

# Public Housing in Two Liberal Welfare Regimes

## A Comparison between the United States and the United Kingdom

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### ABSTRACT

Public or social housing is an important legacy of welfare-state regimes. Housing studies have sought to understand specific national policies by applying Esping-Anderson's model of welfare state typology. This research aims to highlight how two nations, both of which fall under the same welfare regime typology of the 'liberal welfare state,' differ in their treatment of public housing policy, despite the apparent convergence of their policy efforts over the years. Through comparative historical analysis of the United States and the United Kingdom spanning over a hundred years, this piece suggests that institutional agencies play a crucial role in the success of public housing policies. These institutional agencies not only succeed in neutralizing the impact of policy shocks, but also influence policy efficiency and development trajectory due to their enduring nature in spite of changing political and economic perspectives. The piece also offers several lessons from the UK's public housing policies for the U.S.

Welfare state theory would lead us to expect that the United States and the United Kingdom – both liberal welfare states – would exhibit similar approaches to housing policy. However, planning researchers and practitioners tend to view U.S. and UK housing policies as dissimilar systems based on the number of assisted housing units and the relative extent of federal government engagement in their respective housing markets. In this analysis, I seek to understand this discrepancy in perception and the similarities and dissimilarities of housing policy across both countries using historical comparative analysis. I adopt a descriptive methodology examining the historical development and transformations of public housing policy in the U.S. and the UK.

Despite a considerable amount of research available on housing studies in each country, academic historical comparative analyses are limited in number. Where comparisons do exist, they tend to focus on specific elements like responses to the global economic downturn and mortgage deductions. While researchers have shown both academic and general interest in housing policies ‘across the pond,’ a comprehensive evaluation examining broader trends and policies is not readily available. Therefore, this study uses a wide array of documentary evidence, including academic research, professional reports, and periodicals, to draw this comparison. I examine the overall approaches and philosophies that frame each country’s individual housing policy choices historically as well as the policies’ current-day impacts.

The interaction between the following elements determines the context and efficacy of broader social housing policy beyond typical market dynamics:

1. Perception of housing as a right, following either a ‘universalist’ or ‘selectivist’ model;
2. Political economy of the welfare state;

3. Agencies and institutional structures.

While the first two aspects are frameworks I chose to employ before comparing the two countries, I ultimately found that the third element helped to explain their dissimilarities in a compelling way. Institutional structures explained the UK’s better performance in the delivery of public housing. While broader socio-political and economic regimes have a direct impact on housing policies and their objectives, policy delivery channels along with their historical antecedents also play a prominent role in determining the efficacy of such policies.

## HOUSING AS A RIGHT

Government-assisted housing development, commonly known as social housing in the UK and public housing in the U.S., takes on varying forms in different national and political environments. What counts as public housing depends on the socioeconomic conditions and the target groups it caters to in different contexts. In most cases, public housing policy targets low- and medium-income groups.<sup>1</sup> It is often intended to promote equity and level the field for disadvantaged social groups. Rental housing remains the most prevalent form of public housing.<sup>2</sup>

The existing theories and definitions of the ‘right to housing,’ or need-based housing, interact differently with a given government’s broad-based policy approach to housing. Bo Bengtsson explains the right to housing as “a ‘political marker’... understood only in terms of how the relationship between the state, citizens, and housing provision is perceived in a particular national housing discourse.”<sup>3</sup> Even if governments acknowledged housing as a ‘right,’ their intervention in the provision of housing would vary across diverse socioeconomic and political groups.<sup>4</sup> Two common understandings of such approaches are ‘universalist’ and ‘selectivist’ approaches.<sup>5</sup> Universalist

systems are ones in which governments enjoy broader control over housing policy and development, such as in Scandinavian countries or Singapore. Selectivist, or interventionist, systems are those in which the government works only for a specific target group of the population, such as the poor, senior citizens, and/or military personnel. In selectivist systems, the government is not involved in the broader development and control of housing policy. In brief, these differences may be explained by the conceptualization of housing as an investment asset beyond a rights-based approach's understanding of housing as a 'necessity.' This asset-based view of housing also favors the idea that markets can effectively regulate housing supply and demand.<sup>6</sup> Overall, reliance on markets for housing provision has resulted in public policies that have gradually distanced themselves from the idea of housing as a public good.<sup>7</sup>

Given similar approaches to housing, policy delivery and successes are often reliant not just on market conditions but also on the structural mechanisms and political economies that facilitate and constitute them.

