

Housing Ideas

The Emergence of Neoliberal Housing Policy in the Netherlands (1989 – 2000)

BA Final Thesis

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Abstract

This thesis argues that Dutch housing policy moved in a neoliberal direction over the course of the 1980s and the 1990s, contrary to earlier historiography. It adds to the existing literature on Dutch public housing by developing and applying a definition of neoliberal housing policy that has more analytical and historical depth than has previously been achieved. This definition is based on the writings of Friedrich A. von Hayek and Milton Friedman, two of the most influential thinkers among the politically engaged group that called itself the 'neoliberal movement' from the 1930s up until the late 1950s. Subsequently, Dutch housing policy is reviewed by means of the analytical framework on 'policy paradigms' that has been developed by the British political scientist, Peter A. Hall. On this basis, it can be concluded that towards the end of the 1990s both the goals and the instruments of Dutch housing policy had changed in a neoliberal direction, even though some traditional features of the Dutch public housing system remained by and large intact.

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Introduction

‘The promotion of adequate housing is a matter of concern to the government.’

- The Dutch Constitution (1983-present)¹

The Netherlands has been well-known for its extensive public housing stock both internationally and historically. According to a recent study, the Netherlands has the largest public housing stock compared with other European countries, notably 32 percent of the total housing stock.² This exceptional position has been the result of a partnership between the Dutch government and local housing associations, which dates back to the end of nineteenth century and which culminated in the large state-controlled building programmes in the decades immediately after the Second World War.³

Neoliberal Housing Reforms in the late 1980s and the 1990s?

During the late 1980s and early 1990s, the Dutch government pushed through various market-oriented reforms with respect to housing policy, in particular under the leadership of Enneüs Heerma, who served as State Secretary for Public Housing between 1986 and 1994.⁴ Back then, those reforms were seen by some commentators as a ‘silent revolution of deregulation and decentralisation’.⁵ Nowadays, the opinions of scholars diverge when it comes to the nature and significance of these reforms. The Dutch historian, Wouter Beekers, argues that their importance has generally been overestimated in the scholarly literature about social housing. In his view, these policies were simply the final element of the transition towards

¹ Translated out of Dutch by the author. Original quote: Artikel 22.2: ‘Bevordering van voldoende woongelegenheden is voorwerp van zorg der overheid.’ Grondwet voor het Koninkrijk der Nederlanden (version 21 December 2018), <https://wetten.overheid.nl/BWBR0001840/2018-12-21#Hoofdstuk2> (last accessed 29 April 2019).

² Kathleen Scanlon, Christine Whitehead, and Melissa Fernández Arrigoitia, ‘Introduction’, in: Kathleen Scanlon, and Christine Whitehead (eds.), *Social housing in Europe* (London 2014), 277-294, 4-5.

³ Paul Ekkers, *Van volkshuisvesting naar woonbeleid* (Den Haag 2002), 62-65.

⁴ Wouter Beekers, *Het bewoonbare land. Geschiedenis van de volkshuisvestingsbeweging in Nederland* (Amsterdam 2012), 246.

⁵ Ilse Bos, ‘Enneüs heerma’ (version 5 oktober 1994), <https://www.groene.nl/artikel/enneus-heerma> (last accessed on 28 April 2019).

greater independence for housing association that had already started in the 1970s under the left-wing government of Prime Minister Den Uyl.⁶

The Dutch urban geographer Sako Musterd, by contrast, maintains that the ‘Heerma reforms’ were a major break with post-war housing policy. In the 1990s, the longstanding government policy of financial support for housing associations gave way to a policy oriented towards private initiative on the part of housing associations. He sees these reforms as being part of a larger shift towards ‘neoliberalism’ which supposedly has taken place across the Western world since the 1980s.⁷ However, Musterd never provides his reader with an explicit definition of ‘neoliberalism’. In this respect, Musterd’s analysis suffers from a general tendency of social scientists to use the concept ‘neoliberalism’ in order to denominate all kinds of political phenomena, while at the same time leaving it undefined.⁸

The central claim of this thesis is that the reform of Dutch housing policy, which took place in the late 1980s and the 1990s, represented a major policy shift in a neoliberal direction. Contrary to the view of Beekers, it aims to establish that these neoliberal policies broke fundamentally with the goals and instruments which had been maintained by all governments since the end of the Second World War. In terms of goals, the idea of state intervention came to be replaced by the principles of market forces and individual freedom. In terms of instruments, the government abolished building subsidies, limited the scope of rent controls, and turned housing associations into autonomous ‘market parties’.⁹

Second, it wants to correct the lack of definition from which Musterd’s use of the term ‘neoliberalism’ suffers. The concept is a controversial one, especially since politicians and economists who are called ‘neoliberals’ by their political opponents rarely apply the label to themselves.¹⁰ Over the last decade, intellectual historians made an effort to give the term more historical and analytical depth by taking as a point of departure the writings and biographies of self-proclaimed neoliberals, such as the Austrian economist, Friedrich August von Hayek, and the American economist, Milton Friedman.¹¹

⁶ Beekers, *Het bewoonbare land*, 243.

⁷ Sako Musterd, ‘Public Housing for Whom? Experiences in an Era of Mature Neo-Liberalism: The Netherlands and Amsterdam’, *Housing Studies* 29 (2014) 4, 467-484, 468.

⁸ Taylor C. Boas and Jordan Gans-Morse, ‘Neoliberalism: From New Liberal Philosophy to Anti-Liberal Slogan’, *Studies in Comparative International Development* 44 (2009) 2, 137-161, 140-142.

⁹ Enneüs Heerma, *Volkshuisvesting in de jaren negentig* (Den Haag 1989), 4.

¹⁰ Quinn Slobodian, *Globalists. The End of Empire and the Birth of Neoliberalism* (Cambridge MA 2018), 2-3.

¹¹ See for example Dieter Plehwe, and Philip Mirowski, *The Road from Mont Pèlerin. The Making of the Neoliberal Thought Collective* (Cambridge MA 2009). Daniel Stedman Jones, *Masters of the Universe. Hayek, Friedman and the Birth of Neoliberal Politics* (Princeton 2012). Merijn

For example, the British historian Daniel Stedman Jones has shown that British housing policy moved in the direction which was envisioned by Hayek and Friedman during the 1980s and 1990s.¹² This thesis follows roughly the same strategy as Stedman Jones. However, it also provides a new interpretation of the writings which Hayek and Friedman produced with respect to housing policy. My analysis differs in various respects from Stedman Jones' account. In the first place, my own analysis more systematically distinguishes between the goals and the instruments which Hayek and Friedman incorporated into their ideal housing policy. Moreover, there is a greater level of detail in my analysis of the writings of Hayek and Friedman on housing policy than in Stedman Jones' account.

Even though neoliberalism was composed of more intellectuals than Hayek and Friedman alone, they have been selected as the appropriate sources for answering the question what neoliberal housing policy looks like, because of their exceptional influence on the public debate and politics.¹³ They did not just influence the economic agenda of politicians such as Ronald Reagan and Margaret Thatcher in the 1980s,¹⁴ their ideas also influenced the turn towards market-oriented policies under the Lubbers cabinets which governed Netherlands during the same period.¹⁵

The housing reforms which took place in the late 1980s and 1990s are measured against the definition of neoliberal housing policy that will be based on the writings of Hayek and Friedman. Between 1989 and 2000, the Dutch government produced two so-called 'white papers', in which the goals and instruments of housing policy are evaluated and adjusted for the decade that followed.¹⁶ These documents have therefore been selected as good indicators of how the general characteristics of Dutch housing policy changed during the period under consideration.

The Choice for the Dutch Case

The influence of neoliberal ideas on Dutch housing policy is worthy of research for several reasons. In the first place, the Dutch case has enjoyed a long-standing international reputation

Oudenampsen, 'A Dialectic of Freedom: the Dutch Post-War Clash between Socialism and Neoliberalism', *Socialism and Democracy* 30 (2016) 1, 124-148. Slobodian, *Globalists*.

¹² Stedman Jones, *Masters of the Universe*, 273-328.

¹³ Ibidem, 3-4. Merijn Oudenampsen, *De conservatieve revolte. Een ideeëngeschiedenis van de Fortuyn-opstand* (Nijmegen 2018), 125-129. Stephanie Lee Mudge, 'What is neo-liberalism?', *Socio-Economic Review* 6 (2008) 4, 703-731, 711.

¹⁴ See Stedman Jones, *Masters of the Universe*.

¹⁵ Oudenampsen, *De conservatieve revolte*, 153-158.

¹⁶ Heerma, *Volkshuisvesting in de jaren negentig*. Johan Remkes, and Jan Pronk, *Mensen, wensen, wonen. Wonen in de 21e eeuw* (Den Haag 2000).

for maintaining an extensive public housing sector up until the present day.¹⁷ Therefore, one would not expect to find a shift towards neoliberal housing policy in the Netherlands.

Moreover, research on the Dutch case fits into a recent historiographical trend. In recent years, Dutch historians such as Merijn Oudenampsen and Bram Mellink have researched the impact which neoliberal ideas have made in the Netherlands since the end of the Second World War.¹⁸ Oudenampsen in particular intends to correct the view that the Netherlands would not have experienced a radical shift towards neoliberal ideology in the 1980s and 1990s, as opposed to the United Kingdom and the United States, where neoliberal policies were pursued with ideological vehemence under the leadership of Prime Minister Margaret Thatcher and President Ronald Reagan.¹⁹ Oudenampsen argues that this impression resulted from the fact that Dutch politicians did not sell neoliberal reforms to the public as *ideological decisions*, but merely as *technocratic necessities*.²⁰ Politicians said that they were forced to reduce the size of the welfare state in order to lower deficits in the government budget, not because they had an ideological preference towards a smaller welfare state. Oudenampsen shows, however, that these reforms had been prepared by civil servants who had clear ideological motivations and drew extensive inspiration for their policy from neoliberal thinkers, such as Friedman.²¹ While Oudenampsen looked at the general policy shift that took place in the beginning of the 1980s, my research focuses on the implementation and consolidation of neoliberal policy in the specific area of housing during the late 1980s and the 1990s.

Outline of the Thesis

The central question of this thesis is: ‘To what extent did Dutch housing policy undergo a paradigm shift in a neoliberal direction over the course of the late 1980s and the 1990s?’ This question has been split into the following sub-questions:

- What are the general ideological assumptions of neoliberalism?
- What are the characteristics of neoliberal housing policy?
- How did Dutch housing policy change over the course of the 1980s and 1990s?

¹⁷ Scanlon, Whitehead and Fernández Arrigoitia, ‘Introduction’, 4-5.

¹⁸ Bram Mellink, ‘Politici zonder partij. Sociale zekerheid en de geboorte van het neoliberalisme in Nederland’, *BMGN Low Countries Historical Review* 132 (2017) 4, 25-52. Oudenampsen, *De conservatieve revolte*, 125-156.

¹⁹ Oudenampsen, *De conservatieve revolte*, 131-134.

²⁰ *Ibidem*.

²¹ *Ibidem*, 135-138.

The views of Hayek and Friedman on the specific policy area of housing policy were part of a general ideological worldview. In other words, the details of neoliberal housing policy cannot be properly understood without some knowledge about the general assumptions of neoliberalism and its historical origins. Therefore, the first chapter provides a brief introduction to the ideological principles of neoliberalism and its historical context.²² Subsequently, the second chapter outlines the characteristics of neoliberal housing policy.

