Public Policies on Middle-Class Mass Housing in Europe

The case of Germany

Dragutinovic, Anica

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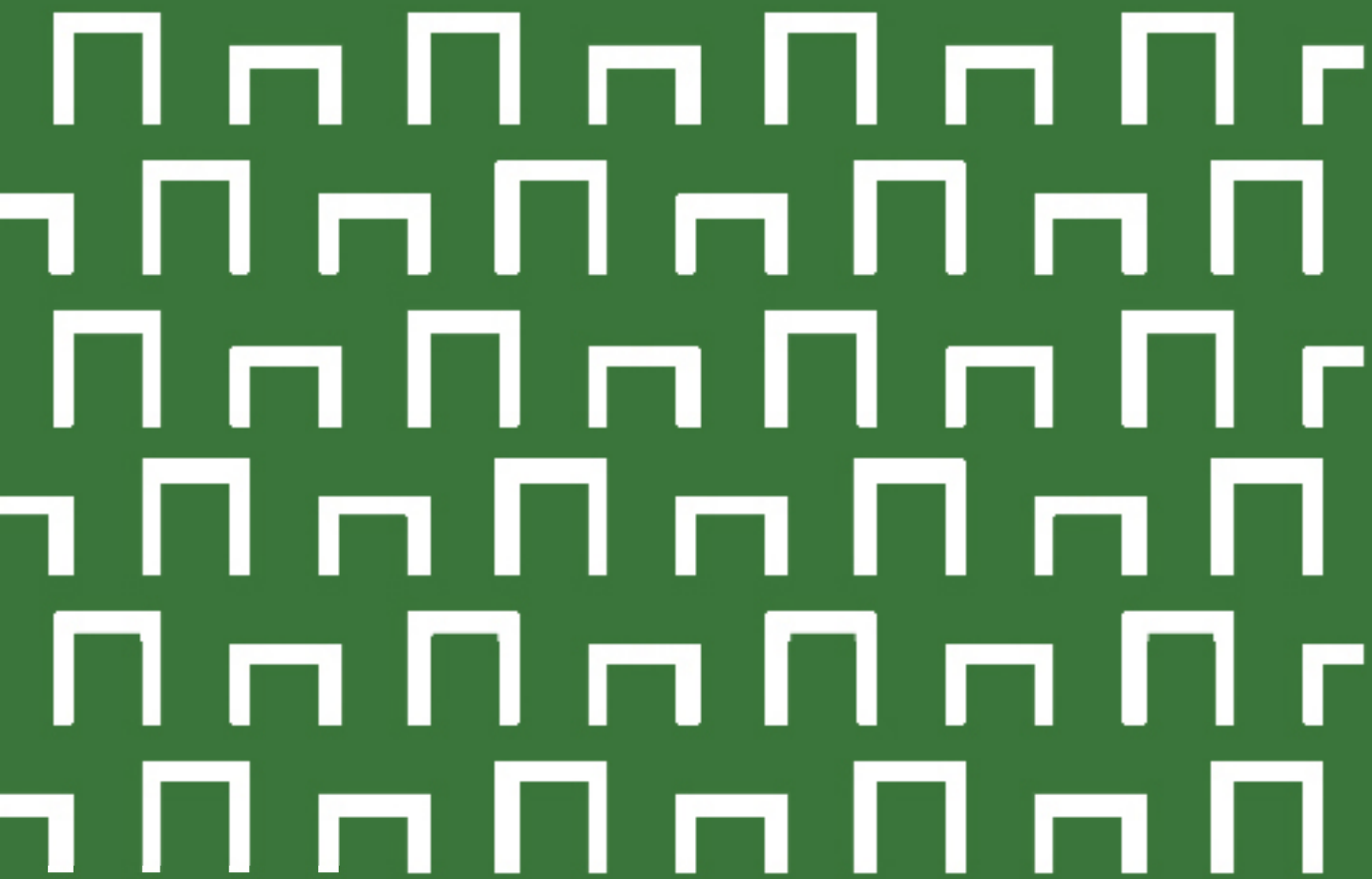

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Müge Akkar Ercan, Uta Pottgieser (Eds.)