## HOUSING POLICY IN A WELFARE STATE

Welfare state theory for housing is firmly entrenched in the idea that housing is an extension of basic human needs and that it is as essential as services like healthcare and education.<sup>8</sup> Proponents, therefore, often appeal to human morality in deeming housing a public or welfare good.<sup>9</sup>

The literature on welfare states discusses social assistance in terms of three pillars: pensions, healthcare, and education. Scholars who study the inclusion of housing in the welfare state regime refer to housing as "the wobbly pillar under the welfare state."<sup>10</sup> Whereas social democratic welfare states like Scandinavian countries usually

embrace housing fully as a welfare good, other countries in Europe and the Western hemisphere have a variable approach to housing. The latter incorporated housing as part of their welfare regime only partially in the aftermath of the World Wars. As a remnant of this welfare state regime, successive governments over the years in these countries have continued to deal with housing as a fourth pillar, albeit differently from the other three pillars of a welfare state. As seen earlier, housing is different from other welfare goods because of its trade value and the 'asset-based' benefits it can generate for an owner or family.<sup>11</sup> Therefore, housing occupies a nebulous status based on the state regimes that treat it as a public or welfare good, a merit good, a private good, or a combination of these categories.

There are several models of state regimes, including Gøsta Esping-Andersen's welfare state typology,<sup>12</sup> Peter Hall and David Soskice's 'varieties of capitalism,'<sup>13</sup> and Robert Boyer's theory of four types of advanced capitalism.<sup>14</sup> I chose to apply the Esping-Anderson welfare-state typology for two reasons. Apart from being the founding classification of state regimes, the Esping-Anderson framework is also typically used in comparative housing policy studies, and the framework focuses on the welfare state as opposed to capitalist political economies. In assessing public housing policies, the welfare state regime theory offers a cohesive lens for analysis when combined with the idea of housing as welfare good.

The U.S. and UK both fall under Esping-Anderson's "liberal-welfare state regime" type. Esping-Anderson suggests that welfare states display a wide array of characteristics based on their typology. He categorizes them as liberal, conservative, or social-democratic regimes.<sup>15</sup> Liberal welfare regimes exist mostly in Anglo-Saxon countries like the U.S., UK, Australia, Canada, and New Zealand. According to Esping-Anderson, liberal countries adopt

few right-based approaches, and any welfare interventions are targeted based on need-based priorities.

One of the most prominent differences in the housing policies of the U.S. and the UK is their approach to housing as engendered in their respective political-economy perspectives. Housing in the UK is considered an 'entitlement,' occupying a significant position in the character of the British welfare state system.<sup>16</sup> In the U.S., however, increased government involvement in the introduction of public housing was opposed because housing was considered a private enterprise.<sup>17</sup> Therefore, over the years, U.S. housing policy has explicitly targeted groups of the population that are not served or are severely underserved by the market. Accordingly, based on Jamileh Manoochehri's categorization, the UK's housing policy is 'universal' in approach while the US is more 'selective.' This categorization is a major departure from Esping-Anderson's characterization of the UK as a 'residual' or 'selective' welfare state in regard to housing policy.

Change in the housing sector and related policy relies mainly on the type of housing tenure the government chooses to encourage. As David Mullins and Alan Murie state, successive governments in the UK actively worked to eliminate private landlordism.<sup>18</sup> By contrast, the U.S. government actively encourages private landlordism and rewards entrepreneurship.<sup>19</sup> This policy preference in the U.S. is evolving and heavily emphasizes the importance of the free market.<sup>20</sup> Affordable housing policy in the U.S. was historically designed to be a subsidiary to market forces and intervene only where there was an absolute need for government intervention. Public housing itself served as a temporary measure to support families in the short term, rather than a means of providing a long-term home.<sup>21</sup> The narrow interpretation of the 'right to housing' results in a significant difference in the

quality as well as the quantity of affordable housing subsidized by the government.<sup>22</sup>

The UK's economy and population are both significantly smaller than those of the U.S., while the rates of poverty and unemployment are similar. However, the UK provides more social housing than the U.S. as a proportion of the population.<sup>23</sup> If one were to judge the strength of each country's social housing policies on this aspect alone, the UK currently performs better than the U.S. Manoocheri extends this claim, saying that "universalist housing policies lead to high social housing standards while selectivist policies lead to lower standards,"<sup>24</sup> which implies that UK social housing performs better overall. This piece aims to examine this claim, finding possible reasons for such success.