The third and last chapter argues that Dutch housing policy underwent a paradigm shift from the late 1980s until the 1990s. It subjects crucial policy documents to analysis by means of the analytical framework on 'policy paradigms' that has been developed by the British political scientist, Peter A. Hall.²³ Quotes from these documents are translated into English by myself, but for purposes of transparency the original quotes in Dutch can be found in footnotes.

Finally, the conclusion synthesises all three chapters and argues that Dutch housing policy saw a paradigm shift in a neoliberal direction over the course of the late 1980s and the 1990s.

²² Note for the assessors: The first chapter aims to add historical depth to the thesis. Thereby, it tries to give shape to the honours-criterion of 'disciplinary depth' (verdieping).

²³ Peter A. Hall, 'Policy Paradigms, Social Learning and the State: The Case of Economic Policymaking in Britain', *Comparative Politics* 25 (1993) 3, 275-296.

Chapter 1 – Neoliberalism: A Brief Introduction

‘Neo-liberalism offers a real hope of a better future, a hope that is already a strong cross-current of opinion and that is capable of capturing the enthusiasm of men of good-will everywhere, and thereby becoming the major current of opinion.’

- Milton Friedman in *Neo-liberalism and its Prospects* (1951)²⁴

Neoliberalism is a controversial concept. In the public discourse, it has been used extensively by the political opponents of market-based policies and the ideological views which underpin such policies.²⁵ In the social sciences, scholars began to employ the term ever more frequently during the 1990s and early 2000s in order to analyse the shift away from state intervention towards a more prominent role for markets, competition, and private initiative during this period.²⁶ By the late 2000s, however, some scholars pointed out that many of their fellow social scientists insufficiently defined the concept, and, even provided no definition at all in most cases.²⁷

Moreover, the term ‘neoliberalism’ has been used more often by social scientists who are critical of market-oriented policies, than by those who are sympathetic towards free markets and limited government intervention.²⁸ In fact, academic and political proponents of market-oriented policies rarely apply the label ‘neoliberal’ to themselves. For this reason, some scholars have concluded that neoliberalism is a ‘socially constructed term of struggle (*Kampfbegriff*) that frames criticism and resistance’, rather than an analytical concept which can sharpen academic research.²⁹

²⁴ Milton Friedman, ‘Neo-Liberalism and its Prospects’, *Farmand*, 17 February 1951, PDF: https://miltonfriedman.hoover.org/friedman_images/Collections/2016c21/Farmand_02_17_1951.pdf (last accessed on 28 April 2019), 4.

²⁵ Slobodian, *Globalists*, 3-4.

²⁶ For a graphical display of enormous increase of the use of the term ‘neoliberalism’ in the social sciences during the 1990s and early 2000s see Boas and Gans-Morse, ‘Neoliberalism’, 138.

²⁷ Cornel Ban, *Ruling Ideas. How Neoliberalism Goes Local* (Oxford 2016), 8. Boas and Gans-Morse, ‘Neoliberalism’, 140-142. These authors also show that the concept ‘neoliberalism’ has been invoked in order to denote many diverse phenomena, such as a set of economic reforms, a development model, a normative ideology, and a paradigm within the discipline of economics.

²⁸ Boas and Gans-Morse, ‘Neoliberalism: From New Liberal Philosophy to Anti-Liberal Slogan’, 140-142.

²⁹ Bob Jessop, ‘Putting neoliberalism in time and place: a response to the debate’, *Social Anthropology* 21 (2013) 1, 65-74, 65.

Should scholars discard neoliberalism as an ill-defined political swearword? Recent scholarly work does not seem to warrant such a conclusion. Various historians started to write intellectual and political histories about neoliberalism based on detailed archival research.³⁰ Historians Dieter Plehwe and Philip Mirowski edited a seminal collection of essays, in which they argue that neoliberalism was ‘one of the most important movements in political and economic thought in the second half of the twentieth century’.³¹ It emerged as a ‘thought collective’ centred around the shared goal of reviving market liberalism against backdrop of the demise of the *laissez-faire* principles and the ascendancy of government planning during the first half of the twentieth century.³² This group of academics, journalists, politicians and businessmen became organised in the Mont Pèlerin Society (MPS), which was founded in 1947 on the initiative of Friedrich August von Hayek, the well-known Austrian economist, and Albert Hunold, who was a Swiss businessman.³³ The MPS included many influential economists, such as Milton Friedman, Ludwig von Mises, Wilhelm Röpke, Alexander Rüstow, and James M. Buchanan.³⁴

At the time of the founding of the MPS, ‘neoliberalism’ was experienced as anything but a political swearword by its members. This can be inferred from the fact that they used the term to denominate their own political views.³⁵ The word ‘neoliberalism’ had originally been adopted by the participants of the *Colloque Walter Lippmann* in Paris in 1938, which included many of the founding members of the MPS and can therefore be seen as its precursor.³⁶ Well into the 1950s, many members of the MPS presented themselves explicitly as part of the ‘neoliberal movement’.³⁷ When the ideas produced by neoliberal intellectuals and think tanks gained political support from politicians such as Margaret Thatcher and Ronald Reagan in the 1980s, the label ‘neoliberal’ had already been dropped by most of its proponents, while it

³⁰ Slobodian, *Globalists*, 2-3. Other examples of intellectual histories of neoliberalism can be found in Plehwe and Mirowski, *The Road from Mont Pèlerin*. Stedman Jones, *Masters of the Universe*. Oudenampsen, ‘A Dialectic of Freedom’.

³¹ Dieter Plehwe, ‘Introduction’, in: Plehwe, Dieter, and Philip Mirowski, *The Road from Mont Pèlerin. The Making of the Neoliberal Thought Collective* (Cambridge MA 2009), 1-42, 3.

³² Plehwe, ‘Introduction’, 4.

³³ *Ibidem*, 15.

³⁴ *Ibidem*, 21.

³⁵ Merijn Oudenampsen, ‘In de boksring van de vrijheid: Den Uyl versus Hayek’, in: René Cuperus, and Menno Hurenkamp (eds.), *Omstreden vrijheid: waartoe een vrije samenleving verplicht* (Amsterdam 2015), 112-135, 120.

³⁶ Plehwe, ‘Introduction’, 13.

³⁷ Oudenampsen, ‘In de boksring van de vrijheid’, 120.

became increasingly popular among politicians and academics, who were critical of the new wave of market-oriented policies which swept across the world.³⁸

This chapter applies the label ‘neoliberalism’ to the general ideological assumptions that were shared by the members of the MPS. Even though the MPS never published a comprehensive list with the ‘Ten Commandments of neoliberalism’,³⁹ it is nevertheless possible to distil some core assumptions which demarcate the general contours of neoliberal ideology. The account below presents three assumptions which have been shared by and large across the neoliberal spectrum.⁴⁰ The assumptions are illustrated by means of quotes from the work of Friedrich von Hayek and Milton Friedman, the most important members of the Mont Pèlerin Society due to their exceptional influence on the public debate and politics.⁴¹

Assumption One: Individual Liberty as Freedom from State Coercion

Individual freedom, defined as the absence of coercion by external parties, trumps all other social values, and it is best guaranteed by the existence of a privately owned sphere that is free from external interference.

According to neoliberalism, the chief principle around which society should be organised is individual freedom.⁴² But what do neoliberals exactly mean when they invoke ‘individual freedom’ as their ultimate goal? The British political philosopher, Isaiah Berlin, famously distinguished two conceptions of liberty: one positive, the other negative.⁴³ Negative liberty is concerned with the *absence* of external impediments which constrain the actions of individuals, while positive liberty is concerned with the *presence* of the collective pre-conditions for self-realisation. In his ideological manifesto with the significant title *The Constitution of Liberty*, Hayek defined freedom squarely in a negative way:

³⁸ Stedman Jones, *Masters of the Universe*, 7.

³⁹ Philip Mirowski, ‘Postface: Defining Neoliberalism’, in: Plehwe, Dieter, and Philip Mirowski, *The Road from Mont Pèlerin. The Making of the Neoliberal Thought Collective* (Cambridge MA 2009), 317-455, 433.

⁴⁰ The three core doctrines of neoliberalism which I present here are largely based on Mirowski, ‘Postface’, 417-454. As you will see, my explanation of these doctrines, however, is based on other secondary literature and primary sources. As every attempt to summarise the essence of a heterogeneous ideological movement, my picture of the core of neoliberalism is open to criticism and improvement. The general line of the argument will hopefully stand up to scrutiny.

⁴¹ Stedman Jones, *Masters of the Universe*, 3-4. Oudenampsen, *De conservatieve revolte*, 125-129. Mudge, ‘What is neo-liberalism?’, 711.

⁴² Mirowski, ‘Postface’, 437.

⁴³ Oudenampsen, ‘In de boksring van de vrijheid: Den Uyl versus Hayek’, 119. Isaiah Berlin, *Two Concepts of Liberty* (Oxford 1958).

‘It is often objected that our concept of liberty is merely negative. This is true in the sense that peace is also a negative concept or that security or quiet or the absence of any particular impediment or evil is negative. It is to this class of concepts that liberty belongs: it describes the absence of a particular obstacle – coercion by other men.’⁴⁴

Individual liberty means freedom from external force, in particular freedom from the coercive powers of the state apparatus. According to Hayek, this form of freedom should be guaranteed by the presence of a free-standing, private sphere: ‘Freedom thus presupposes that the individual has some assured private sphere, that there is some set of circumstances in his environment with which others cannot interfere.’⁴⁵ In other words, the integrity of a private sphere free from interference of external parties is paramount to individual liberty. In this private sphere individuals are able to enjoy property rights with respect to their goods.⁴⁶

Assumption Two: The Market as a ‘Super-Conscious’ Information Processor

*‘The market’ is a ‘super-conscious’ information processor which outperforms any other human institution in its capacity to coordinate the action of individuals in accordance with their preferences and which is able to do so without any form of coercion.*⁴⁷

One of the central problems of neoliberal theory is how to achieve both their wish to enable every single individual to act free from coercion and maintain some kind of public order which necessarily surpasses the individual.⁴⁸ Put simply, if everybody would follow their immediate desires, the world would easily fall into chaos. In his essay *The Use of Knowledge in Society*, Hayek argues that ‘the market’ can resolve this problem because of its wonderful capacity to coordinate the preferences of individuals by taking into account all relevant information about their preferences and the availability of resources.⁴⁹ He illustrated this argument by means of his well-known ‘tin example’:

‘Assume that somewhere in the world a new opportunity for the use of some raw material, say, tin, has arisen, or that one of the sources of supply of tin has been eliminated. It does not matter for our purpose – and it is significant that it does not

⁴⁴ F.A. Hayek, *The Constitution of Liberty* (London 1976), 19.

⁴⁵ Hayek, *The Constitution of Liberty*, 13.

⁴⁶ Plehwe, ‘Introduction’, 23.

⁴⁷ Slobodian, *Globalists*, 18. Mirowski, ‘Postface’, 437.

⁴⁸ Scott Scheall, ‘Friedrich Hayek’, in: Jonathan Conlin (ed.) *Great Economic Thinkers* (London 2018), 154-167, 160-166.