Authors:
Müge Akkar Ercan, Uta Pottgieser, Edmond Manahasa, Constanze Wolfgring, Els De Vos, Selin Geerinckx, Byron Ioannou, Bernard Haumont, Ahmed Benbernou, Anica Dragutinovic, Despina Dimelli, Melinda Benkő, Laura Daglio, Luisa Smeragliuolo Perrotta, Federico Zanfi, Magdalena Zaleczna, Stefan Dragos Dascalu, Marija Milinković, Sanjin Subić, Paz Núñez-Martí, Roberto Goycoolea-Prado, Maruška Šubic Kovač, Jennifer Duyne Barenstein, Lidwine Spoormans, Claus Bech-Danielsen, Lora Licolaou, Ayşegül Sarı, Fatmanur Tok, Nurten Müge Ayla, Hamdi Tekin, Nilay Nida Can, Meriç Altıntaş Kaptan, Ecem Engin, Aslı Selin Özzade, Sophia Borushkina, Aybüke Balahun Çoban, Hadeel Abuzaid, Sanjin Subić, Shiza Mushtaq, Bernard Haumont, Hassan Estaji, Berin Güney, Selen Karadoğan, İrem Duygu Tiryaki, Furkan Erdem Sözeri.

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European Middle-Class Mass Housing CA18137

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Germany

By Anica Dragutinovic

Woldenmey Siedlung in Dortmund (1963-1969). Source: Svenja-Christin Voß, photography taken for the student workshop MHN in Essen/Dortmund, February 2022.

German housing policy over the past 100 years has been following housing policy trends similar to most European countries: (1) regulating minimum standards of housing, (2) private sector rent control, (3) provision of social rental housing and (4) subsequent shifts in emphasis towards housing quality and individual subsidies. In Germany (similar to Austria, Denmark and France), there has been less market displacement, and large private rented sectors have been retained. Public expenditure on housing policy typically lies in the range 1-2 % of GDP. (European Parliament, 1996) As noted by Treanor (2015, 55), 75% of households with the bottom quartile of income live in rented accommodation, but so do 45% of those in the highest quartile. Germany has one of the lowest homeownership rates in Europe.

Housing policy in Germany can be divided into three major periods: (1) the pre-World War II (1890s-1940s), (2) the post-World War II (1940s-1980s), and (3) the reunification (after 1990).

The pre-World War II period is characterised by the establishment of social housing "as a central concern" of the country in the 1920s, establishing the central principle of the German housing system, present ever since. According to Glendinning (2021, 42), this principle was "a sharp separation" between the state, controlling legislation, finance and regulation, and "the producer agencies, which treated with strict neutrality: municipalities, cooperative/social companies and private firms were all eligible for the same assistance and subject to the same regulations". The hyperinflation of 1923 strongly affected the middle class, and to address the economic chaos, a national emergency tax on housing values (Hauszinssteuer) was introduced in 1924. The state-supported housing was orientated towards rental housing rather than (lower-income) home ownership. In fact, German legislation outlawed ownership of individual apartments in the period 1900-1951 (in East Germany until 1990) (Urban, 2018, 104).

> *As always in Germany, unlike Red Vienna, the main client group was not the poor but the impoverished lower middle classes and skilled workers – many of whom then had to quit their expensive modern dwellings during mass unemployment in the Depression. (Glendinning, 2021, 42)*

With the Depression in 1931 housing support was abrupted (reduced by 80% in 1933), and in the post-1933 Germany, the position of housing was somewhat peripheral, as Glendinning (2021, 51) notes.