## PUBLIC HOUSING SCENARIO: A STATISTICAL COMPARISON

The U.S.'s overall housing stock, 110.7 million units, is almost four times that of the UK's 26.5 million units (as of 2012).<sup>25</sup> Both the UK and U.S. have a similar proportion of homeowners in their overall housing stock at around 65 percent.<sup>26</sup> However, as depicted in Table 1, the total number of households assisted in the U.S. (7.6 million) through subsidized low-income housing is nearly comparable to that of the UK (6.2 million) in aggregate numbers.<sup>27</sup> Social housing (through direct subsidies and housing provision) in the UK constitutes about 23 percent of its overall housing stock.<sup>28</sup> The cost burden for rental households in the U.S. is significantly higher than that of the UK, with almost 50 percent of the U.S. population paying more than 30 percent of their gross income towards rental housing.<sup>29</sup>

Overall, there is a significant difference in the constitution of rental markets in the U.S. and the UK. The government directly or indirectly supports an enormous 76 percent of the rental market in the UK,

Indicator	USA	UK
Total housing stock (in US dollars)	110.7 million	26.5 million
Total subsidized low-income housing including subsidies (number of housing units)	7.62 million (7% of total stock) (22% of total rental housing)	6.17 million (23% of total stock) (76% of total rental housing)
Social/public housing (number of housing units)	1.16 million* (1% of total stock)	4.97 million** (20% of total stock)
Direct rental subsidies (number of housing units)	2.28 million (7% of total rental housing)	1.21 million (15% of total rental housing)
Average rental expenditure	33% of pre-tax income	22% of post-tax income
Rental expenditure	51% of pop spends more than 30% of pre-tax income; 20% spends >50%	36% of pop spends more than 30% of post-tax income

Table 1. Subsidized rental housing in the U.S. and UK in numbers (compiled from Alex Schwartz, *Journal of Housing and Built Environment*, 2011).

\* Excludes stock constructed using project-based subsidies, which accounts for 1.78 million housing units (2 percent of housing stock)

\*\* Housing associations and council-owned social housing

as seen in Table 1. This stock, in turn, provides the government with considerable leverage in controlling the housing market on the whole, a particular advantage of a universalist system. However, the opposite scenario plays out in the U.S., where private developers control almost 80 percent of the rental housing market. Housing tax credit programs contribute to 7 percent of the remaining 21 percent share of the rental market subsidized by the government.<sup>30,31</sup>

These numbers signify a severe shortfall of assistance to extremely low-income renters in the U.S. As of 2014, the U.S. federal government provides rental assistance to only 26 of every 100 extremely low-income renter households that need assistance.<sup>32,33</sup> If markets were left to provide affordable housing without any government assistance, it is estimated that markets could only cater to 21 among every 100 households that require support in accessing affordable rental housing.<sup>34</sup>

Despite the variance in numbers, the overall substantive issues in government-subsidized housing in both countries are the same: aging housing stock, socioeconomic

under-development, supply-demand mismatch, reduced government outlays, weariness by private financial investors, burgeoning maintenance issues, and many others.<sup>35, 36, 37, 38, 39</sup> However, there are important differences in the degree and causality of each of these issues that are easily understood with the help of a historical analysis of public housing policies in both countries.

## HISTORY OF PUBLIC HOUSING: THE UNITED KINGDOM AND THE UNITED STATES

### Before World War II

Housing emerged as a function of local government in the UK as early as 1909 through the Housing, Town Planning, etc. Act of 1909.<sup>40</sup> A number of laws were passed in the late 19th century to enable the government to clear 'squalors' and unhealthy areas within cities for public health purposes; however, the 1909 Act was the first to give local governments in the UK the power to develop land and build

housing.<sup>41</sup> This Act was further bolstered by the Housing and Town Planning Act of 1919 (the Addison Act), which mandated local councils to construct housing for war veterans.<sup>42</sup>

Following this legislation, local government-led housing construction extended into the 1930s and resulted in the rapid expansion of housing stock in the UK. Around the same time, Public Housing Authorities (PHAs) in the U.S. were established in 1939. While there was a lull in construction during World War II, a parallel surge in the construction of private and social housing ensued in both countries in the post-war period. From then on, significant shifts in public housing trends more or less coincided in both countries, as Figure 1 shows.

