider in the 1970s.

In 1972, the Ten-year Housing Programme was officially launched in Hong Kong. For the first time, the government publicly announced to provide adequate and affordable housing to the whole population instead of a lucky few. With the extension of the government responsibility, the bureaucratic structure also needed to adapt correspondingly. For the better management of housing programmes, all government agencies that responsible for housing merged into a statutory board, namely the Housing Authority, under the Housing Ordinance of 1973. Since then, the Housing Authority have assumed control of all housing related issues including squatter control, land clearance for development, public estate planning and construction as well as public estate management (Castells et al., 1990: 24-25).

#### *4.3. Conversion as an important form of institutional change*

Housing policy in both Hong Kong and Singapore experienced substantial changes in the post-war period. From the absence or reluctance of government involvement in housing

to the large-scale provision and later even the home ownership promotion, the concept of punctuated equilibrium undoubtedly helps comprehend such radical changes in the policy direction. Yet, the concept of punctuated equilibrium should not be assumed to reflect the full picture of the housing policy transformation in both places. As shown earlier, institutional legacy continues to influence the formation of the new arrangement. On the other hand, significant institution changes are not always abrupt in nature, i.e. replacing the existing institution with a new one. Some less high profile institutional changes could be equally crucial.

Being discussed in Chapter 2, the concept of punctuated equilibrium is just one explanation towards institutional changes. Historical institutionalists like Streeck and Thelen embrace the idea that changes more than adaptive could be generated endogenously with no institutional breakdown (2005: 7-8). They argue that institutions are not only determined by the outcomes of political struggles at a particular point in time which the concept of punctuated equilibrium refers as the critical juncture. Rather, institutions could also be transformed gradually when political actors, on a continuous basis, struggle “to achieve advantage by interpreting or redirecting institution in pursuit of their goals, or by subverting or circumventing rules that clash with their interest” (Streeck and Thelen, 2005: 19). In this case, transformative changes will happen under the apparently stable institutional context.

Among various modes of gradual transformation, the one that could be found in this period is conversion. Conversion denotes a situation where institutions being “redirected to new goals, functions, or purposes” (Streeck and Thelen, 2005: 26). It is made possible when there are gaps in rules that exist by design or emerge over time. Such transformation could either be a consequence of policymakers employing existing

institutional arrangements to cope with new challenges, or a result of new actors who are not the original designers taking over the institution and utilising it to achieve new objectives.

Instead of actors adjusting themselves to existing institutions as suggested by the concept of path dependence, conversion highlights a situation where “existing institutions are adapted to serve new goals or fit the interests of new actors” (Streeck and Thelen, 2005: 26). For conversion, there would not be a wholesale replacement of rules. Yet, significant rather than merely adaptive changes are argued to be hidden under the apparent institutional continuity (Pierson, 2004: 138). This raises the need to appreciate different modes of change when trying to understand the policy development trajectory. The discussion from the historical institutionalists’ angle, hence, allows a deeper understanding of the policy development.

#### 4.3.1. The conversion of the Central Provident Fund

In the case of Singapore, the conversion of an existing institution, the Central Provident Fund (CPF), to serve new purposes was witnessed in the period. Even without establishing a new institution, such subtle change was critical to the success of the public housing programme and helped build the enormous public home owning sector. The conversion is argued to be an unintended consequence of the original institutional design since the Central Provident Fund was not initially developed as a complementary initiative for the ‘Home Ownership for the People Scheme’ of the post-colonial PAP government but was introduced by the colonial government as a means to provide retirement assistance without taking on financial burden.

In 1951, the colonial government appointed the McFadzean Commission to review options for public retirement benefits. The majority of members in the commission preferred a pension scheme over the other alternative, i.e. a central provident fund, in believing that “a pension scheme would be better adapted to the circumstance prevailing in Singapore” (The Straits Times, 1952). Yet, when making the final call, the government rejected the commission’s proposal. Instead, the idea of central provident fund was implemented.

Literatures attributed such decision to two factors: residual orthodoxy in welfare and the experience of provident fund in nearby British colony (Low and Aw, 1997: 15). Between the two, the factor of residual orthodoxy in welfare is considered to be the critical one. As discussed before, the laissez faire principle was deep-rooted in the mind-set of the colonial policy makers. They therefore undoubtedly favoured the self-funding central provident fund which would not impose any financial burden to the treasury. On the other hand, previous implementation experiences of provident fund in the Federation of Malaya further convinced the British officials that it was a viable option in the colony. Followed the enactment of the CPF ordinance in 1953, the CPF was launched in 1955. Since then, both the employers and the employees themselves were required to contribute 5 per cent the employees’ wage into the employees’ CPF accounts which would be used to finance their retirement.

Although the origin purpose of the CPF had nothing to do with housing, it was redirected by the PAP government, who was a new actor that was not involved in the creation of CPF, to serve a new goal, i.e. to complement an ambitious public housing programme. The nexus between pension saving and housing finance is formed hereafter. Such

opportunity for the redeployment of institutional resources was opened up by gaps in rules that existed by design and emerged over time.

In terms of the design, CPF as a contribution scheme was malleable and could potentially serve multiple purposes that require substantial amount of saving (Hacker et al., 2015: 185). Although CPF was original designed to fund retirement expenses, the institutional design itself did not have much obstacles for it to cater different ends. As a form of contribution pension scheme, each CPF member is the sole beneficiary of his/her own saving. This prevents redistribution effects between members from different income levels and generations and hence the conflicts between them as seen in social insurance systems (Myles, 2002). Owing to its non-redistributive nature, PAP did not suffer from serious opposition when bringing CPF and housing together. On the other hand, gaps could emerge over time. As the long-lasting CPF outlived its creator (the colonial government in Singapore), the new actor in power (the PAP government) got the chance to converse it (Mahoney and Thelen, 2010: 18). Being an authoritarian regime, the PAP government did not converse the CPF due to the difficulty in directly changing the formal rule. Rather, it is “a matter of political expediency” (Hacker et al., 2015: 186).

The non-redistributable nature and sizeable financial resource of CPF attracted the PAP government to redirect it to achieve its political aspiration. As shown below, the CPF is deemed to be crucial to the success of the public housing in Singapore since it helped provide funding for both demand and supply side of the public housing.

Earlier, it has been illustrated that the ‘CPF Approved Housing Scheme’ stimulated the demand for public home-ownership through offering a new financial source for prospective HDB flat buyers.

In the supply side of public housing, the CPF was also of equal importance. When PAP rolled out its mass public housing projects, the CPF had been in place for over a decade. The history of the CPF was long enough for the system to accumulate a substantial level of wealth while at the time it was still too early for a considerable proportion of contributors withdrawing their saving for retirement. This perfect timing made possible for the PAP government to channel the CPF to finance housing. A large sum of the CPF saving was diverted to HDB by the PAP government in the form of developmental loans. These loans had a fixed 6 per cent interest per annum and a repay period of 10 years. In comparison to the prevailing prime rates of 8 per cent and above at that period, the preferential rate of CPF loans allowed HDB to obtain cheap credits for construction costs and enhanced the sustainability of the mass public housing projects. Besides loans to HDB, CPF's investment in government securities enables the government to gain access to a stable source of fund. In turn, it helped to finance the construction of public housing and allowed the government to offer grants to HDB from time to time (Sim et al., 1993: 94).

At this point, the interaction between the CPF and housing has been vividly demonstrated how substantial change could occur in a period of institutional stasis. This stresses the need to appreciate different modes of changes when trying to understand the policy development trajectory. At the same time, the discussion above sheds light on the possibility of unintended consequence of institutional design. Even the establishment of the CPF had nothing to do with housing, its non-redistributable nature and sizeable financial resource had provided the PAP government with the necessary foundation to push forward a large scale public housing programme. Though it may sound ironic, it was a residual welfare policy initiative inherited from the colonial



administration made the PAP's interventionist approach in housing viable. The discussion from the historical institutionalists' angle, hence, allows a deeper understanding of the policy development.

## **5. Understanding the content of policy changes with the East Asian welfare regime**

### *5.1. Public Housing programmes as part of development strategy*

Despite the fruitfulness of historical institutionalism as an analytical tool, it alone is not enough to comprehend the initial radical changes in housing policy as well as the persistence of those interventionist housing policies. The chapter therefore needs to fill the gap by referring back to the East Asian housing regimes.

Having less to do with the past, the East Asian housing regimes illustrates policy development by focusing on both economic and political aspects. From the economic perspective, the regimes predict that housing policy initiatives were introduced deliberately to help achieve the economic objectives which were usually associated with the economic growth.

In Singapore, the PAP government with strong autonomy in the policy formation was in the position to closely link housing policy to the development strategy. In several ways, housing policy was employed to exert impacts on the economy with the ultimate aim to fasten economic growth (Chua, 1991; Goh, 1988: 161; Lee, 2008: 276-278; Lee & Vasoo, 2008: 277-281; Vasso & Lee, 2001: 280-281).

After the independence, the PAP government formulated a development strategy which focused on achieving an export-led growth through attracting investment from Multinational corporations (MNCs) in contrast to nurturing domestic capital as some East Asian counterparts such as Japan and South Korea in pursuing their industrialisation (Castells, 1992; Shin 2005). In his memoir, Lee Kuan Yew, the first Prime Minister of the Republic of Singapore, provided the rationale behind such strategy. According to him, “after several years of disheartening trial and error, we (he and the former Deputy Prime Minister) concluded that Singapore’s best hope lay with the American multinational corporations...Third World leaders believed this theory of neo-colonialist 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). Committed to the strategy, the PAP government introduced policies in various areas to facilitate foreign investment.

A similar export-led development strategy was employed in Hong Kong. Although the large flows of capital brought by refugee entrepreneurs from China to Hong Kong reduced the importance of foreign investment in the industrialisation process as seen in Singapore, housing policy was still a crucial component in facilitating the economic growth in Hong Kong (Castell et al. 1990: 111).

#### 5.1.1. Public housing as social wage

Among many factors, labour cost is one crucial determinant of products’ price competitiveness especially during the early period of industrialisation when most industrial activities would be labour intensive. Therefore, low labour cost is essential to

the growth of manufacturing sector and to attract foreign investment. To curb wage demand, the PAP government in Singapore not only set out to regulate wage determination and union activities but also used housing policy as a means (Huff, 1995: 740-747; Huff, 1999:36-44; Soon and Tan, 1993: 18; Peebles & Wilson, 1996: 35). Since the public housing rent was capped at 15 per cent of family income, it helped to bring down the cost of living and hence corresponding wage demand. In this sense, public housing subsidised the capital as a form of social wage (Chua, 2014:521; Drakakis-Smith & Yeung, 1977: 6, 10).

Likewise, it is believed that similar mechanism could be found in Hong Kong. The monthly rental for resettlement blocks were kept as low as possible (Drakakis-Smith & Yeung, 1977: 3). Yu and Li (1985) estimated that in-kind transfer in housing was equivalent to 70 per cent of the average household's income. With the housing cost dramatically reduced, the disposable income of workers increased significantly. Wage pressures could be curbed. Price competitive products in turn helped secure an export-led economic growth (Castells et al., 1990: 114-116). This notion was echoed by a World Bank's report about Hong Kong which pointed out that "the wide availability of low-cost housing for workers helped to hold down wage demands, subsidising labour-intensive manufacturing" (World Bank, 1993: 163).

#### 5.1.2. Public housing and Public finance

Besides keeping wage down, PAP realised the determinative nature of tax incentive as well as the quality and availability of infrastructure to the level of investment from abroad (Huff, 1995: 740-747; Huff, 1999:36-44; Soon and Tan, 1993: 18). In order to be able to deliver tax incentives along with quality infrastructure, robust public finance is

necessary. As aforementioned, by incorporating the 'Home Ownership for the People Scheme' with the CPF, affordable housing could be supplied without the overlay on the government budget. This helped free up precious public resource on housing for generous tax credit schemes targeted MNCs as well as investment on infrastructure and human capital aimed to enhance productive capacity of the nation.

### 5.1.3. Public housing and a stable society

On top of all those explicit business costs, implicit costs such as political risk could also greatly affect the investment decisions of both local and foreign companies (Huff, 1995: 740-747; Huff, 1999:36-44; Soon and Tan, 1993: 18). It is not hard to appreciate that symptoms of social instability like riots and strikes could do harm to businesses. Suspension on production activities and collateral damages to fixed assets are only two of the many possible costs of social instability. Therefore, a negative relationship between the level of inward foreign investment and the degree of social instability is often found in literature (e.g. Asiedu, 2006; Root & Ahmed, 1979; Schneider & Frey, 1985). Given that Singapore was committed to attract foreign investment, there was an urge need to build a stable political environment. The large scale public housing programme was therefore highly crucial in addressing potential sources of turmoil including homelessness and unaffordable housing. Unemployment, another major source of discontent, could also be relieved by the programme through its creation of job in construction and associated industries. The relationship between public housing, employment and the economy as whole will be discussed in greater details later.

Public housing was especially important to Singapore in this aspect considering it is a multi-ethnic society made up of immigrants. Internal tension and competing interest

between groups were prevalent. A comprehensive system that intended to include an overwhelming majority of the public could prevent resentment for favouring particular groups. The effectiveness of housing in stabilising society was further enhanced by the 'Home Ownership for the People Scheme'. According to the first Prime Minister, Lee Kuan Yew (2000: 95-96), his "primary preoccupation was to give every citizen a stake in the country and its future (...) 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 believe this sense of ownership was vital for our new society which had no deep roots on a common historical experience". By offering stakes in the society to the citizen in the form of home ownership in the public sector, the PAP government succeeded in building a sense of attachment to the country and a national identity among the multi-ethnic immigration society (Chong et al., 1985:231; Ooi, 1994b: 72-73; Yeung and Drakakis-Smith, 1974: 765, Chua, 1997: 142). These all had positive effects to social stability.

Considering the necessity of social stability to economic development, housing policy was equally important to Hong Kong. Earlier in the chapter, it has been demonstrated that public housing in Hong Kong was first introduced as a countermeasure against potential social unrest. Since then, this rationale continued to be a justification of the persistence of the public housing. It explains why even though the colonial government had high degree of autonomy in the land development and had the legal right to evict illegal occupants without compensation, it still operated a public housing programme to resettle displaced squatters (Smart, 1986). Its role in stabilising the immigrant society became even more prominent after the 1966 and 1967 riots. Housing was the core initiative among a package of social welfare programmes in response to those civil disturbances (Castells et al., 1990: 133, 149; Jones, 1990; Scott, 1989).

#### 5.1.4. Public housing and employment

Other than bringing economic growth indirectly through attracting foreign investment, public housing itself could also fasten the growth in a more direct manner. Benefited greatly by the mass public housing programmes, the construction sector as well as other associated industries was able to flourish and bring the gross domestic product up. Between 1960 and 1973, the public sector construction accounted for more than 60 per cent of total construction in Singapore (Yeh and Pang, 1973). Such large scale of public construction greatly benefited the economy and boosted the share of construction sector in GDP by 4.8 per cent during that period from only 2 per cent back in 1960 (Teh, 1975: 18-19).

Moreover, these industries together secured a significant number of jobs which furthered the extent of economic growth through the multiplier effects. As more people were getting paid, the total consumption increased and in turn raised the sales as well as employment in the retail industry. The intertwined relationship between different sectors in the economy allowed other businesses to gain as well through the Knock-on effects. Economic prosperity, in turn, created positive expectation and encouraged investment which then translated into employment. The virtuous circle continued and the contribution of the construction to the GDP was not only the amount it produced directly but a multiplied amount (Keynes, 1933). Chan's study of the construction sector in Singapore supports this theoretical hypothesis by showing that every 1 million dollar worth of output in the construction sector could bring a total of 1.8 million worth of economic activity to the economy (2001, 358). The employment opportunity created by public housing was particularly critical to the economy during the 1960s when the

unemployment rate was high (Fuerst, 1974 cited in Tyabji & Lin, 1989: 25). Between 1960 and 1965, it is estimated that about 15,000 jobs were generated by every 10,000 units of HDB housing programmes (Yeh, 1975 cited in Yuen, 2002: 48). Given that 53,777 units were constructed during that period, public housing programmes helped put more than 80,000 Singaporean in work and keep the economy vivid (HDB, 2015). All these support the argument that there was a complementary relationship between public housing and the development strategy in Singapore. In addition, such nexus was developed through the manipulation of the PAP government.