The post-World War II period was characterized by East-West polarization and differentiated housing policies within West Germany and East Germany. The housing policy in post-World War II West Germany was grounded in the ideal of the social market economy and unified guiding principles on a national level were avoided (Glendinning, 2021, 215), which was in contrast to East Germany centralised governance and socialist system.

The scarcity of housing in West Germany was not class-specific and social housing did not necessarily mean working-class accommodation – approx. 70% of the population was eligible for social housing in the early post-war years (Urban, 2018, 201). Thus, the legitimacy and economic prosperity of the new state depended vitally on mass housing production, but it was achieved through taxation concessions stimulating private investment. "Small-scale landlordism" and home ownership were prioritized to a degree, "reflecting the strength of Catholic family values within Christian Democracy", but "the non-profit organisations played a closely supporting role, aided by subsidy-neutrality between rental and home-ownership", supported by the Social Democrats. Most multifamily buildings were built by state-sponsored non-profit housing associations, owned by municipalities or other public bodies such as trade unions (Urban, 2018, 101). The Social Housing Subsidy Act (1950) was one of the Federal Republic´s first laws, which developed a subsidy system, combining state and private inputs via loans and grants. Between 1950 and 1954, around 2.3 million new houses were completed – which "itself massively fuelled the economic-recovery ´miracle´" (Glendinning, 2021, 223-5). The Housing Construction and Family Home Act (1956), emergency controls dismantlement (1960) and a law from 1967, boosted homeownership subsidies. The proportion of home ownership within new social housing increased from 17% in 1950 to 24% in 1960, and 43% in 1975 (Glendinning, 2021, 225). The year 1973 saw the peak of West German housing production: 714,000 dwellings, but "a slide in economic growth from 6.3% annually in 1952-66 to 1.6% in 1974-82" occurred (Glendinning, 2021, 236-7). Following the increasingly negative media coverage, the construction of mass housing was largely discontinued in the mid-1970s (Urban, 2018, 100).

As Treanor (2015, 55) explains, housing was not an immediate priority in East Germany following the war. In 1949-55, East Germany housing received only 0.1-0.3% of total public investment, rising to 3% by 1968. Following the nationalization and dismantling of the

pre-war housing system in East Germany, the Arbeiterwohnungsbaugenossenschaft (AWG – workers' housing cooperative) system was established in 1954 as a hybrid of co-op and enterprise housing, confined to workers in an individual organization. (Glendinning, 2021, 344-6) The co-op building revival came with different legislation from 1953 to 1963´s formation of the housebuilding combines. Housing construction went up only in the 1970s under Erich Honecker and his famous Housing Program (1973), promising the construction of approx. Three million new dwelling units in a country of just 17 million inhabitants – 2 million were actually built (Urban, 2018, 103-4). The late production peak continued in the 1980s, almost to the end of the socialist rule in 1989.

The first "fundamental restructuring of the social housing sector since the 1940s, introducing market elements at an institutional level, as opposed to the individualized ´right to buy´ of Thatcherite Britain", was launched by Helmut Kohl´s Christian Democrat government in West Germany, just before the collapse of East Germany. A 1988 law "abolished federal subsidies for new social-rented construction and the tax-privileged status of the non-profit companies, freeing them to operate in a profit-making manner". (Glendinning, 2021, 238) After the reunification (1989-90) and a wave of emigration to the West, a systematic demolition or radical reconstruction occurred in the East, whose core funding mechanism was 'Stadtumbau-Ost' (2002–17). "Owing to the surprising similarity of the co-op and housing-association systems in East and West Germany, much of the surviving East Germany housing stock was unproblematically transferred to the Western social housing system and targeted for comprehensive modernization." (Glendinning, 2021, 530)

> *On both sides of the Berlin Wall the large housing estates were pragmatically accepted rather than loved, but in the East, there was a strong narrative that connected them to what many East Berliners would sorely miss after the German reunification: low rents, the absence of unemployment and a narrow gap between rich and poor. (Urban, 2018, 100)*

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