However, the rate of construction and the aggregate number of new public housing units were significantly higher in the UK

than in the U.S.; by the 1960s, local councils built and owned almost a quarter of the UK's housing stock.<sup>43</sup> With increasing funding constraints and increased pressure for delivery of affordable housing, both countries saw a severe degrading of construction standards and requirements starting in the early 1950s.<sup>44</sup>

### The 1950s-1980s

The early post-war period saw some consensus between the two major political parties in Britain concerning spending on social welfare.<sup>45</sup> There was widespread acknowledgement that, at minimum, the country needed to rapidly increase the housing stock.<sup>46</sup> This approach changed gradually until the late 1970s when Margaret Thatcher's government took over, beginning the transformation of UK housing policy to accommodate the neoliberal agenda.<sup>47</sup> After continual increases, social housing

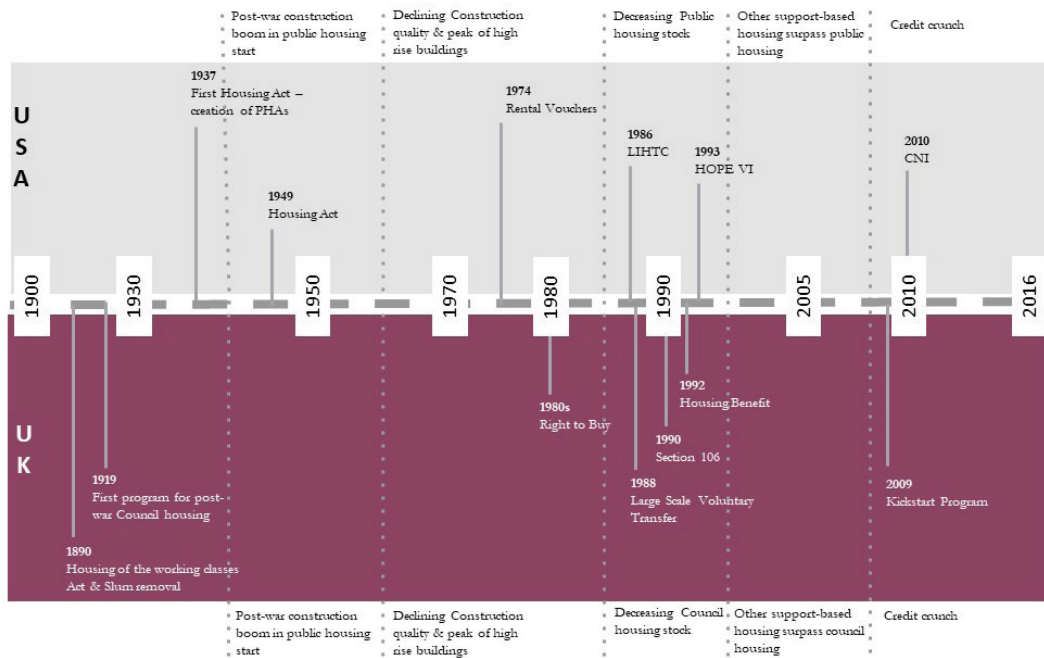


Figure 1. A comparative timeline of social housing development in the U.S. and UK (compiled by author).

stock in the UK started to decline. With the introduction of Thatcher schemes like Right to Buy and Large-Scale Voluntary Transfer, social housing stock declined from 32 percent to 18 percent of total housing stock.<sup>48</sup> In England alone, almost two million houses were transferred from councils to buyers between 1981 and 2011 under the Right to Buy program.<sup>49</sup>

Meanwhile, in the U.S., public housing projects were attracting severe criticism for their lack of safety, increasing crime rates, severe physical deterioration, and rising operation costs.<sup>50</sup> In addition to halting any new construction and dismantling unsafe and run-down structures (e.g., Pruitt Igoe in St. Louis in 1972), the U.S. looked to the UK's example of selling public housing units.<sup>51</sup> This idea did not prove successful due to the undesirable type, size, and location of public housing units when compared to prevalent low-density and spacious market-rate units.<sup>52</sup>

Many authors argue that the loss of good (and bad) public housing stock in the UK not only affected the size of affordable housing stock but also drastically altered the property dividends that otherwise contributed to the credit-worthiness of the PHAs and councils.<sup>53, 54</sup> These agencies had to deal with crumbling housing stock and mounting operation and maintenance costs.<sup>55</sup> As a result, both the U.S. and UK adopted a two-pronged strategy where the government explored opportunities for maintaining the remaining public housing stock on the one hand while instituting assistance programs for affordable housing on the other.