In Hong Kong, the public housing programme was also believed to be a part of the development strategy and closely related to employment. First, the squatter-clearance and resettlement programmes were geared to free up land for the manufacturing development which had a huge impact on job creation (Drakakis-Smith, 1979). In an official publication decades later, it was admitted that the origin of public housing was not an act of philanthropy but a way to achieve economic objectives. “The resettlement programme of the fifties was not a housing programme for the poor. It was a means to clear land for development. You could not apply for a resettlement flat. You were offered one if your hut was about to be pulled down” (Hong Kong Government, 1992: 9). To serve the industrial growth, the land clearance programme mostly targeted settlement that was in close proximity to city centre where production activities concentrated (Chiu, 1994: 342). In other words, plots that were prioritised for clearance were those of high development value. Fire hazard and hygiene threat in slums were of second importance (Forrest and Yip, 2014: 561). Therefore, those of little developable value which accounted for about half of the total squatter areas were left out of the clearance programme for decades (Hopkins, 1971). Furthermore, among these newly reclaimed lands, more than half was designated for industrial uses such as building multi-storeys

factories by the Housing Authority while less than 40 per cent was for resettlement purpose (Keung, 1985: 29-30). In addition, displaced squatters were usually resettled in more peripheral and less convenient areas than their original settlements (Drakakis-Smith, 1979: 34). The economic consideration in housing policy therefore clearly overtook the welfare of the needy.

At the same time, the increase supply of land through squatter-clearance contributed to a downward pressure on the private sector rents. On the other hand, life tenure in public housing formed a de facto safety net for tenants in a society without social protection. Knowing that they would not lose their shelters despite failure, public housing tenants were more willing to start businesses and embark risky ventures. Housing policy in turn provided a business-friendly environment for industrial growth and hence created more job opportunities. Besides, housing policy facilitated employment through the construction of resettlement blocks close to the industrial location (Castells et al., 1990: 114-116).

### *5.2. Public Housing programmes as measures to maintain political control and legitimacy*

Another insight given by the East Asian housing regimes is that under the surface of the economic focus of housing policy, there are political concerns. The approach suggests that the maintenance of political legitimacy is of equally importance in explaining the origin and the subsequent development of housing policy in East Asia. Although the authoritarian/ semi-authoritarian governments in the region enjoyed high degree of autonomy in policy making, their power was constantly undermining by their low legitimacy. Great efforts had therefore been spent on consolidating political supports.



Earlier in the chapter, it has been argued that the origin of the large-scale public housing in Singapore was closely related to the urgent need for PAP to rally support. However, it is believed that there were more political dimensions of the introduction as well as the persistence of the public housing programmes. Below, the housing policy initiatives would be shown to enhance the government's legitimacy and to achieve political controls in several ways.

#### 5.2.1. Public housing to offset the negative side effect of authoritarian regime

First, housing policy was carried out to offset the negative influence on the legitimacy of PAP resulting from its many extreme measures in repressing opposition. Since gaining the self-governed status from Britain, universal suffrage has been given to the citizen of Singapore. In the 1959 general election, all the members of Legislative Assembly were for the first time elected by the population. The leader of the winning party then became the Prime Minister. This democratic element was kept in the Constitution of the Republic of Singapore after its independence from the United Kingdom in 1959 and from Malaysia in 1963. According to the Constitution, "Parliament shall consist of such number of elected members as is required to be returned at a general election by the constituencies prescribed by or under any law made by the Legislature" (Constitution of the Republic of Singapore. art. 39).

Despite having a general election for the Parliament, it is frequently argued that Singapore is not entirely an electoral democracy but an 'illiberal democracy'(see Bell et al., 1995; Brown, 1994; Hewison et al., 1993; Rodan, 1993; Zakaria, 1994). According to Tamney, "Singapore is not a democracy, despite the holding of elections and the use of

democratic terms such as Parliament and Prime Minister. Democracy Asian-style in Singapore is authoritarianism” (1996: 81). Likewise, in the annual ‘Freedom in the World’ reports prepared by Freedom House, a NGO dedicated to the promotion of political freedom, Singapore has always been ranked as only ‘partly free’ since its first publication in 1972 (Freedom House, 2015).

Disagreeing with the neoliberals like Leftwich (1994) and Maravall (1994), the PAP government did not view political pluralism as a prerequisite for a well-performed modern economy. Instead, it saw the Singapore’s key to success hinged on the long term dominance of a paternalistic government that could coordinate different sectors of society for the national interest (Mutalib, 2000: 316-318). According to his cabinet colleague, Lee, the first prime minister of the Republic of Singapore, had a clear preference to “err on the side of authoritarianism than allow a full-scale free-for-all in politics because he believed any damage would be easier to repair” (The Straits Times, 1990). Political opposition is therefore not tolerated and often resulted in libel or slander lawsuits and even detainment without trial (Loo, 2007). By putting potential opposition candidates into prison or bankruptcy, the dominance of the PAP could be ensured (Chee, 2011; Tremewan, 1996: 154).

The elections in Singapore have also been managed. Not only have electoral districts been gerrymandered, electoral rules also have been reshaped to strengthen the advantage of the PAP from time to time. A prominent example would be the introduction of the Parliamentary Elections (Amendment) Bill in 1988. This electoral reform empowered the government to merge several single-member constituencies into a few multiple-member constituencies. In these new Group Representation Constituencies (GRCs), candidates contest in teams and each team has to consist of no less than one

ethnic minority candidate. By merging constituencies, this allows the ruling party to 'dilute' the disproportional support for the opposition parties in some electoral districts with strong supports for the PAP in other districts (Fetzer, 2008). Furthermore, given each party is required to form a team for election in those districts, the new arrangement forces the opposition parties to send out more candidates than under the original rule in order to secure seats in districts that they have the potential to win. A direct implication is the increase in threshold for the opposition parties to run for election since larger deposit, i.e. S\$13,000 electoral deposit per each additional candidate, is required. At the same time, the GRCs allows famous political figures like the Prime Minister as well as other senior PAP leaders to exert direct political influences in the election for considerably more seats than in the past by leading the teams (Mutalib, 2002: 665).

Some commentators, however, argued that the disadvantage of opposition candidates in the GRCs elections stemmed from the shifts in the focus of election. When candidates are in teams, voters are believed to concentrate on the strength as well as past achievement of the party rather than the personality of particular candidates (Li & Eklit, 1999). No matter which explanations capture the situation in better accuracy, there is not much doubt that the opposition parties face an institutional disadvantage in GRC elections. As the odds are heavily against the winning of the opposition parties, the fear of losing a substantial sum of election deposit led the withdrawal of opposition parties from GRCs elections (Mutalib, 2002: 665).

Since the GRCs have proved to be an effective method in marginalising opposition, the election rules were reshaped in subsequent elections to further ensure the PAP domination (Li & Eklit, 1999; Tan, 1992; Tremewan, 1996). In each subsequent election,

more and more single-member constituencies (SMCs) especially districts shown unparalleled support for opposition in the previous election were regrouped to form new GRCs (Straits Times, 22 November 1996.). To heighten the financial obstacle, the number of candidate required for each team running for GRCs were raised year by year (Mutalib, 2002: 665).

Likewise, the exceptionally short 9-day campaign period and the close proximity between the announcement of the electoral date and the election have given the ruling party significant competitive edge. In such limited time, opposition parties would have serious difficulties in conveying their ideas and beliefs to the voters not to mention rallying support. In contrast, the PAP could easily perform similar tasks anytime during their term of office (Open Singapore Centre, 2000: 6).

By intensive suppression of opposition, the PAP has effectively achieved unbeaten electoral successes. In addition, in such tightly regulated environment, free press and autonomous civil society were absent (Mutalib, 2000: 315). Yet, all those extreme measures of the PAP to secure its long-ruling status have undermined the political legitimacy of the government even with the general election of parliament in place. Therefore, the need to maintain political control and legitimacy was strong and housing policy was employed with that intention behind (Gamer, 1972; Rodan, 1989).

#### 5.2.2. Public housing and better living standard

Among many factors, better living standard under the governance of the PAP could undoubtedly improve the public opinion of the party. Housing policy could be drawn to meet that goal both directly and indirectly. In terms of direct influence, the mass

construction of public housing in Singapore has provided many citizens a more sanitary and comfortable housing. It has been shown that the HDB tenants enjoyed much superior housing condition in comparison to their counterparts in old town dwellings in terms of average floor area per capita (Liu, 1975: 174). Not long after the expansion of public housing programmes under the HDB, the general housing standard in Singapore welcomed an appreciable improvement. Comparing with the pre-independence level, the average number of rooms per household till 1970 had grown by 1.3 while the average number of person per room fell by 2.3 and reached 2.5 (Yeh & Pang, 1973: 16-17; Yeh, 1974).

Since public housing was well received by the public and has greatly relieved the housing problem, the total completion of HDB flats had been consistently increasing throughout the first five 5-Year Building Programmes. Only after peaked at 200,377 in the 5<sup>th</sup> 5-Year Building Programmes (1981/82-1985/86), the amount of HDB flats construction started to decline (HDB, 2015).

Although the standard of public housing units was sacrificed at the initial phase of the programme for construction speed, the building standard had been raised in line with economic progress to meet the change in expectation. In 1966, the HDB set up a design and research unit within the organisation to take charge of the continuous improvement of the public housing stock. Since then, larger floor space, improved design as well as increase in the number of room were observed in the public housing estates over time (Drakakis-Smith & Yeung, 1977: 6, 9, 10; Yeh, 1975: 351).

The large scale construction and the uninterrupted improvement in public housing have made a huge difference for residents in the nation. In 1968, only merely 8 years after the

PAP government committed to public housing provision, a survey by the HDB showed that tenants in public housing were very satisfied with the general housing condition (Yeh & HDB, 1972). Likewise, another sample household survey carried out a few years later found out that every three out of four HDB flat residents were happy with both the flats they lived in as well as the surrounding built environment (Yeh & Tan, 1975). Such concrete improvement in life certainly contributed to consolidating public supports for the PAP.

Besides improving dwellings condition, public housing programme enhanced the living standard of Singaporean through job creation. As illustrated earlier, the large scale public sector building programmes directly brought prosperity to the construction as well as associated sectors and helped secure a large amount of job opportunity. With the multiplier effects set in, a further rise in employment could be seen. At the same time, the PAP government developed a nexus between the CPF and the housing finance. Such new institutional arrangement prevented the ambitious public housing programmes to become a burden to the Treasury and eliminated any potential threat to the economy and employment due to budget deficit and even worse national debt. With members of the families starting to earn income, the financial ability of households to improve their living standard increases, *ceteris paribus*.

The multiplier effects of the construction sector growth shed light to the possibility of job creation by housing policy in a much subtle manner. Yet, that was not the only indirect way for the large scale public housing programme to benefit the labour market. As aforementioned, the national development strategy of Singapore focused on achieving the export-led growth that was initiated by foreign investment. Being incorporated in the strategy, housing policy was set out to provide a favourable business

environment to attract multinational corporations. By stabilising the society, curbing wage demand as well as facilitating infrastructure investment, housing policy succeeded in shaping Singapore into a business-friendly city and in turn indirectly fastened employment growth.

By delivering substantial improvement of life even under harsh circumstance, the PAP government gained support from its citizen or, as Mutalib (2000: 313) put it, “performance legitimacy”. Such legitimacy concern behind the design of housing policy and the national development strategy as a whole was strong. The economic success therefore used by the regime to justify its authoritarian ruling style (Tan, 2012). Furthermore, given that the involvement in housing had proved to be rewarding, the PAP government’s commitment in housing sector continued to grow. Such mutually reinforcing relationship ultimately led an enormous size of large public housing sector (Drakakis-Smith & Yeung, 1977: 10).

### 5.2.3. Public home owning society and the alliance with popular sector

Besides devoting efforts to better living standard in the society, another way for the government to enhance its legitimacy through housing policy was to construct a home owning society. When discussing the role of housing policy in the development strategy, it has been shown that the ‘Home Ownership for the People Scheme’ acted as a social stabiliser by offering the citizens stakes in the society. Such government assistance in acquiring a valuable piece of asset acted as a nexus between the ruling party and its voters since home owners as well as potential home buyers believed that those pro-owner-occupancy policies would be best preserved under the governance by the same party. The home ownership promotion hence transformed a non-negligible size of

the population to be “conservative and supportive of the status quo, in the interest of protecting their property value” (Chua, 2014:521). In this sense, an alliance between the PAP and the popular sector which consists of both middle and working classes was forged (Park, 1998).

#### 5.2.4. Public housing and voter control

Public home ownership might at first glance only look like a ‘carrot’ to lure voters to ally with the government. Yet, when home ownership prevailed in the society, it could also become the leverage which the government could exert over the voters by raising the costs for them to support opposition. Such usage of housing policy is never foreseen by the East Asian housing regimes.

First, home ownership incurs monthly repayment until the mortgage is paid off. This effectively forced home owners to stay in regular employment and discouraged them to participate in activities that could disrupt their steady income stream, e.g. industrial actions. In other words, supporting opposition could end up losing a substantial size of family wealth. Such enormous loss made joining the opposition not an easy option for many. Hence, the increase in the number of home owners among workers undermined the support base of trade unions and leftists. The alliance between workers and the government through housing policy in turn helped curb wage demand as well as enhance the relative political strength of the ruling party (Chua, 1997: 135; Chua, 2014: 521).

Other than the need to secure a constant flow of income, home owners’ concern over the property value was used as a political leverage by the authority to discourage votes



for opposition. As housing assets accounted for a significant proportion of family wealth nationwide, the public became increasingly sensitive to policies that could affect the value of their housing assets. Given that flats in older housing estates required refurbishment to maintain their value, upgrading programmes were desired by every home owner. However, the priority of those programmes was neither need-based nor random but according to the support for the PAP in the constituency (Chua, 1997: 146; The Straits Times, 1996). PAP by openly threatening to withhold fund for housing improvement in districts that voted in the favour of opposition parties could then effectively consolidate its support base (Chua, 2000; Chua, 2014: 521; Lee, 2000: 133). Instead of the building itself, the surrounding communal facilities were equally deterministic to the property value. In Singapore, the government budget for the improvement of those facilities was disbursed through the Citizens' Consultative Committees (CCCs) which membership was granted by the Prime Minister's Office. As a result, applications for community improvement budget in opposition MPs' constituencies were always blocked by the pro-PAP members in the CCCs (Chua, 1997: 146; The Straits Times, 1995). By discriminating opposition wards in housing policy, the government succeeded in marginalising opposition parties.

#### 5.2.5. Public housing as a means for an alternative form of gerrymandering

It has been shown that elections in Singapore are highly managed through various means such as gerrymandering. However, the practice of gerrymandering in Singapore did not only confine to its traditional sense, i.e. redrawing the boundaries of constituencies. It also involved shifting voters with different characteristics namely races and classes across election districts through public housing programmes.

As an immigrant society, Singapore had been heterogeneous in aspects such as races, religions, languages, and cultures. The majority of the population had Chinese background (75.4 % in 1957) while the remainder being mostly Malays (13.6 % in 1957) and Indian-Pakistanis (8.6 % in 1957) (Castells et al., 1990). During the colonial era, different cultural groups were segregated from each other to minimise potential conflicts between races that could threaten the imperial interests (Cangi, 1993). Yet, the absence of social cohesion resulted from spatial segregation eventually brought severe costs to the society during the dawn of self-government with the most prominent examples being the racial riots between Chinese and Malays in 1964 and 1969 (Loo et al., 2003: 295). This motivated the government to promote racial integration and develop a sense of national identity beyond races among its people (Chong, et al. 1985; Chua, 1997: 142; Ooi, 1994b: 72-73; Yeung & Drakakis-Smith, 1974: 765). Among many initiatives, public housing, more precisely its allocation policy, is one of the most influential. Since the very beginning of public housing programmes, the goal to forge multiracial communities had been kept in the mind of policy makers (Drakakis-Smith & Yeung, 1977: 6). Spatial segregation was addressed by allocating public housing unit through a ballot system. In this way, a balanced distribution of races could be expected in new towns (The Straits Times, 1989; The Straits Times, 2001).

Allocation policy was further revised in 1989 to cope with the contextual change brought by the removal of resale restriction on HDB flats. As the HDB flats changed hands, the racial profile of the housing blocks as well as neighbourhoods could diverge from the initial ballot result and possibly lead to the concentration of particular racial groups (Loo et al., 2003: 297; Ooi, 1994a). As a response, the Neighbourhood Racial Limits (NRL) policy was introduced. Under the new NRL policy, the ethnic composition in each neighbourhood and each housing block had to be largely in line with the natural

proportion with only a small percentage of deviation (10 per cent for Chinese and Malays; 5 per cent for Indians) allowed (Chua, 1991; Chua, 1997: 143). In other words, if the buyer and seller were from different ethnic groups, the buyer had to ensure that the proportion of his race in the block as well as the neighbourhood has not exceeded the limit. Otherwise, the transaction could not go through. With the allocation policy of public housing deliberating mixing residents with different cultural background, ethnically exclusive communities could be broken up. This helped bring better understanding between groups and hence racial integration nationwide (Castells, Goh, and Kwok 1990).

