



The emergence of large-scale housing programs: Beyond a public finance perspective



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ABSTRACT

Over the past decade there has been a sudden, extraordinarily large, and simultaneous expansion of multi-billion dollar housing programs in many emerging and developing economies. This shift occurred after a long period of limited public involvement in social housing production. Yet, despite the fact that countries and cities have introduced such large-scale programs, there has been little independent analysis of the rationale, efficacy and potential long-term effects of these interventions. Adopting a perspective that expands beyond typical public finance approaches, this paper examines the renewed shift in public housing provision. It provides an outlook of recent experiences in housing provision, showcases general trends in housing, proposes an evaluation framework, and offers a series of recommendations aiming at strengthening the programs. The paper concludes that if large-scale housing assistance is to help accommodate the almost 2 billion additional people who will live in cities over the next 35 years, as well as help to address the growing housing affordability issues, much more attention should be paid to the lasting effects that such programs can have on the structure of cities for generations to come.

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1. Introduction

Over the past decade there has been a sudden, extraordinarily large, and simultaneous expansion of multi-billion dollar housing subsidy programs in many developing and emerging economies. All of the so-called BRICS – Brazil, Russia India, China, and South Africa – as well as Angola, Argentina, the Democratic Republic of Congo, Ethiopia, Rwanda, Mexico, Indonesia, and Sri Lanka, have initiated new large-scale housing programs. This expansion occurred after a long period of limited public involvement in social housing production, a period during which housing policy had “lost its voice” (Angel, 2000:3). Today, years after minimal and decreasing resources for housing, new programs call for significant investments through mass production and the adoption of industrial approaches, an orientation that recently has been supported by leading think tanks such as the McKinsey Global Institute (2014).¹

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¹ The McKinsey report also recommends greater reliance on provident and pension funds to finance housing and the use of tradable development rights on a large scale. The former make use of the savings of pensioners to provide lower-interest rates to mortgage borrowers by reducing the return to retirees. The latter allow higher height limits on buildings in return for the provision of low-income housing. It entails the removal of one distortion in return for a seemingly costless provision of subsidies.

Certainly, this shift reveals both a reaction to the past failures in delivering affordable housing, and a renewed interest of governments to address the growing housing deficit in the rapidly transforming urban South. But whatever the particular motivations are, this change in the housing paradigm creates several interrogations as to the explicit objectives and implicit consequences of these policies.

Historically, public provision and mass production of social housing, mainly in OECD countries, have left a mixed legacy.² In some cases, such as in New York, the housing produced was of higher quality, a result of well-designed policies; in other instances, public housing has left a grim heritage. Perhaps the most striking symbolic image of such failures came with the demolition of the Pruitt-Igoe housing complex in St. Louis, Missouri; what initially was hailed as an innovative housing solution, twenty years later transformed into an urban dystopia. In the Global South, past efforts in public housing provision, although not as widely implemented, have had equally mixed results with successes, such as those in Thailand, but also important failures; the proliferation of slums being a direct result of the incapacity to deliver adequate and affordable housing at the rapid pace of urban growth. In this light,

² For a discussion of U.S. programs see, among others, Quigley (2007) and Rybczynski (1995). For an analysis that emphasizes the French and UK experience, see Cupers (2014).

today's rollout of large-scale expensive housing programs, even if it is unquestionably a worthwhile goal, should give us pause: is history simply repeating itself, with the mistakes of the past, particularly in the early days of public housing looming over today's policies in emerging and developing economies? Or are the conditions in the emerging countries where mass-housing production is currently implemented so radically different that we now have more reasons to be optimistic about the recommended approaches?

In an attempt to answer the questions above, this paper examines the trend in large-scale housing production. Its purpose is to briefly present the different experiences and contribute to the discussions on how to design interventions that work – while avoiding those that do not. Studying these programs in this particular moment in time is crucial for several reasons. First, due to the long-term effects of housing policies for the cities' development: as Bloom (2008), Quigley (2007) and Rybczynski (1995) indicate, many policy beginnings can be very costly and indeed may produce adverse effects that are lasting and difficult to change. Yet, there has been little independent analysis considering the rationale, efficacy and potential long-term effects of these interventions. Second, due to the importance that housing holds in shaping what Angel (2012) refers to as a ten-generation urbanization project, a process that will be completed over the next two generations. Finally, due to the intensity of the urbanization process in the Global South, characterized by a demographic shift to cities, which is more than nine times larger than the increase that occurred in the North in the two hundred years prior to 1950 (Pieterse, 2008).