### **1980s-2000s**

The U.S. and UK adopted divergent approaches to public housing policy during this period after following somewhat similar approaches during the 1970s. To optimize resource distribution and consumption, the UK turned to the institutional handover of housing stock to Housing Agencies (HAs)

– non-profit bodies that have spearheaded much of the UK's affordable housing development since the late 1980s. Since then, the UK has constructed more than 90 percent of its total affordable housing stock.<sup>56</sup> As of 2009, HAs owned almost half of the social housing stock. However, with increasing tenant opposition to the conversion of council housing to social housing managed by HAs, these conversions were whittled down after 2002.<sup>57</sup> With the loss of active control over the affordable housing market, the UK introduced other assistance programs, including direct rental subsidies, in the 1990s.<sup>58</sup> Thus emerged the current duality of the affordable housing market in the UK. Local councils own a certain portion of the affordable housing stock, known as council housing, and HAs hold the remaining units. In addition to their own units, HAs often manage council housing as Arm's Length Management Organizations (ALMOs).<sup>59</sup>

During this period, the U.S. instituted asset-based property management techniques to operate existing housing stock more efficiently. To spur the construction of new affordable housing units, the U.S. also introduced various programs, including project-based funding and the Low-Income Housing Tax Credit (LIHTC) program.<sup>60</sup> Unlike the UK, the U.S. has not seen a notable transfer of housing stock, with the exception of HOPE VI projects,<sup>61</sup> which were introduced with a broader objective of community regeneration and revitalization than the provision of affordable housing per se.<sup>62</sup>

Another notable difference in the formulation of affordable housing policy between the two countries is the emphasis in the UK on promoting homeownership.<sup>63</sup> In tandem with the Right to Buy scheme, the UK introduced low-cost homeownership initiatives, most notably shared ownership. Shared ownership allows low-income families who aspire to homeownership to buy a determined

amount of equity (usually 25 percent) of a dwelling unit, while incrementally 'stair-casing' remaining payments through installments in the form of rent.<sup>64</sup> The U.S. has also provided homeownership schemes through PHAs; however, PHAs have never participated widely in such schemes. The U.S. Department of Housing and Urban Development (HUD) recently introduced a pilot program, "Moving to Work," that allows PHAs to offer a range of affordable housing choices (including homeownership) to low-income households.<sup>65</sup>

One of the most cogent criticisms of U.S. housing policy is that mortgage tax deductions encourage homeownership specifically for middle- and upper-income families. Such tax incentives result in massive subsidies for well-off families.<sup>66</sup> This policy preference to subsidize homeownership for the wealthy despite the country's failure to adequately provide housing for low-income families – even within the rental housing market – is a significant indicator of the U.S. government's housing policy priorities.

### **2000–early 2010s**

Both the U.S. and UK governments turned to the social-enterprise business model in the early 2000s.<sup>67</sup> While the UK relies on non-profit organizations such as HAs, the U.S. depends on private developers to supply affordable housing. In addition to substantial government grants, HAs in the UK and private developers in the U.S. have to raise private capital through other avenues and loans. HAs in the UK rely on cross-subsidized revenues from the sale of market-rate, higher-value units to raise finance; private developers in the U.S. mainly turn to the sale of tax credit certificates through LIHTC to private financial investors.<sup>68, 69</sup>

Despite similarities in market-based approaches of U.S. and UK housing policy, their modus operandi and key concerns vary. HAs receive direct grants from the

government that far exceed the support rendered by the U.S. government either directly or indirectly through tax credits.<sup>70</sup> Additionally, HAs in the UK have greater control over the management of their properties, which allows them to cross-subsidize from more strongly performing assets to weaker ones.<sup>71</sup> In the current policy framework, PHAs in the U.S. do not enjoy similar portfolio-wide management following the 1998 Quality Housing and Work Responsibility Act, which introduced the Asset-Based Management Approach. This change affects the creditworthiness of the PHAs, in general, to borrow against their property from the market.<sup>72</sup>