Yet, it has been argued that such housing allocation policy was not carried out merely with the good intention of racial harmony. Instead, it was also an act of electoral engineering. Through public housing and urban renewal programmes, the government was able to relocate residents from the racial settlements within the central city to new towns that had balanced ethnic profiles owing to the manipulated flat allocation. By dismantling racial enclaves, there were no longer electoral districts with heavy concentration of particular cultural groups especially those of ethnic minority. This prevented opposition to challenge PAP in the election as well as in domestic politics through pressing issues that appealed only to specific groups (Lin & Tyabji, 1991: 17-18; Tremewan, 1996: 46). It is because politicians campaigning for racial extremism were never able to win the First-past-the-post elections in ethnically balanced constituencies. The efforts to regulate the racial profile of residents in each electoral district therefore, according to the Minister for National Development, barred “MPs and community leaders ... [to] develop narrow views of society’s interest ... [and removed the risk of communal enclaves becoming] seedbeds of communal agitation” (Dhanabalan, 1989: 4).

Such alternative form of gerrymandering not only addressed the uneven geographical distribution of races but also income groups. First, each public housing estate and even housing blocks in many cases was designed to contain different sized flats which catered the needs of different classes (Chua, 1997: 138). Beside the variance in size, the tenure in the same housing estate was a mixture of public rental and owner occupied flats (Chua, 1991: 37). Hence, rental flats for the lowest income groups could evenly spread across public housing blocks and prevent the creation of ghettos (Chua, 1997: 138). In addition, through urban planning, private housing development which targeted the highest income tier was also made scatter over various neighbourhoods to achieve social integration (Loo et al., 2003: 298). Similar to the relocation of ethnic groups, the rationale here is the same, i.e. to hinder the concentration of residents with the same characteristic in any constituency. By ensuring the diversification among voters in each electoral district, the PAP could nullify any class-based political movement, usually of the working class, which relies on the spatial concentration of supporters. With the first-past-the-post electoral system in place, any candidate who rallied support around class element stood no chance of winning and hence, was unable to challenge the authority of the PAP (Chua, 1997: 138).

At this point, it could be seen that public housing, more precisely, its allocation policy did have positive effects on ethnic and social integration. However, the strong political incentive behind the initiative should not be neglected.

### *5.3. Public housing as a way to promote social stability in an undemocratic system*

Although Singapore has been frequently criticised for not being entirely an electoral democracy, election was always a significant consideration in housing policy making.

Hong Kong, on the other hand, was outright undemocratic. In the 1950s, the political institution was very much “fixed as 19<sup>th</sup> century colonial constitutional framework” (England and Rear, 1975: 10). According to the ‘Charter of Hong Kong’, ‘Letters Patent of Hong Kong’ and ‘Royal instruction of Hong Kong’, which were argued to effectively form the Hong Kong initial constitution together, Hong Kong was to be administered by the Governor with the advice and assistance of an Executive Council and a Legislative Council. The Executive Council was equivalent to the Cabinet while the Legislative Council was on paper law-making body. Yet, unlike the parliament in Britain, the Legislative Council in the colony did not enjoy such level of unchallenged authority. Its members were appointed by the Governor rather than elected (Chan, 1991: 110). As a result, it was in fact the Governors’ advisory body that “intended to complete and complement the Civil Establishment rather than to control let alone compete with it from a position of ‘authoritative independence’” (Jones, 1990: 91). Due to the absence of political pressure from general elections of the legislative body, the Hong Kong government had one less aspect to worry about when formulating housing policy.

Another major political difference between two city-states was the intensity of racial tension. Unlike Singapore, Hong Kong was not an ethnically diverse society. Chinese was an overwhelming majority in the population (Chu, 2005). Racial tension was absent and did not require to be addressed through housing policy.

Without the need to manipulate voters and elections as well as the urgency to achieve ethnical harmony, public housing in Hong Kong, in political sense, were primarily about enhancing the political legitimacy of the government in order to maintain social stability. The colonial government had always worried about the potential civil disturbance. According to Foreign Office records, the authority was even more concerned about social

unrest caused by the influx of refugees than direct military actions from China (Mark 2000: 838). In this context, housing policy was utilised in several ways to safeguard against the possible crises.

### 5.3.1. Provision of shelters for fire victims and displaced squatters

Earlier in the chapter, it has been demonstrated that public housing in Hong Kong was first introduced as a countermeasure against potential social disorder after the 1953 squatter settlement fire. The initiative continued to serve the purpose of stabilising the society after all fire victims were resettled. As discussed before, squatter-clearance without resettlement was not feasible. The resistance in the process not only significantly slowed down the progress of making land available for industrial development but also destabilised the society. Demolition of huts without rehousing easily attracted the sympathy of the public to the squatters and in turn, undermined the legitimacy of the government (Smart, 2006). At the same time, evictions of squatter in many cases nearly led to riots. In December 1963, around ten workers of the Squatter Clearance Unit were surrounded by more than two hundreds furious squatters with weapons when they were trying to take down illegal wooden huts. Fortunately, the armed police arrived later were able to control the situation and prevented the standoff escalated into a riot (Wah Kiu Yat Po, 1963). This was just one of the many conflicts during slum-clearance. Public housing was therefore crucial in achieving social stability through the provision of shelters for fire victims and displaced squatters.

### 5.3.2. Gradual improvement in housing standard

Besides providing accommodation in time, the political legitimacy of the government could be consolidated by public housing in various other ways. First, it was by a gradual improvement in housing condition. In the beginning, the resettlement estates were first built only to minimum standard due to the cost and time constraint (Wong, 1998:11). Even so, resettled squatters were still generally satisfied with the resettlement blocks considering their qualities were no worse than their previous tenures (Bishop, 1969). At the same time, the strict management of public housing estates ensured that every housing unit was occupied only by one household. This helped safeguard the housing standard by limiting the number of residents. The housing condition of public housing hence was far better than the private tenement where in average nearly 2 households per living quarter (Census, 1971).

Although the standard of public housing units was sacrificed at the early period of the programme for construction speed, the building standard had raised over time. Since the 1960s, the quality of public housing unit had been improving alongside the expansion in quantity. First, the floor area of the flats was steadily increasing. During the initial phase (1954-64), the Mark I/II resettlement blocks only had the modest flat sizes ranging from 8 to 14.1 square metres. Later, in the period of 1964-1966, the upgraded Mark III blocks offered larger housing units with the sizes between 12.5 and 18.7 square meters. As the public housing development went on, the Mark V estates which were completed between 1969 and 1972 provided even more comfortable shelters with sizes of 16.4 and 20.5 square meters (Hong Kong Housing Authority, 1982). Average living space per person was in turn observed to rise (Lau, 2002: 65). Likewise, facilities like Electric lights and elevators were gradually introduced in those newly constructed resettlement blocks

(Castells et al., 1990: 22). At the same time, the modernisation of early resettlement estates was undertaken since 1968. It aimed to provide more larger and self-contained housing units through various ways including the conversion of existing blocks as well as building new structures on site after demolition (Pryor, 1983:85).

Since public housing was well received by the public and had greatly relieved the housing problem, the total completion of public housing flats had been consistently growing. In 1967, the housing production in public sector for the first time overtook those of the profit-driven. By 1970, public housing accounted for more than half (52.1 per cent) of the permanent domestic units in the Hong Kong metropolitan area (Commission of Rating and Valuation, 1971).

### 5.3.3. Job creation

Last but not least, the public housing programme was believed to enhance living standard of the Hong Kong residents through job creation. As discussed before, resettlement programme made possible for squatter settlements to be cleared for development. By facilitating the supply of land, jobs could be first created in the construction sector and later in the industrial sector when the multi-storey factories were erected. The employment opportunity could then bring improvement to the material standard of living in the society and hence better public opinion towards the government.



## 6. Conclusion

When Hong Kong and Singapore entered the 1950s, residual housing policy and the resulting acute housing problems had been the status quo for over a century of colonial rule. Yet, instead of a reproduction the status quo in the policy area, both city-states witnessed an abrupt transformation in housing, notably the introduction of large-scale public housing.

Such a sharp turn in policy trajectory is fascinating and deserves greater understanding. This chapter hence aspires to explain what caused the deviation from the status quo. In order to appreciate the logic behind, the transformations in both cases have to be fully comprehended.

With the help from the historical institutionalism framework, more precisely the concept of punctuated equilibrium, the chapter first tries to answer why radical changes in housing policy took place in this period and not earlier or later. The concept of punctuated equilibrium explains volatile institutional changes as outcomes of shifts in the institutional context due to exogenous shocks. In the case of Hong Kong and Singapore, it would be argued that the previously stable residual housing policy was 'punctuated' by the Second World War and the drastic changes in the geopolitical environment in its aftermath. As these exogenous shocks shook the foundation of the previous institution, i.e. the political hegemony of the alliance between the colonial government and capitalist, they created a window of opportunity, namely critical juncture, for consequential reform in housing policy.

After comprehending the timing of the reforms, the chapter goes on to explain the content of the reforms or, put it differently, how particular institutions were adopted. Although the concept of punctuated equilibrium suggests that the existing institutional arrangement would be broken at the critical juncture (Pierson, 2004: 135), it does not necessarily mean that there would be no trace of the old paradigm in the new arrangement. Instead, there is likely “considerable continuity through and in spite of historical break points” (Streeck and Thelen, 2005: 8-9). This notion inspires the chapter to devote attention to how institutional legacy continues to exert influence on the development of new institutions. In particular, the institutions established during the early British rule like various statutory boards and those associated with property rights would be shown to affect housing policy choice after the independence of Singapore as well as in post-war Hong Kong.

Other than influencing the development of new institutions, existing institutions could also be converted to serve new purposes and become part of the new paradigm. Such conversion is argued to be an unintended consequence of the original institutional design. A notable example here is the Central Provident Fund, which founded under the British *laissez faire* principal, unintentionally facilitated the mass public housing programme in the post-colonial Singapore. The discussion from the historical institutionalists’ angle, hence, allows a deeper understanding of the policy development.

Despite the fruitfulness of historical institutionalism as an analytical tool, it alone is not enough to comprehend the initial radical changes in housing policy as well as the persistence of those interventionist housing policies. Historical institutionalism is able to illustrate how some policy choices became more feasible and even more favourable over retaining the status quo. Yet, the question of why political actors opted for shifts in

housing policy still remains largely unanswered. The chapter therefore needs to fill the gap by referring back to the East Asian housing regime.

Having less to do with the past, the East Asian housing regime illustrates housing policy development by focusing on both economic and political aspects. For economic, it argues that housing policy in the east had strong economic intention behind and was introduced to assist economic development rather than as a reflection for the extending civil right. In Singapore, public housing had been closely knitted with the People's Action Party's development strategy since the very beginning. Likewise, in the post-war Hong Kong, public housing was a crucial complementary initiative to economic development particularly in term of stabilising the society while clearing squatter settlements for lands to build up the manufacturing sector.

Another observation given by the housing regimes is made from the political point of view. The approach suggests that the maintenance of political legitimacy was of equally importance in explaining the origin and the subsequent development of welfare policy in East Asia. Although the authoritarian/ semi-authoritarian governments in the region enjoyed high degree of autonomy in policy making, their power was constantly being undermined by their low legitimacy. Great efforts had therefore been spent on consolidating political supports. Housing policy initiatives could be adopted to achieve this purpose in several ways. First, housing programmes could directly improve the well-being of the beneficiary. Likewise, as aforementioned, housing policy through the synergy with the development strategy boosted the economic growth and hence indirectly improved the living standard of the people through the trickle-down effect. Mass public housing programme in Singapore has been shown not only functioned as the housing regimes predicted but also went further to build the national identity and

weaken the opposition by tearing down racial enclaves. All of these helped enhance the political legitimacy of the ruling party and could be attributed to its unbeaten election victory since the independence of Singapore. Although the colonial government in Hong Kong did not have to deal with the electoral pressure and racial issue as in Singapore, the need to maintain political legitimacy and social stability was equally urgent. With the threat of a riot outbreak heightening, housing policy was seen as a countermeasure.

The East Asian housing regime undoubtedly bridges the gap in the understanding of the shifts in housing policy and manages to provide a few possible explanations towards them. The next step of the research is to put those hypotheses into test. Not only the potential mechanism behind would be validated, the categorisation of two cases would also subject to scrutiny in the following chapter. The ultimate goal is to reveal whether 'housing' per se is an exceptional part of public policy which complicates the regime theory.

## **Chapter 9 Theory testing - Origin of public housing**

In the previous chapter, the development of housing policy in this period has been explained with the help from historical institutionalism and East Asian housing regime. The goal of this chapter is therefore to validate those explanations, i.e. whether the causation is real or not.

### **1. Findings of covariance analysis**

Based on the rationale demonstrated in the methodology chapter, the first step of theory testing is to set up a covariance analysis. By now, both the dependent and independent variables needed for the covariance analysis have already examined. They have been filled in the table below. Starting from the top, this analysis focuses on the period between the 1950s and the 1970s. Although Hong Kong and Singapore started this period in a different year, both cases share a common transformation from residual housing policy to interventionist housing policy with large scale public housing provision.

According to the methodological discussion before, the existence of a common outcome suggests that the Method of Agreement should be employed to identify potential causes in covariance analysis. Through the Method of Agreement, any factor presents in both cases is considered as a necessary cause that possibly associated to the common outcome. These include the growth-oriented economy and low political legitimacy/stability.

<b>[Table 9.1] Findings of covariance analysis (Early period of industrialisation)</b>		
<b><u>Period</u></b>	Early period of industrialisation 1950s-1970s	
<b><u>Year marked the beginning of the period</u></b>	Hong Kong: 1953 – disastrous fires in Shek Kip Mei on the Christmas Eve  Singapore: 1959 – became a self-governed state	
	<u>Cases</u>	
	<u>Hong Kong</u>	<u>Singapore</u>
<b><u>Outcome</u></b>	Large-scale public housing provision	Large-scale public housing provision
<b><u>Factors</u></b>		
1 <u>Welfare Regime:</u>		
1.1 Labour movement	No	Yes
1.2 Group coalition		
Strong capitalist class-government coalition	Yes	No
1.3 Institutional legacy		
British colonial rule	Yes	No
2. <u>Housing Regime:</u>		
2.1 Power structure / electoral system	British colonial rule with no representative democracy	Universal Suffrage in General election
3. <u>East Asian housing Regime:</u>		
3.1 Growth-oriented economy	Yes	Yes

3.2 Low Political legitimacy/stability	Yes	Yes
<b><u>Others</u></b>		
Ethnic diversity	No	Yes

## **2. Validating results with process tracing**

Above, the Method of Agreement has identified factors that are possibly associated to the transformation to interventionist housing policy in both Hong Kong and Singapore. However, there remains questions of how exactly these factors lead to the common outcome and to what extent the proposed causal relationships are not spurious. To get the answer, those findings need to be validated by process tracing in this section.

As discussed in the methodology chapter, process tracing would be used deductively to test hypotheses. It could be achieved in two steps. First, the method requires the causal mechanism to be constructed based on theories. Put it differently, the process that illustrates how exactly the dependent variables could cause the outcome in question needs to be clearly demonstrated. Once the causal mechanism is identified, the real world observation will then be compared against the expected development. If both of them match each other, the hypothesis could then be confirmed.

## **3. The causal mechanism that links growth-oriented economy to interventionist housing policy**

Below the linkage between growth-oriented economy and interventionist housing policy will be constructed based on the East Asian housing regimes. One of their core features

is that housing policy is always employed to assist economic development and thus subordinated to economic goals.

Two mechanisms could be derived from literature. First, the urgency to spare public resource for economic development limited the development in various welfare sectors. In order to meet the welfare need of the society, public housing was provided to promote alternative welfare provision such as intra-family support and asset-based welfare (Ronald and Doling, 2010; Ronald, 2013: 411). By providing adequate housing either in the form of owner occupied property or inexpensive public rental units, family co-residence and hence intergenerational care exchange between members could take place (Izuhara, 2009).

Apart from facilitating family-based welfare, housing policy, more precisely the home ownership promotion strategy, could hold back demand for collective provision by enabling people to finance their own welfare need. By allowing people to build up their own asset, people could have accessed to a reserve of fund at the time of difficulty. On the other hand, owner-occupied housing especially unmortgaged could allow home-owning households to live on smaller income and increase their financial capacity to pay for private welfare services (Ronald, 2013: 394). The establishment of such asset based welfare effectively restrained the potential burden on public fund for welfare provision (Groves et al., 2007; Ronald, 2007; Ronald 2008). By controlling the growth in welfare demand, public expenditure was kept low and spare resources could then be used to develop the economies through infrastructure investment as well as lending to industries for expansion.