The paper is structured as follows: a first section provides a brief background on the emergence of large-scale housing programs focusing on the motivations, characteristics and regional idiosyncrasies as they relate to the management of urban areas; section two, develops a public finance evaluative framework, through a set of criteria in order to assess and compare the programs studied; section three offers a critical discussion of the programs and puts forward a number of recommendations to address the affordability challenge. Given the number of the programs studied and the fact that many of these programs are relatively recent, the comparison privileges the examination of the shift towards large-scale housing production and its implications on the development of urban areas at the cost of a more detailed analysis. This approach is a conscious one, as we believe that at this early point in the implementation of these programs, a systematic yet loose comparison can help inform future in-depth analyses of the performance and challenges of the programs.

2. Emergence of large-scale programs: motivations and characteristics

In order to decipher the reasons behind the sudden shift in housing policy, one has to look at both larger contextual reasons, and, particular motivations within different countries. These motivations vary across time and space. Some of the current policy efforts in housing were designed to serve as counter-cyclical programs, others to address the problems posed by rapid urbanization, still others deal with the legacy of an urbanization process that has left many under-provided or without any access to formal housing and basic services. Even if the links between urbanization and economic growth are known, one should not forget that urbanization is also a disruptive process that has been often accompanied by slum formation (Annez & Buckley, 2009; and Duranton, 2014). Nor are the problems with urbanization a new problem. The Industrial Revolution also witnessed the emergence of slums early on during the urbanization process. In 1844, Engels (cited in Kotkin, 2005) described the squalid and overcrowded housing conditions

that Manchester's working class was living under: "... the irregular cramming together of dwellings in ways which defy all rational plan ... every scrap of space left by the old way of building filled up and patched over until not a foot of land is left to be further occupied."

Today, cities in the developing world revive analogous images. The challenge of slums persists, with the proportion of slum dwellers being largest in some of the regions – 61.7 percent of the urban population in sub-Saharan Africa—that in the coming decades are expected to experience substantial absolute urban growth.³

The shift towards large-scale housing provision can be interpreted as a rectification of past policy and planning interventions which in many cases have been sporadic, uncoordinated and unable to address past and current housing affordability concerns. But, it can be viewed as a signal of the realization that planning ahead is a necessity. As Angel, Sheppard and Civco (2005: 91) note: "the key issue facing public sector decision-makers—at the local, national and international levels—is not whether or not urban expansion will take place, but rather what is likely to be the scale of urban expansion and what needs to be done now to adequately prepare for it ..." This stance is very different from previous policy approaches that denied the realities of urban growth and attempted to limit city expansion by neglecting infrastructure provision and perpetuating rigid regulations that reduced housing availability (see Angel, 2000; Arnott, 2009; Buckley & Kalarickal, 2006).

Beyond the wide contextual explanations, there are also idiosyncratic conditions that imply this change in trajectory. As Rybczynski (1995) notes, the public interest in housing that arose in the US and Europe in the post-World War II period was a result of specific events. In the US, he says, it was the years of neglect and the old and insufficient housing stock in cities like New York and Chicago that prompted large-scale housing production. In Europe, public involvement was a necessity in a period of needed catch-up after the destruction of war. Presently, the projected demographic shift to cities over the next eighty years suggests potentially equally severe imbalances in the supply of housing. What complicates things further, is that these imbalances will often occur in the least urbanized countries, the ones that urbanize more rapidly and are still very poor.

Finally, there are particular explanations of why the shift is occurring now and did not occur earlier. The Chinese attempt to move 250 million people into cities over the next years, the Brazilian desire to put a better face on their cities under Luis Inácio Lula da Silva's governments – more recently motivated by the organization of international events such as the World Cup and Olympics – or the South African effort to erase the dark heritage of apartheid planning, all constitute strong motivations for addressing housing issues. Whether or not the ongoing large-scale programs manage to successfully address past legacies, current affordability issues and future expansion challenges or are framed on the basis of political and ideological considerations without taking into account the actual needs of urbanites is an important question. A closer look at the design and characteristics of these programs can provide some preliminary indications as to their potential in creating scaled and pragmatic solutions that address housing affordability challenges.

2.1. Programs operational characteristics

Table 1 presents an overview of the different programs

³ See more: <http://www.un.org/africarenewal/magazine/april-2012/towards-african-cities-without-slums>.

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