Additionally, strong inclusionary planning initiatives in the UK facilitate the production of affordable housing in tandem with the private market. Section 106 agreements introduced as part of the Town and Country Planning Act of 1990 in the UK enable local councils to insist on the reservation of a certain proportion of the proposed private market development to cater to affordable housing needs.<sup>73</sup> HAs are then tasked with the development and management of these affordable units.<sup>74</sup> Even though the accrual of affordable housing stock through this process is not substantial, it requires no direct or indirect monetary inducement by the government and helps create income-level integrated neighborhoods.<sup>75</sup> While inclusionary zoning was prevalent in the U.S. much earlier than in the UK, it is not as widespread, and even where city governments have adopted the practice, it is not always mandatory.<sup>76</sup>

## **RESPONSE TO CREDIT CRISIS**

Both the U.S. and UK went headlong into a severe credit crunch and subsequent housing crisis starting in 2007; however, the impact on the housing market was much more significant in the U.S.<sup>77</sup> Between 2006–2009, housing construction completion in the U.S. fell by almost 60 percent, twice the rate of the UK during the



same period.<sup>78</sup> The percentage change in mortgage foreclosures in that same time period was steeper in the U.S. at a little over 200 percent, when compared with 128 percent in the UK.<sup>79</sup> U.S. housing prices declined more steeply, at 27 percent, than UK housing prices.<sup>80</sup> Accordingly, the impact on affordable housing markets in the UK and the U.S. differed too.

In the UK, the collapse of housing markets affected HAs' ability to sell their market-value housing stock, including shared-ownership schemes. In addition, the decline in housing starts meant no housing construction through Section 106 agreements.<sup>81</sup> Banks also turned away HAs or issued loans to them on very unfavorable terms, in contrast with the privileged lending HAs had enjoyed before the recession.<sup>82</sup> The situation was more serious in the U.S., where reliance on private financial investors for affordable housing provision through LIHTC severely affected the affordable housing market.<sup>83</sup>

Governments responded to the crunch in the affordable housing sector differently over time. The UK initially witnessed an upsurge in government funding and support.<sup>84</sup> Efforts were made to continue the production of affordable housing units; HAs' completions increased by 14 percent in 2008, while the private sector completions decreased by 23 percent.<sup>85</sup> However, this scenario changed drastically when more conservative measures were employed along with severe budget and subsidy cuts for the affordable housing sector. As a result, the production of social housing units in the UK declined to a little less than 1 percent per annum in 2011.<sup>86</sup> There was also a shift in social tenancy tenure policies with the introduction of Fixed-Term Tenancies (FTT) that determine the eligibility of tenants' continuation on a periodic basis.<sup>87</sup>

Meanwhile, the U.S. government intervened in the sagging market and provided an enormous financial stimulus to help the banking and housing mortgage sector

recover. Part of these initiatives was the provision of direct subsidies through the Tax Credit Exchange Program instead of tax credits to help developers undertake proposed LIHTC developments.<sup>88</sup> Since 2010, the U.S. has emphasized the promotion of integrated and mixed housing developments through policies like the Choice Neighborhoods Initiative (CNI),<sup>89</sup> but the developments have often come at the cost of decreasing affordable housing stock after redevelopment.

## WHY THE UNITED KINGDOM PERFORMS BETTER

Based on the discussion above, the key component that explains the UK's better performance in public housing initiatives is the institutional framework for affordable housing provision. Following are some of the specific institutional initiatives underlying critical differences between the U.S. and the UK models.

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### Strong National Policy and Institutional Interaction

The UK's strong national social housing policy and its interaction with various institutions involved in the housing sector provides a firm basis for a well-understood and transparent housing policy.<sup>90</sup> In the U.S., however, the process is transactional, guided mainly by financial disbursements and accountability. A separate regulator for social housing in the UK, the Homes and Communities Agency (HCA), helps monitor

the performance of HAs across a set of economic and consumer-oriented standards including governance, financial viability, and organizational effectiveness at providing affordable housing. While HUD endeavors to fill this role in the U.S. through annual and five-year audits, it is often a loose process given the scale of independent effort required.