Therefore, for this proposed relationship to be true, it is expected to find that housing welfare was relatively well developed in comparison to other welfare sectors, notably those which could be substituted by intra-family provision. At the same time, the housing welfare programmes should be opened to a significant proportion of the population. Otherwise, it is unlikely that alternative welfare provision could offset the underdevelopment in other welfare sectors.

Moreover, considering the significant effect of home-ownership promotion in freeing up public resource for economic development, government should be expected to actively promote owner occupation since the beginning of interventionist housing policy.

Another mechanism that links the growth-oriented economy with interventionist housing policy is related to labour cost. The modest public welfare provision undoubtedly saved up capital for development. Yet, for those developing East Asian countries to catch up with advanced economies, a cheap labour force was indispensable. Housing policy was employed to create such favourable condition. The inexpensive rental cost of public housing is believed to act as a form of social wages to curb wage demand from working class in order to maintain low production cost and thus international competitiveness of the manufacturing sector (Castells et al., 1990; Chua, 2014: 521; Drakakis-Smith & Yeung, 1977: 6, 10).

In order to prove such linkage, housing welfare programmes should be expected to be inclusive. In other words, low-cost public housing should be accessible or at least aimed to be accessible to a substantial amount of workers in the labour force. The eligibility rules for public housing hence could not too rigid. Otherwise, if only a relatively small

fraction of the labour force was targeted by the public housing programme, the notion of 'social wage' effect of public housing could not be true.

As the causal mechanism has been identified, a comparison between historical observation and the hypothesised relationship could then be conducted. If the aforementioned mechanisms were founded in the two city-states, the causation between growth-oriented economy and interventionist housing policy could then be proved. vice versa.

### *3.1. Hong Kong*

Prior to the 1970s, the underdevelopment in many welfare sectors was prominent when comparing to housing. Despite Social Welfare Office being formed in 1948, it was not engaged in direct welfare provision but "rather to liaise with such agencies as did; or such potential agencies as might, given suitable encouragement" (Jones, 1990: 167). As a result, collective welfare provision, for examples social protection as well as retirement protection, was completely absent (Yu, 2007:256). Even after the 1970s, their development was in no way matching that of the housing welfare for an extended period of time.

At first glance, the intensive housing intervention might look like a tool to offset the adverse impacts of underdevelopment in other welfare sectors through the promotion of intra-family provision. However, as highlighted above, a crucial criterion for the causation between growth-oriented economy and interventionist housing policy to hold true is the high accessibility of low-cost housing. Yet, unlike in the theorists' assumption, housing policy formation in Hong Kong did not have that idea in mind. First, an overwhelming

majority of public housing flats was not available for individuals to apply in this period. Instead, they were exclusive for some selected few. In 1964, the White paper entitled 'Review of Policies for Squatter Control, Resettlement and Government Low-Cost Housing' officially outlined the eligibility rules for the main form of public housing at that time, i.e. resettlement estates. They effectively confined the beneficiaries of the programme only to two groups: victims of natural disasters and residents affected by land development (Pryor, 1983: 32). Moreover, among those affected by squatter clearance programmes, only pre-1964 residents would be allocated places in the resettlement blocks while post-1964 dwellers had to rebuild their huts in other licensed areas (Castells et al., 1990: 22). Not until after nearly two decades of intervention in housing, such strict eligibility rule in public housing allocation was relaxed following the announcement of Ten-year Housing programme in 1972 (Lau, 2002: 65-66). With a significant portion of the population being kept outside the cheap government housing despite suffering from poor housing condition and unaffordable rent, it is hardly that the programme itself could facilitate intra-family welfare in society-wide scale. Although there was also a parallel public housing programme since 1961 called the 'Government Low cost Housing (GLCH)' which was opened to the general public, it was not strong enough to support the hypothesised relationship between growth-oriented economy and interventionist housing policy due to its moderate scale. By 1965, only slightly below 50,000 beneficiaries moved into these housing units comparing to more than 600,000 people living in resettlement blocks at that time (Castells et al., 1990: 20).

The belief that the growth-oriented economy could explain interventionist housing policy was further challenged by the late implementation of home-ownership promotion in Hong Kong. As seen in the Singapore case, the 'Home Ownership for the People Scheme' was launched just four years after the initial housing intervention. Yet, it took more than

two decades for Hong Kong to first introduce a small scale public home ownership scheme in 1977 (Lau, 2002: 68). Given that asset-based welfare is assumed to facilitate economic growth by holding back demand for collective provision, it should be expected to carry out at the early period of the interventionist housing policy. The lack of encouragement for owner-occupation in this period hence falsifies the theory that suggests developmentalism should be the underlying explanation towards interventionist housing policy in Hong Kong.

At the same time, there was neither evidence proving the occurrence of wage discrimination between public and private tenants nor material suggesting resettlement blocks residents being more favourable in labour intensive manufacturing sector. The results of the 1961 and 1971 censuses both pointed out that the occupational characteristics of workers were not influenced by their differences in tenure (Wong, 1998: 9). In other words, manufacturers did not benefit from the inexpensive public housing in terms of lower labour cost.

The main fault of the social wage notion is to assume the provision of inexpensive public rental housing as the only way to reproduce labour, i.e. ensuring an abundant supply of cheap labour. It has been argued that squatter settlement could equally serve the purpose of labour reproduction which in fact has been observed around the world (Castells et al, 1990: 17; Smart, 2006: 15). Therefore, it is inconceivable that the government would resettle squatters in public housing to curb wage demand. To sum up, the hypothesised causation between growth-oriented economy and interventionist housing policy is unfounded in Hong Kong.

### 3.2. Singapore

Unlike the Hong Kong case, welfare sectors in Singapore were not all relatively underdeveloped in comparison to housing. Retirement protection, as discussed in the previous chapter, had already in place even before the self-governance of Singapore. The Central Provident Fund (CPF), which was a compulsory retirement savings scheme introduced in the colonial era, ensured that the retirement fund of an employee was to be built up during his working life through regular monthly contribution from himself and his employer (Low and Aw, 1997).

Yet, not all welfare sectors were as well developed as retirement protection. Social protection, for example, was rather underdeveloped in contrast to housing. Though there was demand to relax the restriction on the CPF fund in order for it to be redrawn during the period of unemployment or illness, the government insisted that CPF saving was exclusive for retirement purpose (Lee, 2014: 165). At the same time, no other initiative was carried out to address this welfare gap. As such, unemployment protection was completely absent in Singapore. Housing welfare in this sense could be an effective tool to facilitate substitute such as intra-family support.

Although there was welfare sector appeared to be underdeveloped comparing to housing, it still requires showing that housing welfare was highly accessible by the Singaporean population for the hypothesised relationship between growth-oriented economy and interventionist housing policy to be validated. In contrast to Hong Kong, public housing programme in Singapore was not kept behind close door. Instead, a significant proportion of the households were eligible to apply for it. While the

citizenship and non-home owner requirement were understandable, the income ceilings were set as reasonable levels to let the public housing to be inclusive. In 1962, the household monthly income ceilings were SGD\$250 for 1-room flats and SGD\$800 for 2/3-room flats with no single family member earning more than SGD\$500. These income ceilings were then raised again in 1965 and 1971. In 1971, the family income ceiling for 1-room flats was SGD\$400 while the family income bracket for 2/3-room flats was between SGD\$401 and SGD\$800 (Wong and Yeh, 1985: 243)

Since the first country-wide 'Household Expenditure Survey' was carried out in 1972/73, there was no official figure of the average household monthly income in the 1960s. Yet, an estimated average of SGD\$300 in 1960 was seen in literature (Pang, 1982). If the estimated figure was accurate, the SGD\$800 income ceiling would have no difficulty incorporating a huge part of the population into public housing. This assumption was confirmed by the 1972/73 'Household Expenditure Survey' which found out that the national average household monthly income was SGD\$591 (Department of Statistics, 1974). The number of households benefited by housing welfare was further increased when the Home Ownership Scheme was introduced in 1964. At launch, the income ceiling for purchasing 3-room flats was SGD\$1,000. Over time, the income ceiling had been adjusting upward. By 1974, they were set at SGD\$1,200 for 3/4-room flats, SGD\$1,500 for 5-room flats and even as high as SGD\$4,000 for Housing and Urban Development Company (HUDC) flats which catered the lower-middle-class (Wong and Yeh, 1985: 245).

The low application threshold together with the speedy construction of public housing units revealed the aim of the government to utilise housing welfare to facilitate alternative welfare provision such as intra-family support and asset-based welfare (see

Table in the next section for public housing construction figure). By offsetting the negative impact of underdeveloped collective welfare provision, interventionist housing policy helped curb its demand and allow scarce resource to be channelled to economic development. Likewise, the inclusive public housing sector with rent capped at 15 per cent of family income makes a very strong argument for the social wage explanation towards the government intervention in housing (Chua, 2014:521; Drakakis-Smith & Yeung, 1977: 6, 10).

The proposed causation is even more convincing after an examination of the government action on owner-occupancy encouragement. Unlike the case in Hong Kong, PAP government in Singapore launched its 'Home Ownership for the People Scheme' in 1964, just four years after embracing an interventionist housing policy which was denoted by the formation of the Housing and Development Board. The 'Home Ownership for the People Scheme' marked a policy shift from only focusing on provision of public rental housing to also addressing the home ownership desire of the people. It aimed "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 1998:3). Moreover, even the initial response towards home-owning being lukewarm, the government stood its ground and fully committed to this policy direction. Instead of abolishing the rather unpopular programme, the PAP brought in the CPF to stimulate the demand for home-owning. The introduction of the 'CPF Approved Housing Scheme' in 1968 which the CPF members were allowed to withdraw part of their CPF saving before retirement to finance 20 per cent of the down payment and mortgage instalments on purchases of HDB flats reversed the once unenthusiastic feeling towards becoming home owners. With the CPF saving as a new source of home purchase fund, the demand for public home ownership saw a significant boom. At the first year of the

'CPF Approved Housing Scheme', the application for purchasing HDB flats exceeded the sum of application in the previous four years. Then, in 1970, the demand for the HDB built-for-sale flats for the first time overtook the demand for the HDB rental housing. By 1972, the disparity had been doubled with the buy orders standing at 24,644 (Castells et al., 1990: 232).

The early adoption of home ownership promotion together with the strong commitment towards home ownership promotion certainly makes the causation between growth-oriented economy and interventionist housing policy believable. Despite having a rough start, the home-owning direction was still not abandoned by the government. Such determination even when without mass support demonstrated that this policy direction was not merely a passive response to public desire but involved deeper consideration. As hypothesized in the East Asian housing regimes, the urgency to replace collective welfare provision with alternative forms of welfare in order to free up resource for economic development was such consideration.

#### **4. The causal mechanism that links low political legitimacy to interventionist housing policy**

Besides the causal weight of the growth-oriented economy demands validation, another finding of the covariance analysis, i.e. causal link between the low political legitimacy/stability and the interventionist housing policy, also needs to be scrutinised. Given that governments in the East-Asian region for an extended period of time were not elected by the general public, their political legitimacy was considerably fragile. Welfare programmes were seen as the means to maintain political stability and legitimacy by East Asian authorities. Yet, as suggested by developmentalism earlier, large-scale collective



welfare provision was unsustainable at least at the early stage of industrialisation. Housing welfare which not only could address housing issues but also facilitate alternative welfare provision to curb demand for collective provision in other welfare sectors was therefore a natural choice (Chua, 1997).

In order for this hypothesised causation to hold true, housing policy initiatives had to be found targeting the political rivals or potential destabilising factors. Put it differently, interventionist housing policy had to have positive influence on social stability and the political legitimacy of state either by luring the targeted political actors with 'carrot' or by taming them with 'stick'.

#### *4.1. Hong Kong*

In this and the previous chapter, it has been illustrated that public housing in Hong Kong targeted mainly two groups of people: victims of natural disasters and residents affected by land development. One thing in common among them was their loss of shelter. With the destruction of their home, they were believed to be the most despair and likely to act in a way that could destabilise the society. In this sense, the eligibility rules of public housing, especially the resettlement programme, were tailored to address the low political stability in Hong Kong.

Wong (1998: 11), however, criticises the validity of such hypothesised causal relationship. His arguments are twofold. First, public housing completely excluded residents in slum tenements. For his point of view, these tenants who were suffering from poor housing condition and unaffordable rent were not less likely to cause civil disturbance than the

groups of people that were resettled. Secondly, as resettlement estates were only built to minimum standard, their effect on boosting political legitimacy of the state is dubious.

Yet, it would be argued below that Wong's (1998) criticism, which stems from the misunderstanding of the characteristics of the population at that time, was unwarranted.

As illustrated in the previous chapter, the population at that time consisted of a huge amount of refugee. These new arrivals expected no guarantees of work, welfare or accommodation (Hong Kong Housing Authority, 1963: 2). They left their homeland to Hong Kong only because "they believed they had a better chance in Hong Kong than in China" (Rooney, 2003: 22). In turn, they were politically apathetic and unlikely to cause troubles just because they were not entitled to public housing.

Although not every one of them was refugee, the exclusion of private tenants from public housing did not necessarily lead to discontent. A main reason is that the 1947 Landlord and Tenancy Ordinance had already been protecting sitting tenants in pre-war tenements from eviction and unaffordable rent at the time when public housing was launched. Therefore, the suffering of the private tenants could be less unbearable than Wong (1998) assumed.

The rationale is similar when defending against the argument regarding the minimal standard of public housing. It is true that the condition of the resettlement blocks was not perfect. However, as stressed before, the refugee masses were tolerant of sub-standard housing condition and did not expect any form of welfare. Likewise, it should not be forgotten that those flats were offered to dwellers whose homes were destroyed. Inferior accommodation was still superior to homelessness. In fact,

resettled squatters were generally satisfied with the resettlement blocks considering their qualities were no worse than their previous tenures (Bishop, 1969). Furthermore, the standard of public housing had been gradually improving over the period through the conversion of existing blocks as well as building new structures on site after demolition (Pryor, 1983:85).

Past experience has shown that squatter clearance without rehousing was problematic. Not only could it easily attract the sympathy of the public to the squatters, but also it has the possibility to spark off a riot (Smart, 2006). By targeting groups that had the greatest potential to cause social unrest, public housing programme was proved to improve the stability of the society and the legitimacy of the state.

#### *4.2. Singapore*

In Singapore, housing policy was also tailored to target groups that threatened the power of the state and social stability. First, the interventionist housing policy was intended to undermine the voter base of the PAP's political rival. Even though as a self-proclaimed left-wing party in the election (Castells et al., 1990), the PAP broke its alliance with the leftists once attained power. Leftists in the party were expelled and organised labour was repressed. The socialist faction in turn established the Barisan Sosialis to contest the PAP in politics. Under the political pressure from its previous allies, there was an urgent need for the PAP to consolidate its support. Housing being a highly politicised social issue was therefore given the top priority in the government agenda to enhance legitimacy (Pugh, 1987: 313). Unlike other welfare sectors such health care and education services which benefit different age groups disproportionately, public housing could bring improvement in life across cohorts. This helped to maximise the potential political capital the PAP

could get. Mcleay also pointed out that the materially tangible public housing blocks could act as monuments of the ruling party's achievement (1984: 97). Being easily observed, these building blocks constantly remind the population, and voters during the election, the benefits brought by the PAP (Chua, 1997: 139). These all together might explain why the government was committed to public housing when there were numerous urgent needs in the society during the early days of independence. As a result, the Housing and Development Board (HDB) was established in 1960 soon after the PAP came into power to provide public housing in a massive scale.

More importantly, the voter base of Barisan Sosialis was mainly from the grass-roots level which presumably suffered from poor housing (Turnbull: 1996: 272). By making the programme highly accessible as shown before, normal working class households could easily apply for public housing.

<b>[Table 9.2] Demand and Construction figure of the public housing in Singapore</b>			
Year	Demand for public sector housing (units)	Construction of public sector housing (units)	Percentage of resident population living in public sector housing at the end of the period (%)
1960/61-1965/66	55,375	53,777	23%
1966/67-1970/71	106,018	63,448	35%
1971/72-1975/76	180,247	110,362	47%
1976/77-1980/81	189,388	130,981	67%
Source: HDB (2015)			

From the HDB data, it could be seen that the PAP government had been steadily increasing the construction of the public housing and systematically incorporating a larger and larger proportion of the resident population into the sector. Those who saw a concrete improvement in life were expected to rally behind the PAP (Turnbull: 1996: 275).