⁴⁹ Scheall, ‘Friedrich Hayek’, 160-166.

matter – which of these two causes has made tin more scarce. All that the users of tin need to know is that some of the tin they used to consume is now more profitably employed elsewhere, and that, in consequence, they must economize tin. There is no need for the great majority of them even to know where the most urgent need has arisen, or in favour of what other needs they ought to husband the supply. If only some of them know directly of the new demand, and switch resources over to it, and if the people who are aware of the new gap thus created in turn fill it from still other sources, the effect will rapidly spread through the whole economic system and influence not only the uses of tin but also the those of its substitutes and the substitutes of these substitutes, the supply made of all things made of tin, and their substitutes, and so on; and all this without the great majority of those instrumental in bringing about these substitutions knowing anything at all about the original cause of these changes. The whole acts as one market, not because any of its members survey the whole field, but because their limited individual fields of vision sufficiently overlap so that through many intermediaries the relevant information so that through many intermediaries the relevant information is communicated to all. The mere fact that there is one price for any commodity (...) brings about the solution which (it is just conceptually possible) might have been arrived at by one single mind possessing all the information which is in fact dispersed among all the people involved in the process.⁵⁰

Market prices reflect both the preferences of individuals and the relative scarcity of commodities.⁵¹ Put differently, prices signal to individuals information about the demand from other individuals for a given product and the supply of a commodity under conditions of scarcity. This enables individuals to take all relevant information into account, when they decide whether or not they buy a product. From this process results a ‘spontaneous order’ in which everybody takes decisions individually and without any degree of coercion from external parties.⁵² No human mind is able to take into account the loads of information the market mechanism transmits into its prices. Thus, the market becomes, in Hayek’s own words, a ‘super-conscious’ entity, which is endowed with the semi-divine capacity of revealing the prices that ‘tell people what they ought to do’.⁵³

⁵⁰ Quote retained from *Ibidem*, 162.

⁵¹ The more individuals like a given product, the higher the demand for such a product, and the higher the price necessarily will be. The scarcer a given product, the less it can be supplied, and the higher the price will by consequence be.

⁵² Slobodian, *Globalists*, 233.

⁵³ *Ibidem*, 230; 233.

Since not even the smartest collection of government officials is able to emulate the market in its capacity to process all relevant information, central planning with respect to economic affairs is anathema to neoliberals.⁵⁴ Price controls or subsidies on the part of government would disturb the delicate process in which the market translates individual desires and resource scarcity into prices, and they should therefore be avoided as much as possible. In addition, the introduction of government planning leads onto a slippery slope towards totalitarian oppression and the eradication of individual freedom, as Hayek argued in his book with the pregnant title *The Road to Serfdom* (1944), particularly because the implementation of plans devised from above tend to be resisted by individuals.⁵⁵ While the *invisible hand* of the market leaves free to decide whatever they want to buy, central planning involves uniform rules and procedures which are enforced on each and every individual by the *visible hand* of the state apparatus.

Assumption Three: The State as Guardian of Markets and Competition

*The functions of the state should be not necessarily be reduced, rather state functions should be redefined as to maintain a market order in which individual liberty and private property, and competition can flourish.*⁵⁶

Thus far little new ideas have occurred in comparison with classical liberalism. The virtues of the invisible hand of the market were already hailed by the Scottish economist Adam Smith in the eighteenth century,⁵⁷ while the case for individual freedom had already been made by liberal thinkers, like John Locke and John Stuart Mill.⁵⁸ Why then, speak of *neo*-liberalism? Neoliberal theory is worthy of the prefix ‘neo’, because it differs from classical liberalism when it comes to the role which the state should play in society.

Classical liberalism championed the principle of *laissez-faire*: if the government refrains from interfering with the operation of the free market, economic matters would arrange themselves in a smooth and orderly way.⁵⁹ It is the principle that belongs to the night-watchman state of the nineteenth century, which was only concerned with the maintenance of

⁵⁴ Scheall, ‘Friedrich Hayek’, 158-159

⁵⁵ Ibidem.

⁵⁶ Mirowski, ‘Postface’, 437.

⁵⁷ Jonathan Conlin, ‘Adam Smith’, in: Jonathan Conlin (ed.) *Great Economic Thinkers* (London 2018), 20-39, 36.

⁵⁸ Joseph Persky, ‘John Stuart Mill’, in: Jonathan Conlin (ed.) *Great Economic Thinkers* (London 2018), 54-73, 59.

⁵⁹ Mirowski, ‘Postface’, 430.

security, public order and private property, and therefore spent the vast majority of its budget on defence, the police and the administration of justice.⁶⁰

Over the course of the nineteenth century, the principle of *laissez-faire* fell into disrepute as the results of Industrial Revolution made themselves felt in the lives of the growing class of urban workers, which had to live and work under enormously dangerous and dirty conditions in the factories and the slums of the new industrial cities.⁶¹ These very visible consequences of industrialisation led part of the liberal movement to drop the principle of *laissez-faire* and the night-watchman state. The so-called ‘social liberals’ argued that the state should expand its functions considerably in order to improve the conditions of industrial workers. Social liberals supported the gradual replacement of the night-watchman state of the nineteenth century by the welfare state of the twentieth century, which intervened extensively in markets in order to achieve higher living standards for citizens.⁶²

Neoliberal like Hayek and Friedman were appalled by the rise of the welfare state and the government intervention that accompanied it.⁶³ In response, they wanted a renewal of the ‘true’ liberal tradition, which emphasised the link between individual liberty and competitive markets. For this, Friedman argued, it would be necessary to drop *laissez-faire* as a goal in itself: ‘Neo-liberalism would accept the nineteenth century liberal emphasis on the fundamental importance of the individual, but it would substitute for the nineteenth century goal of *laissez-faire* as a means to this end, the goal of the competitive order.’⁶⁴ Neoliberalism does not assume that competitive markets come about in the *absence* of state activity, as the principle of *laissez-faire* does. By contrast, neoliberalism is concerned with the question what *kind of state activity* should be *present* in order to maintain competitive markets and individual freedom.⁶⁵ For example, neoliberals tend to favour the introduction of competition law and anti-trust agencies, which can be invoked in order to destroy cartels that conspire against the free market. This is what Hayek called ‘planning for competition’.⁶⁶

⁶⁰ Ekkers, *Van volkshuisvesting naar woonbeleid*, 52.

⁶¹ Ibidem.

⁶² Oudenampsen, ‘In de boksring van de vrijheid: Den Uyl versus Hayek’, 122.

⁶³ Mudge, ‘What is neo-liberalism?’, 711.

⁶⁴ Friedman, ‘Neo-Liberalism and its Prospects’, 3.

⁶⁵ Mirowski, ‘Postface’, 436.

⁶⁶ Oudenampsen, ‘In de boksring van de vrijheid: Den Uyl versus Hayek’, 119.

Chapter Summary

Neoliberalism grew out of the intellectual breeding ground of the Mont Pèlerin Society, which was founded in 1947 in order to revive the principles behind market liberalism. It was a counter reaction against the rise of central planning, government intervention and the welfare state across the Western world.

The central value of neoliberalism is individual freedom, which is defined negatively as the absence of coercion from external parties. Individual freedom can best be guaranteed by the protection of private property and the free interplay of the forces of supply and demand on the market. Individuals are able to communicate their preferences to others on the market through the prices that are the outcome of their free spending decisions. The market prices that are thus produced should not be diluted by central planning on the part of the state, because this is bound to lead, in the words of Hayek, onto a ‘road to serfdom’.

Neoliberalism distinguishes itself both from classical liberalism and social liberalism in its view of state functions. While classical liberalism contends that the number of state functions should remain as limited as possible in order to leave markets free (*laissez-faire*), and social liberalism wants to limit the scope of free markets in the general interest, neoliberalism would like to see the functions of the state to be redefined or even extended in order to establish a public order based on individual liberty, free markets, and competition.

Chapter 2 – Neoliberal Housing Policy: the Views of Hayek and Friedman

‘Public housing (and subsidized housing) can thus, at best, be an instrument of assisting the poor, with the inevitable consequence that it will make those who take advantage of it dependent on authority to a degree that would be politically very serious if they constituted a large part of the population. Like any assistance to an unfortunate minority, such a measure is not irreconcilable with a general system of freedom. But it raises very grave problems that should be squarely faced if it is not to produce dangerous consequences.’

- Friedrich August von Hayek in *The Constitution of Liberty* (1960)⁶⁷

After the Second World War, extensive public provision of housing became, in the words of Hayek, ‘a permanent part of the welfare state’.⁶⁸ The policies which underlay public housing were utterly disliked both by Friedrich von Hayek and Milton Friedman, who were arguably the most influential intellectuals among the neoliberal ‘thought collective’ in terms of political and intellectual influence.⁶⁹ Hayek and Friedman produced extensive ideological texts. In these writings, they outlined the characteristics of a society organised around the ideal of freedom, as the titles of Hayek’s *The Constitution of Liberty* (1960) and Friedman’s *Capitalism and Freedom* (1962) suggest.⁷⁰ Based on these writings, this chapter gives an outline of what a neoliberal housing policy looks like.

Before turning to the views of Hayek and Friedman on housing policy, it is necessary to introduce the analytical framework on policies which has been developed by political scientist Peter A. Hall. According to him, policies consist of three variables: ‘the overarching goals that guide policy in a particular field, the techniques or policy instruments used to attain those goals, and the precise setting of these instruments.’⁷¹ For example, if the goal of policy would be the expansion of the supply of affordable rental units, the chosen instrument could

⁶⁷ Quote retrieved from Stedman Jones, *Masters of the Universe*, 273.

⁶⁸ Hayek, *The Constitution of Liberty*, 345.

⁶⁹ Stedman Jones, *Masters of the Universe*, 3-4. Oudenampsen, *De conservatieve revolte*, 125-129. Mudge, ‘What is neo-liberalism?’, 711.

⁷⁰ Hayek, *The Constitution of Liberty*. Milton Friedman, *Capitalism and Freedom* (Chicago 1962).

⁷¹ Hall, ‘Policy Paradigms, Social Learning and the State’, 278.

be the introduction of building subsidies, and the setting of this instrument would be the level of the building subsidy.⁷²

In his *Constitution of Liberty*, Hayek dedicates a complete chapter to the subject of ‘Housing and Town Planning’,⁷³ while Friedman discusses public housing as part of his chapter on ‘Social Welfare measures’ in *Capitalism and Freedom*.⁷⁴ The framework provided by Hall serves as a tool for analysing the writings of Hayek and Friedman over the course of this chapter. It proceeds by briefly stating the goals and principles on which housing policy should be based, according to Hayek and Friedman.⁷⁵ Subsequently, each principle is further elaborated upon by reviewing the policy instruments which Hayek and Friedman deemed appropriate. Each time a policy instrument is being introduced, it is highlighted in bold italics for purposes of clarity.

Principle One: *Housing should be allocated through the free market*

As became clear in chapter one, neoliberalism assumes that the free market is a ‘super-conscious’ information processor,⁷⁶ which has the unique ability to translate the preferences of individuals into prices under conditions of scarcity. Market prices should not be manipulated by government restrictions, because this would lead to prices that do not reflect the relevant information and hence to inefficiencies.

In Hayek’s view, the market for housing should also remain free from government interference. For this reason, the government should not impose any ***restrictions on rent levels***. Hayek lamented the negative consequences which rent ceilings caused during his lifetime:

‘Originally introduced to prevent rents from rising during the First World War, it [rent restriction – RP] was retained in many countries for more than forty years through major inflations, with the result that rents were reduced to a fraction of what they would be in a free market. Thus house property was in effect expropriated. Probably more than any other measure of this kind, it worsened in the long run the evil it was

⁷² Ibidem.

⁷³ Hayek, *The Constitution of Liberty*, 340-357.