### **Integration with Local Development Plans**

There is a close connection between the work of housing associations and local governments in the UK, where a local government is responsible for preparing housing strategies outlining the needs of the council as a whole with a particular focus on the affordable housing sector. This connection makes the provision of affordable housing central to the operation of a city government. This *modus operandi* is not typical in the U.S., where the nexus between the public housing agencies or commissions and local authorities varies from state to state.<sup>91</sup>

### **Institutional Capacity**

The UK differs from many other countries because of its concentrated efforts to enhance institutional capacity for social housing agencies at both the national and the local level. This emphasis helps provide an efficient delivery mechanism to cope with the demands imposed on a welfare state. This is significantly different in the U.S., as Chuck Wehrwein and David Orr state:

The multiple debts, equity and philanthropic sources necessary to create deeply affordable homes, create a time-consuming, overly complex and inefficient process that also entails significant risk. There is very little public policy focus on the strength and sustainability of the organization.<sup>92</sup>

### **Focus on Socioeconomic Integration**

The socioeconomic characteristics of the public housing market in the U.S. are significantly different from those of the

UK given its “legacy of racial segregation and discrimination,” exacerbated by its selective social housing policy.<sup>93</sup> Recent policy efforts through the CNI and Rental Assistance Demonstration (RAD) are steps in the right direction. However, they are still only contributing partly to the replacement of the existing housing stock and are not in any way leading to the addition of affordable stock. Existing inclusionary housing efforts in the U.S. lack a more comprehensive policy approach to integrated housing development at higher levels of government as in the case of national level efforts in the UK through Section 106 agreements.

## **ANALYSIS AND RECOMMENDATIONS**

Apart from the institutional differences described above, U.S. public housing policy would benefit from making some substantive changes to mirror those exemplified in the UK system.

### **Expand Public Housing Budgets**

One of the most serious threats faced by public housing is the increasing risk of government funding cuts. Given policy impacts on the built form as well as human development aspects of housing, long-term and snowballing effects are often induced by even a single percentage point cut in funding. Early intervention in terms of expanding direct funding mechanisms for affordable housing is one of the most important initiatives to ensure sufficient support for dwindling public housing stock in the U.S.

### **Provide Both Consumer and Producer Subsidies**

Weak norms and construction standards employed during the public housing construction boom resulted in burgeoning maintenance and operation costs. In such a scenario, government or quasi-government agencies increasingly look to the private sector for investment and management.

Such privatization instilled a culture of asset management that has strengthened the government's view of housing as a commodity rather than a public good.

The UK provides an excellent example of a suitable combination of both producer and consumer subsidies. Moreover, there is considerable overlap in this process that ensures service to those who need it most. It is this twofold approach that makes the UK social housing model more successful. In addition to adopting this twofold model with an increase in budgetary support for affordable housing, the U.S. requires aggressive efforts in circumventing the negative impacts of its preferred 'selective' social housing policy in ensuring integrated communities and equal opportunities.

### **Rethink Mortgage Tax Credits**

Mortgage tax credits favor those in the middle- and upper-income groups rather than those whose housing needs are the greatest. The UK abolished its mortgage tax credit program in 2000, though it continues in the U.S. as one of the largest federal welfare benefit programs. In the U.S. the program has been criticized as a means of appeasing the typical 'median voter,' a homeowner with a mortgage. Through mortgage tax credit program, critics argue, is how U.S. operates as a 'hidden welfare

state' to maintain the political and economic status quo.<sup>94</sup> The US should abolish mortgage tax credits in a phased manner and channel a majority of these budgetary savings to affordable housing needs.

## **CONCLUSION**

A historical and comparative assessment of social or public housing policy in the U.S. and UK offers interesting insights into the convergence of housing policies and their broader trends in two liberal welfare systems. However, closer examination reveals subtle differences in the structure and functioning of housing policy that are based on the variations in their respective political economies surrounding affordable housing. This study also reveals how institutional mechanisms play a pivotal role in shaping how liberal welfare regimes meet the affordable housing needs of the poor and disadvantaged sections of their communities. These subtle differences play a greater role in influencing the way housing policies intersect with other social and macroeconomic policies and governance structures that ultimately yield different results. It also cautions against the blind exportation of policy ideas from one context to the other.

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