Even when applicants were not be allocated immediately, being placed on a waiting list gave them a hope for better housing and a reason to support the establishment. With the allocation being carried out in a first-come-first-served basis (Wong and Yeh, 1985: 248), registered applicants in the waiting list would gradually move to the top of the queue. As the waiting time in queue for public housing meant nothing outside the public housing allocation system, registered applicants had strong incentive to support the party in power which was believed to be the best in protecting the status quo. The longer they were on the waiting list the greater they were against any change. Their 'asset specific' investment in terms of waiting time therefore set off a positive feedback mechanism that aligned the interest of these otherwise leftists' supporters with the PAP. In other words, the inclusive and large-scale housing programme could systematically undermine the support base of the PAP's political rival by turning their members to the PAP's camp.

Beside the base voters of the political rival, the interventionist housing policy targeted ethnic groups that could undermine the social stability and threaten the PAP's legitimacy. As an immigrant society, Singapore had been heterogeneous in aspects such as races, religions, languages, and cultures. The majority of the population had Chinese background (75.4 % in 1957) while the remaining being mostly Malays (13.6 % in 1957) and Indian-Pakistanis (8.6 % in 1957) (Castells et al., 1990). During the colonial era,

different cultural groups were segregated from each other to minimise potential conflicts between races that could threaten the imperial interests (Cangi, 1993). Yet, the absence of social cohesion resulted from spatial segregation eventually brought severe costs to the society during the dawn of self-government with the most prominent examples being the racial riots between Chinese and Malays in 1964 and 1969 (Loo et al., 2003: 295). This motivated the government to promote racial integration and develop a sense of national identity beyond races among its people (Chong, et al. 1985; Chua, 1997: 142; Ooi, 1994b: 72-73; Yeung & Drakakis-Smith, 1974: 765). Among many initiatives, public housing, more precisely its allocation policy, is one of the most influential. Since the very beginning of public housing programmes, the goal to forge multiracial communities had been kept in the mind of policy makers (Drakakis-Smith & Yeung, 1977: 6). Spatial segregation was addressed by allocating public housing unit through a ballot system. In this way, a balanced distribution of races could be expected in new towns (The Straits Times, 1989; The Straits Times, 2001). Moreover, a comprehensive system that intended to include an overwhelming majority of the public could prevent resentment for favouring particular ethnic groups.

The effectiveness of housing in stabilising society was further enhanced by the 'Home Ownership for the People Scheme'. According to the first Prime Minister, Lee Kuan Yew (2000: 95-96), his "primary preoccupation was to give every citizen a stake in the country and its future (...) 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 believe this sense of ownership was vital for our new society which had no deep roots on a common historical experience". By offering stakes in the society to the citizen in the form of home ownership in the public sector, the PAP government succeeded in building a sense of attachment to the country and a national identity among the multi-ethnic immigration

society (Chong et al., 1985:231; Ooi, 1994b: 72-73; Yeung and Drakakis-Smith, 1974: 765, Chua, 1997: 142). These all had positive effects to social stability.

Other than addressing the potential social unrest, interventionist housing policy was a tool for electoral engineering which helped address PAP's low legitimacy. Through public housing and urban renewal programmes, the government was able to relocate residents from the racial settlements within the central city to new towns that had balanced ethnic profiles owing to the manipulated flat allocation. By dismantling racial enclaves, there were no longer electoral districts with heavy concentration of particular cultural groups especially those of ethnic minority. This prevented opposition to challenge PAP in the election as well as in domestic politics through pressing issues that appealed only to specific groups (Lin & Tyabji, 1991: 17-18; Tremewan, 1996: 46). It is because politicians campaigning for racial extremism were never able to win the First-past-the-post elections in ethnically balanced constituencies. The efforts to regulate the racial profile of residents in each electoral district therefore, according to the Minister for National Development, barred "MPs and community leaders ... [to] develop narrow views of society's interest ... [and removed the risk of communal enclaves becoming] seedbeds of communal agitation" (Dhanabalan, 1989: 4).

Given historical observation has confirmed that interventionist housing policy was launched to target groups that had the potential to destabilise the society and challenge the government, the causation between low political stability/legitimacy and interventionist housing policy was confirmed.

## **5. Conclusion**

In the previous chapter, the development of housing policy in the post-war era has been explained with the help from historical institutionalism and East Asian housing regime. This chapter continues the causal inference by validating those explanations.

In order to show whether the proposed causation was real or not, the chapter begins with covariance analysis. By having Mill's methods as the first step in the casual inference, several potential explanations towards the phenomenon could be ruled out. According to the Method of Agreement, any factor presenting in both cases is considered as a necessary cause that is possibly associated to the common outcome. These include the growth-oriented economy and low political legitimacy/stability.

However, there remains questions of how exactly these factors lead to the common outcome and to what extent the proposed causal relationships are not spurious. To get the answers, process tracing is used deductively to test hypotheses. After constructing the causal mechanism based on theories, the real world observation is then compared against the expected development. If both of them match each other, the hypothesis could then be confirmed.

The first causal mechanism being tested is the one that established linkage between growth-oriented economy and interventionist housing policy. Based on the East Asian housing regime theory, housing policy was always employed to assist economic development and thus subordinated to economic goals. It could be achieved in several ways including the promotion of intra-family support and asset-based welfare through housing programmes in order to avoid expensive collective welfare provision, as well as curbing wage demand by cheap public housing in order to maintain low production cost.



For this proposed relationship to be true, it is expected to find that housing welfare was relatively well developed in comparison to other welfare sectors, notably those which could be substituted by intra-family provision. Moreover, considering the significant effect of home-ownership promotion in freeing up the public resource for the economic development, government should be expected to actively promote owner occupation since the beginning of interventionist housing policy. At the same time, the housing welfare programmes should be opened to a significant proportion of the population. Otherwise, its effects on promoting alternative welfare provision and lowering wage demand would be questionable.

As the causal mechanism has been identified, a comparison between the historical observation and the hypothesised relationship could be conducted. If the aforementioned mechanisms were founded in the two city-states, the causation between growth-oriented economy and interventionist housing policy could then be proved. vice versa.

Through within case analysis, the causal mechanism that links growth-oriented economy to interventionist housing policy is disproved in the Hong Kong case. Despite housing welfare being relatively well-developed in comparison to other welfare sectors, the low accessibility of inexpensive public housing and the late implementation of home-ownership promotion challenge the theorists' assumption.

At the same time, there was neither evidence proving the occurrence of wage discrimination between public and private tenants nor material suggesting resettlement blocks residents being more favourable in labour intensive manufacturing sector. In other words, manufacturers did not benefit from the inexpensive public housing in terms of lower labour cost. It could be argued that the housing policy formation in Hong Kong did

not have such developmentalist idea in mind and thus the hypothesised causation between growth-oriented economy and interventionist housing policy is unwarranted in Hong Kong.

Singapore, however, demonstrated a very different picture. In contrast to Hong Kong, the public housing programme in Singapore was not kept behind close door. Instead, a significant proportion of the households were eligible to apply for it. The low application threshold of housing welfare, early adoption of home ownership promotion together with the speedy construction of public housing units revealed the government aim to utilise housing welfare to facilitate alternative welfare provision as well as to keep wage at low level. In particular, despite the initial response towards home-owning being lukewarm, the government stood its ground and fully committed to this policy direction. Such determination even when without mass support demonstrated that this policy direction was not merely a passive response to public desire but involved deeper consideration. All these make the causation between growth-oriented economy and interventionist housing policy believable in Singapore.

Besides the causal weight of the growth-oriented economy demands validation, another finding of the covariance analysis, i.e. causal link between the low political legitimacy/stability and the interventionist housing policy, has also been scrutinised. Given that governments in the East-Asian region for an extended period of time were not elected by the general public, their political legitimacy was considerably fragile. Welfare programmes were seen as the means to maintain political stability and legitimacy by the East Asian authorities. Yet, comprehensive welfare provision was unsustainable at least at the early stage of industrialisation. Housing welfare which not only could address

housing issues but also facilitate alternative welfare provision to substitute expensive collective provision in other welfare sectors was therefore a natural choice.

In order for this hypothesised causation to hold true, housing policy initiatives had to be found targeting the political rivals or potential destabilising factors. Put it differently, the interventionist housing policy had to have positive influence on social stability and the political legitimacy of state either by luring the targeted political actors with 'carrot' or by taming them with 'stick'.

The chapter manages to confirm the causation in both Hong Kong and Singapore. Public housing in Hong Kong is shown to target individuals that were most likely to destabilise the society, i.e. those who lost their shelters. To further support the argument, criticisms around the validity of causal relationship are assessed. The chapter points out that these challenges are unfound since they overlooked the institutional legacy and failed to appreciate the characteristics of the population at that time.

Likewise, housing policy in Singapore was also tailored to target groups that threatened the power of the state and social stability, namely leftists and ethnic groups. Housing policy is demonstrated to undermine the voter base of the PAP's political rival. As the voter base of Barisan Sosialis was mainly from the grass-roots level which presumably suffered from poor housing, the inclusive and large-scale housing programme could systematically turn their members to the PAP's camp. The allocation policy of public housing, on the other hand, targeted ethnic groups. Through ensuring a balanced distribution of races in new towns, racial harmony and electoral engineering were made possible. At the same time, by offering stakes in the society to the citizen in the form of home ownership in the public sector, the PAP government succeeded in building a sense

of attachment to the country and a national identity among the multi-ethnic immigration society. These all had positive effects to social stability as well as the legitimacy of the government. Given historical observation in Hong Kong and Singapore has confirmed that interventionist housing policy was launched to target groups that had the potential to destabilise the society and challenge the government, the causation between low political stability/legitimacy and interventionist housing policy was validated.

The analysis in this chapter shows that the causal factor behind the shared housing policy trajectory was the government intention to maintain social stability and legitimacy. Yet, considering the economic consideration behind housing policy constituted one of the crucial pillars to the East Asian regime theory, its absence in Hong Kong questions the homogeneity of the housing development in the two cases.

As seen earlier, the housing policy development in Singapore matched perfectly with the prediction of the East Asian housing regime. Housing policy was carried out to achieve both economic and political objectives of the government. In the next chapter, Singapore will be employed as a template case to compare with Hong Kong to highlight the time of their divergence in housing policy development and the possible causes behind. Discussions go on to assess whether Hong Kong and Singapore should be placed in the same East Asian housing regime. The ultimate goal is to evaluate whether housing is an exceptional part of public policy that complicates regime theory.

## Chapter10 Conclusion

When seeking explanation for political outcomes, the academia is greatly divided. Different camps point to different causal forces, factors as well as mechanisms. Institutionalism, Rational Choice and Behaviourism are only a few examples. For Institutionalism, it could again be distinguished between 'old' and 'new' institutionalism. Among the cluster of new institutionalism, there are also at least two variants, namely rational choice institutionalism and historical institutionalism.

At a more specific analytical level, the division between explanatory theories is equally obvious. Around the development of welfare state, or generally the welfare policy, there is no shortage of hypothesised explanations. Esping-Andersen's welfare regime approach, industrialism approach, working class power approach, East Asian welfare regime approach are all potential candidates.

Given that the thesis aims to study the development of housing policy in Hong Kong and Singapore, it undoubtedly falls into the category of seeking explanation for political outcomes and more precisely welfare policy. An immediate challenge is to decide the appropriate research framework. As a response, the first half of the thesis is dedicated to thoroughly investigate various options.

The thesis starts off by establishing the overarching framework that is going to govern the whole research. Step by step, **Chapter 2** argues that historical institutionalism is the most superior framework for this research. First, the chapter demonstrates the relative advantages of new institutionalism comparing with old institutionalism especially in the development of intermediate-level categories and concepts. Then, an extensive

comparison between the two most well recognised new institutional approaches, i.e. rational choice institutionalism and historical institutionalism is carried out. When contrasting with the other variant, historical institutionalism is found better illuminating the political reality by taking into account the effects of unintended consequence and path dependence on political outcomes. More importantly, given that historical institutionalists focus on showing how different variables linked within the institutional context, their analyses are not limited to only a couple of explanatory variables. They, therefore, provide a framework that could integrate various approaches into the analyses while avoiding the discussions becoming fragmented. Such prominent strength explains the choice of historical institutionalist approach in the thesis.

Despite its strength in interpreting political outcomes, historical institutionalism is inevitably subjected to criticism. The path dependence belief, in particular, is frequently described as a sign of incapability in explaining institutional changes. However, the chapter argues that path dependence is only one of the many elements in the approach. In fact, historical institutionalism not only has not neglected institutional changes but also has taken a further step forward to understand them by highlighting the possibility of gradual yet transformative changes. Finally, historical institutionalism is evaluated against behaviourism to show that its superiority remains outside the cluster of institutionalists' approaches. As the choice of overarching framework is justified, the research has a solid theoretical foundation to build on.

**Chapter 3** is then dedicated to illuminate how political powers work through institutions. To do so, the focus is going to be narrowed down from the broadest analytical level, i.e. institution, to a more specific level, i.e. welfare state regime. The profound importance of Esping-Andersen's welfare state regime approach could be attributed to its three

features, namely re-specifying welfare state, studying welfare states as a group and explaining welfare state development through an interactive approach. Among them, the attempt to illustrate political phenomenon with a non-linear approach is deemed to be the most salient contribution. The examination of earlier approaches such as industrialism and working class power reveals that they always try to find one single powerful causal force behind any political outcome. In turn, these approaches inevitably suffer from their confined views. This highlights the importance of the welfare regime approach in which the development of welfare state is seen as a product of numerous interactions. The discussion goes on with the three interactive factors of the approach: nature of class mobilisation, class-political coalition structures and history legacy of regime institutionalisation. By introducing these three interactive factors, Esping-Andersen frees academics from the unsatisfying linear approaches and allows political outcomes to be clearly explained in terms of interaction between political forces and institutions. Through unveiling the relationship between classes and institutions, Esping-Andersen's interactive approach successfully demonstrates how political actors pursue objectives in institutions. The welfare regime approach offers a new research framework and a more realistic view of the welfare state development. Even though Esping Andersen's interactive approach could be seen as a major advance from linear approaches, the chapter reveals three of its significant weaknesses: overemphasis on class in explaining political outcome, failure to take into account of unique East Asian experience and neglect of housing in his welfare regimes. Those weaknesses are particularly problematic for this thesis due to the nature of its research area. This suggests that direct adoption of such approach is not desirable and a new research framework is required or, at least modification of existing theory.

Owing to the limitation of welfare regime as a research framework, **Chapter 4** aims to search for an institutionalist approach that can distinguish housing systems and explain how differences in institutional settings yield different development patterns in housing policies while also establish linkages between housing sectors and welfare states. A potential approach that comes into sight is the Kemeny's approach. The approach is first shown to be able to categorise rental markets around the world into two blocs according to three factors, i.e. balance between owning and renting; how the rental system is organised; the extent to which rents are cost based. The two distinct regimes being found are dualist rental market and integrated rental market.

After reviewing how Kemeny distinguishes housing systems, the chapter moves on to examine how well Kemeny's approach links institutional settings with different development patterns in housing policies. Kemeny claims that power structures in different countries determine their respective housing policy development. Countries with two-party systems tend to have dualist rental market while multi-party systems lead to integrated rental market. With aspiration to understand how those power structures exist in the first place, this chapter builds on Kemeny's findings and takes the investigation of such association one step further. The efforts are rewarded since it is now known that the interactions between housing policy development and institutions do not end at the power structures. Instead, it could be traced back as far as to the electoral systems in place.

Finally, the chapter evaluates the performance of Kemeny's approach in establishing linkages between housing sector and welfare state as a whole. Kemeny clearly understands the significance of integrating housing sector into welfare state research. By focusing on the proportion of owner occupancy among other tenures, the approach



demonstrates that 'low-tax, low-spend' welfare states tend to coexist with dualist housing regime while 'high-tax, high-spend' welfare states are usually associated with integrated housing regime.

After careful scrutiny, it could be concluded that Kemeny's housing regime approach could help to fill the 'theory gap' of welfare regime in terms of housing. Yet, before using it right away, it should be recalled that the neglect of housing is not the only drawback of the welfare regime approach. By inherited the Esping Andersen's approach, Kemeny's work suffers from the same weakness of not addressing unique East Asian experience. As shown in Chapter 3, the institutions and interactive factors that yield the welfare states in East Asian are fairly different from those in the West. Therefore, Kemeny's housing regime approach is not the end of the search for the research framework.

When reviewing the Esping-Andersen's welfare regime typology and Kemeny's housing regime approach in Chapter 3 and 4, it is found that they both fail to take into account of the East Asian experiences. This causes their approaches being inappropriate for a direct adoption in this research. Given that those two approaches are based on western cases, it is very likely that a distinctive form of welfare as well as housing regime is out there in the East. There is therefore an urgent need to introduce an approach that could fill such theoretical gap and the East Asian welfare regimes come into sight.