⁷⁴ Friedman, *Capitalism and Freedom*, 177-189.

⁷⁵ Hayek’s views receive more space in this chapter, because his chapter on housing is more lengthy than Friedman’s paragraph about public housing.

⁷⁶ Slobodian, *Globalists*, 18.

meant to cure (...) It also contributed much toward weakening the respect for property and the sense of individual responsibility.’⁷⁷

According to Hayek’s view, rent ceilings are morally wrong, in the sense that they unfairly ‘expropriate’ landlords from the additional rents which they would have received from their tenants in case rent levels would not have been kept artificially low.⁷⁸ Rent restrictions should not just be rejected on moral grounds, they also are inefficient. If rents are not allowed to rise until demand and supply are in equilibrium, demand will continue to exceed supply. Through this mechanism rent restrictions ‘perpetuate the housing shortage’, according to Hayek.⁷⁹ Moreover, rent ceilings cause underinvestment on the part of landlords, because ‘the owner loses all interest in investing beyond what the law allows him to recover from the tenants for that specific purpose.’⁸⁰

In addition, the government should refrain from implementing *building subsidies* aimed at expanding the supply of public housing. This would inevitably disturb the prices which have been produced by the market. Therefore, building subsidies ‘are likely to produce results very similar to those of rent restriction.’⁸¹ In other words, such subsidies are bound to produce inefficient outcomes.

Principle Two: *Housing should be a private, not a public good*

In his analysis of housing, Hayek voiced the opinion that the public provision of housing is absolutely undesirable:

‘It should also be realized that the endeavour to make housing a public service has already in many instances become the chief obstacle to the general improvement of housing conditions, by counteracting those forces which produce a gradual lowering of the cost of building. All monopolists are notoriously uneconomical, and the bureaucratic machinery of government even more so; and the suspension of the mechanism of competition and the tendency of any centrally directed development to ossify are bound to obstruct the

⁷⁷ Hayek, *The Constitution of Liberty*, 343.

⁷⁸ Ibidem.

⁷⁹ Ibidem.

⁸⁰ Ibidem, 344.

⁸¹ Ibidem, 345.

attainment of the desirable and technically not impossible goal—a substantial and progressive reduction of the costs at which all the housing needs can be met.’⁸²

Hayek saw the state as a bureaucratic and inefficient machine. Therefore, the state is bound to make the situation worse, if it would try to supply housing to the general population. Housing should not be treated as a public good, but as private property, with exclusive ownership rights belonging to individuals.⁸³

This line of reasoning fits well with the idea that freedom is best protected by the existence of a sphere which is owned privately by individuals – which is one of the core principles of neoliberalism that have been explained in the previous chapter. By implication, the primary space in which people live their *private* lives – i.e., their home – should also be in *private* hands. This also explains why the British Prime Minister, Margaret Thatcher, who took Hayek as one of her main sources of inspiration, adopted the expansion of private homeownership as a major political ambition.⁸⁴ One of the flagship policies of the Thatcher governments was the ‘Right To Buy’ scheme, which offered tenants of public housing the opportunity to buy their rental unit at a favourable price.⁸⁵ Thus, the *sale of the existing stock of public housing* is one of the instruments through which the neoliberal goal of private homeownership can be pursued.

Principle Three: *Housing policy should enhance, not constrain, individual freedom*

Individual freedom is the central principle around which neoliberal ideology gravitates. Both Hayek and Friedman thought that the housing policies that prevailed during their lifetime had coercive consequences and put unacceptable limits on individual freedom. Hayek abhorred the increasing power of the state that resulted from rent ceilings:

‘Because of rent restriction, large sections of the population in Western countries have become subject to arbitrary decisions of authority in their daily affairs and accustomed to looking for permission and direction in the main decisions of their lives.’⁸⁶

It is not for the government to decide what levels of rent are deemed fair and acceptable. Rent ceilings would limit the freedom of individuals to negotiate rents autonomously on the

⁸² Ibidem, 346.

⁸³ Ibidem, 343.

⁸⁴ Stedman Jones, *Masters of the Universe*, 308-315.

⁸⁵ Ibidem.

⁸⁶ Hayek, *The Constitution of Liberty*, 344.

market. Any form of rent restriction would amount to ‘arbitrary decisions of authority’, which are wrongfully enforced by the raw state coercion.⁸⁷ Moreover, Hayek did not just reject the use of rent restriction as an instrument of housing policy, he was equally dismissive about the expansion of public housing by means of building subsidies:

‘Any far reaching change in housing conditions by public action will be achieved only if practically the whole of the housing of a city is regarded as a public service and paid for out of public funds. This means, however, not only that people in general will be forced to spend more on housing than they are willing to do, but that their personal liberty will be gravely threatened. Unless the authority succeeds in supplying as much of this better and cheaper housing as will be demanded at the rents charged, a permanent system of allocating the available facilities by authority will be necessary—that is, a system whereby authority determines how much people should spend on housing and what sort of accommodation each family or individual ought to get. It is easy to see what powers over individual life authority would possess if the obtaining of an apartment or house were generally dependent on its decision.’⁸⁸

Hayek expressed two fundamental objections against an extensive system of public housing. In the first place, Hayek argued that individuals should not be forced by the tax authority of the state to pay for the subsidies that enable the construction of public housing.⁸⁹ Secondly, Hayek feared that public housing will lead to coercion of individuals by ‘arbitrary interventions of authority’ as a result of the following mechanism.⁹⁰ Since the rents of public housing are below market prices, the number of applications for a public rental unit will probably exceed the amount of homes the government is able to supply. In order to allocate the limited supply of public housing among the applicants, the government needs to put into place some kind of bureaucratic scheme that determines who will which home. Hayek regarded this as an undesirable situation, because the government should not dictate where people should live. People should be left free to choose the dwelling of their preference.

Even though Hayek’s chapter about housing policy was more extensive than Friedman’s remarks about housing policy, Hayek’s comments on housing remained entirely limited to the policy instruments that government should *not* use, while Friedman also succeeded at providing alternative policy instruments that he regarded as beneficial. Most

⁸⁷ Ibidem.

⁸⁸ Ibidem, 345-346.

⁸⁹ Ibidem, 344.

⁹⁰ Ibidem.

importantly, he thought that the most equitable and efficient instrument of housing policy is the *individual cash subsidy*, which is a monthly grant that is given to low-income families, who can decide to spend this money on their rent, or any other commodity of their preference. Friedman began his argument by attacking the idea that the poor benefit from building subsidies aimed at increasing the supply of affordable public housing:

‘If this be the case, why subsidize housing in particular? If funds are to be used to help the poor, would they not be used more effectively by being given in cash rather than in kind? Surely, the families being helped would rather have a given sum in cash than in the form of housing. They could themselves spend the money on housing if they so desired. Hence, they would never be worse off if given cash; if they regarded other needs as more important, they would be better off. (...) Public housing cannot therefore be justified on the grounds (...) of helping poor families. It can be justified, if at all, only on grounds of paternalism; that the families being helped "need" housing more than they ‘need’ other things but would themselves either not agree or would spend the money unwisely.’⁹¹

The government should not decide on behalf of individuals to spend money on the construction of cheap housing in order to assist the poor. This would amount to coercive paternalism on the part of the state. The state should, rather, give money directly to low-income households, while leaving them free to decide how the money is spend best. In other words, Friedman favoured cash subsidies targeted at low-income households.

Another favourite policy instrument of Friedman was the *voucher*. He wanted to introduce vouchers in order to enlarge the scope of competition and individual freedom of choice with respect to the welfare state. Instead of subsidising schools, for example, he wanted to give parents ‘the vouchers redeemable for a specified maximum sum per child per year’, which they would be free to spend on the school of their preference.⁹² Not only would this increase parents’ freedom of choice, it would also force schools to compete with each other for students, and thus enhance the quality of education.⁹³

⁹¹ Friedman, *Capitalism and Freedom*, 178.

⁹² *Ibidem*, 89.

⁹³ *Ibidem*.

Chapter Summary

This chapter took Peter Hall's distinction between the goals and instruments of policy as a starting point for analysing the writings of Hayek and Friedman with respect to housing policy. On this basis, it can be argued that the main goals and principles of neoliberal housing policy are the following: housing as a private good, the allocation of housing by the free market, and individual freedom of choice. In terms of policy instruments, public housing should be privatised by means of sale policies, like the 'Right To Buy' scheme of the British Thatcher governments. Rent restriction and building subsidies are inefficient and morally undesirable policy instruments, and should therefore not be applied by government. If the government wants to assist low-income households in paying for their housing, it should rather use individual cash subsidies and vouchers.

Chapter 3 – The Paradigm Shift in Dutch Housing Policy (1989-2000)

‘Subsequently, Heerma unleashed a silent revolution in the area of Public Housing.’

- Comment on Enneüs Heerma, Minister for Public Housing between 1986 and 1994, quoted from the weekly journal *De Groene Amsterdammer* (1994)⁹⁴

Dutch housing policy underwent considerable changes from the late 1980s until the 1990s, which increased the scope of market forces and private parties in the area of housing. Scholars are not in agreement with each other about the significance of these policy changes. While the urban geographer Sako Musterd argues that Dutch housing policy took a radical and decisive turn during this period,⁹⁵ historian Wouter Beekers thinks that these policy changes were just the logical end point of policy changes in the 1970s.⁹⁶ In opposition to the latter view, the central claim of this chapter is that a radical shift in Dutch housing policy took place during the period between 1989 and 2000.

Before the shift in Dutch housing policy can be subjected to systematic analysis, we need to turn once more to the framework on policy change that has been developed by political scientist Peter A. Hall. He argues that ‘policymakers customarily work within a framework of ideas that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing.’⁹⁷ Drawing inspiration from Thomas Kuhn’s work on scientific paradigms, Hall calls the set of ideas and problem definitions which is at the basis of policy making a ‘policy paradigm’.⁹⁸

Hall distinguishes between different ‘orders’ of policy change. First order policy change concerns ‘the levels (or settings) of the basic instruments’ of policy, such as the specific level of income tax which citizens have to pay during a given year. Second order policy change regards the basic instruments as such. For example, the introduction of an

⁹⁴ Translated out of Dutch by the author. Original quote: ‘Op volkshuisvesting voltrekt Heerma vervolgens een stille revolutie van deregulering en privatisering.’ Quote retrieved from Ilse Bos, ‘Enneus heerma’.

⁹⁵ Musterd, ‘Public Housing for Whom?’, 469.

⁹⁶ Beekers, *Het bewoonbare land*, 243.

⁹⁷ Hall, ‘Policy Paradigms, Social Learning and the State’, 279.

⁹⁸ *Ibidem*.

altogether new tax or subsidy would amount to second order policy change. Third order policy change occurs, when the ‘hierarchy goals of behind policy’ change.⁹⁹

Third order policy change indicates that one can speak of a ‘paradigm shift’, according to Hall. Changes in the precise setting of policy instruments or the introduction of new policy instruments do not necessarily mean a shift in the policy paradigm. Only when they are accompanied by a change in the ‘hierarchy of goals behind policy’, there actually is a paradigm shift. For example, the reduction in the level of income tax (first order change) and the introduction of a tax on wealth (second order change), do not constitute a paradigm shift by themselves. If these policy changes were to be made, because the government changes the goal behind its tax policy from decreasing income inequality to the reduction of wealth inequality (third order change), they would amount to a shift in the policy paradigm.¹⁰⁰

In order to show that there was a paradigm shift with respect to housing policy in the Netherlands during the late 1980s and 1990s, the goals and principles as well as the instruments of Dutch housing policy need to be evaluated. For this purpose, two crucial policy documents are reviewed, notably the government white papers *Public Housing in the Nineties: From Building to Living* (1989) and *White Paper Living: People, Wishes, Living* (2000).¹⁰¹ Both these government documents attempted to set out the goals and instruments of housing policy for the subsequent decade.