**Chapter 5** starts off with the aim to consolidate the theoretical foundation of the Kemeny's housing regime research framework by introducing the East Asian welfare regime. It is a welfare regime cluster that is organised under the principle of the East Asian model. It is characterised by two core features: developmentalism and Confucianism. Developmentalism captures both the subordination of social policies to

economic objectives and the orchestration of actors towards economic objectives by the states while Confucianism captures the strong family and work ethic in the design of welfare states in East Asia. These distinctive features of the welfare development in East Asia are not found in the West and therefore used to argue for an additional welfare regime alongside those constructed under the western context.

Just like any model or theory, the East Asian welfare regime cluster has no shortage of criticism. Yet, after assessing the criticism, it could be argued that the East Asian welfare regime is still an important tool to help comprehend the welfare development and more important the development trajectory of housing policy in the region. The Intertwined relationship between the East Asian welfare regimes and housing policies in the region was particularly strong. Housing had a much important role in the East Asian welfare regimes than those in the West. Instead of only converting the form of the welfare state, housing policies played a significant role in maintaining the survival of the East Asian welfare regimes since the very beginning. Housing was therefore the core part of the East Asian welfare regimes on which the persistency of the productivist nature in the regime was hinged. By facilitating family-based and asset-based welfare, modest public welfare provision became possible and spare resources could be used for economic development. Housing also brings economic growth through enhancing international competitiveness and development in construction and real estate sectors.

Such strong economic focus and the top down policy making with deep political consideration also distinguished housing policy in East Asia from its counterparts as these traits do not match the description of both regimes identified by Kemeny (1995). In both Dualist housing regime as well as integrated housing regime, it could be seen that housing positions between social and economic policies. Yet, in the cases of East

Asia, the economic consideration played a greater role in the policy making process of housing as well as other welfare sectors (Ronald, 2013: 392). On the other hand, housing policy in East Asia was not an outcome of class struggles or political contests as suggested by Kemeny (1995). Rather than as a passive response, housing policy was an instrument for the governments to achieve their economic as well as political goals. Suffered from low political legitimacy, authorities in the region were found to resolve through housing.

It is evident that the housing policy development in East Asia could not fit well in housing regimes that are developed out of western experience. These, in turn, justify the formation of an additional housing regime cluster. The introduction of a new housing regime cluster could better capture the housing policy development in the region and direct attention to its distinctive economic and political aspects.

Before accepting the notion of the East Asian housing regime cluster straight away, its criticisms are examined in the last section of the chapter. In fact, many criticisms of the East Asian housing regime share similar reasoning as those challenging the East Asian welfare regimes. These include not only arguments against the uniqueness of the East Asian Housing regime and the homogeneity within the housing regime cluster, but also criticism that focuses on impacts of recent structural changes on the continuity of the regime. With careful scrutiny, it could be confirmed that these challenges are not strong enough to write off the regime approach. The introduction of the East Asian housing regimes could therefore broaden the theoretical foundation of the analysis in later chapters. With all the works done in these four chapters, a solid theoretical foundation has been laid. The next step will be using such theoretical foundation to construct a

research framework for this thesis. This is expected to be dealt with in the following methodology chapter.

As a methodology chapter, **Chapter 6** is dedicated to develop linkage between the fundamental knowledge developed in the previous chapters to the forthcoming case studies. Under such aspiration, the ways which this research will be carried out, i.e. the structure of the research, has been finalised through a thorough examination and assessment.

This chapter starts off with introducing the Comparative Historical Analysis (CHA) research design. The three prominent features of it, i.e. explaining causation of important outcomes in delimited historical contexts, giving emphasis on temporal structure in analysis, and engaging in systematic and contextualized comparisons of small-N cases are then illustrated in great details. Among all, its attention to both spatial and temporal variations in small number of cases has been argued to best suit the research aims and hence, being especially determinative in the choice of research design.

After settled with the research design, the discussion moves on to research methods. Mill's methods, i.e. 'Method of Agreement' and 'Method of Difference', are examined critically. Despite their limitation, this study considers Mill's methods as effective tools in eliminating potential hypotheses. As the first step in the causal inference, Mill's methods help narrow down the theories that could be used to explain the housing policy development in a period and hence allow a more focused in-depth study, i.e. process tracing, to be carried out subsequently.

Process-tracing, a strategy of analysing causal mechanism instead of covariance, is then used to validate the findings of Mill's methods as well as to shed light on the causation between the outcome variables and some important aspects that are hard to conceptualise into explanatory variables and analyse by observing their covariance with the dependent variables but yet could significantly alter the outcomes. These include timing, sequence as well as legacy. Such complementary use of both methods is argued to bring greater benefits than solely employing either one. These not only include the attention to important elements omitted in Mill's methods, but also the reduction of time cost for practicing process tracing deductively, solutions towards indeterminacy and equifinality, and increase in internal validity of the findings.

After covering both the research design and research methods, the chapter moves on to the research question which makes up of two parts. The thesis first aims to answer why the housing policy trajectory in Hong Kong and Singapore appeared to have a high degree of similarity from the colonial era to the 1970s; and secondly, whether the divergence in policy details within the seemingly the same housing policy outcome is strong enough to challenge the categorisation of the two cases and what implication on the East Asian regime it has.

In order to answer these questions, this research adopts the 'cases in the same type' research design within the comparative historical analysis. This research design allows comparison to take places between cases that are grouped into the same type based on their independent variables. A working assumption of this design is that cases in the same type should have similar outcomes. As cases in the same regime experience some degree of differences in outcome, this study intends to assess whether one of them is a deviant case and to unveil the causes behind. In the process, a case could act as a

template of regulatory path so that when comparing against the non-consistent case, the time when their paths diverged could be located and great understanding about the factors behind the divergence could be acquired. As a result, not only the validity of the East Asian regime could be evaluated, additional variables that exert influence could also be revealed. Afterward, details on the implementation of research methods follow. Finally, the chapter is wrapped up by going over data collection and ethic related issues.

## 1. Contributions of the thesis

### 1.1. *Contributions in the understanding of the East Asian housing development*

With the structure of the research being set out, the thesis is able to make several contributions through the case studies. First, it enriches the understanding of the East Asian housing development.

#### 1.1.1. *Contribution 1: Better understanding of the causes behind the residual housing policy during the pre-war era of the two British colonies.*

In **Chapter 7**, a comparative historical analysis of the housing policy development in Hong Kong and Singapore during the colonial era prior to the end of WWII (1800s-1940s) is carried out. First, the history of the housing policy development in the colonial era is outlined to identify the policy outcome in the period. Afterward, the chapter moves on to gather the potential independent variables which their covariance with the outcome is to be studied. By referring to the previous theoretical chapters, a range of causal factors come into attention, including labour movement, group coalition and institutional legacy

in Esping-Andersen's (1990) welfare regime and power-structure in Kemeny's (1995) housing regime.

The next step is to construct a comparative analysis using the Mill's methods. Based on the understanding of these techniques, the method of Agreement should be employed here as a common residual housing policy is observed between cases. The method allows potential explanatory factors that could not be found in both cases to be eliminated. The remaining hypotheses, including the weak labour movement, the strong capitalist class and the British colonial rule, could then be argued to be possibly associated with the shared outcome.

However, there remains questions of how exactly these factors lead to the common outcome and to what extent the proposed causal relationships are not spurious. To get the answer, those findings need to be validated by process tracing. Process tracing is then used deductively to test hypotheses. It is achieved in two steps. First, the method requires the causal mechanism to be constructed based on theories. Put it differently, the process that illustrates how exactly the dependent variables could cause the outcome in question needs to clearly demonstrate. Once the causal mechanism is identified, the real world observation will then be compared against the expected development. If both of them match each other, the hypothesis could then be confirmed.

Finally, the chapter concludes that **the difficulties to organise collective action make the working class too weak to contest the alliance of the colonial government and capitalists under the laissez faire spirit. In turn, the laissez faire spirit dictated the**

**policy making, including the development of the residual housing policy, in the colonies.**

While illustrating how a residual housing policy was developed in this period, the chapter lays out the 'status quo' of political and institutional settings in Hong Kong and Singapore. It allows comparison to be drawn between institutional configurations of different periods in later chapters. Deeper insight in the housing policy development could then be gained by focusing on how shifts in institutions opened windows of opportunity for volatile policy changes. This forms the fundament for the study of sharp changes, i.e. from residual to large scale public provision, in housing policy in the next chapter.

1.1.2. *Contribution 2: Better understanding of the timing of the sharp transformation from residual to interventionist housing policy in the two city-states*

**Chapter 8** continues the causal inference by bringing comparative historical analysis to study the housing policy development between the 1950s and the 1970s in the two cases. Since the 1950s, Hong Kong and Singapore witnessed an abrupt transformation in housing, notably the introduction of large-scale public housing. This chapter hence aspires to explain what caused the deviation from the status quo.

With the help from the historical institutionalism framework, more precisely the concept of punctuated equilibrium, the chapter first tries to answer why radical changes in housing policy took place in this period and not earlier or later. The concept of punctuated equilibrium explains volatile institutional changes as outcomes of shifts in the institutional context due to exogenous shocks. **In the case of Hong Kong and Singapore, it would be argued that the previously stable residual housing policy was**



**'punctuated' by the Second World War and the drastic changes in the geopolitical environment in its aftermath. As these exogenous shocks shook the foundation of the previous institution, i.e. the political hegemony of the alliance between the colonial government and capitalists, they created a window of opportunity, namely critical juncture, for consequential reform in housing policy.** The chapter then goes on to explain the content of the reforms or, put it differently, how particular institutions were adopted. The influence of institutional legacy is highlighted.

### *1.1.3. Contribution 3: Application of the East Asian regime theory to housing study*

Despite the fruitfulness of historical institutionalism as an analytical tool, it alone is not enough to comprehend the initial radical changes in housing policy as well as the persistence of those interventionist housing policies. Historical institutionalism is able to illustrate how some policy choices became more feasible and even more favourable over retaining the status quo. Yet, the question of why political actors opted for shifts in housing policy still remains largely unanswered. The chapter therefore needs to fill the gap by referring back to the East Asian housing regimes.

Having less to do with the past, the East Asian housing regimes illustrates housing policy development by focusing on both economic and political aspects. For economic, it argues that housing policy in the East had strong economic intention behind and was introduced to assist economic development rather than as a reflection for the extending civil right. Another observation given by the housing regimes is made from the political point of view. The approach suggests that the maintenance of political legitimacy was of equally importance in explaining the origin and the subsequent development of welfare policy in East Asia. Although the authoritarian/ semi-authoritarian governments in the

region enjoyed high degree of autonomy in policy making, their power was constantly undermining by their low legitimacy. Great efforts had therefore been spent on consolidating political supports. The ways which housing policy initiatives were adopted in Hong Kong and Singapore to achieve these purposes are examined. The East Asian housing regime undoubtedly bridges the gap in the understanding of the shifts in housing policy and manages to provide a few possible explanations towards them.

1.1.4. *Contribution 4: Better understanding of the causes behind the interventionist housing policy in the two city-states during the post-war period*

In the previous chapter, the development of housing policy in this period has been explained with the help from historical institutionalism and the East Asian housing regime. The goal of **Chapter 9** is therefore to validate those explanations, i.e. whether the causation is real or not. The chapter begins with a covariance analysis. By having Mill's methods as the first step in the casual inference, several possible explanations towards the phenomenon could be ruled out. It helps pick out two most relevant causal factors, i.e. growth-oriented economy and low political legitimacy/stability, for further assessment. Next, process tracing is later used deductively to test hypotheses. After constructing the causal mechanism based on theories, the real world observation is then compared against the expected development. If both of them match each other, the hypothesis could then be confirmed.

The first causal mechanism being tested is the one that established linkage between growth-oriented economy and interventionist housing policy. Based on the East Asian housing regime theory, housing policy was always employed to assist economic development and thus subordinated to economic goals. It could be achieved in several

ways including the promotion of intra-family support and asset-based welfare through housing programmes in order to avoid expensive collective welfare provision, as well as curbing wage demand by cheap public housing in order to maintain low production cost. For this proposed relationship to be true, it is expected to find that housing welfare was relatively well developed in comparison to other welfare sectors, notably those that could be substituted by intra-family provision. Moreover, considering the significant effect of home-ownership promotion in freeing up public resource for the economic development, the government should be expected to actively promote owner occupation since the beginning of the interventionist housing policy. At the same time, the housing welfare programmes should be opened to a significant proportion of the population. Otherwise, its effects on promoting alternative welfare provision and lowering wage demand would be questionable. Through the comparison between the historical observation and the hypothesised relationship, the causal mechanism could be proved in Singapore but not Hong Kong.

Another finding of the covariance analysis, i.e. causal link between the low political legitimacy/stability and the interventionist housing policy, has also been scrutinised. Given that governments in the East-Asian region for an extended period of time were not elected by the general public, their political legitimacy was considerably fragile. Welfare programmes were seen as the means to maintain political stability and legitimacy by the East Asian authorities. Yet, comprehensive welfare provision was unsustainable at least at the early stage of industrialisation. Housing welfare which not only could address housing issues but also facilitate alternative welfare provision to substitute expensive collective provision in other welfare sectors was therefore a natural choice. In order for this hypothesised causation to hold true, housing policy initiatives had to be found targeting the political rivals or potential destabilising factors. Put it differently,

interventionist housing policy had to have positive influence on social stability and the political legitimacy of state either by luring the targeted political actors with 'carrot' or by taming them with 'stick'. In Hong Kong, those who lost their shelters were targeted by housing policy while in Singapore, leftists and ethnic groups received the same attention. This time, the chapter manages to confirm the causation in both Hong Kong and Singapore. **Hence, the causal factor behind the shared housing policy trajectory was the government intention to maintain social stability and legitimacy.**

## 1.2. *Contributions to housing research and theories*

### 1.2.1. Historical Institutionalism

Beyond the understanding of the two cases, the thesis makes a meaningful contribution to housing research and various theories.

**By extending the application of historical institutionalism into the two under-researched realms, i.e. housing policy and East Asian context, this research helps boost the validity of the theories.** As discussed in Chapter 2, historical institutionalism as a research framework has been largely confined to studies of a selected few policy areas. Housing, however, is frequently neglected. By bringing historical institutionalism into housing research, the thesis confirms its applicability in this 'uncharted' policy area and demonstrates a practical way to expand the scope of housing policy analysis. Likewise, previous researches tend to employ historical institutionalism to study phenomena in the occidental context. Case studies of Asian countries hinged on this framework were scarce. As a result, the accumulated knowledge in the literature could be considered as

western-centred if not biased. Through successfully adopted the historical institutionalist framework for an East Asian housing policy study, such gap in application could be filled.

In the case studies, historical institutionalism has been found to be a proper framework for understanding housing systems in the East. First, with the help from the historical institutionalism framework, more precisely the concept of punctuated equilibrium, the thesis is able to answer why radical changes in housing policy took place in a specific period and not earlier or later. The concept of punctuated equilibrium explains volatile institutional changes as outcomes of shifts in the institutional context due to exogenous shocks. In the case of Hong Kong and Singapore, it would be argued that the previously stable residual housing policy was 'punctuated' by the Second World War and the drastic changes in the geopolitical environment in its aftermath. As these exogenous shocks shook the foundation of the previous institution, i.e. the political hegemony of the alliance between the colonial government and capitalists, they created a window of opportunity, namely critical juncture, for the consequential reform in housing policy.

At the same time, historical institutionalism acknowledges the likelihood of significant institution changes in the form of gradual transformation instead of abrupt in nature. In other words, changes more than adaptive could be generated endogenously with no institutional breakdown. This notion is deemed to be particularly useful when trying to understand the development of the Central Provident Fund (CPF), the core pillar of the Singapore housing system. Through digging deep into its development, this research confirms the possibility of existing institutions being converted to serve new purposes and become part of the new paradigm. Although the origin purpose of CPF had nothing to do with housing, it was redirected by the PAP government, who was a new actor that was not involved in the creation of CPF, to serve a new goal, i.e. to complement an

ambitious public housing programme. The nexus between pension saving and housing finance is formed hereafter. Such opportunity for the redeployment of institutional resources was opened up by gaps in the rules that existed by design and emerged over time. The conversion is argued to be an unintended consequence of the original institutional design. The Central Provident Fund, which was founded under the British *laissez faire* principal, unintentionally facilitated the mass public housing programme in post-colonial Singapore. The ability of historical institutionalism to appreciate different modes of policy change proves itself to be the appropriate framework to understand the housing policy development trajectory in the East.