The chapter is split in two paragraphs. The first paragraph is concerned with the historical background and context of the paradigm shift that took place with respect to Dutch housing policy over the course of the late 1980s and 1990s. The second paragraph analyses this paradigm shift in terms of the goals and instruments of policy. Particular attention is paid to the aspects of housing policy that were emphasised by Hayek and Friedman.¹⁰² As far as the goals and principles of policy are concerned, the analysis is concentrated especially on the scope of market forces vis-à-vis government intervention, the role of private homeownership, and the value of individual freedom. Changes concerning the following instruments of housing policy are reviewed: building subsidies, rent restriction, individual cash subsidies, the sale of public housing and vouchers.

⁹⁹ Ibidem, 278-279.

¹⁰⁰ Ibidem.

¹⁰¹ Heerma, *Volkshuisvesting in de jaren negentig*. Remkes and Pronk, *Mensen, wensen, wonen*.

¹⁰² See the conclusion of chapter two.

§ 3.1 – Historical Context of Dutch Public Housing Policy

In order to interpret the policy shift in Dutch housing policy in the late twentieth century, we first need some historical context. First, we have to understand the basic attributes of the Dutch system of public housing, which can best be explained by going back to the origins of the system in the late nineteenth century. Moreover, we need to know the basic principles that dominated housing policy from the early post-war period up until the 1970s in order to be able to see what changed during the subsequent period. Finally, the general economic and political context needs to be taken into account in analysing the specific changes in housing policy that took place in the Netherlands from the late 1980s onwards.

Origins and Evolution of Dutch Public Housing up until the 1970s

The earliest origins of the Dutch system of public housing – in the Dutch context one usually speaks of ‘social housing’ – date back to the nineteenth century. In particular from the 1840s onwards, growing sections of the social and economic elite began to worry about the bad living conditions of the growing class of factory workers, who were crammed together into ramshackle dwellings in the industrial cities.¹⁰³ Those belonging to the elite, such as factory owners and doctors, as well as worker organisations began to fund so-called ‘housing associations’, which aimed at providing decent housing to workers at affordable rents.¹⁰⁴ Those among the upper classes who made efforts at improving the housing conditions of the poor, were not just motivated by altruistic concern for the plight of workers, but they also acted out of self-interest. For example, the health of those upper class groups was threatened by spread of infectious diseases as a result of the unhygienic living conditions of workers. These and other concerns motivated them to improve the housing situation of workers.¹⁰⁵

¹⁰³ Beekers, *Het bewoonbare land*, 300.

¹⁰⁴ Marja Elsinga, and Frank Wassenberg, ‘Social Housing in the Netherlands’, in: Kathleen Scanlon, and Christine Whitehead (eds.), *Social housing in Europe* (London 2014), 25-40, 27.

¹⁰⁵ The upper classes increasingly feared that their own health would be threatened by the spread of infectious diseases as a result of the unhygienic housing conditions among workers, while this would also weaken the working capacities of the working population. In addition, there were growing fears that workers’ dissatisfaction with their living conditions would prompt revolution and political upheaval. Those reasons of ‘enlightened self-interest’, together with some genuine engagement with the plight of workers, motivated parts of the elite to improve the housing conditions of workers. Paternalism also played a role, since good housing conditions were thought to ease workers into a decent family life without drunkenness and other obscenities. Ekkers, *Van volkshuisvesting naar woonbeleid*, 54-56.

The Housing Act of 1901 enabled municipalities to give financial support to housing associations that were licensed by the Crown and operated exclusively in the public interest on a non-profit basis.¹⁰⁶ The government expanded its financial assistance to housing associations in response to building shortages during the First World War, and the number of licensed housing associations increased from 500 in 1902 to more than 1.400 in 1922.¹⁰⁷ Nevertheless, housing associations became almost completely sidelined in subsequent decades.¹⁰⁸ The view that the state should play only a marginal role in the housing market came to dominate government policy in the 1920s and 1930s.¹⁰⁹

After the Second World War, the Dutch government subjected the housing sector and building activities to central planning in a national effort at economic recovery.¹¹⁰ Housing associations received extensive financial support from the state in order to speed up the reconstruction of war damage. In addition, government imposed rent restrictions as a concession to the powerful labour movement, which would in return accept the moderate wage levels that secured the competitiveness of Dutch industry vis-à-vis other countries.¹¹¹ In the 1960s, the supply of socially rented housing was further expanded in order to tackle the nation-wide housing shortage, while various government initiatives towards the liberalisation of housing were by and large defeated as a result of resistance from parliament and the housing associations.¹¹² In the process, many crisis measures that were originally taken in order to bolster the post-war recovery received a permanent status.¹¹³

In 1973, a left-wing government took office in the Netherlands under the leadership of Prime Minister Joop den Uyl.¹¹⁴ Even though the Den Uyl government distinguished itself through its outspoken ideological profile, its housing policy showed much continuity with earlier post-war governments. However, the Den Uyl government introduced the idea that housing should be treated as a so-called ‘merit-good’, which was defined as an economic good that is underestimated by citizens in terms of its importance for individual and collective well-being.¹¹⁵ Good housing has positive external effects for society as a whole (such as

¹⁰⁶ Jan Kees Helderma, *Bringing the Market Back In? Institutional Complementarity and Hierarchy in Dutch Housing and Healthcare* (Rotterdam 2007), 139.

¹⁰⁷ Helderma, *Bringing the Market Back In?*, 140.

¹⁰⁸ *Ibidem*, 143.

¹⁰⁹ *Ibidem*, 142.

¹¹⁰ Ekkers, *Van volkshuisvesting naar woonbeleid*, 63.

¹¹¹ *Ibidem*, 64.

¹¹² Helderma, *Bringing the Market Back In?*, 147-148.

¹¹³ Ekkers, *Van volkshuisvesting naar woonbeleid*, 65.

¹¹⁴ *Ibidem*, 67.

¹¹⁵ *Ibidem*, 67-69.

greater public health), but these positive effects were not included in the market price of housing. As a result, citizens would generally underestimate these positive effects. Therefore, citizens should be stimulated to build and use housing by means of subsidies.¹¹⁶ In other words, the Den Uyl government was convinced that housing should be permanently subjected to extensive government intervention.

In addition, the Den Uyl government wanted to make good housing accessible to low income groups, while maintaining a balance between private homeownership and the social rented sector. This meant that private homeownership should be open to all, but everybody who preferred to rent against a modest price should be able to rely on a robust public housing sector.¹¹⁷

The Den Uyl government continued to make use of the policy instruments inherited from previous governments. So-called ‘object subsidies’ were given to the initiators of the construction of new dwellings on the basis of the characteristics of the *object*. The government continued to grant object subsidies to housing associations order to expand the available supply of public housing.¹¹⁸

As opposed to object subsidies, so-called ‘subject subsidies’, were granted to persons (or *subjects*) on the basis of their income and their housing costs in order to make the latter affordable.¹¹⁹ The most important subject subsidy was the Individual Rent Subsidy, which had been introduced in the late 1960s. The Den Uyl government saw the Individual Rent Subsidy as an instrument to strengthen the position of the lower paid on the housing market.¹²⁰ Furthermore, universal rent controls were maintained by the Den Uyl government in order to keep rent increases in line with wage levels and inflation.¹²¹

The extensive building programmes which were carried out by the housing associations in the post-war decades show clearly up in the data about the Dutch housing stock (figure 1). Especially from the 1950s until the 1960s, the share of social rented housing in the total housing stock shows a steep upward trend, while the owner-occupied sector grew at a more moderate pace. The expansion of owner-occupied and social rented housing both seem to have come at the expense of private rented housing, which keeps declining during the whole post-war period. The growth of owner-occupied housing accelerates from the 1970s

¹¹⁶ Ibidem.

¹¹⁷ Since object subsidies were aimed at stimulating the construction of new dwellings, they are equivalent to what Hayek called ‘building subsidies’.

¹¹⁸ Ekkers, *Van volkshuisvesting naar woonbeleid*, 128-130.

¹¹⁹ Ibidem.

¹²⁰ Ibidem, 67-69.

¹²¹ Ibidem.

onwards. The share of social rented housing continues to rise until the second half of the 1980s, after which it sets about a steady decline. This turning point coincided, as will be shown, with a major shift in housing policy on the part of the Dutch government.

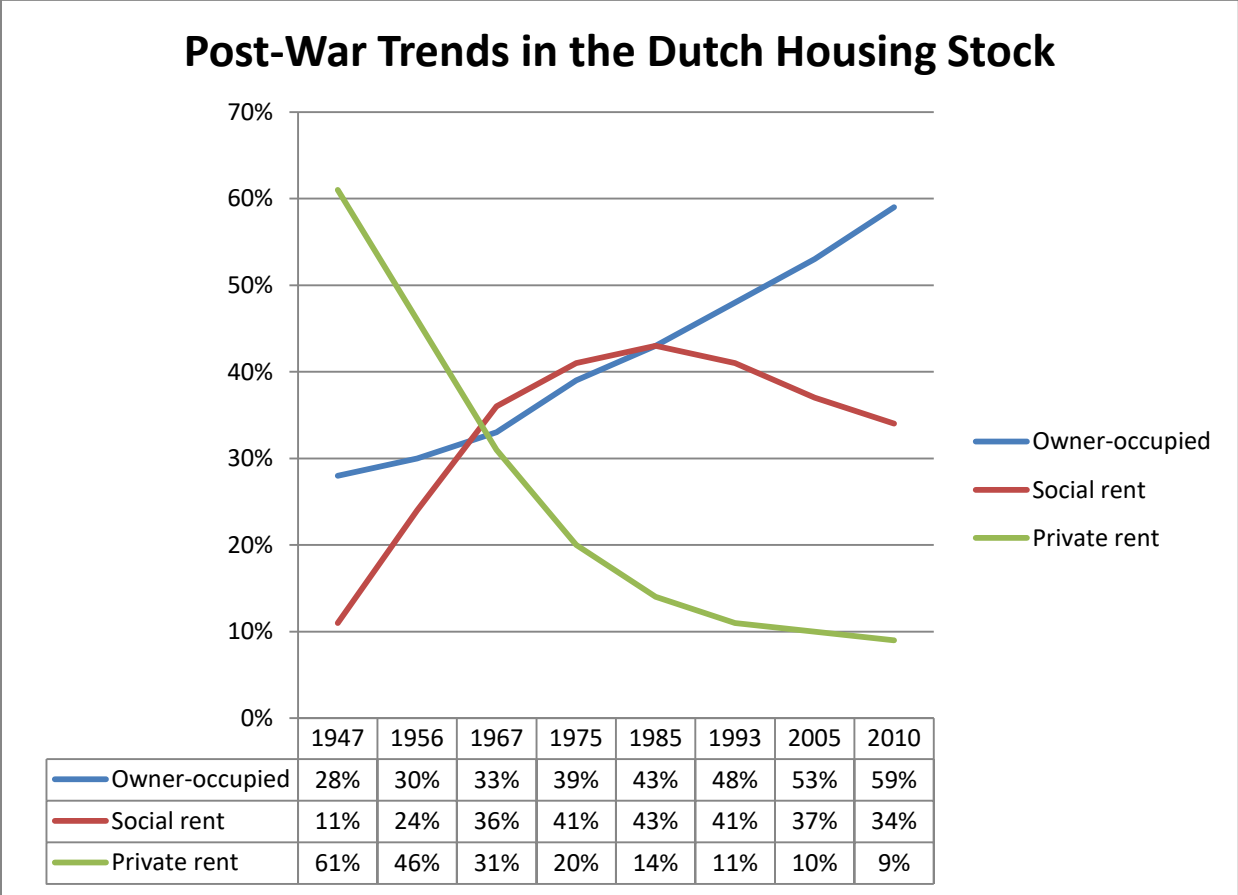


Figure: Post-War Trends in the Dutch Housing Stock
 Source: Marja Elsinga and Frank Wassenberg, ‘Social Housing in the Netherlands’, in: Kathleen Scanlon, and Christine Whitehead (eds.), *Social housing in Europe* (London 2014), 25-40, 26.

Economic and Political Context: Stagflation, Government Deficits and Market Ideology

The 1970s marked the end of the post-war boom of economic prosperity across the capitalist democracies of the West.¹²² Growth rates stagnated and even turned negative, while inflation and unemployment hit levels unseen since the Great Depression of the 1930s. At the time, commentators diagnosed the economic condition as ‘stagflation’.¹²³ Governments were forced to increase their expenditures in order to finance the growing need for unemployment benefits, while tax revenues stagnated as a result of the decline in economic growth. This, in turn, led to continuous deficits in the budget of governments.¹²⁴

In the Netherlands, the left-wing Den Uyl government (1973-1977) initially responded to these problems by making use of the traditional Keynesian toolkit: government expenditures and tax reductions aimed at restoring growth and employment.¹²⁵ Once economic performance would be restored, the resulting growth would enable the government to lower its debt. By the early 1980s, stagflation and government deficits still persisted, and the conviction grew that the government should change its strategy.¹²⁶

In 1982, Ruud Lubbers took office as Prime Minister.¹²⁷ He headed two subsequent coalition governments that were composed of his own Christian democratic party, CDA, and the right-wing liberal party, VVD. These governments were convinced that the high level of government deficits were unsustainable. In order to reduce government debt, they pushed through an unprecedented programme of budget cuts, deregulation and privatisation.¹²⁸

Interestingly, some of the most prominent civil servants who prepared these economic reforms drew much inspiration from Milton Friedman and foreign leaders who had already been putting neoliberal ideas into practice, such as Margaret Thatcher and Ronald Reagan.¹²⁹ The idea that economic prosperity could be achieved by freeing markets from the chains of state intervention assumed worldwide influence during these years.¹³⁰ In this context, the third

¹²² Wolfgang Streeck, *Buying Time. The Delayed Crisis of Democratic Capitalism* (London 2017), 32-33.

¹²³ Streeck, *Buying Time*, 34.

¹²⁴ *Ibidem*, 32-46.

¹²⁵ Jan Luiten van Zanden, *Een klein land in de 20e eeuw. Economische geschiedenis van Nederland 1914-1995* (Utrecht 1997), 227.

¹²⁶ Zanden, *Een klein land in de 20e eeuw*, 227.

¹²⁷ Oudenampsen, *De conservatieve revolte*, 132.

¹²⁸ *Ibidem*, 131-134.

¹²⁹ *Ibidem*, 135-138.

¹³⁰ David Harvey, *A Brief History of Neoliberalism* (Oxford 2005), 1-4.

Lubbers government – this time a coalition between the Christian democratic party and the social democratic party – undertook a major rethink of housing policy from 1989 onwards.¹³¹

§ 3.2 – The Paradigm Shift in Housing Policy (1989-2000)

From the perspective of Peter Hall’s analytical framework, a change in the goals of policy results ‘third order change’ and indicates a paradigm shift. As will be shown, subsequent governments indeed changed the fundamental goals and principles behind Dutch housing policy from 1989 onwards. In addition, changes in the instruments of housing policy (second order change) will be reviewed.

Changing Goals and Principles: From Public Housing to Individual Living

In 1989, the third Lubbers government published its white paper *Public Housing in the Nineties: From Building to Living*. It had been produced under the supervision of Enneüs Heerma, the Christian democratic State Secretary for Public Housing. The new white paper was the first full-scale evaluation of the goals behind housing policy since the Den Uyl government of the 1970s. The fundamental principles that were expressed in this white paper would break with the vision of the Den Uyl government once and for all.

While the Den Uyl government adhered to the principle of extensive government intervention with respect to housing, the Lubbers government took the view that citizens should in principle take care of their own housing without assistance from government:

‘National government cannot and should not interfere with every tiny detail when it comes to local preferences about dwellings and living environment. First and foremost, citizens and civil society themselves should assume responsibility for good housing. National government creates the conditions under which this principle of self-reliance can take shape.’¹³²

Citizens should be left free by government to pursue their own housing preferences. Moreover, the responsibility for good housing lies in principle with individual citizens and

¹³¹ Zanden, *Een klein land in de 20e eeuw*, 230-231.

¹³² Translated out of Dutch by the author. Original quote: ‘De rijksoverheid kan en mag zich niet tot en met de kleinste details bemoeien met het plaatselijk gewenste niveau van woningen en woonomgeving. Burgers en hun maatschappelijke organisaties zijn in de eerste plaats zelf verantwoordelijk voor een goede huisvesting. De rijksoverheid schept de randvoorwaarden waaronder deze eigen verantwoordelijkheid gestalte gegeven kan worden.’ Heerma, *Volkshuisvesting in de jaren negentig*, 39.

‘civil society’. The latter term probably refers to the housing associations, since the government also transferred more responsibility to them. One of the main aims of policy was to grant ‘greater (financial) autonomy’ to the housing associations.¹³³ In practice, this meant mostly that they could rely less on government for financial support and were increasingly forced to draw funds for new investments from the private capital market.¹³⁴

Greater autonomy for citizens and housing associations went hand in hand with more room for market forces. In his white paper, Heerma states the strengthening of market forces as a major principle of future policy:

‘My goal is a public housing policy which is both affordable [in terms of public finances – RP] and decent. (...) It aims at moving decision-making to a different level by means of decentralisation, privatisation and the strengthening of market forces.’¹³⁵

In future, decisions should mostly be taken de-centrally by so-called ‘market parties’ who were given ‘greater degrees of freedom’.¹³⁶ In addition, various decision-making powers with respect to housing were devolved to municipalities as part of the effort at ‘decentralisation’.¹³⁷ Since housing policy had been characterised by a great degree of central planning from the post-war reconstruction period onwards, this was also an important break with earlier policy.

In the white paper *Public Housing in the Nineties*, the Lubbers government expressed its commitment to ‘good and affordable housing for the lower paid’.¹³⁸ This goal had also been expressed by the Den Uyl government, which proves that there was some degree of continuity with earlier policy. However, the Den Uyl government wanted to support low-income groups by balanced access to both private homeownership and social rented housing, while the Lubbers government had the more exclusive goal of ‘expanding the accessibility of

¹³³ As can be read in the section summary of the white paper called ‘The social rented sector’. Ibidem, 57.

¹³⁴ Manuel B. Aalbers, ‘The Financialization of a Social Housing Provider’, *International Journal of Urban and Regional Studies* 41 (2017) 4, 572-585.

¹³⁵ Translated out of Dutch by the author. Original quote: ‘Mijn doel is een goed en betaalbaar volkshuisvestingsbeleid. (...) Het is gericht op een ander niveau van besluitvorming door decentralisatie, verzelfstandiging en versterking van de marktwerking.’ Heerma, *Volkshuisvesting in de jaren negentig*, 4.

¹³⁶ Ibidem.

¹³⁷ Ibidem, 111-112.

¹³⁸ Translated out of Dutch by the author. Original quote: ‘zorg voor goede en betaalbare huisvesting voor de lagerbetaalden’ Ibidem, 52.

private homeownership for lower-income groups.¹³⁹ This was part of the all-encompassing policy goal of ‘stimulating private homeownership’ on the part of the Lubbers government.¹⁴⁰

The next white paper *People, Wishes, Living: Living in the 21st Century* was produced by the second government of the so-called ‘purple’ coalition, which was composed of social democrats, right-wing liberals and social liberals.¹⁴¹ Johan Remkes, State Secretary for Public Housing, and Jan Pronk, Minister for Public Housing, jointly published the document in the year 2000. This white paper adopted ‘individual freedom of choice’ as its ‘leading principle’.¹⁴² It provides the following practical definition of this concept: ‘Freedom of choice means that citizens are enabled to shape their own housing and living.’¹⁴³ In other words, individuals should be left free to decide autonomously about their housing situation. However, the white paper also made clear that ‘the freedom of choice is not without boundaries’,¹⁴⁴ but should always be limited by collective values, like responsibility, social justice, sustainability, safety and health.¹⁴⁵ Put differently, there should be a balance between individual freedom of choice and social values.

The white paper *People, Wishes, Living* distinguished itself from the previous one by explicitly putting the value of individual freedom of choice at the centre of policy. On the whole, however, it re-affirmed the ideas behind the policy document that had been published by Heerma in 1989:

‘The white paper *Public Housing in the Nineties* had established an important new foundation for the management of housing based on the principles of decentralisation, privatisation, market forces, and deregulation. These organising principles remain valid, even though the interrelationships between these concepts need to be corrected.’¹⁴⁶

¹³⁹ Translated out of Dutch by the author. Original quote: ‘De toegankelijkheid voor lagere-inkomensgroepen van het eigenwoningbezit wordt vergroot’ Ibidem, 58.

¹⁴⁰ Ibidem, 40.

¹⁴¹ More specifically it consisted of the following parties: the social democratic PvdA, the right-wing liberal VVD, and the social liberal D’66. Oudenampsen, ‘A Dialectic of Freedom’, 142.

¹⁴² Remkes and Pronk, *Mensen, wensen, wonen*, 1. Ibidem, 12.

¹⁴³ Translated out of Dutch by the author. Original quote: ‘Keuzevrijheid betekent dat de burger in staat moet worden gesteld om zelf vorm te geven aan het eigen wonen.’ Ibidem, 13.

¹⁴⁴ Translated out of Dutch by the author. Original quote: ‘Maar het betekent ook dat de keuzevrijheid van de burger niet onbegrensd is.’ Ibidem, 16.

¹⁴⁵ Ibidem.

¹⁴⁶ Translated out of Dutch by the author. Original quote: ‘Met de Nota Volkshuisvesting in de jaren negentig is een belangrijk nieuw fundament gelegd voor het management van de woonopgave op basis van de uitgangspunten van decentralisatie, verzelfstandiging, marktwerking en deregulering. Deze

The purple governments remained committed to the market-oriented principles that had been formulated by Heerma. In other words, the purple government consolidated the market-oriented approach to housing policy that had been introduced during the preceding decade. However, the white paper *People, Wishes, Living* also wanted to re-evaluate the specific content of this approach. Most importantly, this white paper made some caveats regarding the proper functioning of the market: ‘Over the course of the preceding decade, there was a movement [in policy – RP] to leave more space to market parties. But the market functions far from perfect.’¹⁴⁷ Even though the government admitted that the market has some deficiencies, it does not put into question the usefulness and desirability of market forces as such. It was up to government to strengthen market forces by correcting their imperfections: ‘The abatement of market imperfections in order to enable more freedom of choice for citizens is an important government task. (...) The transition from to a detached to an engaged government, *without watering down the principles of decentralisation and privatisation* (my italics – RP), is therefore needed.’¹⁴⁸ Market imperfections were defined mainly as situations in which individuals are not able to realise their preferences on the market. In such cases, the government should correct the market in the name of individual freedom of choice, the central principle of housing policy.