Historical institutionalism is also an effective instrument for analysing housing policy choices through the attention to institution legacy. By assessing the influence of the existing institution, the framework could identify the feasibility of policy choices. In the case studies, pre-war statutory boards and land related acts, are demonstrated to continue to exert influence on the development of new institutions in the way of providing the necessary foundation for large scale public housing schemes later. For pre-war statutory boards, they left behind templates of administrative structures effective enough to handle the ambitious housing intervention in post-war era. Meanwhile, the acts on land acquisition granted governments control over supply of land abundant enough for large-scale public housing scheme to be possible.

On the other hand, the notion of positive feedback mechanism from the historical institutionalism thesis offers a new perspective to view the motivation behind the public housing programmes of the Singaporean government in post-independence period. It is argued that being placed on a waiting list gave applicants a hope for better housing and a reason to support the establishment. With the allocation being carried out in a

first-come-first-served basis, registered applicants in the waiting list would gradually move to the top of the queue. As the waiting time in queue for public housing meant nothing outside the public housing allocation system, registered applicants had strong incentive to support the party in power which was believed to be the best in protecting the status quo. The longer they were on the waiting list the greater they were against any change. Their 'asset specific' investment in terms of waiting time therefore set off a positive feedback mechanism that aligned the interest of these otherwise leftists' supporters with the People's Action Party. In other words, the inclusive and large-scale housing programme could systematically undermine the support base of the PAP's political rivals by turning their members to the PAP's camp.

All in all, the experience with historical institutionalism in this research confirms its applicability in housing research of the East Asian cases and contributes to the accumulation of knowledge in all corresponding realms.

#### 1.2.2. East Asian regime typology

Despite the fruitfulness of historical institutionalism as an analytical tool, it alone is not enough to comprehend the initial radical changes in housing policy as well as the persistence of those interventionist housing policies. Historical institutionalism is able to illustrate how some policy choices became more feasible and even more favourable over retaining the status quo. Yet, the question of why political actors opted for shifts in housing policy still remains largely unanswered. The research therefore fills the gap by referring back to the East Asian regime typology.

The application of the typology in a comparative context renders the opportunity to thoroughly appraise and in turn recommend direction to refine it. Two observations

could be derived in the process: 1) Hong Kong and Singapore should not be considered as in the same housing regime; 2) Housing complicates regime theory.

### 1.2.3. Finding 1: Hong Kong and Singapore should not be considered as in the same housing regime

In the previous chapters, the thesis has proposed and then successfully validated the causes behind the development of housing policy in Hong Kong and Singapore during the colonial era as well as the early post-war period.

Both of them started off with very similar residual housing policy under the British colonial administration. Unsurprisingly, the forces behind those housing policy choices were alike as well. The strong alliance of the colonial government and capitalists under the laissez faire spirit together with the weak labour mobilisation caused by institutional constraints and the rootless nature of workers are found to be the underlying causes.

Later, the transformation in post war era was seen to bring a large scale public housing sector in the two cases. By 1976, 47% of population in Singapore and 40% in Hong Kong had been living in the public housing sector (HDB, 2015; Census and Statistics Department, 1977). The analysis in Chapter 9 shows that the causal factor behind the shared housing policy trajectory was the government intention to maintain social stability and legitimacy.

The next question is whether these findings support the notion that Hong Kong and Singapore belonged to the same East Asian housing regime. Detailed within-case analyses in the previous chapter demonstrate that the seemingly same policy outcome



hid significant divergences in policy details which were introduced with dissimilar consideration. Here, it is not to say that the outcomes were completely different but the divergences in intention behind policy formation are meaningful enough to affect the categorisation of housing regime for the cases.

As seen earlier in Chapter 9, the housing policy development in Singapore matched perfectly with the prediction of the East Asian housing regime. Housing policy was carried out to achieve both economic and political objectives of the government. On the economic side, housing was employed to reinforce the productivist nature of the welfare regime. At the same time, it politically maintained social stability and government's legitimacy.

This justifies the employment of Singapore as a template case. With a template case in hand, it could be used to compare against the non-consistent case, Hong Kong. By comparing Singapore with Hong Kong, the time of divergence in their paths was in fact at the very beginning of the large-scale state-led public housing programmes. Hong Kong only performed partially as the regime type suggested. Instead of launching housing programmes with both economic and political intentions, it could only be confirmed that there was political consideration behind. Economic consideration appeared to be largely absent. The dissimilarities in terms of the degree of universality of the housing welfare as well as the level of government's enthusiasm in the home-ownership promotion were considerable. Given that this was a period which the East Asian regime typology is frequently argued to form in the region, the inconsistency in the Hong Kong case acts as a strong criticism.

Although maintaining social stability could have a positive effect on the economy, it is not enough to be seen as the economic consideration in the housing policy development. It is because such effect was far too indirect. Social stability undoubtedly should be regarded as a prerequisite of economic growth but it does not necessarily lead to prosperity. Moreover, the East Asian regime type is heavily characterised by its distinctive state-led top-down policy making feature which uses social policy to achieve the goals of the authorities. It would be inappropriate to rely on indirect effects to justify the validity of the typology. In this sense, any potential economic effects were likely by-products rather than intended consequences.

#### 1.2.4. Finding 2: Housing complicates regime theory

As discussed before in the methodology chapter, Hong Kong and Singapore have always been grouped into the cluster for study due to the existence of the authoritarian regime, Confucianism influence as well as economic focused social policy. Although many have challenged the homogeneity of the countries in the East Asian Regime, the heterogeneity of Hong Kong and Singapore are barely mentioned. Instead, they still belong to the same sub-group even some scholars seek to further distinguish the nations in the regime (Hendersen and Appelbaum, 1992; Holliday, 2005; Kwon and Holliday, 2007; Peng and Wong, 2010).

Besides, the period examined in the thesis is rarely used to criticise the typology. By referring back to the East Asian regime chapter, criticisms tend to focus on the development in later periods. Since late 1980, there has been a series of changes in the international political economy, domestic economy, social demography as well as polity within the region. In turn, some scholars argue that these contextual changes had

threatened the theoretical foundation of the regime so the notion of the East Asia welfare regime had become an obsolescence idea even the regime did exist in the past.

Considering that the thesis covers the housing policy development up until the 1970s in both Hong Kong and Singapore, the results should be expected to confirm the East Asian regime typology. Yet, as discovered first by the within-case analysis of Hong Kong and then by comparing with the template case, housing policy development in Hong Kong clearly deviated from what the regime proposed. The absence of the economic consideration proved by the selective public housing provision and apathetic home ownership promotion challenged the very theoretical foundation of the typology.

If the variances between the template case, i.e. Singapore, and Hong Kong are considered to be large enough to justify the existence of different outcomes, the covariance analysis might be rerun. According to the methodological discussion before, the existence of different outcomes suggests that Method of Difference should be employed to identify potential causes. Given that different outcomes are found between cases, the conditions that are observed in both cases are considered not related to the divergence in outcome, and thus are excluded. By excluding the common conditions, the causes that vary among instances are deemed to be the sufficient causes for the outcome.

By referring to the table at the beginning of the Chapter 9, the divergence in labour movement, capitalist class-government coalition, power structure and ethnic diversity were potential causes of the variance among instances. These potential explanatory factors, of course, need to be validated before their respective causal weight could be confirmed. However, those are not the emphases of this research.

Instead, the focus here is to judge whether the two cases should be placed under the same regime type and what implication of such categorisation has on the East Asian regime typology. As it could be seen by now, the rationales behind the construction of the large public housing sector varied meaningfully between Hong Kong and Singapore. Given that the usage of housing policy to support the productive nature of the welfare state is one of the crucial pillars to the regime theory, its absence in the Hong Kong case questioned the appropriateness to group it together with the template case of the East Asian housing regime type. Unless there is a new regime cluster which is characterised only by the use of housing policy to maintain social stability and government legitimacy, Hong Kong and Singapore should not belong to the same regime.

Its implication here is that housing is an exceptional part of public policy which complicates regime theory. As shown in the East Asian regime chapter, literature studied East Asian welfare development always supports the notion of a common regime type including both Hong Kong and Singapore, in particular prior to the late 80s. Yet, by examining housing policy in great details, it could be seen that a significant mechanism from such hypothesised common regime could not be proved in the Hong Kong case. In turn, this challenges the homogeneity between the two cases. This finding should not be a surprise. In fact, it is not unique to the East Asian welfare regime but also observed in the regime typology drawn from the western experience. By recalling the discussion in Chapter 3, housing was completely excluded from the Esping-Andersen welfare regimes as the housing data does not fit well (Lowe, 2011: 146). The uniqueness of housing in comparison with other welfare pillars was again witnessed in this research.

To sum up, the findings of this research illustrated the incompetence of the East Asian welfare regime to comprehend the housing policy development in Hong Kong and Singapore. Hence, there is the need to develop a new unique housing regime typology for the two city-states that is characterised solely by the use of housing policy to maintain social stability and government legitimacy.

## **2. Reflection on subsequent housing policy development**

Although the research has a time frame ending in the 1970s, the findings are arguably still useful starting points for the study of housing system in the subsequent eras. Two of the findings appear to have long lasting explanatory power on the housing policy development in the two city-states: 1) the absence of the economic consideration in the formation of public housing initiatives in Hong Kong comparing to Singapore; 2) housing welfare being adopted to gain support from a smaller proportion of population in Hong Kong than in Singapore.

### *2.1. The absence of the economic consideration in the formation of the public housing initiatives in Hong Kong comparing to Singapore*

As proved by process tracing, economic effects were unlikely to be the prime concern in the formation of the public housing initiatives in Hong Kong. Put it differently, public housing in Hong Kong was not given the same role as it did in Singapore as part of the grand development strategy. This finding helps comprehend the relative apathetic public homeownership promotion and, in general, the expansion of the public housing sector in Hong Kong. When the public housing sector completely crowds out the housing market in Singapore, its proportion in Hong Kong has saturated at slightly less than 50 per cent

(HDB, 2016; HKHA, 2016). Also, among the public housing stock in Hong Kong, merely about one third belonged to home-owners (HKHA, 2016) while owner-occupancy accounted for nearly 95 per cent of the Singaporean public housing sector (HDB, 2016).

### 2.1.1. The underdevelopment of alternative welfare provision through public housing in Hong Kong

By recalling the discussion in Chapter 9, the development of alternative welfare provision through public housing is considered to be a crucial means to complement economic goals. Without the intention to employ them to support economic growth, public housing has been much restrained in expanding by the Hong Kong government. The failure of the Hong Kong government to appreciate the potential benefits of asset-based welfare also leads to the adoption of a harsh resale policy for public Home Ownership Scheme (HOS) flats. In Hong Kong, HOS flats are initially sold to applicants with a discount on their Assessed Average Market Value. Hence, the government requires the owners to pay a premium when they decide to resell their HOS flats. The premium is calculated by applying the original discount to the Prevailing Market Value (HKHA<sub>a</sub>). In other words, the government gets its share in the capital gain of HOS flats.

Although home owners in Singapore need to pay for a similar resale levy if they apply for another public home ownership flat after reselling their first subsidised HDB flat, the cost is relatively negligible. The enormous difference in the costs associated with the resale of public home-ownership flats between two cities is best illustrated with an example. For simplicity, the experience of a household reselling their 2-room flat is explored below.

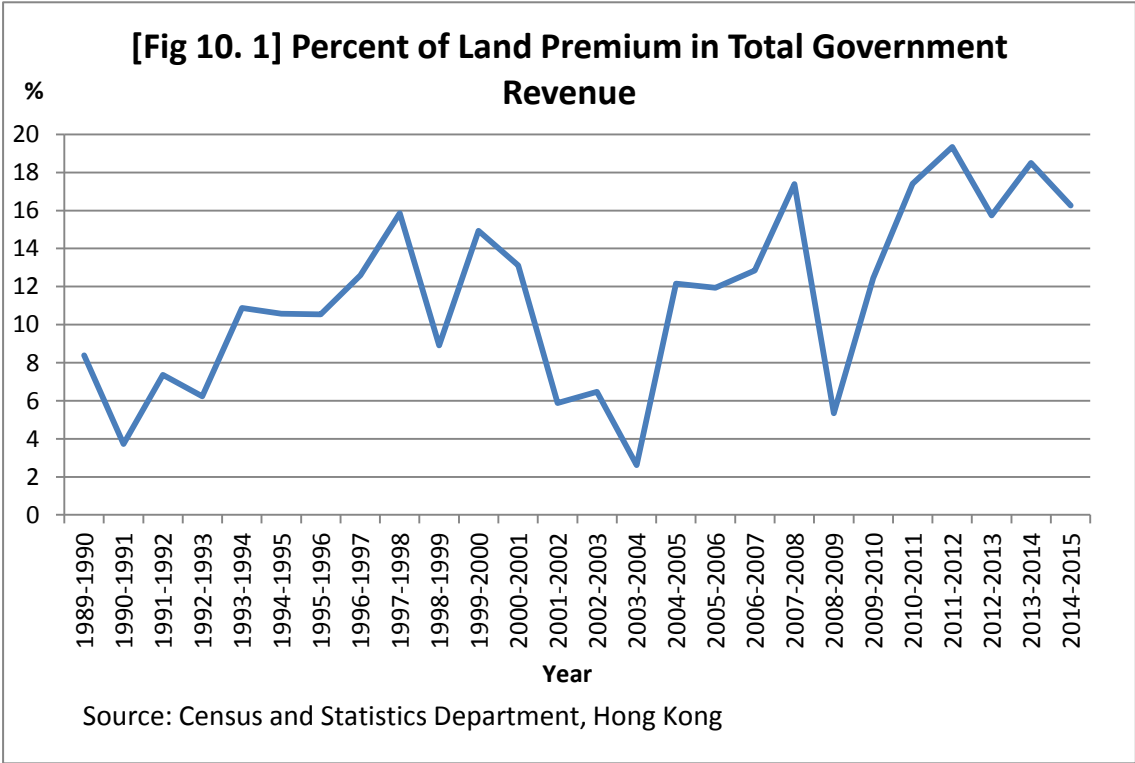
In Singapore, the resale levy amount is fixed and determined by the room-type of the first subsidised HDB flat. A household in the example is subjected to a resale levy of SGD\$15,000 which is equivalent to about HKD\$85,500 (HDB). On the other hand, the premium levied on the resale of HOS flats in Hong Kong is based on the aforementioned formula. The amount of the premium here is therefore less straightforward and varies on a flat to flat basis. To continue with the investigation, transactions of flats in Aldrich Garden, a HOS estate completed in 2001, are employed as examples. According to the record, there were 5 transactions of the smallest 2-room flats in 2015 and their average transaction price was HK\$ 3,495,600 (HKHA<sub>b</sub>). As the Prevailing Market Value of a particular flat is assessed by the Housing Authority and is made available only to the owner, the figure is not accessible in the public domain. For the sake of simplicity, the prevailing Market Value is assumed to be equal to the average transaction price. From the record, this 2-room flat type was originally sold at the discount of 44% (HKHA<sub>b</sub>). The premium to be paid by home owner was therefore HKD \$ 1,538,064, which was nearly 18 times of the resale levy on transactions of similar characteristics in Singapore.

The apathetic promotion together with the harsh resale policy undoubtedly mean that so much potential of the asset-based welfare is wasted. The absence of an effective asset-based welfare system in turn places greater financial burden on the Hong Kong government for the welfare provision.

#### 2.1.2. Heavy reliance on the land sale revenue in Hong Kong

Unlike its attitude towards public housing, the government recognises the economic benefits of the private home-owning sector. To secure abundant financial resource while keeping taxes at a low level, the Hong Kong government opts for a fiscal mechanism

which some scholars conceptualise as the George Tax system. George Tax is a single tax levied on the site value of land which solely funds all the government expenditures (George, 1879). After the elimination of other kinds of taxes, economic activities would flourish which boost the land value and thus the land related government revenues (George, 1879: 290-299). Ho stated that the fiscal mechanism of Hong Kong which distinguishes itself with high land cost and low tax rate is the closest model of a George tax system (2003: 3). The rising property price attributed to the George tax system could further enhance the economic growth by boosting the consumption and investment through the credit channel and positive wealth effect (Cutler 2005; Gerlach & Peng, 2005; Ho, 2003: 19; Ho, 2008: 227).





From Fig 10.1, it could be seen that the land premium, i.e. revenue from the land sale, has accounted for a significant proportion of the total government revenue in Hong Kong over decades. For most of the time, it stayed above one tenth of the total with only a few exceptions during the recession periods, notably in the early 90s (aftermath of the Tiananmen Square protests), 1998-1999 (Asian Financial Crisis), 2003-2004 (SARS Outbreak), 2008-2009 (2008-09 Financial Crisis). Occasionally, the ratio managed to reach 15 and even approach 20 per cent of the Hong Kong government's total revenue.