Dropping Old Instruments: From Supply to Demand

The government limited the use of some significant instruments, which had been part of government policy since the end of the Second World War. In the first place, object subsidies were lowered and subsequently abolished. Object subsidies were aimed at the expanding the *supply* of public housing. According to the government, the expansion of the public housing supply was no longer necessary, since the large post-war housing shortages had been eliminated.¹⁴⁹ In the governments view, the necessity of large-scale construction of public housing was a thing of the past. This idea was reflected in the title of the white paper that was

ordeningsprincipes blijven geldig, al vergt de onderlinge verhouding van deze begrippen correcties.’ Ibidem, 10.

¹⁴⁷ Translated out of Dutch by the author. Original quote: ‘In het vorige decennium is de beweging in gang gezet om meer aan marktpartijen over te laten. Maar de markt werkt verre van perfect.’ Ibidem.

¹⁴⁸ Translated out of Dutch by the author. Original quote: ‘In het wegnemen van marktimperfecties ligt dan ook een belangrijke overheidstaak om meer keuzevrijheid voor burgers mogelijk te maken (...) Een ombuiging van een afstandelijke rijksoverheid naar een betrokken rijksoverheid, zonder af te doen aan de principes van decentralisatie en verzelfstandiging en de daarbij horende eigen verantwoordelijkheden, is dan ook op zijn plaats.’ Ibidem, 10; 17-18.

¹⁴⁹ Helderman, *Bringing the Market Back In?*, 156.

published by State Secretary Heerma in 1989: *Public Housing in the Nineties: From Building to Living*.¹⁵⁰

Moreover, the government wanted to get rid of object subsidies in order to lower its budget deficit, especially after the Netherlands committed itself to a deficit target of three percent by signing the European Maastricht Treaty in 1992.¹⁵¹ These efforts culminated in the ‘grossing and balancing operation’¹⁵² of 1995, in which State Secretary Heerma and the housing associations agreed to cancel mutual liabilities against each other. The housing associations were relieved from all their debt to the government, while the government was freed from extant subsidy commitments towards the housing associations. As a result, the housing associations received no object subsidies anymore from 1995 onwards.¹⁵³

The abolishment of object subsidies was softened by various factors. In the first place, housing associations continued to use their large housing stock as a collateral for loans on the private capital market, which partly replaced the financial gap that was left by loss of object subsidies. In addition, housing associations were able to obtain relatively inexpensive loans on the capital market, because their loans were guaranteed by the so-called ‘Guarantee Fund for Social Housing’ (‘Waarborgfonds Sociale Woningbouw’ – abbreviated as ‘WSW’ in Dutch), which was a fund jointly owned by the housing associations. The WSW replaced the previous government guarantee with respect to the loans of housing associations.¹⁵⁴

By means of borrowing on the capital market, housing associations continued to fund the construction of new dwellings, while old dwellings were broken down. Thus, they were able to keep their total housing stock constant.¹⁵⁵ However, housing associations also began to buy complicated financial instruments that supposedly insured them against debt-related risks. It became painfully clear that these instruments themselves exposed housing associations to considerable risks after the national government was forced to bail out a large Rotterdam-based housing association called Vestia to the sum of over two billion Euros in 2011.¹⁵⁶

While the government abolished subsidies that increased the *supply* of housing, it preserved instruments that stimulated the *demand* for housing. For example, the government

¹⁵⁰ Heerma, *Volkshuisvesting in de jaren negentig*.

¹⁵¹ Marja Elsinga, Mark Stephens, and Thomas Knorr-Siedow, ‘The Privatisation of Social Housing: Three Different Pathways’, in: Kathleen Scanlon, and Christine Whitehead (eds.), *Social housing in Europe* (London 2014), 389-413, 397.

¹⁵² ‘Bruteringsoperatie’ in Dutch.

¹⁵³ For a detailed account of the negotiations surrounding the grossing and balancing operation see Beekers, *Het bewoonbare land*, 265-270.

¹⁵⁴ Helderma, *Bringing the Market Back In?*, 156-160.

¹⁵⁵ See figure 2.3 in Elsinga and Wassenberg, ‘Social Housing in the Netherlands’, 30.

¹⁵⁶ Aalbers, ‘The Financialization of a Social Housing Provider’, 572.

left the Individual Rent intact. The second white paper *People, Wishes, Living* even referred to the Individual Rent Subsidy as its ‘core instrument’.¹⁵⁷ In addition, the government wanted to increase the demand for homeownership among lower income groups by means of ‘income-related subsidies’.¹⁵⁸

In addition, rent policy was reformed in order to provide more space to the market, as can be read in the white paper *Public Housing in the Nineties*: ‘Liberalisation and deregulation of rent policy are important instruments in the effort to strengthen market forces.’¹⁵⁹ The government created the so-called ‘free sector’ in which legal restrictions with respect to rent levels were completely abolished. Rent controls continued to apply to dwellings that were rented out for a price below the so-called ‘liberalisation limit’.¹⁶⁰ Even though rent controls were preserved for the social rented sector, the government made it easier for housing associations to apply divergent rent increases to individual households.¹⁶¹ Although no further liberalisation of rents was announced in the white paper *People, Wishes, Living*, there neither was a return towards more extensive rent restrictions.

In the white paper *Public Housing in the Nineties*, the government expressed its commitment to the sale of public housing: ‘The sale of social rented dwellings is a good instrument to promote private homeownership among lower-income groups (...)’¹⁶² The subsequent white paper went even further, and announced the sale of 500.000 social rented dwellings by housing associations as a policy target.¹⁶³ In practice, only a limited number of social rented houses were actually sold, because housing associations were hesitant to sell their assets, and the government was not in the position to force housing associations to increase their sales, especially since housing had received more autonomy after the privatisation reforms of the 1990s.¹⁶⁴

In 2000 the second purple government introduced ‘experiments with vouchers’ in the white paper *People, Wishes, Living*. These vouchers were aimed at increasing both individual responsibility and freedom of choice:

¹⁵⁷ Remkes and Pronk, *Mensen, wensen, wonen*, 113.

¹⁵⁸ Heerma, *Volkshuisvesting in de jaren negentig*, 58.

¹⁵⁹ Translated out of Dutch by the author. Original quote: ‘Liberalisatie en deregulering van het huurbeleid vormen belangrijke instrumenten bij het streven van de rijksoverheid de marktwerking te versterken.’ Ibidem, 53-54.

¹⁶⁰ Ibidem.

¹⁶¹ Ibidem.

¹⁶² Translated out of Dutch by the author. Original quote: ‘Verkoop van sociale huurwoningen is een goed middel om het eigenwoningbezit onder lagere-inkomensgroepen te bevorderen.’ Ibidem, 58.

¹⁶³ Remkes and Pronk, *Mensen, wensen, wonen*, 82.

¹⁶⁴ Helderma, *Bringing the Market Back In?*, 164.

‘A voucher provides a given household with an amount of money, which is not directly related to the actual rent price of their dwelling, as opposed to the current rent subsidy contribution. (...) It [the recipient – RP] is able to put together a package of living and care services according to its own preferences, either in the rental or the owner-occupied sector. (...) The level of the voucher is known [by the recipient – RP] from the outset, in order to make sure that the recipient has an interest in a critical examination of price and quality. (...) Thus, the voucher system enlarges the scope of options for consumers, while at the same time individual responsibility with respect to decisions is emphasised.’¹⁶⁵

Vouchers would make sure that households and individuals were able to decide themselves whether they wanted to spend their government allowance in order to acquire either an owner-occupied house, a rented dwelling or care services. This was not possible with the Individual Rent Subsidy, which was only accessible to people who lived in a rented unit. At the same time, individuals would be compelled to take responsibility for the consequences of their decisions. Moreover, the voucher system would ‘strengthen market forces’.¹⁶⁶ In short, the voucher instrument embodied the principles that had become the cornerstones of housing policy towards the end of the 1990s: market forces, individual freedom of choice and personal responsibility.

Chapter Summary

The third Lubbers government replaced the principles of extensive government interference and central planning by an approach based on market forces, privatisation and deregulation in its white paper *Public Housing in the Nineties* (1989). Subsequently, the second purple government reaffirmed this approach, while it also adopted the idea of individual freedom of choice as its core principle in the white paper *People, Wishes, Living* (2000). It added, nevertheless, that individual freedom should necessarily be constrained by collective values, such as social justice. Even though the second purple cabinet announced that would maintain

¹⁶⁵ Translated out of Dutch by the author. Original quote: ‘Een voucher geeft huishoudens een bedrag in handen dat niet, zoals de huidige huursubsidiebijdrage, rechtstreeks afhankelijk is van de feitelijke huurprijs van de woning. (...) Deze kan naar eigen keuze het gewenste pakket aan woon- en zorgdiensten samenstellen, naar keuze in de huur- of koopsector. (...) De hoogte van de voucher is vooraf bekend, zodat de ontvanger belang heeft bij een kritische afweging tussen prijs, kwaliteit en geleverde diensten. (...) De vouchersystematiek verruimt zodoende de keuzemogelijkheden van de consument, terwijl tegelijk de eigen verantwoordelijkheid voor de gemaakte keuze wordt benadrukt.’ Remkes and Pronk, *Mensen, wensen, wonen*, 118.

¹⁶⁶ Ibidem.

a more ‘engaged’ attitude towards housing, it did not water down the principles of market forces, privatisation and deregulation. In future, the appropriate role for government would be to improve the market by correcting its ‘imperfections’.

Peter Hall defines a paradigm shift as a situation in which the basic goals of policy become subject to change.¹⁶⁷ As we have seen, subsequent Dutch governments altered the fundamental goals and principles behind housing policy between 1989 and 2000. Therefore, it can be concluded that there was a paradigm shift with respect to housing policy during this period.

The analysis of the policy instruments that were emphasised by Hayek and Friedman yields the following results. During the period between 1989 and 2000, Individual Rent Subsidy became the core instrument of housing policy, while it limited and abolished the provision object (i.e., building) subsidies to housing associations.¹⁶⁸ The government guarantee of private loans of housing associations was transferred to the Guarantee Fund for Social Housing, which made it possible for housing associations to borrow on the private capital market at relatively low rates of interest. This enabled housing associations to partly compensate for the loss of object subsidies.

Moreover, the government completely abolished rent controls for dwellings with a rent price above the so-called ‘liberalisation limit’, while they were preserved in a limited form with respect to the social rented sector. In addition, social dwellings were sold, even though the number of sales remained limited due to hesitations on the part of housing associations. Finally, the government started to experiment with vouchers aimed at realising some of the new pillars of housing policy: strengthening of market forces, individual responsibility and freedom of choice.

¹⁶⁷ Hall, ‘Policy Paradigms, Social Learning and the State’, 278-279.

¹⁶⁸ Since object subsidies were aimed at stimulating the construction of new dwellings, they are equivalent to what Hayek called ‘building subsidies’.

Conclusion

The central claim of this thesis is that Dutch housing experienced a paradigm shift in a neoliberal direction over the course of the late 1980s and the 1990s. According to political scientist Peter Hall, one can speak of a paradigm shift in terms of policy when the basic goals of policy change.¹⁶⁹ The account below argues that Dutch housing policy moved in a neoliberal direction both in terms of goals and instruments, while at the same time various traditional features of the Dutch public housing system remained more or less intact. The conclusion ends with some reflections on the limitations of the thesis and suggestions for future research.

The Neoliberal Paradigm Shift in Dutch Housing Policy: Goals and Principles (see also table 1)

Based on the writings of Hayek and Friedman, three principles of neoliberal housing policy can be identified (see chapter 2):

- (1) Housing should be allocated through the free market.
- (2) Housing should be a private, not a public good.
- (3) Housing policy should enlarge individual freedom of choice.

(1) *Housing should be allocated through the market.*

Dutch housing policy came to be characterised by a high degree of central planning and government intervention from the post-war reconstruction period onwards. The idea that extensive government intervention was necessary still dominated government policy during the rule of the Den Uyl government in the 1970s. In its white paper *Public Housing in the Nineties* (1989), the third Lubbers government expressed its wish to provide more room for market forces when it came to housing. It adopted a market-centred approach based on decentralisation and privatisation. These principles were re-affirmed by the second purple government in the white paper *People Wishes Living* (2002). Even though the second purple government admitted that so-called ‘market imperfections’ occurred, it did not put into question the principle of market forces as such. In future, the main task of government would be to improve the market by correcting its shortcomings.

¹⁶⁹ Hall, ‘Policy Paradigms, Social Learning and the State’, 278-279.

Conclusion: The Dutch government moved in a neoliberal direction by replacing the principle of extensive government intervention and central planning by a market centred approach based on decentralisation and privatisation.

(2) Housing should be a private, not a public good.

The third Lubbers government explicitly emphasised the all-encompassing goal of the expansion of private homeownership, especially for lower income groups. The previous Den Uyl government, by contrast, was committed to keeping a balance between private homeownership and the social rented sector. Moreover, the government privatised the housing associations themselves. From now on, housing associations should be less impeded by government regulations and be free to take decisions as private ‘market parties’.

Conclusion: After 1989, the Dutch government put a more exclusive emphasis on private homeownership, and privatised the housing associations. Thus, it moved into a neoliberal direction.

(3) Housing policy should enlarge individual freedom.

The third Lubbers government did not adopt individual freedom of choice as a main principle of policy. The second purple government, however, announced that individual freedom of choice had become the ‘leading principle’ behind housing policy.¹⁷⁰ While neoliberalism puts individual freedom above all other values, the second purple government emphasised that individual freedom should always remain constrained by collective values. In this sense, the Dutch government did not become completely neoliberal.

The principle of individual freedom can be contrasted with the attitude of the Den Uyl government. The Den Uyl government maintained the idea of housing as a ‘merit-good’, which implied that individuals underestimate the importance of housing and that government should correct this through extensive intervention aimed at stimulating the building and use of housing. In this view, individuals should be corrected by government, and not be left completely free to decide their own attitude towards housing.

Conclusion: By adopting individual freedom of choice as the core principle of housing policy, the government moved into a neoliberal direction.

¹⁷⁰ Pronk and Remkes, *Mensen, wensen, wonen*, 112.

Table 1 – The Neoliberal Paradigm Shift in Dutch Housing Policy: Goals and Principles

	(1) Dutch Housing Policy before the Neoliberal Paradigm Shift (chapter 3)	(2) Dutch Housing Policy after the Neoliberal Paradigm Shift (chapter 3)	(3) Neoliberal Housing Policy according to Hayek and Friedman (chapter 2)
Goals and Principles	Extensive state-intervention with respect to housing is necessary.	Market forces should be granted more scope through rent liberalisation, privatisation of housing associations and decentralisation of decision-making.	Housing should be allocated through the free market, which should not be impeded by harmful government interventions.
	Balance between private homeownership and the rental sector.	-Promotion of private homeownership, especially with respect on lower-income groups. -Privatisation of housing associations into ‘market parties’.	Housing should be treated as a private good.
	Housing as a ‘merit good’: individuals underestimate the importance of housing. Therefore, the government should correct and stimulate individuals to build and use housing.	Individual freedom of choice, which is constrained by social values.	Housing policy should enhance individual freedom.

The Neoliberal Paradigm Shift in Dutch Housing Policy: Instruments

In terms of policy instruments, neoliberalism rejects the use of *building subsidies* and *rent controls*, since these distort the free operation of the market. In order to promote private homeownership, neoliberal housing policy includes the *sale of publicly owned housing* through policies like the British Right-To-Buy scheme. Moreover, low-income households can be best be assisted to pay for their housing costs by means of *individual cash subsidies* and *vouchers*. Households and individuals are able spend their cash subsidies or vouchers according to their own preferences. For this reason, these policy instrument contribute to the neoliberal goal of individual freedom.¹⁷¹

In the period between 1989 and 2000, the Dutch government stopped granting object subsidies (read: building subsidies)¹⁷² to housing associations, while it made the Individual Rent Subsidy (which is a cash subsidy) the core instrument of policy. Moreover, the government adopted the sale of publicly owned dwellings as an instrument to expand private homeownership among low-income groups. Furthermore, rent controls were completely abolished for dwellings with a rent price that exceeded the so-called ‘liberalisation limit’. These changes with respect to policy instruments were all in line with the neoliberal housing policy outlined above (see also table 2).

¹⁷¹ See chapter 2, especially the conclusion.

¹⁷² Since object subsidies were aimed at stimulating the construction of new dwellings, they are equivalent to what Hayek called ‘building subsidies’.

Table 2 – The Neoliberal Paradigm Shift in Dutch Housing Policy: Instruments

	(1) Dutch Housing Policy before the Neoliberal Paradigm Shift	(2) Dutch Housing Policy after the Neoliberal Paradigm Shift	(3) Neoliberal Housing Policy according to Hayek and Friedman
Policy Instruments	Object (i.e., building) subsidies	No object (i.e., building) subsidies	No building subsidies
	Universal rent controls	-Complete elimination of rent controls for dwellings with a rent price above the ‘liberalisation limit’. -Rent controls continue to apply in the social rented sector, albeit in a limited form.	No rent controls
	Individual Rent Subsidy	Individual Rent Subsidy	Individual cash subsidies
		Sale of public housing	Sale of public housing
		Experiments with vouchers	Vouchers

Continuity: Resilience of the Dutch Public Housing Sector

Even though the Dutch housing policy moved in a neoliberal direction in the 1990s, it did not come to fulfil the criteria of neoliberal housing policy to the fullest possible extent. For example, rent controls were maintained for the social rented sector (dwellings that were rented out at a price below the so-called ‘liberalisation limit’), albeit in a less extensive form. In addition, only a limited number of social rented dwellings were sold-off due to hesitations on the part of housing associations, which wanted to preserve their assets. The second purple government wanted housing associations to increase the sale of homes, but the government had not enough control over the housing associations in order to force them to do so, especially since the government had granted housing associations more autonomy as part of the privatisation reforms. Paradoxically, the government was not able to realise its goal of privatising dwellings *due to the privatisation of the housing associations*.

On the whole, some significant traditional features of the Dutch system of public housing were preserved. Even though housing associations became private market parties, they continued to execute their public mission of providing housing at affordable prices to low-income groups. In addition, housing associations continued to finance the construction of new dwellings by means of funds obtained at the private capital market. Thus, they were able to keep the public housing stock constant.¹⁷³ This explains why the Netherlands in 2010 still maintained the largest share of publicly owned housing compared with other European countries (32 percent).¹⁷⁴

Discussion and Suggestions for Future Research

Dutch government officials often portrayed the market-oriented reforms of the 1980s and 1990s not as *ideological decisions*, but as *technocratic necessities*.¹⁷⁵ In this account, politicians were simply forced to execute the unpleasant task of retrenching the welfare state,

¹⁷³ See figure 2.3 in Elsinga and Wassenberg, ‘Social Housing in the Netherlands’, 30.

¹⁷⁴ Scanlon, Whitehead and Fernández Arrigoitia, ‘Introduction’, 4-5.

¹⁷⁵ Oudenampsen, *De conservatieve revolte*, 131-134.

for example because government deficits had to be reduced.¹⁷⁶ Some historians and social scientists share this explanation of neoliberal reforms.¹⁷⁷

The results of this thesis, by contrast, underline the significant role of ideas in the turn towards neoliberal policies. It may be true that government deficits were unsustainably high in the 1980s and therefore necessitated a reduction in the size of the welfare state. This factor is not able to account fully for the neoliberal paradigm shift in housing policy, however. For example, the partial abolishment of rent controls did not contribute to the goal of lowering of government deficits.¹⁷⁸ The elimination of rent controls must first and foremost be seen as a result of the idea that market forces should be strengthened while government intervention in the housing market should be limited.

The thesis has the following important limitation. It shows that Dutch housing policy became more aligned with the housing policy that was envisioned by Hayek and Friedman. In this sense, housing policy moved in a *neoliberal direction*. However, it cannot be established whether the politicians and civil servants, who pushed this neoliberal shift in housing policy through, were personally motivated by the ideas of neoliberal thinkers like Hayek and Friedman. This may very well be the case, as is indicated by the example of Frans Rutten, who was as a leading civil servant involved in the turn towards market reforms and welfare retrenchment in the Netherlands in the early 1980s. He drew inspiration from Milton Friedman and foreign politicians who put his ideas into practice, such as the American president Ronald Reagan.¹⁷⁹

Future research could explore the motivations of politicians and leading civil servants that were involved in bringing about the neoliberal paradigm shift in Dutch housing policy, for example by delving into their biographies and the archives of government ministries. It could also be helpful to look at the possible role of think tanks that are affiliated to the Mont Pèlerin Society, as has been done for the British case for example.¹⁸⁰

¹⁷⁶ An illuminating analysis of the strategies which politicians used in order to avoid blame for welfare retrenchment can be found in Paul Pierson, 'The New Politics of the Welfare State', *World Politics* 48 (1996) 2, 143-179.

¹⁷⁷ See for example Wolfgang Streeck, 'The Politics of Public Debt: Neoliberalism, Capitalist Development and the Restructuring of the State', *German Economic Review* 15 (2014) 1, 143-165. Beekers, *Het bewoonbare land*, 244.

¹⁷⁸ Quite to the contrary, the rent increases that resulted from the abolition of rent controls may even have contributed to larger government deficits indirectly, since they may have necessitated higher government expenditure on Individual Rent Subsidy.

¹⁷⁹ Oudenampsen, *De conservatieve revolte*, 135-138.

¹⁸⁰ Stedman Jones, *Masters of the Universe*, 273-328.

It would also be interesting to assess the effects of neoliberal housing policy. Over the past few decades, housing has become less affordable across the Western world, especially for younger generations.¹⁸¹ This also applies to the Netherlands.¹⁸² Future research could test whether there is a relationship between neoliberal housing reforms and declining affordability, for example by means of cross-country comparative studies.

¹⁸¹ Josh Ryan-Collins, *Why can't you afford a home?* (Cambridge/Medford 2019).

¹⁸² Marietta E. H. Haffner, and Harry J.F.M. Bouwmeester, 'The Affordability of Housing in the Netherlands: An Increasing Income Gap between Renting and Owning?', *Housing Studies* 25 (2010) 6, 799-820. Cody Hochstenbach, and Willem R. Boterman, 'Navigating the field of housing: housing pathways of young people in Amsterdam', *Journal of Housing and the Built Environment* 30 (2015) 2, 257-274.

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