In contrast to Hong Kong, the land sale revenue is less important for the Singaporean government. First, as outlined before, the private housing sector has shrunk substantially under constant public housing expansion. As a result, it merely houses 18 per cent of the population (HDB, 2016). The scale of the private real estate development is therefore much smaller in Singapore. In turn, land sale revenue is not expected to match the amount in Hong Kong. On the other hand, the Constitution of Singapore has barred the land sale revenue from being available for budgetary spending. Such revenue has to first be placed into the Singapore's Past Reserves for investment purpose. Only until the reserve yields net investment returns, the government could allocate no more than half of that amount to budgetary spending (Singapore Government<sub>a</sub>). This restriction further undermines the immediate financial benefits from the land sale.

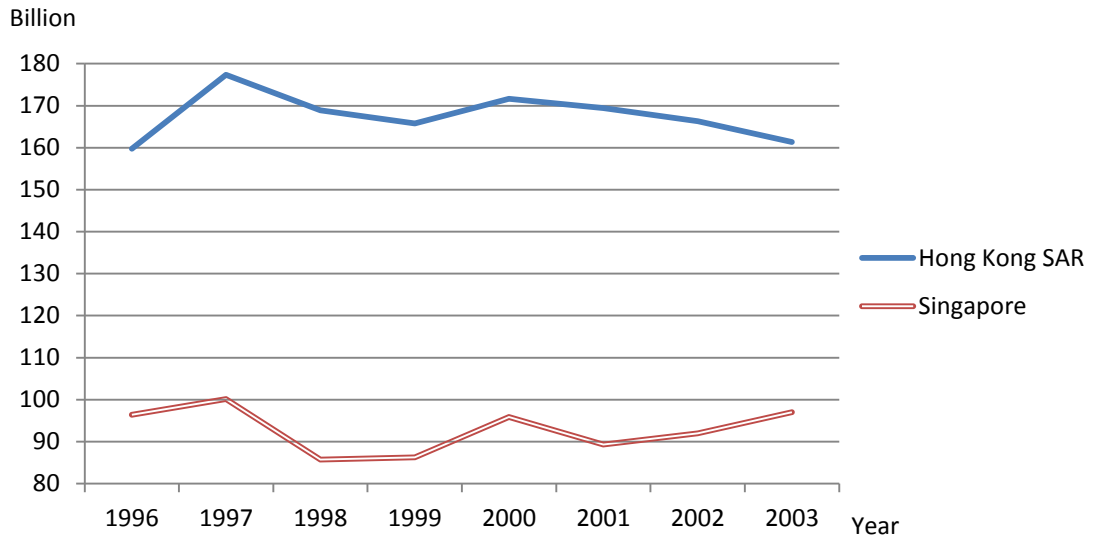
### 2.1.3. Public home-ownership promotion is expendable in Hong Kong

With the knowledge of such divergence in mind, it would be easy to understand the relative importance of public and private sector housing to policymakers of Hong Kong and Singapore respectively. In turn, this helps appreciate the different housing policy choices when the two governments faced similar problems.

The reliance on land premium as a major source of government revenue in Hong Kong, on one hand, avoids the need to introduce additional taxes such as Goods and Services Tax to fund the government expenditure but, on the other hand, makes the public finance depend so much on the well performance of the real estate industry (Yung, 2016). As a result, public housing in Hong Kong, especially the public home-ownership promotion, is considered to be expendable for the sake of the private housing sector or the economy in general.

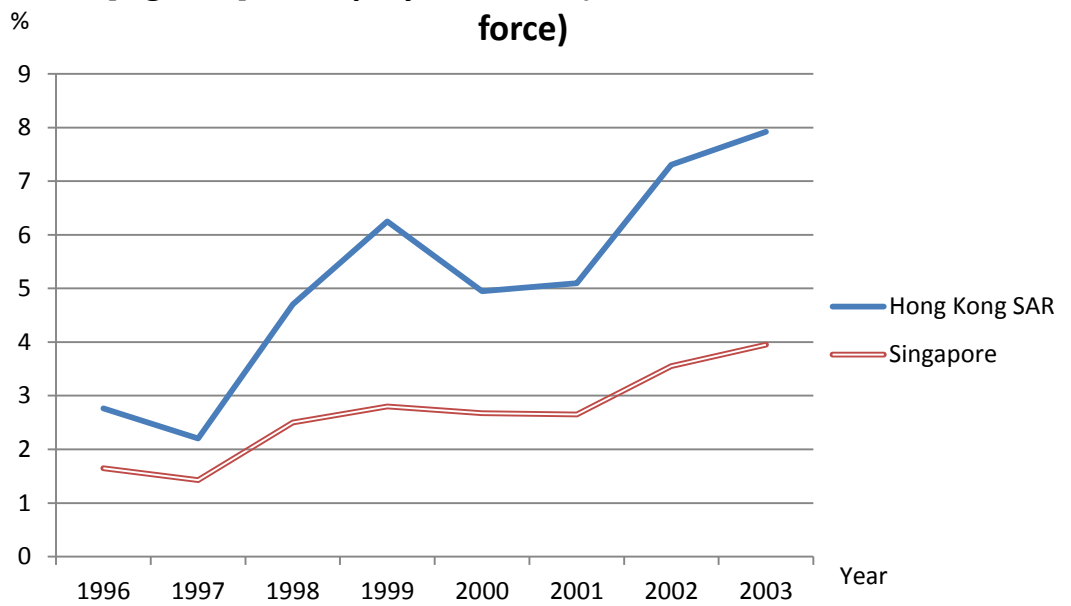
A prominent instance is the housing policy response to the Asian Financial Crisis. When the Asian financial crisis hit, the two city-states both suffered from negative growth in the Gross Domestic Product and the rise in unemployment rate (see Fig 10.2 and 10.3). The poor economic condition effectively evaporated the demand in the property market and left the market in excessive supply. Thus, the property prices fell considerably (see Fig 10.4).

**[Fig 10. 2] Gross domestic product (current US\$)**



Source: International Monetary Fund, World Economic Outlook Database

**[Fig 10.3] Unemployment rate (Percent of total labour force)**



Source: International Monetary Fund, World Economic Outlook Database

**[Fig 10.4] Private Domestic Housing Price / HDB Flat Resale Price Index**



Source: Rating and Valuation Department (Hong Kong), Property Market Statistics  
Housing & Development Board (Singapore), Resale Statistics

Interestingly, the two governments facing similar adverse conditions carried out diverse housing policy responses. In Hong Kong, the public finance which depended heavily on revenue derived from land went into deficit and the economy which was supported by the rising housing price went into recession (Ho & Wong, 2006; Lau, 2007: 47-50). The steep fall in the property price created a wide-spread of negative equity and, in turn, led to a rise in the mortgage default rate from 0.29 per cent in 1998 to 1.19 per cent in 2000 (Lau, 2007: 68). It harmed the liquidity of commercial banks causing a credit contraction which further worsened the economy (Lau, 2002: 75). Unsurprisingly, those suffered from the negative equity and the private developers pressed the government to stabilise the house price. As a response, the government decided to abandon its ambitious 70 per cent owner-occupancy target in 2001. Since then, all the policies that were designed to promote public homeownership were gradually phased out in the years followed (Lau,

2002: 76). By mid-2004, the Hong Kong government had finished repositioning itself from being both the provider of public rental and built-for-sale housing to only focus on the former (Lau, 2007: 50; HKSAR Government, 2010:9).

Unlike policymakers in Hong Kong, Singaporean did not response by completely rolling back state intervention in housing. To cope with the falling housing price, the HDB launched a new 'Built-To-Order' scheme in 2001. Under this new initiative, the HDB proposed several development projects and informed prospective buyers about their key features including location, price ranges, flat types, and total number of flats. Applicants then secured their bookings with down payment. Once more than 70 per cent of the flats were booked, the HDB started the construction (Singapore Government<sub>b</sub>). This new scheme therefore prevent excess supply in housing through perfectly matching housing demand with the corresponding supply. Besides fine-tuning the public housing policy, the Singaporean government reacted to the situation by increasing the availability of housing finance. In 2003, the restriction on the usage of the Central Provident Fund (CPF) was relaxed allowing home buyers to draw on the balance in the special account to fund payment of the mortgage instalments (CPF, 2004: 26). This regulation change helped stimulate housing demand.

The point of the discussion above is not to debate the appropriateness of respective housing policy responses to the slump of the property market. Instead, it is to show that without recognising the benefits of public home-ownership, the Hong Kong government is less committed to it and more willing to sacrifice the development of public housing for the interest of the private sector.

## *2.2. Housing welfare being adopted to gain support from a lower proportion of population in Hong Kong than in Singapore*

Another finding that has the potential in explaining the subsequent housing policy development might be the varied political intentions behind housing welfare between Hong Kong and Singapore.

In Chapter 9, through the within-case analyses, it has been confirmed that the interventionist housing policies were launched to target groups that had the potential to destabilise the society and challenge the governments in both city-states. Thus, the causal factor behind the shared housing policy trajectory in Hong Kong and Singapore was the government intention to maintain the social stability and legitimacy.

Yet, as illustrated earlier in this chapter, such conclusion should not be viewed as the proof for the homogenous political intention behind housing welfare. Instead, it has been pointed out that the dissimilarities in terms of the degree of universality of housing welfare as well as the level of government's enthusiasm in the home-ownership promotion were considerable. The extent to which housing welfare was employed to pursue political goals varied notably. More precisely, housing welfare has been adopted to gain support from a lower proportion of population in Hong Kong than in Singapore.

As examined in Chapter 9, the provision of early housing welfare in Hong Kong was very selective and had a high application threshold. Flats in resettlement blocks were made available only to those who lost their shelters due to natural disasters or land development. Although the application of public rental housing were opened to all low-income citizens in 1972, the political intention behind it was arguably still to target

the most destabilised population. This policy shift should not be understood as the government extended the housing welfare coverage to greater number of households voluntarily. Rather, it makes more sense thinking as the government, after the 1967 riot, realised the existence of a larger destabilised population than it thought before.

This notion could find support from the late and relatively apathetic home ownership promotion in the public housing sector. To expand the public housing sector and incorporate a greater proportion of population, there is the need to cater households further up the income ladder. An effective measure is to actively promote owner occupancy in the public sector. Yet, by juxtaposing the public home ownership figures of the two cities, the differences are overwhelming. As outlined before, among the public housing stock in Hong Kong, merely about one third belonged to home-owners (HKHA, 2016) while owner-occupancy accounted for nearly 95 per cent of the Singaporean public housing sector (HDB, 2016).

It may be argued that the rationale behind the housing intervention in Hong Kong still remains largely unchanged from the era covered by the thesis. The government appears to have maintained the lowest level of housing intervention required to ensure a stable society. Such level of intervention clearly is no match for the Singaporean ambition of building a property-owning democracy. It is therefore not hard to understand that the main purpose of the Home-ownership scheme (HOS) in Hong Kong is to recover the public rental flats from the wealthy sitting tenants rather than to incorporate more outsiders into the public home-owning sectors (Yung, 2008:119).

Although the finding regarding the political intention of public housing may seem to help understand subsequent housing policy, the question of why such political intention is

formed in Hong Kong remains unanswered and needs to be explored further. Similarly, while the notions above could serve as start points for future researches, they all require more investigations, debates and validations.

### **3. Limitation of this thesis and suggestions for future researches**

Just like every research, this one is not immune to limitation. There are generally three major weaknesses which require to be addressed by future researches.

First, it is the possible false negative problem. In the case studies, the Method of Agreement is employed as the first step in the casual inference to rule out certain hypotheses. As discussed before, this method involves the risk of eliminating variables which their significance to the outcomes only reveals when previously omitted independent variables are identified. Such premature removal of important variables caused the problem of 'false negative'. Yet, this limitation is somewhat inevitable unless Mill's method is completely scraped that could mean no way to narrow down potential hypotheses. As a result, the scale of the research could be completely unmanageable.

Secondly, the case studies primarily focus on institutional arrangements and interactions among political elites. Bureaucrats as well as bureaucratic organisations were assumed to be purely instrumental. Yet, this assumption is disputable. Scholars sharing this assumption believe that policy is a set of goal decided by the politicians at the top while implementation is simply the goal achievement by the bureaucrats at the bottom (Hill and Hupe, 2002: 41-56). Some scholars, however, point out that bureaucrats have their own consideration and could practically change the laws when their discretion and/or interpretation are needed for policy implementation (Ham and Hill, 1984: 139; Weimer



and Vining, 2005: 261). For example, Jones when studying the social policy in Hong Kong gives special attention to the influence of bureaucrats (1990: 87- 114). Therefore, future exploration of bureaucrats' role in the housing policy development would certainly be beneficial.

Last but not least, as the research intends to test the validity of the East Asian regime thesis during its heyday, the time frame of the investigation is confined to the pre-80s period. This in turn leaves the housing policy development since the 80s untouched. Although the subsequently development is briefly outlined in the reflexion section above, many more ground is worth covering. It would be interesting to see future researches continuing to investigate the housing policy development in the two city-states in the post-1970s period using the same framework. In particular, it is fascinating to explore whether the housing policy course between two places becomes further divergent in later period and what the implication of such development on the housing regime cluster will be.

#### **4. Final Remarks**

The thesis is set out to comprehend the housing policy development in Hong Kong and Singapore from the colonial era to the 1970s. Historical institutionalism is employed as the overarching framework. Its attention to temporal and institutional elements as well as its unique interactive analytical approach allows historical institutionalism to be superior in reflecting the political reality. Though embedded in historical institutionalism, the thesis makes contribution in modifying the framework to better suit housing policy research in the East Asian context. Meanwhile, by extending the application of historical institutionalism into the two under-researched realms, i.e. housing policy and East Asian

context, this research helps boost the validity of the theories. Likewise, the application of the East Asian regime typology in a comparative context renders the opportunity to thoroughly appraise and in turn recommend direction to refine it.

With the help from the refined framework, in-depth understanding of the research topic is gained. Ranging from the causes behind the housing policy development in two different periods of Hong Kong and Singapore to the timing of their policy shifts, the thesis manages to come up with convincing explanations.

The thesis unveils the causality that brought the residual housing policy to the two British colonies. It is discovered that the difficulties to organise collective action made the working class too weak to contest the alliance of the colonial government and capitalists under the laissez faire spirit. In turn, the laissez faire spirit dictated the policy making, including the development of residual housing policy, in the colonies.

In terms of the timing of housing policy shifts in Hong Kong and Singapore, the finding is equally fruitful. The thesis is able to draw conclusion through establishing linkages between changes in geopolitical environment since the Second World War and the deviation from the status quo. It is revealed that the previously stable residual housing policy was 'punctuated' by the Second World War and the drastic changes in the geopolitical environment in its aftermath. As these exogenous shocks shook the foundation of the previous institution, i.e. the political hegemony of the alliance between the colonial government and capitalists, they created a window of opportunity, namely critical juncture, for consequential reform in housing policy. Finally, the causal factor behind shared interventionist housing policy in post-war era is proved to be the government intention to maintain social stability and legitimacy.

The findings of the thesis also allow reflection on how the East Asian welfare regime cluster as well as the regime theory should be thought about. Despite Hong Kong and Singapore have always been grouped into the same welfare regime cluster for study, their housing policy formation is far from homogenous. As discovered first by the within-case analysis of Hong Kong and then by comparing with the template case (Singapore), housing policy development in Hong Kong clearly deviated from what the regime proposed. Given the usage of housing policy to support the productive nature of the welfare state is one of the crucial pillars to the regime theory, its absence in the Hong Kong case questioned the appropriateness to group it together with the template case of the East Asian housing regime type. If the two most similar cases in the cluster varied meaningful in the policy formation of an important welfare pillar, the very theoretical foundation of the regime typology is certainly challenged.

The complex relationship between housing and welfare state in turn shows the limitation of the welfare regime theory in studying housing policy development. The theory testing exercises demonstrate that housing is an exceptional part of public policy which complicates regime theory. It matches the findings of previous researches in western context. The uniqueness of housing in comparison with other welfare pillars was again witnessed in this research.

Due to incompetence of the welfare regime in comprehending housing policy development, housing policy categorisation should be separated out rather than derived from welfare state categorisation. For Hong Kong and Singapore, the thesis calls for the development of a new unique housing regime typology for the two city-states that is

characterised solely by the use of housing policy to maintain social stability and government legitimacy.

To sum up, the thesis has achieved what it is set out to investigate. Meaningful insight into the nature of the housing policy as well as the society of Hong Kong and Singapore is obtained. As a comprehensive study of housing policy in the two East Asian city-states over an extended time frame, the thesis sets an example for later researches on similar topics. It is to be hoped that the findings of this thesis could serve as the stepping stones for future researches in this relatively under researched realm.

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